

WR - Rollout

EXECUTIVE OFFICE OF THE PRESIDENT

25-May-1994 03:43pm

TO: Bruce N. Reed  
FROM: Carol H. Rasco  
Economic and Domestic Policy  
SUBJECT: RE: Welfare Reform rollout

Mack tells me he has notes at home that are quite complete but apparently Stan Greenberg and/or Maggie had a conversation with him following a talk with Hillary regarding this whole issue of roll out and exactly what should be rolled out when....I urge you to call Stan prior to the meeting since I still haven't seen Mack's notes....thanks.

Mack also then had a conversation with someone in Moynihan's office and was trying to press on them to see if we could get by with rolling out only the program but not a bill in mid June and wait until July or completion of health care mark ups to put actual bill forward. Mack feels to the extent one can get something from Moynihan he got a commitment this would probably be okay.

→ Rollout to OMB  
Does

TONE OF BC  
LETTER TO M'NAME  
MAJORS STRATEGY

WR -  
Rollout

June 10, 1994

MEMORANDUM FOR MACK MCLARTY

FROM: BRUCE REED

SUBJECT: WELFARE REFORM ROLLOUT

- Shalala briefing  
POTUS CALL ENGLER, CAMPBELL  
→ Invite Campbell and other 3  
→ What Afr. Amers to invite?

CALL LICHTENMAN, MCLARTY, FROM  
→ ERNE GREEN re JOBS

Speech: Economy → JOBS  
→ M. M. Monday w/ Mclarty

Here is a preliminary summary of next week's anticipated announcement of the President's welfare reform plan. We still need firm confirmation of the date (Tuesday) and the site (Delaware).

I. ANNOUNCEMENT

The President is scheduled to announce his welfare reform plan on Tuesday, June 14, at a successful welfare-to-work program in Delaware. The actual legislation is in clearance at OMB, and should be ready to introduce by the end of next week. Beyond Tuesday, the rollout will primarily involve Secretary Shalala, Director Panetta, Carol Rasco, and the rest of us involved in welfare reform.

The Presidential announcement will take place at one of two sites in Delaware -- either the lobby of a bank in Wilmington that has hired a number of workers through the state's welfare-to-work program, or a nearby technical college that runs that training program. The event will showcase people who have been through the program and been hired; if there is time, the President could lead a roundtable discussion with them before giving his speech.

We explored several other possible sites, including a speech at Georgetown (where the President made the initial campaign promise to end welfare) or a trip to Kansas City (which has an excellent welfare-to-work program). Delaware was chosen because it has the best welfare-to-work program within close range of Washington. Moreover, its current Governor, Tom Carper, is head of the Democratic Governors' welfare reform task force and our most outspoken ally among Democratic governors on this issue -- while the previous Governor, Congressman Mike Castle, was the President's Republican counterpart and ally in passing the Family Support Act of 1988. Wilmington's mayor is African-American, as is the CEO of the bank we're considering as a site, and the state's program has a broad racial mix.

In preparation for the announcement, Carol has asked for time on the President's schedule Monday to review the details of the plan. Don Baer assigned the speech to me and

Bill Galston. Legislative Affairs will invite key members to the event, including Moynihan; we do not expect many from outside the Delaware delegation to come.

## II. LEGISLATIVE AND POLITICAL OVERVIEW

Under the direction of Pat Griffin and Susan Brophy here at the White House and Jerry Klepner at HHS, we have consulted extensively with members in both houses and both parties. Our bill is positioned in the center of the debate, with two or more liberal bills to our left and the Republican and Mainstream Forum bills to our right. There is overwhelming popular support for virtually every element of our plan. The major flashpoints in Congress will be over financing (the Hispanic Caucus will complain about our \$4 billion immigrant provision, although they much prefer it to the \$21 billion provision in the Republican and Mainstream Forum bills), time limits (the liberal bills have none), and the state option to limit additional benefits for additional children conceived on welfare (a sore point for the left).

We are relying on leadership and committee chairs to sponsor the President's bill. In the House, Sam Gibbons and Bill Ford have agreed to be sponsors; Gephardt is considering it. We had hoped to get Harold Ford as well, but after months of consultation, he has developed serious problems with our bill, which will have to move through his subcommittee of Ways and Means. We also anticipate a chilly reception from the CBC. Moderate members like McCurdy and Alan Wheat will say nice things about the President's plan, while continuing to sponsor their own. House Republicans like many elements of our bill, and so far have been willing to say so publicly.

In the Senate, Moynihan seems delighted with the arrival of our bill, and raved about it at the Senate Democratic Policy luncheon on Thursday. We hope that he and Breaux and possibly Mitchell will sponsor it in the Senate. Most Senate Democrats should speak out in favor of our bill. We do not expect much activity in either house until after the 4th of July recess, when subcommittees may begin hearings.

The other major source of support for our plan will be from governors. The NGA is preparing a strong letter of support. We hope that most Democrats and some Republicans will react positively, including Engler (but probably not Thompson). The only thing that stands in the way of unqualified support from the states is concern that certain financing provisions (cuts in immigrant benefits and emergency assistance) may shift some costs their way, but on balance our plan should be a good deal for them. They strongly oppose the Republican proposal on immigrants as a substantial cost shift.

Many groups on the left will oppose or withhold support from our plan. Alexis Herman has held meetings here at the White House with African-American leaders, who expressed some reservations about the plan but whose main concern was that the President strike a positive tone with this issue. We need to continue that outreach effort. Organized labor is reasonably happy, and may even consider endorsing.

### III. COMMUNICATIONS

In Rahm's absence, I have been working with Avis LaVelle at HHS and Mark Gearan and others here at the White House to prepare a well-targeted communications plan for the rollout. We want to ensure favorable coverage for the President's plan, while recognizing that most of his time in coming weeks will be taken up with other issues.

When Rahm returns, he will run the communications effort, in collaboration with DPC and HHS. Here is a tentative schedule for the first two weeks:

#### **Friday, June 10, 1994**

Possible short telephone interview of POTUS by US News and World Report (requested; Ricki is doubtful). US News to run cover story on welfare reform in next week's issue. Time is also running a cover on welfare and has asked for an interview Friday or Saturday.

Welfare reform team will hold press briefing at HHS to release study identifying a \$34 billion child support enforcement gap.

#### **Sunday, June 11, 1994**

White House officials appearing on Sunday talk shows will preview upcoming announcement.

#### **Monday, June 12, 1994**

Short preview interview with USA Today on announcement.

US News and Time cover stories appear.

#### **Tuesday, June 13, 1994**

Presidential announcement in Delaware.

Secretary Shalala, Director Panetta, and welfare team available for morning shows to preview announcement, as well as evening talk shows (Crossfire, Larry King).

Background briefing for White House press corps on plan after speech with Secretary Shalala and welfare team.

"Nightline" segment on teen pregnancy and welfare reform.

**Wednesday, June 14, 1994**

Shalala and Panetta host background interview at White House with columnists on plan. POTUS drops by.

Shalala will do satellite feeds to selected markets.

Target state and regional press for follow-up stories on how welfare reform will affect existing state plans.

**June 15 and beyond**

Shalala and welfare reform team will concentrate on:

- \* Extensive outreach to radio talk shows outside the Beltway
- \* Targeted editorial boards
- \* Media with interested members of Congress

Shalala has pending requests to appear on "Evans and Novak" and weekend shows to explain plan.

National Press Club has requested Shalala speech on plan for June 24.

#### **IV. FOLLOW UP**

1. We need to decide today whether to go forward on Tuesday in Delaware.
2. We've asked Ricki to see that there is time on the schedule Monday to discuss the plan with the President and make sure that he is fully briefed.
3. David Gergen, Mark Gearan, and I will pull together a meeting today to go over the communications and message aspects of the rollout.
4. We need to talk with Pat Griffin and Susan Brophy to make sure that we've done all we can to smooth the way for this on the Hill.
5. OMB has called a meeting for this afternoon to nail down any remaining policy questions. If there are any last-minute financing details, Leon will let you know.

## ROLLOUT SCHEDULE

### WEEK OF JUNE 6-10

- POTUS:** Interviews with TIME, US News, Newsweek  
Meeting with Rasco et al to brief him on the plan?
- CONGRESS:** Meetings with key Congressional leadership  
Meeting with House GOP WR Task Force
- OTHERS:** Release of Child Support background paper  
Briefing for NGA, DGA, NACO, NLC, NCSL, USCM, APWA  
Briefing for Labor

### WEEK OF JUNE 13-17

- POTUS:** Announcement speech at Georgetown (or outside DC)  
-- Meet with mothers who testified at our WR hearings  
Possible field trip to LINK program in Kansas City  
Interviews with major newspapers
- CONGRESS:** Briefings begin for caucuses, Dem Policy Comm., etc.  
Transmittal of bill? (or when cleared)
- OTHERS:** Background briefings for press  
Briefings for advocacy groups, others  
Editorial boards, morning shows, etc.  
Brief Cabinet at DPC June 13  
Brief WH staff

### WEEK OF JUNE 20-24 AND BEYOND

- POTUS:** Possible NAACP speech in Chicago July 9
- CONGRESS:** Subcommittee hearings begin after July 4 recess
- OTHERS:** Teen pregnancy, child support, and other events with Shalala, other interested Cabinet members

TIME LIMIT ISSUES

**DRAFT**

Length of the Limit

**24 Months.** Cash assistance would be available for a maximum of two years, after which (adult) recipients might be required to participate in a work program to receive benefits. Two or three months of job search would have to be included before the end of the transitional support period or at the very beginning of the post-transitional period.

OPTIONS:

- APPLICANT JOB SEARCH -

**24 Months, Beginning with a 3 to 4 Month Grace Period.** The 24-month cash assistance period would be divided into two parts. For the first 3 to 4 months, transitional services (education, training, supervised job search) might be available but participation would not be mandated. Participation would be required during the next 20 to 21 months.

**24 Months, Preceded by a 3 to 4 Month Grace Period.** Same as above, except the total cash assistance period would be 27 or 28 months, beginning with a 3 to 4 month grace period.

**24 Months, with a Separate Diversion Program.** The goal of the diversion program would be to keep at-risk families out of the welfare system by providing them with short-term assistance. A family would only be eligible for assistance under the diversion program if its financial difficulties were temporary and short-term help would get it back on its feet (degree of labor force attachment might be one of the eligibility criteria for the diversion program). The income and asset limits for the diversion program could be set higher than the level for cash assistance; i.e., the program might be open to all low-income families.

Starting the Clock

**Start Date:** Clock for time limits could begin from the time the individual or family enters the welfare system (but tolled for certain reasons) or delayed until family is ready to participate on a meaningful basis in education and training.

OPTIONS:

**Date of Application for Cash Assistance.**

**Point of Job Readiness.** The clock would not begin to run until a recipient had ~~(received education and training services and/or)~~ was judged ~~(job)~~ ready (establishing uniform standards for job readiness would be difficult; perhaps a standardized basic skills test?).

*Michigan: work in churches, etc.; define your own experience*

\* → TURN AFDC INTO AN EITC

### Stopping the Clock or Extending the Time Limit

Extensions or suspensions of the time limit could be granted to individuals in case of illness or other obstacles to employment or participation in transitional services. Other circumstances apart from illness that might qualify an individual for an extension or suspension include the following:

#### OPTIONS:

- illness of a family member
- participation in a substance abuse treatment or other rehabilitation program
- a severe lack of basic skills
- pregnancy
- caring for a very young child

NOTE: Treatment of pregnant women and of recipients with young children are tricky questions, given the potential for incentive problems.

- high level of participation (perhaps on a one-time only basis to encourage effort without unduly prolonging the time limit)
- for completion of approved education or training activities.

### Sanctions

#### OPTIONS:

Family sanctions, with a stopped clock

Partial sanctions, with clock continuing unabated

Partial sanctions, with adjustments to clock

### Renewability

#### OPTIONS:

**Lifetime Limit.** An individual would be eligible for a total of two years of cash assistance as an adult (AFDC receipt during childhood would not be counted toward the two-year limit).

**Renewable Limit.** Ex-recipients could earn additional months of assistance for time spent working and/or not on AFDC. Granting further time for employment would increase the incentive for former recipients to enter the labor force, but would present record-keeping issues (Unemployment Insurance records might be employed).

**Recurring Limit.** Like the Wisconsin proposal, recipients

would be entitled to a maximum of two years in the first four or five years after they come on the rolls, but then would not be eligible for a few years. Then, they could start their eligibility all over again.

#### Applicability

If the lifetime limit worked like the lump sum provisions in the AFDC program, the clock would be running for everyone in the assistance unit. However, under a lifetime limit situation, such a rule would definitely "visit the sins of the parents on the children." Individuals whose parents had been on AFDC would lose the opportunity to receive support if they went through their own crisis as adults.

#### OPTIONS:

- ♦ The lifetime limit would follow only adults and teen parents in the unit.
- ♦ To prevent/discourage shifts in family structure and teen pregnancies, the clock would run for everyone in the assistance unit.
- ♦ To discourage additional births to welfare recipients, subsequent births would not get treated as new cases.

#### Nationwide Limit

Subject to logistical constraints, months of assistance in one State would be counted toward the limit in any other state in case of a move. (NOTE: This option suggests the possibility of a national data base.)

#### Cash Limit Option

**Overview.** The limit on cash assistance could be expressed as a cash rather than as a time limit. For example, a resident of a State with a \$400 maximum benefit would not be able to receive more than \$9600 ( $\$400 * 24$ ) in cash benefits. The cash limit need not be thought of as a bank account; an individual would not necessarily be more entitled to the \$9600 than to the full 24 months under a time limit system.

However, the system could provide incentives for early entry into jobs by converting a certain percentage of the unused assistance into a savings account (or an education and training account) for those who go off and stay off assistance.

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

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

[A time-equivalent system could also be employed to reduce the disparity in benefit levels among States by creating a benefit floor. If the floor were set at, for example, \$7200, individuals in low-benefit States would receive assistance for longer periods, possibly weakening the incentive for States to set benefits at very low levels.]

**Possible Advantages.**

Easy adjustments, clear incentives for part-time employment

Easier tracking of residual benefits, particularly if existing systems are geared to monitoring disbursements

Easy implementation of a credit system

Easier for recipient to understand, monitor her situation

Full vs Part-Time Work

Bruce

4/19/94

A B I L L

WR - Bill  
LANGUAGE

To amend the Social Security Act, the Food Stamp Act and other relevant statutes to redesign the program of aid to families with dependent children to establish a program that provides time limited, transitional assistance, prepares individuals for and requires employment, prevents dependency, overhauls the child support enforcement mechanism at both the State and Federal level, and for other purposes.

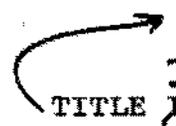
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Comprehensive Welfare Reform And Family Support Amendments of 1994".

NO -  
WORK  
AND  
RESP.  
ACT.  
OF 1994

SEC. 2. TABLE OF CONTENTS; REFERENCES

(a) Table of Contents.--This Act contains the following titles and sections:

- TITLE ~~I~~<sup>II</sup> - JOBS
- TITLE ~~II~~<sup>I</sup> - TIME LIMITED ASSISTANCE
- TITLE III - WORK
- TITLE IV - CHILD CARE
- TITLE V - PREVENTION OF DEPENDENCY
- TITLE VI - CHILD SUPPORT ENFORCEMENT
- TITLE VII - INFORMATION SYSTEMS
- TITLE VIII - IMPROVING GOVERNMENT PROGRAMS
- TITLE IX - MISCELLANEOUS



NAMES  
FOR ORDER

Why combined?

→ Req. work study for AFDC/Pell Grant?

WR-  
Working  
Papers

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

→ Work hours coincide w/school hours?

### OVERVIEW

→ Expand NCP work program

The nation has many years of experience attempting to help disadvantaged adults and families become self-sufficient. Much of the experience emanates from programs, demonstrations and initiatives that provide education, training and employment services to working-age individuals. A number of books and articles have summarized in detail the findings of major demonstrations and evaluations. The purpose of this paper is to synthesize what is known about these services, as it relates to welfare reform and provide major conclusions that can be drawn from more comprehensive reviews. Evidence on the impact of these programs is briefly summarized and policy-relevant issues are highlighted.

### MAJOR FINDINGS

For three decades federal policy and funding have supported various education, training and employment activities targeted on welfare recipients and other economically-disadvantaged persons. Specific interventions can be categorized into four groups: direct employment services, job training, education, and subsidized employment.

Such interventions are intended to achieve many different objectives, but three are most important for welfare policy: (1) assist public assistance recipients in obtaining regular employment, (2) invest in skill development to improve the chances that an individual or family can become economically self-sufficient, and (3) provide public sector employment for those who cannot obtain work in the private sector or, as has been the case more recently, assure that recipients perform some work activities as a condition for receiving welfare.

The research evidence in general shows that programs have made modest, but only modest, progress toward these objectives. Reviews of employment and training programs for AFDC recipients have led to the following conclusions:

- Programs that involve employment-oriented activities of low to medium intensity and cost (like job search assistance and short-term work experience) can increase employment and earnings and, in some cases, reduce welfare costs.
- More intensive and costly training programs can produce even greater positive impacts on employment and earnings.
- The most effective programs include a combination, or integration, of various employment, education, training and support activities and services.

- A major key to effective program performance is high quality management and implementation.
- Even the best interventions, though, produce small gains. Employment and training programs have not generally been able to move individuals, children and families out of poverty and permanently off of welfare.
- Society can impose work-oriented obligations on welfare recipients at a fairly low cost and in ways that recipients feel are fair

More specifically, the impact of these programs reveal a few common patterns:<sup>1</sup>

- Rates of employment increased on a range of about 2 to about 10 percentage points. A number of programs, though, have shown no impact on employment, even though they may have other positive impacts, such as increased wages.
- Programs have generally had more consistent positive net impacts on earnings than employment. Net impacts are generally positive and range from about \$250 to \$700 a year for low-intensity services to as much as \$1000 or \$1500 a year for more intensive services, such as the Homemaker-Home Health Aide and Supported Work Experience demonstrations.
- Some substantial portion of increases in earnings reflects an increase in hours of work rather than higher wages.
- Even when programs show positive impacts on employment and earnings, there is little consistency in their impact on welfare dependency, either in terms of duration on welfare or grant levels. Earnings and employment impacts have not always produced concomitant welfare savings; in fact, in some cases participants have stayed on welfare longer. When there is a short-term reduction in welfare, it generally does not remain over time.

## **IMPACTS OF DIFFERENT TYPES OF SERVICES**

There is much variation in impacts across programs and demonstrations, as evident from the above summary. But in general, the programs with the greatest employment and earnings impacts tend to provide more intensive and costly services, or an integrated mix of services.

The smallest impacts, even though generally positive and statistically significant, have been for job search assistance and for unpaid work experience. The greatest impacts have been found for intensive programs such as supported work experience or the Teen Parent Demonstration that combine staff counselling and case management with provision of, or access to, education, training and/or work preparation (Gueron, 1992).

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

### **Job Search Assistance**

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

(NO)  
|?

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

Since then, various models of job search assistance have been implemented, ranging from low-intensity efforts (e.g., 1-5 days of counselling or group instruction followed by 1-8 weeks of independent job search often found in food stamp job search programs) to more intensive efforts

(e.g., 2-4 weeks of class instruction followed by up to eight weeks of assisted job search, as in Job Clubs and in the Employment Opportunities Pilot Projects (EOPP). These types of programs also resulted in small increases in employment rates (less than 10 percentage points) and modest initial increases in earnings (\$150-\$700 a year), which tend to decay somewhat over time.

Most of the MDRC work-welfare demonstrations conducted in the 1980s included job search assistance as a major component. MDRC concluded that job search assistance generally increased employment, but had no significant net effect on wages or hours of employment. (Gueron and Pauly, 1991)

Several Food Stamp demonstrations that emphasized either mandatory independent job search activity or provided job search instruction and assistance for non-AFDC food stamp recipients found greater net increases in employment than AFDC employment programs (up to 40 or 50 percentage points), but smaller increases in earnings (e.g., \$100-200 a year). It has been suggested that one of the positive effects of aggressive job search requirements is that it purges the caseload of persons who are already engaged in employment, either formally or informally, and persons who have no intention of working. ✓

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

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

### Occupational Training

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

Vocational job skills training is available through a variety of federally-funded programs, especially JTPA and vocational education. The two major methods for providing occupational instruction are (1) in a classroom and (2) in publicly-subsidized on-the-job training, mainly in the private sector.

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

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

Of the various types of occupational training, on-the-job training (OJT) has generally been found to have the strongest impacts. OJT provides subsidies to employers who agree to provide training in the workplace. For those participating in the CETA program, participation in OJT had a greater impact than classroom training -- classroom training raised earnings by about \$500 a year (in 1985 dollars) and OJT, by about \$750. (Barnow, 1987) As early as the mid 1970s, an evaluation of WIN found the largest impacts for participants came from OJT--\$1800 a year after one year and about \$1200 after three years. (Burtless, 1989)

*On-the-Job Training (OJT).* OJT increased the earnings of adult women by 8 percent according to the results of a 18 month follow-up in the National JTPA Study. A quarter of the women in the OJT same were AFDC recipients. Results for adult men were roughly the same for women. Preliminary results from the 30 month follow-up indicate that OJT's positive effects on adult males persist, but the effects on adult females wane. The benefits of OJT, however, most likely will still outweigh the costs even for adult women.

Two early MDRC demonstrations that included an on-the-job component, in Maine and New Jersey, also found large earnings impacts primarily due to increasing wage rates or hours worked. Neither program had much impact on increasing the number of enrollees with jobs.<sup>2</sup> The results of the JTPA, Maine, and New Jersey evaluations suggest that, while OJT may be cost-beneficial in terms of earnings gains, it does not have a large impact on increasing the longer-term employment rates of participants. MDRC researchers have suggested that counselors may pre-select the best candidates for OJT, and thus end up serving persons who would have done well even in the absence of the program (Gueron and Pauly, 1991). It may make sense, then, to concentrate on job search or additional schooling for more educated enrollees, and to reserve OJT for more disadvantaged recipients. Efforts could also be made to operate higher quality OJT programs than those that have been evaluated thus far.

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

*Short-term Work Experience.* Similar to OJT, work experience is a cross between public service employment and job training. Enrollees are paid for public sector work, but are expected to become more employable in the private sector as a result of the experience. Short-term work experience generally lasts about 13 weeks and provides a real-world opportunity for enrollees to get accustomed to the world of work--regular hours, supervision, attitudes, and routine. There is little evidence about the impact of work experience, but one study found that under CETA, adult women had a net increase in earning in 1977 of between \$500 and \$800 a year.

Short-term work experience typically has been targeted on women who have no real job experience or no recent job. Under WIN, welfare clients participating in a work experience activity received their regular welfare checks plus an allowance of \$30 a week. This type of work experience has been a very small component both under WIN and its replacement, JOBS. JTPA, and CETA before it, also funds a form of short-term work experience for adults and youth, but individuals generally receive minimum wage compensation.

## Education

Given the low educational levels of many AFDC recipients, education activities have, in fact, been an important component of programs aimed at improving self-sufficiency. There is very little empirical research on the employment effects of adult education. Much of the research to date on welfare recipients' experiences in adult education suggest little

**effect on employment and earnings. This is not particularly surprising, however, given that traditional adult education programs, though, do not have employment outcomes as a goal.**

The economic returns to education have been extensively analyzed. Persons who complete 12 years of school earn more in their lifetimes than persons without high school diplomas, and persons with college degrees earn more than persons with no education beyond high school. Not surprisingly, there is also a clear correlation between low literacy levels and poverty. According to the National Adult Literacy Survey, adults in the lowest level of literacy are ten times more likely to be in poverty than adults in the highest literacy level. (USED, 1992) This further suggests the importance of education in increasing economic security.

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

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

In the work-welfare program evaluations in Washington State and Massachusetts, participation in basic education and ESL had no net impact on employment or earnings. It also tended to increase the length of time spent on welfare, which makes some sense since persons in education may delay entry into a job. These evaluations did not, however, distinguish between persons who enter education versus those who actually complete an educational program; impacts are probably higher for the latter category.

Analyses using large scale data bases also suggest that there the impact of a GED on employment is limited. One analysis of AFDC recipients found that while AFDC women with higher basic skills are more likely to leave welfare and stay off welfare, acquiring a GED had no independent net effect on these welfare outcomes. (Pavetti, 1993) Another study found similar results for men--obtaining a GED had no effect on basic skills development and no net effect on earnings. (Cameron and Heckman, 1991) However, still another study, suggests that secondary education--either obtaining a high school diploma or a GED--can significantly increase an AFDC woman's employment and through that reduce welfare receipt. (Maloney, 1992) | ?  
A number of other studies are now underway to clarify the relationship between adult education, GED and employment.

Case studies and program analyses suggest that a number of operational factors within the decentralized adult education system may limit its potential. Most importantly, the median hours an individual spends in an adult education program is only about 43 hours, and slightly higher for welfare recipients. About 20 percent of those who enroll never start instruction. Employed students, who make up about 40 percent of all students, are even more likely to drop out; ESL students are more likely to complete their programs. Skill levels are so low, especially for those who enter ABE classes (8th grade level and below), that even completing some ABE programs cannot substantially raise skill levels. Adult education in the past has been particularly limited because of the minimal funding available. Since 1990, federal funding for adult education under the Adult Education Act more than doubled, from \$133 million to \$304 million. Currently slightly less than \$300 is spent per student.

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

The Department of Education is implementing strategies to improve the quality of programs for adults and considering ways to better serve the most disadvantaged populations. These strategies include encouraging courses that integrate basic skills with occupational training, more contextual learning, and more work-relevant courses, and by providing supportive services. The current federal focus on improving the skills of the future workforce are reshaping the role that education plays in preparing individuals for productive employment. The types of improvements being initiated by the Department of Education may mean that more adults complete and benefit from education programs in the future.

### **Subsidized Employment**

There are several ways to subsidize employment. OJT and work-experience are forms of subsidized employment which provide training experiences aimed to lead to employment. Tax credits are fundamentally different from OJT payments in that OJT is premised on the employer providing training to the new worker in exchange for the subsidy received, while tax credits are simply a way of buying a job for a worker. Public works programs create subsidized jobs while at the same time build or fix public (such as new parks and roads) while public service employment adds workers to existing socially useful programs and pays them a wage and benefits. Community Work Experience Programs (CWEP) specifically targetted to welfare recipients, require recipients to work in socially useful projects in exchange for receiving a welfare grant. A review of these programs suggest that it is possible to implement a large publicly subsidized employment program; society can impose work-oriented obligations on welfare recipients in ways that recipients feel are fair; and, there is little evidence that short-term subsidized employment assignments will necessarily result in private sector

## employment.

Public Works Programs. The nation's largest public subsidized employment initiative occurred in the 1930s during the Great Depression. The most notable of the Depression-era programs were the Works Progress Administration (WPA), the Civilian Conservation Corps (CCC), the National Youth Administration (NYA), and the Public Works Administration (PWA).

- o The WPA was the New Deal's principal work relief program. It provided federal funds for work projects operated by State and local governments. A wide variety of work projects were funded, but primary emphasis was placed on public works construction. Over the course of its existence, the WPA built or reconstructed 617,000 miles of new roads, 124,000 bridges and via ducts, and 35,000 buildings, including New York's Central Park Zoo, the Philadelphia Art Museum, and LaGuardia Airport. (Briscos, 1972)

Almost all WPA participants came from the relief (i.e., welfare) rolls, although being on relief was not a prerequisite for being eligible to participate in WPA. Enrollment was limited to one person per poor family. At its peak, enrollment was 3.3 million. Over \$10 billion in federal funds were spent on WPA over its eight year history. (Kesselman, 1978)

- o The CCC was a residential program aimed at providing work to young men from families receiving government relief. The Army was responsible for food, shelter, and discipline at the CCC work camps, while agencies such as the Forest Service, Interior Department, and Soil and Conservation Service were responsible for administering the work projects. Work projects included reforestation, building national and state parks, and soil conservation. The CCC had a peak enrollment of 500,000 and close to \$3 billion was spent on the program over its 10 year life. (Kesselman, 1978)
- o In addition to the CCC, a much smaller work program providing relatively cheap, non-residential projects for both in-school and out-of-school youth was administered by the NYA. Peak enrollment for this program was 808,000 and cost \$534 million in federal funds over its seven-year existence. (Kesselman, 1978)
- o The PWA funded federal, state, and local construction projects conducted through private contractors. The primary purpose of this program was to generally increase employment as opposed to provide employment assistance to the needy. Once the WPA was established, the PWA focused on conducting projects involving heavy construction through private contractors while the WPA concentrated on light construction and service projects. The PWA's peak enrollment was 540,000 and cost \$4.5 billion in federal funds over the course of its lifetime. (Kesselman, 1978)

President Roosevelt and Congress understood that providing direct cash support was cheaper than work relief but opted instead to pursue a work relief strategy that included the various programs described above. Despite arguments that direct cash relief could serve more people than work relief and estimates that the latter was almost a third (30 percent) more expensive, putting substantial resources into work relief programs prevailed because there existed such antipathy toward simply paying cash welfare to able-bodied employable persons. (The AFDC program was created during the same period to provide direct cash assistance to children in poor female-headed families.)

It was also recognized that trade-offs existed between achieving the twin goals of providing income support through work programs and producing useful work. The conflict between these goals was evident in decisions on how selective to be in hiring workers, what projects to conduct, whether to use private contracts, and how much funding could be spent on supervision, equipment, materials, and supplies. Work relief programs varied in the amount of emphasis given to each of these two goals. The WPA aimed mainly at providing income support and thus a high proportion of its funds went to wages for the participants. By contrast, the PWA and CCC spent a much greater proportion of their funds than the WPA on supervision, equipment, and materials--less than 40 percent of total CCC expenses were spent on wages.

Work relief programs accounted for a large amount of the federal budget and of GNP during the Great Depression and provided employment for significant numbers of people. The WPA's \$1.36 billion annual budget made up over 10 percent of the federal government's budget and over 1 percent of the country's GNP. An equivalent expenditure today would amount to over \$60 billion in federal funds per year spent on a publicly subsidized works program. Recreating the CCC today, with some of the light and medium construction that it did in building state parks, would probably cost about \$30,000 per slot. When combined, the New Deal work relief programs employed over 4 million individuals a year out of a total population of less than 130 million. This would be the equivalent of employing 8 million people today in public service employment.

*Public Service Employment.* After a 30 year lapse, the federal government again began to operate a publicly subsidized employment program in the 1970s. The Public Employment Program (PEP) and its successor, the Comprehensive Employment and Training Act (CETA), were both public service employment (PSE) programs created under the Nixon and Ford Administrations. Public service employment peaked in the late 1970s under the Carter administration at which time CETA-PSE was funded at about \$4 billion and placed about 700,000 persons were subsidized jobs. Under PSE, unemployed and disadvantaged adults could be placed in fully-subsidized job in the public or non-profit sector, receiving regular pay.

Like the work programs in the 1930s, public service employment was intended to counter high unemployment and pump money back into the economy. There was also an expectation that disadvantaged persons would benefit from the job experience and these programs became increasingly targeted on the economically disadvantaged over time. However, it should be

underscored that public service employment did not serve a high proportion of AFDC recipients. Public service employment in the 1970s differed fundamentally from the depression-era programs in that it simply added workers to existing programs and was not a public works program that actually created its own projects.

PEP, the predecessor of CETA, was enacted in 1971 and funded at \$1 billion in FY 1971 and \$1.25 billion in FY 1972. At its peak, it provided employment for about 185,000 persons. Most jobs were located within State and local government agencies. Eligibility was open to anyone who was: (1) unemployed for a week or more, (2) working less than full-time involuntarily, or (3) working full-time at wages that provided less than a poverty-level income. The typical PEP participant was a white male with at least a high school diploma--sixty-four percent of participants were white, 72 percent were male, 74 percent had high school diplomas and 31 percent had some post-secondary training or education. Only 12 percent were welfare recipients. The average wage for PEP participants was \$2.87 an hour.

CETA was enacted in 1973 and contained a (PSE) component under Title II of the Act which replaced PEP. Title II was designed to counteract structural unemployment. A PSE program was added a year later to counter cyclical unemployment under Title IV.

In 1975 combined enrollments in the two CETA-PSE programs stood at 280,000, with each program serving roughly the same number of individuals. Both programs were required to spend all but 10 percent of their funding on wages and participant benefits. Participants were generally placed in state and local government agency jobs. Similar to PEP, participants were typically white, male, and high school graduates. Only 36 percent were economically disadvantaged; roughly 5 percent were AFDC recipients.

Amendments to CETA made in 1976 increased the funding and size of PSE and directed more of its resources towards the economically disadvantaged. In an effort not to displace locally paid workers with federally subsidized workers, any PSE worker hired to fill positions that exceeded existing PSE levels were assigned to one year special projects. Special one year project enrollees were more likely to be minority, high school dropouts, and welfare recipients than those hired for the State and local "sustainment" PSE slots. Between 1975 and 1978, the number of AFDC recipients engaged in publicly subsidized jobs through CETA almost doubled--increasing from 5 percent to almost 10 percent.

Job slots in the sustainment component of PSE tended to be in the areas of property maintenance, public works street repair, aides in police and fire departments, and park maintenance. Special project slots also included work in park and street maintenance, but more often were in social service positions such as teacher's aids, library assistants, hospital attendants, and clerks in social welfare agencies.

During the spring of President Carter's first year in office, Congress authorized another \$4 billion for PSE programs. Enrollment increased from 300,000 in May 1977 to 755,000 in April 1978. The proportion of job slots going to community based organizations also increased greatly

during this period, making up 25 percent of all PSE slots.

In 1977, PSE wages averaged \$4.41 per hour. In comparison, the minimum wage stood at \$2.30 at that time. In 1978, amendments to CETA further tightened eligibility requirements, lowered the limits on what PSE workers could be paid, and required job training to be provided to participants. In FY 1980, 85 percent of PSE participants had incomes below the poverty line at intake and 17 percent were AFDC recipients. As more disadvantaged persons were served by PSE, the wages paid in real terms declined. By 1980, the average PSE wage was only 26 percent higher than the minimum wage of \$3.10 an hour.

It is difficult to derive a cost per slot figure for PSE programs under CETA--the programs fluctuated so much from year to year that a steady state was never achieved. Based on restrictions on how much could be used for purposes other than wages and employee benefits, a rough estimate is that the cost per slot was around \$10,000 in 1980. Corrected by the CPI, this would amount to about \$17,250 today. However, pegged instead to changes in the minimum wage--which has not kept up with the CPI, this would amount to about \$13,200 per slot. If PSE jobs only paid the minimum wage, the equivalent today would cost \$10,200 a slot.

The Carter Administration envisioned using PSE as a key feature in its welfare reform initiative and proposed placing heads of AFDC households in minimum-wage PSE jobs if employment through the private sector could not be obtained. Although the Carter Administration's welfare reform initiative was never enacted, a large demonstration project designed to field test the jobs component of the proposal was implemented. The demonstration--Employment Opportunities Pilot Project (EOPP)--had a public service employment component which served primarily AFDC mothers.

The EOPP demonstration operated in 10 sites over a 27 month period from mid-1979 to mid-1981. PSE wages were funded through CETA. Between January 1980 and February 1981, the demonstration enrolled an average of 1,600 clients per month, and all told, over 24,000 persons were enrolled in the demonstration. As originally conceived, persons eligible for EOPP included both AFDC recipients and the principal earners of low-income families. Over time, the scope of the demonstration narrowed and the program was increasingly targeted on AFDC recipients. Of all EOPP enrollees, 16,000 were unmarried females, 3,000 were married females, and 5,000 were males.

Program services provided under EOPP included an intensive job search component of up to 8 weeks, and then a subsidized employment or training component that could last up to one year. Child care and transportation assistance were the major support services available, although some sites also offered counselling. Of those who enrolled in EOPP, less than a fifth (17 percent) actually received employment or training services. Roughly two-thirds of the employment and training participants were placed in a PSE job. The average participant stayed in employment or training activities for 5 months, at a cost of approximately \$5,400. A person staying a full year would have cost roughly \$13,000 and the cost for the PSE component was slightly higher. PSE wages and fringe benefits amounted to \$8,270 for a person staying a full

year, less than 60 percent of PSE costs in EOPP.

CETA PSE was increasingly surrounded by controversy mainly because of administrative problems encountered in mounting such a large-scale program in a short period of time. Reports of misuse of funds, favoritism in hiring, and substitution of jobs led to major program changes in 1978 that limited wages, targeted jobs on the most disadvantaged and tightened fiscal accountability. By then, though, the public image of CETA PSE was quite poor. Funding for PSE declined sharply in 1979 and 1980. When Congress enacted JTPA to replace CETA in 1982, PSE was eliminated.

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

On a much smaller scale, subsidized jobs continue to be provided in the JTPA Summer Youth Employment programs, and in several programs for dislocated workers. It is also being formally evaluated, among other components in the Milwaukee New Hope Project.

*Community Work Experience.* Beginning in the 1980s a very different form of work experience emerged in welfare programs. CWEP was proposed by the Reagan administration as workfare--welfare recipients were to work in public assignments as a condition of receiving their welfare checks. The number of hours spent participating in a work assignment was determined by dividing the welfare grant by the minimum wage. The main difference between PSE and CWEP is that under PSE, participants are paid a wage and fringe benefits, while under CWEP participants are still paid their AFDC grant and are essentially working for free to pay off their grant.

In reality, while most states have a component called CWEP, it is generally quite similar to the work experience program provided under WIN, the work-welfare program that preceded JOBS. CWEP assignments generally last about 13 weeks and involve only a small number of clients. While the concept of CWEP has aroused much criticism from advocates, unions and others, there is less vocal opposition to the small version that has actually been implemented at the local level.

Some of the major Manpower Demonstration Research Corporation (MDRC) work-welfare demonstrations of the 1980s included short-term work experience or CWEP, usually in combination with some form of job search assistance. MDRC reports that these programs were nearly always operated on a limited scale (an exception was the San Diego SWIM demonstration described below), served only a small percentage of the eligible welfare population, and

generally lasted for three-month periods. Most did not target AFDC mothers with pre-school children. (Brock, Butler, and Long, 1993)

MDRC's review of CWEP also concluded that there is little to no evidence that these programs, either alone or after job search assistance, leads to reductions in welfare receipt or increases in employment or earnings. It should also be noted, however, that the goal of CWEP is not increase the employability of participants, although some have argued that it can help prepare welfare recipients for the labor market by teaching them good work habits and skills and developing a work ethic.

MDRC found that the costs of unpaid work experience per participant ranged from approximately \$700 to almost \$2,100 (1993 dollars). Different factors, such as the length of the assignment, the target population and if the assignment was offered alone or in combination of other activities account for the variation in estimated costs. It was also estimated that if the assignments were on-going, the annual cost per filled slot for welfare recipients ranged from approximately \$700 to nearly \$8,200 (the relatively large-scale CWEP programs cost less per participant than programs that operated on a limited basis). From the perspective of society at large, MDRC found that most of the CWEP programs they evaluated provided benefits to taxpayers that outweighed the costs of operating the program.

The overall consensus of participants and supervisors involved in these CWEP programs was that while the work assignments may not have taught welfare recipients new skills, neither was it meaningless "make work". At the same time, most participants would have preferred a "real job" even though they thought the work requirement was fair.

The Saturation Work Incentive Model (SWIM), discussed earlier in relation to evidence on job training is particularly relevant because it aimed to involve large proportions of both new and existing welfare recipients in job training *and* CWEP activities. SWIM was operated by the County of San Diego in selected welfare office from July 1985 to September 1987. The program provided a combination of two-weeks of job search activity; three months of unpaid work experience for 20 to 30 hours per week (including a job club), and education and job training. The community work component included positions as teacher's aides, clerks within the Department of Social Service, aides in health clinics and park maintenance.

Participation in SWIM was required for the AFDC "WIN mandatory" population--unmarried female heads of households with children age six and older and male heads of households in AFDC two-parent families. The initial participation goal was to have 75 percent of the WIN-mandatory caseload in one of the three employment and training components at any given time. SWIM never reached its participation goal but it did succeed in getting a large proportion of the mandatory caseload involved in employment and training activities. In a given month during the program's second year of operation, about a fifth SWIM enrollees fulfilled their work requirement by being employed at least 15 hours a week in an unsubsidized job, a little over a fifth were enrolled in SWIM sponsored work or training activities while about a tenth were enrolled in education and training programs outside of SWIM.

According to the MDRC evaluation of SWIM, the costs of SWIM were \$1,545 for AFDC enrollees and \$1,292 for AFDC-U enrollees. This includes operating costs, support services, stipends, and education and training services. It does not include the AFDC payments made to participants in the community work projects. These costs would need to be taken into account if welfare reform included an expanded CWEP component. Currently the average AFDC family in California receives over \$7,500 a year in AFDC payments, which would bring the total cost of a SWIM program today to over \$9,000 per enrollee per year. The costs in SWIM were kept low by having community agencies provide supervision for the work projects and by having work schedules coincide with school hours so that child care would not need to be provided.

Early results of the evaluation were encouraging with higher earnings of about \$500 a year, a 9 percent higher employment rate and a decreased welfare dependence rate of about 7 percent. The positive outcomes remained for the two years, but all but disappeared by the fifth year (Friedlander and Hamilton, 1993). The convergence between the two groups may in part have been caused by the introduction of enhanced employment and training services under another work-welfare program (i.e., the State administered GAIN program) mid-way in the SWIM demonstration period. Overall, the benefit/cost analysis of SWIM showed positive gains to society.

### Combinations of Services

**The current understanding of those in the field is that the most effective education, training and employment programs include a combination, or integration, of various activities and services.**

BAH

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

Such programs recognize that (1) many welfare recipients require supportive services if they are to succeed in education or training or in a job, and (2) programs should have a number of different components (e.g., not just job search assistance or CWEP) to meet the needs of the diverse population.

There is also a trend toward integrating vocational and basic education training in one program, like the CET program in San Jose. (Gordon and Burghardt, 1991) This type of instruction

builds on the concepts of work-based learning, which describes education and job training provided within a work context, either on the job (work experience) or in a classroom. The expansion of work-based learning efforts is based on past research originally focused on literacy in the military. According to one study, training that included job-specific materials produced more positive competency outcomes and performance than did training that used general academic material and traditional curricula and "six weeks of intensive job-reading training translated into a two-year increase in specific job-reading skills." (Adelman, 1991) Presumably, students also had better attendance and higher rates of course completion.

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

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

There is also increasing attention on the needs of children in welfare families and the interactive effects that education, training and work have on both the mother and her children. (Zaslow, 1993) Some policy analysts are calling for more intergenerational services to assure that the needs of children and families are considered simultaneously. (Smith, et al, 1990)

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

## **PROGRAM PARTICIPATION AND POPULATIONS SERVED**

While several demonstrations have shown promising results at actually placing recipients into work or education/training activities, most programs have not engaged substantial portions of the welfare caseload. Substantially increasing participation in employment, education, and training program remains a significant challenge. Demonstration and

program evaluation reports also provide a growing, albeit still limited, body of information about serving specific population groups among the welfare and disadvantaged population. Still, there is fairly clear evidence that national policy must allow for a broad range of services—education, training, employment, counselling and supportive services—and program flexibility to ensure that any unique circumstances or needs of particular groups can be considered.

### Program Participation

The Work Incentive Program (WIN) (1968-1989) was targeted on about one-third of all recipients, those designated to mandatorily register with the program, mainly women with no children under six years of age. WIN actively served about 25 percent of its registrants or about 10 percent of all AFDC adults. Most of the MDRC work-welfare demonstrations of the 1980s also served between 5 and 15 percent of all AFDC adults.

It is important to note, however, that there was no federal policy emphasis on achieving high rates of participation before the mid to late 1980s. There are now several examples of programs that serve substantially higher proportions of the AFDC caseload than generally were served in the 1970s. The San Diego SWIM program, for example, engaged 64 percent of the mandatory population (i.e., those with no children under six), or a little over 20 percent of the total AFDC caseload.

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

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

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

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

their own, enter the program or, as with the non-custodial parent demonstrations, behave in desired ways.

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

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

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

### Specific Populations

Even though we know that the welfare population is not homogeneous, the literature on the effectiveness of education and training for specific population groups is much more limited than the effectiveness of services or the effectiveness of general intervention programs. A few populations are of particular interest, even though we still know little about how to improve their employment prospects.

*Non-Custodial Parents.* There is much evidence linking the rise in female-headed

households--and thus the increase in welfare--to the declining economic position of non-college males. William Julius Wilson (1987) developed a "male marriageable pool index" that looks at the number of females within different age cohort relative to the number of males with sufficient earnings to support a family. He finds that currently among non-whites there are less than 50 employed men in the 20-24 age cohort for every 100 women. Another study using census data shows that declining marriage rates for non-college males as their earnings power has decreased. Sociologists and demographers have also documented the link between unemployment rates and marital delays and out-of-wedlock births. NOT TRUE

WRONG  
NO

Enhancing the labor market position of non-custodial fathers plays an important role within the context of welfare reform for several reasons, including: increasing child support payments to AFDC households, preventing AFDC households from forming in the first place, promoting marriage between noncustodial fathers and women on AFDC caseloads, and helping to improve the economic base of males, particularly African-American males, and thus help restore the two-parent African-american family.

Currently, there are no net impact results of job training programs aimed specifically at noncustodial fathers. However, several demonstrations are now focusing on non-custodial parents (usually fathers) to both increase regular payments of child support and increase their earning potential.

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

☆

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

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

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

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



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

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

There is much research about what employment-related services are needed for persons with a range of medical and physical disabilities, but considerably less about what is needed for adults with learning disabilities. Counselors in vocational rehabilitation and developmental disabilities programs, though, offer several suggestions. First, once the disability is correctly diagnosed, case management is critical to assure a proper course of rehabilitation. When a person begins a job, follow-up services can help make a successful adjustment. Some period of supported employment with job coaches helps many people with disabilities.

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

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

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

In the past decade especially, more attention has been paid to this population. One approach that program operators feel may be promising is to have the training and work program operate on-site. Family Support Centers, with HUD, JTPA and HHS funds, are operating in many housing projects and provide a range of support services that should help people participate in employment-oriented activities. Project Chance in the Cabrini-Green housing project in Chicago combines intensive client-oriented assistance with individual initiative and empowerment. A series of HUD initiatives from Family Self-Sufficiency to Operation Bootstrap and Economic Empowerment Demonstrations link housing assistance to participation in programs that can include education, training and work experience--the Self-sufficiency and Bootstrap projects were targeted on both public housing residents and recipients of Section 8 rent subsidies, and the Economic Empowerment Demonstration was limited to public housing residents.

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

## **ORGANIZATION, MANAGEMENT AND IMPLEMENTATION**

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

In a study of high- and low-performing WIN programs in the late 1970s, between 30 and 50 percent of the variation in performance could be explained by labor market and demographic conditions; most of the rest of the variation was due to program operations and management distinctions.<sup>4</sup> (Mitchell, et al, 1979) High-performing programs were more likely to:

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

- have program managers who understood the priority for the program within their host agency and adapted accordingly (e.g., buffer and protect integrity of the program in hostile agencies, leverage organizational resources in friendly agencies); and
- be client-oriented, both in staffing and services delivery.

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

Based on their evaluations of CWEP programs, MDRC suggest the following are essential ingredients of running a successful CWEP program on a large scale: sufficient funding; strong staff commitment to the program; adequate worksite capacity; clearly articulated procedures for assigning clients to worksites, monitoring client participation; exempting clients who cannot work and sanctioning those who do not comply; and support for the program (or at least lack of opposition) from labor unions, welfare advocacy groups, and others in the community. (Brock, Butler, and Long, 1993)

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

## CONCLUSIONS

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

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

Much of the program impact evidence comes from demonstrations and evaluations of programs that primarily focused on direct employment services, particularly job search assistance. Many analysts and program operators feel that more intensive interventions, particularly those that include supportive services, more staff-client interaction and a combination of training,

education, supportive services and work may show somewhat stronger positive impacts. The empirical research, however, on more comprehensive programs and on programs that emphasize education is limited.

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

With regard to publicly subsidized employment programs, past experience also suggests that it is difficult but not impossible to implement a large public service employment and that publicly subsidized employment can take different forms, each associated with different goals and costs. For example, although some of the depression-era programs were geared to more heavily to provide income support than others, these were all essentially public works programs which created their own projects, many of which are still used today. Public service employment, in contrast, provides jobs to those who would otherwise be on welfare or unemployed by simply adding workers to existing agencies and therefore costs less than public works programs. CWEP also puts welfare recipients to work in socially useful projects but participants still remain on welfare, and do not receive a paycheck or fringe benefits.

Finally, we have no evidence yet that education, training and employment programs are very successful at actually moving poor adults out of poverty. There are undoubtedly a number of reasons for this, including less than optimal program operations as well as limited wage opportunities in the labor market. Regardless of the reason, it seems clear that employment, education and training alone is not enough. Public service employment or community work experience programs is an alternative but not a replacement to private sector employment and there is little evidence that six months or a year of either PSE or CWEP alone will necessarily result in private sector employment. Thus, it is critically important to view these interventions in combination with other strategies to "make work pay" and raise income levels. Education and training cannot alone be the engine that moves substantial numbers of people off welfare and out of poverty.

→ Work is diff. from E+T

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## Endnotes

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

2. Note that the JTPA, Maine, and New studies did *not* test OJT training versus no training at all. Rather, the studies examine the marginal, or add-on, impact of having a OJT program.

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

**Mainstream Forum Welfare Reform Working Group**

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**I. Time-Limited Transitional Support System**

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. Time limits though, without other reforms, will only worsen the situation of those 14 million persons receiving welfare.

A gradual and flexible phase-in of time limits and the additional provisions in this proposal is essential to properly expand the system and control costs. In considering costs, the phase-in might begin only with the neediest group -- teen mothers -- and/or with first time entrants.

- Exceptions to the Two Year Time Limit:

- Clients under age 20 completing high school or GED certification
- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative
- Pregnant women will be given an extension equal to that in the Family Medical Leave Act

- Custodial parent with child under 1 year of age (Note: costs associated with infant care are much higher than costs associated with the care of children over one. Costs of child care were considered in making this exemption decision.)
- We do not support an extension for higher education although we do encourage and fund education and training in conjunction with work during the two year period

/good

- Job Search: We believe that job search must begin immediately. Each client will be individually assessed when he or she enters the system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

- Credits for Transitional Assistance:

- The HHS draft grants "credits for additional assistance" which would essentially allow clients to gain back part of the two year limit by working. We believe that this point may in fact continue the cyclical nature of welfare.

- Instead of a "work one month/receive a one month credit on the tally" approach, we propose other options:

1. We could lengthen the ratio, grant only partial benefits after the two year limit such as food stamps and housing.
2. We could make benefits dependent on the skill of the job and availability of similar replacement work.
3. We could extend the grant to a maximum of 6 additional months.

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- Other Transitional Benefits Associated With Time-Limits

While we do not believe that open-ended time-extensions are a sound method, we do propose additional transitional benefits to aide in the transition into the workforce.

- Other transitional child care benefits as covered in current law.

- Extend transitional medicaid benefits to two years as needed to bridge the gap between introduction and passage of the health care legislation.

?

- When in transition to full-time work, allow for two months of transitional housing benefits for those who are already receiving subsidized housing benefits.

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- Allow for transitional transportation benefits as stipulated under the "Make Work Pay" section.

## II. Make Work Pay

We must make work pay. Low wage jobs can't compete with the package of benefits available in the welfare economy. For example, the average AFDC grant combined with food stamps equals \$652 a month or \$7824 a year. Medicaid and child care benefits alone add thousands of dollars more to the amount of the grant. On the other hand, a full-time minimum wage job yields only \$8,840 a year, about \$3,000 below the poverty line. The following six options combined can make full-time work pay more than welfare benefits, thus creating an incentive to move off welfare into the work force.

**Health Care** -- The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. This is why universal health coverage for all Americans is necessary. (If health care is delayed for any reason, extension of transitional medicaid benefits temporarily to two years can bridge the gap between introduction and passage of the health care reform.)

**EITC** -- As passed in the Presidents budget, the new EITC makes a \$4.25 minimum wage job worth \$6 an hour for a family with two or more children. Together with food stamps, the EITC is sufficient to lift most families out of poverty.

**Child Care**-- Comprehensive, affordable day care is an integral part of making work pay. It must be addressed in any legitimate legislation.

The Administration has suggested the following child care provisions. We agree with their proposed solution to the child care problem and present their following options:

- Maintain IV-A Child Care -- Continue the current IV-A entitlement programs for cash assistance recipients. Expand the programs to accommodate the increased demand created by full-participation in our Work First program.
- Expand Child Care For Low-Income Working Families -- We also propose significant new funding for low-income, working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor, should be expanded and barriers to states' use ( inability to meet the state match) should be reduced.
- Maintain Child Care Development Block Grant -- We would maintain and gradually increase the Block Grant, allowing States greater flexibility in the use of their funds to strengthen child care quality and increase supply.
- Coordinate Rules Across All Child Care Programs -- Require States to ensure seamless coverage for persons who leave welfare for work. States will be required to establish sliding fee scales.

**Transportation Grants--** Transportation is a real impediment to participation, particularly in the rural areas. Without transportation money (which can amount to as high as \$300 a month in some states), a recipient's ability to get to work can be severely inhibited. Some advocate eliminating "lack of transportation" as an exemption from participation in the program. If we are going to eliminate transportation as an exemption, we must increase funding to provide recipients access to transportation.

The Federal government should make available to states block grants for transportation for use in moving welfare recipients into work. States might use the block grant to develop a variety of transportation stipends (i.e., gas vouchers, mass transit vouchers, direct payment, etc.).

**Encourage Savings by Increasing the Asset Threshold for Welfare Recipients --** Currently, individuals with assets of over \$1,000 are ineligible for government assistance. This threshold should be increased to \$10,000, to encourage savings, which is absolutely necessary for self-sufficiency. Such assets might go to purchase of a car, payment of higher education, purchase of a first home, start-up of a small business or microenterprise, or retirement.

**Further Encourage Economic Independence and Decrease the Disparity in Accumulated Wealth with Federally Funded Individual Development Accounts (IDA's) --** The Administration should spend up to \$1 billion to leverage community-based efforts to encourage low-income Americans to save through Individual Development Accounts. Community development corporations and other nonprofit groups would compete for federal grants and raise revenue from other sources in order to match IDA deposits of up to \$2,000 a year. The matches would be on a sliding scale correlated with income of up to 150% of the poverty line. Such assets could only go to purchase a car, pay for higher education, purchase a first home, start-up a small business or microenterprise, or retirement. IDA's are the IRA's for America's working poor. //

**Increase Income Disregard Levels for AFDC --** Currently, AFDC benefits are decreased dollar for dollar after four months of employment. This cliff should be eliminated and a more gradual curve established whereby benefits for those who are working are phased out on a more progressive basis. The necessity here is for this to be budget neutral; any additional funding must come from an existing source or appropriation.

### **III. Putting Work First**

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary to become self-reliant members of the community.

The current system, however, is oriented more around education and training and other services, not work. Education and training are important; however, they should not be seen as a substitute for work. The 1988 Family Support Act (FSA) with the JOBS program as its main component was designed to make people job-ready by requiring them to take part in education, training and other activities. Yet Judy Gueron, President of the Manpower Demonstration Research Corporation (which evaluates welfare programs) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

While studies show that education and training programs can raise a recipient's earnings and reduce welfare costs, those gains are typically marginal. Moreover, they do not raise earnings enough to lift people out of poverty -- the ultimate test for welfare programs.

On the other hand, there is growing evidence that programs that put work first produce better results. Studies of California's GAIN (JOBS) program show that the Riverside site, which stresses job placement, does dramatically better than other sites that emphasize education and training. Private and nonprofit organizations such as America Works and Project Match also have proven successful in placing even long-term welfare recipients into decent private sector jobs. Their experience confirms the common sense notion that most people learn their jobs on the job -- not in classrooms. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. Welfare reform should shift the emphasis of JOBS toward work-based programs such as Riverside. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people in to private jobs. / \*

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation at the beginning of two years, rather than the end of two years as the Administration has proposed.

## Options To Give States the Flexibility They Need:

1. States develop their own programs which would require a federal waiver much like what is done today.
2. States follow our newly developed Federal model.

### Federal Model:

- emphasis on private sector (over public sector) job placement and moving to self-sufficiency
- requires recipients to work for wages
- all individuals placed in a job as soon as they are able
- time frames vary from individual to individual but do not exceed two years
- requires each recipient to sign an individualized employment contract with the state social services or welfare office, binding with the recipient's immediate family, indicating current skills, goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility not to have any additional children while still enrolled in this program

- Within 30 days each applicant must meet with his/her individual case management team. The case management team would develop an individual employment contract which is specifically catered to each applicant and incorporates the above mentioned aspects.
- Participation: Every able-bodied individual will be required to work and/or participate in education and training to earn their benefits and/or wages. Benefits will be paid based on the number of hours recipients work or spend in training/education. Recipients will be guaranteed minimum wage for hours worked. Wages will be subsidized by the benefits (AFDC and Food Stamps) paid to the recipient.

If after 12 months a recipient still requires additional education/training, recipients involved will be required to work at least 20 hours a week. (In such cases, the recipients obligations may exceed 40 hours a week)

- Special Needs: Substance abuse treatment will be required in addition to work/education/training as appropriate. Teen parents will be given a choice ? of remaining enrolled in school full-time or entering the work first program. In addition, teen parents will be required to take parenting classes. (To remain consistent with the desire to emphasize individual responsibility, both parents will be required to take parenting classes)
- Sanctions: If recipients fall short of work requirements in the individualized employment plan, they will only receive benefits commensurate with those earned. If a recipient refuses to work then only the needs of the child will be considered in determining benefits.

- Increased Funding: The Federal/State match will have to be revised. Another possibility is to change the funding responsibility, ie, federal responsible for employment, training and education.
- One-Stop Shops: Every effort must be made to consolidate the job placement, training and education services under one roof to facilitate access and control expenditures for transportation.

**A case manager will present the "Work First" options to each welfare recipient. The options are as follows:**

**1. Hired Placement Companies**

For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee of about one third of what it costs the state to support an average family on welfare for about a year only after the recipient has successfully remained in the job at least six months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job.

Upon entering the placement agency and at least three months into the private sector job placement, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Considerations:

Placement companies might cream (take only the easiest to place recipients) or might have little interest in the long-term employment of welfare recipients (since the placement company would get some, if not all, of their money once the welfare recipients are placed in jobs. Payments over time may alleviate this complaint. Private placement organizations may be required to take a certain percentage of long-term recipients to counteract the criticism of creaming.

**2. Temporary Subsidized Job Creation**

There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. These would be funded by cashing out AFDC and Food Stamp benefits to provide the employer with a short-term (time to be determined) subsidy to go to the employee in the form of a wage, to be paid at minimum wage. States should be allowed to use federal grant money to supplement wages weekly, biweekly, or monthly.

*grant diversion  
in 1st 2 yrs.*

**Wage Supplementation:** This approach would give companies a greater incentive to hire welfare recipients by offsetting the wages paid to employees with federal dollars:

Considerations:

- a. GAO reports have shown that subsidies could stigmatize welfare recipients seeking jobs and "hurt their long-term employment prospects."
- b. These reports have also shown that subsidies "could be a windfall to employers who hire the same people they were going to hire anyway."
- c. Additionally, subsidies "could simply result in the displacement of equally disadvantaged persons."

**Tax Credits to Firms:** Tax credits to firms for hiring disadvantaged workers. Currently, employers can receive a TJTC of up to \$2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize the time an employee stays in the job.

Considerations:

- a. A DOL study concluded that the Targeted Jobs Tax Credit made it more difficult to hire welfare recipients because as one employer said "the feeling is that if you are giving me an incentive to hire this person, then you are probably giving me a problem."
- b. A Department of Labor assistant inspector general found in a study of Alabama employers who participated in the program that they would have hired 95 percent of the TJTC-eligible workers even without the tax credits. The inspector general is now conducting a nationwide study.

**Possible Combinations of the Above Proposals**

1. Hiring Placement Companies/Wage Supplementation: The theory is to hire placement companies to place welfare recipients with a company then supplement the workers wages.
2. Hiring Placement Companies/Tax Credit: The theory is to hire placement companies to place welfare recipients with a company and then give the company a phased-in tax credit for hiring the worker.
3. Wage Supplementation (On the Job Training)/Tax Credit: The theory is to supplement the employers wages for training, then give the company a phased-in tax credit to keep the employee after training.

### 3. **Microenterprise**

The Administration should permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to microbusinesses and poor entrepreneurs.

### 4. **Referral to JOBS**

JOBS should be one of the many of the choices listed above to help move a welfare recipient into work. Education, training job placement and social services will still be available through JOBS but these services will also be available through the private and public avenues mentioned above as well as through community-based organizations and other nonprofits that vie to offer these services.

## IV. **Family Responsibility and Improved Child Support Enforcement**

Dramatic improvements in the child support system will ensure that children can count on support from both parents -- that fathers take responsibility for their children -- and that the cost of public benefits is reduced while raising a working mother's real income. The goal of these proposals is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

### **Proposals**

#### • Improve Non-custodial Parent Location and Identification:

-- Expand the functions of the federal parent locator (in HHS). Allow federal parent locator access to federal income tax returns filed by individuals with the IRS to identify non-custodial parents.

-- Require states to maintain registries of child support orders.

-- Create a computerized national network for location of parents for interstate use.

-- Require secretary of treasury to modify W-4 form for new employees to include a statement about child support responsibilities.

-- Secure state and federal access to financial records of non-custodial parents for the purpose of child support enforcement.

#### • Child Support Establishment:

-- Improve interstate reporting of child support through various means.

-- Allow state child support agencies to access and use credit reports for obtaining information in setting or modifying a child support order.

- Create a national child support guidelines commission to oversee the child support process.
- Requires states to develop uniform duration of support limits.
- Require the inclusion of social security numbers on: marriage certificates and divorce decrees.

- Establishing Paternity:

- Require states to establish hospital-based paternity at birth. Require states to develop a simple civil consent procedure for paternity establishment. Assume rebuttable presumption of paternity with six months to challenge.
- Make available on-site hospital social service available for pregnancies resulting rape or incest and allow social services for other situations (such as domestic violence) that may arise as a result of an unwanted pregnancy. Where necessary, rape and incest victims should be exempt from paternity requirement.
- Require states to offer positive paternity establishment/parenting social services for new fathers.
- Benefits contingent on paternity establishment except for exemptions.

- Child Support Enforcement: Reinforce child support enforcement through:

- Implementing direct income withholding process for child support (both present obligation and those past arrearage) and garnishment of federal pay.
- Allowing workers' compensation to be subject to income withholding of child support.
- Requiring states to place a hold on occupational, professional, and business licenses for non-custodial parents who refuse to pay child support. Driver's licenses and vehicle registration denied to non-custodial parents who fail to appear in child support cases.
- Placing liens on vehicle titles for child support arrearage.
- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
- Mandating reports to credit bureaus of all child support obligations and arrearages.
- Denying passports to non-custodial parents who have state arrest warrants in cases of nonpayment for child support.

## V. Teen Pregnancy Prevention and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem.

### Teen Pregnancy

- Education: Family life and sexuality education, including: responsible decision-making regarding sexual activity; parenting responsibilities; the means for delaying becoming pregnant, including abstinence, natural family planning, and contraception; and, the means for prevention of sexually transmitted diseases.

**Note:** Our goal is for States to have control over this area based upon "community standards". but we feel the need for education is absolutely crucial. We are trying to make this area more palatable to all people, conservative or not. One strategy is to change the area in which sex education is taught, from Health to biology. Another strategy is to call it "family life education" instead of sex education.

- National Campaign: President should be in charge of a national ad campaign to disseminate the statistics on teen pregnancy, including the adverse effects on all aspects of the children's lives. A "war on teen pregnancy." The emphasis must be placed on teaching young people that "children who have children face tremendous obstacles to self-sufficiency."

- Incentives

Follow Ohio's model LEAP program. Require teenage mothers receiving AFDC and other public assistance to attend school, offering a \$62 per month incentive for those teens who can prove school attendance and a \$62 penalty for those who cannot prove attendance. Child care should be provided at the site of the school if possible.

- Deterrent Strategies (States to have options):

1. Unwed mothers on welfare will not be compensated for having additional children. Any welfare mother will receive only half the benefit increase for a first child born while on welfare and no additional benefits for children thereafter. States must ensure that parents have access to family planning services.

2. Minor mothers will not be able to receive AFDC benefits if they don't live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).

3. On site-school-based child care, when possible, should be made available. This acts as a discentive to pregnancy for students who witness how hard it is for

single teen parents to manage all the inherent responsibilities parenthood brings with it.

## **Family Stability**

- Federal Block Grant Program: Allocation formula grants to be administered by the Department of Health and Human Services to use already-existing, effective, and comprehensive family stability programs which offer families access to all services in order to meet their obligations and to get off of welfare. Similar to the Administration's infusion of grant monies into education through Goals 2000.

**Note:** We envision a program that allocates monies to both state and local entities, so that rural areas, for example, do not get left out. Also, there should be strict guidelines to hold grantees accountable.

- Incorporating Family-friendly Stabilization Strategies: Unwed mothers will be allowed to marry without losing their benefits.

- Develop a Strategy that Provides Better Support and Eliminates Current Disparities for Two-Parent Families in the Welfare System: Eliminate disincentive to marry by removing the 100 hour rule (two-parent families are ineligible for assistance if the primary wage-earner works more than 100 hours per month or has not been employed in six of the previous 13 quarters).

## **VI. Community Service**

At the end of two years, if a welfare recipient has not found full-time employment, he or she will be out of the AFDC system but will have the option (voluntarily) to work at a minimum wage community service job. Federal funds for community service would be reduced after a designated amount of time, but states would have the option of continuing funding. As David Ellwood says, "The best time limit is one in which no one reaches the limit." Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort. Federal funds for community service would be reduced after an amount of time "to be determined," giving states the option to continue to support participants with state funds.

- State Participation: State governments should be allowed the greatest amount of flexibility possible, but with a few key provisions from the federal government, and should not be too financially burdened.

- Participant Requirements: If a client is offered employment and does not accept (other than for good cause), he/she will not be eligible for the same benefits as if he/she was participating in AFDC program. Children whose parents refuse to accept employment will not suffer reductions in their benefits.

- Community Service Guidelines:

-- States need to set a minimum level of community service positions available and establish a waiting list for clients not able to immediately participate due to program overload. However, such clients must do volunteer service and

- participate in an active job search on a full time basis to receive benefits.
- States must include organized labor groups, private sector companies, and community groups in the administrative process.
  - Recipients should work for wages instead of benefits to foster increased self-sufficiency.
  - Current public sector employees shall not be displaced due to job creations for welfare recipients.
  - States must provide supportive assistance to program participants, such as child care and transportation.
  - States should determine length of period a client can be in the community service program, however decreased federal funding will be available after a set time limit.
  - Community Service participants must seek full-time employment while engaged in community service.
  - Community Service participants will be paid minimum wage.
- CWEP: We do not support the community work experience program.

## VII. Program Simplification

The perceived failure of our welfare system can be attributed to a number of factors, chief among them the burdensome bureaucratic framework of the current system. Program simplification will consolidate and centrally administer public assistance programs. The measure, combined with private sector involvement in reform, will significantly reduce administrative costs, fraud and waste, as well as promote greater efficiency and effectiveness.

Three federal agencies are responsible for administering the current welfare program: the Dept. of Agriculture (Food Stamp program); and Dept. of Health and Human Services (the JOBS program, Medicaid, and AFDC); the Dept. of Housing and Urban Development (Energy Assistance, Section Eight and other Public Housing Programs). Clearly, the first step towards redesigning our country's welfare system should be to streamline and simplify the current system. While this measure will inevitably lead to displaced workers, the long-term benefit of reforming a system that is out of control and ineffective certainly outweighs the short-term difficulties that will occur. The existing paradigm simply has not worked and must be changed to one that stresses economic empowerment.

• Public assistance programs should be consolidated and centrally administered to reduce administrative costs, fraud and waste, as well as promote greater uniformity and control.

- Recent statistics indicate that the following programs have the following annual administrative/operating expenditures:

AFDC Program - \$2.1 billion (since FY83)

Food Stamp Program - \$1 billion (since FY83)

Medicaid Program - State and Federal government share in cost. In 1992, states and Federal govt. spent \$4.28 billion on administrative costs.

• Consolidate all welfare programs administered by HHS into a new Bureau of Family Development and Employee Assistance.

BAD  
IDEA

- HHS is the best equipped agency to administer welfare programs especially in view of the agency's role in funding economic empowerment partnerships to help AFDC recipients become independent and its role in granting waivers to states for welfare demonstration projects.

- Recommend that AFDC and public housing benefits be combined into a single monthly cash benefit and that there remains an option to either receive Food Stamp benefits through an electric benefit transfer program or cash out food stamps for the purpose of transferring cash to employers to subsidize jobs.

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- Benefits would be based on more liberal Food Stamp asset and income limit rules which would increase recipients and costs in the short-term. These would be offset by the savings incurred from streamlining the welfare system, spending less on food stamp benefits (higher asset limits would make fewer people eligible for Food Stamps), less paper work and the two year limit on assistance.

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- Note: family budget planning assistance would be addressed in the case management process.

• Medicaid would remain under the administration of HCFA pending the implementation of health care reform initiatives.

• State Social Services offices would be converted into Family Development Centers that would be housed in Employment Security Commission Offices or work in conjunction with these offices. These Family Development Centers would also be responsible for coordinating with other agencies and community organizations on behalf of their clients.

- Congress should take appropriate action to simplify oversight of the new system.

• A single application packet should be used to determine eligibility under the new consolidated program.

• HHS should establish a national automated database that contain information about recipient history and other useful data that will assist workers in assessing assistance applications.

• Recommend consideration of establishing uniform rules and definitions to be used by all need-based programs in making their eligibility determinations.

- NOTE: one option of consideration would be to allow for implementation of successful demonstration project guidelines.

- Recommend consideration of modifying audit and evaluation procedures to focus primarily on the success of individuals and families in reaching self-sufficiency as the standard for accountability to determine the success of programs.

### Phase-in Date and Funding Possibilities

- Proposals for phase-in:
  - One proposal for phase-in would recommend that a total consolidation of welfare programs take place over a three to five year period beginning in FY96, allowing for completion of current state welfare demonstration projects.

- Another option would be to allow states with proven success in their demonstration projects to be incorporated into the new welfare system. (Funding for this has not yet been addressed)

- Funding

- Recommend consideration of establishing a global budget for assistance outlays under the new consolidated program, adjusted annually for inflation. Eligibility guidelines should be nationally uniform.

- For total consolidation of all welfare programs, a three to five year phase-in period will be needed to transfer complete funding responsibility to the Federal government. Under the OBRA 93 an estimated total of \$15 million in FY 94 and \$205 million over five years in spending reductions were passed as a result of a provision which would limit the share of federal funding for state administrative expenses. We propose that these savings be used to fund the new consolidated system. Under the new system federal funding for administrative expenses would be limited to 50%.

- We recommend consideration of using federal funds to help states in developing services specifically directed towards children (E.g. foster care placement, parenting skills workshops, youth development training) for the first five years.

NOTE: One proposal recommends that a new consolidated program be a capped entitlement program

### Alien Status

While the Working Group has not fully addressed the issue of alien status, one option would be to allow the Food Stamp program to adopt the AFDC PRUCOL provision which allow participation by aliens admitted for permanent residence or permanently residing under color of law.

-Note: Current Food Stamp program limits alien participation to those admitted under specified sections of the Immigration and Nationality Act.

Recent proposal as of 3/25/94  
Draft - Subject to change

The Mainstream Forum, a group of over 90 House moderate and conservative Democrats, is nearing completion of a welfare reform plan that puts work first. The legislation, expected in its final form by later this Spring, will culminate a six-month effort by the group to produce a plan based on the principles set out in a letter to the President dated October 19, 1993 and signed by 77 Mainstream Forum members.

Generally, these members support welfare reform that includes the following elements:

- establishing a two year lifetime transitional period of benefits;
- making work pay more than welfare;
- putting work first;
- ensuring access to job opportunities;
- reshaping job training and education;
- child care assistance;
- child support enforcement;
- teenage pregnancy prevention;
- program simplification.

Review

1. Sanctions re JBS (and activities)
2. LEAD
3. State option for placement etc
4. ARMC/FS cashout - Oregon Jobs Plus
5. State option to phase in faster
6. Waiver process
7. State option to limit Comm Service program to 3 yrs.

Members of the Mainstream Forum Welfare Reform Working Group are continuing work on some components of their legislation. The following pages contain information which the Mainstream Forum supports and intends to include in its Welfare Reform plan.

The group has been led by its founder, Rep. Dave McCurdy, (OK) Chairman of the Democratic Leadership Council; Rep. Jim Slattery (KS), Chairman of the Working Group; and co-chairs Rep. Karen Shepherd (UT), Rep. Alan Wheat (MO) and Rep. Eric Fingerhut (OH).

**I. Time-Limited Transitional Support System**

Welfare should offer transitional support en route to a job rather than subsidize a way of life divorced from work, family and parental responsibility. We believe that imposing a time limit on welfare eligibility is the only way to fundamentally change the system from one that writes checks to one that puts people to work. Two year lifetime, time-limited assistance will transform a system based on the right to income maintenance into a system based on the obligation to work. It will also provide a structure for case workers to operate within and encourage a quick return to the workforce for the client. However, to lessen the implementation burden to states and to make the initial costs more manageable, we support a phase-in of the limit over time. Time limits though, without other reforms, will only worsen the situation of the over 14 million persons receiving welfare.

The phase-in of the time-limit should begin with all those who are 25 or younger by 1997. States will have the option to raise the age limit. (Note: The 25 years and younger and older at state option will be subject to the time limit, but volunteers of any age will be allowed to enter the work program.)

### Exceptions to the Two Year Lifetime Time Limit:

- Clients under age 20 completing high school or GED certification
- Clients participating part-time in technical/vocational education in combination with work
- Seriously disabled, seriously ill, and those caring for a seriously ill or disabled relative
- Pregnant women, custodial parents, and guardians will be given an extension equal to that in the Family Medical Leave Act (12 weeks)

Job Search: We believe that job search must begin immediately. Each client will be individually assessed when he or she enters the system. Education and/or training should not be a substitute for work but should rather complement and reinforce a revamped system that puts work first.

### Other Transitional Benefits Associated With Time-Limits

We propose additional transitional benefits to aide in the transition into the workforce. These include:

- Other transitional child care benefits as covered in current law
- Extended transitional medicaid benefits to two years as needed to bridge the gap between introduction and passage of the health care legislation

## **II. Making Work Pay**

Employment is the centerpiece of our reform initiative. We must ensure that a welfare recipient will be better off economically by taking a job than remaining on welfare. To do this we must eliminate the current disincentives within the system that make welfare more attractive than work. There are five vital components in this regard:

Health Care Reform: Reform of the welfare system is inextricably linked to reform of the health care system. The prospect of losing medicaid coverage deters many from taking low-wage jobs that don't offer health coverage. Welfare recipients desire and need comprehensive health care and our national policy must guarantee access to health care for America's poor families and their children.

EITC: We strongly support the recent five-year, \$21 billion expansion of the Earned Income Tax Credit (EITC), enacted by Congress under the Omnibus Budget Reconciliation Act of 1993. Together, with food stamps, the EITC is sufficient to lift most families out of poverty. However, we need to improve outreach efforts to both recipients and employers to ensure that they make use of EITC. The Internal Revenue Code requires that if an eligible worker provides the appropriate tax form (known as the W-5 form) to his or her employer, the employer must add the family's credit to its paycheck. Yet, fewer than 1% of recipients take advantage of this "advance payment" option. We therefore recommend:

-- Requiring that all AFDC, food stamp, and Medicaid recipients be notified in writing of the availability of the EITC upon application for and termination from the programs.

-- Requiring that employers inform new employees earning less than \$30,000 annually, of the option of having advance EITC payments available through their payroll.

-- EITC payments be exempt from counting against food stamp and AFDC assets limits for 12 months.

DoA

Child Care: Safe, affordable, quality child care is a vital factor in the success of any work-based welfare proposal. Ninety percent of all women receiving AFDC in 1992 were single mothers: without child care, these women cannot work. Child care support is also critical to the ability of the working poor to remain in the workforce. We commend the direction of the administration's FY'95 budget request which takes steps in this direction. Individuals should not be faced with the difficult decision of applying for welfare in order to receive adequate, safe child care. We recommend the following:

-- Expand the IV-A entitlement programs for cash assistance recipients to accommodate the increased demand created by expanded participation in the Work First program.

-- Easing the state matching requirements for drawing down federal Title IV-A child care funding.

-- Allowing states to use Title IV-A child care funds to subsidize 30 days of child care for low income working parents who lose a job, and need time to search for new employment.

-- Expand child care for low-income working families. The At-Risk Child Care Program, a capped entitlement which is available to serve the working poor should be expanded and barriers to states' use (inability to meet the state match) should be reduced.

-- Maintain and gradually increase the Child Care Development Block Grant, allowing states greater flexibility in the use of their funds to strengthen child care quality and increase supply.

-- Coordinate rules across all child care programs including requiring states to guarantee seamless coverage for persons who leave welfare for work.

-- Making the Dependent Care Tax Credit refundable and eliminating the credit for those households with incomes over \$100,000.

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-- Requiring automatic notification of eligibility for Transitional Child Care to AFDC recipients preparing to leave welfare for a job.

-- Support expansion of Head Start.

-- Consideration that some of the additional funding to expand child care can be used to create jobs in the child care field (following standard licensing requirements) for welfare recipients as part of the effort to move welfare recipients off the rolls and into work.

good

AFDC Work Disregards: The AFDC benefit structure provides little financial incentive to work harder and earn more. In general, a rise in earnings is largely offset by a corresponding drop in AFDC benefits. After the first four months of employment virtually every net additional dollar results in a dollar reduction in AFDC benefits. In fact, a two-parent family automatically becomes ineligible for benefits when the family's primary wage earner is employed 100 hours or more in a month. As a result, welfare recipients who try to work are little better off than just remaining on welfare. To change this system we recommend:

-- Eliminating the 100 rule and the maximum six month benefit receipt maximum for two parent families thereby removing the disincentive to marry by allowing two-parent families to receive the same benefits single parent families receive.

-- States must liberalize the earned-income disregard, but states have the discretion to determine the extent of the liberalization but must move it to a level that encourages work over welfare.

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Asset Limitation: While work is a first step out of poverty, asset accumulation is the step that keeps a person permanently out of poverty. Both AFDC and food stamps allow a certain amount of asset accumulation when calculating benefits. However, these asset levels are too low to encourage independence and the rules for each are substantially different. This is a constant source of difficulty for both staff and recipients. We therefore support:

-- Adaptation of changes contained in OBRA '93 for food stamps, to apply to both food stamps and AFDC, that provide for an increase in the allowable value of vehicles that is not counted toward the food stamp resource limit. The current limit of \$4,500 is raised slightly over the next two years and is then indexed for inflation beginning with a base of \$5,000 on October 1, 1996.

-- A uniform non-vehicle asset threshold be established between both AFDC as well as food stamps, capped at a level of \$5,000, raising the combined allowable asset level to \$10,000.

### III. Putting Work First

The current welfare system isolates poor Americans from the mainstream economy and perversely sets up barriers to work and social mobility. The overriding goal of welfare reform must be to reconnect people to the world of work. Only through productive work can welfare recipients acquire the skills, habits, experience, connections and self-esteem necessary

to become self-reliant members of the community.

The 1988 Family Support Act (FSA) with the JOBS program as its main component, was designed to combat these problems by making people job ready through education, training and other activities. Yet Judy Gueron, president of the Manpower Demonstration Research Corporation (which has evaluated many of the JOBS programs around the country) stated recently that "JOBS has not fundamentally changed the message and character of AFDC." Only a small percentage of JOBS participants are engaged in work-related activities.

There is growing evidence that programs that put work first produce better results. These programs confirm the common sense notion that most people learn their jobs on the job -- not in the classroom. Private and nonprofit work-based organizations such as America Works, Cleveland Works and Chicago's Project Match have proven that placing even long-term welfare recipients into decent private sector jobs is possible. Education and training are important, but getting a real job is even more important. Once someone is working, education and training can help them upgrade their career skills and begin moving up the ladder to better jobs.

Many reformers have called for an enlarged JOBS program as the centerpiece of the burgeoning welfare architecture. The danger in this approach is that we will end up with a vast education and training bureaucracy, not a real job placement system for welfare recipients. While some JOBS programs have been successful -- such as California's GAIN program, especially the Riverside site, and Florida's Project Independence -- these successes arise from an emphasis on work and job placement over education and training. This is an approach that other JOBS programs have not followed. Welfare reform should shift the emphasis of JOBS toward work-based programs. But it should also enlarge the role of non-governmental organizations in moving people from welfare to work. That would give welfare recipients more choices and set up a healthy competition among public and private actors to put people to work.

In addition to changing the focus of JOBS and encouraging private job placement efforts, a third way to put work first is to allow for temporary subsidized job creation through a cash out of AFDC benefits and food stamps into a grant given to an employer as a subsidy for a job. This provision is the nucleus of Oregon's JOBS Plus program. All three of these options should be available as soon as a recipient is assessed and has worked out an individualized self-sufficiency contract. There is no reason to wait two years before serious efforts begin to move people into private jobs.

In the model outlined below and on the following pages, competition is infused into the welfare system by allowing the private and public sector to participate in job placement and job creation as soon as a recipient enters the system rather than at the end of two years.

The states will also have a great deal of flexibility in designing their own programs which would require federal waiver much like what is done today. Or, states will have the option to

follow our newly developed Federal model.

Federal Model:

- Emphasis on private sector (over public sector) employment and moving to self-sufficiency.
- Offers option for private nonprofit and for-profit placement agencies to begin work with a recipient as soon as he or she enters AFDC.
- Offers option for subsidized jobs.
- Where applicable (placement agencies, subsidized jobs, etc.), recipients will be paid wages, not benefits.
- Allows each state to create a structured week of a minimum of 20 hours for clients, and part of that 20 hour minimum must include job search and/or work (except for those under 20, who are encouraged to participate in high school or GED course full-time).
- All individuals placed in a job as soon as possible.
- Time frames vary from individual to individual but do not exceed two years.
- Requires each recipient to sign an individualized employment agreement (called the Work First agreement) with the state social services or welfare office, binding with the recipient's immediate family, indicating current skills, goals including work goals, expectations, time period to reach self-sufficiency as well as a pledge of responsibility not to have any additional children while still enrolled in this program.
- Non-compliant recipients except for good cause will have their benefits reduced by 25% with further reductions at state option for additional instances of non-compliance
- Funding for all provisions except administrative, will be based on a split between the federal government --70%-- and the state --30%-- except in cases whereby the state has a better match following the current regulations. Administrative costs would be split between the federal government and state on a 50-50 basis. (Note: more detail is needed for this provision.)

- Within 30 days each applicant must meet with his/her individual case management team and begin a preliminary job search. The case management team would develop an individual Work First Agreement (WFA) which is specifically catered to each applicant and incorporates the above mentioned aspects.
- Participation: Every able-bodied individual will be required to work and/or participate in education and training in combination with work to earn their benefits and/or wages. A minimum of 20 hours of activity will be required and must include some work and/or job search.

Recipients will be required to spend 20 hours per week of state determined structured time that must include some work and may also include education, training or social services as needed. Benefits and/or wages are contingent upon compliance with the WFA.

- Special Needs: Substance abuse treatment will be required in addition to

work/education/training as appropriate. Teen parents under the age of 20 who do not have a high school diploma or GED will be required to remain enrolled in school full-time and receive a bonus of \$70 a month if school attendance requirements are met or a penalty of \$70 per month if those requirements are not met. Federal reimbursement mandated to the states for this provision. ?

- One-Stop Shops: Follow Secretary Reich's model for one-stop employment shops including JTPA. Include education services under one roof with other employment and training services where possible as well as access to transportation where possible.

A case manager will present the "Work First" options to each welfare recipient. The options are as follows:

Hire Placement Companies: For-profit and nonprofit placement companies will be awarded performance-based contracts to place recipients in full-time, preferably private sector jobs. Private for-profit and nonprofit entities will bid for the chance to place welfare recipients in private sector jobs and will keep part of the money a state saves when someone leaves the rolls. The placement company would receive a fee as negotiated with the state to move welfare recipients into work. Contracts should be performance based with a larger portion of the payment to be paid upon successful placement in a job for a sustained period of time of at least five months. The state will 'pocket' the remaining savings. Ideally the fee would be phased-in to help ensure the employee stays in the job. The states and federal government would share the cost of this provision, 70% born by the federal government, 30% by the states. STATE OPTION?

Upon entering the placement agency and at least three months into the private sector job placement, the placement agency should provide intensive, personalized support and job readiness to the welfare recipients to prepare them for the job and to ensure their continued success in the job.

Temporary Subsidized Job Creation: There are several options for public and private sector job creation: Wage supplementation; tax credits to firms; training grants; and a combination of proposals. States should be allowed to use AFDC and food stamp grant money to supplement wages weekly, biweekly, or monthly.

Wage Supplementation: This approach follows the model development by the state of Oregon and is called JOBS Plus. The provision allows for on-the-job training by allowing private and public sector jobs each to be subsidized for up to six months. The jobs would be subsidized at minimum wage and would allow AFDC and food stamps to be cashed out into a pool of money that would reimburse the employer for the minimum wage he or she pays out. In addition, the employee (welfare recipient) would be entitled to the EITC. If the minimum wage and the EITC do not bring the

AFDC/FS  
CASH-OUT

recipient up to the poverty line, the employer should make up the differential by paying up to \$1 dollar an hour over the reimbursed minimum wage. This allows real work experience preferably in the private sector and also gives companies a greater incentive to hire welfare recipients at the end of the six month training period. Once a person is hired in a job full time without a subsidy, she will then be eligible to receive her wage and food stamps and the EITC in compliance with income standards.

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**Tax Credits to Firms:** Tax credits to firms for hiring disadvantaged workers should be an option available to states. Currently, employers can receive a TJTC of up to \$2,400 for one year for an employee who meets the qualifications. The tax credit should be phased-in over a length of time to maximize employment.

**Microenterprise:** Permit states to use federal community and rural development and job training funds to make direct loans to nonprofit groups that lend to microbusinesses and poor entrepreneurs.

**Referral to JOBS:** A revamped JOBS following the California GAIN model/Riverside County should be one of the choices to help move a welfare recipient into work and can be one avenue for referral to education and training.

#### IV. Family Responsibility and Improved Child Support Enforcement

The Mainstream Forum believes that improving child support enforcement is a critical part of reforming the welfare system. Improvements in the child support system will ensure that children can count on support from both parents and that the cost of public benefits is reduced while a working mother's real income is raised. The goal of the Mainstream Forum proposal is to maintain and improve the child support program by promoting the benefits of two supportive and responsible parents.

As part of the broader welfare reform plan, the Mainstream Forum takes a very tough stance on non-payment of child support. The Mainstream proposal has four distinct sections.

##### Enhance non-custodial parent location and identification by:

- Expand the functions of the parent locator in the Department of Health and Human Services.
- Require states to maintain registries of child support orders.
- As stated in OBRA 1993, require Secretary of Treasury to modify W-4 forms for new employees to include a statement about child support responsibilities.

##### Improve the process by which child support orders are established through:

- Allowing state agencies to access and use credit reports for obtaining information in setting or modifying a child support order.

- Creating a National Child Support Guidelines Commission to oversee the child support process.
- Requiring states to develop uniform duration limits for child support.
- Increasing child support pass through from \$50 to \$100 per month to encourage paternity establishment and help women leave the welfare rolls.

Establish hospital-based paternity by:

- Follow OBRA 1993 recommendations for paternity establishment and require hospital-based paternity establishment for all single mothers.
- Follow OBRA 1993 recommendation requiring states to develop a simple civil consent procedure for paternity establishment outside of the hospital setting.
- Make available on-site hospital social service for pregnancies resulting from rape or incest.
- Require states to offer positive paternity/parenting social services for new fathers.
- Making benefits contingent on paternity establishment except for limited exemptions.
- Review incentives for paternity establishment and child support payments for poor mothers by increasing the per month pass through of child support benefits to those mothers receiving AFDC.

Enforce child support through demanding and uncompromising punitive measures for dead-beat parents including:

- Strongly reinforcing direct income withholding measures for child support orders.
- Allowing workers' compensation to be subject to income withholding of child support.
- Requiring states to establish procedures under which liens can be imposed against lottery winnings, gambler's winnings, insurance settlements and payouts, and other awards.
- Require non-compliant fathers delinquent in their child support payments to enter a work program in which they work to pay off benefits going to support their child. Follow Wisconsin model, "The Children First Program."

## V. Teen Pregnancy and Family Stability

Long-term welfare dependency is increasingly driven by illegitimate births. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. A CBO report shows that half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time their child turns five. The provisions discussed below address this horrific problem. To combat this problem, we propose the following:

- Promote the stability of two-parent families by eliminating the 100 hour rule that currently rewards single parents but penalizes those who choose to marry. (The 100 hour rule prevents two-parent families from receiving AFDC if the primary wage-earner works more than 100

per month or has not been employed in six of the previous 13 quarters while allowing single parents full benefits). Eliminating the maximum six month benefit receipt for two parent families thereby removing the disincentive to marry by allowing two-parent families to receive the same benefits single parent families receive.

--Promote individual reproductive responsibility by no longer supporting increases in AFDC funding to mothers who have additional children while receiving these benefits (also known as the Family Cap).

-- Prevent minor mothers from receiving AFDC benefits if they do not live in a household with a responsible adult, preferably a parent (with certain exceptions when deemed necessary).

-- Fund a national educational campaign to teach our children that children who have children are at high-risk to endure long-term welfare dependency.

### State Goals

-- Educate our children about the risks involved when choosing parenthood at an early age.

-- Ensure that every potential parent is given the opportunity to avoid unintended births through reproductive family planning and education.

-- Provide comprehensive services to youth in high-risk neighborhoods through community organizations, churches, and schools which could help change the environment.

-- Work with schools for early identification and referral of children at risk.

## VI. Community Service

At the end of two years, if a welfare recipient has not found full-time employment, he or she will no longer be eligible to receive AFDC, but will have the option be able to volunteer for a community service job for a paid minimum wage job, (States have the option to pay higher wages if they choose). Community service jobs would act as a buffer to temporarily employ people who haven't found jobs. It should be considered only as a last resort.

• State Participation: State governments should be allowed the greatest amount of flexibility possible, but should follow the guidelines below. States should not be too financially burdened.

• Community Service Guidelines:

-- States are encouraged to include organized labor groups, private sector companies, and community groups in the administrative process.

-- Recipients should work for wages instead of benefits to foster increased self-sufficiency.

-- Current public sector employees shall not be displaced due to job creations for welfare

recipients.

-- Community Service participants must seek full-time employment while engaged in community service.

-- Recipients will be paid at least a minimum wage.

-- Community service should be time-limited to three years with state option to extend the time-limit. States will receive federal funds to recycle a maximum of 10% of the caseload back into the transition program as deemed necessary by caseworkers. Only true hardship cases should be considered for by the states to cycle back in -- people truly not ready to work.

STATE OPTION  
TO LIMIT  
WORK TO  
3 YRS.

-- While recipients will receive minimum wage and food stamps, they will not be eligible for the EITC while enrolled in community service.

## VII. Program Simplification

Simplify the Federal waiver process for states: Many states are moving forward with demonstration projects to test program changes that might increase the efficiency of a program. However, the waiver process is currently a lengthy, complex and costly procedure for the state to complete. The federal waiver of legislative and regulatory requirements and future state experimentation should be encouraged. When state demonstration projects are proven to be successful and the state wishes to continue them, quick and accessible procedures should be put in place for state and federal officials to pursue to continue successful projects on a permanent basis.

ARE WE  
DOING THIS?

Simplify the application process for AFDC and Food Stamps: Some of the most time consuming and difficult tasks in administering these programs are the initial procedures now required to take and process applications. Many believe that the current requirements can be simplified and streamlined. We should move toward more conformity between these two programs.

Encourage and increase federal commitment to automation: Automation will improve interface between agencies, on both a federal and state level, who are administering these programs. Increased automation will improve and expedite verification, reduce caseworker paperwork and will help address the issue of fraud and abuse.

Establish a uniform time-frame for implementing an Electronic Benefit Transfer system framework for state systems: In implementing an EBT system, coordination with AFDC and child care benefits should be stressed. There is growing concern among many, including food stamp administrators, regarding the abusive use of food stamp vouchers by recipients and non-recipients. Automated system benefits will help reduce the likelihood of food stamp fraud and abuse and improve program accountability.