

PM-Scotus-Welfare, 520

URGENT

Justices Reinstate California Welfare Rule

By LAURIE ASSEO= Associated Press Writer=

WASHINGTON (AP) States can reduce their welfare costs by counting all children in a household as a single group, even if they are not brothers or sisters, the Supreme Court ruled today.

Unanimously reinstating such a policy in California, the court said federal law allows states the option to count children who are not siblings as a single household group.

A household would receive more benefits if non-sibling children were counted separately in California than if all the children living together were counted as a group. Welfare benefits rise by a smaller amount for each additional child in a household.

"Although needy children will receive less in per capita benefits under the California rule, this reduction affects only children who share a household," Justice Clarence Thomas wrote for the court. "California is simply recognizing the economies of scale that inhere in such living arrangements."

Thomas said the "potential inequities ... are even greater" without such a rule. Six non-sibling children who live together in California would receive almost double the welfare benefits given to six needy brothers and sisters, he said.

Today's ruling reversed a federal appeals court decision that threw out California's policy of requiring all children who live in the same household to be counted as a single group.

Other federal appeals courts had allowed Massachusetts, New York and Minnesota to use policies similar to the California rule.

California officials said the state's policy provided equitable treatment for children receiving welfare benefits in a single household, whether or not they were brothers and sisters.

But welfare recipients who challenged the policy in a class-action lawsuit said it would discourage people from agreeing to care for welfare-dependent children who are not their own.

Three California women who care for welfare-dependent children challenged the state policy, saying it violated federal rules issued under the Aid to Families With Dependent Children law.

Verna Edwards cares for her granddaughter and two grandnieces; Barbara Moore cares for her son and daughter and two orphaned grandchildren, and Vanessa Hamilton cares for her two sons and three orphaned nephews.

Counting the nonsibling children in the Edwards household separately would provide \$789 per month in benefits, but the California policy would reduce the benefits to \$607 a month.

The benefits to Moore's household would be cut from \$980 a month to \$723 under the state rule, and the benefits to Hamilton would be reduced from \$1,196 to \$926 a month.

A federal judge threw out the California policy, and that ruling was upheld by the 9th U.S. Circuit Court of Appeals, which earlier had prohibited Washington state from imposing such a policy.

Today, the Supreme Court reversed those rulings.

The federal law allows states "to take into consideration the income and resources of all cohabiting children and relatives also claiming AFDC assistance," Thomas wrote.

The case is Anderson vs. Edwards, 93-1883.

**** filed by:APW=(NV) on 03/22/95 at 10:55EST ****
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To Bruce Reed

2 1 2, 7, 77 - V. H. N.

WR - Business

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
SENIOR VICE PRESIDENT,
MEMBERSHIP POLICY GROUP

January 9, 1995

1818 H STREET, N.W.
WASHINGTON, D.C. 20082-2000
202/463-8310

The Honorable Bill Archer
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

With momentum gaining for reforming America's welfare system in the 104th Congress, I thought you would be interested in recent action taken by the U.S. Chamber of Commerce. The Chamber is prepared to help craft legislation to reform the nation's welfare system, and will play a central role in the upcoming welfare reform debate.

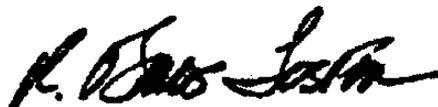
Business has a significant stake in the welfare reform issue. If people are to exit the welfare rolls, they must be prepared and able to find and keep a job. As a result, welfare reform proponents are looking to the private sector as the primary source of job placement and creation.

On November 9, 1994, the Chamber's Board of Directors adopted as policy nine principles to guide the organization's efforts toward restructuring the nation's welfare system. Enclosed is a copy of the policy statement.

The Board was guided in establishing policy by the results of a survey sent to 1,200 Chamber members in August 1994. Nearly 600 surveys (50 percent) were returned, indicating strong interest in welfare on the part of businesses nationwide. Results of the survey also are enclosed.

The Chamber is anxious to work with members of Congress and to lead the fight for business to reform welfare in 1995. When appropriate, I hope you will call on us to assist with your efforts by way of testimony, briefings, and grassroots activities.

Sincerely,



R. Bruce Josten

Enclosure

STATEMENT ON WELFARE REFORM

The U.S. Chamber of Commerce recognizes that America's welfare system is in need of reform. Welfare has become a system that in many ways discourages marriage, encourages out-of-wedlock births, and creates an expectation of dependence rather than self-sufficiency. Costs of the system continue to escalate.

The U.S. Chamber supports restructuring the welfare system. To be effective, it is essential that changes in the existing welfare system reflect the following principles:

- Welfare must become a transitional system leading to work. When people exit the welfare rolls, they must be expected to secure employment in the private or public sector. Therefore, business must be centrally involved in all phases of the new welfare system's design, development, operation, and evaluation. The new system also must include representatives of the private sector in the delivery of local welfare services.
- The new system should provide job placement services as promptly as possible to help welfare recipients find employment. If recipients need to acquire skills to obtain a job, then intensive education, training, and job search services must begin immediately. Measures that help welfare recipients assume more responsibility in obtaining a job should be incorporated into the new system.
- In addition to improving performance in major subject areas and occupational skills, the intensive education and training services should help welfare recipients develop the affective skills needed to perform in the workplace. Examples include an ability to work with others, report to work on time, think analytically and independently, and develop a positive attitude toward work. Drug education also should be incorporated.
- It is essential that all persons who work at the local welfare centers receive appropriate training and retraining to operate the new system. Because the new system will be oriented toward employing, educating and training welfare recipients, workers in the system must share this orientation. Accountability standards should be incorporated into the operation of local welfare centers to ensure that they are operated efficiently.
- Welfare recipients must be drug-free as a condition of employment. A drug-free status also should be a condition of eligibility for receiving federal benefits, include welfare benefits. Adequate resources must therefore exist to provide drug abuse treatment as a component of job readiness training.

- **Education and training under the new system should be based on and incorporate academic and occupational skills standards needed for success in the work place of today and the future.**
- **Upon completion of job search, education and training services, welfare recipients should be required to obtain employment in the private or public sector. A limit should be placed on the amount of time an individual may receive welfare benefits.**
- **The reformed welfare system must not impose any new federal mandates or regulatory burdens upon employers. It must not be financed through the creation of a new tax or an increase in any current tax on business. An employer tax credit should be given to businesses that hire welfare recipients.**
- **In considering options for restructuring welfare, reforms that have been undertaken at the state level should be examined. Special consideration should be given to options that restructure the welfare system without resulting in cost increases, as well as those that achieve cost savings through improvement of state and local welfare systems.**

**PLEASE ANSWER THE FOLLOWING QUESTIONS AS
BEST REPRESENTS YOUR VIEWS:**

1. Should the existing welfare system be reformed?
Yes 99% No 1% Don't Know 0%
2. Should the goal of welfare reform be to abolish it altogether?
Yes 41% No 51% Don't Know 8%
3. Should welfare recipients be eligible for federally funded education and training services?
Yes 76% No 17% Don't Know 7%
4. If yes, should welfare recipients be required to work after engaging in education and training services?
Yes 98% No 0% Don't Know 1%
5. Should the federal government pay employers a subsidy for hiring welfare recipients in order to move them off the welfare rolls?
Yes 46% No 39% Don't Know 14%
6. Should a time limit be placed on how long a person may receive welfare benefits?
Yes 94% No 2% Don't Know 4%
7. Should non-U.S. citizens continue to be eligible for welfare benefits?
Yes 4% No 92% Don't Know 4%
8. Achieving welfare reform requires financing. How should the reform be funded?
Savings through 70% Enactment of Reforms 59%
Program Improvement Not Resulting in a Cost Increase
General Revenue 6% Tax Increases .01%
Combination thereof 21%

Comments: _____

Richard A. Ferreira
Human Services



Office of Government Affairs

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1331 Pennsylvania Avenue, NW
Washington, DC 20004
(202) 637-6721
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Allen Z. Miller
Director

EDS Office of Government Affairs
is pleased to announce that

Richard A. Ferreira

formerly with the American Public Welfare Association
has joined the Washington, D.C. office as
Government Affairs Representative for Human Services

WR - Business
Outreach



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Washington, D.C. 20004-1703

Phone: (202) 637-6721
Fax: (202) 637-6759

WR Business

THE ATLANTIC PHILANTHROPIC SERVICE COMPANY, INC.



JOEL L. FLEISHMAN
President

AUG - 5 1994
AUG 3 1994

July 28, 1994

Mr. Gary Walker
Executive Vice President
Public/Private Ventures
2005 Market Street, Suite 900
Philadelphia PA 19103

*→ Bruce Lader
FBI-
Phil*

Dear Gary:

I did indeed enjoy meeting you, and I look forward to further conversations.

With every good wish,

Cordially
Joel Fleishman
Joel E. Fleishman

(dictated but not read; signed in Mr. Fleishman's absence to avoid delay)

bc: Phil Lader, Personal & Confidential

Phil - I think that his suggestion that efforts to effect a transition from welfare to work should be overseen by the private sector is absolutely correct, and it ought to be worked into the current legislation if that is at all possible.

P/PV is one of the leading "tough-minded", rigorous research firms specializing in employment issues. P/PV and MDRC are the two best.

Warm greetings!

722DRF

WR is one piece of community change, from dependent comm. to independent comm.

He'll give us a list of their best thinkers

Jan 6, 7, 8 - Board Mts. 30
Feb 22, 25, 1 - Annual Mtg.
→ Speaker / Focus Group?

WR Business Outreach

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

10 Biggest Cities mty. - need jobs to create devel. in comm.: public housing, improvement, tutoring, day care, public safety
- Neighborhood security aides (Milwaukee) - comm. loved it, elderly loved it
→ what do you do to create econ. devel., not just income. Burlington Gas Co. comes
→ Job Auction
safe ground - CBQs, incars, services to elderly

Memorandum for Distribution

November 1, 1993

From:

Toby Graff, Office of Public Outreach
Working Group on Welfare Reform
Meeting with National Private Industry Council (NAPIC)

Subject:

Give PICs authority to approve job creation - jobs must demonstrate they lead to private sector job readiness

→ Make \$ flexible enough to unleash econ. devel.
→ Create non-profit corps.

Survey of local chapters committee workforce dev. one-stop shopping board. too narrow only DOT
Workforce Investment Boards
Challenge grants to innovation comm. (JOB Grants)
Can't legislate public-private partnerships - need incentives for local buy-in - to get comm groups involved

The meeting with Robert Knight, of the National Private Industry Council (NAPIC) is scheduled for Tuesday, November 2, at 3:00 p.m. It will be held in Bruce Reed's office, Room 216, of the Old Executive Office Building.

Focus on PICs in reauthorization more on past receipts of grant benefits

Working Group members and staff that will be attending the meeting are: Bruce Reed, Bonnie Deane, Cantia Pian, Jeremy Ben-Ami, and Chris Lin.

OJT has best impact - we've wined it out - Bill Ford opposes

This is the third of several meetings we plan to hold with representatives of the business-community. The purpose of this meeting is two-fold. We would like to have a substantive discussion on NAPIC's ideas for job development, training, and all business-related aspects of the welfare reform plan. It is imperative, from a policy standpoint, to determine what specific initiatives business will support and actually assist in implementing. We also would like to get NAPIC's recommendations on how best to develop private sector involvement in welfare reform and proceed in our outreach efforts. We have not done any outreach to NAPIC thus far, so this is also an opportunity to initiate contact and provide a general overview of the reform effort.

Employer groups could run class-room projects - more user input - skill stds/CA - More QTC info

● General Information about National Private Industry Council: NAPIC was founded in 1979. It serves to represent the interests of the nation's Private Industry Councils (PICS), local public-private partnership groups charged, under the federal Job Training Partnership Act (JTPA), with planning and overseeing education, job training and employment programs for low-income youth and adults as well as dislocated workers. There are approximately 10,000 business volunteers that serve on the nation's 640 PICS. Working in conjunction with business, members are representatives of local government, education agencies, organized labor, economic development and community-based organizations, and social service agencies.

Every AFDC is elig. for JTPA, Pell, comm. colleges - create other private subsidies

● Private Industry Councils and Workforce Development: For over a decade, PICS have directed federally sponsored job training and employment programs targeted to the economically disadvantaged and unemployed. PICS give the basic education, training, and job search, and retention skills that help people enter the labor force and enable them to achieve economic independence. Today many PICS are seeking to bring cohesiveness to the

Jobs for NCPs/men

Performance Stds

→ figure out ways for people to both work & learn - stay involved, do follow up

Job Ladder: 3 mos in public job, move onto private job

- need better indiv. case mgmt - lack of training (caseworkers make less than 50 yrs)

fragmented process of service delivery, and put into place a cost-effective, customer-driven education and training system to frame a comprehensive workforce investment system that will expand and improve the American workforce. Many are beginning to move beyond the confines of JTPA.

● **National Private Industry Council on Welfare Reform:** NAPIC believes that the PICS have not been utilized as an active participant in occupation training or in determining if there is demand in certain occupational areas. They would like to become more of a resource. NAPIC proposes the creation of "a policy oversight body that is business-led, within a state structure and then replicated in the labor market." NAPIC is fearful that the JOBS program and any job-training program is divorced from the demand-side of the labor market. Occupational training is now run by "state or county bureaucracies" with little interjection from the demand or employer-side of the equation. NAPIC would like to assume this role of somewhat of a mediator between the training programs and the labor markets in the private sector, to train people with specific existing and available jobs in mind.

● **National Private Industry Council on the Administration's Welfare Reform Effort:** The NAPIC, as a board, has just begun to closely consider the Administration's proposed initiatives on welfare reform. Their major concern thus far is in a strategy that would divorce education from work and then require work after two years. NAPIC believes that work and education should be combined; taking place simultaneously or alternately, because "learning has greater context in a work setting". Their fear is that someone who is had been a AFDC recipient since they were 18 and never had any exposure to work, may then at age 25 be sent to get a two-year degree from a community college. Upon completion of the degree they would still have had no experience in the work force.

NAPIC is very interested in working with the Administration. In the past they have been supportive of previous reforms efforts. They will most likely continue to support the Administration's effort, even if they do not agree with every aspect.

*The information above was ascertained through a telephone conversation with Robert Knight.

DISTRIBUTION:

Bruce Reed
Jeremy Ben-Ami
Bonnie Deane
Chris Lin
Canta Pian
Patricia Sosa

**The Private Industry Council Record of Achievement
(October 1983 - June 1992)**

- **PICs plan and oversee local education, job training, and employment programs for economically disadvantaged adults and youth.**
 - **Approximately 6.5 million individuals have participated in PIC-sponsored programs.**
 - **Over 3.5 million program participants have been placed in jobs.**
 - **Approximately 69% of adult participants have been placed in permanent, private sector jobs.**
- **PICs supervise federally sponsored summer programs for disadvantaged young people.**
 - **Each year, approximately 500,000 youth are provided basic education and skills training, and placed in public sector jobs.**
 - **Over 6.2 million youth have participated in summer programs.**
- **PICs provide retraining and placement programs for workers displaced by corporate and defense downsizing and by technological changes in the workplace.**
 - **Over 1.3 million dislocated workers have received employment and training assistance.**
 - **Over 836,000 have been placed in permanent, full-time jobs.**
- **PICs assist businesses by:**
 - **Helping to recruit new workers**
 - **Providing pre-employment and on-the-job training**
 - **Evaluating local training needs from the employer's perspective**
- **PICs contribute to their communities by advancing measures to:**
 - **Improve public education**
 - **Expand economic development efforts**
 - **Provide quality day care**
 - **Promote adequate public transportation**

THE WHITE HOUSE

WASHINGTON

November 11, 1993

MEMORANDUM FOR BRUCE REED, JEREMY BEN-AMI

From: Chris Lin
Subject: Welfare/Business Outreach Strategy

I. Umbrella Groups

A. Who We Need to Touch

1. The core of business groups with whom the White House and Agency outreach teams regularly work.

U.S. Chamber of Commerce
National Association of Manufacturers
Business Roundtable

While some of the groups might not be interested in actually getting involved in welfare reform have an initial high-level meeting with them and regularly notify them of our developments, given their extensive membership and influence among the business community.

2. Groups that have a stake in welfare-related policies (contractors for JOBS, JTPA, etc.).

National Alliance for Business
Corporation for Enterprise Development
National Private Industry Council

These groups have had a voice in the process thus far and we should continue the rapport.

3. "Lefty/Do-Good" business groups.

These groups consist of member businesses who have a philosophical interest in welfare reform.

Businesses for Social Responsibility
Committee for Economic Development

We should tap into their "success stories" as part of our focus group meetings.

B. Process

1. Policy

I think we all agree that the school-to-work initiative is a good model to learn from. While at this time, we do not have someone full-time working on business outreach, we should pursue a similar type of consultative relationship with representatives from these groups. And to this end, we need to define an effective process to spark interest within the business community for welfare reform policy.

Our preliminary meetings set up the framework and direction for a dialogue with business groups. Due to time constraints, we need to take a strong next step and steep these organizations into the substance of welfare policy.

Per discussions with Jeremy, we should consider presenting business groups with a working paper on private sector initiatives under consideration as well as a sample survey for dissemination to member businesses. The survey would serve as a vehicle for gauging reactions to policy by businesses as well as identifying businesses that have real life experience with private sector initiatives (e.g., Honeywell's apprenticeship program for inner city teenage boys, NorTelecom's education and placement program for Hispanic mothers).

2. Outreach

Our relationship with business groups should be developed to the point where we can use their networks -- e.g., board meetings, newsletters -- to get the word on out on welfare policy and implementation options. This network should also be a foundation for a grassroots outreach strategy for the actual welfare reform legislation. White House initiatives such as the President's Economic Package and NAFTA have started to mobilize businesses on a grassroots level; we can build on this.

II. Strategy for Individual Businesses

The umbrella groups are not the ones with the experience in programs dealing directly with welfare recipients; rather, it is the independent businesses that have this expertise. Our best advisors are the individuals who have been involved with private initiatives. Our challenge is to determine a process that would most effectively utilize this bank of

knowledge.

A. Focus Groups

40-50 businesses have expressed an interest, or are already involved in programs that "give a leg up" for welfare recipients.

1. In Washington

As with the upcoming Temporary Employment/Placement Agencies meeting, we should pursue meetings in issue areas that affect business and where we need help in deciding policy.

For example, if there are a core set of businesses involved in child care programs and work with welfare mothers; we might select a group to meet with Sec'y Shalala and our Welfare Issue Group folk to learn from them.

2. Regional

Caren Wilcox of the DNC mentioned a strong desire for Trustees to be involved in do-good policies. Most of the trustees are leaders in their community, strong Clinton supporters, and have access to resources; we would choose 10-15 in the major cities throughout the country based on businesses we might be interested in hearing from and ask our trustees to set up a focus group (we would need to prepared backgroun materials for this meeting: an agenda, questions, etc.)

A policy or outreach person might be responsible to join this group for their meetings via phone.

We should consider having a roundtable in Washington to kick off focus groups activities (a training session/workshop). Invitees would include people who will be chairing the focus groups as well as businesses whose programs and initiatives we want to highlight and learn from. This might be a good opportunity to loop Mary Jo, David, even Sec'y Shalala into the business side of the welfare agenda.

B. Phone Calls

I will be more than happy to make calls around to businesses who have interesting programs. We should develop a team of callers with a script or list of questions to ask. Let's discuss more.

III. Small Business Strategy

- A. The small business strategy is a distinct but vital part to this program. If not only because small business is a growing employment force in the country while other sectors are downsizing.
- B. Tap into SBA resources as well as Chamber of Commerces.
- C. Get a few good small businesses in Washington for a small advisory pow-wow as to the development and maintenance of the business (maybe under the auspices of SBLC or NFIB, we need to check the politics of the groups) and reach out to them.

Small business is a problem unto itself since there are few umbrella organizations that could get the word out...

Billy wa: Low-wage employers need help w/ social service integration
I had employees who would quit b/c Medicaid was about to run at
- poss. for productivity gains

DRAFT 11/15/93

Biggest single prob I had was poor people trying to stay at work
Integration to solve Medicaid/ABLE Pay

→ Eligibility Integration

Walmart Med's - personnel mgrs. → Paperwork Burden on Business

IDEAS FOR BUILDING A STRATEGY FOR BUSINESS INVOLVEMENT IN WELFARE REFORM

→ Success stories (meet with them)

→ Jim Rainier, Honeywell, Unsub known U.S. (retired) - involved in Bar/COB - well-respected in bus. comm.

Purpose:

Three reasons for business to be involved in the welfare reform process: → Business ♀ (200)
100 Black ♂ + ♀

- 1) Obtain input during the development of and build support from the business community for the welfare reform policy proposal. → DNE Trustees
- 2) Recruit individual businesses to participate in welfare reform by creating training and work opportunities for those on welfare.
- 3) Create new partnerships — this policy initiative needs to be a joint venture of the public/private sectors as are school-to-work, education reform, health care reform, national and community service, direct student loans, technology superhighway, and other policy initiatives.

Timing:

- 1) Recruitment of national business organizations and individual businesses needs to begin as early as possible so there is a "buy-in"/feel ownership in policy development, implementation strategy, and partnership.

Rationale

Involving the business community in both the policy development and legislative support process will enhance the credibility of the proposal. Business is not seen as a traditional supported of this type of reform and their views will be sought out by Congress. With business support the Administration can utilize business' leadership to testify before Congressional committees (and eventually state legislators) and promote the proposal to other decision makers. Business leaders become advocates for change and "champions" who can promote their individual efforts in welfare reform, and recruit other business leaders to participate in implementation.

Suggested Approaches To Gain Their Involvement

- a) Consult with select national business organizations for their ideas and concerns on welfare reform. Inquire about their reaction to the guiding principles of the Administration's welfare reform proposal and the subsequent policy initiative. Any discussion should also include obtaining a list of which businesses are participating in "workfare" and which might be champions for the reform.

It would be useful to include or have a separate series of meetings for state based business organizations. They can be of value in building support for this type of reform proposal on a state by state basis.

- b) Consult with a select number of employers already involved in programs that train and employ welfare recipients, and programs working with targeted populations. Example: Employers involved in JTPA, school-to-work transition, other job training programs, or selected business-education partnerships.
- c) Hold discussions with a select number of employers who are identified as partial to the new welfare reform training and employment policy and practice, but not currently involved. These might include fast food corporations, service industry, light industry, and technology and telecommunications.
- d) Utilize existing committee structures and research efforts by business organizations as a means to ascertain supporters and assist in building a more comprehensive strategy.
- e) Hold a series of focus group type meetings with specific businesses and possibly some organizations, as we have done with the school-to-work initiative.
- f) Host sessions between potential public and private sector champions and include some key researchers/policy makers. These might include some of the state and local government national organizations.
- g) Obtain from other agencies a list of potential partners to be key supporters and contacts of new policy initiatives. This will parallel the efforts with business organizations. And make this a pyramid process by building on known supporters.
- h) Hold a series of breakfast meetings with the key Administration decision makers once a group of supporters have been identified to solidify their involvement and support.
- i) Build a coalition which includes the business community that is an advocate for the legislation and attempts to recruit others. This coalition will promote the policy initiative.
- j) An ongoing dialogue and workgroups need to continue to keep an eye on the initiative and continue to build support inside and outside of the Beltway.
- k) Hold a series of regional meetings similar to those described above or a combination to build support, obtain opinions and suggestions about the proposal, and answer questions.

With which groups should we begin

Even if there have been individual discussions with select business organizations, it may be profitable to bring them together because there is strength in numbers when policy proposals are in controversial areas.

To begin include:

First tier

U.S. Chamber of Commerce
Committee for Economic Development
The Business Roundtable
National Alliance of Business
Businesses for Social Responsibility
U.S. Hispanic Chamber of Commerce
National Association of Women Business Owners
Black Business Council (use selected members)

Second Tier

American Business Conference
National Association of Manufacturers
National Retail Federation
American Association of Retired Persons
American Gas Association
U.S. Telephone Association
American Bar Association
American Banking Association
American Electronics Association
Edison Electric Institute
American Public Power Association
National Coalition for Advanced Manufacturing
American Public Gas Association
National Telephone Cooperative Association
National Rural Electric Cooperative Association
Newspaper Association of America
National Association of Water Companies
Grocery Manufacturers of America
International Food Distributors Association
National American Wholesale Grocers' Association
National Soft Drink Association
Snack Food Association
American Frozen Food Institute
National Restaurant Association
American Hotel and Motel Association
Association of Mall Operators (need real name)

Characteristics for the job

- o Knowledge of and sensitivity about the business community -- how it works, how it is organized, and how it is involved in existing public policy efforts. This is about both the national organizations, state based groups and individual corporations.
- o Understanding how to engage business and target the message.
- o Understanding and knowledge of the policy development process, especially for welfare reform but including basic domestic policy.
- o Understanding and knowledge of how Washington works -- policy development, implementation, legislation (bill development, committee work and passage, and the personalities of members and staff on oversight committees).
- o Skill with building an overall strategy that is inclusive.
- o Knowledge of the various agencies involved in the welfare reform initiative.

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

NOTE: CETA - midfall. Job substitution
Honeywell - guarantee jobs
Stride Rite

November 15, 1993

→ Marian Pines: guaranteed job of Cong. (Baltimore) - small local employers - gave employers a person to call
Frank Doyle, GE

Memorandum for Distribution

Bill Egerly, St. St. Bank (Boston) - CDCs - social capital

From: Toby Graff, Office of Public Outreach
Working Group on Welfare Reform

Brad Bitter, Northern Telecom (diller)
BCR

Mtg. in January?

Subject: Meeting with Committee for Economic Development

→ Kean Barker, Dy Comm, Officer

The meeting with of the Committee for Economic Development (CED) is scheduled for Tuesday, November 16, at 3:00 p.m. It will be held in Bruce Reed's office, Room 216, of the Old Executive Office Building.

Working Group members and staff that will be attending the meeting are: Bruce Reed, Bonnie Deaney, Canta Pian, Patricia Sosa, Jeremy Ben-Ami, and Chris Lin.
Bill Dickens

This is the fifth in the series of meetings we plan to hold with representatives of the business community. The purpose of this meeting is two-fold. We would like to have a substantive discussion on CED's ideas for job development, training, and all business-related aspects of the welfare reform plan. It is imperative, from a policy standpoint, to determine what specific initiatives business will support and actually assist in implementing. We also would like to get CED's recommendations on how best to develop private sector involvement in welfare reform and proceed in our outreach efforts.

- **Previous Contact with CED:** Patricia Sosa contacted Van Doorn Ooms, the senior vice president and director of research for CED prior to the Washington, D.C. public forum. A CED representative was unable to attend the hearing. Mr. Ooms sent a copy of CED's annual report. In an attached letter, Mr. Ooms said that CED had not worked on welfare reform explicitly for many years. He said however that he was looking forward to working with the Working Group.

- **The Committee for Economic Development Current Subcommittee Projects:**

Each year CED creates several subcommittees to research various policy issues. Here a sample of recent projects that have some relation to welfare reform.

Jobs and Earnings for Less-Skilled Workers - CED has recognized that employment opportunities for low-skill workers have grown relatively slowly, and earnings disparities between high and low-skill workers have widened. Therefore, several trustees have suggested a study of the reasons for these trends, their implications and possible policy responses.

Tackling America's Urban Problems - CED has just began a new project called, "Tackling America's Urban Problems". This new CED project is designed to inform and motivate the business community to become a proactive partner for change in America's cities. The subcommittee will identify and focus the project on those issues in which CED has special expertise, such as job creation, human investment, capital investment, and public-private partnerships.

Why Child Care Matters - On March 18, a CED Subcommittee released a policy statement on the importance of addressing both the developmental and educational needs of children in child care, as well as the needs of working parents and their employers. "The report's principal finding is that current child care policies do not adequately address the child care needs of low-income families. As its top priority, the report call for targeting federal resources to those children for whom quality early care and education are most important, but whose parents are least likely to be able find or afford such care."

• **General Information about the Committee for Economic Development (CED):** The Committee for Economic Development is an independent, nonpartisan, nonprofit organization devoted to policy research and the implementation of its recommendations by the public and private sectors. CED has 250 trustees, who are mostly heads of major corporations and university presidents. It is unique among business-oriented organizations, in that the trustees personally select issues to be studied. The current CED Chairman is John L. Clendenin, Chairman and CEO of BellSouth Corporation. CED is based in New York City, but also has a local office in Washington, D.C.

DISTRIBUTION:

Bruce Reed
Bonnie Deane
Canta Pian
Chris Lin
Jeremy Ben-Ami
Patricia Sosa
Bill Dickens

THE WHITE HOUSE

WASHINGTON

November 3, 1993

MEMORANDUM FOR BRUCE REED, JEREMY BEN-AMI

From: Chris Lin
Subject: November 3, Interagency Welfare/Business Meeting

HHS

- ✓ Wendell Primus → Talk to business about CSE simplification + advanced payment of EITC
- ✓ Donald Sykes

TREASURY

- ✓ Robert Rafuse (deputy to Alicia Munnell)
- Ben Nye

EDUCATION

- ✓ Leslie Thornton (deputy to Billy Webster) → Ask them who key people are
- ✓ Fritz Edelstein → Interest at CED, Bus. Round table, MAB, chamber - mostly big business
- ✓ Jonathan Schnur → Nat. Small Bus United - Jack Renshaw, chair, 60,000 members - knows his constituency
- ✓ Missy Apodaca → Give them a stake in policy devel.

COMMERCE

- ✓ John Ost → Meet every week on strategy (BAI, ABC, BSE, NAM)
- Some trade assns are state-based: gas, water, telephone - they care about their state
- Talk to bus. in NY - wise: fact sheets + experiences - best practices

LABOR

- ✓ Julie Gibson → Bfasts with Secy Reich + Riley to involve business
- Talk to health professionals about how to expand health aides
- Identify cos. that are actually doing it + willing to do stuff in their communities
- Mass mkt. pub. sector program to business (School-to-work)
- Invite heads of assns to visits on Hill w/Secys.
- Regional mtgs. w/business, industry, + labor - make them stakeholders
- Piggyback on corporate support for NAFTA
- Big Business can help w/supplier network - target industry

WHITE HOUSE

- ✓ Bonnie Deane
- ? Paul Diamond
- ✓ ? Bill Dickens
- ✓ Amy Zisook
- ✓ Chris Lin

DNC

- Caren Wilcox
- Melissa Murray
- Training + input w/small businesses: regional workshops - 13,000 retired execs.
- Use groups to get message out to their members
- What can we offer them? Balmidge? Summer challenge. Recognition
- What kind of tech. assistance?
- Buy in in planning process at state level.

WELFARE WORKING GROUP

- ✓ Toby Graff

Bruce

THE WHITE HOUSE
WASHINGTON

October 29, 1993

MEMORANDUM FOR DISTRIBUTION

From: Chris Lin
White House Office of Public Liaison
Subject: Interagency Meeting on business Outreach for Welfare Reform

As a follow-up to Bruce Reed's memorandum of October 21, we are putting together an interagency meeting to discuss ways that your agencies have involved the business community in private-public initiatives and to brainstorm ways that this collective expertise can be used in the upcoming welfare reform effort.

This meeting will be held on WEDNESDAY, NOVEMBER 3RD BETWEEN 2:30 and 4:30 P.M. IN ROOM 180 of the OLD EXECUTIVE OFFICE BUILDING. Please make a note of this on your calendar and R.S.V.P. to me at 456-6657 or via fax 456-6218 (I will need your birthdate for security clearance).

Thank you for your cooperation. I look forward to seeing you on Wednesday.

DISTRIBUTION:

- Bruce Reed, White House Office of Policy Development
- Kathi Way, White House Office of Policy Development
- Bonnie Deane, National Economic Council
- Paul Diamond, National Economic Council
- Bill Dickens, Council of Economic Advisors
- Amy Zisook, White House Office of Public Liaison
- Debbie Fine, White House Office of Public Liaison
- Josh Steiner, Department of Treasury
- Roger Altman, Department of Treasury
- Robert Stein, Department of Commerce
- Sally Painter, Department of Commerce
- Kitty Higgins, Department of Labor
- Julie Gibson, Department of Labor
- Kevin Thurm, Department of Health and Human Services
- Wendell Primus, Department of Health and Human Services
- Jeremy Ben-Ami, Department of Health and Human Services
- Billy Webster, Department of Education
- Fritz Edelstein, Department of Education
- Mararita Colmerares, Department of Education
- Missy Apodaca, Department of Education
- Katie Broeren, Small Business Administration
- Caren Wilcox, Democratic National Committee
- Melissa Murray, Democratic National Committee
- Patricia Sosa, Welfare Working Group
- Toby Graff, Welfare Working Group

Welfare Reform
Business Outreach

Interagency Cooperation

11/3/93

I. General Introduction (Bruce Reed)

- o General welfare reform overview
- o Role of business/goals of outreach effort
- o Purpose of meeting : what are you doing - don't trip over each other
learn what they did right - what contacts, what programs

II. Private Sector Strategies (Bonnie Deane)

III. Review Of Administration Business Outreach Efforts

- o Office of Public Liaison - general overview
- o Departmental discussions of efforts

IV. Discussion/Brainstorming

- o How to build on/tie in with existing efforts
- o Ideas for further outreach

V. Next Steps

President Clinton has charged the Working Group on Welfare Reform, Family Support and Independence to develop a proposal to "end welfare as we know it." The working group is guided by four principles underlying the President's vision for reform:

Make Work Pay -- People who work to support a family should not be poor. The system should provide incentives that encourage families to work and not stay on welfare.

Dramatically improve Child Support Enforcement -- Both parents have a responsibility to support their children. One parent should not have to do the work of two. Currently only one-third of single parents receive any court ordered child support.

Provide Education, Training and Other Services to Help People Get Off and Stay Off Welfare -- People should have access to the basic education and training they need to get and hold onto a job.

Two Year Time Limit -- With the first three steps in place, cash assistance can be made truly transitional. Those who are healthy and able to work will be expected to move off welfare within two years, and those who cannot find jobs should be provided with work and expected to support their families.

We are seeking creative ideas that fit into this framework involving:

INNOVATIVE PUBLIC/PRIVATE PARTNERSHIPS FOR WELFARE REFORM

Investing in people should pay off. Not just in an abstract, long-term way, but in immediate, bottom-line dollars. Families, government employees, and businessmen should see direct benefits when they work together to invest in self-sufficiency and independence for families on welfare.

Federal, state and local governments currently spend billions of taxpayer dollars to support families on welfare. We would all be better off--especially the families themselves--if these families could support themselves with employment instead of welfare. It makes sense for the government at all levels to team up with the private sector, to harness the entrepreneurial spirit, and to pull families from welfare to work. It makes sense that the reward for helping families and saving taxpayers billions of dollars should be a share of the dollars saved--not just a good citizenship button. State governments, non-profits, profitmaking entrepreneurs and welfare recipients could share the financial benefits of deficit reducing initiatives.

For too long, those who tried hardest to save taxpayer dollars were not rewarded. Companies who hired welfare recipients faced a complex, paper intensive process to collect their tax rebates. States who put in the extra effort to reduce their rolls received no extra funds from Washington--despite the fact that the federal government would be the biggest winner. Contractors who trained welfare recipients would receive about the same payment regardless of whether or not the training led to a job and self-sufficiency. Caseworkers who

are exceptionally good at helping recipients might be rewarded with a heavier caseload. Individuals who try to get jobs were often sabotaged by a system which cuts their supports during the first wobbly steps forward.

Local ingenuity and entrepreneurial spirit can tackle the goliath of welfare dependency. So far, local ideas, individual motivation and the entrepreneurial spirit have been buried under endless systems, budget procedures, and bureaucratic regulations. When investing in people pays off--we will all be better off.

Help us understand how to unleash and reward creative, local solutions.

- **WHAT WORKS?** What are the strengths and weaknesses of the examples listed below? Do you have other ideas? Can you develop these ideas more fully?

- **WHAT IS THE FEDERAL ROLE?** What is needed to support the development of public-private partnerships for welfare employment? Grant diversion authority? Block grants to public-private partnerships? Competitive partnership grants? Regulatory changes? What legislative framework is required to support many different arrangements?

- **OUTREACH.** How can we encourage business leaders and associations to formulate and support such a proposal?

Examples: We have received numerous proposals for public/private partnerships. Such partnerships could be implemented statewide or on a local labor market basis. They could be managed by private councils, government entities or PICs. We would like your feedback on the ideas we have heard.

- **Jobs Consortia.** A small pool of temporary jobs (6-12 months) could be provided by a local consortia of public and private employers. Employers would commit a certain number of jobs in exchange for wage subsidies or benefits coverage. Administrative overheads can be minimized by pooling resources for hiring, screening, and providing initial orientation level training. The summer jobs challenge is a good example of a joint effort to create temporary jobs. Many companies--non-profits and profit-based--have expressed an interest in forming consortia for hiring, training, and recycling funds invested in welfare recipients.

- **Employer Partnership:** An employer partnership could also be formed without requiring commitments for specific numbers of jobs. The purpose of such a partnership would be to negotiate a local agreement on the inducements necessary to attract local employers to the welfare hiring system. Rather than blanketing the country with a one size fits all tax incentive, the federal government could provide block grants and allow state and local governments to negotiate with employers at the local level.

Just as in the Job Consortia model above, the partnership can provide incentives for companies through subsidies of wages or benefits. In addition, overheads can be reduced by coordinating recruiting, screening, and initial orientation services. If the partnership helps to manage the employees in the pool of temporary jobs, then effectively the partnership is acting as a temporary help service.

- **Employee Consortia:** The federal government could provide seed money for a revolving fund to place welfare recipients. Bounties for successfully placing welfare recipients are paid out of this fund. The individual must repay the bounty payment on an income contingent basis. Governor Wilder already has requested permission to set up a revolving trust fund which could provide a menu of rewards to employers including tax breaks, reimbursements for training, or one year of health insurance payments.

- **Placement Specialist Consortia:** Rather than trying to attract private employers, the government could try to attract those who are in the business of attracting employers. If the federal and state governments put up the cash rewards for placing welfare recipients in long-term jobs, private investment capital will form companies to invest in people and find jobs. As a result, placement specialists will work with employers to screen employees and package incentives for their needs—one on one. Employers will hire based on relationships with placement specialists instead of direct contact with the government. Even JTPA or non-profits such as Project Match could compete for the reward money.
- **Employee Bonuses:** The federal government could offer welfare recipients a bonus for finding their own job and staying in it. Thus, we could be more sure that they would try to hunt for a job in earnest. In addition, we would know that individuals would try to find their own job before going to a placement specialist (headhunter). If the government paid less to an individual than a headhunter for the same tenure (i.e. stays in job for 180 days), we could be confident that we were saving money when we paid to individuals.
- **Investment Partnership:** The federal government could provide block grants for localities to invest in businesses which commit to hiring welfare recipients. This follows the Canadian HRDA model. It is different than other types of consortia in that the government provides investment capital not wages or operating costs. The companies are then owned and managed by a public/private investor partnership and committed to hiring welfare recipients insofar as possible.
- **Government contractors partnership:** The federal government could support states which choose to require government contractors in the state to hire welfare recipients (i.e. 2 percent) to undertake the work.

WR - Business Outreach

Fax Cover Page

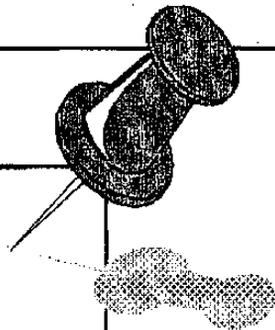
SUBJECT:

Nov.15,1993

To: Bruce Reed, The White House

From: Peter Cove, America Works

This is a letter I sent to Howard Stein, CEO of The Dreyfus Corporation. Could you call him and ask his assistance in pulling together a group of businesspeople to help with welfare. When he visited me he asked us to do the Ernst and Young study. He said that if our model proved to save business and government money as it reduced welfare he might want to get some top CEOs to ask the President to do this on a large scale. A call to him this week at 212-922-6000 asking him to chair a group(I'll do the work) would move this along. Thanks.



To: Bruce Reed

From : peter cove

For Information Call:

At: america works

Page 2

Mr. Stein, New York, 212-922-6000

November 8, 1993

Mr. Howard Stein, Chief Executive Officer
Dreyfus
200 Park Avenue 55th Fl.
New York, New York 10166

Dear Mr. Stein:

When you visited us a while back you suggested we commission a study on our performance. Your idea was to show through independent review that our company saved taxpayers money at the same time we saved employers costs in hiring good employees.

Here is that study by Ernst and Young. The significant figures are:

- * 85% of the welfare recipients studied who were placed over a four year period were still working.
- * \$2449 was saved on average by the companies hiring welfare recipients through America Works.
- * 4.7 years was the average welfare recipient's stay on the dole prior to placement by America Works. (This is a long term welfare population)

In our business these figures are significant. While the study design is not perfect (there is no control group, for instance) we believe the results are relatively indicative of private and public benefits.

The White House and Senator Moynihan have asked that we help assemble private sector support for this type effort as part of their welfare reform to 'end welfare as we know it' pledged by The President in his campaign. You had suggested that if the figures bore out our assertions, you might wish to put together a group of businessmen to talk with The President. This was before Clinton's Administration but the timing now appears exquisite with this report and their request of us.

Can I meet with you to discuss a strategy to take this approach to a national level?

Sincerely,

Peter Cove
Founder

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

February 21, 1994

Memorandum for Distribution

From: Toby Graff, Working Group on Welfare Reform, Family Support and Independence

Subject: Focus Group Meeting with Small Business Owners on February 24, 1994

The third in the series of business focus group meetings is scheduled for **Thursday, February 24, at 10:00 a.m. until 12:00 p.m.** We will be holding a brief "pre-meeting" at 9:45 a.m. The focus group will be held in the Roosevelt Room, of the White House, Washington, D.C. We will notify you tomorrow as to the location of the pre-meeting. Please call Jim Hickman (401-6958) or Toby Graff (401-9258) on Wednesday, February 23, if you need to be cleared into the White House.

The purpose of this meeting is to have a substantive discussion with small business owners on how to structure a program that provides work opportunities to those leaving the welfare system. Many of the participants (see attached list) have had experience in hiring welfare recipients or have expressed interest in becoming involved in the welfare reform effort.

If you have any questions please feel free to call either Jim Hickman or Toby Graff.

DISTRIBUTION:

Mary Jo Bane
David Ellwood
Bruce Reed
Dolores Battle
Jeremy Ben-Ami
Bonnie Deane
Bill Dickens
Fritz Edelstein
Avis Lavelle
Chris Lin

Larry Katz
Chris Kelley
Emil Parker
Wendell Primus
Ann Rosewater
Isaac Shapiro
Patricia Sosa
Kathi Way
Amy Zisook

Small Business Focus Group Participants February 24, 1994**Confirmed**

Debbie Aguirre
Tierra Pacific Construction
Irvine, CA

Andrew Galla
Corporate Visions
Washington, D.C.

Jeff Hoebericht
Greystone Bakery
New York, NY

Michael Kelly
Tortilla Coast Restaurant
Washington, D.C.

Michael Levitt
President, Businesses for Social Responsibility
Washington, D.C.

Helen Mills
Soapbox Trading Co.
Arlington, VA

Ann Hunter Wellborn
Hunter Industries
San Diego, CA

Pending

Ralph Evans
Evans Farm Inn
McClean, VA

Emily Leboud
Quad Graphics
Milwaukee, WI

February 6, 1994

Memorandum for Distribution

From: Toby Graff, Working Group on Welfare Reform, Family Support and Independence

Subject: Focus Group Meeting on February 10, 1994

The third in the series of business focus group meetings is scheduled for Thursday, February 10, at 10:00 a.m. until 12:00 p.m. We will be holding a brief "pre-meeting" at 9:45 a.m. The focus group will be held in the Sixth Floor Auditorium, of the Aerospace building, located at 901 D Street, S.W., Washington, D.C. The pre-meeting will be held in Suite 600.

The purpose of this third meeting is have a substantive discussion on how to structure a program that provides work opportunities to those leaving the welfare system. The members of the business community attending the focus group meeting (see tentative list attached) are representatives from medium-sized businesses, specifically human resource/personnel managers. Many of these participants have had experience either in hiring or placing welfare recipients in employment opportunities.

If you have any questions please feel free to call either Jim Hickman (401-6958) or Toby Graff (401-9258).

DISTRIBUTION:

Mary Jo Bane	Larry Katz
David Ellwood	Chris Kelley
Bruce Reed	Emil Parker
Jeremy Ben-Ami	Wendell Primus
Bonnie Deane	Ann Rosewater
Bill Dickens	Isaac Shapiro
Fritz Edelstein	Patricia Sosa
Avis Lavelle	Kathi Way
Chris Lin	Amy Zisook

Cancelled

Business Meeting Participants February 10, 1994**Confirmed**

Bill Strikeburger
V.P. Recruiting
Brinker Intl.
(Chili's)

Lynda Dickey
VP Human Resources
PDQ Personnel Services

Mary Dudley
Doctors Community Hospital
Lanham, MD

Josephine Hathway
Project Independence
P. G. County PIC

Charlotte Tower
Venture Concepts
Washington, D.C.

Dathan Roos
Brentwood Adult Care Center

Sam Stein
VP Human Resources
McDonalds Corporation

January 27, 1994

Memorandum for Distribution

From: Toby Graff, Working Group on Welfare Reform, Family Support and Independence

Subject: Focus Group Meeting on February 3, 1994

The second in the series of business focus group meetings is scheduled for Thursday, February 3, at 10:00 a.m. until 12:00 p.m. We will be holding a brief "pre-meeting" at 9:45 a.m. The focus group will be held in the Sixth Floor Auditorium, of the Aerospace building, located at 901 D Street, S.W., Washington, D.C. The pre-meeting will be held in Suite 600.

The focus of this second meeting is on community based development. We want to have a substantive discussion on the development and expansion of community based projects and microenterprises that would provide work opportunities to those on welfare who reach the time limit for cash assistance. The participants in this focus group meeting (see tentative list attached) are all involved in community-based development initiatives.

Throughout the next month we will be holding three additional focus group meetings with representatives from the private sector and community development organizations (revised schedule attached). It is our goal to meet with people from outside Washington who own, run, and work for businesses of all types and sizes to get their input in designing our job development program and begin to build a base of support for our plan in the business community. Your suggestions for participants would be greatly appreciated.

If you have any questions please feel free to call either Jim Hickman (401-6958) or Toby Graff (401-9258).

DISTRIBUTION:

Mary Jo Bane
David Ellwood
Bruce Reed
Jeremy Ben-Ami
Doug Boxer
Bonnie Deane
Bill Dickens
Fritz Edelstein
Julie Gibson
Chris Lin

Larry Katz
Emil Parker
Wendell Primus
Ann Rosewater
Isaac Shapiro
Kathi Way
Amy Zisook

Community and Economic Development Focus Group Participants

Rebecca Adamson
First National Development Institute

Etienne LeGrand
Women's Initiative for Self Employment

Mary Morton
Women's Self-Employment Project

Ron Phillips
Coastal Enterprises

Dennis West
Eastside Community Investments

Michael Kilcullen
Queens County Overall Economic Development Corporation

Joyce Klein
CFED

Kate McKay
Center for Community Self-Help

Sister Christine Stephens
Texas Industrial Areas Foundation

Leah Proctor
Cherokee Nation

BUSINESS FOCUS GROUP SCHEDULE

January 27 - Small, medium and large-sized businesses that have already taken an initiative on welfare reform or are specifically interested in the issue

February 3 - Businesses and organizations that are involved in community-based development

February 10 - Mid-sized business owners and human resource managers

February 24 - Small Business Owners

Mid-March (tentative date) - CEO's of major corporations

Note: The January 27 meeting will be held from 11:30 a.m. to 1:30 p.m. The rest of the meetings will be held from 10:00 a.m. to 12:00 p.m.

THE WHITE HOUSE
WASHINGTON

February 1, 1994

MEMORANDUM FOR JEREMY BEN-AMI, TOBY GRAFF

From: Chris Lin
Subject: February 2nd Meeting Welfare/Business Meeting

Please be aware that the following association representatives will be attending our meeting on private sector jobs development tomorrow, (February 2nd) at 4:00pm in Rm. 180 of the Old Executive Office Building:

Ervin Graves
National Minority Business Council

James Gaffigan
American Hotel and Motel Association

Joseph Dennison
Evan McDale
National Employment Opportunities Network

* John Satajag
Small Business Legislative Council

Jim Morrison
National Association of the Self-Employed

* Jewell Jackson McCabe
100 Black Women

* Tom Zaucka
National Grocer's Association

Not yet confirmed:

T.J. Petrizzo
National Retail Federation

Janie McCullough
Black Business Council

John Galles
National Small Business United

Please feel free to call me if you have any questions. See you tomorrow.

CC: Bruce Reed
Bonnie Deane

*Cathy -
it might be helpful
if Bruce could
drop by to this
esp. since these
are pretty
key small
business
representatives.*

*Thanks.
- Chris
P.S. John
Galles from
Natl Small
Business
United is
also coming*

January 21, 1994

Memorandum for Distribution

From: Toby Graff, Working Group on Welfare Reform, Family Support and Independence

Subject: Focus Group Meeting on January 27, 1994

The first in the series of business focus group meetings is scheduled for Thursday, January 27, at 11:30 a.m. until 1:30 p.m. We will be holding a brief "pre-meeting" at 11:15 a.m. The focus group will be held in the Sixth Floor Auditorium, of the Aerospace building, located at 901 D Street, S.W., Washington, D.C.

The purpose of this first meeting is have a substantive discussion on how to structure a program that provides work opportunities to those leaving the welfare system. The members of the business community attending the focus group meeting (see tentative list attached) are representatives from organizations or small, mid-sized, and large businesses. Each participant has already taken an initiative on welfare reform or is specifically interested and knowledgeable in the issue.

The additional materials accompanying this letter were sent to the business community representatives in order to provide a brief overview of the administration's welfare reform principles and a starting point for our discussions.

Throughout the next month we will be holding four additional focus group meetings with representatives from the private sector and community development organizations (schedule and potential participants list attached). It is our goal to meet with people from outside Washington who own, run, and work for businesses of all types and sizes to get their input in designing our job development program and begin to build a base of support for our plan in the business community. Your suggestions for additional participants would be greatly appreciated.

If you have any questions please feel free to call either Jim Hickman (401-6958) or Toby Graff (401-9258).

DISTRIBUTION:

Mary Jo Bane	Larry Katz
David Ellwood	Emil Parker
Bruce Reed	Wendell Primus
Jeremy Ben-Ami	Ann Rosewater
Bonnie Deane	Isaac Shapiro
Bill Dickens	Kathi Way
Fritz Edelstein	Amy Zisook
Julie Gibson	
Chris Lin	

Business Focus Group Meeting Participants 1/27/94

Joe Puhalla
Prince George's County Private Industry Council

Legusta Floyd
Director, Human Resources Development
Centennial One
Member, Maryland Workforce 2000

Paige Cassidy
AT&T Governmental Affairs

Carl Cohen
CIC Enterprises

Greg Palmer
Director of Human Resources
Capital Division
Pizza Hut, Inc.

Suzanne Strickland
Welfare Reinvestment Initiative
Strickland and Associates

Fred Doolittle
Manpower Demonstration Research Corporation (MDRC)

Jim O'Connell
Governmental Affairs
Ceridian, Inc.

Janet Tully
Director, Government Affairs
Marriot Corporation

Jack Overbeck
Vice President of Human Resources
Kroeger Corporation

Henry Di Stefano
Manager, Tax Credits Department
Manor Care, Inc.

BUSINESS FOCUS GROUP SCHEDULE

The remaining focus groups are scheduled as follows:

February 3 - Businesses and organizations that are involved in community-based development

February 10 - Mid-sized business owners and human resource managers

February 17 - Small Business Owners

February 24 (tentative date) - CEO's of major corporations

Note: The meetings will be held from 10:00 a.m. to 12:00 p.m.

Business Focus Group Participants 2/3/94

Confirmed:

Rebecca Adamson
First National Development Institute

Etienne LeGrand
Women's Initiative for Self Employment

Ron Phillips
Coastal Enterprises

Dennis West
Eastside Community Investments

Pending:

Leah Proctor
Cherokee Nation

At this time we only have a few names for the subsequent focus groups. We are working closely with several national business organizations to identify participants. We would also greatly appreciate any recommendations you may have.

Business Focus Group Participants 2/10/94

Possible:

Josephine Hathoway
Internship Coordinator
Prince George's County PIC

Stan Stein
McDonald's

Bill Strikeburger
Brinker International

Steve Zivulich
Chili's

Business Focus Group Participants 2/17/94

Possible:

Jeff Hoerberict, Owner
Greyston Bakery

Micheal Kelley
Tortilla Coast

Linda Deffindaugh
Fred & Harry's Seafood

John Schultze
Pizza Hut of Maryland

Paul Wall
Phylis Seafood

Business Focus Group Participants 2/24/94

Possible:

Tom Urban, CEO
Pioneer Hybrid

Jeremiah Murphy
Siemens

Jim Rainer
Honeywell Corporation

Bill Edgerly, CEO (ret.)
State Street Bank

John H. Zimmerman, Senior Vice President
MCI Communications Corporation

James Burge, Corporate Vice President
Motorola, Inc.

Alan Wurtzel, Chairman
Circuit City Stores, Inc.

James J. O'Connell, Vice President
Ceridian Corporation

Katherine Hagan, Vice President
AT&T

Welfare Reform Working Group Business Community Meetings Background Materials

President Clinton's Working Group on Welfare Reform, Family Support and Independence is developing a plan for transforming the nation's welfare system into a transitional support program that helps people become self-sufficient and economically independent through work. The plan will have many components addressing issues from child care to education to child support, but one of its most critical elements will be the creation of a new program to provide work opportunities to those whose transitional benefits have expired.

The President is committed to the notion that all those who can work should be expected to work to support their families. In a redesigned welfare system, people will receive up to two years of cash assistance, during which time they will be expected to participate in education, training, and employment related activities geared at preparing them for and getting them into the workforce as soon as possible. For those who reach the time limit for cash assistance without having found a job, the administration is committed to ensuring that those who are unable to find work are provided with the opportunity to work to support their families.

The Working Group is sponsoring a series of meetings with people who own businesses, work in the private sector or work in community development to discuss how to structure a program that provides work opportunities to those who reach the time limit. The principles underlying this effort are:

- o The program should provide communities and localities maximum flexibility in structuring the work opportunities
- o The program should give state and local governments incentives to be creative in finding cost-effective ways to provide work
- o The program should involve the public, private, and non-profit sectors and organized labor in a partnership at the local level to help find productive work for people leaving welfare

The following pages provide a broad outline of the plan being developed by the Working Group as well as specific issues and ideas for discussion at the upcoming meeting.

General Outline of Welfare Reform Plan

The President has been very clear since the campaign about the general outlines of his welfare reform plan. The overall goal of the plan is to support several key values -- work, family, opportunity and responsibility -- by replacing a system that currently focusses solely on eligibility determination and providing benefit checks with one that helps people become independent and self-supporting.

The reforms that the President's proposal is likely to include fall into five broad areas described briefly below:

1. Making Work Pay

The present system provides little economic incentive for welfare recipients to go to work. Not only have welfare benefits provided to those not working often been comparable to or better than earnings from work, but those who do go to work face enormous obstacles from losing health insurance to finding child care to paying for transportation.

The first critical step to make work pay was taken in the 1993 budget with a dramatic increase in the Earned Income Tax Credit (EITC) which now will provide low income workers with children with a nearly 40 percent refundable tax credit to boost their earnings. The second important step will be the passage of health reform legislation that includes universal coverage so that people no longer have to remain on welfare to avoid being without medical insurance. Other critical steps that will need to be taken in the welfare reform plan include finding ways to get the EITC to people in regular payments rather than a lump sum at the end of the year and an expansion in the availability of child care to the working poor.

2. Providing Access to Education and Training, Imposing Time Limits and Expecting Work

The heart of the welfare system is the Aid to Families with Dependent Children (AFDC) program, created during the depression to provide widows with sufficient income so they could stay at home and raise their children. The AFDC system has grown to a point where it now provides nearly five million families and 14 million individuals with income support.

The administration's welfare reform effort envisions a fundamental transformation in the nature and mission of the AFDC program to one which helps people get the services and support they need to return to the workforce as productive, self-supporting employees. To do this, the plan will build on the Family Support Act of 1988 which provided a new vision of mutual responsibility for the welfare system: government has a responsibility to provide access to the education and training that people need, and recipients are expected to take advantage of these opportunities and move into work. To implement this vision, the Family Support Act created the Job Opportunities and Basic Skills (JOBS) program to provide states funding for such programs. The JOBS program, however, remains small in both its funding and impact, serving less than ten percent of AFDC recipients at any time.

Through welfare reform, the JOBS program will grow dramatically, ultimately providing opportunity and services to as many of those receiving transitional cash assistance as possible. Equally fundamental is the notion that cash assistance cannot go on forever. If government provides assistance to families in temporary financial need and gives them the

help they need to become self-sufficient, then it is reasonable to place a limit on how long such assistance will be made available before the recipient is expected to work to support his or her family. The President has committed that his welfare reform plan will include a firm limit on the time in which a family may receive cash assistance which recognizes the differing needs and circumstances of all those seeking assistance.

Once a family has exhausted its cash assistance, the parent(s) will be expected to find work in the private sector to support the family. If they are unable to find work, then they will be offered work in community service or subsidized private sector employment. The details of this part of the program are discussed below.

3. Enforce Child Support

Single custodial parents cannot be expected to bear the entire responsibility for the support of their children. A time-limited transitional system of assistance in which custodial parents are expected to work to support their children must ensure that the noncustodial parents are fulfilling their responsibilities as well. Both parents should be held accountable for the support of their children.

In the current system, many problems lead to the lack of support payments. In the first place, paternity is often not established for out of wedlock births. For those cases where it is, the establishment and regular updating of a support award can be a bureaucratic and legal nightmare. Finally, of awards that are established, the government fails to collect any child support in the majority of cases. Overall, estimates are that of a potential \$47 billion that should be collected annually in child support, only \$13 billion is actually paid.

The welfare reform plan will propose a wide ranging series of changes to the child support system designed to close this gap and ease the burden on single parents. Among the measures to be considered are establishing paternity for all out-of-wedlock births, simplifying and standardizing the process of establishing and updating support awards, and improving collection through a series of measures including mandatory reporting of new hires, improved coordination of interstate collection, and creation of a federal clearinghouse for support orders.

4. Promoting Parental Responsibility and Preventing Teen Pregnancy

At the heart of the nation's problems with welfare and poverty is the increasing rate of teen pregnancy. The total number of children born out of wedlock has more than doubled in the last 15 years, and we are approaching the point where one out of three babies in America is born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

Truly ending long-term welfare dependency means doing everything we can to prevent people from going on to welfare in the first place. We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. Welfare reform must include a prevention strategy that provides better support to two-parent families and emphasizes the importance of delaying sexual activity and of responsible parenting.

5. Reinventing Government Assistance

Finally, welfare reform will include steps to reduce the enormous complexity of a welfare system consisting of multiple programs with different rules and requirements that frustrates workers and recipients alike. The reform plan will place a heavy emphasis on simplifying and streamlining rules and requirements across programs.

Waste, fraud and abuse arise easily when tax and income support systems are poorly coordinated and cases are not tracked over time or across geographic locations. Technology now allows us to ensure that people are not collecting benefits in multiple programs and locations when they are not entitled to do so.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local level. The federal government must be clear about broad goals while giving more flexibility over implementation to States and localities. Federal oversight must shift from tracking paper and process to measuring outcomes such as the effectiveness of programs in moving people from welfare to work.

Specific Focus Group Questions

As the preceding outline indicates, welfare reform is a broad and many-faceted undertaking. The plan ultimately introduced to Congress will propose changes in many programs and fundamental shifts in the way the country supports its poorest citizens. The details of the plan are being worked out in a variety of forums and in consultation with Congress, state and local governments, advocates, experts and welfare recipients.

The particular focus of this series of meetings is on the concerns of the business community and those involved in community development in the reform of the welfare system. As we transform the system to one which makes work the central way for parents to support their families, we expect and hope that a large number of people will be looking to move into and stay in the labor market. We hope to help as many of them as possible find employment in the private sector, with community service work through the public sector as a last resort.

We are very interested, therefore, in using these meetings with the business community to try to better understand what steps can be taken through welfare reform to engage the private sector in job development and creation for people moving from welfare to work. We hope that these sessions will consist mainly of a free flowing dialogue, eliciting suggestions from the business community about the welfare reform plan. To spark thought and discussion prior to and at the meeting, however, we have articulated a handful of questions:

Is welfare reform an important priority to the business community? Why or why not?

What would make your business interested in hiring a recent graduate of a welfare to work training program? What makes you most hesitant?

Do incentives, such as tax credits or wage subsidies, hold any interest for you? Do they currently affect any of your hiring decisions? What changes would need to be made in existing programs to make them more attractive?

Do you have any suggestions, perhaps based on your exposure to the Job Training Partnership Act (JTPA) system or other such programs on how a job development and job placement program should be structured as part of this welfare reform effort?

What do you think can be done to engage the broader business community in a concerted effort to increase the employment opportunities for people leaving welfare?

We appreciate your thoughts on these and any related issues, and we look forward to your participation in the upcoming discussions.

Appendix: Creation of a WORK program

While discussion at these meetings will focus mostly on general issues of private sector involvement in welfare reform, some participants may be interested in discussing aspects of the program in more detail. In particular, the Working Group is seeking input on the design of the program that will provide work opportunities to those who have reached the time limit for their transitional assistance. Federal law currently permits states to operate several employment related programs through the welfare system including job search, community work experience, and work supplementation. The Job Training and Partnership Act (JTPA) system administered by the Department of Labor also provides support for a broad array of programs that help many welfare recipients train for and get employment experience.

The welfare reform plan, however, calls for a program that goes beyond any effort currently in existence. This new program, tentatively called WORK, will offer those who reach their time limit for cash assistance the opportunity to work and earn an amount at least equal to what they were previously receiving in cash benefits. The Welfare Reform Working Group is interested in exploring ways to structure the WORK program to support innovative, cost-effective job creation and placement in the private sector, to minimize the need for more traditional work opportunities in the public sector providing community service. By supporting On-the-Job Training (OJT) opportunities, microenterprise and selfemployment options, or other creative approaches, the WORK program will provide real work experience and should also make recipients more likely to become economically self-sufficient than public sector work-for-welfare.

The following outlines some of the questions and options that have arisen in structuring the WORK program. These questions could be explored in more detail during this series of meetings:

1. Administration Every state would be required to establish a WORK program to provide work opportunities to people who had reached the time limit for transitional assistance. The WORK program would ideally be (1) administered locally and (2) governed by a body that incorporates the public, private, and non-profit sectors as well as organized labor.

QUESTIONS: Who should administer the program? Should the WORK program be coordinated with, integrated into or separate from the existing network of Private Industry Councils? Should the WORK program be administered by the same entity that administers the JOBS program?

2. **Funding** Federal funds would be provided with a great deal of flexibility to encourage states to be innovative and to find cost-effective ways of using the money. The financial incentive to the states would be to find ways to make their WORK money go as far as possible since every person placed in a job with WORK money would then be removed from the welfare rolls, saving both the state and the federal government additional money.
3. **Flexibility** States would be given wide discretion in spending the WORK money. Among the strategies that could be pursued are:
 - subsidizing not-for-profit or private sector jobs (for example, through expanded use of OJT vouchers)
 - offering employers other incentives to hire JOBS graduates
 - entering performance based contracts with private or not-for-profit firms to place WORK program participants in unsubsidized jobs
 - supporting microenterprise and self-employment efforts
 - setting up community service projects to employ people as, for example, child care workers or health care aides in underserved communities
 - creating temporary positions in public agencies

QUESTIONS: How much flexibility should the states be given? Are there certain strategies that should not be allowed? Should states be required to seek approval for the strategies they do pursue? How specific should the welfare reform legislation get?

4. **Protections** In providing the states with flexibility, federal law might also be designed to provide certain protections regarding the jobs including language to ensure the non-displacement of workers through the creation of WORK positions. In addition, the legislation should address the issue of retention of employees hired through subsidy programs once the subsidies have ended.

QUESTIONS: How should non-displacement language be phrased? What effect would retention requirements have on employer willingness to hire subsidized employees?

5. Coordination The WORK program needs to be coordinated with other employment efforts sponsored by the federal government ranging from the Targeted Jobs Tax Credit to the National Service effort.

QUESTION: How should this coordination be ensured? What interaction should there be between TJTC and the WORK program?

6. Eligibility The WORK program would specifically be for people who have complied with the requirements of the JOBS program but been unable to find work before the time limit. Anyone who had exhausted their transitional assistance and then loses a job in the private sector also would be eligible for the WORK program.
7. Waiting List There may be times when the number of people needing to enroll in WORK will exceed the number of WORK positions available. One way to handle such situations would be to have states maintain a waiting list for the WORK program. Persons on the waiting list could continue to be eligible for AFDC but might, for instance, be required to engage in some form of community service in return for continued eligibility. By maximizing the use of WORK funds to create more positions, states will be able to minimize the number of people on the waiting list.
8. Wages and Benefits There are a number of critical questions in this area about how to structure the employment relationship in a way that works for the employer, the employee and the state.

QUESTION: Should the WORK program itself be the employer for at least a few months, in the way a temporary agency functions? Would that be simpler or more complex for the employer? Should WORK employees be subject to the same workplace rules as company employees including sick leave, vacation, and other benefits.

9. Sanctions WORK program participants would receive wages only for hours worked. Failure to work the set number of hours would result in a reduction of pay that would not be offset by an increase in any other benefits.

QUESTIONS: How should the WORK program deal with situations where the employer wants to fire the employee? How should the rights of the WORK participant be balanced against the rights of the employer?

10. Time Limit on WORK positions QUESTIONS: How long should each individual WORK assignment last? Should subsidized private sector positions be limited to six months? Nine months? Should overall eligibility for the WORK program be limited?



FACSIMILE TRANSMISSION COVER SHEET
Administration for Children and Families
Office of Public Affairs
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Fax (202) 205-9688

Date 1/24

To: Bruce Reed
Phone _____
Fax _____

From: Toby Graff
Phone: _____
Cover + 14 pages

Message:

WK-Business

JBA -

*Large @: Link b/w welfare program
employers
- would you be more likely
to hire thru placement firm?*

To: Mary Jo Bane
David Ellwood
Bruce Reed

From: Jeremy Ben-Ami

Subject: Materials for Business Focus Groups

Date: January 7, 1994

As I mentioned at the meeting today, we have begun scheduling meetings with members of the business community and others interested in community development to discuss their ideas for welfare reform and specifically ways to increase private sector interest in providing jobs at the end of two years.

We are currently scheduling five meetings. Two will be with people who are fairly familiar with federal jobs/training programs such as JTPA, PICs, TJTC, etc. We hope these meetings will permit detailed discussion/brainstorming about the structure of the WORK program. Three others will be with business owners who we expect will be less familiar with or interested in specifics.

Therefore, we have prepared two versions of background material to be sent with a letter of invitation. The first is eight pages long and goes into more detail and asks more specific questions. This material would go to participants with more familiarity with the issues. The second is five pages. It contains only general background information and some very broad questions to spark discussion. Note: only the fifth page is included since the first four will be the same in either version.

I would appreciate your comments and an indication if it is OK for us to send the material out by January 11.

Thanks.

cc: Ann Rosewater
Wendell Primus
Kathi Way
Larry Katz
Bonnie Deane
Emil Parker
Patricia Sosa

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Welfare Reform Working Group Business Community Meetings Background Materials

President Clinton's Working Group on Welfare Reform, Family Support and Independence is developing a plan for transforming the nation's welfare system into a transitional support program that helps people become self-sufficient and economically independent through work. The plan will have many components addressing issues from child care to education to child support, but one of its most critical elements will be the creation of a new program to provide work opportunities to those whose transitional benefits have expired.

The President is committed to the notion that all those who can work should be expected to work to support their families. In a redesigned welfare system, people will receive up to two years of cash assistance, during which time they will be expected to participate in education, training, and employment related activities geared at preparing them for and getting them into the workforce as soon as possible. For those who reach the time limit for cash assistance without having found a job, the administration is committed to ensuring that those who are unable to find work are provided with the opportunity to work to support their families.

The Working Group is sponsoring a series of meetings with people who own businesses, work in the private sector or work in community development to discuss how to structure a program that provides work opportunities to those who reach the time limit. The principles underlying this effort are:

- o The program should provide communities and localities maximum flexibility in structuring the work opportunities
- o The program should give state and local governments incentives to be creative in finding cost-effective ways to provide work
- o The program should involve the public, private, and non-profit sectors and organized labor in a partnership at the local level to help find productive work for people leaving welfare

The following pages provide a broad outline of the plan being developed by the Working Group as well as specific issues and ideas for discussion at the upcoming meeting.

DRAFT**General Outline of Welfare Reform Plan**

The President has been very clear since the campaign about the general outlines of his welfare reform plan. The overall goal of the plan is to support several key values -- work, family, opportunity and responsibility -- by replacing a system that currently focusses solely on eligibility determination and providing benefit checks with one that helps people become independent and self-supporting.

The reforms that the President's proposal is likely to include fall into five broad areas described briefly below:

1. Making Work Pay

The present system provides little economic incentive for welfare recipients to go to work. Not only have welfare benefits provided to those not working often been comparable to or better than earnings from work, but those who do go to work face enormous obstacles from losing health insurance to finding child care to paying for transportation.

The first critical step to make work pay was taken in the 1993 budget with a dramatic increase in the Earned Income Tax Credit (EITC) which now will provide low income workers with children with a nearly 40 percent refundable tax credit to boost their earnings. The second important step will be the passage of health reform legislation that includes universal coverage so that people no longer have to remain on welfare to avoid being without medical insurance. Other critical steps that will need to be taken in the welfare reform plan include finding ways to get the EITC to people in regular payments rather than a lump sum at the end of the year and an expansion in the availability of child care to the working poor.

2. Providing Access to Education and Training, Imposing Time Limits and Expecting Work

The heart of the welfare system is the Aid to Families with Dependent Children (AFDC) program, created during the depression to provide widows with sufficient income so they could stay at home and raise their children. The AFDC system has grown to a point where it now provides nearly five million families and 14 million individuals with income support.

The administration's welfare reform effort envisions a fundamental transformation in the nature and mission of the AFDC program to one which helps people get the services and support they need to return to the workforce as productive, self-supporting employees. To do this, the plan will build on the Family Support Act of 1988 which provided a new vision of mutual responsibility for the welfare system: government has a responsibility to provide access to the education and training that people need, and recipients are expected to take advantage of these opportunities and move into work. To implement this vision, the Family Support Act created the Job Opportunities and Basic Skills (JOBS) program to provide states funding for such programs. The JOBS program, however, remains small in both its funding

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and impact, serving less than ten percent of AFDC recipients at any time.

Through welfare reform, the JOBS program will grow dramatically, ultimately providing opportunity and services to as many of those receiving transitional cash assistance as possible. Equally fundamental is the notion that cash assistance cannot go on forever. If government provides assistance to families in temporary financial need and gives them the help they need to become self-sufficient, then it is reasonable to place a limit on how long such assistance will be made available before the recipient is expected to work to support his or her family. The President has committed that his welfare reform plan will include a firm limit on the time in which a family may receive cash assistance which recognizes the differing needs and circumstances of all those seeking assistance.

Once a family has exhausted its cash assistance, the parent(s) will be expected to find work in the private sector to support the family. If they are unable to find work, then they will be offered work in community service or subsidized private sector employment. The details of this part of the program are discussed below.

3. Enforce Child Support

Single custodial parents cannot be expected to bear the entire responsibility for the support of their children. A time-limited transitional system of assistance in which custodial parents are expected to work to support their children must ensure that the noncustodial parents are fulfilling their responsibilities as well. Both parents should be held accountable for the support of their children.

In the current system, many problems lead to the lack of support payments. In the first place, paternity is often not established for out of wedlock births. For those cases where it is, the establishment and regular updating of a support award can be a bureaucratic and legal nightmare. Finally, of awards that are established, the government fails to collect any child support in the majority of cases. Overall, estimates are that of a potential \$47 billion that should be collected annually in child support, only \$13 billion is actually paid.

The welfare reform plan will propose a wide ranging series of changes to the child support system designed to close this gap and ease the burden on single parents. Among the measures to be considered are establishing paternity for all out-of-wedlock births, simplifying and standardizing the process of establishing and updating support awards, and improving collection through a series of measures including mandatory reporting of new hires, improved coordination of interstate collection, and creation of a federal clearinghouse for support orders.

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4. Promoting Parental Responsibility and Preventing Teen Pregnancy

At the heart of the nation's problems with welfare and poverty is the increasing rate of teen pregnancy. The total number of children born out of wedlock has more than doubled in the last 15 years, and we are approaching the point where one out of three babies in America is born to an unwed mother. The poverty rate in families headed by an unmarried mother is currently 63 percent.

Truly ending long-term welfare dependency means doing everything we can to prevent people from going on to welfare in the first place. We must find ways to send the signal that men and women should not become parents until they are able to nurture and support their children. Welfare reform must include a prevention strategy that provides better support to two-parent families and emphasizes the importance of delaying sexual activity and of responsible parenting.

5. Reinventing Government Assistance

Finally, welfare reform will include steps to reduce the enormous complexity of a welfare system consisting of multiple programs with different rules and requirements that frustrates workers and recipients alike. The reform plan will place a heavy emphasis on simplifying and streamlining rules and requirements across programs.

Waste, fraud and abuse arise easily when tax and income support systems are poorly coordinated and cases are not tracked over time or across geographic locations. Technology now allows us to ensure that people are not collecting benefits in multiple programs and locations when they are not entitled to do so.

Ultimately, the real work of encouraging work and responsibility will happen at the State and local level. The federal government must be clear about broad goals while giving more flexibility over implementation to States and localities. Federal oversight must shift from tracking paper and process to measuring outcomes such as the effectiveness of programs in moving people from welfare to work.

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Creation of a WORK program

As the preceding outline indicates, welfare reform is a broad and many-faceted undertaking. The plan ultimately introduced to Congress will propose changes in many programs and fundamental shifts in the way the country supports its poorest citizens. The details of the plan are being worked out in a variety of forums and in consultation with Congress, state and local governments, advocates, experts and welfare recipients.

The particular focus of this series of meetings is on the design of the program that will be created to provide work opportunities to those who have reached the time limit for their transitional assistance. Federal law currently permits states to operate several employment related programs through the welfare system including job search, community work experience, and work supplementation. The Job Training and Partnership Act (JTPA) system administered by the Department of Labor also provides support for a broad array of programs that help many welfare recipients train for and get employment experience.

The welfare reform plan, however, calls for a program that goes beyond any effort currently in existence. This new program, tentatively called WORK, will offer to all those who reach their time limit for cash assistance the opportunity to work and earn an amount at least equal to what they were previously receiving in cash benefits. The traditional view of such "work for welfare" programs is that they mean the creation of large numbers of "workfare" jobs in the public sector providing, for instance, clerical assistance in government offices. Under such a model, a person receiving \$425 a month in benefits would now be required to work 100 hours in a month, at the minimum wage of \$4.25 an hour, to continue receiving their benefit check.

The Welfare Reform Working Group is interested in exploring ways to structure the WORK program to support innovative, cost-effective job creation and placement in the private sector. By supporting On-the-Job Training (OJT) opportunities, microenterprise and selfemployment options, or other creative approaches, the WORK program could also make recipients more likely to become economically self-sufficient than public sector work-for-welfare. The Working Group has given a great deal of thought to the potential structure of such a program and to the complex issues of structure, funding, and policy that creating such a new entity would pose.

The following provides an outline of a possible structure for the WORK program. The description is accompanied by a series of questions that we would like to explore in more detail during this series of meetings:

1. Administration Every state would be required to establish a WORK program to provide work opportunities to people who had reached the time limit for transitional assistance.

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The WORK program should be (1) administered locally and (2) governed by a body that incorporates the public, private, and non-profit sectors as well as organized labor.

QUESTIONS: Who should administer the program? Should the WORK program be coordinated with, integrated into or separate from the existing network of Private Industry Councils? Should the WORK program be administered by the same entity that administers the JOBS program?

2. Funding Federal funds would be provided to states to provide work for a minimum number of people. For instance, a state might get x dollars to provide at least y work opportunities. The state would be free to provide more than y opportunities, however, if it could find cost-effective ways of using the money. Its incentive would be that every person placed in a job with WORK money would then be removed from the welfare rolls, saving both the state and the federal government additional money.
3. Flexibility States would be given wide discretion in spending the WORK money. Among the strategies that could be pursued are:
 - subsidizing not-for-profit or private sector jobs (for example, through expanded use of OJT vouchers)
 - offering employers other incentives to hire JOBS graduates
 - entering performance based contracts with private or not-for-profit firms to place WORK program participants in unsubsidized jobs
 - supporting microenterprise and self-employment efforts
 - setting up community service projects to employ people as, for example, child care workers or health care aides in underserved communities
 - creating temporary positions in public agencies

QUESTIONS: How much flexibility should the states be given? Are there certain strategies that should not be allowed? Should states be required to seek approval for the strategies they do pursue? How specific should the welfare reform legislation get?

4. Protections In providing the states with flexibility, there are certain minimal protections that the federal legislation should include. In particular, the legislation will contain language to ensure the non-displacement of workers through the creation of WORK positions. In addition, the legislation could address the need to assure that private sector employers are committed to retaining people hired through subsidy programs once the subsidies have ended.

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QUESTIONS: How should non-displacement language be phrased? What is the best way to ensure that private sector employers retain workers once subsidies end?

5. Coordination The WORK program needs to be coordinated with other employment efforts sponsored by the federal government ranging from the Targeted Jobs Tax Credit to the National Service effort.

QUESTION: How should this coordination be ensured? What interaction should there be between TJTC and the WORK program?

6. Eligibility All persons who reached the end of their time on AFDC after complying with their case plan and participating in the JOBS program would be eligible for the WORK program. Anyone who had exhausted their transitional assistance and then lost a job in the private sector would be eligible to return to the WORK program.
7. Waiting List While each state will receive funding to establish and operate a WORK program providing a certain number of work opportunities for people reaching the time limit, there may be times when the number of people needing to enroll in WORK will exceed the number of WORK positions available. In those situations, states will create and maintain a waiting list for the WORK program. Persons on the waiting list will continue to be eligible for AFDC but will be required to engage in some form of community service in return for continued eligibility. By maximizing the use of WORK funds to create more positions, states will be able to minimize the number of people on the waiting list.
8. Wages and Benefits WORK participants would be paid for hours worked at at least the minimum wage. WORK participants would be guaranteed at least the same monthly income they were receiving while on AFDC. WORK participants would not be eligible for the Earned Income tax Credit to ensure that unsubsidized private sector jobs always remain more attractive. WORK participants would be subject to the employer's work place rules governing sick leave, vacation, etc.

QUESTION: Should the WORK program itself be the employer for at least a few months, in the way a temporary agency functions? Would that be simpler or more complex for the employer?

9. Sanctions WORK program participants would receive wages only for hours worked. Failure to work the set number of hours would result in a reduction of pay that would not be offset by an increase in any other benefits.

WORK participants who repeatedly failed to show for work or whose performance was unsatisfactory could be fired. Those who are fired would be ineligible for another position for 3 months, although the state would have flexibility if there were a

position available sooner. Sanctions would increase in duration for subsequent problems until the person would ultimately no longer be eligible for the WORK program and would be referred for social services intervention.

10. Time Limit on WORK positions QUESTIONS: How long should each individual WORK assignment last? Should subsidized private sector positions be limited to six months? Nine months? Should overall eligibility for the WORK program be limited?

General Questions

The above outline of the WORK program provides a starting point for discussion. The program is only in the earliest stages of development, and the Working Group believes it is absolutely critical to involve the private sector, community development organizations, and organized labor at the earliest possible moment to help ensure that the program's design is workable and realistic. The specific questions raised above are only intended to be the starting point for discussion. Questions of the most general nature concerning the proposal are welcome as well, and discussion at the meetings can be as far-ranging and free-wheeling as the participants wish.

Specific Focus Group Questions

PROPOSED ONE PAGE DRAFT
FOR BROADER FOCUS GROUPS

As the preceding outline indicates, ~~welfare reform is a broad and many-faceted~~ undertaking. The plan ultimately introduced to Congress will propose changes in many programs and fundamental shifts in the way the country supports its poorest citizens. The details of the plan are being worked out in a variety of forums and in consultation with Congress, state and local governments, advocates, experts and welfare recipients.

The particular focus of this series of meetings is on the concerns of the business community in the reform of the welfare system. As we transform the system to one which makes work the central way for parents to support their families, we expect and hope that a large number of people will be looking to move into and stay in the labor market. We hope to help as many of them as possible find employment in the private sector, with community service work through the public sector as a last resort.

We are very interested, therefore, in using these meetings with the business community to try to better understand what steps can be taken through welfare reform to engage the private sector in job development and creation for people moving from welfare to work. We hope that these sessions will consist mainly of a free flowing dialogue, eliciting suggestions from the business community about the welfare reform plan. To spark thought and discussion prior to and at the meeting, however, we have articulated a handful of questions:

Is welfare reform an important priority to the business community? Why or why not?

What would make your business interested in hiring a recent graduate of a welfare to work training program? What makes you most hesitant?

Do incentives, such as tax credits or wage subsidies, hold any interest for you? Do they currently affect any of your hiring decisions? What changes would need to be made in existing programs to make them more attractive?

Do you have any suggestions, perhaps based on your exposure to the Job Training Partnership Act (JTPA) system or other such programs on how a job development and job placement program should be structured as part of this welfare reform effort?

What do you think can be done to engage the broader business community in a concerted effort to increase the employment opportunities for people leaving welfare?

We appreciate your thoughts on these and any related issues, and we look forward to your participation in the upcoming discussions.

December 22, 1993

WR-
Business Outreach

Memorandum to: Mary Jo Bane, David Ellwood, Bruce Reed

From: Jeremy Ben-Ami

Subject: Business Outreach - Focus Groups

We are scheduling a series of five focus groups with members of the business community for late January and early February. The purpose of these sessions is to engage in a substantive dialogue with representatives of large, medium, and small businesses, drawing on their expertise and experience in order to craft the private sector component of the welfare to work program. The breakdown of the focus groups, in the intended order, is as follows:

1. Small, medium and large-sized businesses that have already taken an initiative on welfare reform or are specifically interested in the issue;
2. Businesses and organizations that are involved in community-based development;
3. Mid-sized business owners and human resource managers;
4. Small Business Owners;
5. CEO's of major corporations.

We are working with the Committee for Economic Development, the Corporation for Enterprise Development, the National Restaurant Association, the National Private Industry Council, Business for Social Responsibility and other organizations, to develop a comprehensive list of people to invite.

Currently we are in the process of structuring the focus group meetings. We will keep you informed as the logistical arrangements are made. At each meeting we would like to provide the participants with a description of the proposed Work program or a set of issues under consideration because we it will allow for a more detailed and productive discussion. Please let me know if you have any problem with the distribution of a document and the degree to be of specificity to be included, with which you would feel comfortable.

I would appreciate it if you would contact me by Wednesday, January 5, if you have any questions or concerns. Otherwise, we will proceed as planned. Thank you very much.

cc: Fritz Edelstein Wendell Primus
Larry Katz Isaac Shapiro
Chris Lin Kathi Way
Emile Parker Amy Zisook

December 3, 1993

Memorandum for Distribution

From: Toby Graff

Subject: Business Outreach Strategy

Attached is a draft for a business outreach strategy during the next few months. This plan is based on the ideas and experiences of those who have worked on the School-to-Work initiative. I would appreciate your comments, questions, or concerns. I can be reached at 401-9258. Thank you very much.

DISTRIBUTION:

Mary Jo Bane
David Ellwood
Bruce Reed
Fritz Edelstein
Julie Gibson
Billy Webster
Kathi Way
Wendell Primus
Jeremy Ben-Ami
Patricia Sosa
Bonnie Deane
Bill Dickens
Chris Lin

DRAFT Business Outreach Strategy

Goals: There are two main goals of business outreach during the next two months. We are seeking the business community's ideas and experiences in order to craft the welfare reform plan. In addition, we need to lay the groundwork for the business community's support for the plan and commitment to providing jobs.

Rationale: Involving the business community in both the policy development and legislative support process will enhance the creditability of the proposal. Simply and most importantly, we cannot move people from welfare to work, preferably in the private sector, if the business community is not going to be supportive and provide jobs.

Timing: Although the timing of the introduction of the plan is still unclear, we must be prepared if it is going to be sooner rather than later. Assuming that welfare reform is on the radar screen early next year (State of the Union), we would like to use the next two or three months to begin to involve the business community in welfare reform.

Strategy Summary:

It is essential to recruit national business organizations and individual businesses early so that there is a feeling of ownership in the policy development, as learned in the "School-to-Work Initiative". Therefore, we need to do a lot of outreach in a short period of time. Thus far, we have held several one-on-one meetings with Washington-based national organizations (see list on next page). We now need to shift our emphasis to meeting with the front-line people, the business owners and human resource managers, etc. We need to continue to follow-up with the national associations and keep them apprised of our efforts, but we must now begin a series of larger briefings and focus groups inside and outside of the Beltway. This will allow us to maximize our time because briefings and focus groups provide an opportunity to reach out to a large and diverse group of businesses at one time.

There seems to be a two phases for this outreach effort.

PHASE I: Phase one should take place during the next two or three months. This is the time to initiate a public/private relationship, suggest policy options and get the feedback of large and small business employers. During this period we will hold the large briefings, focus groups, targeted associations meetings, circulate a working paper to the business community, and frequently follow-up with the national associations. Once we have completed the first set of meetings and focus groups, from a policy standpoint we should have gained much insight as to how the proposal should look. And politically, we should have been able to identify our key supporters, with whom we need to continue to work.

PHASE II: In the second phase we should start to generate support for the plan, building on the outreach of the initial phase. This will take place after the formal introduction of the plan. We need to build a coalition of the identified advocates and have them recruit others. It will be important to solidify their involvement and support. We will need to have meetings with this identified group of supporters and key Administration decision makers so that they will feel ownership. The goal of this phase is to mobilize members of the business community to support and promote the President's welfare reform plan and eventually implement the private sector job creation aspect of the proposal in their communities.

Below is a suggested summary of approaches for the first phase of outreach to the business community.

Summary of Outreach Approaches**1. Follow-up phone calls**

We need to keep in contact with the groups that we have had previous meetings or contact. Their support will be helpful in the future in organizing participants for focus groups and circulating a working paper to their memberships. These groups are:

- National Alliance of Business
- National Private Industry Council
- U.S. Chamber of Commerce
- Corporation for Enterprise Development
- Committee for Economic Development
- National Association of Manufacturers
- National Restaurant Association
- Direct Selling Association

To Be Completed By: Chris Lin, Toby Graff, Patricia Sosa,
Bonnie Deane, Jeremy Ben-Ami

Completion Time: 2 weeks and then on a weekly basis

2. Set up Additional Meetings

We need to finish the meetings that we have already decided to schedule and set up meetings with other groups and organizations recommended by Fritz Edelstein of the Department of Education. Jeremy Ben-Ami, Bonnie Deane, Bill Dickens, Patricia Sosa, Chris Lin, and Toby Graff should be present at each of these meetings. Bruce Reed attendance will be determined later. These groups are:

- Business for Social Responsibility
- National Association of Manufacturers (Staff-to-Staff, to take place next week)
- National Retail Federation
- U.S. Hispanic Chamber of Commerce
- National Association of Women Business Owners
- Black Business Council (?)
- Associations of the Food, Service, Telecommunications Industries

We would also like to have a second meeting with the National Alliance of Business

To Be Completed By: Chris Lin and Toby Graff

Completion Time: 3 weeks

3. Proposal Summary

We would like to list a series of policy options for private sector job development and get feedback from the business community. We may want to give this summary to the national associations to distribute to their memberships. We may also want to have the short paper available at the focus groups. We should also outline the potential benefits that the business community will see if the welfare system is reformed, i.e. increase in productivity, less paperwork, child care and health care will make people more secure in their jobs.

To Be Completed By: Jeremy Ben-Ami and Bonnie Deane

Completion Time: 2-3 Weeks

4. Circulate the Proposal Summary

We may want to circulate the Proposal Summary to the National Associations for distribution to their memberships.

To Be Completed By: Chris Lin and Toby Graff

Completion Time: 2-3 weeks

5. Hold Large Briefings

We would like to hold large briefings for groups that may be interested in and potential supporters of welfare reform. White House Office of Public Liaison will be helpful in determining who should participate. Two examples: Interested Women (NAFTA list from Public Liaison) and people involved in job training/intern programs through state JOBS programs.

To Be Scheduled By: Chris Lin and Toby Graff

Completion Time: 4-6 weeks

6. Focus Groups

There are two options for how to structure the focus groups.

Option 1: The first option would be to have a large scale, all-day event. We would first hold a large briefing with all of the participants, the Working Group Chairs, and possibly Cabinet Secretaries. Then everyone would divide into a series of subgroups to discuss private sector job development specifically. These smaller groups would be led by Working Group staff.

(The potential problem with this format is that we only have a small number of Working Group staff that would be able to run the smaller sub-groups.)

Option 2: The second option would be to have a series of smaller meetings with each of the targeted groups below.

- **Presidents and CEO's of Large Corporations**

This group would be derived from the Committee for Economic Development membership, Business for Social Responsibility membership, and the lists that Chris Lin has been collecting. We would like to people who already have experience with social programs or welfare issues, as well as people who have not had any previous involvement.

- **Human Resources/Personnel Managers of Large, Mid-size and Small Corporations**

These are the people that Billy Webster discussed. Names of participants for this group would come from national associations with which we have met and many trade associations. We would like to people who already have experience with social programs or welfare issues, as well as people who have not had any previous involvement.

- **Mid-size companies/Membership of some of the National Associations**

Names of participants in this group would come from many of the organizations with which we have already met such as: The U.S. Chamber of Commerce, National Restaurant Association, and Direct Selling Association. We would like to people who already have experience with social programs or welfare issues, as well as people who have not had any previous involvement.

- **Small Business Owners**

We have not yet had any meetings with anyone about small business. We need to meet with the SBA and possibly some of the Small Business National Associations to get some idea of who we should include

- **People already involved in Community Based Economic Development**

The Corporation for Enterprise Development, the Empowerment Network, Business for Social Responsibility, the Women's Self Employment Project, as well as a list from Public Liaison of groups that they have been working with on Empowerment Zones, would help to identify participants for this group

To Be Scheduled By: Chris Lin and Toby Graff

Completion Time: 4-6 weeks

7. Outreach

We would like to draft a piece (shorter than the Proposal Summary) to be able to send to Association newsletters and other appropriate publications. This would allow us to reach an a highly targeted audience "outside of the Beltway" to give them information about the welfare reform effort and specifically the work component.

To Be Completed By: Jeremy Ben-Ami

Completion Time: 4 weeks

8. Build and Update Database

We would like to constantly be adding to our list of contacts in the business community. The goal is to have a comprehensive list of associations and key businesses which are regionally and otherwise diverse. Chris Lin already has a large list of groups that have been a resource for Public Liaison, the Department of Labor, and the Department of Education. Names of organizations or specific contacts should be funneled through Chris.

To Be Maintained By: Chris Lin/Public Liaison

Completion Time: Ongoing effort

9. Contact with SBA, Labor and Education

We would also like to have regular meetings with SBA, DOL, and DOE to get their input and hear their experiences with School-to-Work and similar initiatives.

Completion Time: Ongoing

10. Next Steps

By the end of January we should be ready to generate support for the welfare reform plan and build on our initial phase of outreach to the business community. After the formal introduction of the plan, we would move into the second phase of the business outreach strategy. A second series of meetings with our identified supporters in the business community and Administration officials would then begin. We will need to build a coalition of the identified advocates and have them recruit others. The goal of this phase is to mobilize members of the business community to support and promote the President's welfare reform plan and eventually implement the private sector job creation aspect of the proposal in their communities.

Welfare Reform
Business Outreach

Interagency Cooperation

11/3/93

I. General Introduction (Bruce Reed)

- o General welfare reform overview
- o Role of business/goals of outreach effort
- o Purpose of meeting

II. Private Sector Strategies (Bonnie Deane)

III. Review Of Administration Business Outreach Efforts

- o Office of Public Liaison - general overview
- o Departmental discussions of efforts

IV. Discussion/Brainstorming

- o How to build on/tie in with existing efforts
- o Ideas for further outreach

V. Next Steps

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

MEMORANDUM

TO: Mary Jo Bane, Assistant Secretary for the Administration for Families and Children
David Ellwood, Assistant Secretary for Planning and Evaluation

FROM: Patricia Sosa and Jeremy Ben-Ami, Welfare Reform Working Group

RE: Business Outreach

DATE: November 23, 1993

We are writing to bring you up to date on our outreach efforts to the business community. We have been working closely with Bruce Reed, Bonnie Deane, Bill Dickens and the White House Office of Public Liaison, but wanted to be sure that you are fully apprised of our work as well.

We believe working with the business community could be one of the most important, and innovative, steps we can take to build support for welfare reform. We recently met with Billy Webster, Chief of Staff at the Department of Education, as well as other representatives of the Departments of Labor and Education. They have placed a tremendous emphasis on business involvement in the School to Work Initiative. We would like to build on their efforts, and they seem interested in working with us.

Observations:

Based on the School to Work experience and on our meetings to date, we have several observations:

(1) Business can be an important ally, thus, it is helpful to include business leader early in the policy making process so they can also feel ownership of the proposal. For example, during Congressional hearings on the School to Work proposal, Secretary Riley brought CEOs supportive of the initiative to testify with him. This was possible because of the good relationship that had been developed already. If employers are essential for a school to work initiative, they are also essential for a welfare to work initiative.

DOE's main advice on how to show this commitment was to assign a person to exclusively work on business outreach. As the person responsible for general outreach, I agree with them wholeheartedly. There has been a tacit agreement that the White House needs to be the base of operation for business outreach. Chris Lin, White House Public Liaison, with the help of Toby

Graff, has been doing the business outreach. They have done a great job. We need someone to exclusively work the business outreach who not only knows the business community but also has access to the highest level of the decision making process. Billy Webster emphasized how the commitment and personal involvement of Secretary Riley was essential for bringing top employers to the table. If someone could be assigned immediately, our recommendation would be for that individual to be accountable to the Chairs of the Working Group but be able to bring Secretary Shalala and other high ranking officials into the process when necessary. We recommend that you discuss this suggestion further with Bruce Reed who was at the meeting and was open to the possibility of bringing someone on board.

(2) Businesses are expressing interest in this initiative beyond the area of job creation and our outreach needs to reflect this as well. Welfare reform directly impacts on the productivity of companies in which large numbers of employees are constantly moving on and off of welfare. Human resources directors have thousands of stories from employees who have had to leave their jobs because they lost child care, transportation or a sudden illness in families lacking health insurance. If work is the key to benefits, there will be less worker turn over, less problems with employees and an increase in productivity. Welfare simplification is a subject that could potentially be of great interest to them, as could child support reform.

(3) It is important to bring a diversity of interest and communities to the table. Fritz Edelstein, also from the Education Department, recommended that we outreach not only to large corporations, but also to small businesses. He also strongly recommends that we bring groups like the National Association of Women Business Owners, U.S. Hispanic Chambers of Commerce and the Black Business Council to the table. I think this is an excellent suggestion. For example, business women are more likely to support our strategies for self sufficiency than traditional women's groups.

Next steps:

In the next six weeks we will be doing the following:

(1) Continue meetings with business associations. These meetings have been helpful for building knowledge at the national level and for entree to actual business people. Meetings have been conducted with Corporation for Enterprise Development, Chamber of Commerce, Direct Selling Association, National Restaurant Association and Committee for Economic Development. Meetings with the Business Roundtable and Business for Social Responsibility are still pending. The outcome of the meetings so far have been very positive. For example, Bob Friedman, CFED, organized the November 18-19 meeting on welfare reform after it was suggested at a meeting with Bruce Reed a month ago.

(2) Arranging focus groups with business owners and their management staff. As a follow to the meetings with the business associations, groups like the National Restaurant Association and Committee for Economic Development, have agreed to assist us in coordinating focus groups with their members. CED for example, has agree to coordinate a meeting in January with CEOs. Education officials also emphasize the importance to reach out to business people in the field who understand these issues well. They mentioned the name of Jim Ranier, CEO at Honeywell Corp. They also recommended a series of focus group meetings with human resources managers. We will be following up on this suggestion.

(3) Based on decisions regarding the overall welfare effort and the process of floating ideas, Bonnie and Jeremy will be producing a short piece describing relevant parts of the proposal for reaction by the business leaders with whom we are meeting.

cc:

Bruce Reed
Bonnie Dean
Bill Dickens
Wendell Primus
Chris Lin
Toby Graff

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

October 20, 1993

Memorandum for Distribution

From: Toby Graff, Office of Public Outreach
Working Group on Welfare Reform
Subject: Meeting with Corporation for Enterprise Development

The meeting with Robert Friedman and Joyce Klein, of the Corporation for Enterprise Development (CFED) is scheduled for Friday, October 22, at 12:00 p.m. It will be held in Bruce Reed's office, Room 216, of the Old Executive Office Building.

Working Group members and staff that will be attending the meeting are: Bruce Reed, Bonnie Deane, Canta Pian, Patricia Sosa, Jeremy Ben-Ami, and Chris Lin.

This is the first of several meetings we plan to hold with representatives of the business community. The purpose of this meeting is two-fold. We would like to have a substantive discussion on CFED's ideas for job development, training, and all business-related aspects of the welfare reform plan. It is imperative, from a policy standpoint, to determine what specific initiatives business will support and actually assist in implementing. We also would like to get CFED's recommendations on how best to develop private sector involvement in welfare reform and proceed in our outreach efforts.

• Previous Meetings:

Joyce Klein, a Program Director in the Washington, D.C. office of CFED, met with issue group members, Tom Corbett, Canta Pian, and Gary Ashcraft on September 27. The purpose of this initial meeting was initiate contact with the group. The discussion in this meeting was focused on the need to emphasize economic development in welfare reform. CFED strongly advocated the participation of low-income individuals and community-based groups in the reform process. They believe we should pursue asset development through individual development accounts and savings club, and work-force development through market-niche programs, mentoring programs, and/or school-to-work programs.

Robert Friedman, the Chair and Director of the CFED West office, has written the Working Group to offer assistance and request to participate in the California public forum. He testified in Sacramento at the October 8 hearing (see attached testimony). The basic premise of his testimony is that anti-poverty efforts have traditionally focused on income maintenance and social service provision. He urges that we must stray from this approach toward a system that includes a substantial economic development component. He believes

that we must create viable paths out of poverty, through education, employment and self employment, to ensure economic prosperity for low-income people and communities, as well as society on the whole. He puts forth CFED's four basic elements for a federal developmental welfare strategy: removing the penalties for education, employment and self employment; linking with other federal training, education, and economic development programs; direct federal investment in economic opportunity and development for welfare recipients; and reinventing the governance of the system.

In each of our contacts with CFED they have been very supportive and have consistently offered their assistance in developing a welfare reform proposal

• **General Information about Corporation for Enterprise Development (CFED):** CFED is a private, non-profit organization that "analyzes, designs, demonstrates, evaluates, and communicates policy and practice in the areas of economic development, human investment and governance." Its goal is to promote economic opportunity and growth, particularly for low-income individuals and communities. CFED was founded in 1979. CFED has a national office in Washington, D.C., and three regional offices in Chapel Hill, North Carolina, St. Paul, Minnesota, and San Francisco, California.

DISTRIBUTION:

Bruce Reed
Bonnie Deane
Canta Pian
Chris Lin
Jeremy Ben-Ami
Patricia Sosa



CORPORATION
FOR
ENTERPRISE
DEVELOPMENT

Paths Out:

Including an Antipoverty Development Strategy in Welfare Reform

Testimony of

Robert E. Friedman
Chair of the Corporation for Enterprise Development

to the

Working Group on Welfare Reform, Family Support and Independence

Sacramento, California
October 8, 1993

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For the past fifteen years the Corporation for Enterprise Development (CFED) has been researching, developing, demonstrating and disseminating economic development strategies with the dual goal of increasing economic vitality and productivity on the one hand, and economic opportunity and inclusion on the other.

I come before you today to encourage you to include a substantial development component in the welfare reform strategy you offer the country next year, and to suggest the elements of that component.

Ever since the New Deal, which set the framework for the United States transfer payment systems, US antipoverty efforts have focused on income maintenance and social service provision. The limits of this approach are becoming clear: as William Raspberry put it, the income maintenance system has become a sort of economic methadone which eases the pain of poverty and unemployment but does not address the underlying causes. Worse, if unintentionally, the current system actually penalizes poor families who attempt to move forward through education, work or self employment.

This welfare reform at the Federal level offers the possibility, for the first time in this century, to add a substantial development component -- one designed to encourage, enable and support low income people moving into the mainstream economy as skilled employees and entrepreneurs. There are many promising models for such an approach at the community, state and international efforts. At the Federal level, policy proposals embodying a development strategy -- proposals like raising the permissible asset level for retaining AFDC eligibility, a national demonstration of Individual Development Accounts, and a system of 1000 microenterprise programs -- have not only drawn bipartisan interest, but won the endorsement of the President.

While there are certainly vast unmet needs for food, shelter, clothes and the other necessities of life, I am convinced that the economic, social, and political frontier of efforts to combat poverty in this country lies not so much in zero-sum income maintenance and income redistribution (though I do not oppose them), as in positive-sum efforts to increase the ability of poor Americans to compete with success in the world labor market. The problem with the current system is not that it rewards indolence, but that it penalizes effort. We must devote our attention to encouraging and enabling low income Americans to move forward as they see fit -- through education, employment, self employment -- to build their economic future and ours.

I believe we should take the charge of President Clinton, who understands economic development better than any leader we have ever had, very seriously: we must "empower ... Americans to take care of their children and improve their lives." Only by creating viable paths out of poverty for those ready and able to move can we shrink the number of families dependent on public support and increase the adequacy of that support.

This strategy offers to expand the economic pie while including in that greater prosperity people and communities confined to the margins of the mainstream economy. It is an investment strategy designed to yield returns substantially in excess of the initial investment. It coheres with the values of most Americans who believe fundamentally with the proposition that all people deserve a reasonable opportunity to support themselves and their kids. It can breed social respect, trust, cohesion. It is the only engine powerful enough to pull a fundamental reform through Congress.

In the remainder of this testimony, I want to outline the premises on which these recommendations are based, note the rise of models and precedents for development strategies arising in the communities and states of this country and other nations, suggest the principles that should govern the design of the development agenda, describe some of the elements of that agenda, and note the costs, risks and potential returns of the strategy. But first, I want to offer a few stories.

Stories

In 1987, the Cherokee community of Kenwood, Oklahoma, was characterized by overwhelming poverty, unemployment, alcoholism and hopelessness. And also a concentration of some of the Cherokee Nation's most talented Artisans.

When Charlie Soap and Wilma Mankiller asked the community where opportunity lay as part of their Ga-du-gi ("community helps itself") Project, they suggested a marketing cooperative.

For the coop to be successful, the community artisans needed to join and work for it. The key, people in the community explained to Charlie, was to secure Betty Blackberry's support.

Betty Blackberry, at the time, 81 years old and nationally recognized as the one of the foremost basketmakers in the country, and universally admired in the community.

By the third meeting of the planning group, Betty Blackberry had joined. They agreed to plant a field with the reeds they needed to increase their production of baskets. A month later, the first show sold thousands of dollars of merchandise in two days. Within 2 months, Betty Blackberry and her family had an order for 5000 small gift baskets.

After four months the coop was dying. When asked why, participants explained that the state welfare officials, having seen the coop members' names on baskets, and jewelry and other items in shops, came to suspect them of not reporting all their income (which in many cases turned out to be true). Scared at the prospect of losing their only certain, if inadequate, means of support and medical coverage for children, the members stopped producing and working to develop the coop.

"But Betty," Charlie reasoned, "you know you can sell your baskets for \$200 apiece -- probably for \$400-1,000 if you develop your name. What do you make now?"

"\$240. But what if I don't sell the two? I might feel comfortable if I could save some money, so that I could be sure to be able to market. But they won't let me even do that."

Betty Blackberry died a year later the way she lived: impoverished, dependent on Federal support, unknown and underrecognized outside her home community.

.....

Mary Johnson and Melody Boatner are both welfare recipients in the state of Iowa. Both have children with severe medical problems. Both want to escape welfare, and have completed business plans in areas where they have demonstrated skills and experience (medical billing and upholstery, respectively), plans which conservatively project self-sustaining income. They have identified customers anxious for their services, and secured access to credit. But, as they testified to a congressional committee in 1991, the minute they move forward on their plans they would lose eligibility for AFDC and Medicaid because they would exceed the \$1,000 limit on permissible assets.¹

.....

Grace Capitello and Sandra Rosado, welfare mothers in Wisconsin and New York, respectively, thought the way out of poverty for their families was through college education. Each scrimped pennies and sacrificed current consumption to save money for college education -- Grace for her

¹ See testimony by Mary Johnson and Melody Boatner in "New Strategies for Alleviating Poverty: Building Hope by Building Assets," Hearing before the Select Committee on Hunger of the U.S. House of Representatives, October 9, 1991, Washington, D.C.: U.S. Government Printing Office, 1991, pp. 21-27.

own education, Sandra for her daughter's. Each managed to save a few thousand dollars. And each was prosecuted by state welfare authorities for accumulating those savings in violation of the \$1,000 asset limitation, who not only confiscated the savings, but also exacted penalties.

What concerns us about traditional welfare policy is the way it not only fails to encourage and enable economic opportunity and development of the Betty Blackberrys and Mary Johnsons and Sandra Rosados and Kenwoods of this country, but actually penalizes them. To be sure, some of the activities that state officials stopped were technically illegal; but just as surely, the effect of the welfare system as enforced was to penalize effort, to undermine earnings and entrepreneurship, to stymie community development, and to stigmatize and drive underground the very sort of enterprising activity and role models we should want to celebrate and reward.

We think that the economic, social, political and human cost of the focus on income maintenance is huge. And if the test of such policy were a matter of elemental fairness and commonsense, rather than the absence of random assignment, control group evaluations which are currently unavailable, the path forward would be clear.

What we seek to put forward is an Investment Package as part of an overall welfare reform proposal that encourages and supports the development of America's poor people and communities.

Premises

The antipoverty development strategy suggested in the remainder of this testimony is based on a series of premises about the nature of the welfare population, the economy, and the self sufficiency/ economic independence process and programs. They are derived from the literature, our own studies of effective economic opportunity and development policies and programs, as well as direct experience with working with low income people escaping poverty. We cannot fully explicate and document them here, but we think it is important to be explicit about them.

Welfare Recipients

The success of any welfare reform strategy depends fundamentally on a understanding of who the people are we are dealing with. We start from some premises that are not necessarily universally shared:

- **AFDC recipients, though sharing poverty, are a tremendously diverse population.** There is a real danger if we pay attention only to averages and otherwise homogenize the poor.
- **Among AFDC recipients are people with tremendous skills, energies, aspirations, who are best helped by supporting their capabilities rather than treating only their perceived deficiencies.**
- **Just as people get poor for different reasons, so they will escape poverty through different routes. It is a mistake to search for a single approach that can liberate 50% of the poor; rather, it may make more sense to seek a series of 1, 3, and 5% solutions.**

The Economy

The national (and global) economy has changed in many ways that require changes in the strategies designed to include low income people and communities in the economic mainstream.

Unfortunately, most of the changes make entry into the economic mainstream more difficult. Among the crucial changes:

- **Wage levels for low skilled employees have fallen. People with high school education or less have lost ground, and are likely to do more. Thus, short term training is even less likely to lead to jobs paying a livable income in the future than in the past.**
- **The education and skill level required for jobs offering incomes and benefits capable of sustaining a family above the poverty level have increased. Post-secondary level skills will increasingly be the necessary prerequisite.**
- **Entrepreneurial skills -- the ability to combine resources in new ways to add value -- will increasingly be required not only of business owners and managers, but also of employees.**
- **The rate of self employment, after declining almost from the founding of the Republic, has been increasing since 1973, both as a function of necessity and opportunity.**

The Process of Achieving Self Sufficiency/Economic Independence

We know less about the process by which low income people achieve economic independence than we know about the characteristics of people who are poor, in part because we study it less. But we believe that there is much to be learned from the people and communities who have moved forward, as well as the characteristics of the programs that have helped in this movement, and can already suggest some of the lessons. Among them:

- **The beginning of movement forward is the belief that it is possible. Effective programs evidence high expectations of participants, and do not treat them as victims. Overemphasizing deficiencies (we all have them) can undermine self esteem and progress. The current welfare system systematically undermines self esteem so much that almost all effective economic opportunity programs have had to consciously build self esteem as they build skills and paths out.**
- **Development is something people do, not something done to them. Professor John McKnight has written eloquently to this:**

"All the historic evidence indicates that significant community development only takes place when local community people are committed to investing themselves and their resources in the effort. This is why you can't develop communities from the top down, or the outside in. You can, however, provide valuable outside assistance to communities that are actively developing their own assets...Communities have never been built upon their deficiencies. Building community has always depended upon mobilizing the capacities and assets of a people and a place."²
- **Development is necessarily multi-dimensional. As Michael Sherraden notes in his book *Assets and the Poor*, and we note from observing successful self**

² John L. McKnight and John Kretzman, "Mapping Community Capacity. Evanston, IL: Center for Urban Affairs and Policy Research, unpublished paper. c1992.

employment programs, hope, initiative-taking, skills, family stability, involvement in the community and children's education, employment, entrepreneurship, incomes, assets etc. seem to increase together, over time.³

- **Development is a process**, and the important thing to seek and measure is change in capacity, not where people (or businesses) begin the journey or end it. What is important is not where people/economies start or end, but the nature and magnitude of the change. A person who moves from hopelessness and inactivity to self employment, the firm that begins to modernize, both are better examples of development than a branch plant that simply changes locations, or a static measure of overall employment or income. Not surprisingly, there is a link between firm start-ups and firm modernization/specialization, as well as between higher skills and entry to the economy.⁴
- **People escape poverty as they achieve wealth, not through income alone, but also through asset accumulation.** One of the clearest failures of current welfare-to-work policy is that we raise people only to the poverty line, leaving them without a cushion, and therefore one sickness, one accident or one divorce, away from poverty. Owning assets give one a stake in the future -- a reason to save, to dream, to invest time, effort, resources in creating a future for themselves and their children. As Sherraden notes, "Income may feed people's stomachs, but assets change their heads."
- **Development proceeds unevenly and over time.** Some people progress steadily out of poverty, others move forward and slide back and move forward again, some never move.⁵ Moreover, there is an accumulating amount of anecdotal experience that suggests that the move from long term dependency to independence is often about four years.
- **Development which has a significant impact more often proceeds in large numbers of small steps that in a single large breakthrough** (a plant location, a research breakthrough).
- **Development proceeds by expanding the worlds -- the view, information, contacts, interactions -- of people and firms.** This can be seen equally by observing poor women growing through microenterprise and small businesses modernizing through flexible manufacturing networks. Development, as Andrew Oerke, poet and President of the Partnership for Productivity used to say, is a conversation.
- **Effective economic opportunity programs of all types are characterized by their ability to build confidence, competence and connections.**⁶

³ See Michael Sherraden, *Assets and the Poor: A New American Welfare Policy*, M.E. Sharpe, c 1991. Also see "Lessons from the Self-Employment Investment Demonstration", Washington, D.C.: Corporation for Enterprise Development, 1992.

⁴ Ibid.

⁵ See reports from Project Match in Chicago.

⁶ See Alan Okagaki, "Windows on the World: Best Practices in Economic Opportunity," *The Entrepreneurial Economy*, Washington, DC.: CFED; Alan Okagaki and Robert Friedman, *Women and Self-Sufficiency: Programs that Work; Policies that Might*, Washington, DC.: CFED; William Nothdurft, Washington, DC.: Council of Governors Policy Advisers, (drawing on the CFED work cited above.)

Antipoverty Development Policy

The primary determinants of economic competitiveness and opportunity are the same: people ready and able to work in environments that invite, use and reward their talents and energies to create better products and services, as employees and entrepreneurs. In this context, the real measure of economic potential is the level of economic activity in a community/economy and society. What we seek to contribute to the nation's antipoverty effort is the development of strategies aimed at creating economically active people and communities. More specifically, when we talk about an **antipoverty development agenda**, we focus on **approaches which build economic assets (family and social support, skills, savings, ownership) and activity (employment and entrepreneurship) in poor communities.**

While income maintenance and income redistribution policies have a role to play in any civilized society, they are a sort of economic methadone: they can relieve the pain of unemployment and poverty, but they do not address its causes. No wonder then that pre-transfer poverty has increased ever since 1968. Moreover, transfer payments which seek merely to subsidize and maintain consumption -- treating the poor and unemployed as consumers alone -- can actually make matters worse by penalizing people who seek to move forward. Thus many transfer payment programs, and especially AFDC (welfare) withdraw benefits from recipients who pursue training, work or self-employment.

There is another approach to welfare reform which emphasizes opening the opportunity to produce and be rewarded for that production, which seeks to invest in the talents, vision and energy of low income people themselves. We call this the anti-poverty development agenda.

Precedents and Models

Around the United States and around the world, a number of antipoverty development initiatives have arisen which point the way toward a larger antipoverty development policy. It seems appropriate to review them briefly here.

Community Models

In the last 5-10 years, a couple hundred microenterprise programs which help low income Americans create jobs for themselves have emerged across the country in places as diverse as inner city Chicago, rural Nebraska, the border towns of Arizona and the Indian reservations of North Dakota. We are beginning to understand that these programs are not just business development programs, but also human and community development programs. A Directory of such programs soon to be released by the Self-Employment Learning Project of the Aspen Institute suggest the potential and growth curve of this strategy. From a handful of such programs as recently as five years ago, the Directory now lists 194 programs around the country⁷ which have loaned \$43 million, assisted in the creation of 21,160 new businesses and 204,068 clients.⁸ Seventy per cent of these programs work with low income people, and sixty-three per cent of these programs work with AFDC clients in spite of the fact that the current system offers severe penalties to both participants and program operators. While it is too early to know the full long-term impacts of such programs, a study of 302 borrowers from five leading programs found that 51% of the businesses were profitable on a monthly basis, over half earned under \$1,000 a month in gross

⁷ Up from 108 a year earlier, and this is undoubtedly not a complete list.

⁸ *1993 Directory of Microenterprise Programs*, Washington, D.C.: Self-Employment Learning Project of the Aspen Institute, forthcoming.

sales, 22% per cent earned from \$1,000 to \$2,500 per month and 24% earned over \$2,500 a month.⁹

Self-help housing projects have sprung up in rural and urban communities across the country. "I Have a Dream Programs" in 40 cities assure disadvantaged students that they too can attend college. And savings clubs and innovative savings programs have developed in public housing complexes and rural communities.

Some communities have attempted to put a number of development strategies together into a comprehensive whole. Eastside Community Investments, a community development corporation in Indianapolis, Indiana operates everything from an industrial park to low income housing to teen parent programs, to self-employment, day care and individual development account programs. Every program ECI launches now is designed to include components to build marketable skills, character, assets, and community.

State Models

On Monday, March 26, 1993, the Iowa Senate passed the Iowa State Human Investment Policy legislative package 49-0; on April 19 the Iowa House passed the package 96-1. Republican Governor Terry Branstad has promised to sign the comprehensive package, crafted by the Corporation for Enterprise Development working with a broadly representative public-private Human Investment Council. The package included a far-reaching rewriting of the welfare program (now renamed the Family Investment Program) to assist progress toward economic independence, an asset-building strategy which would create 10,000 Individual Development Accounts, a system of Family Development and Workforce Development centers operating with decategorized funding, and a high-wage economic development strategy. Republican Senator Maggie Tinsmore said the package "represented a fundamental change from an income maintenance system to a development system." The headline of the Des Moines Register's approving editorial read, "Finally, Real Welfare Reform." Marv Weidner, Director of Iowa's ADC Program, conveyed the premise of the reform most succinctly, "This is the first welfare reform plan in the country that trusts and respects welfare recipients."

What is notable about the plan from the national perspective is:

- Welfare reform is nested in a larger package which also includes policies on asset development (IDAs), family development, workforce development and economic development. An effective anti-poverty strategy is necessarily going to involve more than welfare reform.
- The orientation of the entire package is toward self-sufficiency, and there is a combination of economic and social policy elements designed to increase the productive capacity of the economy at the same time it seeks to include in that enlarged economy people confined to the margins.
- The welfare reform plan revolves around three themes: Transitions to Work, which removes the earnings and asset penalties currently facing recipients interested in earning their way off; Family Stability, which removes the penalties for family preservation or reunification; and Responsibilities with Consequences which allows for flexible Family Investment Agreements with the penalty of time-limited welfare for those who refuse to enter into such self-sufficiency contracts.

⁹ Peggy Clark and Tracy Huston, *Assisting the Smallest Businesses: Assessing Microenterprise Development as a Strategy for Boosting Poor Communities*, Washington, D.C.: Self-Employment Learning Project of the Aspen Institute, 1993. pp vi-vii.

- The design of the individualized Family Investment Agreements provides an instructive model of how to deal with time-limited welfare. IFIP allows welfare recipients to enter into very flexible and individualized self-sufficiency plans which vary in length (we believe that the path off long-term welfare receipt is more likely to take four years than two, but the path off for most recipients may be much shorter), reserving time-limited welfare (three months of full benefits, and three additional months of benefits for children only) for those unwilling to enter into an Agreement.
- The plan fundamentally respects, demands and seeks to build upon the talents, energies and aspirations of the poor themselves. In short, it is an empowerment and investment strategy that requires the poor to assume responsibilities and co-invest in order to receive investment.
- Inherent in the plan are the principles of reinvented governance, including empowering the customer, decentralizing practice, public-private leverage and participation.
- While we will not know the full costs and benefits of the plan until it has run for some time, our best estimate is that an up-front investment is required which will entail net costs in year one, but achieve revenue neutrality by year three, and net profit to the state by year four due to increased employment and reduced dependency.

Other states including California and North Carolina are crafting development-oriented welfare reforms and related antipoverty development strategies.

International Models

Developed countries of Europe and Asia, many of them countries that have progressed much further than the United States in creating the modern welfare state and extensive income maintenance programs, have faced the crisis of the Welfare State sooner than we have -- the inability to extend the social safety net further, let alone being able to continue to support it at traditional levels -- and have begun to move to developmental strategies aimed at increasing the productivity, growth and inclusiveness of the mainstream economy. For example, some 15 developed countries in Europe and Asia have changed their unemployment compensation and welfare programs to support rather than penalize unemployed people who try to create jobs for themselves.

Many developing countries, which have never been able to create social safety nets, have instead resorted to policies designed to support and build upon the self-help solutions of poor people themselves. While growing in very different cultural, political and economic circumstances, these efforts can enlighten and guide the development of US antipoverty efforts. Dr. Elizabeth Rhyne, a student of these Third World approaches, notes:

"Without welfare programs or formal sector employment opportunities, poor people in developing countries have evolved coping strategies through which they provide for their own basic needs -- income, shelter, and the like. In a growing number of instances, governments or other organizations in developing countries have created programs that support or enhance these strategies. While these mechanisms have clearly not been sufficient to eradicate poverty on a wholesale basis, they do help make lives more livable, reduce social alienation, and provide conditions for some individuals to break out of poverty. In effect, they constitute a social strategy based on: 1) the ability of poor people, their families, and their communities to develop effective solutions to their poverty-related problems, and 2) assistance efforts designed to help those solutions emerge and flourish."

Rhyne goes on to describe some of the strategies one finds used in poor communities of the developing world:

- **"Microenterprises.** When the mainstream economy is unable to supply formal sector jobs and there are no welfare programs, microenterprise, or self-employment, becomes a major source of income. Most microenterprises remain small and serve their own communities. A handful (perhaps 5 to 10 percent) grow to become important employers. But even the smaller ones maintain family income and finance investment in education or another business."
- **"Housing.** Most housing in developing countries is financed and built by the people who live in it, and their families and friends. Starting from a very simple dwelling, people invest in home improvement, provided title to their plots is secure."
- **"Transportation.** Private transport operators outperform public systems around the world, and eventually organize themselves to provide for their needs through services such as insurance and vehicle purchase plans."
- **"Savings and financial services.** The accumulation of assets is perhaps the most important strategy poor people use to pull themselves out of poverty. Savings pay for schooling and provide a cushion through bad times. Poor people develop informal savings clubs to help each other save enough money for major investments, including business investment."
- **"Family care.** Low income people rely on the extended family for child care and care for the sick and aged. The extended family is also a source of financial resources."

Federal Initiatives

At the Federal level, President Clinton's pledges to create 1000 microenterprise programs, 100 community development banks, empowerment zones, a National Individual Development Account Demonstration Program, National Service, apprenticeship training, and to "end welfare as we know it" and raise the \$1,000 asset limitation for eligibility under AFDC, all point to a new anti-poverty investment agenda designed not so much to redistribute income as to open opportunities to produce and be rewarded for that production. A base of bi-partisan support already exists on Capitol Hill for just these sorts of initiatives: Congress already passed bills to raise the asset limitation in AFDC from \$1,000 to \$10,000; bills to establish a National Individual Development Account Demonstration are backed by the unlikely cosponsors of Bill Bradley, Orin Hatch, Barbara Boxer, Alphonse D'Amato, Tony Hall, Bill Emerson, Maxine Waters and others. (See Appendix for summaries of Federal Asset Legislation) The Senate proposal, authored by Senator Bill Bradley (D-NJ) with the support of Orin Hatch (R-UT), Alphonse D'Amato (R-NY), Barbara Boxer (D-CA), was as part of a comprehensive anti-poverty development and investment initiative which included related bills on microenterprise, community policing, community rebuilding, early childhood/family development, and community credit. The Congressional Empowerment Caucus is and The Empowerment Network support similar initiatives.

Principles of an Antipoverty Development Strategy

These initiatives have a number of operating principles in common:

- They respect individuals seeking their own futures as the driving force of development; they recognize and build on the capacities, initiatives and dreams of poor people themselves; and they place services in a secondary and supportive role.

- They seek to create opportunity not by redistributing income, but by expanding the productive capacity, competitiveness and inclusiveness of the economy.
- They seek to invest resources in order to generate more resources in the future.
- They recognize that people get poor for different reasons, and will escape poverty through different routes at different speeds. There is likely to be no one 50 or 75% solution, but rather a series of 5% solutions.
- They recognize that human, family, community and economic development occur together in an interacting, uneven, and cumulative process.
- They are not a public strategy, but a single integrated private-public system focused on results.

Elements of a Developmental Welfare Reform Strategy

There seem to be four basic pieces to a Federal Antipoverty Development Agenda:

1. Removing the Penalties for Education, Employment and Self Employment;
2. Linking with Other Federal Training, Education, and Economic Development Programs;
3. Direct Federal Investment in Economic Opportunity and Development for Welfare Recipients; and
4. Reinventing the Governance of the System

These elements could be easily reframed to fit under the themes of the Working Group: They are parts of making work pay, of enabling people to get off welfare and stay off. They include job creation strategies and are part of a transitional, time-limited support system to allow people to work. A full description of the components of a developmentally-oriented welfare reform policy is still difficult, but some of its elements are clear.

1. **Remove the Penalties for Education, Employment and Self Employment** Perhaps the most pernicious aspect of the current AFDC system is the way it penalizes attempts to move forward through training, education, employment, and self-employment. Undertaking any of those paths forward inherently imposes more costs, as well as exposing individuals to risks they would otherwise not face. This system seems to serve no one well: AFDC recipients or the taxpayers who must support their continued dependency. A full list of the penalties and disincentives that should be removed, let alone a detailed description of appropriate changes, is beyond the scope of this testimony, but we can cite a number of general recommendations as examples:
 - Raise the \$1,000 asset limitation for eligibility for AFDC and similar restrictions in Medicaid and Food Stamps, which effectively prevents business creation, saving for college education, home purchase or even simply a cushion against emergencies, illnesses and accidents.
 - Raise the asset limitation for the value of a automobile to a level capable of covering a reliable vehicle (certainly above the current \$1,500) and adopt uniform treatment among different programs (e.g. Food Stamps and AFDC).
 - Remove penalties for employment and earnings including reducing the 100% effective tax rate on earnings after four months. The effective tax rate (benefit reduction ratio) should be

no more than the tax rate facing the wealthiest Americans, and preferably should be no more than the tax rate on earned income at the same level.

- Limit grant reduction for business income to net profits taken out of the business. See H.R. 455 for specific language.
- Establish long term economic independence as a central goal of the welfare system.
- Extend the duration of childcare benefits to a more realistic transition period.
- Cap the amount of income that must be paid for subsidized housing.
- Eliminate the 100-hour rule for Unemployed Parents.
- Reduce or removing marriage penalties, including the 100-hour rule.

2. **Link with Other Federal Training, Employment and Economic Development Strategies.** As many have suggested, the ultimate answer to welfare lies beyond the welfare system. Any reform cannot become the whole of a development strategy. All the more reason why a welfare reform should seek to remove the barriers to participation in other Federal (and non-Federal) training, education, employment and economic development programs by AFDC recipients and other low income people. This linkage strategy minimizes the need for new funds while allowing low income people to gain some of the benefits of those initiatives. There is a particular advantage into tapping into Federal initiatives that create jobs, some of which might be filled by welfare recipients. We fear that public employment programs for welfare recipients fall too easily into the trap of seeming to be make-work (based as they are on a job creation purpose), are too expensive, and create a job ghetto rather than leading to unsubsidized private sector employment. Among the linkages that might be established:

- Link welfare recipients into new apprenticeship, training and school-to-work transition programs.
- Tap into SBA Microloan, JTPA, CDBG and Department of Agriculture Rural Development support for microenterprise programs so that interested welfare recipients can participate.
- Tap into Federal community economic, business and housing development programs to get them to serve welfare recipients.
- Utilize the National Service program and Empowerment Zone programs.
- Increase the flexibility for states and communities to devise their own economic independence/development strategies.

3. **Create Direct Federal Investment Programs.** While we have spent on the poor, we have rarely invested in them. Most Federal programs to help the poor are income maintenance or social service programs, while most Federal investment programs are not directed to the poor at all. It is time to begin at least experimenting with direct Federal investment in the ability of the poor to move forward. Here we use investment in the old fashioned sense: the appropriation of \$X today in order to generate \$X+ tomorrow by engaging the skills, vision, and energy of people and groups. In this line, the Working Group might

- **Authorize the national demonstration of Individual Development Accounts that President Clinton endorsed during the campaign.** The distribution of assets in this country is much more unequal even than income distribution: while the top 10% of

Americans command 40% of national income, the top 1% control 90% of assets. Fully one third of American households have no or negative investable assets; more than half have negligible amounts. This at a time when the price of entry to the American economic mainstream -- measured in terms of the cost of an adequate education, business capitalization or home ownership -- has increased. Asset owning has become a sort of economic grandfather clause, every bit as insidious as the voting clauses of days passed that said you could only vote if your grandfather did.

This pattern of asset-holding is abetted by a bifurcated national policy: we subsidize asset acquisition for the non-poor to the tune of \$100 billion annually at the Federal level in the form of the home mortgage deduction, preferential capital gains, and pension fund exclusions. Meanwhile, as already pointed out, we actually penalize asset acquisition by the poor.

It is possible to create asset building policies that do not discriminate against the poor. In the Homestead Act, we provided 160 acres and a mule to Americans willing to work the land. Through the GI Bill we bought college educations for a generation of people who served their country in time of war; they in turn drove our post-war economic expansion.

Michael Sherraden has proposed a Homestead Act for the 21st Century: the Individual Development Account (IDA).¹⁰ Modeled on the Individual Retirement Account, the IDA would be available and tax-sheltered for all Americans, with the public co-investing with the poor on a sliding scale, to insure that (unlike IRAs and most US asset policy) the poor are not excluded from its benefits. All Americans would be able to save, say \$1,000 per year tax-sheltered, with the government matching the investments of the poor on a sliding scale. The accounts could be tapped for any of a set of permissible, productive investments: college education, training, first home, business capitalization.

While it is too early to set up a national system of IDAs, it is not too early to begin to experiment with them (as some communities and states are already doing). One approach is suggested in H.R. 456, but many other variations are possible.

Establishing IDAs serves another crucial function: it vests control of the service system in the hands of the intended beneficiaries -- it establishes the broad ownership critical to an effective, transforming development strategy.¹¹ It also thereby integrates the system from the bottom.

- **Create a competitive Innovation and Investment Fund to support investment programs designed to generate future savings and returns.** We are low on the learning curve of identifying effective antipoverty development strategies. A modest investment fund could encourage more community and state experiments, and accelerate the learning. Currently, the Federal government is requiring that hard-pressed states, communities and non-profit groups to front the investment, even though the Federal treasury has the most to gain. Investment should be on a competitive basis according to the probability and amount of prospective return. Appropriate evaluation should be required as a condition of such investments.

4. Adopt New Forms of Governance No system needs to learn from and adopt new governance systems more than the Federal antipoverty system. The notions of empowering

¹⁰ Michael Sherraden, *Assets and the Poor: A New American Welfare Policy*, Armonk, New York: M.E. Sharpe, c1991. See Appendix D.

¹¹ See Doug Ross and Robert Friedman, "The Emerging Third Wave..." *op. cit.*

beneficiaries (customers), decentralizing decision-making and encouraging entrepreneurship, holding people accountable for results and easing process controls, utilizing competition in service delivery, creating new learning and information systems and the like are as necessary here as elsewhere. Among the reforms that are needed:

- Ease the Section 1115 Waiver process to allow more state and community innovation.
- Create a Return on Investment Budgeting which considers longer term and a wider array of costs and benefits.
- Encourage a range of evaluation strategies, rather than an overwhelming reliance on random assignment, control group methodology with its high cost and anti-innovative bias.

The Best Use of the Next Dollar: Economic, Social and Political Advantages of the Investment in Economic Development

Bob Greenstein, and staff leaders on Capitol Hill, like to ask, "Is this the best use of the next (all-too-scarce) dollar for combating poverty.

Certainly, if one looks at the extent of hunger, homelessness, poverty and want, the immediate need seems to be the provision of survival money, goods and services.

But the need for such resources so outpaces the potential funds, that for any variety of reasons, it is difficult to imagine more than incremental and inadequate progress.

And the truth is that of every dollar we spend on the poor, 90 cents or more goes to income maintenance, a few cents go to training and placement, and a penny at most goes into economic development.

More fundamentally, such help treats the symptoms but not the problem: it does not create jobs or enhance the capacity of poor people to earn a living in the mainstream economy. It does not tap, build or utilize their talents. It does not offer to remove people from dependence on income maintenance over time. It penalizes effort and undermines hope. It subsidizes consumption but does not invest in production. It shrinks the economic pie, rather than expanding it.

We would argue that investing in the talents, energies and abilities of poor people is the best use of the next dollar of antipoverty spending. Actually, the next billion dollars.

As compared to more traditional income maintenance and social service programs, developmental antipoverty strategies offer several advantages. Among them:

- **Economic:** They are investment strategies in the old-fashioned sense: they are premised on their ability to generate returns tomorrow that significantly exceed their cost today. While they may require up front investment before returns can begin to accrue, and although these are often longer term, deeper investment strategies, they are intended to -- and should only be supported to the extent that -- they are likely to expand the total value and productivity of the economy in the future. Even the prospects of those who can never be expected to support themselves in the mainstream economy can gain by removing those who can become economically self-supporting from the welfare roles, freeing existing expenditures.
- **Social:** Development strategies require a quid pro quo from the investees in terms of co-investment of time, effort, vision and often resources. Moreover, these can be

fashioned as universal systems designed to increase opportunities for all Americans. These approaches resonate well with the values and opinions of Americans as revealed in polls indicating strong support for work and opportunity programs as opposed to maintenance and charity approaches.

- **Political:** As the bipartisan support at the state and federal levels for the few investment approaches thus developed indicates, these strategies spans the political spectrum.

Cautions and Criticisms

To be sure, support for developmental strategies is not universal. Among the criticisms voiced:

- The interest in such strategies as microenterprise and asset-development is merely faddish.
- The potential of such strategies is limited to small numbers (and percentages) of welfare recipients, and offers only limited possibility of income gains.
- This is not the best use of the next dollar when there are so many maintenance and survival needs.
- There is little objective evaluative data to support the efficacy of such approaches.
- These proposals lure unsuspecting people into failure.

There are many answers to such cautions -- and many answers are lacking. What seems to be clear is that unless there is more experimentation and room for such initiatives, we will never generate adequate answers.

My colleagues and I hope to work with the Working Group in the coming months to refine and develop these proposals into workable pieces of the overall strategy.

THE WHITE HOUSE

WASHINGTON

October 21, 1993

MEMORANDUM FOR JOSH STEINER, DEPARTMENT OF THE TREASURY
ROBERT STEIN, DEPARTMENT OF COMMERCE
KATHY HIGGINS, DEPARTMENT OF LABOR
KEVIN THURM, DEPARTMENT OF HEALTH AND HUMAN
SERVICES
WILLIAM WEBSTER, DEPARTMENT OF EDUCATION
KATIE BROEREN, SMALL BUSINESS ADMINISTRATION

FROM: BRUCE REED *BR*
DEPUTY ASSISTANT TO THE PRESIDENT FOR
DOMESTIC POLICY

SUBJECT: Interagency Meeting on Business Outreach for
Welfare Reform

As the Working Group on Welfare Reform, Family Support, and Independence prepares to conduct business outreach for our welfare reform effort, we will be holding meetings with a number of associations including the U.S. Chamber of Commerce, the Business Roundtable, the Corporation for Enterprise Development, the National Association of Manufacturers, and others.

Your departments have done an outstanding job of involving the business community on private-public initiatives such as school-to-work programs, apprenticeship programs, and the high performance workplace. The White House would like to tap that expertise in the upcoming welfare reform effort.

Please let me know which staff members from your department could help advise the welfare reform working group in this area. We would like to schedule a meeting later this month. This won't require much of a time commitment, but it should be interesting and is vital to the success of our efforts.

cc: Roger Altman, Treasury
Sally Painter, Commerce
Julie Gibson, Labor
Fritz Edelstein, Education
Margarita Colmerares, Education
Jeremy Ben-Ami, HHS
Patricia Sosa, HHS
Canta Pian, HHS
Chris Lin, White House
Bonnie Deane, White House

THE WHITE HOUSE

WASHINGTON

October 21, 1993

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Chris Lin, White House
Bonnie Deane, White House

Bruce Reed

WR - Business
Outreach

To: David Ellwood
Mary Jo Bane
Bruce Reed

From: Jeremy Ben-Ami

Subject: Business Outreach

Date: October 14, 1993

We have begun a significant effort to reach out to the business community to develop private sector involvement in welfare reform. We met last week at the White House with the Office of Public Liaison and the National Economic Council and agreed to the following three steps:

- o The Office of Public Liaison will coordinate an interagency meeting to discuss private sector outreach by federal agencies and how welfare reform can build on and learn from these initiatives. Agencies to be invited include HHS, Education, Labor and Commerce.
- o We will schedule meetings with six organizations to seek their help and support in developing the private sector components of the plan. These organizations include:
 - U.S. Chamber of Commerce
 - Business Roundtable
 - Corporation for Enterprise Development
 - National Association of Private Industry Councils
 - National Association of Manufacturers
 - National Restaurant Association

These meetings will be hosted by the White House. Meetings have already happened with America Works, National Alliance of Business and the Empowerment Network.

- o Bonnie Deane is drafting a series of issues/questions to be presented to each of these groups regarding possible models for spurring private sector involvement. She will be circulating this list soon. It is intended to provide a starting point for substantive discussions about program structure.

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Business Outreach
October 14, 1993

The people who have expressed interest in being invited to these meetings include Bruce Reed, Bonnie Deane, Canta Pian, Public Liaison and myself. Are there any additional people you would like to attend these meetings? We will keep you posted on our progress.

cc: Wendell Primus
Patricia Sosa
Bonnie Dean
Ann McCormick
Amy Zisook
Chris Lin

WR - Business
Outreach

October 1, 1993

MEMORANDUM FOR Bruce Reed

FROM: Paul Dimond
Bonnie Deane ~~BD~~

SUBJECT: FYI -- Business Focus Groups on Welfare

Peter Cove of America Works indicated that he had been hired by Offner (of Moynihan's crew) to lead focus groups on welfare. The objective would be to find out what business really wants in order to hire welfare recipients: Do they want tax incentives? how big?

We want to ensure that the outcome of these sessions is of the highest possible standard since Moynihan may take the results quite seriously. We suggest that someone from the White House participate if possible.

Will you call to find out whether we can participate?

October 4

A Wish list: Bold indicates topics discussed so far

I. Change the universal social contract: Responsibility and opportunity.

- **Universal, opportunity/responsibility framework** with a specific contract for recipients of cash assistance
- **Sign the contract.** (Mother, Father, Children?)
Outlines individual responsibilities, gov't responsibilities
Obtain samples from MI, NJ
- **National campaign** to inform people of new contract, esp teens
Use rap singers, movie stars, peer groups

II. Responsibilities:

Prevention

- Free birth control for all adults over 18.
- **Parenting requirements:** immunization, school attendance, drug free home, etc.
- **Minor mothers cannot receive welfare;** an adult must supervise and apply on their behalf. (do teens get welfare if parents make \$100,000?)
- **Require teens to participate** from day one in a employment, home management or parenting activity immediately as a condition for receiving benefits. (Progress or participation requirement?)
 - reward/sanctions on grandmother heading case
 - cut daycare if teen drops out of school
 - require summer participation in job or school
 - set aside summer jobs slots, let teen keep pay (enough slots?)
 - require state to enforce school attendance, eg. limit driver's license
- **Paternity and child support payments should be effectively mandatory.**
All federal aid programs involving children must ask paternity at application time.
Set objectives and let states choose the path:

Sticks: No match funds for cases with no paternity establishment.
States can recoup retroactive match when paternity is established.

Options: States can change judicial to administrative procedure
States can lower/deny benefits to individuals with no paternity.
Medicaid babies must have DNA paternity establishment in hospital.
Streamline determination and modification of child support payments.
Fathers can be subpoenaed for spit test
Provide separate checks for child support and AFDC

Fathers can be penalized by withholding Health security card, drivers licence, credit reporting agency
States should re-invest incentive dollars
Wage withholding/State registry
Limits on divorce fees
Require child support plan for every divorce
Fathers liable for entire cost of AFDC?

- **Marriage disincentives:** Single parents should not have preferential treatment.
We should focus on learning through waivers and experimentation.
~ Refundable child care credits for working parents are preferable to child support assurance for single parents. UI for child support payers (split between parent and child) is even more preferable as an insurance scheme. Work related, no marriage penalty.

Work able

- **Family Unemployment Insurance (FUI):** If you have worked recently and are now looking for work you have met your responsibility and should receive income support. OMB/DOL/NEC to develop 3 options: deficit neutral, ideal and mid-range.

If you have not recently worked, getting your first two years of welfare should be like a public job. You show up and GET PAID ONLY FOR THE HOURS YOU PUT IN.

Parents are given two years of initial opportunity for a "Public Job" which helps them to become more employable. You may be asked to watch children, job hunt, do community service, or get training.

If you are not capable of performing to expectations in a pay per hour program, you have much less freedom: residential boot camp, in-kind assistance only, or other remedial options. No able bodied person can collect cash and watch TV all week.

No pay for providers of E&T services until after placement in a job lasting 90 days

Make time limits simple, predictable, certain. (Different limits for different people?)

If you do not take a temp job from the Jobs Consortia after the time limit, then...

What happens after the time limit: state choice, national minimum?

Disabled permanently or temporarily

Different expectations/system for the temporarily or permanently disabled. Don't have to work, but can try to work without punishment. Need different program with better disregards? Continuing review of eligibility.

III. Opportunities:

In the welfare program

60-90 day reprieve from asset limits with strong job search (family UI program? Give generous cash assistance, with job search, few other strings to those with a work history?)

Raise and index asset limits for many current opportunity programs.

Up to six months of an intensive program (residential, comprehensive family, crisis intervention, etc.) for adults who drop out of the mainstream, 2 yr, pay per hour program.

Team based approaches to community service work requirements, other services.

Pay bounties for placing and keeping welfare recipients in jobs (America Works, Project Match, welfare department...)

Offer employers one year of welfare check as a wage supplement

Consortia: Small pool of public, private and mixed jobs. For end of time limits

Outside of the welfare program

Family planning (abortion, adoption, norplant)

Jobs program similar to YIEPP, I have a dream type programs (Reward success not failure)

Enterprise Zones

One stop shop for employment and training assistance

Head Start, Education, Training Initiatives (School to Work)

October 4, 1993

MEMORANDUM FOR Bruce Reed

FROM: Paul Dimond
 Bonnie Deane

SUBJECT: Business outreach for welfare reform
 Message and examples

Summary: The Department of Health and Human Services and the White House Office of Liaison are about to kick off an effort to enlist business support for the upcoming welfare reform effort. We think it is crucial to ask for their involvement based on sound business principles rather than a vague concept of good citizenship. If at the first contact, businesses feel that this is just another charity drive we will not get the sort of input, feedback and commitment that we will need for the jobs piece of the proposal. We have provided below a first cut at a business-based message with examples of what we mean. Your input would be appreciated. Should we meet with David and Mary Jo to strategize on themes for business outreach regarding welfare reform?

Message: Investing in people should pay off. Not just in an abstract, long-term way, but in immediate, bottom-line dollars.

This Administration is interested in sharing the financial benefits of reduced welfare rolls with state governments, non-profits, profitmaking entrepreneurs and even welfare recipients. Federal, state and local governments currently spend billions of taxpayer dollars to support families on welfare. We would all be better off--especially the families themselves--if these families could support themselves with employment instead of welfare. It makes sense for the government at all levels to team up with the private sector, to harness the entrepreneurial spirit, and to pull families from welfare to work. It makes sense that the reward for saving taxpayers billions of dollars should be a share of the dollars saved--not just a good citizenship button.

For too long, those who tried hardest to save taxpayer dollars were not rewarded. Companies who hired welfare recipients face a complex, paper intensive process to collect their tax rebates. States who put in the extra effort to reduce their rolls received no extra funds from Washington--despite the fact that the federal government would be the biggest winner. Contractors who trained welfare recipients would receive about the same payment regardless of whether or not the training led to a job and self-sufficiency. Caseworkers who are exceptionally good at helping recipients might be rewarded with a heavier caseload. Individuals who try to get jobs are often sabotaged by a system which cuts their supports during the first wobbly steps forward.

We believe that local ingenuity and entrepreneurial spirit can tackle the goliath of welfare dependency. So far, local ideas, individual motivation and the entrepreneurial spirit have been buried under endless systems, budget procedures, and bureaucratic regulations. When investing in people pays off--we will all be better off.

Examples: We can encourage a variety of public/private partnerships which can create short-term payoffs for employment and self-sufficiency of welfare recipients. Such partnerships could be implemented statewide or on a local labor market basis. They could be managed by private contractors, government entities or PICs. We should ask business representatives and state and local government officials, to critique these ideas and add their own. In addition, we will work with OMB to estimate the cost of these alternatives.

- **Jobs Consortia.** When the time limit ends, welfare recipients should be offered a temporary job if they have played by the rules, but cannot find employment. A small pool of jobs could be provided by a local consortia of public and private employers instead of launching a new, purely public-sector program. Utilizing the private sector and community groups as employers as much as possible will create better job experiences and reduce overheads. Their administrative overheads can be minimized by pooling resources for hiring, screening, and providing initial orientation level training. The summer jobs challenge is a good example of a joint effort to create temporary jobs. Many companies--non-profits and profit-based---have expressed an interest in forming consortia for hiring, training, and recycling funds invested in welfare recipients.
- **Employer Consortia:** Employer consortia could also be formed without requiring commitments for specific numbers of jobs. The purpose of such a consortium would be to negotiate a local agreement on the inducements necessary to attract local employers to the welfare hiring system. Rather than blanketing the country with a one size fits all tax incentive, the federal government could provide block grants and allow state and local governments to negotiate with employers at the local level.

The consortia can provide incentives for companies by providing subsidies of wages or benefits. In addition, overheads can be reduced by providing recruiting, screening, and initial orientation services. If the consortia helps to manage the employees in the pool of temporary jobs, then effectively the consortium is acting as a temporary help service.

Local officials may start several clubs with different types of inducements for employers:

"The Community Leaders Club provides a one-year healthcare subsidy. The Center Circle Club provides 85% of wages for six months. Companies which employ more than 20 welfare recipients in one year can join the Golden Circle and receive one year of health benefits and 85% of wages for six months,

too!"

Any of these alternatives could be cheaper than supporting a public service job with full overheads and benefits and cheaper than paying AFDC plus food stamps and housing.

Governor Wilder already has requested permission to set up a revolving trust fund which could provide a menu of rewards to employers including tax breaks, reimbursements for training, or one year of health insurance payments.

- **Employee Consortia:** The federal government could provide seed money for a revolving fund to place welfare recipients. Bounties for successfully placing welfare recipients are paid out of this fund. The individual must repay the bounty payment on an income contingent basis. Referring another welfare recipient into a long-term job automatically repays the loan.
- **Placement Specialist Consortia:** Rather than trying to attract private employers, the government could try to attract those who are in the business of attracting employers. If the federal and state governments put up the cash rewards for placing welfare recipients in long-term jobs, private investment capital will form companies to invest in people and find jobs. As a result, placement specialists will work with employers to screen employees and package incentives for their needs--one on one. Employers will hire based on relationships with placement specialists instead of direct contact with the government. Even JTPA or non-profits such as Project Match could compete for the reward money. *Headhunter*
- **Employee Bonuses:** The federal government could offer welfare recipients a bonus for finding their own job and staying in it. Thus, we could be more sure that they would try to hunt for a job in earnest. In addition, we would know that individuals would try to find their own job before going to a placement specialist (headhunter). If the government paid less to an individual than a headhunter for the same tenure (i.e. stays in job for 180 days), we could be confident that we were saving money when we paid to individuals.
- **Investment Partnership:** Provide block grants for localities to invest in businesses which commit to hiring welfare recipients. This follows the Canadian HRDA model. It is different than other types of consortia in that the government provides investment capital not wages or operating costs. The companies are then owned and managed by a public/private investor consortia and committed to hiring welfare recipients insofar as possible.
- **Government contractors partnership:** The federal government will join states which choose to do so in requiring government contractors in the state to hire welfare recipients (i.e. 2 percent) to undertake the work.