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The Bottom Line For Better Lives

A Report to the President on Welfare to Work

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The Welfare to Work Partnership
Summer 2000

WR - TANF Reauthorization

Lawrence M. Mead

A Smaller, Less Mean Welfare System

Has welfare reform overreached? A recent study by the Center on Budget and Policy Priorities found that the poorest fifth of families headed by women lost income between 1995 and 1997, apparently because of changes in welfare.

There is no suggestion that welfare reform has failed. To the contrary, it has—along with a good economy—reduced the welfare rolls by half in the past five years, while raising work levels among poor women and reducing poverty. Even the poorest female-headed families may not actually be worse off. Perhaps their income fell between 1995 and 1997, but their consumption rose. Families do not report all their income. Clear-cut evidence of hardship—such as large increases in homelessness or children driven into foster care—has not appeared.

Everyone who lost income was not abandoned. The center's study does not show that they have left welfare entirely. Many, maybe most, continue to get assistance from various public programs. A survey of welfare leavers in New York City found that more than half of those who were worse off after leaving aid had returned to family welfare or some other social benefit.

But the income losses do underline two problems with the way welfare reform has developed, both unexpected by its architects. One is that the sharp fall in the cash welfare caseload has dragged down receipt of other benefits. When Congress reformed cash welfare in 1996, it made little change in food stamps and Medicaid, which provide groceries and health care to the poor. Poor families were expected to go on drawing these in-kind benefits even as they left cash aid and took jobs. But as people abandon cash, they often leave the other programs as well. That is one reason for the loss in income found in the center's study.

The other problem is that the fall in the rolls is often indiscriminate. Everyone assumed that the welfare rolls would decline from the top down, with the most employable leaving before the less employable. On the whole, that has happened. Surveys of people leaving welfare show that about two-thirds of them are employed, and usually better off for it.

But the decline has become a stampede, taking off many families that are less resilient. Localities have diversion policies designed to steer applicants for aid into work immediately or to help them in short-term ways without putting them on the rolls. That may have discouraged some of the most needy from seeking help. The very fact that they are less competent may leave them unable to figure out how to get aid under the new regime.

This suggests that welfare reform has to ride two horses. On the one hand, it must keep expecting work of the employable. That process has only begun in the biggest cities, including New York. The center's study shows that the second fifth of female-headed families recorded large earnings gains in 1995-97, more than offsetting losses in welfare. That reflects the new work requirements. These parents—with a push from government—are entering the working class.

But at the same time, welfare should reach out to more troubled families that perhaps left welfare too soon, or never went on it. That effort includes following up on those sanctioned—denied aid—for failure to satisfy work requirements, a common way to leave welfare today. Often those differences can be resolved, enabling a family to comply with work and recover some benefits. The most troubled families need a structured environment in which they face some demands to function—perhaps working in a community service job—but get needed support.

It is notable that in a 1997 survey, Wisconsin had unusually low child poverty rates and high work levels among poor parents, despite the greatest welfare decline of any state. One reason is that the fall occurred more gradually there than elsewhere. And despite the confusion of change, the state usually prevented the most troubled families from getting lost. Case managers work hard to set up assignments and services for them. They have the resources to do that exactly because welfare is now supporting many fewer employable people than before.

The point of welfare reform was never to drive everyone off the rolls. It was to ensure that recipients did something to help themselves in return for aid. Those demands should drive the employable off welfare but keep the less capable on. Well done, reform should produce a smaller and more paternalistic welfare system, focused on restructuring the lives of the most needy.

The writer is a professor of politics at New York University.

The Washington Post

THURSDAY, SEPTEMBER 30, 1999

The Washington Post
Thursday, September 30, 1999

Jim Hoagland

Caution on the Caucasus

During last winter's agonizing overture to NATO's war on Serbia, a Russian general pulled aside an American defense expert at an international conference. "Military force must not be used as an instrument of diplomatic frustration," the Russian said. "The airstrike as retribution is the most dangerous factor in international relations today."

The general clearly had Madeleine Albright's rocket-rattling at the Serbs in mind, and he may have had a hidden motive: Russia wanted to deter any attack on Serbia. But the dangerous renewal of Russia's war on Chechnya in recent days shows that the general also had a point that applies with particular force to his own country today.

A regime caught in a death spiral may instinctively seize on the one course that will ensure its destruction. By plunging their military back into the Caucasus tar baby of Chechnya, President Boris Yeltsin and his new prime minister, Vladimir Putin, take such a risk.

They also highlight a central political-military lesson of our time previously illustrated in Vietnam, southern Lebanon, Iraq, the Balkans and elsewhere: The ability of the modern military to project destructive power abroad has far outraced the ability of political leaders to use that power to achieve political goals and manage war's consequences.

The Russians went out of their way this week to point up similarities between NATO's Serbia campaign and the air attacks on Chechnya. The Russian air force began the attack by "bombing a radar unit at the Grozny airport and destroying the Chechen 'air force,' which consisted of a single, propeller-driven biplane," the New York Times reported with a barely concealed snicker.

Some of Moscow's comparisons with the assault on Serbia are obvious. But even more striking is the importance of the frustration factor in determining who lives and who dies in Chechnya. In this, the renewed Russian attacks on Chechnya resemble more the fury Indonesians unleashed on East Timorese: Destruction and venting rather than strategic gains are the point.

Yeltsin and Putin are beset by international accusations of corruption, a political war in Moscow they are losing and savage cowardly terrorist attacks on the civilian population by unknown bombers. If the overworked words "beleaguered" and "frustrated" retain meaning, they apply to these two men. They come to work each day plucking new arrows out of their chests.

The latest round of trouble in the Caucasus originated with Islamic guerrillas staging raids from Chechnya into neighboring Dagestan. But the corrupt, inefficient leaders of Dagestan are Kremlin clients. They would be undermined by the kind of indiscriminate bombing now directed at Chechnya.

The Chechen capital of Grozny, labeled as the launching pad for terrorism, was hit by air raids this week that locals say killed 300 civilians. Putin even suggested he was willing to send ground troops back to the rebellious region, which drove out the Russian army in 1996 to win autonomy.

The Kremlin's objectives seem more urgently political than military. Duma elections in December and presidential balloting next summer push the government to respond forcefully now to maintain credibility with the Russian people. Russian warplanes can easily reach Grozny. The fate of Chechnya's leader, Aslan Maskhadov, is clearly of no concern to Moscow.

Three immediate consequences flow for U.S. policy:

There should be no outside military intervention to help Russians, Chechens or Dagestanis out of this snake pit. The complexities outweigh any conceivable gains for humanitarian an armed intervention à la Kosovo. The Caucasus is beyond the new NATO's right, duty or ability to intervene out of area.

That makes even more imperative a speedy, highly visible Western effort to provide civilian humanitarian aid to all the parties. And the United States should provide whatever high-profile civilian help it can to Russia's anti-terrorist efforts. A key element: U.S. diplomatic pressure on friendly Islamic governments (Pakistan and Saudi Arabia come to mind) to clamp down on help from their countries to fundamentalist groups in the Caucasus.

Third, President Clinton and aides should not repeat their earlier comparisons of Yeltsin in Chechnya to Abraham Lincoln. They should not offer political support of any kind to a Russian military campaign that is driven by frustration and politics. To do so would undermine NATO's far more noble accomplishments through the use of force in Kosovo.

THE WHITE HOUSE
WASHINGTON

① EVERYBODY WORKS

1) Keep TANF
2) Keep time limits & work reqts
3) Social K around work - EITC, child care
4) HC: states/Medicaid
CHIP 800# - work supports
5) Work voucher - hardship cases
- intermediaries
6) SBA for non-profits - Commerce

② TEEN PREGNANCY
1) + for 2nd chance homes
2) Adult involvement
3) Reduce by 1/2
4) Bonus
5) A-S tax credit
6) Comm service, mentor
grants to comm, faith-based
7) Character education

③ FATHERHOOD
1) Double CS bonus

CAPE AIR 24 hr hold Tuesday

1316 1:30 → 2:10

1:30 - $117 - 2 seats

5:35

6:35 - lots of seats

VUKVJL - nonrefundable

Amtrak 800-USA-RAIL

nonrefund

$75/change

H

~~332~~

$350

$400

2^25 5^36

Cape Air 800-352-0714

$174 to Boston

332

281

American - 1 seat on Thurs

~~Air~~

US

~~America~~

~~United~~

Continental or frequent flyer

Hold till June 28

6:25 10:46

~~$344~~

M98JW5

2920 wed July 5 6:25 9:49

fully refundable

4^20 9^42

305 9:30 10:46

DEMOCRATIC GOVERNORS' ASSOCIATION

DEMOCRATIC GOVERNORS' ASSOCIATION

DGA

Amtrak ~~$86~~ $68
3:06 5:36
7 1/2 hrs

9:03 pm
6:30 am

WASH DC
Providence → DC
5:40

$357

~~1:40~~ 4:51
2:50 -

July 5th

$161 - 3 day advance

CONTINENTAL

Midnight Tues
MXGGNH

Cogan Air

Sat → 2pm → ~~4~~ 5:55

$631

Wed → 2:25 → 3:15 → 5:36

DEMOCRATIC GOVERNORS' ASSOCIATION

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TWA 221-

Thu/6th
Boston - St Louis
1:50 - 3:43
5:35 - 7:39

$1,639

Fri/7th
St Louis
9:30 - 1:02

Sat/8th
7:40 - 11:22

DEMOCRATIC GOVERNORS' ASSOCIATION

Welfare Reform, Act 2

ELIZABETH JONES: The single mother of three left welfare in 1996. Now she makes $41,000 a year as a D.C. cop.

ACT 1 WAS A HIT, BUT IT STILL HAD GLITCHES. THIS TIME, LOOK FOR A FOCUS ON HELPING THE WORKING POOR.

Republicans and Democrats agree that the landmark 1996 law that overhauled the nation's welfare system did exactly what it was supposed to do—that is, move people from welfare to work. Since the law's enactment, states have cut their welfare caseloads nearly in half (from 12.2 million people in 1996 to 6.6 million in 1999). Sixty percent to 80 percent of those leaving welfare have entered the work force, and 80 percent of those people were still working three months later, according to the Health and Human Services Department.

BY MARILYN WERBER SERAFINI ■

That's the good news. Here's the rest of the story.

• Many of the people still on welfare have serious problems, such as substance abuse and mental illness, standing between them and employment. A recent Urban Institute study found that 41 percent of the adults receiving assistance in 1997 hadn't graduated from high school, 43 percent had last worked three or more years ago or had never worked, and 45 percent reported poor general or mental health.

• Within the next few years, welfare recipients will begin running up against the law's five-year time limit for receiving federal cash assistance, and it's unclear how many will be cut from welfare without first having a job.

• Many people leaving welfare are filling low-wage positions, and most of them are not subsequently getting better and higher-paying jobs. (Only 23 percent of people who left welfare for work in 1999 received a raise after six months, according to HHS.) Recent studies show that these people sometimes don't have enough to eat. Despite being eligible for food stamps, Medicaid, and other government programs that are supposed to ease the transition to work, families aren't receiving aid.

NANCY JOHNSON: "The new face of welfare reform is work support." She's fought for funding for child care programs.

Expect to hear more about these problems in the next two years as Congress prepares to undertake Act 2 of welfare reform. Congress must reauthorize key welfare programs in 2002, including the Temporary Assistance for Needy Families block grant, the cash assistance program that replaced Aid to Families with Dependent Children. Congress will also have to reauthorize the food stamps program; the child care block grant; and the abstinence education block grant, which provides money to educate children to postpone sexual activity.

Unlike Act 1, Act 2 is expected to focus as much on what happens after people leave welfare as on getting them off the rolls. Specifically, policy-makers will be looking at how to improve the prospects of low-income workers. In addition, some key lawmakers want to extend to fathers some of the assistance that's now available to mothers to help them develop job skills, encourage marriage, and discourage illegitimacy.

"The new face of welfare reform is work support," said Rep. Nancy L. Johnson, R-Conn., chairwoman of the Ways and Means Human Resources Subcommittee, which will have the lead in Act 2. Johnson has fought to maintain funding for states' work-support programs such as child care.

Rep. Benjamin Cardin of Maryland, the ranking Democrat on Johnson's subcommittee, said that Congress must be willing to spend money to take the next step in welfare reform. "I look at poverty as one of the major responsibilities of the federal government," he said. "We should certainly re-evaluate our objectives, re-evaluate the expectations and the ways in which we can judge progress being made, but we shouldn't diminish our presence."

Battle lines are already forming. For starters, governors are determined to fend off efforts by congressional appropriators to repossess federal welfare money that states haven't used. The governors say they need time to put support programs, such as child care assistance, in place, and that they want to save some of the unused dollars in case an economic downturn swells their welfare rolls. (*See this issue, p. 1954.*)

Some welfare advocates from liberal think tanks say that programs that help the working poor need more money. Although states have the flexibility to pull money from their TANF block grants for such purposes, state officials say they have been reluctant to do so because they fear funding shortfalls during a recession.

Recent surveys show that the American public is more willing to spend taxpayer money to help people in low-income jobs than to help people on welfare. In a May poll conducted by Democratic pollster Celinda Lake, the president of Lake Snell Perry & Associates, more than three-quarters of respondents said they favored giving tax cuts to people who work but do not earn enough to keep their families out of poverty, even if the tax cuts meant an increase in government spending. And nearly 70 percent said that the government "should continue to help low-income people even after they find jobs by offering things like additional training or help with child care, so they can succeed in their jobs."

THE IMMOVABLES

Policy-makers acknowledge that they have no easy answers for what to do with people who can't seem to get off welfare. Give them more time on welfare rolls? More job training? Better programs to handle such obstacles as substance abuse and child care?

A recent Urban Institute study hints at the challenges ahead. The authors identified six potential obstacles to success and looked at whether they were more prevalent among those leaving welfare or among those still on the rolls. The obstacles were: Had the person dropped out of high school? Did her physical condition limit her work? Did her mental condition limit her work? Did she have a child under the age of 1? Was a child of hers receiving disability benefits? Did she have to speak Spanish when interviewing for jobs? The study found that 42 percent of those who left welfare in 1997 faced no obstacles, 35 percent faced only one obstacle, and 23 percent faced two or more obstacles. In contrast, only 22 percent of those still on welfare had no obstacles, but 34 percent had one obstacle, and 44 percent had two or more.

"This underscores that the barriers to work are more significant for those still receiving welfare than for those who left," said Mark Greenberg, the senior staff attorney of the Center for Law and Social Policy, a liberal think tank. "It's not to say that employment is impossible [for those still on welfare], but the difficulties are more serious."

Ron Haskins, the staff director of the House Ways and Means Subcommittee on Human Resources, says he's concerned about these "floundering families. Moms at the bottom have not responded, and we have to figure out how to work well with those mothers." Indeed, he said, "we may need additional federal legislation."

But, he said, the answer is not to change the law that bars states from exempting more than 20 percent of their welfare recipients from the five-year time limit on federal cash assistance. Some welfare analysts say the 20 percent limit may need to be relaxed because most of the easier-to-move people have already left welfare.

"Most people did not envision caseload reductions like anything that's happened," said Greenberg. "Twenty percent is now 20 percent of a much smaller number. If a state had a caseload of 100 in 1994, and it's 20 now, the law would allow the state to allow exemptions for 20 percent of its remaining cases, even though the state may have the view that all of the families still receiving assistance have great barriers to employment."

Rather than concentrating on the 20 percent exemption, key Democrats and Republicans are suggesting that the focus should be on removing obstacles to leaving welfare. "We have to keep up the assumption that every parent can support children," Haskins said.

Cardin, for his part, does not rule out trying to expand the 20 percent exemption, but says he would rather try appropriating more money to help people get off the rolls. "If you don't provide the money, you have to increase the 20 percent," he said. "There are some people who aren't going to succeed.... But I think we can succeed with a lot of the hard-core people, if we're willing to make an investment."

While Cardin is suggesting adding federal money to help with these problems, Republicans such as Johnson are talking about continuing the current federal commitment and making sure that states have the flexibility to funnel federal block-grant dollars into social programs, such as ones dealing with substance abuse. "Right now we're saying that until you've fallen apart, we can't help you," Johnson said.

Haskins added: "All of our programs to deal with substance abuse, mental health—they're puny. We need to give states flexibility. Make sure they have the flexibility and resources to ... deal with these problems. That's why we have to make sure to protect states' money."

Breaking Out of Poverty

To the extent that the next round of welfare reform focuses on the working poor, it has the potential to affect even more people than the first round did. One out of six people are now part of working-poor families, according to Gregory P. Acs, a senior research associate at the Urban Institute.

"Too many hardworking families are still having trouble making ends meet," said Jared Bernstein, an economist at the Economic Policy Institute. "We need to close the gap between family income and need." Some possible solutions, he said, are to create new training programs, raise the minimum wage, and expand work-related subsidies.

"We should put states on notice that we're concerned about poverty," said Wendell Primus, the director of income security at the Center on Budget and Policy Priorities, who resigned from a top position at HHS to protest President Clinton's signature on the welfare reform bill. "A lot of mothers are working more, but they haven't increased their disposable incomes."

Indeed, while overall poverty levels have declined, some evidence indicates that the situation is worsening for those who remain poor. "For the kids we're leaving behind, we're leaving them deeper in poverty," said Primus, who described a poverty gap that he says is widening. In 1995, he said, it would have taken $1,471 to bring each child in poverty up to the federal poverty level, but by 1998, it would have taken $1,604. (The poverty level for a family of four is $17,050, according to HHS.)

The Urban Institute surveyed people who had left the food stamps program and found that about two-thirds reported worrying that food would run out. One-third reported skipping meals or running out of food.

"Our food banks are being inundated with requests for emergency food—and it is becoming a torrent of need which we cannot meet," said Deborah Leff, the president and CEO of America's Second Harvest, a hunger relief organization with a network of more than 200 food banks. It distributes food to 26 million Americans each year.

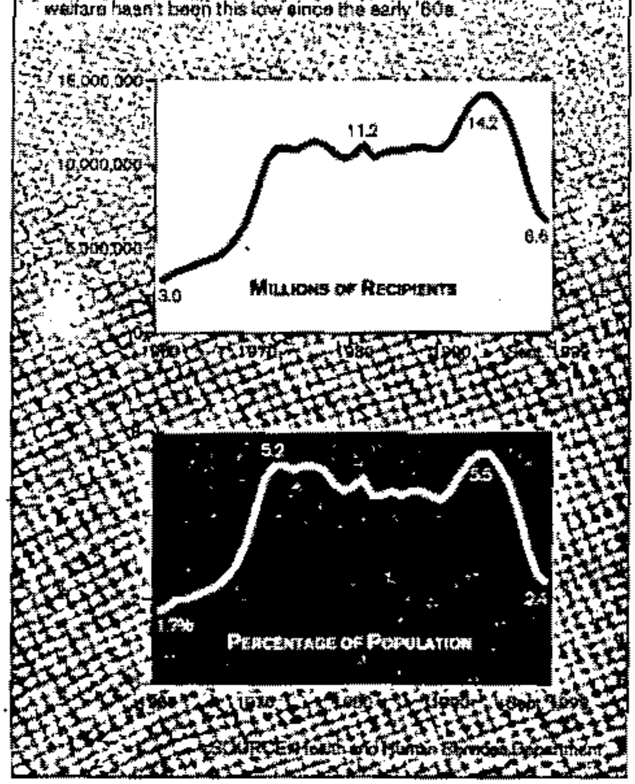
"Although we distribute more than 1 billion pounds of food annually, 45 percent of the agencies with which we work still must stretch food supplies to keep up with demand. And, in the worst cases, we are forced to turn hungry people away—nearly 1 million hungry people last year—because the cupboards are bare."

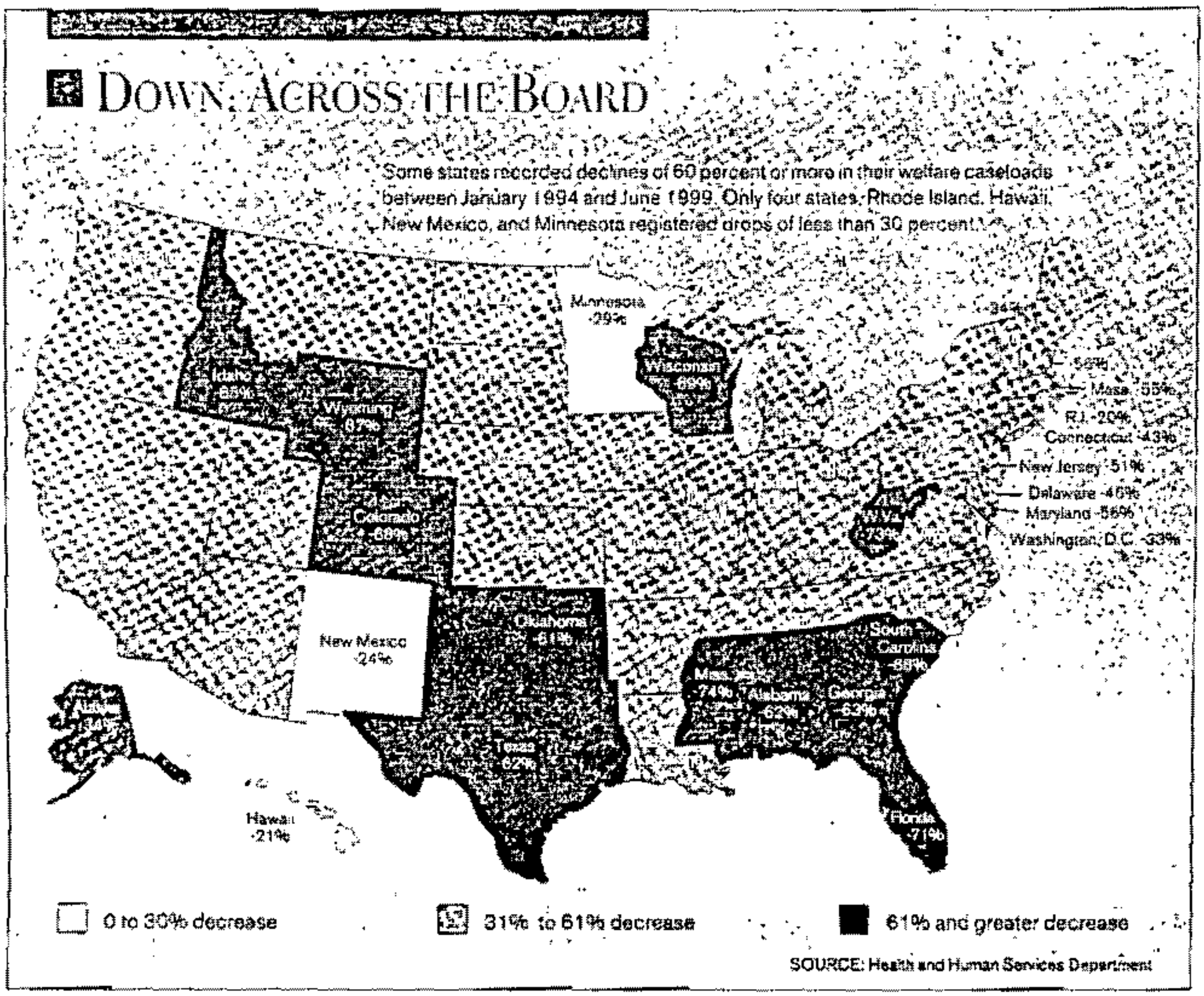
The Central Union Mission in Washington, which provides food for 130 families a week, has experienced a 25 percent increase in demand since last year, mostly from young people, according to Henry Holland, the food service director. "There are women off of welfare that now get minimum-wage jobs, and that doesn't take care of all their needs."

One problem is that people entering low-wage jobs aren't advancing very quickly. A new study of Wisconsin's welfare program

■ Off the Rolls

The number of people on welfare has dropped dramatically in the past several years, and the percentage of the population on welfare hasn't been this low since the early '60s.





looked at families that left welfare in late 1995. The study, conducted by the Manpower Demonstration Research Corp., a nonprofit research organization, found that the families' median earning was $8,608 in the first year. In the second year, it was $9,627, and in the third year, $10,924, still below the poverty level.

Even workers whose incomes are well above the poverty level can have a hard time making ends meet. Consider the experience of Elizabeth Jones, who is now a police officer in Washington earning $41,000 a year. The single mother of three left welfare in 1996 to take a $22,000-a-year job as a receptionist, but says she felt the squeeze of poverty. Her job offered no benefits. She was cut off from food stamps when she left welfare, and then from Medicaid after six months. She tried to get child support from her kids' three fathers, but welfare caseworkers were no help.

"That's when my kids decided to break an arm and a leg," she said, and that saddled her with $3,000 in medical bills because she had no insurance. "It was real hardship," she recalls. "I had to pay child care. The kids were going to an after-school care program that cost $400 a month."

A Helping Hand

When Jones left welfare, she received little help from the programs that were supposed to ease her transition to work. Congress is likely to devote a significant amount of time in the next round of welfare reform to examining whether programs such as food stamps and Medicaid are adequately serving low-income people.

The early evidence is that these programs are not getting to as many people as they should. In some cases, people don't realize they're still eligible when they leave welfare. In other cases, state officials don't know who's eligible, and they wrongfully terminate benefits. And there is the question of what to do about low-income people who earn too much to qualify for benefits but are still needy. Republicans and Democrats generally agree that low-income workers need more support than they are getting.

Red tape is one large obstacle people must overcome to receive benefits. In many states, recipients must show up at a government office every 90 days, during business hours, to maintain food stamp benefits. (If a state pays benefits to too many ineligible people, it could face a federal fine, so states often require people to appear in person to verify their frequently changing income status.) Medicaid has had the same constraints, but some states have made it possible for eligible people to apply by mail.

"People must reapply for food stamps every 90 days in person," said Robert Greenstein, the executive director of the Center on Budget and Policy Priorities. "If a family doesn't show up, they're gone. It's not work-friendly. You can wait in a welfare office for hours."

One way to encourage a worker-friendly program may be to turn the food stamp program into a block grant, Haskins said. Republicans attempted to enact such a switch in 1996 but failed. Haskins said he would like to see a demonstration project in two or three states. It would have to be an entitlement to satisfy Democrats, he said, but the states could decide how to administer individual programs.

But as a financial matter, states may not be interested, Greenberg said. Because of the sharp decline in welfare caseloads, states might get smaller block grants than they would have gotten in 1996, he said. However, he added, "certainly, states want to have more control over food stamps."

In addition to making sure eligible people have access to food stamps, Greenstein says that Congress should focus on people who were cut from the food stamp rolls in 1996, and those who simply are earning too much to qualify. (People qualify for food stamps if their earnings are less than 130 percent of the poverty level.) From 1996-98, the food stamp program shrank by 6.2 million people—about 25 percent of the caseload. (During the same period, 4.4 million people left cash assistance—36 percent of the caseload.)

"The economy partially explains some of the reduction in the proportion of people receiving food stamps," Greenstein said. In addition, in 1996, immigrants became ineligible, although eligibility has been partially restored. Congress also lowered the maximum food stamp benefit.

Greenstein argues that attempts to save money drove the food stamp cutbacks and that because of the good economic times, Congress should rethink its decisions from 1996. "It's important to remember that this started out as part of the budget discussions," said Greenstein. "TANF was not a budget saver, so the Agriculture committees had to save big amounts in food stamps. According to Congressional Budget Office scoring, the welfare act saved $54 billion over six years, and $27 billion was in food stamps. Here we are, four years later, and we don't have a budget deficit, but surpluses that are supposed to get very big. Given that these across-the-board cuts are no longer needed to balance the budget, we should be rethinking some of the food stamp changes that were unrelated to the core welfare reform goals," he said.

Members of Congress have already begun to address the issue. Sen. Edward Kennedy, D-Mass., introduced the Hunger Relief Act last year with Sens. James M. Jeffords, R-Vt., Arlen Specter, R-Pa., and Patrick Leahy, D-Vt. The act would restore 10 percent of the cuts made by the 1996 welfare reform legislation. "Working families should at least be confident that their children will be fed," the four Senators wrote in a Feb. 4 letter urging the Republican and Democratic leaders of the Senate Agriculture, Nutrition, and Forestry Committee to conduct a hearing on the bill. "Especially in this time of economic prosperity, there is no reason that either children or adults should be going hungry anywhere in America."

Some members are also concerned that too many families, including those who qualify for Medicaid, have no health insurance. The House Ways and Means Committee held a hearing on May 16 to explore why the number of children on Medicaid declined in 1997, after five years of growth. Medicaid experts told the panel they suspected the decline resulted from the 1996 welfare act, which uncoupled Medicaid and welfare. Before the welfare act, AFDC recipients were automatically enrolled in Medicaid. But that's not the case for TANF recipients, even though the writers of the welfare law didn't intend to downsize the program. "We worked very hard to make sure no poor child lost eligibility for Medicaid," Johnson said.

The Urban Institute analysis shows that many parents who have left welfare have entered low-wage jobs in service, sales, and trade industries, which are among the sectors least likely to offer health coverage to employees. A significant portion of parents who left TANF have disabilities or health conditions that may affect their ability to succeed in the workplace if they lose health coverage, said Barbara Lyons, a vice president of the Henry J. Kaiser Family Foundation, a policy institute that analyzes health care coverage and access for the low-income population. Families leaving welfare are often unable to retain health coverage, she said. Forty percent of women and 25 percent of children previously on Medicaid were uninsured one year later.

One problem may be that Medicaid isn't a priority for welfare caseworkers, who are concentrating on moving people into the work force. Nevertheless, those caseworkers are

A WELFARE REFORM GLOSSARY

TANF — Congress must reauthorize the Temporary Assistance for Needy Families block grant (cash assistance) in 2002. Republicans and Democrats generally agree that the block grant structure is working and shouldn't be changed.

CHILD CARE AND DEVELOPMENT FUND — There's general agreement that this block grant is underfunded and that states need more money specifically for child care. [illegible] they [illegible] TANF money for child care and work that it may disappear when it's needed again for cash assistance.

FOOD STAMPS — Republicans may again try to turn the food stamp program, which is supposed to be reauthorized in 2002, into a block grant; Democrats may try to expand eligibility. Both parties want to lessen the administrative burden on working recipients.

HARD-CORE RECIPIENTS — Some poverty analysts will push for Congress to allow more than 20 percent of welfare recipients to bypass the five-year time limit on federal cash assistance. Others want to see more money spent helping these people find work.

MEDICAID — Congress is likely to examine whether the 1996 law caused Medicaid enrollment to fall and how to get states to do a better job enrolling eligible people.

SUPPLANTATION — Congress may create mandates or additional oversight mechanisms to prevent states' misuse—or supplantation—of federal welfare dollars.

important because eligibility is still determined through the welfare offices. And that means the caseworkers are in the best position to ensure that families leaving welfare apply for health benefits.

Another problem is that the eligibility requirements are too stringent, said Diane Rowland, the executive vice president of the Kaiser Family Foundation. In 32 states, a person working at the minimum wage earns too much to qualify for Medicaid.

COMING: ACT 2

Members of Congress are just now beginning to think about the form that a second round of welfare reform should take. One key legislator—Johnson—said she would even consider putting off the second round, to give states more time to get their various programs and ideas up and running. Cardin, however, argues against a delay. "The problem with Congress's delaying reauthorization is that a year or two becomes five years," he said. "It's important for states to be able to plan."

In the meantime, some legislators, including Johnson and Cardin, are getting a head start by touting the need to help fathers more. "We've been neglecting men, said Wade Horn, the president of the National Fatherhood Initiative, a membership group that promotes marriage and live-in fatherhood. "Children do worse in one-parent households. We have to bring fathers back into the picture. They're not deadbeat dads, but dead-broke dads."

Johnson and Cardin co-sponsored a fatherhood bill that passed the House in November, but the Senate has not acted on the measure. The bill would extend to fathers some welfare benefits that are now available only to welfare moms. The idea is to get the dads both working and into better jobs so that they can help support their families. Johnson said she wants the bill to pass *before* the 2002 reauthorizations. But, if it doesn't, it's likely to be part of the debate in 2002.

Of course, much will depend on the outcome of the November elections and which party will control Congress and the White House.

Both Texas Gov. George W. Bush, the likely Republican presidential nominee, and Vice President Al Gore, the likely Democratic presidential nominee, have outlined general poverty plans, but neither has specifically addressed the reauthorizations that will be an early issue of the next Administration.

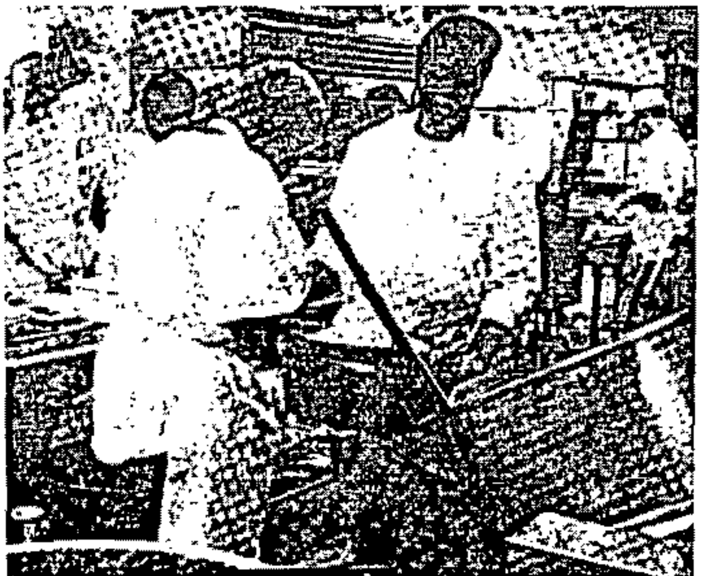
Looking to the next step in welfare reform, Bush said that the government should turn first to faith-based organizations and community groups to help people in need. "We will make a determined attack on need by promoting the compassionate acts of others," he said. "We will rally the armies of compassion in our communities to fight a very different war against poverty and hopelessness."

Bush proposed $8 billion in new tax incentives to encourage giving and to support charities and private institutions that address human needs. His poverty plan also seeks to raise the performances of low-income schools. And he has proposed exempting 6 million low-income families from income taxes.

Bush would help low-income working families acquire basic health insurance through a family health credit that would pay for 90 percent of the cost of an insurance policy, up to $2,000 a year, for families earning less than $30,000. He has also recommended giving states more flexibility in covering the uninsured under the state Children's Health Insurance Program. Some states have sought such flexibility to cover the parents of uninsured children, for example, or to make more children eligible.

Helping low-wage earners buy homes is another goal. Bush says he wants to help these families use some rent subsidies to make down payments on their own homes.

To encourage savings to get an education, buy a home, or start a business, Bush advocates individual development accounts that would provide tax credits for low-income people.



HUNGRY, STILL: Workers at D.C. Central Kitchen prepare food for the hungry. Food banks are being inundated.

Gore has identified fatherhood as the "critical next phase of welfare reform and one of the most important things we can do to reduce child poverty." As part of that goal, he said at a June 2 speech in Washington, he wants to "crack down on deadbeats who abandon their children."

He proposed requiring all fathers who owe child support to pay or go to work. He also seeks to strengthen child support enforcement; make it harder for parents who owe child support to get new credit cards; and increase the amount of income a married couple can earn and still receive the full earned-income tax credit. Regarding poverty, Gore has said he wants to close the "opportunity gap" by making changes in education and income policies.

For starters, he wants to make sure that disadvantaged children get an adequate education by ensuring access to preschool for all children, improving teacher quality, using new technology to increase educational productivity, adopting a new focus on discipline and parental involvement, and creating savings accounts to make college and job training more affordable. He also wants to hold school districts accountable for dropout rates.

Clearly, both candidates and both parties want to help people escape poverty. Still, it's not clear how this issue will play out in the welfare reauthorizations in 2002 and whether big partisan battles will ensue. "Tell me who's going to control Congress and the White House, and I'll answer that question," said Cardin. ■

How States Are Faring

SOME STATES ARE LEAVING LARGE PORTIONS OF THEIR FEDERAL DOLLARS UNSPENT. SOME LAWMAKERS WANT TO TAKE THE MONEY BACK.

RON HASKINS: "No one had any nifty ideas. Any action would have immersed us in a thicket of problems."

Perhaps the most significant change to come out of the 1996 Welfare Reform Act was the devolution of welfare's financial control from Washington to the states. Under the old system, the federal Health and Human Services Department matched state spending for every family the states added to the welfare rolls. Reformers argued that this spending formula resulted in bureaucratic mismanagement and robbed states of the flexibility they needed to reform welfare. When lawmakers crafted Temporary Assistance for Needy Families—TANF for short—they set up a block grant that froze each state's previous high federal-funding level. The first grants were handed down in 1997.

Since then, Washington welfare wonks have been deciphering state spending trends, and their findings are causing a stir on Capitol Hill. Some states have used their newfound financial flexibility to create innovative welfare strategies. Others, however, have left large portions of their federal dollars unspent, and several members of Congress are trying to recover the surpluses. Although none has succeeded, the Hill hawks are still circling. Some states, in a rush to spend their surplus money, have begun playing fiscal games with the fed-

BY MEGAN TWOHEY

eral funds. Democrats and Republicans alike recognize that federal funding and state spending will be hot issues in the 2002 debate over the reauthorization of TANF.

When welfare reform was enacted, many liberal advocates feared that the block grants would be too small to cover the states' caseloads. No one at the time appreciated the extent of the economic boom that would help reduce the number of welfare recipients by more than 30 percent between 1996 and 1998 and would leave states flush with federal funds. In fiscal 1997, states left $320 million—2.5 percent of the $12.9 billion available—in federal TANF funds unspent. At the end of fiscal 1998, an additional $2.1 billion—about 14 percent of $15 billion—was left unspent by the states.

Some Republicans in Congress have tried to take the surplus money back. In the spring of 1998, Rep. John R. Kasich, R-Ohio, proposed a House budget resolution that assumed the retrieval of $10 billion in TANF funds. The governors raised hell, and the effort failed. In March 1999, Sen. Ted Stevens, R-Alaska, proposed that Congress cut $350 million in TANF, to finance supplemental appropriation legislation. He relented after the states protested. In September, the House's Labor, Health and Human Services, and Education Appropriations Subcommittee also produced legislation that included a reduction in welfare spending. That effort, too, failed.

In March 1999, Rep. Nancy L. Johnson, R-Conn., the chairwoman of the Ways and Means Human Resources Subcommittee and one of the principal architects of welfare reform, wrote the governors a letter, firmly warning them to start spending their federal welfare dollars or be prepared to lose the surplus. Governors and state administrators snapped back at their Washington critics, saying that the unspent funds reflected their rapidly declining need for cash assistance and the states' uncertainty over what other types of spending were permissible. They also pointed out that because of a federal mandate, states were unable to reduce their state welfare spending levels by more than 25 percent.

Some states offered another defense: They were putting money into rainy day reserves in case the economy declined. Still, after the Johnson scolding and the release of the final TANF regulations in April, most states increased their welfare spending.

Today, the states proudly cite a Congressional Budget Office estimate that predicts their unspent balances will decline by 2002. "We responded as quickly and loudly as we could," says Gretchen K. Odegard, senior policy analyst for the Human Resources Group at the National Governors' Association, which, along with the National Conference of State Legislatures and the American Public Human Services Association, is helping the states steer through welfare reform.

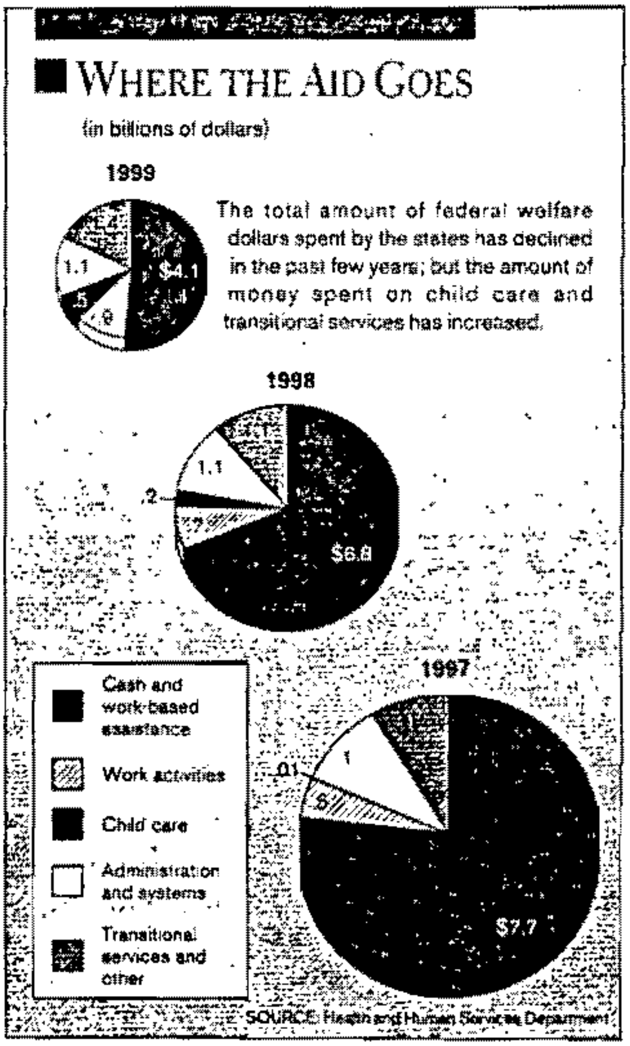
Nevertheless, because unspent funds carry over each year, the pot of idle federal TANF dollars continues to grow. At the end of fiscal 1999, the total was $8 billion, about 40 percent of the $19.3 billion available to the states that year. The states report that they have already committed $5 billion of the $8 billion for various TANF purposes.

Take Wyoming. Its welfare caseload, which has never been very large, has shrunk from 4,980 families in 1996 to 631 today. As the number of TANF cases dwindled, the Wyoming Department of Family Services used state and some federal dollars to provide families with cash assistance and work activities. But by the end of fiscal 1999, it had tapped only 58 percent of its federal funds, which left $35.2 million sitting in Washington.

"There was initially some thought that we should be frugal because we don't know what the economic conditions will be down the line," explains Ken Kaz, Wyoming's welfare reform manager. Johnson's warning, however, seems to have resonated. Fearful that Congress might cut or reduce Wyoming's block grant, Republican Gov. Jim Geringer has instructed state officials to figure out ways to spend the surplus. "We're looking to spend more on support services for the employed, such as transportation and child care," Kaz says.

But as states scramble to spend more of their federal dollars, new problems are arising. For example, some states are channeling federal TANF funds into state programs for the poor and spending the freed-up state dollars on other things, such as tax cuts and highway construction. That maneuver, known as supplantation, is legal, but it's drawing increasing criticism from Washington. Liberal welfare analysts fear that it's contributing to a decline in spending for social services for low-income families.

In Wisconsin, for example, a $20.5 million increase in federal spending on social services between fiscal years 1995 and 1999 was more than outweighed by a reduction in state spending, a Nelson A. Rockefeller Institute of Government



report issued in February found. But what was particularly disturbing to policy experts in Washington was that Wisconsin had allocated federal TANF dollars to pay for services formerly funded by the state. For example, in 1998 Wisconsin transferred the maximum—$32 million—of its federal TANF dollars through its Social Service Block Grant into its Community Aids program, and reduced state spending for the program by the same amount. It also replaced $48 million in state funds earmarked for the earned-income tax credit with federal welfare dollars in its 1999-2000 budget and used the state dollars for tax relief.

"In a time of economic prosperity and growing state revenues, states aren't compelled to use federal welfare money to supplant state money," says Jon Peacock, the project director of the Wisconsin Budget Project at the Wisconsin Council on Children and Families. "We should be using the TANF dollars to fine-tune our system and help poor, working people advance."

Even some of the more-liberal states are supplanting. Minnesota, for example, has replaced close to $100 million of state funding for child care and social service expenditures with federal welfare dollars, and poured the freed-up state dollars back into the general budget. "The state dollars went back into general expenditures, which are used for highway construction and tax cuts," said Jason Walsh, the coordinator of the Affirmative Options Coalition, a statewide anti-poverty coalition.

In March, Johnson wrote another letter to the governors, reprimanding them for their misuse of federal welfare funds and highlighting the danger such fiscal behavior posed to the reauthorization of TANF. In addition, state organizations in Washington made concerted efforts to discourage states from supplanting. "We know it doesn't look good on Capitol Hill," says Susan Golanka of the NGA's Center for Best Practices.

Some states have responded. When Connecticut ended fiscal 1999 with a $40 million surplus, its social services department hired a consulting firm to see where in the state's budget Connecticut could channel those unspent federal dollars and free up state funds. But after receiving Johnson's warning, their supplantation strategies were put on hold.

Other states are continuing to supplant. The Texas TANF plan for fiscal 2000 outlines spending federal dollars on services for family crisis intervention, protective day care, and community-based treatment services to at-risk youth from families with annual incomes up to $63,000—not the typical TANF recipients. Texas also allocates grant money for public and private nonprofit higher education to Texas students from families with incomes up to $83,000. Michigan's budget proposals for this year and next, neither of which are finalized, would use $27 million in federal funds to pay for a property tax credit program that benefits families with incomes up to 200 percent of the poverty level—that is, up to $34,100 for a family of four. Wisconsin's biennial budget debate begins this summer.

Earlier this year, to get a jump on any debate over supplantation, Ron Haskins, the senior staff member of the House Ways and Means Human Resources Subcommittee, brought together welfare experts and congressional staffers to draft a provision that would curb states' misuse of federal welfare dollars. But the bipartisan group was unable to come up with a solution that wouldn't erode the states' spending flexibility, which is generally viewed as a good thing by conservatives and liberals alike. "No one had any nifty ideas," Haskins says. "Any action would have immersed us in a thicket of problems."

Elaine Ryan, the director of government affairs at the American Public Human Services Association, a national organization that represents the states' interests, is furious that supplantation has created such a stir on Capitol Hill. "It's a manufactured issue in Washington that has no real fairness or value associated with it," she says. "States are spending more money on the poor than they would have under the old AFDC system. I think tampering with the current welfare structure could be very dangerous."

Still, in interviews with *National Journal*, Johnson and Rep. Benjamin Cardin, D-Md., the ranking minority member on Johnson's subcommittee, said they planned to address supplantation during reauthorization. Their actions will surely be influenced by a General Accounting Office study of the problem that's due out later this year.

ELAINE RYAN: "I think tampering with the current welfare structure could be very dangerous."

Not all welfare spending has resulted in controversy. Some states have recognized that mothers who make the transition from cash assistance to low-wage jobs still have need of state assistance, and they are using their spending flexibility to fund these additional support services for the working poor. Many states, to assist more low-income families, have also expanded the eligibility for such services.

Even though Illinois' TANF caseload shrank 46 percent during the first three years of reform, the state spent its entire federal block grant each year by committing most of its federal dollars to cash assistance. Its Work Pays program makes employment financially enticing for TANF clients by reducing benefits by only $1 for every $3 they earn.

Most notable is Illinois' use of TANF funds for child care. When crafting its strategy, Illinois decided to decouple child care from cash subsidies in order to continue serving families after they left welfare. It has since increased state TANF spending on child care from $15 million in 1996 to $64 million in 1997 and $82 million in 1999. The state has also expanded eligibility to families with incomes up to 50 percent of the state's median income level.

Illinois' human services department funds 17 child care resource and referral agencies statewide. Subsidies are available to parents for full-time and part-time care, before and after school. Families can use licensed and license-exempt child care centers, as well as in-home and relative care. As a result, the state is serving 218,000 children this year, almost twice the 115,000 it served in 1998.

"Our objective has always been not to get people off TANF, but to help them become independent," says Jim Dimas, the acting director for the Division of Community Operations at the Illinois Department of Human Services. "We don't want them to need any type of subsidy. But that's a difficult task." ■

A Windfall for Medicare Providers

By Marilyn Werber Serafini

Tom Scully: Among the health care executives hoping that the new surplus bounty will mean relief for their industry.

The health care industry is eyeing newfound budget surplus money to recoup some of the billions of dollars it has lost caring for Medicare patients since 1997, and Congress and the Clinton Administration are poised to go along.

Reimbursements by the Medicare program to hospitals, health plans, nursing homes, and home health care agencies have been cut much more deeply than Congress and President Clinton intended in the 1997 Balanced Budget Act. Rather than slowing increases in Medicare reimbursements by $115 billion over five years, the act will actually cut $227 billion over that time, according to recent estimates.

Within the next few weeks, the Congressional Budget Office and the Office of Management and Budget are expected to boost their earlier forecasts for the federal budget surplus by as much as $1 trillion over the next decade. Tom Scully, president of the Federation of American Health Systems and a former OMB official, calculates that the larger surplus could mean substantial additional Medicare savings because of the requirements of the 1997 act. He puts the total savings at more than $247.5 billion between 1998 and 2002.

Congress last fall passed a Balanced Budget Refinement Act restoring $16 billion to Medicare providers, who say that wasn't enough. Now these providers are looking to the new surplus bounty and urging the government to give back still more of the money cut by the 1997 law. Their wish list totals $45 billion over five years.

"An exceedingly harsh policy was created by the need to drive the [federal budget] numbers down," said Scully. "Now, an exceedingly harsh policy is not needed." He noted that the newly projected budget surplus will be created in large part by the additional Medicare cuts—cuts that he said result in an even greater need to give back some of that money.

Clinton on June 20 asked Congress for $21 billion more for Medicare providers over the next five years. His request left lawmakers mulling whether to include additional relief for Medicare providers in separate, high-profile legislation, now making its way through the House, that would provide prescription drug benefits to Medicare beneficiaries.

At a contentious House Ways and Means Committee markup of the drug benefits bill that went late into the night on June 21, Republicans kept their ranks in order by promising action later this year on legislation to restore more of the Medicare cuts imposed on health care providers as part of the 1997 Balanced Budget Act.

Health Subcommittee Chairman Bill Thomas, R-Calif., announced that he intends to begin work on a Balanced Budget Further Refinement Act "as soon as CBO and other entities" produce their expected new surplus estimates in the coming weeks.

House Speaker J. Dennis Hastert, R-Ill., wrote a letter to Clinton on June 21 in which he took the Administration to task for not yet spending some of the estimated $17 billion restored to Medicare providers last year, but vowed another round of help. "Like last year, we intend to assess this important issue this year and provide relief where necessary," Hastert wrote.

House Democrats, meanwhile, sweetened their competing drug benefits bill by adding $21 billion for increased payments to Medicare providers. The money will most likely make it easier for Democratic leaders to keep their rank and file from voting for the Republican version

Dorian Friedman <dfriedman@welfaretowork.org>
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Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc: Margy Waller/OPD/EOP, Andrea Kane/OPD/EOP, Dorian Friedman <dfriedman@welfaretowork.org>
Subject: our report to the president

Bruce et al.:

Atttached at Eli's request, please find a close-to-complete copy of the report we intend to deliver to the President. A series of short testimonials and success stories from our board member companies will be included in the document as well; they are attached under separate cover.

Eli says you should feel free to contact him in Martha's Vineyard if you have any thoughts to share. He's reachable this weekend at 508/645-5156. Thanks for your interest.

15,000
1. Community prosecutors
2. Drivers license for Drug Testing
3. Ecstasy penalties – NJ
4. Gun enforcement
5. Witness intimidation
6.

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Automatic bonus for partic. rate
Housing Vouchers
C.care/Transport tax credit?
E-govt regis. for FS/Med.
Make WOTC permanent

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Dorian Friedman
The Welfare to Work Partnership
(202) 955-3005 x312

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Require
- Personal Resp. K
- School b'fast
- Make teen dads stay in school / parenting class
- DV Housing Voucher
- Federal Most Wanted list – more prosecutors
- 1/3 over next decade

- TANF

REPORT OF THE WELFARE TO WORK PARTNERSHIP TO PRESIDENT CLINTON

July, 2000

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July, 2000

Dear Mr. President:

The report before you contains one main conclusion: We have made significant progress toward ending welfare as we know it, but more work needs to be done.

Four years ago next month, you signed into law a measure that was built on a simple but profound premise: That every American able to work and support a family was expected to do so, and that welfare would hereafter serve as ***a second chance, not a way of life***. Under the Personal Responsibility and Work Opportunity Reconciliation Act, economic support from the government would no longer be a matter of entitlement, which meant, of course, that individuals who formerly relied on it to make ends meet would need jobs instead. And to deliver on that part of the bargain, you appealed to the nation's business community for help. In response, The Welfare to Work Partnership was created.

Our mission was simple: To motivate employers to hire welfare recipients and to give them the tools they needed to succeed. We approached the task methodically, first breaking down long-held myths about those on public assistance and helping businesses understand how their bottom-line imperatives could be served by turning to this new pool of workers, then connecting them with community partners who would find, train, and send them the best job applicants. We also promoted strategies that could help companies keep their new workers on the job over time and, ideally, advance them up the career ladder.

On behalf of our five founding companies – United Airlines, Burger King, Monsanto, Sprint and United Parcel Service – and our Board of Directors, we are pleased to tell you that we've made great progress in three short years. Nearly 20,000 American employers, hailing from all industries and from Main Street to Wall Street, have stepped up and joined our crusade, pledging to hire at least one person from the welfare rolls. Together, they've opened doors of opportunity to more than ---,000 former recipients, offering good jobs with health insurance and other benefits detailed later in this report. And our own accomplishments, while impressive, reflect the nation's tremendous progress in moving millions of American families off of public assistance since you signed the 1996 act.

We are proud to have helped many Americans realize the promise embodied in the very title of the 1996 law – to take **personal responsibility** for themselves and their families, and to seize **work opportunity** and the dignity that comes from earning a paycheck. But like you, we are well aware of a promise that has yet to be realized for too many of our fellow citizens. It's this one: That people who work hard and play by the rules should not live in poverty.

As employers, we alone can not end poverty in America. But the important lessons we've learned about how to move people from the welfare rolls to our payrolls can help guide our way as we move forward. They can be expanded to help millions of other citizens whose lives remain economically fragile and other potential new workers – including, most urgently, far too many fathers whose failure to support their children consigns them to poverty. If we are truly going to move people not just off of welfare but out of poverty, we must all do our part while we have unprecedented budgetary resources and broad public will behind us. Mr. President, the members of The Partnership stand ready to help you, your cabinet, your successor, and the next Congress build on the remarkable progress we've made to date.

Sincerely,

Eli Segal
President and CEO
The Welfare to Work Partnership
Partnership

Gerald Greenwald
Chairman Emeritus, United Airlines
Chairman, The Welfare to Work

EXECUTIVE SUMMARY

> *"We can not be the kind of country we want to be if we're content to leave people behind... We have the knowledge. We have the resources. We have the strong economy that gives us time to focus. What we need now is commitment. We're asking every company across the country to join our Partnership."* – Gerald Greenwald, Chairman Emeritus, United Airlines and Chairman, The Welfare to Work Partnership

> *"Welfare to work is the perfect example of how two supposedly diametrically opposed goals of business – making money and being socially responsible – can intersect in a meaningful way."* – Jonathan Tisch, President and CEO, Loews Hotels and Vice Chairman, The Welfare to Work Partnership

FINAL VERSION TO FOLLOW

PART II. LESSONS LEARNED

LESSON 1: Welfare to Work Is A Smart Solution for Business

"... We have to recognize that much of the success of welfare reform has come because of the commitment of people in the private sector... They have hired, retained and often promoted literally hundreds of thousands of people. And as you have heard, this is not charity – it's good for families, but it's also good for the bottom line." – President Clinton, January 25, 1999

"No CEO need choose between doing what is right and doing what is smart. Every day, more businesses find out that welfare recipients are ready and able to work – and that welfare to work improves the bottom line. Now there's a prediction we didn't hear in 1996." – Gerald Greenwald, Chairman Emeritus, United Airlines

Before the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was signed into law, all most Americans knew about the welfare system was that it didn't work. It was far too costly, and, in the end, it trapped millions of Americans in a vicious cycle of poverty and dependence. What started with good government intentions had turned into a system in which parents lost hope in the present and children lost a chance at a future.

But while business leaders sympathized with the plight of families mired in poverty, the impetus to begin hiring welfare recipients would have to be based on something more than compassion or charity: It had to make good *economic* sense. Thanks to a booming economy and a record low unemployment rate, American businesses desperately needed more workers to sustain and expand their workforce. If this nontraditional source of labor could help the bottom line, employers would do their part.

That business imperative – combined with the passage of the new law and a series of impassioned public challenges from President Clinton – persuaded more and more employers to take up the welfare to work mantle.

Three years of evidence is promising. Ongoing surveys of The Partnership's businesses by the international polling firm Wirthlin Worldwide have documented several lessons about why welfare hiring makes sense, including:

- **Welfare recipients make good, productive workers.** Fully 80 percent of Partnership business leaders call their new welfare hires "good, productive employees."

- **Their job retention rivals – and often exceeds – that for other entry-level workers.** Typically, between 60 and 65 percent of Partnership employers say their welfare to work hires stay on the job as long as – or longer than – their non-welfare peers. That means a more stable workforce and a better bottom line, especially in the retail and hospitality industries which are typically plagued by high employee turnover.

- **Welfare recipients fill an urgent labor need at a time of historically low unemployment.** The Partnership's Business Partners have hired TK,000 individuals from the welfare rolls. While this new pool of workers has helped address their immediate labor needs, more than three of every four Partnership businesses tell us their company or industry *continues* to face a labor shortage. It's no surprise, then, that 70 percent intend to hire additional welfare recipients in the year 2000. In fact, despite the steep decline in numbers of adults left in the public assistance system, two-thirds of our businesses believe they will "continue to find and hire good employees off welfare now and into the future."

Employers see the value of investing in their new workers. The fact that many employers invest substantial resources in their welfare to work hires suggests that they see these new employees as valuable assets – ones in whom it makes sense to invest financially. Business Partners have learned that providing competitive benefits for all their workers will greatly improve overall morale and loyalty to the company. Among Partnership companies:

- 76 percent offer **medical benefits** to their welfare to work employees, and 88 percent of those companies cover the employees' dependents;
- 58 percent offer formal or informal **mentoring;**
- 51 percent offer a **401-k match;**
- 22 percent offer other financial supports, which can include **loans or lines of credit** to buy a home, a car, or other necessities, and 13 percent offer company **stock options;**
- and nearly all – 91 percent – provide **training** and other supports that can lead to job promotion.

The bottom-line benefits of hiring welfare recipients show promise. The large majority (81 percent) of Partnership companies report that their welfare to work programs have been fiscally "cost neutral" or have even *saved* them money. Some employers invested more resources to provide training, mentoring, and general support to ensure that former welfare recipients initially succeed on the job. However, they report that strong retention among welfare hires translates into direct and substantial monetary benefits, including lower staff turnover, less money spent recruiting and replacing employees, and less money wasted on training workers who leave before companies reap a return on their investment.

Government hiring incentives can pay off, too. Thousands of companies are also earning valuable tax refunds – up to $8,500 per employee – through various financial incentives, most notably the federal Welfare Opportunity and Welfare to Work tax credits. Many businesses are putting these hiring bonuses to good use by helping to defray the cost of job training, or providing new employees with vital retention supports like transportation or child care assistance. And many more could be receiving these helpful hiring subsidies but are not now taking advantage of them for reasons detailed later in this report.

Other Partnership businesses have learned that government wage subsidies – or work supplementation programs – can favorably impact their bottom line, too. By reimbursing an employer the total value of the welfare and food stamp benefits that would have gone to a newly hired welfare recipient, these programs underwrite the salary of the new worker – in effect, providing nearly "cost-free" labor for the first few months on the job.

LESSON 2:
What Employers Value In Job Applicants May Surprise You

"Quote to come"

Success of the nation's most recent – and, arguably, boldest – experiment with its welfare system depends on the willingness of employers to give recipients a chance to prove they can become valuable employees. If that was so in previous attempts at reform, it wasn't always reflected in the way recipients were prepared for the workplace. Indeed, the weakest link in earlier reform efforts may have been the system's failure to take the needs of employers into account.

But in the last few years, employers have reported important – and, in some cases, surprising – lessons about what they are looking for in prospective workers. Several of The Partnership's member surveys have yielded encouraging findings about employer attitudes – findings that are amplified by studies from the Urban Institute, the Economic and Social Research Institute, and other experts in the welfare arena. We've learned, for example, that:

Positive personal traits matter most. The characteristics employers typically value most highly in entry-level workers are dependability, a positive attitude, a strong work ethic, punctuality and the willingness to learn on the job. Employers also report that new workers must exhibit strong customer-service and team-building skills, including friendliness, communication, and unselfishness.

Formal education and work experience are less important. The lack of a formal education or solid work experience – two areas where many of today's welfare recipients come up short – are not usually an impediment to hiring, according to employers. Only 20 percent of Partnership businesses report that the absence of any work history would prevent them from hiring a job applicant, while additional research illustrates that only 1 in 8 employers list 'prior work experience' among the top qualities sought in a new worker.

Lack of "soft skills" presents a problem. Taken together, these findings have taught us that employers can overlook certain deficits common among those struggling to leave the welfare rolls, but other barriers are harder to ignore. Although Partnership companies often do see a lack of education, job skills, or work history among new applicants, they are confident they can train an employee to perform the job. However, 40 percent of Partnership employers say they frequently see "poor interpersonal skills" among their welfare to work applicants, and more than half (53 percent) say they are reluctant to hire such a candidate because they do not believe they can address these issues on their own. Employers report that society must unite to solve this problem, with important implications for how states and cities can make their welfare to work programs more responsive to employers' expectations and needs. These are explored in more detail later in this report.

Other barriers that might have seemed insurmountable aren't. Polling of Partnership businesses has also revealed another encouraging finding related to employer expectations. In this hot economy, many companies are surprisingly receptive to hiring non-traditional job candidates – including, in some cases, individuals with a criminal background. Two in three Partnership companies would consider hiring an ex-convict who has stayed out of trouble for at least five years. More than half (53%) of our companies report they would be more likely to hire an ex-convict if the government would insure them against any financial loss or legal liability should something "go wrong." Similarly, employers are more open to this group of workers if a local intermediary or service provider commits to mentor the new employee and works to avert any problems. Increasingly, Partnership companies understand that welfare reform can't realize its full promise unless parents who have made serious mistakes – especially the ***fathers*** of children on welfare – are given a chance to support their families.

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Indeed, many Partnership companies are eager to expand the progress they've made with their new female employees by tapping the large pool of underemployed men who are more loosely associated with the welfare system. Under the 1996 law, many of these men were to be held more accountable than ever to support the children they have fathered. At the same time, many of them are not ready to enter the workforce without more assistance. Local initiatives that focus on the needs of these fathers will find many employers receptive to giving them new opportunities to support themselves and their families.

LESSON 3:
Public-Private Partnerships Are Critical To Success

"UPS's success in welfare to work is due to the unique partnerships it has formed with government and non-profit agencies across the country. UPS managers visit these agencies, establish hiring goals and objectives, and conduct mock interviews and job readiness workshops." – Jim Kelly, UPS

Perhaps the most important lesson The Partnership and its Business Partners have learned in the last few years is that businesses alone cannot make real the promise of welfare reform. Their job is to make a profit, not serve as social workers for each new employee. They cannot successfully hire, retain and advance welfare recipients unless they are supported by the numerous entities within their community; entities ranging from government to nonprofit, for-profit, community colleges and faith-based organizations. These public-private partnerships can take many different forms and be customized to specific employers' needs, but the most effective ones are characterized by close relationships between companies in need of workers and the service providers seeking to move welfare recipients into good jobs.

Forging partnerships is the best way to find new workers. According to The Partnership's member surveys, the most successful welfare to work programs begin with a strong community partnership. Companies that have successfully hired and have saved money through their welfare to work efforts are more likely to have forged partnerships with community-based agencies. These businesses turn to providers to manage key services that are beyond the employers' area of expertise or are difficult for a business – particularly a smaller one – to offer on its own. By communicating their precise hiring needs and expectations to a provider, a business can expect job applicants with the specific skills to meet their needs. The provider, in turn, can recruit, screen, and train candidates with the appropriate skills to contribute to a business from the beginning. According to employers, the best partnerships are forged over time and build on each positive experience. In the end, there is a relationship where the provider knows what a business is expecting and the business knows it will receive capable, well-trained candidates from the provider. If the company has a good experience, it is more likely to go back to that provider for continued recruiting.

Maintaining partnerships is the best way to keep new workers on the job. Although many companies utilize service providers to help them hire welfare recipients, few adequately utilize these community partners to address the needs of new workers after they are on the job. Many businesses are unaware that service providers can help with the toughest challenges recipients may face, including finding steady child care and transportation or honing interpersonal skills so they can succeed and advance in the workplace. Partnership polls demonstrate that employers who do continue to collaborate with service providers after an employee is hired enjoy a better track record retaining and promoting their welfare to work employees.

Viewing business as a customer is the best public/private strategy. When it comes to the success of welfare to work, service providers must view the *employer* and welfare recipient as customers of equal importance. Providers must understand the customer-service "ethic" and tailor their training, placement and post-employment programs to the needs of the business customer. Businesses work best with organizations that are able to deliver qualified job candidates according to their standards, pace of business and nature of their hiring needs. In some cases, businesses educate job developers about their culture, practices and routine by inviting them into their workplace to learn first-hand. In other cases, businesses and service providers work together to create a customized training curriculum so graduates of the training program acquire job-specific skills. As Partnership companies have learned, these types of collaborations can ensure that the employer's expectations are met *and* that the job-seeker is getting the best preparation possible.

LESSON 4:
Retention and Promotion Strategies Pave the Way to Well-Being

> *"We believe that promoting self-sufficiency is about more than just creating jobs. Our Welfare to Self-Sufficiency Initiative focuses on recruitment, retention, career advancement, housing, health care, child care, transportation, building strong communities and moving people into the financial mainstream. It requires a broader look at the challenges facing those employees transitioning from welfare and the communities where they live."* -- **Cathy Bessant, Bank of America**

As we have already suggested, ending welfare as we know it will require more than just moving people off of the welfare rolls, but eventually out of poverty. Businesses must not only find ways to hire workers off welfare, but to retain and promote them as well. A key to success, according to many of The Partnership's Business Partners, is thinking strategically about the challenges that confront many new workers seeking to leave public assistance. When done properly, employers report cost savings in the form of lower turnover and retraining expenses, higher productivity, and increased employee loyalty.

A few simple supports can help boost retention. High retention rates do not happen accidentally. As employers have learned what keeps new workers on the job, they have adapted workplace practices to ensure greater success.

- *Mentoring.* Mentoring provides personal attention during the first critical months on the job and helps entry-level workers work through obstacles before they become a problem for the employer. Approximately 58 percent of Partnership businesses offer some form of mentoring for their welfare to work hires, either in-house through workplace volunteers, or by partnering with churches or community-based, civic and social organizations. Those with mentoring programs see positive results with 75 percent reporting improved work performance, 67 percent reporting higher job retention, 63 percent seeing reduced absenteeism, and more than half reporting a cost savings.

- *Education and training.* As detailed earlier, employers don't generally expect their entry-level job applicants to arrive for their first day of work with a full set of "hard" skills. But employers *do* see the value of investing in post-employment education and training to develop new workers and give them the tools needed to succeed on the job. More than three of every four Partnership companies offer ongoing education and training to their welfare to work hires, and the payoff is striking: 80 percent see improved work performance, 68 percent experience improved morale, and 60 percent see higher retention.

- *Child care, transportation and life skills.* Partnership employers consistently report that investments in child care, transportation and life skills do the most to promote retention of their welfare to work hires. Unfortunately, employers generally aren't able to address these challenges on their own. Fewer than one in five businesses offer any assistance to their new workers in the areas of transportation, child care, or specific soft-skills training. Employers call on wider community efforts to deal with these issues; their recommendations are explored in greater depth later in this report.

Government-sponsored work supports improve retention, too. Many new employees remain eligible for a variety of government-sponsored work supports, even after they have left the welfare rolls for work. This package of programs helps smooth the transition new workers often face, and can help low-wage families maintain viable living standards until they advance and earn higher wages. These work supplements assist employers as well, without adding new costs. Research supports what common sense suggests: Workers who do not worry about providing for their families, acquiring health benefits, or accessing affordable child care are more likely to be good, reliable employees.

Many of The Partnership's Business Partners companies have learned that their low-wage workers are likely to be eligible for:

- the **Earned Income Tax Credit (EITC),** a valuable tax refund offered by federal and some state governments, which can return as much as $3,800 a year to working families;
- Comprehensive health insurance in the form of **Medicaid** or the newer **Children's Health Insurance Program** (CHIP);
- **Child care subsidies** funded in part by TANF dollars, although some states are delivering this important benefit more effectively than others;
- **Food stamps** or other nutrition programs;
- **Housing** assistance;
- And **transportation** assistance.

While employers are not social workers, they understand the value of these programs for many of their low-wage workers, and are usually willing to become advocates for these initiatives. In fact, nearly eight in 10 Partnership companies say they would be willing to help a new employee access information on these programs. In return, employers receive another tool to help retain and advance low-wage workers.

Businesses want to promote their new workers and are learning how best to achieve that goal. For the most part, former welfare recipients have not landed dead-end jobs like many welfare to work detractors predicted three years ago. Seventy-nine percent of The Partnership's companies hire welfare recipients for promotion track positions and 91 percent offer training that could lead to a promotion. Almost all -- 94 percent -- of former welfare recipients hired by Partnership businesses receive their first pay increase within one year on the job. Their pay raises are on par with their non-welfare, entry-level colleagues. In another encouraging sign, 37 percent of Partnership companies have seen some of their welfare to work hires move on to a better job with another company.

Not surprisingly, many of the strategies employers are using to shore up retention for their new workers are frequently the same factors that drive job promotion. For example, Partnership surveys find that mentoring is the single-most effective strategy for ensuring promotion, while other research shows that education and training can do the most to help promote a new hire. The most successful mentoring initiatives involve partnerships with outside agencies and are formally recognized by the company. Companies see mentoring as an important way to address many challenges, including work-readiness, employer-employee relationships, child care, transportation and other personal issues.

LESSON 5: Welfare to Work Won't Succeed Without Small Businesses, But They Can't Succeed Without Special Help

"I know that welfare recipients are smart, motivated people who only need a chance to prove that they make loyal and dedicated workers. My key to success is making basic decisions that most businesses, especially small ones, need to consider, such as making a personal commitment to helping employees stay on the job, offering incentives, and never lowering my standards. My welfare to work program has given me highly motivated employees." -- Rachel Hubka, Rachel's Bus Company

Small businesses are the backbone of our economy. Between 1990 and 1995, companies with fewer than 500 employees created 76 percent of the nation's new jobs. And today, they employ 53 percent of the private workforce, contribute 47 percent of all sales in the nation, and are responsible for over half of the private gross domestic product. The Partnership's membership base reflects the important role small businesses play: Nearly eight in 10 of Partnership companies have fewer than 250 employees, and almost half have 50 or fewer employees.

Welfare to work can work for small businesses, too. Of the Partnership's smallest Business Partners, more than 80 percent report that those they have recruited from the welfare rolls are "good, productive workers," and this percentage has consistently increased over time. Sixty-seven percent of small companies find retention rates among their welfare hires are equal to or better than those for traditional hires, helping them reduce potential turnover costs. In fact, small companies appear to enjoy even better retention among their welfare to work hires than do their large colleagues.

Those who are hiring are doing it right. It's commonly assumed that small businesses can't offer the same benefits as large companies. While that is true in some respects, many times The Partnership's small businesses offer competitive benefits. Three-quarters of them (74 percent) offer new hires employer-sponsored health coverage. And small employers are almost as likely as larger ones to offer new workers a 401(k) matching plan – 49 percent do so – while many are also able to provide mentoring for their new employees.

Small businesses have a built-in welfare to work advantage over their larger counterparts. Small businesses that report high welfare to work retention rates uniformly attribute their success to the degree of personal attention they can pay to their new employees and the intimacy of their workplace. Managers in small businesses are much more likely to develop the personal relationships with new staff that can ease the transition from welfare to well-being. In fact, some large companies have gone to great effort and expense to create mentoring programs that foster the type of one-on-one relationships that come naturally to small companies.

Small businesses need extra help. In spite of these encouraging findings, it must be noted that small businesses have generally missed out on the potential benefits of welfare to work. We know from our Wirthlin polling, for example, that half of our own small-business partners have failed to hire a single welfare recipient. That may be because they often don't have time to navigate bureaucratic barriers and they don't know where to go for help. Without the benefit of human resource departments devoted to hiring issues as many large companies have, small firms are left to their own devices to tackle employee needs. The fact is small business owners need specific, targeted help to connect them with local agencies that are designed to act as their own personal human resource managers. Later in this report, we explore other special challenges facing small employers with regard to welfare to work, and propose a number of solutions to their needs.

III. THE UNFINISHED AGENDA

"In every state, there are still people who could move from welfare to work if they had more training, if they had transportation, if they had child care. In every state, there are people who can stay on the job if they get further training. Let's spend this money to develop the human capacity of our people. It will make the economy stronger and we will all be better off." – President Clinton, August 1999

If the 1996 welfare overhaul had done nothing more than break the destructive cycle of dependence in which too many families were trapped, it alone would have been good news. The unexpectedly quick decline in welfare caseloads in nearly every state, the dramatic increase in employment among many of those leaving the rolls, and especially the recent drop in poverty rates for female-headed families with children are added dividends. But the members of The Partnership believe these trends on their own don't constitute final success. Much more is needed to assist Americans facing ongoing challenges – and, ultimately, to benefit the businesses willing to hire them – including:

- **Those left behind.** Some 2.4 million heads of households – and a total 6.6 million individuals – remain on welfare today. Most of them will be required to find work and surely many of them want to do so, but an increasingly large proportion face serious barriers to employment. There are literacy and language hurdles for some, problems of addiction, mental health, and abusive relationships for others. And we know from extensive research that those left on the rolls tend to have less education and less work experience than the average recipient of welfare just a few years ago.
- **Those who've left but returned.** We also know that once they take the first tentative steps out of the welfare system, recipients' success is not guaranteed – not when nearly 30 percent of those leaving the rolls fall back on welfare before long.
- **Those who've left but aren't working.** It's also clear that a good number of former recipients have left the system because they exhausted their time limits or were sanctioned for some infraction. While it's difficult to know what happened to many of these individuals, the best research suggests that 40 percent of them are not working at any given time, and must be finding other means to support their family.
- **Those no longer on welfare but struggling to get by.** Maybe most important from the perspective of The Partnership's employers is this group: Individuals who have "done right" by their families and worked hard to leave welfare, only to find themselves barely able to make ends meet. Often, the research shows, these workers earn wages too low to boost them above poverty. Many of them are working only part time, or only sporadically. Studies by other organizations have found that a small segment of this population has had trouble finding enough money for food since leaving the rolls, but larger numbers struggle to meet basic

household expenses or to plan for the future.

- **Other potential new workers.** While The Partnership's core mission has focused on assisting welfare recipients and the businesses able to hire them, we also know there are millions of other Americans in need of support and eager for the opportunities employment can provide. Countless new immigrants, people with physical and mental disabilities, ex-offenders, and – as mentioned earlier – the millions of fathers of children linked to the welfare system could benefit from the services and training now available to women on the welfare rolls. With simple intervention, they too could become proud members of the American workforce, and productive and valued employees for many employers in need of help.

IV. RECOMMENDATIONS

When The Partnership began, we knew we could be most effective if we left the policy battles to the experts. After three years of "working in the trenches," however, we have acquired knowledge that we believe will be valuable in debates surrounding reauthorization of welfare reform and how to help assist and promote low-wage workers in our economy. We urge Congress, federal agencies, and state and local officials to carefully consider the following recommendations. We hope you will call on us or our colleagues in the business community for active input as the debate moves forward. By working together, we will all maximize our mutual investments in this effort and continue to improve lives in the process.

I. REAUTHORIZE TANF BLOCK GRANTS AND SPEND THE MONEY RESPONSIBLY

As the number of families on welfare has fallen steeply, so too has the amount of money being spent on cash assistance to support them. While many fewer people remain on the rolls, those who do typically face the most serious barriers to employment. Preparing them to find and keep decent jobs could prove far more expensive than it did to prepare their predecessors to start working. In addition, millions of individuals who have left welfare need continuing supports—such as assistance with child care and transportation, as well as more training in "soft" skills—as they transition into permanent economic independence.

While many states have been spending their TANF funds responsibly – for example, by ensuring child care for all new workers or investing in valuable skills training for new workers—others have been less innovative in their spending priorities. In some cases, states have failed to spend millions of dollars that could be put to use in a variety of ways to help welfare recipients or fragile new workers. By not using the funds now on important services, states are sending the wrong signal to Congress, which may in turn be tempted to rescind the unspent money.

Strategic Imperatives:

- When the 1996 welfare reform law comes up for reauthorization, Congress should not reduce TANF funding despite the big drop in welfare caseloads. The investment should be sustained to help states tackle more difficult and expensive barriers faced by remaining recipients, and to prepare them for millions of jobs employers are eager to fill with the right candidates.
- As job retention and career advancement are such important challenges for The Partnership's employers, Congress should more strongly encourage states to promote those goals. For example, Congress could direct states to explain more clearly how they'll use their federal dollars to promote better job retention or

Revamp Bonus 10% for mty part. rates?

reduce family poverty among those leaving welfare. Congress could also offer bonus grants as an incentive for states to take such steps on their own.

- Congress should not "take back" from states the TANF money it already approved.
- **State and local officials** should spend the money they've already received before it is further jeopardized. The Partnership's Business Partners do not approve of TANF money being used to supplant other state costs unrelated to the program, as has been happening in some states. Any extra TANF dollars should be used explicitly and *exclusively* for services and programs that support welfare recipients and low-wage workers.
- **State and local officials** should spend the funds to help us finish the job by subsidizing more child care, transportation, training, and other retention and career advancement strategies. States should also use TANF dollars that are not needed for welfare recipients to assist all of their low-wage workers as they strive to join the ranks of the middle class.

II. FIND A BETTER BALANCE BETWEEN "WORK FIRST" AND BEING READY FOR WORK

The business community applauds the strong emphasis Congress and the Clinton administration placed on *work* in the 1996 welfare reform law. And, indeed, employers have been the direct beneficiaries of the statute's so-called "work first" mandate, as millions of able-bodied welfare recipients joined or rejoined the labor force in the last few years. Like so many other working Americans, Partnership employers generally believe that *almost any job is a good job* to the extent that it fosters good work habits and marketable skills.

But as the rolls have declined, many employers have come to recognize the practical limitations of a program that, in some cases, pushes recipients into jobs *before* they are prepared to succeed in them. As employers see it, a combination of factors – little or no work history, poor education, and especially a wide array of personal problems and "soft skill" deficits – leaves many welfare recipients ill-equipped to enter the workplace without serious intervention *before* they arrive for the first day of work.

Strategic Imperatives:

- States should take full advantage of the flexibility they have under current law to that allow for more and longer remedial, *pre-employment* help for recipients with the biggest obstacles to work – which, in our experience, is an increasing proportion of them.
- Congress should give states more latitude to define "work activities" under the law–allowing a recipient who needs intensive but temporary "life skills" training, for example, to receive it before going to work. Similarly, Congress should broaden the definition of work activities to take into account the special needs of recipients

who require mental health, substance abuse or domestic violence counseling, for example.

- In the interest of fairness and to provide a strong incentive for welfare recipients to take jobs, The Partnership believes that the five-year time limit on welfare should be suspended for individuals who are working but earn so little initially that they remain eligible for welfare. Congress should amend the law to "stop the clock" on welfare benefits for these low-wage earners.

III. SUPPORT NEW WORKERS IN THEIR TRANSITION TO SELF-SUFFICIENCY

In an effort to coax welfare recipients off the rolls and into jobs, lawmakers have enacted and expanded a range of transitional work supports that help ease the journey from welfare to work. Too often, however, health insurance, child care, food stamps, and transportation and housing subsidies don't get into the hands of those they are intended to help. There are many reasons for this, including the fact that many former welfare recipients want a clean break from a system that they find demoralizing. Other reasons include a general lack of knowledge about the supports, and the failure of local public assistance offices to educate eligible families, as well as burdensome application requirements.

There are also financial wage supplements that can greatly enhance a new worker's income and help stabilize their families during the sometimes difficult transition from welfare to work. For example, Partnership companies recognize the great value of the existing Earned Income Tax Credit (EITC) to lift low-wage workers out of poverty. Similarly, Partnership Business Partners also support policies that disregard a part of a family's earnings when determining whether they're eligible for continued welfare benefits. The effect: People who are making low wages may continue collecting part of their welfare check until their wages alone are sufficient to lift them out of poverty.

While these supports are important to the new worker, they also benefit employers by providing one more tool that can be used to retain and advance new workers. This is especially important for small companies and those who only offer part-time work, as they tend to be the least likely to offer employer-sponsored supports.

Strategic Imperatives:
Meeting child care needs

- **States** should use their existing TANF block grant money to pay for more child care slots for low-income, working parents, and to eliminate waiting lists that are now common for families eligible for child care.
- **Congress** should expand the existing Child Care and Development Block Grant and Child and Dependent Care tax credits to cover more working parents, and make the tax credit refundable so that the lowest-wage workers would benefit from it.
- **Congress, states, local governments and service providers** should work together to expand options for workers needing quality after-hours, after-school, and emergency care. This is particularly important for families recently off the welfare rolls, since they are more likely than others to work nontraditional hours. They should also seek to ensure that child care is available for welfare recipients who are participating in education or job training, substance abuse treatment, or counseling.
- **Service providers** and others who work with recipients should help address two of the biggest barriers to work by coordinating solutions to their child care and

transportation needs.

Getting workers to the job

- States with substantial TANF reserves should invest them in transportation solutions for low-income workers, and all states should put this challenge high on the list of priorities.
- **Municipal and county officials** should work across jurisdictional lines to find and support regional transit routes.
- **Congress** should expand funding for the *Access to Jobs* program to promote innovative community transportation solutions for low-income workers.
- **Congress** and the **states** should support additional subsidies and tax credits to provide low-wage workers with transportation vouchers. ?
- **Congress, as well as state and local governments,** ought to expand on existing creative initiatives to "bring work to the workers" – through existing Enterprise Zones, proposed "Renewal Communities," or any number of other bipartisan initiatives to promote inner-city economic development. To complement this effort, **Congress** and **state lawmakers** should also help "bring the workers to work" by supporting housing vouchers or other subsidies that enable welfare recipients and low-wager workers to move closer to areas of greatest job growth. *
- **Congress** should support changes in federal law to make it easier for low-income workers to own their own car without losing eligibility for food stamps or other income support programs.
- Local **service providers** should promote car pools or van service to take workers from their central-city neighborhoods to jobs in the suburbs, as well as innovative car purchasing programs for recipients and low-wage workers.

Expanding the Earned Income Tax Credit (EITC)

- **Congress** should consider changes supported by both political parties to increase the value of the credit for families with three or more children, and to drop the so-called "marriage penalty" which results in a lower tax credit for lower-income married couples.
- **States** without their own earned income tax credits should enact them, as a dozen states have now done.
- **Service providers, state and local officials,** and **employers** themselves should actively promote this valuable wage supplement for lower-paid workers, and the **IRS** should publicize it as widely as possible.
- Eligible **families** should be educated about and encouraged to opt for the Advance EITC, through which a small credit is refunded to a worker with each paycheck rather than in a year-end, lump sum.

Providing more generous earned income disregards

- **States** that currently allow their welfare recipients to keep some portion of their welfare benefits even as they begin to earn a paycheck are strongly urged to continue doing so. Where possible, those "earnings disregard" policies should be made more generous – allowing recipients to keep more, and for a longer period of time, so that they are able to escape poverty before their welfare grant is phased out.
- The 10 or so states that do not now have earned income disregards should more aggressively enact them to help their welfare recipients get off and stay off the rolls.
- While three quarters of Partnership businesses offer health insurance to their welfare to work hires, they also recoginze the value of government sponsored programs like Medicaid and Children's Health Insurance Program (CHIP). We believe it is unacceptable that alarmingly large percentages of those eligible for these programs are not accessing them. **States, local governments, service providers and case workers** should do a better job to inform people leaving welfare that they are still entitled to these and other support programs like food stamps, child care, transportation and housing. We encourage the creation of a "Work Supports Balance Sheet," which could help employers better understand what services their employees are qualified to receive. Workers who are leaving welfare for work should be told clearly about what they are still eligible for and walked through the process of applying. This could be done in an "exit interview" as recipients leave the system, or through a mailing generated automatically as people leave the rolls.

IV. MAKE THE SYSTEM *WORK* BETTER FOR EMPLOYER AND EMPLOYEE ALIKE

If the central goal of welfare reform was to "end welfare as we know it," an equally important goal is to end *welfare systems* as we knew them. In too many communities today, the systems that are responsible for counseling, training, placing and providing ongoing support for recipients and other low-skilled job seekers simply *don't work* for the average employer. Sometimes, the problem is a lack of coordination among diverse and competing program bureaucracies; other times, it's their duplication of effort and failure to involve employers in the process. The end result: Employers don't know how to navigate the system and are frustrated by the time it takes to do so. In the end, low-income workers miss out on the valuable supportive services they may need.

Luckily, the newly implemented Workforce Investment Act (WIA) aims to address these problems by streamlining and simplifying the way employers find new workers and make their business voices heard in the process. While these changes hold great potential for businesses in search of new employees, they will not fully benefit employers if the reform process is muffled by a 'business-as-usual' response from communities around the country. If the new systems are to meet employers' expectations, these agencies must also change their *culture* and transition from "check-cutting" centers to comprehensive job and support centers which place the needs of businesses and new workers first.

Strategic Imperatives

- **Local welfare and workforce departments** should work together to make the hiring, retention and advancement process simple and seamless for employers. Ideally, employers should not need to worry about how many organizations are supporting their new hire. They should simply have one number to call and one customer service representative to work with to meet their business needs.
- As Private Industry Councils (PICs) transition into Workforce Investment Boards (WIBs), we urge **local welfare and workforce systems** nationwide to become true partners with the businesses in their community. That means inviting employers into the planning process from its earliest stages and seeking input from employers each step of the way. It will also require them to act more like corporate boards with efficient, business-friendly meetings. Another useful approach, from the perspective of employers: forming marketing collaboratives to educate employers about available services, create materials that speak the business language and customize materials to businesses of different sizes and industries.
- **Federal agencies, welfare and workforce development departments, and service providers** should regularly communicate to ensure that employer outreach and social service provision can cross agency and regional lines. For example, a cross-section of welfare to work players may coordinate to meet the needs of employers in the suburbs whose employee base is in the cities. Or, they may complement each other's services by only providing the services they know how to do best.
- To ensure that former welfare recipients and other low-wage workers receive food stamps, child care, Medicaid, and other important transitional benefits for which they are eligible, **federal, state, county and local one-stop officials** should simplify their application processes. These agencies must recognize that many former welfare recipients are now full-time workers who can't often leave work in the middle of the day to apply for benefits without disrupting employers' schedules. To accommodate new workers, local welfare offices should stay open later in the evening or on weekends, for example, or consider setting up satellite application centers or doing on-the-job enrollment.

  e-govt for ex-welf recips?
- **Local governments** must build more accountability into the workforce development system. A useful way to do this is to encourage performance-based employment and training programs by rewarding those that focus most directly on what employers need. Funding should be easily accessible for customized job-training programs, as long as employers are involved in the development and commit to hiring individuals who complete the programs. In the end, such demand-driven programs will benefit businesses in need of workers and workers in need of good jobs.

V. PROVIDE EXTRA HELP FOR SMALL BUSINESSES

Although small businesses comprise three quarters of The Partnership's Business Partners, their exposure to welfare to work opportunities has not translated into high rates of hiring, as compared to larger business counterparts. Fifty percent (50%) of our small Business Partners have failed to hire any welfare recipients, compared to ten percent (10%) for large companies.

Small businesses have not hired as frequently because they face unique challenges. Many simply do not have the time to access information about where to find qualified candidates. They do not have human resource departments to dedicate time to recruiting and retention initiatives. Despite these realities, small businesses often reap the highest rewards of hiring welfare recipients, as a handful of successful welfare to work hires may constitute a significant percentage of their labor-force. The key to getting small businesses to hire is to make the hiring process simple, cost-effective and suited to the specific needs of each small business.

Strategic Imperatives

- **Local governments, one-stops, service providers** and **Small Business Development Centers** should be prepared to allocate and fund staff to serve as "ombudsmen." These staff would provide customized guidance to help small business owners access tax incentives, as well as hire, retain, and advance new workers. They would also broker social and support services for small business employees. Special marketing campaigns and materials need to be developed to get and keep them involved.
- **Governors** and local **officials** should recruit small business leaders and small business associations for active and substantial participation on state and local WIBs.
- **U. S. Departments of Labor, IRS, Health and Human Services and the Small Business Administration** should allocate resources to aggressively market the Work Opportunity and Welfare to Work tax credits for small businesses.
- **Federal, state and local small business-related agencies**, as well as **small business associations**, can be very effective advocates for their constituency and should more actively involve their members in welfare to work.

ADDITIONAL SUGGESTIONS OF BOARD MEMBER COMPANIES:

The following recommendations reflect an array of suggestions from Board member companies that did not fall under our top five priorities. The Partnership would like to forward them for consideration in future policy discussions.

STRENGTHEN INCENTIVES FOR EMPLOYERS TO KEEP HIRING

The Work Opportunity and Welfare to Work Tax Credits are incentives for businesses to hire and retain individuals moving from welfare to work. Many of the businesses that have accessed these tax credits have used these savings to offset the costs of hiring, retaining and providing career advancement opportunities for their new hires. Other businesses, especially small ones, have not taken advantage of the credits for a number of reasons: they don't know they exist, they believe the paperwork involved is too burdensome, they've been confused by periodic lapses in the program, and they are often frustrated by a backlog in the certification process by the state employment security agencies.

Strategic Imperatives

- **Congress** should extend the Work Opportunity and Welfare to Work Tax Credits for longer periods of time, thereby limiting confusion in the business community and increasing the stability of the state agencies that process the credits.
- **State employment security agencies** should process the tax credits more quickly for businesses and eliminate any backlogs.
- **Congress** should allocate funding to the state agencies to establish "help desks" for small businesses to walk them through the certification process.
- **Federal, state and local governments** should educate **service providers** on the value of these tax credits so they can better market them to business.

HELP BREAK THE CYCLE OF POVERTY

One of the major goals of welfare reform was to break the dependency on welfare that many generations experienced. Too often, children grew up in families where "welfare checks," not "pay checks," were the norm. While employers' immediate interest is in hiring adults who are ready to work, many Partnership businesses support efforts to intervene earlier in the lives of disadvantaged youth.

Strategic Imperatives

- **Schools, communities** and **mentors** should intervene at younger ages to address "soft skills" problems many employers are now encountering among job applicants.
- **States and local governments** should effectively develop high standards for schools and require students to meet them so children have the academic skills to excel later in life.
- **Congress, State and local governments** should expand school-to-career programs in local high schools.
- Any **individual** can mentor a child.

TARGET SPECIAL HELP TO THE FATHERS OF CHILDREN ON WELFARE

For welfare reform to truly succeed, the fathers of children on the rolls must live up to their responsibilities and contribute to their family's economic well-being. Too often, however, these men face the same obstacles to work that the mothers of their children do. Traditionally, welfare to work programs have focused their efforts on women, leaving poor fathers few options for training and support that could help them overcome these obstacles.

Strategic Imperatives

- The Partnership's Business Partners call on **Congress, state and local governments**, as well as **service providers** to better integrate fathers into existing welfare to work initiatives, so that they too can benefit from the support afforded to the many mothers who have successfully transitioned off the welfare rolls. **States should** also take full advantage of existing funds from the U.S. Department of Labor that are intended to help these fathers access employment-related training.
- **Congress** should favorably consider proposed bipartisan legislation that earmarks new grants and services to low-income fathers, with the important goals of helping them gain employment, pay child support, and reconnect with their children.

RECOMMENDATIONS TO EMPLOYERS AT LARGE

If our country is going to continue meeting the challenges of welfare to work, all companies must be involved. It is also important to mention that federal, state and local governments are major employers for people moving from welfare to work. We encourage this hiring to continue. And, we encourage federal, state and local agencies to promote welfare to work within their supplier and vendor chains as many have already done. The Business Partners of The Partnership suggest several simple strategies on how to enhance current welfare to work efforts.

Strategic Imperatives

- **Apply lessons-learned to all employees.** Spread the lessons learned about working with the welfare population to benefit the entire workforce.
- **Help new employees access transitional benefits** by making information available at the workplace, or by directly connecting employees to local agencies where they can apply for these benefits.
- **Stabilize your workforce using benefits.** Encourage your employees to take advantage of the benefits you are able to offer, including retirement savings plans and other programs to stabilize their finances.
- **Let your voice be heard.** Provide feedback to every community-based agency or public agency from which you source new workers. Explore ways to formally participate in welfare to work or workforce development policy in your community. Learn and ask about joining the local Workforce Investment Board, or a local task-force related to job training, or retention.
- **Call your local one-stop or workforce development office** and ask about available resources, tax credits, mentoring resources, supplemental transportation and child care resources and – if applicable - customized training.
- Consider adding the **Advance Earned Income Tax Credit** to your payroll process.
- **Engage vendors and suppliers**. Larger businesses can work with their vendors and suppliers—especially small businesses—to educate them about welfare to work and help get them started.
- Facilitate peer-to-peer **mentoring** programs in your workplace and encourage colleagues to be a mentor to a new worker.
- Consider **job-sharing**. Many companies offering part-time jobs are located close to each other, i.e. at shopping malls or airports. With a full-time income, employees are more likely to be stable and stay in the job.

- Learn from your peers. **Join The Partnership** and gain access to a network of employers of all industries and sizes across the country with experience in hiring.

CONCLUSION

Three years ago, welfare to work was a slogan. Today it is a reality. Companies have proven that welfare to work is as good for their business as it is for the community. And, welfare recipients have proven that when employers give them a chance and they have the right employment-related supports, they can make the successful transition from welfare to work. **Together, they have proven that welfare to work is *the bottom line for better lives.***

Despite the progress that has been made, we know that the strong economy which has helped fuel the decline in the welfare rolls will not continue forever. No one can predict with any certainty what the consequences will be to new workers when a slowdown occurs. There is one thing, however, that we can predict for the future. Businesses will stay involved in welfare to work. In fact, nearly three quarters of Business Partner companies intend to hire welfare recipients in the coming year. Having experienced success first-hand, these businesses will be working harder than ever to build on the progress to-date. In the process, they will help hundreds of thousands – perhaps millions – of Americans begin the transition from dependence to independence. These new workers, in turn, will gain valuable skills and experience that they never had before.

Best of all, welfare to work has helped and will continue to help countless Americans be productive citizens again, provide for their families again and be role models for their children again. As one new worker puts it, "I want my kids to have the opportunity to follow their dreams." In the next section, we are pleased to highlight not only the stories of those who are on their way to claiming the American Dream for themselves and their families but of the companies that have given them a chance.

Appendix A – The Voice of Employers: Board Company Testimonials

United Airlines
Gerald Greenwald

As chair of The Partnership, I have taken great pride in fulfilling my mission to publicize innovative welfare to work efforts across the country and actively encourage other corporations to target welfare recipients as potential new employees. Every company that has come on board has realized one fact: welfare to work programs are good for business.

At United, we remain committed to welfare to work and will reach our goal early by hiring 2,000 former welfare recipients before the end of year. But beyond the numbers, we have learned that welfare to work benefits all our employees. When our program began, we solicited volunteers to serve as company mentors to each of our new welfare to work employees. Our mentors were there to be a friend: to help the new hire get over any bumps in the road at a new job; to give practical workplace advice; or just be a sounding board or a cheerleader.

We knew that our mentoring program would lead to higher retention rates, and it did – almost twice as high. But the interesting part of the program is that working with former welfare recipients, and hearing how much it meant to have a job and be independent again, offered a unique perspective for our existing employees. We have found that morale is up at United. Our people pull together and work as a team. There is a refreshing new spirit among our employees and it is due in part to this welfare to work experience. Based on our success, I can look any shareholder or customer in the eye and say that welfare to work means a stronger workforce and better service for our customers. I am convinced that working together to recruit, train and employ former welfare recipients, we can build stronger workforces, companies and families.

United Airlines is one of the five founding companies of The Welfare to Work Partnership. Gerald Greenwald is the former chairman and chief executive officer of United Airlines and the current chairman of the board for The Welfare to Work Partnership. United Airlines is the largest majority employee-owned company in the world, as well as the largest air carrier. United offers more than 2,330 flights to 139 destinations in 26 countries and two U.S. territories.

Burger King Corporation
Dennis Malamatinas

At Burger King Corporation, we believe that all people, regardless of economic status, race, creed or color, have an important role to play in our long-term viability as a business and our community at large. We have learned that each person has a unique talent and gift and if you give them a chance and the tools to succeed, they will make a valuable employee. This commitment to diversity and opportunity is one of the main reasons Burger King accepted the challenge in 1997 to join the welfare to work initiative. Our 475 U.S. corporate-owned restaurants alone have hired 17,000 employees off of welfare in the last two years. Our welfare to work program is so valuable because we have a terrific, bottom-line story to tell.

At Burger King, we have found that the workers who are hired off welfare have a 45 percent higher retention rate than the turnover rate for all other employees in the industry. In an industry like ours, where dependable workers are in such high demand, this is no small accomplishment. Our successful welfare to work strategies are forever integrated in our hiring, training and recruiting systems. It has reduced turnover cost for all employees and made our restaurant teams feel good about themselves and their restaurant. And that feeling transfers to our customers.

Burger King is one of the five founding companies of The Welfare to Work Partnership. Dennis Malamatinas is the chief executive officer of the Burger King Corporation. Burger King has more than 10,950 restaurants in 58 countries and international territories worldwide and employs more than 300,000 systemwide.

Monsanto Company
Robert B. Shapiro

When President Clinton called for businesses to help end "welfare as we know it," I knew Monsanto could help. As a company we had outsourced most of our entry-level employment opportunities, however, I still felt we could play a role by educating our vendors about welfare to work and advocating change in our local communities.

From the beginning, we have been at the table in our local communities working with government, nonprofits and the private sector to shape a program that works for businesses and prospective employees. Our involvement in welfare to work has helped us develop new relationships in the community and helped our vendors in this tight labor market. We will continue to work in our local communities to improve the program and educate new vendors about the benefits and advantages of hiring former welfare recipients.

Monsanto is one of the five founding companies of The Welfare to Work Partnership. Robert B. Shapiro is the former chief executive officer of Monsanto Company, which recently merged with Pharmacia Upjohn to create the new Pharmacia Corporation. Monsanto Company, a wholly-owned subsidiary of Pharmacia, is a leading provider of agricultural solutions to growers worldwide. Monsanto's employees provide top-quality, cost-effective and integrated approaches to help farmers improve their productivity and produce better quality foods.

Sprint

William T. Esrey

Through its participation in welfare to work, Sprint has enjoyed the satisfaction of helping provide jobs for those in need and the benefit of creating an alternative recruiting source in a tightening labor market. I am honored to serve as one of the original five U.S. CEOs charged with facilitating public/private sector partnerships in support of this initiative.

Over the past three years, our most notable welfare to work accomplishments include the "JazzRoc" call center in Kansas City's historic 18th & Vine jazz district. "JazzRoc" allowed us to hire individuals from the urban core and provided other businesses with a model for revitalizing an economically-depressed area that was once the heart of Kansas City. Sprint has also partnered with other Kansas City-based organizations in developing skills-based training to support the staffing needs in our call center operations. The six-week training program has a graduation and placement rate of over 80 percent. It not only provides candidates to Sprint's multiple call centers, but also to over 20 other call center employers that have found it difficult to attract and retain skilled workers.

We will continue to support the effort of moving individuals from welfare dependency to self-sufficiency, because the benefits are far-reaching – for individuals seeking to achieve the American dream, for a continuing robust U.S. economy and for businesses searching for a new stream of able, willing and dedicated employees.

Sprint is one of the five founding companies of The Welfare to Work Partnership. William Esrey is chairman and chief executive officer of Sprint, a global communications company at the forefront of integrating long-distance, local and wireless communications services, and a large carrier of Internet traffic.

United Parcel Service
James P. Kelly

More than 25 years ago, UPS discovered that former welfare recipients make dedicated and loyal workers because they truly value their jobs. Since 1997, UPS has hired almost 35,000 people from welfare and operates welfare to work programs in 40 locations across the country all the while providing excellent pay, health insurance, 401(k) plan and paid vacations and holidays. In addition, many employees have access to tuition assistance through UPS's Earn and Learn Program.

UPS's success in welfare to work is due to the unique partnerships it has formed with government and nonprofit agencies across the country. UPS managers visit these agencies, establish hiring goals and objectives, and conduct mock interviews and job readiness workshops. As one of the five founding companies in The Welfare to Work Partnership, UPS has become even more active in hiring welfare recipients and in encouraging other business to get involved in the initiative. UPS is continuing to expand its welfare to work program so more people can make the transition from generations of welfare to financial independence.

UPS is one of the five founding companies of The Welfare to Work Partnership. James P. Kelly is the chairman and chief executive officer of United Parcel Service of America. UPS is the world's largest express carrier, the world's largest package delivery company and a leading global provider of specialized transportation and logistics services delivering over 12 million packages each business day.

AHL Services, Inc.
Frank A. Argenbright, Jr.

AHL Services joined the welfare to work initiative because we learned that we can staff our businesses and service our customers while giving welfare recipients in our community an opportunity to improve the quality of their lives. Through aggressive local and regional recruiting efforts, AHL has hired 398 welfare to work participants during the first quarter 2000, and we are well on our way to reaching the overall 3-year goal of 3,750 welfare to work hires by year-end 2000. Our welfare to work program has allowed us to create a training program that provides support and advancement opportunities necessary to ensure the development and work skills of all our workers. With today's competitive labor market and low unemployment rate, all employers must expand their recruiting efforts and get creative in their methods to attract and retain employees. For AHL, welfare to work participants are the employees that allow us to fully staff our business and move ahead of the competition.

Frank A. Argenbright, Jr. is the chairman and co-chief executive officer of AHL Services, Inc., a leading multi-national provider of outsourced business services. AHL provides management, processes, technology and labor for operational, marketing and customer service functions to clients located throughout the United States and Europe.

Allied Van Lines
Mike Fergus

Allied Van Lines became involved in welfare to work because it brings viable solutions to our business objectives and employs a strategy that significantly strengthens communities, families and the future of our nation. We joined with Alliance Relocation Services, L.L.C., our local partner in this effort, in the goal of training and placing 500 former welfare recipients in the year 2000. We also created synergies with selected organizations that strengthen our foundation for success: A local university is preparing a training curriculum for recruits; we are seeking to strategically outsource the retention effort to the BizLink Network Program in Chicago; and Reebie Moving & Storage, a local agent, has provided a full-time trainer to mentor potential participants in the program. We have also educated many of our clients about the benefits of hiring this new source of employees. Welfare to work brings viable solutions to our business objectives and employs a strategy that significantly strengthens communities, families and the future of our nation. We are excited by the prospects and possibilities of such a far-reaching effort.

Mike Fergus is the president of Allied Van Lines, Inc., the leading provider for domestic and international relocation services, special products transportation and related insurance service markets.

Bank of America
Cathy Bessant

We at Bank of America have long recognized that the success to community development and expanding economic opportunities to all Americans can best be achieved through partnership and collaboration. We believe that promoting self-sufficiency is about more than just creating jobs. Our Welfare-to-Self-Sufficiency Initiative focuses on recruitment, retention, career advancement, housing, health care, child care, transportation, building strong communities and moving people into the financial mainstream. It requires a broader look at the challenges facing those employees transitioning from welfare and the communities where they live. We currently have training programs in 12 locations, with plans for 10 more in 2000. Through these efforts, we have hired more than 1,500 former welfare recipients into career-path positions and average 100 new hires per month. The result has been an impressive vehicle for the recruitment and retention of a diverse and talented workforce.

Cathy Bessant is the president of Consumer Real Estate and Community Development Banking for Bank of America. Bank of America, with $656 billion in assets, is the holding company for the largest bank in the U.S. It has full-service operations in 21 states and the District of Columbia and provides financial products and services to 30 million households and two million businesses.

C&S Paving
Carolyn Stradley

Since we are a small company that employs around 40 people, being understaffed can make or break a project deadline. To combat the tight labor market, C&S Paving turned to hiring women and men off the welfare roles to fill laborer and equipment operator positions. We worked with the Georgia Women's Business Initiative, which brought together several companies that donated resources and space for training. In addition to finding valuable employees, welfare to work has helped us learn about the people who are facing the reality of being in the welfare system. These people have the same problems that we employers face in trying to retain our employees – transportation, childcare and healthcare costs. Their problems are our problems. Let us work together to help each other.

Carolyn Stradley is the president of C&S Paving, an asphalt paving and grading company serving the Southeastern United States.

Cessna Aircraft Company
Russ Meyer

When we started our welfare to work program in 1990, it was never intended to be a staffing solution. But today, as we continue to grow and with unemployment at a record low, our 21st Street facility is an important solution to a difficult staffing question. We found that there are an awful lot of people who are willing to make a change in their lives. So instead of giving up on an untapped source of employees, we invested in them. Our training center provides pay and benefits during vocational training and guarantees graduates employment in our company. The Learning Center, opened in 1997, expands the training center to include a subassembly plant and houses all of the training programs as well as a new daycare center. All of our trainees are assisted by counselors to help them deal with problems that can arise when transitioning into a new work environment. Since the 21st Street Program opened, we have had over 300 employees, who but for this program, would have never worked for us. They are talented. They are loyal. They hold Cessna in a status beyond which most employees hold their companies. The quality of our graduates is reason enough for any company to take a look at doing something of this nature.

Russ Meyer is the chairman of Cessna Aircraft Company, the world's leading manufacturer of general aviation aircraft. In addition to its 21st Street Learning Campus, Cessna employs 12,000 people in Wichita, Kansas.

Chase Manhattan Bank
Mark Wills

From the onset of welfare reform, we at Chase realized that welfare to work could have a significant effect on the communities we serve. Building on our experience in helping to revitalize communities across the country, and with full support from our Chairman, we recognized that locally-based strategies were critical in translating welfare to work into real jobs and economic empowerment. We saw a number of ways for Chase to play an important leadership role, including funding programs and alliances that support welfare to work efforts and sponsoring forums to engage other businesses in welfare to work employment activities. Additionally, we facilitate partnerships between businesses and nonprofit training organizations and develop our own partnerships so Chase can hire more people who want to leave public assistance.

We are proud of the results from all three initiatives and look forward to helping our community while gaining valuable employees.

Mark Willis is an executive vice president for Chase Manhattan Bank and director of the Chase Community Development Group. The Chase Manhattan Corporation is one of the world's top-performing financial services firms and the third largest bank-holding company in the United States.

Citigroup
Marjorie Magner

At Citigroup, there is terrific gratification that comes from our involvement in welfare to work, because we know we are giving people an opportunity. But from a corporate perspective, this is smart business -- we get great employees. Citigroup's welfare to work model is unique in that we have developed a wonderful partnership between Salomon Smith Barney and Wildcat, a New York City-based service provider. After the training at Wildcat, former welfare recipients come to Salomon Smith Barney ready to contribute. We get qualified employees who are specifically trained on our computer systems. Our new employees are enthusiastic, excited and incredibly loyal. In fact, we have had a 90 percent retention rate. It has become an inspirational program on so many levels and based on the results at Salomon Smith Barney, we are replicating the program at other Citigroup subsidiaries around the country and in England.

Marjorie Magner is head of Citibank, N.A. and Primerica for Citigroup. Citigroup is the most global financial services company providing some 100 million consumers, corporations, governments and institutions in 100 countries with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, insurance, securities brokerage and asset management.

CVS Corporation
Tom Ryan

Our involvement with welfare to work started for strictly business purposes -- we needed to hire the best people to handle the critical task of serving our customers. Today, CVS employs 4,000 former welfare recipients among its active workforce, and our welfare to work program has embodied the President's call for "enlightened self-interest." Our success has resulted, in part, from targeted training and support programs in rural and urban areas. CVS works with local service providers to assist former welfare recipients in advancing on the job and accessing valuable government benefits, such as the Earned Income Tax Credit, WIC and food stamps, so that individuals can truly transition from welfare to self-sufficiency. Our welfare to work program has not only been good for our business as a retailer and a health care provider, but it has helped individuals realize that hard work and a commitment to success can lead to a meaningful career.

Tom Ryan is chairman, chief executive officer and president of CVS Corporation, which is the largest drugstore chain in the United States. Operating over 4,000 stores in 27 states and the District of Columbia, the CVS team consists of more than 90,000 dedicated people working in our stores, distribution centers and headquarters in Woonsocket, Rhode Island.

Fannie Mae Foundation
Stacey H. Davis

I joined the welfare to work initiative because I believe the business community can help identify job opportunities for people coming off welfare and help those individuals remain on the job. I am impressed with the business community's accomplishments so far. Thousands of welfare recipients are now supporting their families by earning a paycheck. This is more than statistics – this is an impact. As President and CEO of the Fannie Mae Foundation, I share welfare to work's emphasis on measurable results and sustainability. As we move forward, financial literacy and affordable-housing opportunities are essential components. The Retention and Career Advancement 2000 program presents a natural opportunity for the Fannie Mae Foundation and The Welfare to Work Partnership to partner in providing former welfare recipients with financial literacy and homeowner education resources in order to help get them on the path to self-sufficiency.

Stacey H. Davis is president and chief executive officer of the Fannie Mae Foundation, the largest foundation in the country devoted to affordable housing issues. It strives to improve the quality of life for families and communities through its efforts in community development, including grant-making, public education, community partnerships and leadership programs.

General Converters and Assemblers, Inc.
George R. Stinson

More than 30 years ago, I learned that welfare recipients were an excellent source of employees for my small business. Today more than half of my workforce has come from the welfare roles, and the results have inspired me to educate other businesses – large and small – about the benefits of welfare to work. By partnering with local organizations, including Workforce Investment Boards and the One Stop Job Center, we provide recipients with job-specific training to ensure that they succeed on the job. Through personal mentors inside the company, our welfare to work hires come to work with the appropriate attitude for a successful career and an independent life. Welfare to work has been crucial to GCA's expansion over the past 30 years. We are living proof that that you can help your community and improve your bottom line at the same time.

George R. Stinson is the chairman of the board of General Converters and Assemblers, Inc. (GCA). GCA is a contract packaging and manufacturing company located in Racine, Wisconsin.

IBM
Stanley S. Litow

IBM's commitment to make sure that individuals have the skills and experiences they need for a productive and successful life is part of the culture of this company. When I joined The Welfare to Work Partnership, we saw a new opportunity where IBM's technology and people can make a significant difference. The Partnership's web site, The Solutions Network, is a perfect example of how we can and must go beyond mere access to
technology. We can truly bridge the Digital Divide when we use our technical know-how to work better and smarter on behalf of others. IBM will continue to work with The Partnership to make sure that businesses, community resources, and individuals can find the on-line resources they need to hire more former welfare recipients and better integrate them into the workforce.

Stanley S. Litow is vice president of Corporate Community Relations for the IBM Corporation. IBM is the world's largest information technology provider (hardware, software and services) and the sixth-largest company in the Fortune 500, ranked by revenue. The company employs more than 290,000 people worldwide and does business in more than 160 countries.

Loews Hotels
Jonathan M. Tisch

As the worker-shortage crisis continues to be a challenge for the growing travel and tourism industry, welfare to work is the perfect example of how two supposedly diametrically opposed goals of business – making money and being socially responsible – can intersect in a meaningful way. As part of Loews Hotels' efforts to transition former welfare recipients into the lodging industry, we have hired over 125 former recipients with a higher retention rate than our overall turnover rate. Our commitment to the initiative even transcends competition with other hotels. In an unprecedented step for the tightly competitive hotel industry, Loews brought together 44 area hotels from the Greater Miami & The Beaches Hotel Association, along with the Mayors from Miami/Dade County and Miami Beach, to create a program that is now helping to transition 300 former welfare recipients into the lodging industry. Collectively, corporate America needs to understand that we cannot look to government to solve all of our problems. The public sector can set the tone and take the initiative, but the private sector must also take responsibility.

Jonathan M. Tisch is the president and chief executive officer of Loews Hotels and the vice chairman of the board for The Welfare to Work Partnership. Loews Hotels currently owns and/or operates 14 hotels and resorts in the U.S. and Canada.

Marriott International
J.W. Marriott, Jr.

In my mind, Pathways to Independence is the best thing we do at Marriott. Marriott is a company that cares about its employees, and Pathways to Independence has trained and placed a new source of dedicated, productive employees in the company's operations. In addition to providing career opportunities for thousands of welfare recipients and disadvantaged individuals, Marriott's Pathways program is also helping the communities in which it operates. It is a great privilege for Marriott International to participate in an initiative such as welfare to work, where we can help individuals gain self-respect and become productive members of society. We offer former welfare recipients jobs and career opportunities in a truly supportive, trusting environment, and in return, Marriott receives dedicated and loyal employees.

J.W. Marriott, Jr. is the chairman of the board and chief executive officer of Marriott International, Inc. Marriott is a leading worldwide hospitality company with over 2,000 operating units in the United States and 57 other countries and territories.

The Mills Corporation
Laurence C. Siegel

At Mills, we have found that there is an untapped resource of loyal and dedicated workers just waiting for a chance to prove themselves. We have significant employment demands – more than 3,000 new positions for every mall we open – and we have learned that welfare to work can help us build the workforce we need at each location. From the very beginning, the key to the Mills MATCH program was transforming development directors, once driven by deadlines and dollars, into community activists. With the transformation complete, MATCH addresses the toughest welfare to work challenges, including transportation and child care. Mills' investment in the community benefits not only our retail/entertainment venues, but other local businesses as well. We will continue to hire former welfare recipients because it is a sound business practice, and we are proud that the education, training and certification provided to Mills' employees will stay with them for life – wherever they live and wherever they work.

Laurence C. Siegel is the chairman and chief executive officer of Mills Corporation. Across the United States, ten Mills super-malls employ almost 4,000 people each and are one of the top two tourist attractions for their respective states.

Production Products
Barry N. Corona

I joined The Welfare to Work Partnership because it makes good business sense. I started my business in the inner-city 24 years ago, and from the beginning, I relied on a workforce predominately made up of individuals coming from welfare. I have found that given the right training and support, this sector of the population is a valuable source of good, productive employees.

Barry N. Corona is the president and chief executive officer of Production Products. Based in St. Louis, Missouri, Production Products is a small minority manufacturing business that primarily serves the Department of Defense.

Rachel's Bus Company
E. Rachel Hubka

Having once applied for welfare myself, I know that welfare recipients are smart, motivated people who only need a chance to prove that they make loyal and dedicated workers. My key to success is making basic decisions that most businesses, especially small ones, need to consider, such as making a personal commitment to helping employees stay on the job, offering incentives, and never lowering my standards. My welfare to work program has given me highly motivated employees. In return, I have been able to help my employees improve their self-esteem and gain hope for themselves and their children's futures. Because our future depends on continuing to hire from the welfare rolls, my commitment is to hire and train as many qualified individuals as are available.

E. Rachel Hubka is owner and chief executive officer of Rachel's Bus Company, Inc., a contract carrier for Chicago Public Schools, providing safe and timely transportation to Chicago's school children. Approximately 40 percent of Rachel's Bus Company's 150 employees have come from a welfare background.

Sears, Roebuck and Co.
John T. Sloan

As a part of the fabric of American life for more than 100 years, Sears was pleased to take a leadership role in welfare to work. Sears' Chairman and CEO, Arthur C. Martinez, personally directed the human resources and field management efforts across the country to identify, hire and retain qualified applicants. Sears has also developed relationships and networks with other like-minded businesses and organizations, hired a vendor to screen all new hires, created awareness about wage subsidy programs and rolled out wage subsidies in a number of Sears stores. To date, Sears has hired more than 32,000 former welfare recipients with a retention rate higher than the company average. Our welfare to work associates have proven to be an excellent source of dedicated, hard-working employees, many of whom have been promoted to levels of greatly increased responsibility. In a time when the pool of qualified job seekers is at historic lows, we have found a great resource of willing, able and loyal employees who have turned into respected Sears associates.

John T. Sloan is the executive vice president of Human Resources of Sears, Roebuck and Co. Sears is a leading U.S. retailer of apparel, home and automotive products and services with annual revenues of nearly $40 billion.

Time Warner Inc.
Gerald Levin

Time Warner has always put a high value on social commitment, respect for individuals, fostering diversity and supporting local communities. It is the vibrant, vital tradition of community responsibility that leads us to be involved in the welfare to work initiative. In addition to creating community partnerships and developing an internal hiring program within our New York operating units, Time Warner is leveraging its national networks and print media in a PSA campaign designed to break down negative stereotypes about welfare recipients. Early on, we recognized the importance of media in changing public perceptions about the welfare population. We are proud to play a role in helping individuals achieve lives of independence and self-respect within the private sector.

Gerald Levin is chairman and chief executive officer of Time Warner Inc., the world's leading media company. Its businesses include cable networks, publishing, music, filmed entertainment, cable and digital media. Time Warner's merger with AOL will create the world's first fully integrated internet powered media and communications company.

TJX Companies
Ted English

Ben Cammarata, former CEO and now chairman of the TJX board of directors, committed TJX to The Welfare to Work Partnership because he believed that welfare to work would be good for TJX, good for business in general, and good for America. Our initial commitment was to hire 5,000 former welfare recipients by the year 2000. Our welfare to work program evolved faster than anyone could have imagined. As of April 2000, TJX has hired more than 14,500 associates from the welfare rolls. Former welfare recipients proved to be such good workers, that many have been promoted and others have been hired to take their place. We saw early on that making the transition from welfare to work is not any easy one for many individuals. We addressed this issue by partnering with Morgan Memorial Goodwill Industries and creating the First Step

Program, which provides classroom training, internships, and job placement to former welfare recipients. This program continues to play an important part in our already successful welfare to work initiative. We believe that programs such as first step and partnerships with community-based organizations create win-win scenarios. An unexpected benefit has been the retention rate for former welfare recipients, which we have found to be higher than that of more traditional entry-level hires. With the labor market as tight as it is, it makes excellent business sense to utilize creative recruitment practices. TJX will continue to hire former welfare recipients and has made welfare to work an integral part of our company.

Ted English is the president and chief executive officer of the TJX Companies, Inc. Ben Cammarata is the chairman of the board and former chief executive officer of the TJX Companies, Inc. The TJX Companies, Inc. is the leading off-price retailer of apparel and home fashions in the U.S: and worldwide. In total, TJX operates more than 1,340 stores, including T.J. Maxx, Marshalls, Homegoods, and A.J. Wright in the U.S., as well as Winners Apparel Ltd. in Canada and T.K. Maxx in Europe. The company employs 67,000 associates worldwide.

Xerox Business Services (XBS)
Joe Valenti

Over the past two years XBS has hired nearly 400 welfare recipients coast-to-coast, with a 65 percent retention rate. Establishing a strong working relationship with service providers and community-based organizations is a key element to this success. In developing a omprehensive mentoring program, XBS worked with Women in Community Services (WICS), a national organization providing mentoring expertise, to ensure that both mentors and new employees make the most of their relationship through a program called Friends at Work". XBS has also partnered with the Xerox Federal Credit Union to enable former welfare recipients to obtain Visa cards, lines of credit, and financial advice and training. Due to this support, our welfare to work hires are experiencing more success in their careers and delivering greater value to our customers.

Joe Valenti is senior vice president of XBS Operations. XBS is the fastest growing division of Xerox Corporation and the worldwide leader in document services outsourcing. It provides a comprehensive portfolio of services to some four million customers each day in more than 5,000 client companies worldwide.

Appendix B -- The Voice of Former Recipients: Personal Success Stories

Antoinette Patrick – CVS

Antoinette Patrick never dreamed of working at a pharmacy. Now, Antoinette can't imagine a career at any place other than CVS. After almost three years on welfare, Antoinette entered the CVS Apprenticeship program on her way to a full-time job as a pharmacy technician. She excelled on the job by treating her customers with patience and respect. "I try to put myself in their shoes to see how they would feel, and treat them accordingly," said Antoinette. In addition to full benefits, Antoinette is taking advantage of the CVS educational opportunities, working toward her certification as a lead pharmacy technician through an innovative online curriculum developed by CVS. "I never thought I could learn to do all this," said Antoinette. "I feel like I'm making a difference at CVS."

Chris Wilcox – Cessna

For years Chris Wilcox and his wife had a drug addiction problem. His three children – Rikki, 14, Toni, 13, and Lance, 10 – w ere suffering from the instability of their parents and the limitations of welfare. Finally, Chris got "sick and tired of being sick and tired." One of the workers and the KanWorks program in Kansas introduced Chris to Cessna's 21st Street Facility, a program designed to train welfare recipients for jobs at Cessna. Today, Chris is the final assembly mechanic on the Citation 750 line at Cessna Aircraft in Wichita, Kansas. Chris started working first shift, but he later discovered that the best way to take care of his children and still do the job at Cessna, was to be on third shift. Chris sees his children off to school in the morning, he is waiting when they come home from school in the afternoon, he spends quality time with them at night, and then goes to work. Chris has custody of his three children and he has already been promoted. Chris has goals for himself, including earning a Bachelor's Degree in business, but his true gratification comes from his children. "It's pretty neat to show them, 'hey, there's one of the planes I've built,'" Chris said. "Now when somebody asks, 'Where's your dad work?' they've got an answer. It's out at Cessna."

Consuelo McGlond – Loews

Thanks to Consuelo McGlond's job as a night telecommunications operator at Loews Hotel in Miami Beach, Florida, she and her three children – Kortney, Brandis and Kori – now have stability in their lives and Consuelo is focusing on a long career in the hospitality industry. Consuelo's future was not so clear three years ago when she was forced to go on public assistance. On welfare, Consuelo's monthly check was $335 a month and rent was $325 a month. She needed help from her mom and brother to pay the light and gas bills. Her cousin used to buy Pampers for her son. "I relied on other people for everything," Consuelo said. Finally, Consuelo was introduced to America

Works, who recommended her for a job at Loews. Now Consuelo works the night shift – from 10:30 p.m. to 6:30 a.m – allowing her take care of her children before and after school. After 18 months on the job, she now relies on herself. In fact, her friends and family come to her for money. "I tell them the same thing they used to tell me," Consuelo said. "Do I look like the Bank of Miami?"

Elaine Kinslow – E-Z Ride

Elaine Kinslow's future appeared secure when she graduated high school as the valedictorian of her class. But her college scholarship was revoked when her future school learned that Elaine was a single parent and Elaine was forced to go on welfare. For 13 years, Elaine was on and off welfare. She couldn't find a job that allowed her to work and afford day care for her children. Finally, Elaine was hired at Path Finder Transportation Service, where she found more than a job. "They believed in me," Elaine said. "They challenged me and things started getting better." When Path Finder lost its funding, Elaine continued to persevere and landed a job at E-Z Ride, a minority-owned company that helps transport people to and from work. Elaine is also taking classes in Public Safety at Ivy Tech College and plans to earn an EMS certificate. She is also learning to become part of a Hazardous Material Response Team. "My situation is not unique," said Elaine. "Everyday, I see former welfare recipients who are earning a paycheck to support themselves and their families."

LaTonya R. Stephens – Bank of America

LaTonya Stephens was determined to reach her dreams when she and her two daughters – Regina and Nakeisha – moved to Dallas three years ago. Looking for a fresh start after living on public assistance, LaTonya immediately received her GED and computer training through the Dallas Housing Authority and Good Will Industries training programs. After entering Bank of America's training program, LaTonya was hired as a Telephone Banking Representative. LaTonya excelled at her position and was promoted to Telephone Personal Banker with benefits, including a 401(k), life insurance, stock options and full medical for herself and her family. LaTonya has also earned company incentives every month that have allowed her to buy a car. LaTonya is now closing in on her biggest dream – a house with a backyard. After working with a Bank of America financial counselor, LaTonya was recently approved for a mortgage.

Lou Ann Catano – Marriott

Lou Ann Catano's motto could be "I want more." That's what she said to herself when she hit rock bottom – stuck in an abusive relationship, grappling with a drug and alcohol program and separated from her daughter, Angeline. She went on welfare, waiting for a spot in a supportive housing unit so she could get help. She took advantage of education and skills training opportunities, all the while telling her caseworker that she wanted more. Lou Ann was referred to the Marriott Pathways program. She was hired by Marriott and worked her way up from hotel operator to concierge. Now, she has a job that she loves in the city that she loves and she is able to fulfill a passion for travel. Lou Ann just wrote Angeline a check for her college sorority dues. "Four years ago, she wouldn't have even bothered to ask," said Lou Ann proudly.

Maria Mercado – The TJX Companies, Inc.

Maria Mercado never graduated from high school, but now, she can't stop thinking about college. After spending nine years on welfare before landing a job with Marshalls, Maria has started college funds for her two daughters Elixmarie, 11, and Maria Ellena, 7. "I want them to have the opportunity to follow their dreams," Maria said. For almost a decade, Maria dreamed of getting off welfare. In the autumn of 1998, Maria entered The First Step Transition to Work Program, which is a collaborative program between The TJX Companies, Inc. and Morgan Memorial Goodwill Industries. The program led to an internship at Marshalls, where Maria learned she had a natural ability for retail. Maria was promoted from intern to full-time sales associate to a merchandising lead sales position. Each accomplishment gave Maria more and more confidence in herself and what she could become. Maria is now training in TJX's Bridges To Management program and is well on her way to becoming an Assistant Store Manager. She is studying to earn her GED and hopes to pursue an accounting degree. "I learned that nothing is impossible," said Maria.

Rena Burns – Automated Data Sciences/CADscan

As one of five children raised by a single mother on welfare, Rena Burns dreamed of being financially self-sufficient. Today, she has not only reached that dream for herself – she owns her own technology/software development business – but she helps others accomplish that dream as well. Rena's company, Automated Data Sciences, employs 60 people, including four former welfare recipients. Initially, Rena did not intend to target welfare recipients but one former welfare recipient who worked for Rena as a secretary changed her mind. "She asked why we weren't going to bid on a particular project," described Rena. "I told her that we are a small company and don't have the resources to respond to every request for proposal." The former welfare recipient asked if she could try in her spare time. A month later, they got the account. In addition to running a successful business, mentoring employees and earning the Small Business Administration's Regional Welfare to Work Entrepreneur award, Rena is a regular speaker for a Los Angeles Juvenile Hall program. Rena also assists at-risk youths in LA County, and plans to expand to the nine central valley counties. "I bring one important message," Rena said. "If I can do it, so can anyone."

Rhonda Costa – Salomon Smith Barney

Rhonda Costa didn't dream much when she was on welfare. She spent her days trying to pay her bills with a $280 a month welfare check and her nights shielding her two daughters from stray gunfire in a one-bedroom apartment in a dangerous part of New York City. Rhonda decided to change her life after her oldest daughter, Lakiyah, told Rhonda to get up and do something with her life. "It really hits home when your 11-year-old daughter recognizes that you're not doing anything productive with your life," said Rhonda. The next day, Rhonda enrolled with a Wildcat Service Corporation, a New York service provider that trains welfare recipients for jobs. After a 16-week training course, Rhonda was hired by Salomon Smith Barney. Three weeks later she was promoted to a full-time employee and a few months later, she introduced the President of the United States at the White House. Rhonda has recently been promoted to office manager and now has an assistant of her own – a Wildcat graduate. After working at Salomon Smith Barney for the past three years and moving into an apartment in a safer neighborhood, Rhonda is now pursuing several dreams, including a house – with three bedrooms, a backyard and a "huge" kitchen – and owning her own business. Through Salomon Smith Barney's tuition reimbursement program, Rhonda is taking a class at Borough of Manhattan Community College for her business management degree. "I've come so far already," she said. "It's great when you have a job where you're excited to get out of bed in the morning."

Tiffany Smith – UPS

Tiffany Smith was on welfare with her six-month-old son, Shawn, when his father stopped coming around. It was then that Tiffany realized that she was the only role model in Shawn's life, and she needed to get a job. "A working parent means a lot to a child," said Tiffany. "I became a mother and a father to him and he needs to know that what I'm doing, he should be doing too, once he grows up." Tiffany now works part-time at UPS, where her benefits include health and dental in addition to her paycheck. Beyond that, she supplements her income with Medicaid and food stamps. Tiffany takes pride in being a positive example for her two children – Shawn and Bre'anna. She is obtaining her GED and will apply for a supervisory position at UPS. With a GED, Tiffany will also become eligible for UPS's Earn and Learn program, which provides financial assistance for college. "The more you work, the more opportunities become available, " said Tiffany. "I want my kids to learn that you never know what you can accomplish unless you try."