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WELFARE REFORM ISSUE PAPER

Prepared for February 26, 1994
Meeting of the Working Group on
Welfare Reform, Family Support and Independence

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WELFARE REFORM ISSUE PAPER

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GLOSSARY

AFDC – Aid to Families with Dependent Children program: The primary welfare program, which provides cash assistance to needy families with dependent children that have been deprived of parental support.

CSE – Child Support Enforcement program: This program provides Federal matching funds to enforce the support obligations of absent parents to their children and spouse or former spouse, to locate absent parents, and to establish paternity and support orders. States must provide child support enforcement services to persons receiving AFDC, Medicaid, and Title IV-E foster care benefits.

CSEA – Child Support Enforcement and Assurance: A system designed to guarantee that custodial parents get some assured level of child support, even when the absent parent fails to pay.

CWEP – Community Work Experience Program: This is a JOBS program activity which States can, but are not required to, make available to JOBS participants. CWEP provides experience and training for individuals not otherwise able to obtain employment. The required number of CWEP hours can be no greater than the AFDC benefit divided by the higher of Federal or State minimum wage.

EITC – Earned Income Tax Credit program: A tax credit that targets tax relief to working low-income taxpayers with children, to provide relief from the Social Security payroll tax (FICA) and to improve incentives to work.

FSP – Food Stamp Program: A national program designed primarily to increase the food purchasing power of eligible low-income households to a point where they can buy a nutritionally adequate, low-cost diet. Eligible households receive food stamp benefits on a monthly basis in the form of coupons that are accepted at most retail grocery stores.

JOBS – Job Opportunities and Basic Skills Training Program: The work, education, and training program for AFDC recipients. In a greatly expanded form, this program would be the central focus of the Administration's reformed system.

JOBS-Prep: The program proposed for persons not yet able to work or enter JOBS. Persons in this program, including mothers with very young children, will be expected to do something to contribute to themselves and their community. While in JOBS-Prep, they would not be subject to the time limit.

JTPA – Job Training Partnership Act program: The goal of this Department of Labor block grant program is to train or retrain and place eligible individuals in permanent, unsubsidized employment, preferably in the private sector. Eligible individuals are primarily economically disadvantaged individuals.

Healthy Start: Healthy Start is a demonstration project designed to reduce infant mortality by 50% over 5 years in 15 U.S. communities with extremely high infant mortality rates. Medical and social service providers within the targeted communities work collaboratively to develop new and innovative service delivery systems to meet the needs of pregnant women and infants.

PIC -- Private Industry Councils: These Councils are composed of business leaders from the private sector and representatives of the public sector and unions. Their role is to guide and oversee the direction of JTPA employment and training programs. PICs are responsible for providing policy guidance in partnership with local governments.

School-to-Work Initiative: The pending School-to-Work Opportunities Act of 1993 would provide States and local communities with seed money to develop and implement systems to help youth make an effective transition from school to career-oriented work. The program would be designed and administered jointly by the Departments of Education and Labor, and would fund work-based learning, school-based learning, and connecting activities.

Title X -- Family Planning Services: These grants are provided to State agencies for family planning services including contraceptive services, infertility services and special services to adolescents.

Transitional Assistance Program: The Administration's proposed two-year limit cash assistance program for needy families with dependent children.

UIFSA -- Uniform Interstate Family Support Act: A model law which, if adopted, would make State laws uniform and simplify the processing of child support actions which involve parents who live in different States.

WIB -- Workforce Investment Board: A body to be created at the Federal level which would be responsible for serving as a "Board of Directors" for workforce development programs in a labor market. The Workforce Investment Board would provide policy oversight and strategic planning for Department of Labor-funded and other training programs in an area. The majority of the Workforce Investment Board would be composed of employers, but the boards would also be required to have labor, public sector and community representation. The WIB is intended to subsume the Private Industry Council at the local level (although a PIC that met the criteria could become the Workforce Investment Board).

WORK: The Administration's proposed publicly-subsidized work program for persons who have exhausted their two-year time limit without obtaining an unsubsidized private sector job.

INTRODUCTION

Everyone is frustrated with the welfare system. Welfare reform is designed to give people back the dignity and control that comes from work and independence. It is about reinforcing work and family and opportunity and responsibility.

The current system pays cash when people lack adequate means to provide for their families. We propose a new vision aimed at helping people regain the means of supporting themselves and at holding people responsible for themselves and their families. The proposal emphasizes that work is valued by making work pay. It indicates that people should not have children until they are able to support them. It signals that parents--*both parents*--have responsibilities to support their children. It gives people access to the training they need, but also expects work in return. It limits cash assistance to two years, and then requires work, preferably in the private sector, but in community service jobs if necessary. Most importantly, it requires changing the culture of welfare offices, getting them out of the check-writing business and into the training and job-placement business.

Ultimately, this plan requires changing almost everything about the way in which we provide support to struggling families. To achieve this vision, the plan has four main elements.

MAJOR THEMES

Transitional Assistance Followed by Work

- Full participation. Everyone who receives cash support is expected to do something to help themselves and their community. The requirement applies to those who are preparing themselves for work, to those who are past the time limit, and to those who are currently not ready to work. Those who are unable to work due to disability or other reasons will be expected to do something for themselves or their community, but will not be subject to time limits until they are ready to engage in training, education or employment services.

- Training, education and employment services (the JOBS program). As soon as people begin receiving public assistance, they will sign a personal responsibility contract and develop an employability plan to move them into work as quickly as possible. Many will get jobs quickly--in weeks or months--after assistance with job search and job preparation. Others will spend time in education and training services as needed. The program will be closely coordinated with existing mainstream education and training programs including JTPA, School-to-Work and vocational education.

- Time limits. People who are able to work will be limited to two years of cash assistance. Most people are expected to enter employment well before the two years are up. Extensions to complete an education program will be granted in a limited number of cases.

- Work for those who exhaust their time limit (the WORK program). Those people who are still unable to find work at the end of two years will be required to work in a private sector, community service or public sector job. These are intended to be real,

work-for-wages jobs. The program will be designed to favor unsubsidized work and to ensure that subsidized jobs are short-term and non-displacing.

Making Work Pay

- Health care reform. An essential part of moving people from welfare to work is ensuring that working persons get health protection. The current system keeps people from leaving welfare for fear of losing their health insurance.

- Advance payment of the Earned Income Tax Credit (EITC). The expanded EITC makes it possible for low-wage workers to support their families above poverty. Efforts will be made to help families receive the EITC on a regular basis.

- Child care for the working poor. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare but for whom assistance is essential to enable them to remain in the workforce and off welfare.

Parental Responsibility

- Child support enforcement. The child support enforcement system will be strengthened to ensure that awards are established in every case, that fair award levels are maintained and that awards that are owed are in fact collected. Demonstrations of child support assurance and of programs for noncustodial parents will be conducted.

- Efforts aimed at minor mothers, responsible family planning and prevention. Minor mothers will receive special case management services and will be required to live at home and stay in school to receive income support. Access to family planning will be ensured. A strategy for investing in and learning from programs to prevent high-risk behavior and teen pregnancy will be pursued.

- Efforts to promote two-parent families. We will provide better support for two-parent families by eliminating or reducing the current bias in the welfare system in which two-parent families are subject to more stringent eligibility rules than single-parent families.

Reinventing Government Assistance

- Coordination, simplification and improved incentives in income support programs. The administrative and regulatory program structures of AFDC and Food Stamps will be redesigned to simplify and coordinate rules and to encourage work, family formation and asset accumulation.

- A performance-based system. In addition to incentives for clients, incentives will be designed to bring about a systemic change in the culture of welfare offices with an emphasis on work and performance.

ISSUES TO BE RESOLVED

This paper lays out the major unresolved issues that need to be addressed. It is organized around each of the first three broad elements listed above. In each case, a description of the proposed policy is provided and remaining issues discussed. (The details of the fourth element--Reinventing Government Assistance--will be addressed later in a separate paper. We anticipate that changes will be cost neutral for that part of the proposal, so they will not affect cost estimates or financing needs.)

There are four particularly significant issues that need to be resolved:

- **The scale and phase-in of the reformed welfare system**--Should we seek to bring in all persons quickly, or should we initially target our resources to sub-groups, such as new applicants or the youngest third of the caseload?

- **The structure and requirements of the WORK program for people who have exceeded the time limit**--After a person hits the time limit, should we mandate States to provide a job which pays an hourly wage, or should we allow States to continue paying a welfare check while requiring work as a condition of receipt? How many hours of work should be required? What methods should we use to minimize long-term participation in this work program?

- **The level and focus of child care for the working poor**--What level of resources should we devote to child care for the working poor? How should limited resources be targeted?

- **Financing**--What measures should be used to finance the welfare reform package? How should the burden be shared between States and the Federal government?

Financing is not discussed in this paper.

To provide a sense of the scale of a program and the cost of particular elements, we have created a hypothetical proposal. The actual cost of the program will differ depending on what decisions are made about the issues identified above. In the remainder of the document, we will refer to this hypothetical baseline and indicate where different programmatic decisions would have led to a larger or smaller program. The table which follows is provided only as a basis of discussion--not as an indication that policy decisions have been made.

TABLE 1.--PRELIMINARY COST ESTIMATES (FEDERAL AND STATE) FOR A HYPOTHETICAL WELFARE REFORM PROPOSAL
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999	5-Year Total
PARENTAL RESPONSIBILITY						
Minor Mothers	0	(45)	(50)	(50)	(50)	(195)
Comprehensive Demonstration Grants	0	50	50	50	50	200
Two-Parent Provisions	0	0	440	680	945	2,065
No Additional Benefits for Additional Children	(35)	(100)	(110)	(140)	(150)	(535)
Child Support Enforcement						
Paternity Establishment (Net)	5	20	(110)	(165)	(215)	(465)
Enforcement (Net)	(10)	(20)	(65)	(80)	(320)	(495)
Computer Costs	15	35	95	160	160	465
Non-Custodial Parent Provisions	0	25	80	110	175	390
Access Grants and Parenting Demonstrations	20	25	30	30	30	135
Child Support Assurance Demonstrations	0	0	100	200	250	550
SUBTOTAL, CSE	30	85	130	255	80	580
TRANSITIONAL ASSISTANCE FOLLOWED BY WORK						
JOBS-Prep	0	15	50	60	70	195
Additional JOBS Spending	0	210	750	920	1,000	2,880
WORK Program	0	0	0	130	690	820
Additional Child Care for JOBS/WORK	0	190	630	745	900	2,465
Transitional Child Care	0	70	230	280	360	940
Enhanced Teen Case Management	0	30	90	105	110	335
Economic Development	0	0	100	100	100	300
Savings - Caseload Reduction	0	0	(30)	(60)	(80)	(170)
SUBTOTAL, JOBS/WORK	0	515	1,820	2,280	3,150	7,765
MAKING WORK PAY						
Working Poor Child Care	0	500	1,000	1,500	2,000	5,000
Advance EITC	0	0	0	0	0	0
GRAND TOTAL	(5)	1,005	3,280	4,575	6,025	14,880

Note: Parentheses denote savings.

Source: HHS/ASPE staff estimates. These estimates have been shared with staff within HHS and OMB but have not been officially reviewed by OMB. The policies do not represent a consensus recommendation of the Working Group co-chairs.

SEE APPENDIX FOR ENDNOTES TO TABLE

BACKGROUND INFORMATION ON THE AFDC PROGRAM

Before turning to the key policy issues, we provide brief background information regarding the current AFDC program.

AFDC Program under Current Law

The Aid to Families with Dependent Children (AFDC) program was enacted as Title IV of the Social Security Act of 1935. Its primary goal is to provide cash assistance to children in need of economic support due to the death, continued absence or incapacity of the primary wage earner (typically the child's father). AFDC provided benefits to a monthly average of 4.8 million families (13.6 million persons) in fiscal year 1992. This includes 322,000 families in the AFDC-Unemployed Parents (AFDC-UP) program. The total AFDC caseload represents 5.0 percent of the total resident U.S. population. Two-thirds (9.2 million) of AFDC recipients each month are children.

AFDC benefits totaled $22.2 billion in 1992. Total AFDC monthly benefits averaged $388 per month, per family, but benefits vary widely across States. In January 1993, the maximum monthly AFDC benefit for a family of three with no countable income ranged from $120 in Mississippi to $923 in Alaska. In real dollars, the average monthly benefit per AFDC family has declined from $644 in 1970 to $388 in 1992, a 40 percent reduction, attributable mostly to inflation rather than reductions in nominal benefit levels. The Federal government's share of total benefit expenditures was $12.2 billion in 1992, and $10.0 billion was paid by the States. Total administrative costs, shared equally between the Federal government and the States, were $2.7 billion in 1992. Overall, the Federal government pays roughly 55 percent of total AFDC benefit costs and 50 percent of administrative costs.

The Family Support Act of 1988 created the Job Opportunities and Basic Skills (JOBS) program to provide education, training, and employment-related services to AFDC recipients to promote self-sufficiency. To the extent resources are available, all non-exempt recipients are required to participate in JOBS activities. Exemption categories include most children, those who are employed 30 or more hours per week, those who are ill, incapacitated, or of advanced age, women in their second trimester of pregnancy, and those who are caring for a young child, or caring for an ill or incapacitated family member. Federal matching to States for JOBS program costs is available as a capped entitlement limited to $1.1 billion in fiscal year 1994. The matching rates vary between 50 percent and 90 percent, depending on the type of costs being reimbursed.

Most AFDC families are eligible for and participate in the food stamp program, which provides an important in-kind supplement to cash assistance. While participation rates varied among States, 86.2 percent of AFDC households also received food stamp benefits in fiscal year 1992. AFDC benefits are counted when determining food stamp benefit amounts; one dollar of AFDC reduces food stamps by 30 cents. Additionally, all AFDC families are eligible for Medicaid coverage, and under the provisions of the Family Support Act, all families who leave AFDC due to increased earnings or hours of work are eligible for one year of transitional Medicaid coverage.

Welfare Dynamics and Characteristics

It is extremely common for women to leave the welfare rolls very soon after they begin a spell of welfare receipt. More than half of all welfare recipients leave the welfare rolls within their first year of welfare receipt; by the end of two years the percentage who have left increases to 70 percent. By the end of five years, about 90 percent have left the welfare rolls. However, many of those who have left welfare cycle back on. Within the first year after leaving the welfare rolls, 45 percent return; almost two-thirds return by the end of three years. By the end of seven years, more than three-quarters of those who have left the welfare system have returned at some point. Almost half of all spells of welfare end when a recipient becomes employed; other reasons for leaving AFDC include marriage and children growing up. About 40 percent of women who ever use welfare are short-term users, about one-third are episodic users and one-quarter are long-term users. Using data from 1968 through 1989, the average time spent on welfare was 6.2 years.

While the number of AFDC recipients remained relatively constant between 1975 and 1988, AFDC caseloads rose sharply during the early 1990s. The monthly average of 13.6 million recipients in 1992 represented a 2.1 million increase since 1990. According to a recent Congressional Budget Office study, the primary reasons for the sharp increase in the AFDC caseload between late 1989 and 1992 are the growth in the number of female-headed families, especially those headed by women who never married, the recession and the weak economy.

The vast majority of AFDC families are headed by a single female. Among single female-headed AFDC households, the proportion of AFDC mothers who have never been married has significantly increased, although the proportion of divorced AFDC mothers still remains sizable. The AFDC caseload is racially and ethnically diverse. Thirty-nine percent of AFDC family caseheads are African-American, 38.1 percent are white, 17.4 percent are Hispanic, 2.8 percent are Asian, 1.3 percent are Native American, and 1.6 percent are of another race or ethnicity.

The average AFDC family is small. In 1991, 72.3 percent of AFDC families had 2 or fewer children, and 42.2 percent had only one child. Only a small proportion of AFDC families -- 10.1 percent -- have four or more children. The average family size of an AFDC family has also become smaller over time, from 4.0 in 1960 to 2.9 in 1992. Over two-thirds of AFDC recipients are children. In 1991, almost one-half of AFDC children were under six years of age; 24.8 percent were under age 3, and 21.4 percent were between ages 3 and 5. One-third (32.6) of AFDC children were aged 6 to 11, and 21.4 percent were age 12 or over.

Over half of AFDC mothers began their receipt of AFDC as teenagers; however, AFDC cases with teenage mothers (i.e., under age 20) make up only a small fraction of the AFDC caseload at any one time. In 1992, 8.1 percent of the AFDC caseload was headed by a teenage mother. Almost half of AFDC mothers (47.2 percent) were in their twenties, a third (32.6 percent) were in their thirties, and 12.1 percent were in their forties.

TRANSITIONAL ASSISTANCE FOLLOWED BY WORK

Perhaps the most critical and difficult goal of welfare reform is to reshape the very mission of the current support system from one focused on writing checks to one focused on work, opportunity, and responsibility. The proposal calls for replacing the AFDC program with a transitional assistance program, to be followed by work. The new program includes four key elements: full participation, education and training, time limits, and work.

KEY ELEMENTS

- **Full Participation.** Everyone who wishes to receive cash support would be expected to do something to help themselves and their community. Recipients would sign a personal responsibility contract indicating exactly what was expected of them and the government. Most would go immediately into the JOBS program. A limited number of persons who are not yet in a position to work or train (because of disability or the need to care for an infant or disabled child) would be assigned to a JOBS-Prep program until they are ready for the time-limited JOBS program. Everyone has something to contribute. Everyone has a responsibility to move toward work and independence.

- **Training, Education, and Placement (the JOBS program).** The core of the transitional support program would be an expanded and improved JOBS program, which was established by the Family Support Act of 1988 and provides training, education, and job placement services to AFDC recipients. The JOBS program would be revamped. Every aspect of the new program would emphasize paid work. Recipients and agency workers will, as under current law, design an employability plan. One option would be to require all persons applying for assistance to engage in supervised job search from the date of application. For those who need it, the JOBS program will help recipients gain access to the education and training services they need to find an appropriate job. Recipients who willfully fail to comply with their JOBS program employability plan will be sanctioned. The new effort will seek close coordination with the JTPA program and other mainstream training programs and educational resources. Central to this welfare reform effort is recognition of the need to support workers who have recently left welfare to help them keep their jobs.

- **Time Limits.** Persons able to work would generally be limited to two years of cash assistance. While two years would be the maximum period for the receipt of cash aid by people able to work, the goal would be to place people in private sector jobs long before the end of the two-year period. In a very limited number of cases, extensions of the time limit would be granted for completion of an educational or training program or in unusual circumstances. The time limit would be a lifetime limit, but persons who leave welfare could potentially earn back time on assistance for time spent off welfare.

- **Work (the WORK program).** The new effort would be designed to help as many people as possible find employment before reaching the two-year time limit. Those persons who are not able to find employment within two years would be required to take a job in the WORK program. WORK program jobs would include subsidized private sector jobs, as well as positions with local not-for-profit organizations and public sector positions. The positions are intended to be short-term, last-resort jobs, designed neither to displace existing workers, nor to serve

as substitutes for unsubsidized private sector employment. The primary emphasis of the WORK program will be on securing private sector employment.

Key elements of the new program are described in greater detail in addenda on JOBS and WORK at the end of this section.

Changing what happens in welfare offices will require significant changes in what is measured and rewarded. The Federal government will create strong financial incentives linked to long-term job placement and will seek to minimize the number of people who reach the two-year limit. Ultimately the best time-limited welfare system is one in which nobody hits the limit because everyone is working before that point.

KEY QUESTIONS

Six key questions need to be addressed in designing the program of transitional assistance followed by work.

- Focus and phase-in. How quickly should the reforms be phased in and who should be targeted initially?

- JOBS-Prep rules. Who should be assigned to the JOBS-Prep program because they are not able to work or are needed at home? How many persons should States be allowed to place in the JOBS-Prep program?

- JOBS extensions. Who should be granted extensions of the two-year time limit? What limits, if any, should be put on the number of extensions allowed?

- Work-for-Wages versus Work-for-Welfare. Should States be required to provide jobs, paying wages, to those in the WORK program? Would States be allowed to use CWEP placements for all or part of the WORK slots?

- Part-time versus full-time work expectations. Should persons working part-time while on welfare be subject to time limits? How many hours should WORK participants be required to work? Should States be allowed or required to supplement WORK earnings in a work-for-wages program?

- Discouraging extended WORK participation. What can be done to keep the duration of WORK participation short and to move people into unsubsidized work? Should the EITC be denied to WORK program participants? Should any particular WORK placement be limited to 12 months? Should the total time people are allowed to spend in the WORK program be limited?

Focus and Phase-In

The ultimate distribution of persons among the various elements of the program (JOBS-Prep, JOBS and WORK) depends on policy decisions. As a starting point, consider what would happen if we chose to undertake the extremely ambitious task of beginning the program full-scale in 1997. Most

States will need at least 2 years to pass implementing legislation and get the program up and running. This would entail requiring everyone on welfare in 1997 and all those who apply subsequently to meet the new requirements. The JOBS program, which now serves an average of 600,000 persons monthly, would have to expand to almost 2.7 million participants in 1997. By the year 2000, about 1.0 million WORK slots might be needed for persons who had reached the two-year time limit.

It is very unlikely that States could implement the new program so rapidly. Even if resources were plentiful, proceeding so swiftly to full-scale implementation would almost guarantee enormous administrative difficulties at the State level. Facing the need to serve millions of new JOBS clients and to create hundreds of thousands of WORK slots, many States might be unable to deliver meaningful services to JOBS participants. An effective JOBS program is essential to moving people from welfare to work and to transforming the culture of welfare offices. Accordingly, it is critical that States, as part of the welfare reform effort, be able to focus on building such a JOBS program.

Phasing in the program gradually, starting with a subset of recipients, clearly seems a preferable approach. There are a number of different strategies for a more gradual phase-in. One strategy, as in the House Republican bill, applies new rules, including time limits, to applicants (both new and returning). This strategy has the obvious appeal of changing the rules initially for people who enter the welfare system in the future, rather than for those who entered earlier, under a different set of expectations. Such a method, however, raises serious equity concerns. A 25-year old mother who had children before age 20 and had been on welfare continuously since that point would face no time limit for several years, as long as she remained on assistance. Meanwhile, another mother of the same age, with the same number of children, who had been married or had worked to stay off welfare but suddenly found herself in need of support would be subject to time limits. Applying the time limits to re-applicants also creates very perverse incentives to *stay on welfare*. Most of the persons who leave welfare do return at some stage, and consequently many recipients who would otherwise leave might be inclined to stay on welfare to avoid the time limit.

An alternate strategy would be to phase-in by State. The costs to the Federal Government during the phase-in period would be lower, since not all States would be implementing the program at the same time. However, States implementing the program would still have to grapple with the difficulties accompanying the massive expansion of services described earlier in this paper.

An attractive alternative to these strategies is to focus on young parents, for example, those under 25. It is the younger generation of actual and potential welfare recipients that are the source of greatest concern. They are also the group for which there is probably the greatest hope of making a profound difference. Younger recipients are likely to have the longest stays on welfare, in part because they are at the beginning of their spells. Under this approach, we would devote energy and new resources to end welfare for the next generation, rather than spreading efforts so thin that little real help is provided to anyone.

One method of focusing on younger recipients would be to place all persons born in 1973 or later (under 25 in 1997) into the transitional support system. All persons of the same age and circumstances would then face the same rules, regardless of when they entered the system. This plan implies a gradual phase-in of more and more of the welfare caseload, since the fraction of those on assistance who were born in 1973 or later would rise with each year. As of 1997, the new rules would apply to everyone under age 25. Ten years later, everyone under age 35 would be in this new

transitional support structure. For this age cohort and all younger cohorts following, the welfare system would be transformed. Note that such a plan would not contemplate any reduction in existing education and training services for older recipients. They would still be eligible for JOBS services. But the *new* resources would be focused on young people. This plan would call for a reassessment five years after enactment, to determine whether we are successfully implementing the program for the younger generation and can accelerate it to phase in older recipients.

The number of persons served under such a strategy is shown on the table on the next page. In 1997, the first year of implementation, everyone in the program would be either working, in JOBS-Prep, or in the JOBS program. There would be no one in the WORK program until 1998, when persons would begin to reach the two-year limit. Note that most people who entered the welfare system would not reach the limit two years later. Many persons would, as is the case now, leave welfare within a short period of time and consequently would not be affected by the time limit. Others would cycle on and off welfare and so would accumulate 24 months of receipt over four or five years or more. Estimates indicate that as a result of the implementation of the new program and other reforms (health reform, child care for the working poor) more people will choose to work while on welfare and others who would not have left without these changes will leave altogether.

The projected costs of focusing on this target group are shown on in the introduction. Clearly, phasing in a larger group would increase these costs, while targeting a smaller group would decrease them. A decision to focus on young people initially in no way precludes adding all or part of the older cohorts to the program at a later time. For example, States could have the option to phase in the program more quickly.

The JOBS-Prep Program

Any policy where work is required and time-limits imposed must take account of differences in people's ability to work. People who are permanently disabled and thus unable to work for at least one year should in theory be covered under the Supplemental Security Income (SSI) Program. But some disabilities and most illnesses, even severe ones, last less than a year. Many other people suffer from partial disabilities that limit their ability to work. Sometimes a parent is needed in the home to care for a severely disabled child. There also are persons who have great difficulty coping with the day-to-day challenges of parenting and survival in what are often highly stressful environments.

One solution would be simply to exempt persons facing such obstacles to employment from participation requirements, as is the case under current law. Having large numbers of exemptions, however, may serve as an obstacle to changing the culture of welfare offices. Moreover, deferrals are not necessarily beneficial to those who receive them. Advocates for persons with disabilities often complain that current programs send both explicit and subtle messages that persons with disabilities cannot and should not work, and thus cannot really contribute to themselves or their communities. Still, for many persons, immediate work or training may not be appropriate.

PROJECTED CASELOADS UNDER A HYPOTHETICAL PROPOSAL, ASSUMING IMPLEMENTATION FOR PERSONS BORN AFTER 1972

	FY 1997	FY 1999	FY 2004
Projected Adult Cases With Parent Born After 1972 Without Reform	**1.20 million**	**1.67 million**	**2.90 million**
Off welfare with Reform (Health reform after 1999, EITC, Child Care, JOBS, WORK, etc.)	.03 million	.07 million	.50 million
Program Participants	**1.17 million**	**1.60 million**	**2.4 million**
Working While on Welfare	.14 million	.20 million	.30 million
JOBS Participants	.74 million	.89 million	.87 million
WORK Participants	.00 million	.13 million	.63 million
Pre-JOBS– disability/age limits work	.13 million	.20 million	.30 million
Pre-JOBS–severely disabled child	.03 million	.04 million	.06 million
Pre-JOBS–caring for child under one	.13 million	.16 million	.24 million

Notes:

Numbers assume modest behavioral effects that increase over time. These behavioral effects include a 50 percent increase in the percent of recipients working part-time, employment and training impacts similar to San Diego's SWIM program and a modest increase in the percent of recipients who leave welfare for work when they hit the time limit. Figures for 2004 are subject to considerable error, since it is difficult to make caseload projections or to determine the impact of WORK requirements on behavior. Figures for FY 2004 also assume behavioral effects from the full implementation of health reform.

The hypothetical proposal assumes the policy will be implemented in all States by Federal law by October 1996. In addition, the estimates assume that for 40 percent of the caseload, States will implement the policy by October 1995. This follows the pattern of State implementation under the Family Support Act.

One very intriguing formulation has been proposed by the American Public Welfare Association. They suggest a "JOBS preparation phase" for persons not yet able to work or enter an education or training program. All persons in this phase would be expected to do something to contribute to themselves and their community, but they would not be subject to the time limit until they were ready to enter the JOBS program. We have drawn heavily on this formulation in designing the new JOBS-Prep program, which would provide services intended to prepare persons for entry into the JOBS program.

Naming the program JOBS-Prep establishes the expectation that eventually many, if not most, people in this category will be able to join the regular JOBS program. But who should be placed in JOBS-Prep status? Virtually everyone seems to agree that persons of advanced age (over 60), those with severe disabilities or those who are caring for a severely disabled child should be assigned to the JOBS-Prep program. But the question of how far along the continuum of disability the line should be drawn is a difficult one.

A somewhat different set of problems is posed by the mothers of very young children. Should all mothers with children be expected to work, provided neither the mother nor the child is disabled? The Family Support Act exempts mothers with children under the age of 3 from participation in the JOBS program. States have the option of requiring participation of mothers with children over the age of 1 if they choose to do so. Eight States currently choose this stricter option. Five other States require mothers of children over 2 to participate.

Obviously, the more people who are placed in the JOBS-Prep program and consequently not yet subject to a time limit, the fewer people will be in the JOBS and WORK programs. It is estimated that the following percentages of the current caseload would be in JOBS-Prep under different policies:

Option A: Case head is 60 years or over, case head has a severe disability or is caring for a child with a severe disability.
8 percent in JOBS-Prep

Option B: Case head is 60 years or over, case head has a disability which limits work, or is caring for a child with a severe disability.
15 percent in JOBS-Prep

Option C: Option B, plus cases with a child under 1 in the household or with a woman in the final trimester of pregnancy. Mothers of children conceived while the mother is on welfare would be assigned to JOBS-Prep for a period of time consistent with the Family Leave Act.
25 percent in JOBS-Prep

Option D: Option B, plus cases with child under 3 years in the household or woman in the final trimester of pregnancy. Mothers of children conceived while the mother is on welfare would be assigned to JOBS-Prep for a period of time consistent with the Family Leave Act.
58 percent in JOBS-Prep

Except for the shorter time limits for children conceived while the mother was receiving assistance, Option D is essentially the strategy used in the Family Support Act, though States are currently permitted to elect Option C (as noted above, only eight have done so). Option C, which would

reduce the number of exemptions by nearly half from current law, is the strategy used for the cost estimates in the hypothetical proposal.

It is easy to determine the age of youngest child, but difficult to define disability, illness or the need to care for a relative for purposes of assignment to JOBS-Prep as opposed to JOBS. Rather than set up elaborate Federal rules for defining ability to work and then auditing performance, the Working Group may want to recommend that the Federal government set a maximum percentage of the caseload which can be placed in JOBS-Prep for reasons other than the age of the youngest child, and provide guidance as to the other criteria for assignment to the JOBS-Prep program. The hypothetical plan estimates assume that States can place all mothers of children under age 1 and, in addition, up to 15 percent of the total adult caseload in JOBS-Prep.

JOBS Extensions

A related, but conceptually distinct question is that of extensions. Not all persons will be able to complete the needed education or training programs within two years. For example, some individuals with learning disabilities may not be able to obtain a high school degree or a GED within a two-year period. Other persons may be enrolled in post-secondary education, such as a four-year college degree program, which requires more than two years to complete. Some programs, including school-to-work programs, involve both a period to finish high school and an additional year or more of postgraduate training.

There seems to be little disagreement that persons who are making satisfactory progress toward attaining a high school degree or completing a GED, school-to-work or similar program should be granted extensions to attain their degrees or complete their programs. Extension policy should also be sensitive to the particular circumstances of recipients. Persons with language difficulties may need, for example, to complete an English as a Second Language (ESL) course before they can obtain a GED or job training.

The controversial question is whether a person should be able to receive full welfare benefits while he or she goes on to complete a four-year college degree. Those who favor such a proposal emphasize that assisting people to obtain a bachelor's degree is the best way to ensure that they do not return to welfare. Pushing people into low-wage positions which do not bring the family up to the poverty line or offer upward mobility may be counter-productive.

Those who oppose extensions to allow individuals to complete a four-year college degree note that only one-quarter of all high school graduates obtain a bachelor's degree, and that among welfare recipients the fraction is much lower. They question whether it is fair to use welfare benefits to help support persons who are getting four-year degrees when the vast majority of persons paying for that support will never get such a degree. There is also a concern that single parents who receive cash assistance would actually have greater access to economic support for higher education than persons who did not become single parents. A partial resolution to this dilemma may emerge if part-time work fulfills the work obligation. In those circumstances, persons working part time and attending school part time would continue to be eligible for some supplemental cash support in most States. Another option would be to let States apply for waivers to allow extensions for college.

As with the issue of assignments to JOBS-Prep, the Working Group may want to recommend that the number of extensions be capped at a fixed percentage of the caseload. The current proposal allows States to grant extensions to persons for attaining a high school diploma or GED or for completing a school-to-work or other appropriate education or training program, as well as to persons facing a language barrier or other serious obstacle to employment. States could also opt to use extensions for persons in post-secondary education, especially persons in work-study programs.

We believe that setting the cap at 10 percent of the JOBS program caseload will provide States a sufficient number of extensions, barring unusual circumstances. A State could apply to the Secretary of HHS for additional extensions as an amendment to the State plan if it could demonstrate that its caseload is very different from that in the nation as a whole or if it had developed an alternative program which is structured in such a way that additional extensions are required.

Work-for-Wages Versus Work-for-Welfare

Unquestionably the hardest part of designing a time-limited welfare system is structuring the work program for persons who have reached the time limit. The welfare reform effort will focus on making work pay, collecting child support, and creating a first-rate education, training and placement program in order to keep the number of persons reaching the time limit to a minimum. In addition, all persons approaching the two-year limit will be required to engage in a period of intensive job search. Despite these efforts, some persons will hit the time limit without finding a job on their own, and work opportunities must be provided for them.

The first and most visible choice in the WORK program involves work-for-wages versus work-for-welfare. Under a *work-for-wages* plan, the State or locality is required to offer a work opportunity to persons who have reached the time limit. Hours and wages are set by the State or locality. Persons receive a paycheck for hours worked. If the person does not work, he or she does not get paid. In principle, persons are wage earners rather than recipients. In a *work-for-welfare* plan, the person continues to receive a welfare check but is required to work at a designated community service job as a condition of eligibility for cash benefits. Persons who fail to report for work or who perform poorly can have their welfare benefits reduced, so long as the State can establish that there was no good cause for their absence or poor performance. In effect, under a work-for-welfare plan, WORK program participants remain recipients, but they have additional obligations.

There seems to be considerable agreement on the strong appeal of a work-for-wages model. The structure is seen as providing a traditional work opportunity with the dignity and the responsibilities of a standard work place. Persons would receive wages rather than a welfare check.

The major question to be resolved is whether States should be permitted to opt for a work-for-welfare model if they choose to do so. If the decision is made to allow States to elect a work-for-welfare model, the Administration's plan could have provisions to encourage States, through financial incentives and technical assistance, to adopt a work-for-wages model.

Those who argue for allowing States the choice cite two major concerns: *implementation* and *recipient protection*. A work-for-wages program of this magnitude for this population has not been implemented previously.

Under a work-for-wages structure, communities would have to establish a system for linking WORK participants with the private sector, as well as with the not-for-profit and public sectors. They would need to determine how and by what method to pay organizations who employ WORK participants. In addition, they would need to set up procedures for monitoring WORK program participation and resolving disputes. There are also difficult questions involving worker protection. What happens if a WORK participant, or his or her child, is sick? What happens if the adult simply fails to show up for work repeatedly? What if the worker feels the work place is dangerous or abusive? We have limited real experience to draw on in addressing these concerns.

While a work-for-wages model has not been tested on this scale, work-for-welfare has been tried in various forms by many States. The payment structure is easy--participants get a welfare check. Dispute resolution is handled within the same sanctioning and appeal structure used for other disputes concerning cash benefits. States still have to find work sites, but protection for workers is less of a problem, since the benefit continues to be paid unless the State decides to begin a sanctioning process.

Before the State can reduce the benefit it must establish that the person failed to meet his or her work obligations without good cause. Such a test would never be met if a child were sick or transportation broke down. Though few people like the existing work-for-welfare programs (usually called Community Work Experience Program, CWEP), and evidence regarding their impact on employment and earnings is not encouraging, work-for-welfare is a known entity. A number of other welfare reform plans call for CWEP after two years of transitional assistance.

Those who argue against allowing States the option of selecting CWEP fear that many would choose the approach that they know, without giving the work-for-wages model serious consideration. This would undermine the goals and philosophy of the reform plan. They view the implementation problems in work-for-wages as difficult, but surmountable, especially if the program initially focuses on younger recipients. As discussed below, States would be given enormous flexibility in deciding how to implement a work-for-wages model. Moreover, under the phase-in strategy recommended above, the number of work slots would grow gradually, due to the targeting of young parents, giving States the time they need to design and implement new systems. The scale, rather than the structure, of the WORK program may be the primary concern for States.

Work-for-welfare sends adverse messages to recipients, prospective employers, and the public. CWEP slots are not generally perceived as "real jobs." CWEP participants in arguably one of the best run programs (in San Diego) reported that they thought the work requirement was fair, but they felt like they were working for free. There is little evidence that persons who go through CWEP subsequently fare better in the work place than people who were just on welfare. Employers will probably never see CWEP experience as serious work experience. No regular job pays its employees regardless of when and whether they show up unless the employer can prove the person did not stay out for good cause. Placements are virtually never in the private sector, nor are they likely to be. Work-for-wages programs by contrast can target private sector employers. Perhaps most importantly, without the responsibilities of regular work and the paycheck tied to performance, there will be far less dignity in WORK.

Advocates for a work-for-wages policy note that such a model would distinguish the Administration's plan from other proposals and serve to define and delineate our vision. A work-for-wages plan whereby persons are given transitional aid and training and then offered a job if they can't find one

on their own contrasts sharply with a plan which calls for people to work off their welfare check after two years.

The Working Group may want to recommend a very flexible work-for-wages program, with considerable State and local discretion in the operation of the program. Many of the details would be quite consciously left to States and local communities, who know their own needs and circumstances, including labor market conditions, best.

Part-time versus Full-time Work Expectations

The transitional support program will focus heavily on work. Persons would not be able to collect welfare benefits indefinitely without working. But the question remains: should someone who has reached the time limit and is working in a low-wage job, either a WORK position or an unsubsidized job, be able to receive cash benefits in addition to wages, if the family's income is below the eligibility standard in the State?

One option is to allow families in which one member is working part-time (20 hours per week in an unsubsidized job) to continue to collect cash assistance. Under this strategy, months in which an individual was working part-time would not count against the time limit, and persons who had reached the time limit and were in WORK positions or in unsubsidized jobs could collect cash benefits if otherwise eligible. Also, part-time work would meet the JOBS participation requirement.

This approach has several advantages. Part-time work may be the most reasonable standard for single parents, especially those with young children. All working parents face significant burdens in dealing with school schedules, child care, sick children, doctor visits and the like. Though the vast majority of married mothers work, only about 1/3 work full-time all year, and they have help from their spouse. Given that at present only 8 percent of adult AFDC recipients presently work at all in a given month, getting people to work part-time may be seen as a major accomplishment. Moreover, part-time work may serve as a stepping stone to both full-time work and to better-paying jobs. Employers typically have a strong preference for work experience in unsubsidized jobs.

In addition, if wages from WORK assignments could not be supplemented with cash benefits, the higher-benefit States would have to either make their WORK assignments full-time or leave people in WORK assignments worse off than those who were not working and on assistance (i.e., those who had not reached the time limit). It could be both expensive and counterproductive to take people who have reached the time limit and are working part-time out of their unsubsidized work to place them in full-time subsidized WORK slots.

The current cost estimates assume that part-time work stops the time-limit clock, and consequently more people choose to work part-time in unsubsidized employment than are doing so now. If part-time work does not stop the clock, the number of WORK positions needed might well be higher, because persons who would work part-time while on assistance might give up their unsubsidized work to obtain education and training within the two-year window.

Finally, some argue that since full-time work would always be much more financially rewarding than part-time work, persons would already have every incentive to work full-time rather than part-time. Part-time workers would generally be poor, even with their supplemental benefits.

A second option is to end cash assistance entirely at the end of two years and require participation in the WORK program, even for the working poor who might still qualify in some States. People in WORK slots or unsubsidized part-time work would not be eligible for supplementary benefits. It would encourage people to become self-sufficient, with the help of the EITC, child care and health care--rather than continuing to rely on welfare indefinitely. It would seem more equitable to single parents who are working full-time to support their children without the benefit of welfare. It might also be less costly in the long run than the first option.

A third alternative would be to stop the time-limit clock during part-time work only if the parent had a young child, on the grounds that these are the parents most likely to encounter difficulties working full-time as well as those for whom child care is likely to be the most expensive.

Finally, a fourth alternative could be to leave the decision to the States, whether to stop the clock for persons working part time.

Work Expectations in the WORK Program

Related to the treatment of part-time work is the key question of how to set the number of hours expected of participants in the WORK program. An obvious strategy is to calculate the required hours of work in the program by dividing the cash welfare benefit by the minimum wage. But this simple formula raises issues which vary depending on each state's level of benefits.

In low-benefit states, dividing cash benefits by the minimum wage yields a very low level of required work. In Mississippi, for example, a mother with two children would be required to work just 10 hours per week -- hardly a substantial work experience. One solution (consistent only with the work-for-wages model) is simply to set a minimum number of hours. In some states, this would mean that WORK participants would have more income than people receiving cash assistance only. Another solution (consistent only with the work-for-welfare model) is to include in the formula the value of food stamps in addition to cash benefits. Some would argue that it is unfair to require people to work off non-cash benefits, and this concern is intensified by the fact that this would occur in some states but not in others.

By contrast, in high-benefit states a different set of issues arises. In these states dividing cash benefits by the minimum wage yields a very high level of required work -- more than 35 hours per week. The greater the number of hours of work, the greater the associated child care costs, and the greater the difficulty of developing WORK assignments. Moreover, in some states if no supplemental cash benefits were provided, people earning minimum wage in WORK positions would actually be worse off than people receiving cash assistance only.

Because the issues in setting the number of hours vary depending on each state's level of benefits, the Working Group may want to recommend giving States flexibility to determine work hours within a reasonable range -- say, 15 to 35 hours per week. States would also have flexibility to decide whether to provide supplemental cash benefits to WORK participants. They could use whatever formulas or criteria they choose, provided that they ensure that (1) WORK participants receive at least minimum wage, and (2) WORK participants are better off than people receiving cash assistance only.

Discouraging Extended WORK Participation

WORK program jobs are not intended to serve as a substitute for or displace private sector placements. Rather, they are designed to provide temporary, last-resort work for persons who have reached the time limit without finding a private sector job. Unless long-term participation is deterred, the size of the WORK program could become prohibitively large. Indeed, the ultimate goal of the WORK program is to place people into unsubsidized work.

There are various ways in which a WORK program can be designed in order to discourage or prevent extended participation. These include the following provisions: limiting the duration of each individual WORK assignment, requiring frequent job search, denying the EITC to WORK program participants and placing limits on the total length of time people are allowed to spend in WORK assignments.

Limiting the duration of individual WORK assignments and following them with intensive job search. There is little disagreement that individual WORK placements ought to be limited in duration to perhaps 12 months. This limit is designed to prevent participants from becoming attached to particular subsidized jobs. Of course, there would be strong encouragement to and incentives for employers to hire WORK participants as unsubsidized employees before or at the end of the 12 months. Before and after each WORK assignment, job search would be required.

Denying the EITC to WORK program participants. Perhaps the best way to ensure that people do not eschew private sector jobs for WORK positions is to make certain that any private sector position pays better than a WORK job. Though there are various mechanisms for accomplishing this, one of the easiest is to deny the EITC for money earned in the subsidized WORK assignments. Since WORK slots are already subsidized, it could be argued that it would not be appropriate to offer the additional subsidy of the EITC. There would be some administrative complexity to treating earnings received while a WORK participant differently from other earnings.

Some argue that if persons are being expected to work in real jobs they ought to receive the same benefits as other workers. They believe that limits on the duration of WORK assignments, frequent job search and the possibility of promotion will lead people to move toward private work without the need for special "penalties" for WORK workers.

Others argue that without such a requirement, the WORK program will not truly be a last resort for those unable to find unsubsidized jobs.

Requiring acceptance of any private sector job offer. Both JOBS and WORK program participants would be required to accept any offer of an unsubsidized job, provided the job met certain health and safety standards, or be denied assistance or a WORK job for several months. After two refusals, the person might be permanently denied access to a WORK assignment. Some argue that such provisions are unnecessary, hard to administer and potentially unfair, especially if the EITC is denied to WORK workers.

Limiting the total time people can be in the WORK program. Another way to limit WORK participation would be to time limit WORK, just as welfare is time-limited. Those who favor limiting the total length of time in WORK assignments to two or three years argue that other persons are not

guaranteed paid work if they cannot find it on their own. Theoretically, persons could stay in the WORK program for many years, and such extended WORK participation is seen by some as creating a work entitlement that may become as unpopular as welfare is now.

A second argument involves the best use of resources. WORK slots require resources for job creation and child care. If people have been in the WORK program for two years and in the JOBS program for two years prior to that, resources, including WORK positions, might be better focused on other recipients.

The biggest problem with limiting the duration of WORK participation is deciding what to do when individuals hit such a WORK time limit. One strategy would be to have individual evaluations for those who reach the WORK time limit to decide whether they should be returned to JOBS-Prep, have their welfare benefits reduced if they are job ready, or be classified as permanently deferred. Such a strategy would ensure that WORK slots were preserved for those first reaching the time limit. One need not require States to limit WORK assignments; one might only provide the flexibility to do so. Other welfare reform proposals allow States to terminate or reduce public assistance after 3 years in CWEP.

Opponents argue that there is no justification for limiting participation in the WORK program, especially if WORK participants are denied the EITC. If all the provisions listed above for limiting the length of WORK limiting provisions were adopted, anyone still eligible for a WORK assignment after, say, 2 or 3 years would have successfully met all WORK requirements in several different placements, been through 3 or 4 intensive searches for unsubsidized employment, not refused any private sector job offer and would be seeking a WORK assignment even though any private sector job opportunity would pay 40 percent more and probably offer a better future.

Opponents of WORK time limits argue that such people would most likely be individuals who genuinely could not find any private sector employment either because they lived in a weak labor market, or because they could not, despite their best efforts, successfully compete for available jobs. Denying them the opportunity to participate in the WORK program would very likely cause their incomes to fall sharply, potentially putting the family at serious risk of homelessness or other crises. Virtually none of these families would have had incomes above the poverty line *while* they were in the WORK program. Unless we are willing to provide cash benefits without a work expectation for people who are no longer eligible for the WORK program, we would be placed in the position of denying support to persons who had demonstrated a willingness to work. Finally, there is the question of what would happen to people who had exhausted both their JOBS support and WORK support, succeeded in finding work, but lost that work when the economy changed or for other reasons. What would be the temporary safety net for such families?

Time-limiting participation in the WORK program would not have any effect on cost estimates in the five-year cost estimation window used for the budget. Since it will likely take States two years to begin implementing the program, even a strict two-year limit on JOBS followed by a strict two-year limit on WORK would not affect anyone for six years. Since most people do not stay on welfare continuously for four years, in most cases it would not have any effect for seven or eight years. Eventually, however, such limits on WORK could have a significant impact. Unfortunately, we have no information on the extent to which extended stays in the WORK program will be a problem, nor any understanding of what would be the reasons for such extended stays. The issue could be revisited in later years if extended spells in WORK became a problem.

Individual Economic Development

As part of the welfare reform effort, we will be exploring a range of strategies, above and beyond education and job training, to help recipients achieve self-sufficiency. Microenterprise development and incentives for saving will be among the complementary approaches to be examined. The hypothetical welfare reform plan includes two individual economic development demonstration programs, one testing the effect of Individual Development Accounts on savings and another attempting to encourage persons on assistance to start microenterprises (small businesses). Raising the asset limit for eligibility for cash benefits to $10,000 for savings accounts designated for specific purposes such as purchase of a first home is also under consideration.

An Individual Development Account (IDA) would be a special type of savings account, in which savings by recipients would be matched by Federal government dollars. Savings from an IDA, including both the individual's share and the matching dollars, could only be withdrawn for a limited number of purposes, including paying for education or training, starting a business or purchasing a home. The IDA demonstration will attempt, through a randomized evaluation, to determine the effect of such savings incentives on both asset accumulation and movement toward self-sufficiency.

The hypothetical reform plan also includes a demonstration program to promote self-employment among welfare recipients by providing access to both microloan funds and to technical assistance in the areas of obtaining loans and starting businesses. The demonstration, which will, as above, be a random assignment study, will explore the extent to which self-employment can serve as a route to self-sufficiency for recipients of cash assistance.

ADDENDUM: EXPANDED JOBS AND TIME-LIMITED CASH ASSISTANCE PROGRAM DESIGN

A greatly expanded JOBS program will be the centerpiece of the new transitional assistance program. JOBS will be a two-year job search, education, training and job placement program designed to help welfare recipients secure employment and achieve self-sufficiency. While individuals are in JOBS, they will be eligible for cash assistance. Following is the recommended expanded program design.

Administration. As under current law, State welfare agencies will administer the cash assistance and expanded JOBS program under broad Federal guidelines. States will have to submit a JOBS plan, which has been developed and coordinated with relevant employment, training, and educational programs in the State, to the Secretary of HHS for approval.

Funding. As under current law, Federal matching funds for JOBS will be available as a capped entitlement.

Activities. New entrants will be assessed and then enter into an agreement with the agency administering the JOBS program that stresses the mutual responsibilities of recipient and agency under a time-limited assistance program. The focus will be on the activities and services that the individual needs in order to achieve self-sufficiency. States will have the option to require persons applying for assistance to engage in job search from the date of application.

State JOBS services and activities will be largely those provided under current law, including education, training, CWEP and other work activities, job development and job placement. A key aspect of the plan is to increase coordination and integration of JOBS with mainstream education and training programs and initiatives. Current limitations on the duration of job search within the JOBS program will be relaxed to promote employment.

Recipients who are within 45-90 days of reaching their two-year time limit will be required to engage in job search at that point.

Participation standards. The new transitional assistance program will be phased-in gradually over several years. At full implementation, minimum State JOBS participation rates will be significantly higher than the current rate. The definition of participation will be expanded to include a broader range of activities that promote self-sufficiency.

Sanctions. We are considering strengthening the sanctions for failure to participate in the JOBS program. One option would be to adopt the APWA recommendation that the sanction be set at 25% of the total of cash benefits *plus* Food Stamps.

Earn-back provisions. Recipients who leave JOBS and transitional assistance for regular unsubsidized employment before reaching the two-year limit but subsequently lose their jobs will be able to return to the transitional assistance program. Persons who have left welfare can earn back potential months of assistance for time in which they were out of the welfare system.

JOBS-Prep. Recipients who are not able to work or to participate in a JOBS education or training program will be assigned to JOBS-Prep and expected to do something to contribute to themselves and

their community. Individuals in the JOBS-Prep program would include persons of advanced age, those who have severe disabilities and mothers of very young, very ill or severely disabled children. Persons assigned to the JOBS-Prep program would not be subject to a time limit unless and until they entered the JOBS program. The percentage of the caseload that States could place in the JOBS-Prep program will be limited.

Extensions. States will be permitted to grant a limited number of extensions of the time limit for completion of education or training programs and in other appropriate circumstances. It is proposed that States be allowed to extend a maximum of 10 percent of their caseload at any one time. Under special circumstances, States could be permitted to exceed the cap on extensions.

ADDENDUM: WORK-FOR-WAGES PROGRAM DESIGN

The following are key policy elements and the initial recommended design. Elements with an * contain controversial policy questions:

Administration. States would be required to develop a WORK plan for joint approval by the Secretaries of HHS and Labor. States would be required to have a WORK advisory panel with membership from labor, business and community organizations. To be resolved: membership and links to Private Industry Councils (PICs) and Workforce Investment Boards (WIBs). The advisory panel would have to approve the WORK plan.

Funding. For each WORK placement, States would receive a flat amount for administrative costs and would be reimbursed for wages paid (hours times wage) according to a specified set of matching rules. Federal matching rates would significantly decline the longer the person stayed in the WORK program as a further incentive for States to move people into unsubsidized work. Additional monies or a higher match might be available to States in times of recession.

Placements. Placements in private sector establishments would be strongly preferred. States would be free to negotiate contracts with private companies, placement services, community organizations, State and local government agencies, and other organizations to accept or place WORK participants in exchange for payments from the government. Private sector placements would require that at least some portion of the wage be paid by the employer.

In addition, a major effort would be undertaken with State and Federal government agencies to find job placements through existing initiatives and program expansions such as child care, Head Start centers, housing rehabilitation projects, Empowerment Zones, and many others.

National Service placements would also be acceptable WORK assignments. States would be given the option of contracting with the National Service Board to provide a certain number of National Service Placements. In addition, National Service workers could be used to help work with and supervise WORK participants in community service activities.

* Displacement. Language to be developed, with National Service non-displacement language serving as the base.

* Hours. Hours would be set by the State–a minimum of 15 hours and a maximum of 35 hours. States would be free to use whatever criteria they choose in deciding upon hours so long as each hour of work was paid.

States could choose to offer anything from part-time to full-time work. If the WORK job paid less than the family would have received in cash benefits (before reaching the time limit) the State would be required to pay a supplement (see below). Requiring full-time work would be considerably more expensive, more than doubling the cost of the WORK program and complicating the job creation problem considerably. Particularly for mothers with young children, full-time work may not be deemed appropriate or practical by the local community.

* Wages, working conditions, and benefits.. WORK assignments would have to pay at least the higher of the Federal and any State or local minimum wage, but States and localities could choose to set a higher wage rate in specific cases. An argument can be made that on the grounds of equity, total compensation (including any subsidized child care and other benefits) paid to individuals in WORK assignments would have to be similar to the compensation paid to other workers in the same job (taking experience and skills into account). Sick rules and absentee policy would be the same as that of similar workers in the establishment. States would set or negotiate such rules in cases in which a new organization or establishment was being formed to employ WORK participants. Workers compensation coverage would be provided, either through the employer or by another method. FICA taxes would be paid, with, again, the exact mechanism to be developed. Unemployment insurance payments, however, would not be required.

Supplemental support. If expected WORK program earnings net of work expenses were less than would have been received by a non-working family on cash assistance, the State would be required to pay the difference as a supplemental benefit. Note that such a supplemental benefit would never be higher than the supplement that would be paid under transitional assistance for someone with the same earnings in a private sector job.

* Treatment of earnings from WORK program for other government benefits. For purposes of determining eligibility and benefits for other government programs, the following rules would apply:

- For purposes of calculating food stamp, housing and other benefits, wages paid under the WORK program would be treated as earnings. Benefits would be calculated on a 3-month prospective basis under the assumption that the person were going to work the full number of hours assigned. No increases in food stamps or supplemental benefits would occur if the person did not work the required hours, provided he or she did not have good cause (e.g., a serious illness) for the missed work.

- Earnings received under the WORK program would not be eligible for the EITC and would not be included in adjusted gross income for tax purposes. This provision is designed to ensure that private unsubsidized work would always be significantly more attractive than WORK.

Limits on the duration of each placement with frequent requirements for supervised job search. WORK slots are designed to be temporary, available only when people really cannot find private sector work. Each individual placement would be limited to no more than 12 months as a subsidized placement and would have to be preceded and followed by a period of intensive job search. If the employer agreed to take the person on as an unsubsidized worker, the individual would be considered out of the WORK program.

* Required acceptance of any private sector job offer. WORK program participants would be required to accept any unsubsidized job offer or be denied a WORK job for several months. After two refusals, the person might be permanently denied access to a WORK assignment.

Tracking of placement and retention records. States would be required to maintain records on the rate at which WORK workers are retained by their WORK employers or placed in unsubsidized jobs by placement services. States would be expected to give preference for contracting with the WORK

program to the employers and placement services with the best performance. At a future date, the Secretary of HHS may impose retention or placement standards.

Returns to JOBS-Prep. Persons who became temporarily ill or faced a major new impediment to work could seek to be re-evaluated and placed in the JOBS-Prep program until such time as the State deemed them ready to work. Persons in this status would count against the limit on JOBS-Prep placements.

* Insufficient WORK slots. In cases where there are insufficient WORK slots, first preference would go to people just reaching the time limit. States would be required to pay ongoing cash benefits to persons who were not placed in WORK assignments, and States would be reimbursed for such benefits at a significantly reduced match. The reduced match might be waived in periods of high local unemployment.

MAKING WORK PAY/CHILD CARE

BUILDING BLOCKS: EITC AND HEALTH CARE REFORM

A crucial component of welfare reform based on work and responsibility is making work pay. Although they are not discussed in this paper, working family tax credits and health reform are two of the three major components of making work pay. Last summer's $21 billion expansion of the Earned Income Tax Credit (EITC) was a major step toward making it possible for low-wage workers to support themselves and their families above poverty. When fully implemented, it will have the effect of making a $4.25 per hour job pay nearly $6.00 per hour for a parent with two or more children. The welfare reform proposal will include provisions to make sure the EITC can be delivered on a regular, advance-payment basis throughout the year.

The next critical step is ensuring that all Americans have health insurance coverage. Many recipients are trapped on welfare by their inability to find or keep jobs with health benefits that provide the security they need. And too often, poor, non-working families on welfare have better health coverage than poor, working families. The President's health care reform plan will provide universal access to health care, ensuring that no one will have to fear losing health coverage and choose welfare instead of work to ensure that their children have health insurance. Both the EITC expansion and health care reform will help support workers as they leave welfare to maintain their independence and self-sufficiency.

The key missing component for making work pay is subsidized child care. In order for families, especially single-parent families, to be able to work and prepare themselves for work, they need care for their children. In addition to ensuring child care for participants in the transitional assistance program and for those who transition off welfare, child care subsidies will be made available to low-income working families who have never been on welfare.

There are two major issues as we think about child care in the context of welfare reform:

- How much subsidized child care should be made available, and for whom?
- What investments and/or requirements should be put in place to improve the quality of child care and the coordination of child care programs funded under different mechanisms?

ISSUE: HOW MUCH CHILD CARE AND FOR WHOM?

There are three categories of low-income families with child care needs that we ought to consider:

- Families in JOBS, working part-time, or in WORK
- Families in a transition period, having just worked their way off assistance or the WORK program

- Families working without having ever been on welfare or working beyond a transition period.

All three categories have legitimate claims on child care subsidies. Families who are required to participate in JOBS are currently guaranteed child care, and rightly so. People who are working but still on welfare have their child care subsidized through disregards in their AFDC and food stamp benefits, and sometimes through subsidies. We propose to continue current guarantees of child care subsidies for these categories of recipients. People in the WORK program are like welfare recipients in that they are working as a condition of receiving continued support, they are working at the minimum wage, and they are not receiving the EITC. The proposal would guarantee their child care, just as it is guaranteed for JOBS and AFDC participants.

Under current law, people who move off welfare and are working are guaranteed subsidized child care for a year in order to ease the transition. We propose to continue that guarantee for participants in the transitional assistance program who move into private sector work.

It is hard to argue, however, that low-income working families who are not on welfare or are transitioning off welfare are less needing or deserving of child care subsidies than people who are on welfare. It seems quite inequitable to provide child care subsidies to one family and to deny them to another whose circumstances are identical except for the fact that the first family is or has been on welfare.

The crucial issue to be decided is the size and shape of a child care subsidy program for the working poor. This program should almost certainly be designed as a capped entitlement. There are three basic options, which reflect different overall levels of resources and different targeting strategies.

Capped Entitlement: Full-Service Level

If we genuinely want to make work pay, to make work more attractive than welfare, and to maintain equity between those who have and have not been on welfare, it is important that child care subsidies be available for the working poor, independent of their prior welfare status. The ideal approach, if resources were no constraint, would be to guarantee a child care subsidy to all working poor families who need it, with a reasonable ceiling on cost per child. The cost of such a full-service entitlement is estimated to be between $2 and $3 billion per year of net new Federal and State spending.

This estimate is very uncertain. Because it is based on current usage, it does not reflect potential changes in work behavior and child care choices that might result if new subsidies were available. The estimate may, therefore, underestimate actual costs. On the other hand, experience to date suggests that actual child care usage is often much lower than planners predict; based on this experience, the estimate could be too high. Because of the great uncertainty of the estimates of providing subsidized child care for the working poor, however, it seems unwise at this point to establish an uncapped entitlement which could potentially become quite expensive.

The logical alternative is a capped entitlement set at a level that reflects available resources. Capping the entitlement guarantees that spending will not exceed the specified limit.

We suggest a funding level at less than full service in order to reflect available resources. The proposal is for $2.0 billion in 1999, with a five-year cost of $5.0 billion. This is less than our estimates for full service, and therefore, requires some method of allocation.

Allocating a Capped Entitlement: State Discretion

The most obvious way of structuring a capped entitlement to child care for the working poor, whether at the full-service level or at a lower level, is to allot available funds to the States and allow them to use the funds for services to families as they see fit. This approach should work very well if the funds are set at the full-service level. At a lower funding level, however, a problem arises because the funds may not meet actual demand, and criteria for determining which families to serve are difficult to set. Child care subsidies tend, therefore, to be distributed inequitably, often on the basis of a first-come, first-served strategy that cannot address relative need.

Allocating a Capped Entitlement: Targeted

An alternative would be a targeted capped entitlement. Because it would be capped, spending levels would be controlled. But if it were targeted to a population sub-group, and set at a level that was estimated to be sufficient to serve that sub-group, the allocation problem of the full-service, capped entitlement could be alleviated. The question, therefore, is whether there is a sub-group that could be targeted that makes sense programmatically and that could be served with a reasonable resource allocation.

One possibility is to target young families, along the same lines and for the same reasons that we are targeting young AFDC applicants and recipients for phasing in the transitional assistance program. This strategy has many attractive features. It can be justified on the same grounds that we justify the focus in the transitional program--investing in young families. It also addresses the problem of equity between welfare and non-welfare recipients. Everyone born after 1972 would receive services in the JOBS and WORK programs and child care subsidies if they are working, whether or not they are or have been on welfare. The disadvantage of this kind of targeting, obviously, is that it denies services to older mothers simply on the basis of their birth date. Focusing child care subsidies on young mothers may send a wrong message about the desirability of deferring parenthood.

The estimated additional costs of child care subsidies for young families are about $750 million per year. Our suggested funding level would, therefore, be sufficient to serve all young families and a portion of older families.

QUALITY AND COORDINATION ISSUES

The issue of quality versus quantity in child care has a long and contentious history. At one extreme are those who argue that child care subsidies should only be available for care that meets Federally-defined quality standards, that professional group care should be preferred over informal care, and that rates should be set in such a way that expensive care is not only eligible for subsidy but is encouraged. At the other extreme are those who argue that child care subsidies should be available for any kind of care that the parent can find, with a strong preference for inexpensive and informal care.

Head Start

Fortunately, some agreements and accommodations in the Head Start program have been emerging that can guide an approach to child care. Nearly everyone agrees that Head Start, with its high quality comprehensive approach to child development, should be the preferred service for as many three- and four-year-olds as possible, with supplemental child care as needed. This Administration's commitment to expanding Head Start, and to developing more full-day and full-year Head Start slots, will ensure that as many as 1,000,000 low-income children in 1999 will be served by Head Start.

Parental Choice and State Oversight

Recent child care legislation has been based on the consensus that for other child care arrangements, parents should have nearly unlimited choice, constrained only by State regulations and by minimum health and safety standards. The general principle is that providers who receive subsidies should meet State licensing or registration standards and that parents should be informed about their child care choices. Providers that are exempt from State regulatory standards (most States exempt baby-sitting and small in-home care arrangements for two or three children, and some States exempt sectarian and other providers of more formal care) would be required to register with the State and to meet State-defined requirements for the prevention and control of infectious diseases, building and physical premise safety and minimum health and safety training of providers.

Investments in Quality and Supply

A third point of general agreement is that some funds ought to be available for investments in child care quality and supply. We propose setting aside a portion of child care funds for the following: resource and referral programs; grants or loans to assist in meeting State and local standards; monitoring of compliance with licensing and regulatory requirements; training and technical assistance to providers; and enhancements to compensation for providers. We also propose to ensure that training and technical assistance are available to enable welfare recipients, including JOBS and WORK participants, to become Head Start and child care providers. These programs should be an important source of private sector jobs and of WORK program slots for people moving off welfare.

Rates

In general, States pay subsidies for child care equal to actual cost, up to some maximum. This maximum should be set in a way that reflects reasonable costs of care. It should also be the same across child care programs and payment mechanisms to reflect current market conditions and be defined in such a way that it can vary automatically over time and possibly reflect geographical differences in prices.

Program Coordination

Finally, there is agreement that child care programs and funding streams should be designed in ways that are easy to administer and appear "seamless" to parents. This can be achieved both through program consolidation, when possible, and through coordination of rules, procedures and automated systems. Because of fiscal and political difficulties full consolidation is very difficult to achieve; nonetheless, full coordination ought to be an important goal.

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PROMOTING PARENTAL RESPONSIBILITY AND PREVENTING TEEN PREGNANCY

The best way to end welfare dependency is to eliminate the need for welfare in the first place. High rates of female-headed family formation and the startlingly high poverty rates of those families lie behind our large and growing welfare rolls. We are approaching the point when one out of every three babies in America will be born to an unwed mother, and the majority of these will receive welfare at some point. Births to school-age unwed mothers are an especially enduring tragedy. Too many children are not receiving financial support from both their parents. This too contributes to rates of welfare receipt that are much higher than we would like.

Concern over the dramatic increases in out-of-wedlock births has led some commentators to advocate largely punitive solutions. The most extreme of these would cut off welfare for unwed mothers, a "cure" that might well have disastrous effects on the children of these mothers, increase the need for spending on foster care and orphanages, and potentially increase the number of abortions.

We believe that the best prevention strategy is one that focuses on parental responsibility and provides opportunities for exercising it, supplemented by increased family planning efforts and demonstrations of service programs aimed at preventing teen pregnancy. We believe that very clear and consistent messages about parenthood, and the ensuing responsibilities which will be enforced, hold the best chance of encouraging young people to think about the consequences of their actions and defer parenthood. A boy who sees his brother required to pay 17 percent of his income in child support for 18 years may think twice about becoming a father. A girl who knows that young motherhood will not relieve her of obligations to live at home and go to school may prefer other choices.

The current welfare system sends very different messages, often letting fathers off the hook and expecting little from mothers. We hope and expect that a reformed system that strongly reinforces the responsibilities of both parents will help prevent too-early parenthood.

Along with responsibility, though, we must support opportunity. Telling young people to be responsible will not be effective unless we also provide them the means to exercise responsibility and the hope that playing by the rules will lead to a better life. Both our child support proposals and our transitional assistance proposals are designed to offer opportunity to work and prepare for work, and are built on the experience of effective programs. However, the knowledge base for developing effective programs that prevent too-early parenthood is much less solid. Our strategy, therefore, emphasizes trying many approaches and learning about which are most effective.

Our approach has five components:

- Child support enforcement
- Responsibilities of school-age parents
- Responsible family planning

- Learning from comprehensive prevention approaches
- Supporting two-parent families.

CHILD SUPPORT ENFORCEMENT

A strengthened approach to child support enforcement holds both parents responsible for supporting children. It makes clear to fathers, as well as to mothers, that parenthood brings with it clear obligations, and that these obligations will be enforced, with serious and predictable consequences. The child support enforcement reform proposal has three major elements:

- Establish awards in every case
- Ensure fair award levels
- Collect awards that are owed.

Establish Awards in Every Case

Our goal is to establish paternity for all out-of-wedlock births. This would be accomplished by offering States performance-based incentives for all paternities established, whether or not the mother is currently on welfare, expanding the in-hospital paternity establishment provisions enacted as part of OBRA 1993, and expanding education and outreach efforts to stress that having a child is a two-parent responsibility.

The proposal streamlines the legal process for establishing paternity, enabling States to establish paternity much more quickly. This would be accomplished by requiring "up front" cooperation (prior to receipt of welfare benefits), by establishing clear responsibility for the IV-D agency to make the cooperation and sanction determination, and by simplifying the process by which paternity is established.

The responsibility for paternity establishment would be clearly delineated. Mothers would be required to cooperate in establishing paternity as a condition of receipt of welfare. This strict cooperation requirement would require the mother to provide both the name of the father and information sufficient to verify the identity of the person named. (Good cause exceptions would be granted only under narrow circumstances.) In turn, the States would have a clear responsibility to establish paternity when the mother has fully cooperated. We propose that the States be held fully responsible for the cost of benefits paid to mothers who have cooperated fully but for whom paternity has not been established within a strictly defined time frame.

While the proposal is very tough and strict in its approach to paternity establishment, it does not punish mothers who cooperate fully. Applicants must *meet the new stricter cooperation requirement prior to the receipt of benefits*, but when the mother has fully cooperated and provided complete information, the burden shifts to the State to establish paternity. In contrast, some have proposed that the mother must *have paternity established prior to receipt of benefits*. The mother who has done everything that can be expected of her is unfairly penalized under this approach for the State's

inaction or inefficiency in getting paternity established. She could be denied benefits for a long time through no fault of her own.

Ensure Fair Award Levels

The proposal would establish a National Guidelines Commission to study and report to Congress on the adequacy of award levels, the variability of award levels and the desirability of national guidelines.

The proposal would also require universal, periodic updating of awards so that all awards would closely reflect the current ability of the noncustodial parent to pay support. States must establish simplified administrative procedures to update the awards.

In addition, present child support distribution rules would be changed to strengthen families and assist families making the transition from welfare to work.

Collect Awards that are Owed

The proposal seeks to develop a child support system for the 21st century. All States must maintain a central registry and centralized collection and disbursement capability. States must be able to monitor support payments and take appropriate enforcement actions immediately when support payments are missed. Certain routine enforcement remedies would be imposed administratively at the State level, thus taking advantage of computers and automation to handle these measures using mass case-processing techniques. A higher Federal match rate would be provided to implement new technologies.

To improve collections in interstate cases, a Federal Child Support Enforcement Clearinghouse would be created to track parents across State lines. This would include a National Directory of New Hires so that wage withholding could be instituted in appropriate cases from the first paycheck. The adoption of the Uniform Interstate Family Support Act (UIFSA) and other measures would make procedures in interstate cases more routine. In addition, the IRS role in full collections and tax refund offsets would be strengthened, and access to IRS income and asset information would be expanded.

States also would be provided with the tools they need, such as the authority to revoke licenses and access other data bases, so that the child support enforcement system is able to crack down on those noncustodial parents who otherwise find ways to avoid payment of their support obligations. For instance, frequent and routine matches would be made against appropriate data bases to find location, asset, and income information on those who try to hide in order to escape payment.

The Federal funding and incentive structure would be changed in order to provide the necessary resources for States to run good programs, and performance-based incentives would be utilized to reward States for good performance.

Issue: Child Support Enforcement and Assurance (CSEA)

For children to achieve real economic security and to avoid the need for welfare, they ultimately need support from both parents. The proposals described above are designed to collect as much money from absent parents as possible. But what happens when little or no money is collected from the noncustodial parent either because the child support enforcement system is ineffective, or because the absent parent is unable to contribute much due to low earnings? In those circumstances, a child support enforcement and assurance system would guarantee that the custodial parent gets some assured level of child support, even when collections from the noncustodial parent fall below that level. Thus, single parents with a child support award in place could count on some level of child support which, since the benefit is not income-tested, they could then use to supplement their earnings. Numerous State and national reform commissions (including the National Commission on Children) have called for demonstrations of this concept.

Proponents argue that child support enforcement and assurance would significantly ease the difficult task of moving people from welfare to work. If single parents can count on some child support, usually from the noncustodial parent, but from the assured child support payment if the noncustodial parent fails to pay, then they can build a reliable combination of their own earnings plus child support. This approach would offer single parents real economic security. CSEA is not unlike unemployment insurance for intact families. When an absent parent becomes unemployed or cannot pay child support, the child still has some protection. And since CSEA is not income-tested, there are no reporting requirements, no welfare offices, no benefit offsets and no welfare stigma. Proponents also suggest that CSEA benefits be subtracted dollar for dollar from welfare payments, especially in high-benefit States. Thus, a woman on welfare is no better off with CSEA. But if she goes to work, she can count on her child support payments; thus, the rewards from working rise considerably. Essentially, all of the net new costs of a CSEA protection program would go for supporting custodial parents who are off welfare and working. Proponents also argue that if CSEA protection is provided only to people who have a child support award in place, women will have much more incentive to cooperate in the identification and location of the noncustodial father, since they can count on receiving benefits. Finally, proponents argue that the program would focus more attention on the importance of noncustodial parents providing economic support to their children. States might also experiment with tying the assured payment to work or to participation in a training program by the noncustodial parent, and with other incentives to encourage noncustodial parents to pay child support.

Opponents worry that CSEA would dilute the pressure to actually collect child support and would increase incentives to form single-parent families. If mothers can count on the money regardless of whether the State actually collects the amount owed, less effort may be put into collections. States may choose not to try to increase collections, especially if the Federal government is paying for CSEA. There is also a danger that CSEA would be seen as welfare by another name, since it is a source of support for single parents. Some opponents also argue that there would be fewer incentives for absent parents to pay child support since their children are assured of some level of support even if they fail to pay.

Issue: Enhancing Responsibility and Opportunity for Noncustodial Parents

Under the present system, the needs, concerns and responsibilities of noncustodial parents are often ignored. The system needs to focus more attention on this population and send the message that "fathers matter". We ought to encourage noncustodial parents to remain involved in their children's lives--not drive them further away. The well-being of children who live only with one parent would be enhanced if emotional and financial support were provided by both of their parents.

Ultimately, the system's expectations of mothers and fathers should be parallel. Whatever is expected of the mother should be expected of the father, and whatever education and training opportunities are provided to custodial parents, similar opportunities should be available to noncustodial parents who pay their child support and remain involved in the lives of their children. If they can improve their earnings capacity and maintain relationships with their children, they could be a source of both financial and emotional support.

Much needs to be learned about noncustodial parents, partly because we have focused relatively little attention on this population in the past, and we know less about what types of programs would work. We propose the following approaches:

Work opportunities and obligations for noncustodial parents. A portion of JOBS and WORK program funding would be reserved for training, work readiness, educational remediation and mandatory work programs for noncustodial parents of AFDC recipient children who cannot pay child support due to unemployment, underemployment or other employability problems. In addition, States may have an option for mandatory work programs for noncustodial parents. States would have considerable flexibility to design their own programs.

Grants for access and parenting programs. We propose grants to States for programs which reinforce the desirability for children to have continued access to and visitation by both parents. These programs include mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement including monitoring, supervision and neutral drop-off and pick-up, and development of guidelines for visitation and alternative custody arrangements.

We also propose demonstration grants to States and/or community-based organizations to develop and implement noncustodial-parent (fathers) components in conjunction with existing programs for high-risk families (e.g. Head Start, Healthy Start, family preservation, teen pregnancy and prevention). These would promote responsible parenting, including the importance of paternity establishment and economic security for children and the development of parenting skills.

RESPONSIBILITIES OF SCHOOL-AGE PARENTS

The program of transitional assistance followed by work that was outlined earlier in this document focuses on the responsibilities of custodial parents, especially young parents, to work and prepare for work as a condition of receiving benefits. All young parents seeking government assistance would be expected to prepare for and go to work. Like the child support provisions, the obligations inherent in the program send a clear message about the consequences of parenthood, ensuring that welfare receipt does not release either parent from their responsibilities to work and support their children.

Minor mothers, those under age 18, have special needs and deserve special consideration. They are a relatively small part of the caseload at any point in time, but a disproportionate contributor to long-term dependency. We have four proposals that affect minor and school-age parents:

- Minor mothers live at home. We propose requiring that minor parents live in a household with a responsible adult, preferably a parent (with certain exceptions, such as when the minor parent is married or if there is a danger of abuse to the minor parent). Current AFDC rules permit minor mothers to be "adult caretakers" of their own children. We believe that having a child does not change the fact that minor mothers need nurturing and supervision themselves, and they would be considered children–not as heads of household. Under current law, States do have the option of requiring minor mothers to reside in their parents' household (with certain exceptions), but only five have included this in their State plans. This proposal would make that option a requirement for all States.

- Mentoring by older welfare mothers. We propose to allow States to utilize older welfare mothers to mentor at-risk school-age parents as part of their community service assignment. This model could be especially effective in reaching younger recipients because of the credibility, relevance and personal experience of older welfare recipients who were once teen mothers themselves. Training and support would be offered to the most promising candidates for mentoring.

- Targeting school-age parents. We would ensure that every school-age parent or pregnant teenager who is on or applies for welfare enrolls in the JOBS program, continues their education, and is put on a track to self-sufficiency. Every school-age parent (male or female, case head or not) would be required to participate in JOBS from the moment the pregnancy or paternity is established. All JOBS rules pertaining to personal responsibility contracts, employability plans, and participation would apply to teen parents. We propose to require case management and special services, including family planning counseling, for these teens.

- State options for behavioral incentives. We propose to give States the option to use monetary incentives combined with sanctions as inducements to remain in school or GED class. They may also use incentives and sanctions to encourage participation in appropriate parenting activities.

ENCOURAGEMENTS FOR RESPONSIBLE FAMILY PLANNING

Responsible parenting requires access to information and services designed to discourage early sexual behavior and prevent pregnancy. We propose the following:

- A national campaign against teen pregnancy. We propose that the Administration lead a national campaign against teen pregnancy, involving the media, community organizations, churches and others in a concerted effort to change perceptions. The campaign would set national prevention goals and challenge the States to come up with school or community based plans to meet those goals.

- Increased funding for family planning services through Title X. Responsible family planning requires that family planning services be available for those who need them. A request for increased funding for Title X was included in the FY 1995 budget submission.

Issue: Family Caps

The issue is whether States should be allowed or required to limit benefit increases when additional children are conceived by parents already on AFDC, if the State ensures that parents have access to family planning services. Non-welfare working families do not receive a pay raise when they have an additional child, even though the tax deduction and the EITC may increase. However, families on welfare receive additional support because their AFDC benefits increase automatically to include the needs of an additional child.

Proponents of family caps argue that they would reinforce parental responsibility by keeping AFDC (but not food stamps) benefits constant when a child is conceived while the parent is on welfare. The message of responsibility would be further strengthened by permitting the family to earn more or receive more in child support without penalty as a substitute for the automatic AFDC benefit increase under current law.

Opponents of family caps argue that there is no evidence that they deter births, and that they deny benefits to needy children. Opponents also argue that the value of the benefit increase is similar to the value of the tax deductions and EITC increase for a working family that has an additional child. (The tax deduction and EITC increase for the second child is worth $1,241 at the $20,000 income level; the tax deduction is worth $686 at $60,000. AFDC benefits increase $684 per year for the second child in the median State; including food stamps increases benefits by $1,584.)

LEARNING FROM PREVENTION APPROACHES THAT PROMOTE RESPONSIBILITY

Solely changing the welfare system is insufficient as a prevention strategy. For the most part, the disturbing social trends that lead to welfare dependency are not caused by the welfare system but reflect a larger shift in societal mores and values. Teen pregnancy appears to be part of a more general pattern of high-risk behavior among youth.

The Administration is developing several initiatives that aim to improve the opportunities available to young people and to provide alternatives to high-risk behavior. The School-to-Work initiative, for example, would provide opportunities for young people to combine school with work experience and on-the-job training, as a way of easing the transition into the workplace. The Administration's crime bill focuses additional resources on crime prevention, especially on youth in disadvantaged neighborhoods. Initiatives like these are aimed at raising aspirations among young people who might otherwise become parents too early.

In addition, we ought to direct some attention specifically to preventing teen pregnancy. The basic issue in designing a prevention approach is to balance the magnitude of the problem with the paucity of proven approaches for dealing with it. We need a strategic approach that develops and funds some substantial demonstration programs, and evaluates them for their potential to be more broadly effective.

Demonstrations. Early childbearing and other problem behaviors are interrelated and strongly influenced by the general life-experience associated with poverty. Changing the circumstances in which people live, and consequently how they view themselves, is needed to affect the decisions young people make in regard to their lives. To maximize effectiveness, interventions should address a wide spectrum of areas including, among others, economic opportunity, safety, health and education. Particular emphasis must be placed on the prevention of adolescent pregnancy, through measures which include sex education, abstinence education, life skills education and contraceptive services. Comprehensive community based interventions show great promise, especially those efforts that include education.

We propose comprehensive demonstration grants that would try different approaches to changing the environment in which youth live and carefully evaluate their effects. These grants would be of sufficient size or "critical mass" to significantly improve the day-to-day experiences, decisions and behaviors of youth. They would seek to change neighborhoods as well as directly support youth and families and would particularly focus on adolescent pregnancy prevention. While models exist for this type of comprehensive effort, few have been rigorously evaluated. We propose a systematic strategy to learn from variations in different types of approaches. All demonstrations would include a strong evaluation component.

SUPPORTING TWO-PARENT FAMILIES

Ideas under consideration for Reinventing Government Assistance include provisions to end or reduce the current bias in the welfare system against two-parent families by: 1) eliminating the more stringent rules for two-parent families that exist in current law; and 2) requiring States to provide benefits to two-parent families continuously, instead of limiting provision of such benefits to 6 months. Allowing two-parent families to receive the same benefits that single parents receive should encourage families to stay together, remove disincentives for parents to marry and send a strong message about the value of both parents.

APPENDIX: ENDNOTES TO TABLE 1

Two-Parent Estimates

1. The costs for eliminating the special eligibility requirements for two-parent families is based upon estimates from the food stamp quality control data file. These estimates were then adjusted for increased participation based on estimates from the MATH model employed by Mathematica Policy Research, Inc.

Child Support Enforcement Estimates

1. The costs for the noncustodial parent provisions are 10 percent of the JOBS and WORK program costs.

Caseload Numbers and JOBS and WORK Estimates

The caseload numbers and the JOBS and WORK cost estimates are based on the following policies, assumptions and sources of data:

1. Adult recipients (including teen custodial parents) born after 1972 are subject to the time limit beginning in October 1996 (FY 1997). The cost estimates assume about one third of the States, representing 40 percent of the caseload, will implement the policy a year earlier than required. This follows the pattern of State implementation under the Family Support Act. JOBS spending on other portions of the caseload would continue as per current law.

2. Non-parental caretaker relatives are not subject to the new rules and are not phased-in.

3. Parents who have a child under one (or under 3 months, if conceived after the initial welfare receipt), are caring for a severely disabled child, report a work limitation or who are 60 years of age and older are deferred from participation in the JOBS and WORK programs. As of FY 1999, about 25 percent of the phased-in caseload is deferred.

4. The caseload numbers include modest treatment effects as a result of the new rules.

5. Cost per JOBS participant figures are taken from the FY 1993 JOBS data (adjusted for inflation using the projected CPI).

6. The cost estimate assumes that all non-deferred phased-in recipients are engaged in activities. We assume that at a given point in time, 50 percent of the phased-in recipients are engaged in activities which have cost. For recipients with extensions, it is assumed that everyone is participating in a JOBS activity which costs the program money.

7. The cost of developing and maintaining a WORK assignment is calculated using CWEP data from JOBS and from the welfare-to-work demonstrations of the 1980s (again, adjusted for inflation using the projected CPI). Approximately 25,000 and 130,000 WORK slots would be required in 1998 and 1999, respectively.

8. The figures for JOBS participants and JOBS spending under current law are taken from the baseline in the FY 1995 budget for the HHS Administration for Children and Families

9. The JOBS and WORK cost estimates do not consider the potential impact of child support on the size of the caseload.

Teen Case Management and JOBS-Prep Cost Estimates

1. The case management cost estimate presumes that at full implementation, enhanced case management services would be provided to all teen parents under the age of 19 and receiving assistance. The percentage of teen parents receiving comprehensive case management services is predicted to rise from 70 percent in FY 1996 to 80 percent in FY 1997, 90 percent in FYs 1998 and 1999 and to 100 percent in FY 2004.

   The cost per teen figure for enhanced case management is drawn from Teen Parent Demonstration data. There is no data available on the current level of case management expenditures in the JOBS program. Consequently, the estimate employs, as a proxy for a JOBS case management cost per participant number, a figure calculated using data from the welfare-to-work demonstrations of the 1980s (San Diego I and Baltimore Options).

   The additional cost of comprehensive case management for teens is the difference between the cost of providing enhanced case management to teen parents under 19 and the cost of delivering standard case management to the same population. The difference is roughly $560 per participant per year, in 1993 dollars.

2. The JOBS-Prep cost estimate presumes that JOBS-Prep services will be provided to 20 percent of those in the JOBS-Prep program. As States currently serve only 16 percent of the non-exempt caseload in the JOBS program, it is plausible to suppose that States will not serve a significantly higher percentage of persons in the JOBS-Prep program. We do not know what services States will provide during the JOBS-Prep program (candidates include parenting skills classes, life skills training and substance abuse treatment), so arriving at a cost per participant figure for the program is difficult.

   For purposes of the estimate, we assume that States will not provide services such as vocational rehabilitation in the JOBS-Prep program. JOBS-Prep services will consist primarily of case management and referral to external service providers. Many persons in the JOBS-Prep program have disabilities, although most mothers of children under one do not. The cost estimates assume that a fairly intensive level of case management would be required for a small percentage of persons in this program.

   The cost per JOBS-Prep participant figure represents a level of case management more intensive than that in the current JOBS program but not as intensive as the level provided in the Teen Parent Demonstration. The number is arrived at by multiplying the Teen Parent Demonstration case management figure by .75.

Child Care Estimates

1. These estimates reflect the child care costs associated with the phase-in assumptions described above under JOBS and WORK.

2. This estimate is based upon baseline spending for the Head Start program and therefore does not account for the additional children who will be served by Head Start when it expands. This follows conventional CBO scoring rules.

3. There is no sliding scale fee for services included in this estimate.

4. We assume that approximately 40 percent of all AFDC families participating in JOBS and WORK will use paid child care.

5. We assume that Transitional Child Care eligibles will have average utilization rates of 40 percent.

6. Our working poor estimate represents a phase-in of a capped entitlement to cover children whose families are below 130 percent of poverty but do not receive AFDC. By 1999, we will approach full implementation with $2 billion in net funding. We assume that there are approximately 8 million non-AFDC children below 130 percent of poverty, 40 percent of whom will potentially need child care because of their parents' work status, and that 40 percent of these families will use paid child care.

No Additional Benefits for Additional Children

1. This cost estimate is based upon an estimate by the Congressional Budget Office. The estimate assumes a State option policy where States representing 33 percent of the effected caseload adopt a cap for benefits for new children.

2. It is assumed that States would reduce the monthly benefit by $63 for each child (after the first) born while the mother was receiving AFDC. It is also assumed that States would have little success identifying children born on AFDC during previous spells of welfare receipt.

5-5036

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

March 9, 1994

MEMORANDUM FOR BRUCE REED
DEPUTY ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY
MARY JO BANE
ASSISTANT SECRETARY ADMINISTRATION FOR
CHILDREN AND FAMILIES HEALTH AND HUMAN SERVICES
DAVID ELLWOOD ASSISTANT SECRETARY FOR PLANNING AND
EVALUATION HEALTH AND HUMAN SERVICES

FROM: JOE STIGLITZ

SUBJECT: Comments on Welfare Reform Proposal

The draft produced by the Welfare Reform Task Force exhibits a level of creativity seldom seen in a group project. It is certainly a valuable piece of work. The draft proposal, however, could be improved. Toward this end, I have a number of comments that the Working Group might want to address in discussions of the present draft and that might be incorporated in a future draft.

One over-riding concern is that any welfare reform legislation enacted is reversible. Therefore, it is important that the program ultimately put into place be likely to experience quick success. Otherwise, during the phase-in period, support for the reform effort may dwindle and the legislation be reversed (or worse). Accordingly, the proposal should concern itself with demonstrating success (e.g., increased labor force participation or reduced case load) in the initial implementation period.

My comments are presented in terms of six major themes for ease of exposition. However, these themes are clearly related to others, since it is seldom appropriate to view any one part of welfare reform in isolation.

Theme 1: What is the Entitlement?

Should current levels of payments be viewed as an entitlement, the reduction of which should only be undertaken with the strongest of reasons, or should we view the whole discussion of Welfare Reform one in which the entire nature and structure of the entitlement is under review?

- The varied levels of support across different states--which we are allowing to persist--suggests that we are not committed to any particular level of a "safety net."

- Does any individual who has capability of working (at an unskilled job) have an obligation to do so, if there is an available job?

The Working Group generally steered clear of the issue of the nature of the "entitlement," taking the State level of benefits as a given. Given the current political constraints, I concur with that judgment, though I would like to see a movement towards establishing more national norms. Whether this should be done, and if so, how it could be done most effectively, requires more discussion.

At several points, an implicit argument for why certain policies should be pursued seems to have been that we cannot make recipients on welfare worse off than they are now. But that is precisely the question at hand: do recipients have an "entitlement" to current levels of benefits?

good

To implement any phased incentives that would reduce benefits as a recipient's time on the welfare rolls increases (discussed below), we would have to address this issue.

Theme 2: The Role of Individual Incentives

I wish to emphasize the importance of incorporating strong incentives within the program:

- Legal rights may limit the ability to "force" individuals off welfare on a discretionary basis.

- Even with best of intentions, States may find it difficult to change the direction of agencies administering programs. We should be wary of having excessive confidence in existing and proposed administrative structures for accomplishing our objectives.

In general, the Working Group believed that individual recipients needed to have appropriate incentives to enter the paid labor force as soon as possible. This requires that the benefits an individual receives while not working always are less than the total amount of compensation plus benefits received while working, and the difference must be large enough to compensate for the effort of working.

Assessing these incentives requires integrating *all* assistance programs, including food stamps and housing. Under current programs, in some states, the net return to working at a full time job can be as low as a dollar or two an hour. The consequence is that the incentive for work is less than might otherwise seem to be the case.

Though full integration would clearly be desirable, partial integration, with welfare payments adjusted to reflect other benefits could go a long way to addressing the basic incentive issues.

We may want to consider alternative ways to providing the requisite incentives:

(a) Some argue that it would be administratively simpler to reduce some entitlement other than EITC for WORK participants, and to keep the entitlements provided through the income tax system intact (since the tax system has less direct contact with WORK participants than the welfare system);

(b) Overall benefit levels could be reduced the longer a recipient is in the welfare program, encouraging individuals to enter the paid labor force;

good

(c) Finally, for those with the longest stays on the welfare rolls, benefit levels to the parent could be effectively reduced through provision of more in-kind benefits targeted to children.

Even when recipients are required to accept any full time private sector job offered, there are instances where the incentive to enter the paid labor force would be dulled by the operation of the draft proposal. For example, under the draft proposal, part-time work may stop the running of the 2-year time clock on training and welfare benefits. In this case, a recipient with a part-time job may indefinitely receive benefits. Alternatively, if part-time work does not change the possible set of benefits available in a positive manner, it may be rejected as less satisfactory than simply making use of the training proposed to be available. A compromise solution that retains the appropriate incentives is to ratably slow down the 2-year clock on benefits for those who engage in part-time work. Under this scheme, a person who works 20 hours per week (half-time) would be able to receive benefits for 4 years before moving to the WORK program (note that such a long period of part-time work is likely to result in the recipient building up a sufficient work record to leave welfare for paid employment).

The draft proposal implies that the 2-year time limit is a lifetime limit. Accordingly, someone who received benefits at age 25 would be ineligible to receive training and other non-WORK benefits at age 35. A more appropriate policy might be to allow persons to "earn" additional welfare coverage by participating in the paid labor force for a sufficiently long period. The exact schedule would require some care to prevent recipients from repeatedly cycling between welfare and the paid labor force, but the potential problems are not insurmountable.

Theme 3: The Role of Institutional Incentives

Providing appropriate incentives to individual recipients is only part of the overall incentive issue. A similar concern exists with the incentives provided to case workers and to the States to ensure that they act to move welfare recipients into the paid labor force in a timely manner.

The draft proposal makes heavy demands on individual case workers to assess whether recipients are ready to enter the paid labor force and in what capacity. Research in the area of organizations suggests that large changes in the incentive structure for case workers may need to be a part of the changing culture in the welfare office. If the incentive structure is ignored, case workers will likely revert to current behavior rather than wholeheartedly implement welfare reform. Figuring out what those incentives might be and requiring States to incorporate them in their own welfare programs should be an integral part of our proposal.

good

State incentives will also play a major role in the success of the welfare reform effort. If States are able to obtain Federal resources without fully implementing the welfare reform initiative, they may do so. Tying actual Federal payments to State success at placing welfare recipients in unsubsidized jobs should be seriously considered as part of the process of reinventing the welfare office. Though there are *some* incentives built in the current proposal, I am concerned whether they are sufficient.

Theme 4: The Effectiveness of Existing Programs

The draft proposal generally assumes that the training and placement programs will be approximately as effective as fairly successful local programs. I am concerned that these programs may not be effectively deployed on a nationwide basis, noting that the predicted success rate for training and placement in prior programs often outstripped actual performances. There do not appear to be programmatic "safety nets" in place in case these new programs are less successful than projected.

Theme 5: Equity between Recipients and the Working Poor.

One of the basic tenets of the Welfare Reform draft proposal is that paid work is preferred to receipt of welfare benefits. This implies that the working poor should not be financially worse off than welfare recipients. Ensuring this is difficult, because the experiences of welfare recipients differ dramatically from each other and from those of the working poor. Guaranteeing this equity implies that: child care should be provided to the working poor on terms similar to those for welfare recipients; disability standards should be similar for welfare recipients and

workers; deferments from work requirements based on age should be granted only for those of approximately retirement age; and the guaranteed income for welfare recipients (especially those in the WORK program) should exceed incomes for the working poor only when there is a strong justification for the discrepancy.

Theme 6: Level of State Discretion

While there are many virtues to granting States wide latitude in redesigning their welfare programs, this latitude must be tempered with concern for overarching national interests. States should not be permitted to defer large portions of their case load from work requirements, if the national policy is to favor paid labor force participation. (There are both basic policy issues and budgetary issues involved here.) A strategy of granting States a fixed number of deferments (perhaps as a percentage of the case load) may prove to be effective in getting States to use deferments only in appropriate circumstances, and not as a tool to manage the burden on local welfare offices.

A major problem is that we do not know what the appropriate percentage of deferments should be. To many, deferment of 25 percent of the case load seems too high: will it really mean that we have ended welfare as we know it? Excessively high deferment rates not only presents a political problem, but also an economic problem. A key element in welfare reform is providing appropriate incentives to recipients. If the reform plan effectively provides for a "lottery"--the chance at continuing welfare as we used to know it--it may adversely affect those incentives. Also, if States are held to a deferment limit of 25 percent of caseload there may be a tendency for States to push against that limit, with the attendant negative consequences.

Current caseloads may provide us with poor guidance on what the appropriate deferment percentage should be, especially if the welfare reform plan succeeds in radically changing the current system. If the proposal is successful in getting a large percentage of recipients from welfare to the paid labor force quickly, then the percentage of the remaining caseload that is extremely difficult to place in private sector jobs may be high.

I tentatively suggest the following approach, combining appropriate incentives with flexible limits. First, the Federal match for welfare benefits would be tied to State performance in moving people to paying jobs. This would limit State discretion to provide benefits that exceed the national average by a wide amount (by making those States pay more of the benefit from State funds, if the higher benefits result in longer stays on welfare) and would help line up State incentives with the purpose of the national welfare reform program. Comprehensive measures of performance should be designed to take account of local labor

market conditions and demographic factors. Second, separate limits would be provided for exemption from the general treatment of recipients in each of the major categories (e.g., recipients on WORK beyond 2 years, recipients with children under 1 year old). Third, the exemption limits would be related to local economic conditions, demographic factors, and historical performances. These limits would generally be set tightly, to represent substantial improvements over current practice. Waivers would be provided only under unusual circumstances, and only with significantly increased state percentage contributions for the costs of the "excess" exemptions. (The increased State financial burden is important, because, as we have noted, it is possible that State deferment policies have adverse effects on the base caseload, a burden which is shared nationally.) This outlined approach may help align State behavior with the national goals of welfare reform.

good

The AFDC Program: The Context for Reform

- $22 billion in benefit payments
- 4.8 million families
- Average monthly check = $388

- 70% of entrants off within two years.
- But two thirds of those who leave come back on within three years.

Recent Reforms

The 1988 Family Support Act

- Established Job Opportunities and Basic Skills Program
- Over half of recipients deferred from participation
- States must serve 15% of those not deferred

State Reform Efforts

- Twelve states have substantial welfare reform demonstrations.
- Various approaches to time limits and work incentives:

  California, Colorado, Florida, Iowa
  Michigan, Vermont, Wisconsin

Values Behind Welfare Reform

- Work
- Responsibility
- Family
- Opportunity

A New Vision

- Transitional Assistance Followed by Work
- Making Work Pay
- Parental Responsibility and Prevention
- Reinventing Government Assistance

A New Vision:
Transitional Assistance Followed by Work

- Full participation
- Training, education and job placement services (the JOBS program)
- Time limits
- Work for those who exhaust their time limit (the WORK program)

Improving the JOBS Program

Full Participation

Training, Education and Placement (the JOBS program)

- Personal responsibility contract & employability plan
- Focus on work & private sector placement
- Closer coordination & integration with existing mainstream education & training program
- Emphasis on worker support once people are placed in a job

The Post-Two-Year WORK Program

Temporary work opportunities after the time limit for those unable to find unsubsidized work

- Community involvement and oversight
- Emphasis on private sector placements
- Flexible placement options
  - employer subsidies
  - non-profit/community-based jobs
  - placements using new and existing initiatives
  - community service
- Non-displacing placements
- Special provision for weak local economies

The WORK Program: Work for Welfare Versus Work for Wages

Work for Wages

- paycheck not welfare check
- dignity and responsibility of a "real job"

Work for Welfare

- uses existing administrative structure
- previous experience
- state flexibility

Discouraging Long-Term WORK Participation

- Sanctions for private sector job refusal
- Limited duration in any one placement
- Frequent job search
- No EITC benefits?
- Declining state reimbursement
- Limits or reassessment after several placements?

Focus and Phase-In

- How dramatic a change, how fast?
- Capacity constraints require phase-in.
- Phase-in alternatives:
  - Focus on new applicants and reapplicants?
  - Focus on young families?

A New Vision: Making Work Pay

- Health care reform
- Advance payment of the Earned Income Tax Credit (EITC)
- Child care for the working poor

A New Vision:
Parental Responsibility and Prevention

- Child-support enforcement
- Efforts aimed at minor mothers, responsible family planning and prevention
- Efforts to promote two-parent families

A New Vision:
Reinventing Government Assistance

- Coordination, simplification and improved incentives in income support programs
- A performance-based system

Possible Pathways Following Assessment After WORK Slot

WORK Slot/Job Search

↓

Assessment

↓

1) Unable to work → SSI?

2) Able to work, unwilling to work → off welfare

3) Marginally able to work, unable to command minimum wage
   - → off welfare?
   - → appropriate activities (including community service)
   - → welfare benefits?
   - → WORK slot?

4) Able to work, willing to work, unable to find job
   - → off welfare?
   - → appropriate activities (including community service)
   - → welfare benefits?
   - → WORK slot?

Labor Force Status of Married Women with Children Under Six

Labor Force Status	All Families	Poor Families
Worked full-year, full-time	31.2%	5.6%
Worked part-time or part-year	36.0%	27.6%
Did not work	32.8%	66.6%
Total	100.0%	100.0%

Source: Current Population Reports, Series P60-185, Table 14

Survey Results About Work

Do you think a single mother working at a part-time, minimum-wage job should be permitted to receive welfare benefits, for as long as she earns less than the poverty level, or do you think she should not be permitted to do so?

Should be permitted	86%
Should not be permitted	9%
Not sure	5%

Should mothers who have preschool children and who are on welfare be required to work?

(If Yes): Should they be required to work full time or part time?

Yes, should work:	
Full time	17%
Part time	38%
Not sure how many hours	5%
No, should not work	34%
Not sure	6%

Based on Peter Hart Associates, Inc.
American Viewpoint

Facts About Women Mixing Work and Welfare

- 8% of women on welfare work in any given month
- 50% of women on welfare work at some point over a three-year period
- Women who work while on welfare are much more likely to leave welfare in the following month than women who do not work

Net Income for a Mother and Two Children in Pennsylvania with No Child Care Expenses, 1993

	Not Working	Working 20 Hours	Working 40 Hours
Net Earnings (earnings less taxes & work expenses)	0	3,385	6,770
EITC	0	1,700	3,272
AFDC	5,052	1,872	0
Food Stamps	2,868	2,796	2,340
Net Income	$7,920	$9,753	$12,382