

Options for Expanding the Dependent Care Tax Credit

Following are four options for a refundable tax credit for dependent care expenses.

Refundability is clearly the only way to provide low-income working families with child care support through the tax system. These options respond to three key child care issues facing working families with incomes slightly above poverty:

- (1) Low-income working families are spending a disproportionate percent of their income for child care -- almost 20 percent compared to approximately 6 percent for higher-income families;
- (2) Many working families with incomes slightly above poverty are not able to access direct subsidies -- an estimated three-quarters of all families served with subsidies are below poverty; and
- (3) The cost of child care has increased, particularly for young children, since the Dependent Care Tax Credit was last modified in 1981.

- **Option 1: Make the current credit refundable.** A preliminary Treasury estimate of the cost of making the credit refundable is \$4.2 billion over six years. A preliminary Joint Committee on Taxation estimate of this six-year cost is \$2.1 billion.
- **Option 2: Make the credit refundable and expand the income slide.** This option would enable more low-income working families to have access to the maximum amount of the credit. Families with income up to \$17,000 would receive 30 percent of eligible dependent care expenses; this rate would phase down to 20 percent for families with incomes at \$45,000 or more (compared to \$10,000 and \$28,000 under current law). There is currently no cost estimate for this option.
- **Option 3: Make the credit refundable, expand the income slide, and expand the expenses allowed for the credit for all families with children ages 0-5.** This option would recognize the higher costs of child care for younger children. The credit rate would be applied to up to \$4,000 in child care costs for one child and up to \$8,000 for two or more children (compared to \$2,400 and \$4,800 under current law) below age 6. This would increase the maximum credit for one child to \$1,200 and for two children to \$2,400. There is currently no cost estimate for this option. The preliminary Treasury estimate of the cost of increasing eligible expenses for young children without refundability or changes to the income slide is \$1.5 billion over six years.
- **Option 4: Make the credit refundable, expand the income slide, and expand the maximum percentage of expenses allowed for the credit.** This option would also recognize the higher cost of child care by expanding the maximum credit from 30 to 35 or 40 percent of expenses for families with incomes below \$17,000. There is currently no cost estimate for this option.



**Meeting the Challenge of Welfare Reform
The Seattle Jobs Initiative
November 18, 1996**

I. Statement of Purpose:

The Seattle Jobs Initiative (SJI) is a comprehensive effort undertaken by the City of Seattle to help low income adults, including many welfare recipients, secure livable wage jobs before they exhaust their eligibility and lose public assistance altogether. SJI is targeted primarily toward residents living within Seattle's Enterprise Community and has received significant financial and technical support from the Annie E. Casey Foundation. The ultimate goals of SJI are to:

1. Improve the odds that all unemployed and underemployed adults living in Seattle are able to secure and maintain employment that provides wages and benefits sufficient to support a family.
2. Reform public policy so that existing support systems more effectively meet the needs of today's vulnerable children and families.

II. Building a New Pathway to Employment:

The City of Seattle and the Annie E. Casey Foundation have been working closely for a year to plan and develop SJI. During that time, the City has investigated thoroughly the weaknesses of existing human and community support systems for welfare recipients seeking employment. The findings and recommendations of that investigation form the heart of SJI and are summarized below:

1. **Employer Responsiveness:** We need a better understanding of employer's needs so that the job skills of those seeking employment match existing job opportunities. SJI will directly involve employers in training, placement and retention of employees and conduct regular analysis of labor market opportunities for low income residents.
2. **Livable Wage Jobs:** Research shows that a client placed in a job that pays a livable wage -- at least \$8.00 per hour plus benefits -- has a significantly better chance of achieving lifetime independence from welfare in the Seattle area. Existing programs typically place clients in jobs paying less than \$8.00 per hour. Labor market analysis conducted as part of SJI indicates that business will create 15,000 new local jobs paying livable wages over the next two years.

3. **Job Retention:** A survey of employment and training programs reveals that job retention is typically a greater problem than job placement. Currently, most local employment and training providers do not offer clients any formal job retention support. SJI will give clients the support services they need -- child care, transportation, mentoring, and housing -- to ensure a successful transition to work.
4. **Integration of Human Services:** The current network of community and human service support for low-income residents transitioning to work is fragmented and inefficient. SJI will create a "community network" of support that will link individuals directly to the services they need to keep their job, and it will provide additional financial resources for needs not met by the existing support system.

III. Partnerships and Shared Responsibilities:

Recent changes to federal welfare laws and policy have prompted the City to accelerate and expand implementation of the initiative. Within two years, more than 17,000 Seattle adults currently on welfare risk losing income assistance if they do not have jobs. The Seattle City Council recently approved Mayor Rice's request to spend an additional \$6.5 million of City funds to expand SJI.

SJI cannot succeed without strong support from federal, state, and other local governments. The City is now beginning to reach out to other governments to ensure that their responses to welfare reform are in full alignment with SJI. Among the ways in which the federal government can provide assistance are:

1. **Teamwork:** More can be accomplished with existing resources if the federal government is willing to cooperate and coordinate across departments and programs. The City seeks detailed negotiations with the federal government on how its resources can be better spent to complement SJI.
2. **New Federal Initiatives:** Several new initiatives have been proposed by the Administration in response to the new welfare reforms, including job training, tax incentives, and grants to cities. The City proposes that any new initiatives accommodate the needs of SJI.
3. **Bully Pulpit:** Strong visible support for SJI and the principles upon which it is founded will contribute to its success. One challenge is getting business, welfare clients and the existing community and human services support system to commit fully to the successful implementation of SJI.

For more information about the Seattle Jobs Initiative, please call Steve Johnson, City of Seattle, Office of Intergovernmental Relations, (206) 684-3788.

THE RESIDENT HAS SEEN
11-29-96

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This is another compelling
argument for every state
making every submission available
for at least 1 year
PK

SPECIAL ANALYSIS

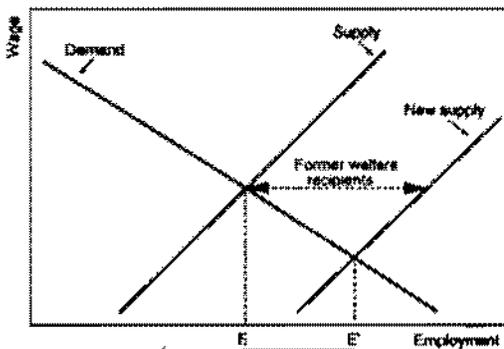
Will There Be Enough Jobs for Welfare Recipients?

An important concern following the enactment of welfare reform is whether those who leave the welfare rolls because of work requirements and time limits will be able to find jobs. Supply and demand analysis suggests many will, but their entry may reduce wages in the less-skilled labor market. Moreover, these jobs are likely to be highly sensitive to cyclical fluctuations.

Impact on jobs and wages. Millions of jobs are created during economic expansions—far more than the number of new job seekers who will be coming off welfare. But welfare recipients have fewer skills than the typical worker and they will have to compete in the more limited market for less-skilled workers.

The main impact of welfare reform will be to increase the number of less-skilled people looking for work at any given wage (an outward shift in the supply curve). Because firms do not find it profitable to hire more workers at the prevailing market

Effect of Welfare Reform on Less-Skilled Labor Market



wage, the wage will have to fall to induce more hiring. But some workers will no longer wish to work at a lower wage. Thus, the net increase in employment will be smaller than the outward shift in the supply curve (see chart).

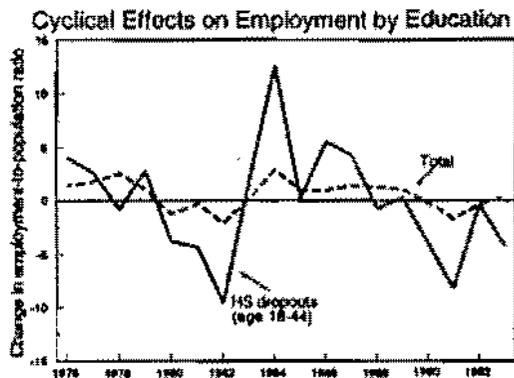
The actual outcome will depend on the slopes of the supply and demand curves. If, for example, employers are very willing to hire more workers when the wage drops just a little (a relatively flat

demand curve), most of the new job seekers will be successful and wages will not drop much. But if employers are reluctant to hire more workers even in the face of a substantial lowering of the wage (a relatively steep demand curve), employment will not increase much even as wages fall. The magnitude of the supply response of workers matters as well.

Simulations based on plausible demand and supply curves suggest that if 2 million additional less-skilled, welfare recipients seek work, employment in the less-skilled labor market would increase by over 1 million and wages for less-skilled workers would fall by about 11 percent. Under assumptions that are more optimistic about job growth—but still within an empirically plausible range—employment would increase by 1.8 million and wages would fall by 12 percent.

Cyclical sensitivity of employment. Because roughly half of all welfare recipients are younger high school dropouts, their employment is likely to be highly cyclical, much more so than that of the workforce as a whole. For instance, the share of

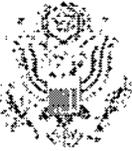
*That's why
must let
wage payers be
wage
subsidies
with
market
to do it*



younger high school dropouts with a job fell almost 10 percent in the recessionary years of 1982 and 1991, compared to about 2 percent for the population as a whole (see chart). These employment losses were reversed in the subsequent economic expansions.

Job loss following employment spells as short as 9 months to a year may qualify many of these former welfare recipients

for unemployment insurance. These benefits would reduce some of their income loss but could put additional strains on the unemployment insurance system.



MEMBER

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

December 4, 1996

MEMORANDUM FOR KEN APFEL

FROM: ALICIA MUNNELL *AM*

SUBJECT: Welfare-to-Work Proposal

At yesterday's Deputies meeting on welfare, the CEA suggested adding a \$2 billion welfare-to-work option to the list of supplementary welfare requests. Since that meeting, we have become convinced that the full \$13 billion is required to deal with the food stamp and immigrant issues. This proposal, therefore, should be viewed as an additional request. If no additional money is available, our view is that the following proposal should replace, in whole or in part, the \$3 billion "Welfare-to-Work" proposal.

CEA'S WELFARE-TO-WORK PROPOSAL

Background

TANF reflects the hope that putting a time limit on assistance will prompt most welfare recipients to go to work. It is too early to know how states will translate the bill into policy, but the risk is that, in states with TANF-style time limits and even with a maximum effort to move people into jobs, a substantial number of families will be cut off without assistance or work.

The Federal Government needs to anticipate such an outcome and develop possible responses. If two or five years from now many families are left destitute after time limits, states and Congress will be scrambling for solutions. The most popular would be some form of work-based safety net, where people could continue to get support, but only if they worked.

The problem is that we have limited experience in doing this. Past experience suggests it will be difficult and costly. One state, Wisconsin, has designed a radical, new substitute for welfare, called Wisconsin Works that involves one vision of work-based support. Other states are not moving in this direction, in part because the law contains no new funding for work programs. There is an urgent need to test and learn about different work-based strategies: What do they cost? Can they be operated on a large scale? Can they be structured as routes to unsubsidized work? If additional resources are to be spent on welfare reform, it would be important to seize the opportunity and support innovative cities and states (possibly paired) that want to develop different visions of work-based systems.

Proposal

Our proposal, therefore, is to invite roughly 10 cities and/or states to serve as laboratories for testing how welfare could be transformed into a system where work really replaces welfare. Particular models would vary, as long as the approach involved the whole welfare caseload and included some vision of work-based support. Dimensions of variation could include: extent of reliance on private, non-profit, or public sector job creation; nature and amount of payment (work-for-benefits, pay for performance, other); extent to which the system includes volunteer work; work hours and schedules (full-time vs. part-time work); duration of work-based support (indefinite, varying for different groups on welfare, time-limited).

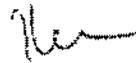
The 10 or so locations should have varied economic conditions, but at least half should be urban and rural areas with above average unemployment. The cities and states would have to agree to rigorously assess the results from their program. Such a program could help provide the new work-based welfare system its best chance to succeed.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

December 3, 1996

NOTE FOR GENE SPERLING
BRUCE REED
PAUL DIMOND
LYN HOGAN
ALICIA MUNNELL

FROM: Ken Apfel 

SUBJECT: Welfare-to-Work Jobs Program Design Draft
(for the meeting on December 5th)

Attached is a draft paper outlining the state of play on the design of the Welfare-to-Work program, as summarized by my staff. It has not been reviewed by the agencies and should not be shared with them yet. I want us to talk it through first.

The paper identifies eight significant issues for resolution. You will note that it does not highlight labor protections as an issue (see p. 9). This is because the Labor Department developed the text offered (at Tab C), based partly on current JTPA law and on the provisions from the Administration's Work and Responsibility Act, and DOL policy officials aver that this text will satisfy organized labor. You will note that the paper does note on page 9 that an option would be to write the specification such that any State or city that uses WTW funds in a project with other funds, such as TANF monies, would have to apply this set of labor protections to the whole project -- something organized labor surely would applaud, but which might lead States and cities to fence off WTW funds from other funds to avoid having to abide by these rules.

At our meeting, we should: (1) discuss the issues and options and identify alternative approaches; (2) identify other issues that should be highlighted; (3) discuss when and how to share with the agencies; (4) discuss when and how to raise issues with principals, including the overarching issue of whether to have an actual bill. When we do go to principals, the presentation will have to be shorter and more focused on the issues, but we can work on that later.

Attachment



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

December 5, 1996

MEMORANDUM TO LAURA D'ANDREA TYSON
CAROL RASCO

FROM: PHILIP LADER *PL*

RE: SBA's Welfare-to-Work Initiatives

Several U.S. Small Business Administration (SBA) programs address the welfare-to-work challenge. Providing access to capital, business counseling, technical assistance, information, and high-tech resources needed by individuals seeking to enter the job market by starting a business or working for a new microenterprise, these programs, targeting underserved urban and rural areas, include

- The Microloan Demonstration program;
- Welfare-to-work initiatives in Women's Business Centers;
- One Stop Capital Shops;
- Business Information Centers;
- The 7(a) Loan Program: minority and women's prequalification; and
- The SBA-Nevada Partnership.

Although the \$11.9 billion financing SBA made possible to America's small businesses in the last fiscal year has a profound indirect impact on thousands of low-income workers, the aforementioned SBA programs most effectively target the welfare-to-work initiative.

The authorization for the Microloan Demonstration program and the Women's Business Centers (formerly the Women's Demonstration Sites) – two demonstration programs – sunsets this year. Since SBA's three-year authorization is due to be reauthorized this year, it is a perfect opportunity for the Administration to propose making these programs permanent as part of a welfare-to-work initiative. In addition, reauthorization could also convert the minority and women's prequalification programs from pilot status to continuing nationwide efforts.

1. The Microloan Demonstration Program.

The Microloan program, which enjoys strong bipartisan support, targets lower-income individuals who are not otherwise able to obtain standard loans from financial institutions, largely due to inexperience with credit, credit problems or lack of assets. The program is available to a broad array of individuals, including those currently receiving public assistance. Through this program, SBA lends money to non-profit or quasi-public organizations which, in turn, re-lend the funds to small business borrowers in amounts of \$25,000 or less. The loans are made generally for small-scale financing purposes such as inventory, supplies and working capital, but not to pay existing debts. The program also provides microenterprises with basic technical and management assistance, such as learning how to balance a checkbook and develop a business plan.



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Since September 1992, microlending intermediaries, funded by SBA, approved 5,200 loans amounting to \$51 million. The program has been somewhat limited in size due to two main factors. First, because technical assistance and counseling are critical to the success of the borrowers, and because grants are required to fund this form of assistance, there have not been adequate appropriations to cover an expanded program. Second, the Microloan program remains a demonstration program and, as such, has not been formally implemented and expanded.

One of the goals of the Administration's welfare-to-work efforts should be to encourage greater microenterprise growth in communities with large welfare populations. The Microloan program is a useful tool in this effort by providing a much-needed source of capital and jobs to these communities; in fact, the average microloan is \$9,900 and creates roughly three new jobs.

SBA has worked with the Department of the Treasury to undertake other forms of microlending through the Community Development Financial Institutions.

2. Welfare-to-Work Initiatives at Women's Business Centers.

Under the Women's Business Development Act, the SBA is authorized to establish three-year demonstration projects with private organizations to provide training, counseling, management assistance, and marketing assistance to small businesses owned and operated by women. The 54 Women's Business Centers (WBCs), 30 of which were opened by the Clinton Administration, receive SBA grants for three years that must be matched by private resources. Each WBC provides programs that serve socially and economically disadvantaged women. A number of innovative WBC programs help to move women from welfare to self-employment by providing life-skills training, one-on-one counseling, assistance with child care and transportation, financial assistance through a microenterprise development program, and other forms of assistance.

For example, the Women's Initiative for Self-Employment (WISE) in San Francisco and Oakland has several programs to help women receiving public assistance. One provides Spanish-speaking women with training in American business customs, bookkeeping, and entrepreneurial skills. Another program offers life-skills and business-skills training, child care, and transportation vouchers to low-income women. Some examples of businesses started by former welfare recipients include child care centers, windshield repair, and housecleaning. Other programs in Wisconsin and Michigan provide venues for microenterprises owned by low-income women to sell their products and to learn from other owners who share space or equipment. Several Wisconsin clients jointly operate a coffee cart located adjacent to a public library and receive business counseling at the local WBC.

Along with the SBA, several federal agencies provide funding for many of these WBC programs, including the Department of Health and Human Services (through the Job Opportunities for Low-Income Individuals office) and the Department of Housing and Urban Development (through public housing assistance). However, funding continues to be a problem. Among the WBCs that do not currently offer programs specifically for welfare recipients, most have indicated that they would be interested in offering such programs. With additional resources, SBA could expand projects like the two described above to many of the 54 WBCs across the country.

In addition, this spring SBA will launch a "WBC on the Internet." This initiative will allow WBCs and others to share best practices and successful curriculum for moving women off of welfare. This is a targeted version of the U.S. Business Advisor, an Internet service unveiled last year by SBA and the Commerce Department that provides nearly all the federal government's

available small-business information. The U.S. Business Advisor homepage site has logged up to as many as one million hits per week.

3. One Stop Capital Shops.

One Stop Capital Shops (OSCS) are SBA's major contribution to the Clinton Administration's Empowerment Zone/Enterprise Community effort. The OSCSs are managed by local nonprofit community development entities. The general functions of OSCSs are to target SBA's full range of financial and technical assistance to economically distressed and underserved areas; to assist businesses in becoming bankable; and to complement the existing economic development efforts of state and local governments as well as to leverage resources from the private sector. In the last 18 months, SBA has opened twelve OSCSs in Boston, Kansas City, Atlanta, Detroit, Queens, Harlem, Philadelphia/Camden, the Kentucky Highlands, Rio Grande, Baltimore, Tacoma, and Oakland.

4. Business Information Centers.

Business Information Centers (BICs) provide small businesses with high-tech hardware, software, telecommunications, reference libraries, access to the U.S. Business Advisor and SBA Online, and Service Corps of Retired Executives (SCORE) business counseling. SBA cosponsors these centers with private sector enterprises such as Microsoft. Since 1992, SBA has opened 38 BICs nationwide and an additional 15 Tribal BICs located on Native American reservations.

While BICs do not directly provide access to capital -- as OSCSs do -- they provide critical training and information for owners and potential owners of new and established small businesses. The Administration could highlight the BICs as a part of an urban or rural education and training program, particularly in conjunction with the SCORE program. In contrast with the OSCSs, which require substantial interagency and intergovernmental coordination, the Administration could more easily increase the number of BICs nationwide.

5. The 7(a) Loan Program: Minority and Women's Prequalification.

The cornerstone program of the SBA, the 7(a) business loan program, guarantees loans to small businesses unable to obtain private sector financing. These loans must be of such merit, or be so secured, as to reasonably ensure repayment to the lending institution. The lending institution may not make a 7(a) loan unless the credit is not otherwise available on reasonable terms from elsewhere in the market. Through this program, SBA guaranteed 45,845 small business loans amounting to \$7.7 billion in FY 1996.

Importantly, the 7(a) program features several sub-programs aimed at filling gaps in the capital markets. Two examples currently being tested as SBA pilots are the minority and women's prequalification loan programs. In these programs, SBA uses intermediaries and its field structure to prequalify loan guaranties for minority or women business owners before they approach a lender. The program focuses on an applicant's character, credit, experience, and reliability rather than collateral. All other 7(a) eligibility criteria apply in the prequalification programs. The women's prequalification loan program is now offered as a nationwide pilot program, as announced by President Clinton in October 1996. The minority prequalification program, implemented subsequent to the women's program, continues in its initial pilot stage.

Due in part to these new pilot programs, the number of 7(a) loans going to minority-owned and women-owned businesses since FY 1992 has roughly tripled. This increase also has resulted from (a) the agency's concerted focus on this Administration objective, and (b) the advent of the Low Documentation, or LowDoc, program which reduces SBA paperwork for 7(a) loan requests of \$100,000 or less to a one-page application. LowDoc has been particularly effective in reaching start-up businesses.

6. SBA-Nevada CWEP Partnership.

Illustrating the public and private sectors' joint role in assisting welfare recipients who will soon be facing strict work requirements, SBA's Las Vegas district office is already actively helping move people off the welfare rolls and into the workforce. In partnership with Nevada's Community Work Experience Program (CWEP), the district office offers welfare recipients the opportunity to learn valuable job skills while working in the SBA office. Recipients who participate in the training program work 20-25 hours per week and learn basic office skills including word processing, faxing, collating and phone skills. Equally important is the emphasis placed on developing work habits necessary for any job: promptness, proper attire, and strong interpersonal skills. One option is for SBA and other federal agencies to use this program as a model for other government offices.

I hope these SBA initiatives and existing programs can be incorporated into the Administration's evolving welfare-to-work plan. Please let me or my SBA colleagues know how we can be most helpful in this process.

cc: Gene Sperling
Bruce Reed

For your information

Leslie Lenkowsky

Hudson Institute

Herman Kahn Center

P.O. Box 26-919 • Indianapolis, Indiana 46226

*“The biggest break
from the traditional
welfare system
proposed anywhere in
the country.”*

— The Los Angeles Times

In December 1993, the Wisconsin legislature passed a “sunset” law mandating that welfare, as it currently existed, end on December 31, 1998, and that a new system be put in its place. Shortly afterwards, Hudson Institute began working with Governor Tommy Thompson, his staff, social service agencies, and state and local policy makers to help design a replacement for welfare in Wisconsin.

During this time, the state granted Hudson unusually generous access to the policy development process. Hudson helped facilitate special meetings, crafted design agendas and working papers, researched topics directly relevant to the welfare replacement plan (such as analysis of the AFDC caseload and statewide poverty), gathered information on how other states have been reforming welfare, and collected opinions from interested Wisconsin organizations and citizens on what they believed should be part of their state’s welfare reinvention plan—offering an informed and independent perspective on this groundbreaking effort.

In August 1995, *Wisconsin Works* (also known as “W-2”), a bold and provocative proposal offering a new vision of how government can better help needy citizens help themselves, was unveiled by Governor Thompson. Instead of cash assistance, it will create a program that helps low-income Wisconsin citizens find and keep jobs, utilizing an innovative, performance-based administration and a range of work options, geared to the readiness of participants.

Hudson’s motto is *Shaping the Future*. And nowhere is that more true or more needed than in replacing welfare.

THE WELFARE POLICY CENTER

A Resource for Reinvention

Meeting the State and Local Need for Expertise

Ultimately, W-2’s greatest value may not lie simply in being one design proposed by one state, but rather as a guide for other states (and cities) on how to grapple with the problems created by welfare dependency. Indeed, it is already being held up—in state human service agencies and legislatures, as well as in the press—as an example of how states should exercise the authority they will receive through block grants. To help ensure that this becomes more than just good intentions is Hudson Institute’s purpose in creating the Welfare Policy Center.

Hudson Institute’s Welfare Policy Center (WPC) works to redesign and implement effective new systems of aid that reduce dependency and promote self-sufficiency. Following Hudson’s unique “participatory” research strategy, the Center works directly with state and local governments, as well as interested service providers and agencies, as they move to redesign and improve public assistance programs. The Center provides three sets of services:

1. State and Local Technical Assistance: The Center provides a variety of services to states and municipalities seeking help in redesigning and implementing systems of public aid. Depending on particular needs and interests, services may include analyses of relevant caseload, demographic, and employment data; assessing proposed reforms, significant policy issues, or evaluation plans; consulting on specific topics, such as how to structure performance contracts for providers; information technology and the important role it must

play in reform; and organizing conferences to facilitate exchange of views on critical design and implementation questions.

2. Policy Development: The Center will work closely with states and municipalities, usually on-site, over a lengthy period of time, fully participating in and helping facilitate the design of a work-based welfare replacement system or pilot projects. This may also include mediating discussions among policymakers, community organizations, interest groups, and policy experts to advance the development of an agenda for reform. This is approximately what the Hudson team did in Wisconsin.

3. Research and Evaluation: The Center’s technical evaluation arm conducts research on reforms and experiments, evaluating the impact of various policies. These efforts include specific evaluations and research projects conducted on behalf of states and municipalities as requested or obtained through competitive contracts, as well as independent research on subjects deemed important to the work of the Center. The WPC specializes in performing near-term research and evaluation projects with short turnaround times that complement the technical assistance mission—offering clients important insights that will help to transform design and implementation decisions.

A Network of Reform Expertise

The Welfare Policy Center will consist of Welfare Policy Center scholars (see next page) together with a network of outside “adjunct” scholars, experts, state officials, and private employers who share Hudson’s objectives for welfare policy and upon whose expertise the Center can draw for assistance in areas such as design of job placement networks, the provision of child and health care, information technology systems, and neighborhood-based development initiatives. In this way, the Welfare Policy Center will be a focal point of not only Hudson expertise, but also national know-how in developing work-based alternatives to current public assistance programs.

THE WELFARE POLICY CENTER TEAM

Dr. Leslie Lenkowsky, President of Hudson Institute. Before joining Hudson in 1990, Dr. Lenkowsky taught public policy at Georgetown University. He has also served as a consultant to U.S. Senator Daniel Patrick Moynihan and as an assistant to the Secretary of the Pennsylvania Department of Public Welfare. He has written numerous articles and a book on welfare reform, as well as spoken on the issue to many professional, legislative, and business groups.

Andrew S. Bush, Director of the Welfare Policy Center. A research fellow specializing in welfare reform and family policy, Mr. Bush has served as a professional staff member of the U. S. House of Representatives Ways and Means Committee for welfare, human resources, and health issues. Prior to that, he worked as Legislative Assistant to Senator Pete Domenici on a wide range of economic and social policy issues. In 1994, Mr. Bush joined Hudson as head of its Madison, Wisconsin, office and worked directly with state policymakers and interest groups to help design Wisconsin Works.

Anna Kondratas, Senior Fellow at Hudson Institute's Washington, D. C., office. A former Assistant Secretary for Community Planning and Development at the U.S. Department of Housing and Urban Development, and former Administrator of the Food and Nutrition Service of the U.S. Department of Agriculture, Ms. Kondratas is an expert on welfare reform, poverty, homelessness and community development. She oversaw Hudson's efforts to develop Wisconsin Works.

Dr. John Weicher, Senior Fellow at Hudson Institute's Washington, D. C., office. A former Assistant Secretary for Policy Development and Research, U.S. Department of Housing and Urban Development, and former Chief Economist, U.S. Office of Management and Budget, Dr. Weicher is an expert on housing policy, urban policy, social program expenditures, and cost analysis. He directed economic, demographic, and case-load analyses for the Hudson project in Wisconsin.

Laura Kallin Kaye, Director of Hudson Institute's Madison, Wisconsin, office. A lawyer by training, Ms. Kaye has served as an administrative officer in the Wisconsin Department of Health and Social Services, where she was part of the team responsible for the development of Wisconsin Works. She has also been a senior research analyst in the Office of the Minority Leader, State of Massachusetts. Ms. Kaye became a Hudson research fellow in December 1995, and is responsible for working with Wisconsin policymakers

What they're saying about Hudson's work on welfare

"In designing W-2 the Hudson Institute adopted and adapted innovations that have proven successful in various experiments."

— National Journal

"The Thompson Plan really is a landmark."

— The New Republic

"Blends a conservative work ethic with New Deal jobs program mentality."

— The Indianapolis Star

"A vivid example of the kind of approaches to welfare that states are likely to take if they are freed from federal restrictions."

— The Los Angeles Times

"On behalf of my administration, I cannot express the level of excitement I have for Wisconsin Works (W-2). Your involvement throughout the process is most appreciated."

— Governor Tommy Thompson

For more information, please contact:

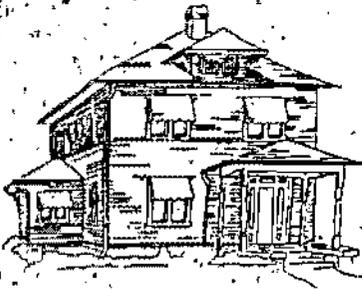
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Replacing Welfare

Designing Work-Based Programs That Work

THE WELFARE POLICY CENTER

A project of
Hudson Institute
SHAPING THE FUTURE



LANGTON ASSOCIATES

To: Bruce Reed, White House Domestic Policy

From: Michael Langton, ^{NW} Goodwill Welfare-To-Work Demonstration Project

Re: ~~Documents you requested~~

Date: 4/26/95

On April 13 when Rev. Don Roberts and I met with Debbie Fine, Public Liaison, she mentioned you would like to have a copy of Don's remarks to the Senate Finance Committee on March 28. Please find attached.

Rev. Roberts was warmly received by the Committee! Senator Moynihan committed to put us in the Senate Finance Bill. We are now working with Paul Offner (Moynihan), Cathy Tobin (Packwood), and Wendall Primus (H.H.S.) on proposed language.

Still could use your help in getting secretaries Reich and/or Shalala to see our program first hand in Sarasota. One of our board members, Kerry Kirschner (old Georgetown classmate of President's) is working on President Clinton, as you can see by attached note from President to Kerry.

Please let me know what we can do together to move sensible Welfare Reform forward.

Thanks for your continuing support Bruce.

cc: Debbie Fine, Public Liaison

Rev. Donald L. Roberts

TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE
ON THE ISSUE OF WELFARE - TO - WORK
MARCH 28, 1995

I NEVER FORGET – IT'S ABOUT PEOPLE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, A MOMENT OF PERSONAL AND PASTORAL PRIVILEGE.

FIRST, THANK YOU FOR YOUR INVITATION TO SENATOR COOK AND MYSELF TO SPEAK BEFORE THE SENATE FINANCE COMMITTEE ON THE MATTER OF WELFARE-TO-WORK REFORM.

NOT A DAY GOES BY AT ANY OF OUR LOCAL GOODWILL'S 15 CONVENIENT JOB CONNECTION NEIGHBORHOOD CENTERS, THAT WE ARE NOT REMINDED, THAT ULTIMATELY THE DEBATE SURROUNDING REFORM OF OUR WELFARE SYSTEM... IS ABOUT PEOPLE.

RELENTLESSLY, THEY COME THROUGH OUR DOORS, LOOKING FOR THE HOPE AND DIGNITY THAT COMES WITH A REGULAR PAYCHECK. THEY ARE NOT STATISTICS, THEY ARE PEOPLE. THEY ARE SOMEONE'S BABY-GROWN - LARGE, SOMEONE'S SON OR DAUGHTER, SOMEONE'S SISTER OR BROTHER, SOMEONE'S MOTHER OR FATHER.

ULTIMATELY, IN THE MIDST OF THE SWIRLING POLITICAL DEBATE OVER WHICH TECHNIQUE WILL BEST "CURE" THE WELFARE "PATIENT," WE ARE CALLED UPON BY OUR HIGHEST AND BEST VALUES TO REMEMBER THAT ... "IT'S ABOUT PEOPLE" ..., BOTH THE PERSONS WHO NEED A HAND UP RATHER THAN A HAND OUT, ...AS WELL AS THOSE OF US CALLED BY THE BEST THAT IS WITHIN US, TO PASS ALONG THE HAND UP WE RECEIVED FROM THOSE WHO WENT BEFORE US.

I WOULD BE LESS THAN RESPONSIVE TO MY HIGH CALLING IF I DID NOT DAILY REMIND MYSELF AND OTHERS OF THE WORDS OF OUR JUDEO-CHRISTIAN-ISLAMIC HERITAGE THAT JUSTICE SHOULD ROLL DOWN LIKE WATERS....AND....WHAT WE HAVE DONE FOR THE LEAST OF THESE OUR BRETHREN IS INDEED DONE TO THE GOD OF ALL CREATION

THANK YOU FOR THIS MOMENT OF PERSONAL PRIVILEGE

II NOT CHARITY, BUT A CHANCE

IMAGINE, IF YOU WILL, AN INTERNATIONAL BUSINESS WITH ALMOST A BILLION DOLLARS OF ANNUAL EARNINGS, EMPLOYING 60,000 FULL TIME EMPLOYEES, GENERATING AN ANNUAL PAYROLL OF FIVE HUNDRED MILLION DOLLARS MAKING THE AMERICAN PEOPLE THE FOLLOWING OFFER:

WE WILL DEDICATE OUR TOTAL LABOR FORCE OF 60,000 PEOPLE AND ITS ANNUAL PAYROLL OF 1/2 BILLION DOLLARS TO HIRE, SUPPORT, AND PLACE CHRONICALLY UNEMPLOYED WELFARE RECIPIENTS NOBODY ELSE WILL HIRE.

SUCH A BUSINESS ALREADY EXISTS.

THE BUSINESS IS CALLED GOODWILL INDUSTRIES.

WE ARE AN OLD FRIEND YOU ONLY THOUGHT YOU KNEW.

GOODWILL INDUSTRIES BEGAN IN BOSTON IN 1902. IT WAS FOUNDED BY THE REV. DR. EDGAR HELMS, A METHODIST PREACHER, WHO STRUCK UPON A RADICAL NOTION FOR HIS DAY... AND OURS.....

HIS EXPERIENCES AMONG THE POOR IMMIGRANTS OF SOUTH BOSTON TAUGHT HIM THE TRUTH OF AN AGE-OLD IDEA:

THE BEST WAY TO HELP PEOPLE HELP THEMSELVES IS:

NOT CHARITY. BUT A CHANCE

UPON THAT SINGULAR VALUE GOODWILL INDUSTRIES WAS BORN.

93 YEARS LATER, THE DEBATE ABOUT THAT VALUE HAS FINALLY TAKEN CENTER STAGE IN THE HALLWAYS OF CONGRESS AND THE WHITE HOUSE.

AND THROUGH ALL THESE YEARS, GOODWILL INDUSTRIES HAS CREATED JOBS, PAYROLLS, WORK EXPERIENCE, AND PLACEMENT FOR A SUCCESSION OF PERSONS NEEDING A HAND UP ... NOT A HAND OUT.

FIRST, TO QUOTE TIP O'NEIL, IT WAS THE IRISH AND OTHER IMMIGRANTS, WHEN THE SIGNS IN ALL THE BUSINESSES OF BOSTON IN 1902 DECLARED "NO IRISH NEED APPLY."

THEN, FOLLOWING W.W.II, GOODWILL INDUSTRIES TOOK UP THE TASK OF CREATING JOBS, WORK EXPERIENCE AND PLACEMENTS FOR PERSONS WITH DISABILITIES.

THEN, NEARING THE PASSAGE OF THE AMERICANS WITH DISABILITIES ACT, GOODWILL'S NATIONAL FOCUS SHIFTED TO THOSE NEEDING WELFARE - TO - WORK ASSISTANCE.

TODAY GOODWILL INDUSTRIES IS THE NATION'S LARGEST PRIVATE SECTOR PROVIDER OF VOCATIONAL SERVICES FOR CHRONICALLY UNEMPLOYED WELFARE RECIPIENTS

AND THE MAJORITY OF GOODWILL FUNDING COMES, NOT FROM TAXES OR THE UNITED WAY OR FROM BAKE SALES BUT FROM THE SALES OF THE "SHIRTS DONATED OFF THE BACKS OF THE AMERICAN PEOPLE."

GOODWILL INDUSTRIES, AN OLD FRIEND YOU ONLY THOUGHT YOU KNEW

BUT, I DO NOT COME BEFORE YOU REPRESENTING THE NETWORK OF 190 AUTONOMOUS NOT -FOR- PROFIT BUSINESSES YOU KNOW AS GOODWILL INDUSTRIES. FOR THAT IS NOT MY AREA OF RESPONSIBILITY.

I COME BEFORE YOU REPRESENTING THE TWO GOODWILLS FOR WHICH I HAVE RESPONSIBILITY: ONE IN CONGRESSMAN DAN MILLER'S FLORIDA DISTRICT AND THE OTHER IN CONGRESSMAN JIMMY HAYES' DISTRICT IN LOUISIANA.

I COME BEFORE YOU TO SHARE WITH YOU OUR LOCAL GOODWILL'S INNOVATION IN JOB CREATION, WORK EXPERIENCE, AND PLACEMENT SERVICES WE PROUDLY CALL: THE JOB CONNECTION

III THE JOB CONNECTION: A NATIONALLY REPLICABLE PROTOTYPE

THE JOB CONNECTION BEGAN AS AN EXPERIMENTAL IDEA IN BRADENTON, FLORIDA IN 1987.

THE IDEA, BASED UPON 85 YEARS OF OPERATING A USED GOODS BUSINESS WITH A SOCIAL PURPOSE, WAS THIS:

EQUALS LOCATION, LOCATION, LOCATION
EQUALS DONATIONS, DONATIONS, DONATIONS
EQUALS SALES, SALES, SALES
EQUALS JOBS, JOBS, JOBS
EQUALS PLACEMENTS, PLACEMENTS, PLACEMENTS

BASING THE IDEA FOR THE JOB CONNECTION ON THAT SOLID BUSINESS RESEARCH, OUR GOODWILL INDUSTRIES' BOARD OF DIRECTORS AUTHORIZED A SECOND MORTGAGE ON OUR EXISTING FACILITIES AND PURCHASED AN EXISTING BUILDING ON THE BUSIEST STREET IN THE BEST LOCATION WE COULD FIND IN MANATEE COUNTY, FLORIDA.

OUR BUSINESS PLAN INDICATED THAT THE LOCATION CHOSEN WAS CONVENIENT FOR GOODWILL'S THREE MAIN TARGET CUSTOMERS:

- 1) OUR DONORS OF USABLE DISCARDS
- 2) OUR INSATIABLE THRIFT STORE SHOPPERS
- 3) OUR WELFARE - TO -WORK CUSTOMERS NEEDING JOBS, WORK EXPERIENCE, AND PLACEMENT INTO UNSUBSIDIZED COMPETITIVE EMPLOYMENT

SINCE 1987 WE HAVE EXPANDED AND REFINED OUR NETWORK OF CONVENIENT JOB CONNECTIONS INTO 15 NEIGHBORHOOD CENTERS IN FLORIDA.

IN 1990, WE REPLICATED THE JOB CONNECTION MODEL INTO AN AREA NEVER SERVED BY GOODWILL INDUSTRIES, LAFAYETTE, LA... WE DID THIS TO PROVE TO OURSELVES AND OTHERS THE EFFECTIVENESS AND REPLICABILITY OF THE BUSINESS AND JOB CREATION/PLACEMENT MODEL WE CALL THE JOB CONNECTION..

LAST YEAR THOSE COMBINED GOODWILL JOB CONNECTION NEIGHBORHOOD CENTERS EMPLOYED SOME 200 PERSONS WITHIN GOODWILL AND PLACED SOME 400 PERSONS INTO COMPETITIVE EMPLOYMENT, AND ALL FROM THE PROCEEDS OF THE SALES OF THE DONATIONS BROUGHT TO US THROUGH OUR CONVENIENT DONATION DRIVE THRU.

IN OUR STRATEGIC PLAN FOR THE 21ST CENTURY OUR VOLUNTEER BOARDS IN BOTH SARASOTA/BRADENTON, FL. AND LAFAYETTE, LA DETERMINED THE NEED TO DO THE FOLLOWING:

- 1) EXPAND OUR NETWORK OF JOB CONNECTIONS TO FULL ASSIGNED MARKET PENETRATION

- 2) TO DEMONSTRATE THE FINANCIAL VIABILITY OF THE JOB CONNECTION PROTOTYPE TO:
 - a) OTHER GOODWILLS
 - b) FOUNDATIONS
 - c) GOVERNMENT

- 3) TO DEMONSTRATE TO GOVERNMENT THE POTENTIAL OF PARTNERSHIPS WITH GOODWILLS AND OTHER 501C3 GROUPS

IV DEMONSTRATING THE POSSIBLE: GOODWILL'S SEARCH FOR A \$10 MILLION WELFARE -TO-WORK DEMONSTRATION PROJECT LOAN-TO-GRANT

MR. CHAIRMAN, SENATOR COOK AND I ARE HERE TODAY ASKING YOUR CONSIDERATION AND COUNSEL FOR OUR REQUEST FOR A \$10,000,000 WELFARE - TO -WORK DEMONSTRATION PROJECT LOAN - TO -GRANT.

(LOAN - TO-GRANT: Loan us the money and if we place an agreed number of persons from welfare-to-work turn the loan into a grant...if not, we repay the loan)

- OUR BUSINESS PLAN INDICATES THAT THIS AMOUNT WILL FULLY CAPITALIZE TO FULL MARKET PENETRATION, OUR NETWORK OF JOB CONNECTIONS IN DAN MILLER'S AND JOHNNY HAYES' DISTRICTS

- IT WILL FREE UP APPROXIMATELY \$500,000 ANNUALLY ... CURRENTLY GOING TO INTEREST PAYMENTS ON EXISTING JOB CONNECTIONS SO WE CAN USE THOSE DOLLARS TO HIRE , GIVE WORK EXPERIENCE, AND PLACE MANY ADDITIONAL CHRONICALLY UNEMPLOYED WELFARE RECIPIENTS.

- THIS \$10 MILLION INVESTMENT IN JOB CONNECTIONS WILL DOUBLE OUR CAPACITY: THE DONOR LOCATIONS, THE SALES, THE JOBS, THE PAYROLL, AND THE PLACEMENTS;

- WITHOUT ONGOING ANNUAL GOVERNMENTAL APPROPRIATIONS

- IT WILL DEMONSTRATE TO THE OTHER AUTONOMOUS GOODWILLS THE POTENTIAL OF THE JOB CONNECTION PROTOTYPE AND SET THE STAGE FOR A NATIONAL EXPANSION OF THE MODEL

- IT WILL DEMONSTRATE TO GOVERNMENT AND FOUNDATIONS THE WISDOM OF ONE-TIME CAPITAL GRANTS TO NOT-FOR-PROFITS (AS OPPOSED TO ONGOING OPERATIONAL SUPPORT)
- IT WILL SUPPORT PARTNERSHIPS WITH THE NOT-FOR-PROFIT PRIVATE SECTOR WHICH CAN USE THOSE CAPITAL RESOURCES TO DEVELOP ONGOING BUSINESSES IN SUPPORT OF OUR SHARED MISSION
- IT WILL ALLOW FOR IMMEDIATE EXPANSION OF THESE CRITICALLY NEEDED JOB CONNECTION SERVICES INTO EXISTING AND NEWLY-DEVELOPED NEIGHBORHOOD CENTERS
- IT SUPPORTS LOCAL SOLUTIONS TO LOCAL LABOR FORCE ISSUES GOVERNED BY LOCAL BOARDS OF DIRECTORS

V THE POWER OF PARTNERSHIPS WITH GOODWILL

AS OUR ENCLOSED CHART INDICATES, THE JOB CONNECTION PROTOTYPE, EXTENDED TO FULL NATIONAL MARKET PENETRATION WOULD CREATE :

- OVER 100,000 JOBS,
- AN ANNUAL PAYROLL OF ALMOST \$2 BILLION, AND
- PLACE OVER 200,000 WELFARE RECIPIENTS INTO EMPLOYMENT EACH AND EVERY YEAR

AND ALL FOR

A ONE-TIME CAPITAL INVESTMENT

IN A PARTNERSHIP WITH AMERICA'S LARGEST NOT -FOR- PROFIT PROVIDER OF VOCATIONAL SERVICES: GOODWILL INDUSTRIES

RATHER THAN:

ONGOING ANNUAL APPROPRIATIONS

VI THE SUMMARY

- * ALWAYS REMEMBER: IT'S ABOUT PEOPLE

- * THE BEST WAY TO HELP PEOPLE?

NOT CHARITY, BUT A CHANCE
- * THE JOB CONNECTION WORKS: IT'S A PROVEN PRODUCT
- * THE JOB CONNECTION IS DEMONSTRABLY REPLICABLE
- * IT'S SMARTER FOR GOVERNMENT TO CAPITALIZE SOLUTIONS ONCE RATHER THAN SUBSIDIZE OPERATIONS ANNUALLY
- * GOODWILL INDUSTRIES HAS BEEN YOUR PARTNER SINCE 1902
- * PROPERLY CAPITALIZED, GOODWILL INDUSTRIES CAN CONTINUE TO BE AN EFFECTIVE PARTNER FOR THE FUTURE

AS GOODWILL'S CURRENT "MOTTO" STATES

OUR BUSINESS WORKS SO PEOPLE CAN!

MR CHAIRMAN, MEMBERS OF THE COMMITTEE, ON BEHALF OF SENATOR COOK, THE BOARD OF DIRECTORS OF THE GOODWILLS IN FLORIDA AND LOUISIANA, I THANK YOU FOR YOUR INTEREST AND ENTHUSIASM.

WE ARE ESPECIALLY GRATEFUL FOR THE SUPPORT THIS INITIATIVE HAS RECEIVED FROM SENATORS BREAUX, JOHNSTON, MACK AND GRAHAM AND CONGRESSMEN MILLER AND HAYES AND THEIR STAFFS.

FURTHER, WE HAVE EXTENDED AN INVITATION TO SECRETARY REICH OF THE DEPARTMENT OF LABOR TO COME FOR A TOUR AND A REQUEST TO SEN. KASSEBAUM'S LABOR COMMITTEE TO TESTIFY.

WE STAND READY TO ANSWER ANY AND ALL QUESTIONS YOU MIGHT HAVE AND TO BE GUIDED BY YOUR COUNSEL AS TO POSSIBLE APPROACHES TO THE DEPARTMENTS OF LABOR, HHS, OR OTHER APPROPRIATE SOURCES.

Washington Post

Week of March 20-26

Welfare Didn't Do It

Listening to the current band of welfare reformers, you might think welfare is a threat our whole way of life. Clay Shaw, chairman of the House welfare subcommittee, calls it the last plantation. William Bennett says it's the most pernicious government program of the past quarter-century. Even a liberal like Health and Human Services Secretary Donna Shalala calls it "a national tragedy." But is welfare really the problem?

Consider the black community, for instance. Many people blame welfare for spawning the crime, drugs and illegitimacy that have overtaken the nation's black ghettos over the past 15 years. And it's true that black child poverty is worsened, going from 40.6 percent in 1973 to 45.9 percent in 1993. The black family is weaker—56 percent of black households were headed by women in 1993, compared with 40 percent in 1973. The out-of-wedlock birth ratio has gone from 46 percent in 1973 to 68 percent in 1992.

But guess what? Black welfare dependency has declined. Though 37.3 percent of black families were on welfare in 1973, the figure dropped to 32.7 percent by 1993. And this understates the real decline, since the economy was recovering from a recession in 1993. In 1988, a year more like 1973, the black welfare rate was 29.8 percent, a fifth lower than in 1973. If welfare is the cause of everything going wrong in black America, how come black welfare dependency has been declining while everything else (crime, drugs, illegitimacy) is getting worse?

And who is it that we are trying to reach when we reform welfare anyway? The answer, of course, is women, who head up 95 percent of welfare families, and who will, under the con-

gressional reform plans, have to go to work. The men, by contrast, get little attention. Yet, as James Q. Wilson noted recently, "it is fathers whose behavior we most want to change." They're the ones dealing drugs and terrorizing urban neighborhoods. Most Americans would be happy to let poor mothers stay at home with their children if the fathers were out there doing something constructive with their time.

Many of them aren't, however. In just the past 10 years, the black male incarceration rate has doubled. According to a recent study, 23 percent of all black males aged 20 to 29 are in prison, on probation or on parole. In Washington, D.C., it is estimated that 70 percent of all black men will have been arrested and served time in jail at least once before reaching the age of 35. Yet our welfare reform efforts continue to ignore the fathers, even though they represent a much greater threat to society, and they're the ones for whom things are getting worse. At a minimum, we should find a way to include them in the work program coming as part of welfare reform.

Fortunately, we are told, there's light at the end of the tunnel. We're going to end welfare as we know it, says President Clinton. End welfare, period, say the Republicans. This kind of talk may go over big with a frustrated electorate, but there's really little grounds for believing it.

Many welfare mothers are in poor health or are addicted to alcohol or drugs. Most score quite low on tests of functional literacy, so they will have trouble finding jobs or keeping the ones they do find. That doesn't mean we should give up on them, but we do need to be realistic. We can train welfare recipients and

The fact is we don't have a lot of brilliant new ideas on how to fix welfare. . . . Most important, no one knows how to reduce out-of-wedlock births.

require them to work (which we should), but unless we're prepared to put them out in the street (which we aren't), many will still end up relying on government help in one form or another.

The fact is we don't have a lot of brilliant new ideas on how to fix welfare. No one knows how to educate and train the sons and daughters of dysfunctional families. No one knows how to raise wages for those with few skills. And most important, no one knows how to reduce out-of-wedlock births. For example, House Republicans argue that cutting off all benefits will teach poor women to stop having babies. But last month, three eminent conservatives (William Bennett, Glenn Loury of Boston University and James Q. Wilson of UCLA) told the Ways and Means Committee that there's little reason to believe that, either.

None of this seems to matter much to the current Republican reformers. Not only will they reform welfare, but at no cost to the taxpayer. Indeed, says Michigan Gov. John Engler, "reform must save money." That would be some accomplishment, since day care and

transportation are expensive, as is providing public jobs for those who can't find private employment. No problem, say Engler and Gov. Tommy Thompson of Wisconsin. Just give us the federal dollars with no strings attached, and we'll increase efficiency so much that there will be more than enough money.

This is silly. It's true that if the federal requirements were lifted, some of the inconsistencies between welfare, food stamps and Medicaid could be eliminated, saving some money. Moreover, states could realize some additional savings by dropping the currently required audits aimed at detecting errors (they'd be crazy to do it). But that's peanuts. Recently a group of state welfare directors was asked how much they could save if federal regulations were eliminated. Their estimate: 5 percent.

If anything useful is to be salvaged from the current welfare reform effort, we'll have to address the subject with a little more honesty and humility. The existing welfare system is not responsible for all our ills, and reforming it won't solve all our problems.

That doesn't mean we shouldn't try, though. The place to start is the proposal made last year by President Clinton, which was really an expansion of the Family Support Act passed by Congress in 1988. But let's understand that reform will cost money and that its benefits will be modest. That may lack the drama of the current reformers' call to action, but it's the truth.

The writer is a legislative assistant to Democratic Sen. Daniel Patrick Moynihan of New York.

THE WHITE HOUSE
WASHINGTON

April 11, 1995

Kerry Kirschner
The Argus Foundation
Post Office Box 49361
Sarasota, Florida 34230

Dear Kerry:

Thanks for your letter of April 4 and for sending the article from the Herald-Tribune about Laura Tyson's recent visit to Sarasota and her appearance on your television show. I'm glad her trip was successful.

Thanks, too, for letting me know about the welfare-to-work program and for sending the material about it. I look forward to having a chance to read through it and appreciate your recommendation of it.

I hope to see you before long.

Sincerely,

Bill Clinton

THE WHITE HOUSE
WASHINGTON

April 11, 1995

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Post Office Box 49361
Sarasota, Florida 34230

Dear Kerry:

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Bill Clinton

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Report to the Ranking Minority Member,
Committee on Finance, U.S. Senate

May 1995

WELFARE TO WORK

Participants' Characteristics and Services Provided in JOBS





LINKING WELFARE TO WORK

December 15, 1993

Agenda

- 1:30 **Welcome and Introductions**
Douglas Besharov, AEI
Bruce Reed, Deputy Assistant to the President for Domestic Policy
- 1:45 **The Politics of Welfare Reform**
Ben Wattenberg, Senior Fellow, AEI
- 2:00 **The Size of the Potential Caseflow**
The Dynamics of a Two-Year Time Limit
Sharon Long, Senior Research Associate, Urban Institute
Potential Exemptions
Nick Zill, Vice Pres., Westat
- 2:45 **Pricing Welfare Reform**
Estimating Training and CWEP-like Expenses
John Tapogna, Analyst, Congressional Budget Office
Providing Child Care
Julie Isaacs, Analyst, Congressional Budget Office; and Stuart Kerachsky, Vice Pres., MPR
- 3:45 **Break**
- 4:00 **Behavioral Responses**
The Effect of a High-Performance Job System
Judith Gueron, Pres., MDRC
The Effect of Guaranteed Job Training on Welfare Spells and Earnings
Michael Wiseman, Prof., Univ. of Wisconsin
The Long-Range Effect of a Work Requirement on Present and Potential Recipients
Christopher Jencks, Prof., Northwestern Univ.
- 5:00 **CWEP**
Implementation and Impact
Thomas Brock, Senior Research Associate, MDRC
New York City's Experience
William Grinker, Former Comm., NYC Human Resources Administration
Expanding the District's Program,
Shari Curtis, Chief, D.C. Bureau of Employment and Training

- 6:00 **Cocktails**
- 6:30 **Dinner**
 Lessons from the Carter Welfare Reform Effort
 Jodie Allen, Editor, "Outlook," Washington Post; and
 David Whitman, Senior Editor, U.S. News & World Report,
 co-author, The President as Policymaker: Jimmy Carter and
 Welfare Reform
- 7:30 **Community Service Jobs**
 Moving to Scale
 Charles Metcalf, Pres., MPR
 What Kind of Jobs?
 Rob McGarragh, Director for Public Policy, AFSCME
- 8:30 **Work Supp**
 The Oregon Proposal
 Kevin Concannon, Pres., APWA Bd. of Directors
 Guidelines from Past Experience
 Rob Hollister, Prof. of Econ., Swarthmore College
- 9:30 **Adjourn**

December 7, 1993



**CONSULTATION
ON
LINKING WELFARE TO WORK**

December 15, 1993
1:30 p.m. to 9:30 p.m.

Confirmed Attendees

Government

Roger Altman
Deputy Secretary
Department of the Treasury

Jo Anne Barnhart
Professional Staff Member
Senate Committee on Governmental
Affairs

Yvette Chocolaad
Professional Assistant
Subcommittee on Human Resources
House Committee on Ways and
Means

David Ellwood
Assistant Secretary for Planning and
Evaluation
Department of Health and Human
Services

William Galston
Deputy Assistant to the President for
Domestic Policy

Ron Haskins
Minority Human Resources Counsel
House Committee on Ways and
Means

Rich Hobbie
Staff Director
Subcommittee on Human Resources
House Committee on Ways and
Means

Margaret Malone
Professional Staff, Social Welfare
Senate Committee on Finance

Paul Offner
Chief Health and Welfare Counselor
Senate Committee on Finance

Wendell Primus
Deputy Assistant Secretary for
Human Services Policy
Department of Health and Human
Services

Bruce Reed
Deputy Assistant to the President for
Domestic Policy

*Robert Reischauer
Director
Congressional Budget Office

Isabel Sawhill
Associate Director, Human Resources
Office of Management and Budget

Joseph Stiglitz
Member
Council of Economic Advisors

Amy Tucci
Professional Assistant
Minority Staff
House Committee on Ways and
Means

Speakers

Jodie Allen
Editor

Outlook Section
The Washington Post

Thomas Brock
Research Associate
Manpower Demonstration

Kevin Concannon
President, Board of Directors
American Public Welfare Association
Director
Oregon Department of Human
Resources

Shari Curtis
Chief
D.C. Bureau of Training and
Employment

William Grinker
Former Administrator/Commissioner
New York City Human Resources
Administration

Judith Gueron
President
Manpower Demonstration Research
Corporation

Robinson Hollister
Professor of Economics
Swarthmore College

Julie Isaacs
Analyst
Congressional Budget Office

Christopher Jencks
Professor
Center for Urban Affairs and Policy
Research
Northwestern University

Stuart Kerachsky
Vice President
Mathematica Policy Research, Inc.

Sharon Long
Senior Research Associate
Urban Institute

Rob McGarrah
Director for Public Policy
AFSCME

Charles Metcalf
President
Mathematica Policy Research

John Tapogna
Analyst
Congressional Budget Office

Ben Wattenberg
Senior Fellow
The American Enterprise Institute

David Whitman
Senior Editor
U.S. News and World Report

Michael Wiseman
Professor
LaFollette Institute
University of Wisconsin

Nicholas Zill, Ph.D.
Vice President and Study Area
Director
Westat, Inc.

Participants/Observers

Henry Aaron
Director of Economic Studies
Brookings Institution

Norman Atkins
Robin Hood Foundation

Harold Beebout
Senior Vice President
Mathematica Policy Research

Velma Burke
Specialist in Income Maintenance
Congressional Research Service

Robert Embry
President
Abell Foundation

*Amitai Etzioni
Editor
The Responsive Community

Joel Getzendanner
Vice President of Programs
Joyce Foundation

Lyn Hogan
Social Policy Analyst
Progressive Policy Institute

Mickey Kaus
Senior Editor
The New Republic

Julia Lopez
Director of Equal Opportunity
Rockefeller Foundation

*Van Ooms
Senior Vice President and Director of
Research
Committee for Economic Development

William Schambra
Senior Program Officer
Bradley Foundation

Herbert Stein
Senior Fellow
American Enterprise Institute

Moderator

Douglas Besharov
Resident Scholar
American Enterprise Institute

AEI Staff

Karen Gardiner
Lisa Laumann
Kelly Swanson

*Pending
12/7/93

AMERICA WORKS

DATE: _____

TO: BRUCE REED

COMPANY: THE WHITE HOUSE

FAX #: 202 456-7028

FROM: PETER COVE

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

OUR FAX #: (212) 244-5628

MESSAGE: BRUCE - THANKS FOR THE
COMMENTS IN THE AP ARTICLE LAST WEEK.
HERE IS A PRE-PUBLICATION PIECE ON US
THAT WILL APPEAR IN CITY JOURNAL NEXT
MONTH. IT WILL GIVE YOU FURTHER
AMMUNITION AS THE WELFARE ESTABLISHMENT
FIGHTS ITS DEMISE. BEST, Peter

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

NUMBER OF PAGES: _____ (INCLUDING THIS COVER SHEET)

WELFARE-TO-WORK: JUST THE FACTS

Jan Rosenberg

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

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

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

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

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

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

City Journal
The Manhattan Institute

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

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

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

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

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

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

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

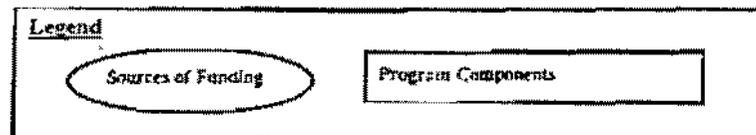
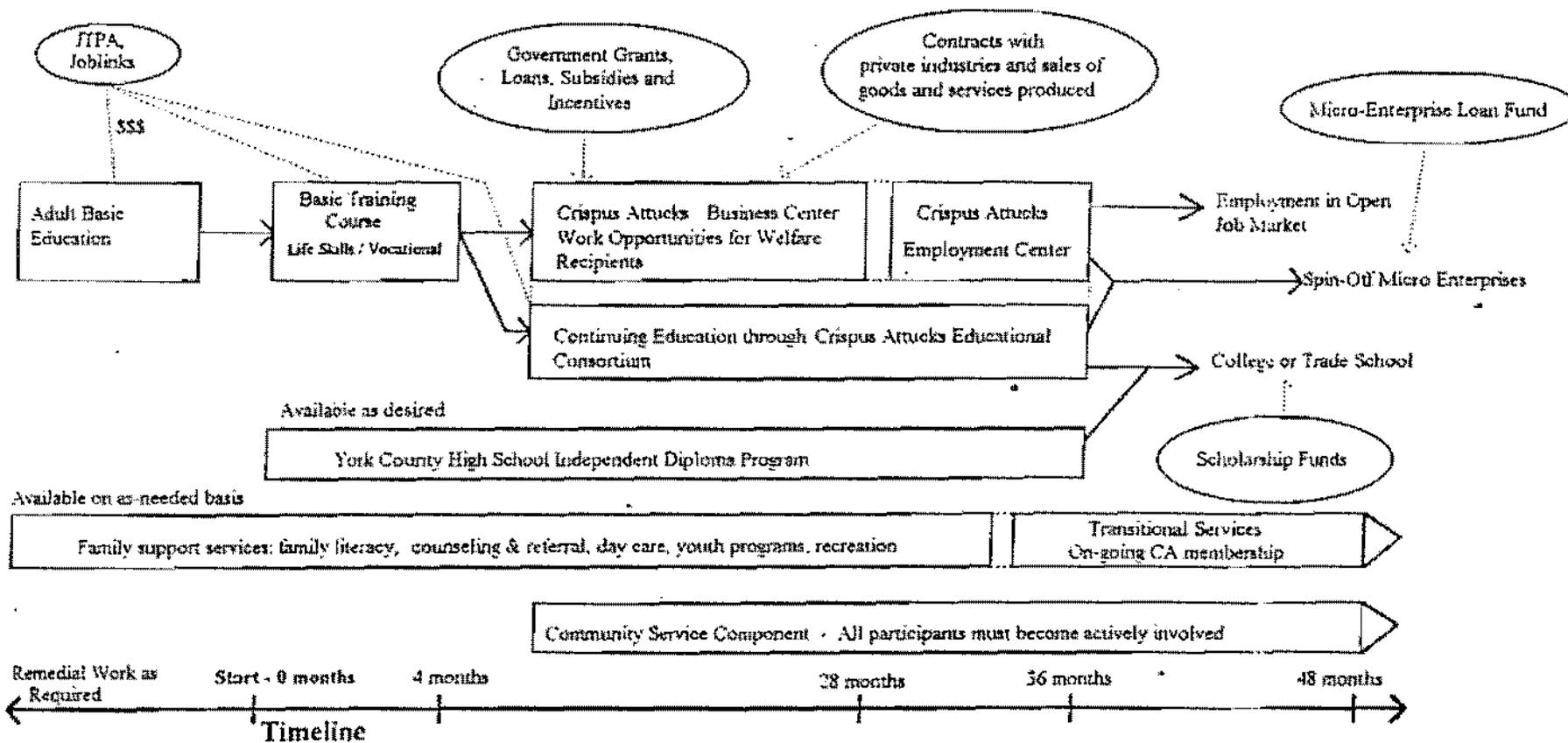
• *It costs too much to place a client through America Works.* Indeed, because the firm is paid from several different, unconnected sources—tax credits, diverted welfare grants, corporate wages for those in supported work, and the fee paid by the government entity with which it contracts—it is difficult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

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

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

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

Proposed "Welfare-to-Work" System Crispus Attucks Community Development Corporation



Proposed Welfare to Work System Crispus Attucks Community Development Corporation

Mission Statement

To provide a comprehensive education, training and work experience system for individuals currently on welfare and to provide those individuals with a framework for lifelong success and ongoing support through membership in Crispus Attucks Association.

System Design Principles

- A place to start for everyone
- Facilitates shift of mind from welfare mentality to self sufficiency
- Provides resources to facilitate self-help
- Three acceptable outcomes - Employment, Business Spin-off, Higher Education
- Develops individual commitment to lifelong learning
- Develops individual commitment to community service

System Components

- Educational Component (Educational Consortium)
 - Business Component (Business Advisory Group)
 - Support Services Component (Existing CA Staff)
 - Community Service Component (Existing CA Staff)
-

June 2, 1993

Dear Colleague:

Here is the most recent publication from the Family Income Study:

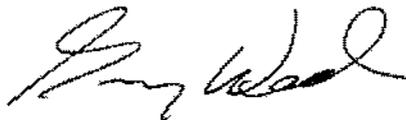
Pathways to Employment reports on the factors that *increased* the likelihood of employment for women on public assistance, such as enrollment in vocational education or training; and factors that *decreased* the likelihood of employment, such as having a toddler or infant in the household.

The Family Income Study has reported on the importance of paid work experience for leaving and staying off public assistance, and we hope this new report will be useful to you in understanding the factors associated with employment. If you have any questions about this research, please call us at (206) 866-6000, extension 6380.

Sincerely,



Carol Webster
Project Manager



Greg Weeks
Research Director

Enclosure



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Washington State
Institute for
Public Policy

PATHWAYS TO EMPLOYMENT

***Carol Webster
Shilin Hu
and
Gregory Weeks***

May 1993

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A Welfare-to-Work Partnership

Building An Innovative Partnership

Olive-Harvey College
of the City Colleges of Chicago
and
Community Based Organizations

March 1993

Brunel
FYI
my Law School
Study courses here
Plus director here. If your
use community report pls include
her.
LH

CHICAGO COMMONS
WEST HUMBOLDT
EMPLOYMENT TRAINING CENTER (ETC)
DEMONSTRATION LITERACY LABORATORY:

A Model Welfare-to-Work Program

A Preliminary Report

February 1993

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(312) 772-0900

FOR RELEASE:
March 8, 1993

NEW CHICAGO STUDY IDENTIFIED CRITICAL NEEDS OF
WELFARE-TO-WORK PROGRAMS

Findings Could Direct President Clinton's Welfare Reform Policy

CHICAGO, March 8, 1993--General support is offered for President Clinton's welfare reform policy in a report released today on findings from a welfare-to-work program in Chicago.

The 28-page report demonstrates three issues critical to the development of a welfare-to-work program: improving literacy skills; attaining high school diploma or GED certification; and dealing with personal and social problems.

Chicago Commons Employment Training Center (ETC), a not-for-profit organization providing comprehensive job-training and day care services on Chicago's West side, and the Illinois Department of Public Aid are jointly issuing the report, which tracked the first 18 months of ETC's ongoing program.

Need to Improve Literacy Skills

The first problem uncovered by the report is that the majority of public aid participants cannot gain entrance to job training programs unless they significantly improve their literacy skills. In ETC's program, the average reading score among English-speaking participants is at the seventh-grade level, with 37 percent at the sixth grade reading level or below.

- more -

Add One/Welfare-to-Work

Most job training programs and the City Colleges vocational training programs require a reading level in the range of eighth to tenth grade.

Two-year welfare deadline is not feasible

The second finding is that many participants cannot meet Clinton's proposed two-year deadline for welfare receipt. Because a GED is required for entry into most job training programs and for most jobs paying adequate wages and benefits, participants without a high school diploma must spend at least 12 to 18 months preparing for the GED examination. Eighty-five percent of new ETC participants do not have their high school degree or GED certification. Of the 15 percent who do, most don't score high enough on their preliminary reading test to qualify for other job training programs or jobs.

Social Problems Hamper Entry

The third issue arises when participants increase their skills and are admitted to traditional training programs. Educational programs offered by community colleges often cannot deal with numerous social problems--such as domestic violence, incest history, alcohol and drug abuse and severe medical problems--presented by public aid participants. Therefore, the report suggests these programs are unlikely to result in welfare participants entering the labor market.

*Chicago Common's West Humboldt Park ETC Program emphasizes comprehensive services to the whole family, and is an exciting

Add Two/Welfare-to-Work

concept that is surely needed," said Joseph Antolin, deputy director, Illinois Department of Public Aid. "The report released today indicates that this approach works with a large segment of the 'hard-to-serve' welfare population. The Department of Public Aid strongly supports this 'family-centered' approach to help families become self-sufficient."

Jody Raphael, ETC director, says that the report supports the ETC's experience that moving people off public aid and into the workforce is possible when key obstacles are overcome. The ETC has already provided services to more than 250 participants in its first 18 months of operation, and attracts more people than it can assist.

"One of the largest obstacles facing comprehensive service programs like ETC, is that funding is virtually non-existent," said Raphael. "Because of Illinois' financial situation, it has been impossible to obtain a line item for funding projects like ETC."

Raphael concedes that the process of moving off public aid is not an easy transition for participants.

"Forty percent of our participants are still on-site improving their literacy skills--but the welfare-to-work program is essential and we're proving that it can be done," says Raphael. "Nearly 20 percent of our participants have been placed in permanent jobs and nearly 10 percent have increased their skills to enroll in traditional job training programs."

#

Add Three/Welfare-to-Work

Note to the Editor: Chicago Commons ETC is a two-year-old program that offers services including: literacy, GED, and English-as-a-second language classes; on-site child care; case management to solve social and personal problems; general skills needed for employment; medical care; and assistance with job placement and tracking once in a job. ETC receives its funding from public and private institutions, including The Illinois Department of Public Aid, City Colleges of Chicago, the Secretary of State's Literacy Office, and several private funders.

The facility, which employs six full-time and five part-time employees, is located at 1633 N. Hamlin Avenue, Chicago. The telephone number is (312) 772-0900.

ACKNOWLEDGEMENTS

Chicago Commons is grateful for the support of the following funders who have made this demonstration project possible:

Aetna Foundation

Centel Foundation

Chicago Community Trust

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FelPro Mecklenberger Foundation

Illinois Department of Public Aid

Kraft General Foods

John D. and Catherine T. MacArthur Foundation

Robert R. McCormick Tribune Foundation

Secretary of State's Literacy Grant Program

United Way of Chicago

U.S. Department of Education Even Start Program

Washington Square Health Foundation

Woods Charitable Fund

REPORT SUMMARY

The Chicago Commons West Humboldt Employment Training Center (ETC) is a two-year old welfare-to-work program, providing comprehensive services at one site to low-income persons with low literacy levels. Services provided include:

- literacy, GED, and English-a-Second Language classes
- on-site child care
- case management to solve social and personal problems
- general skills needed for employment
- medical care
- assistance with job placement and tracking once in a job

ETC is a laboratory, demonstrating:

- the level of skills and problems presented by low-income persons with low basic skills; and
- the nature of the programmatic effort and length of time necessary to bring participants from welfare-to-work.

The Illinois department of Public Aid, City Colleges of Chicago, and the Secretary of State's Literacy Office have pooled resources with several private funders to make this demonstration program possible.

On its second anniversary, ETC is able to offer some preliminary conclusions to inform the public policy debate about welfare reform.

With 37% of all English-speaking participants reading at 6th grade and below upon entry and an additional 30% between 6th and 9th grade, the majority cannot gain entrance to job training programs without significant literacy skills enhancement.

With the GED required for most job training programs and for most jobs paying adequate wages and benefits, participants without a high school diploma must spend at least one year to a year-and-a half preparing for the GED examination. Thus many participants cannot meet a two-year deadline for welfare receipt.

Low basic skills are only part of the complex of problems presented by ETC participants. Domestic violence, incest history, alcohol and drug abuse and severe medical problems present formidable barriers for low-income individuals seeking to become self-sufficient. For this reason, purely educational programs offered by community colleges, which cannot deal with these personal and social problems, are unlikely to result in welfare participants entering the labor market.

ETC has been successful in moving substantial numbers of public aid participants into job training and employment, and has been able to retain a large percentage of participants on site in literacy classes.

Funding for comprehensive service programs like ETC is non-existent. Ten different funding sources, each with varying requirements and reporting methodologies, were necessary to build the ETC program. Enormous effort must be expended to secure and maintain these funding sources.

The Illinois General Assembly has not viewed Project Chance, the Illinois Department of Public Aid's welfare-to-work program, as an opportunity to build a more prepared work force for the state. It is imperative that policy makers understand that only comprehensive services will be successful with this population and that it is time now for the state to build a system with more adequate funding which can provide these needed services.

ETC ORGANIZATIONAL HISTORY AND PURPOSE OF THIS REPORT

In February 1991 Chicago Commons, a 98-year old social services organization, established a comprehensive welfare-to-work literacy center in the low-income West Humboldt Park neighborhood. (The West Humboldt Employment Training Center- "ETC.") Chicago Commons designed ETC to be a laboratory, a demonstration of the effectiveness of comprehensive services yearly to 150 new low-income persons with low basic skills and multiple personal and social problems.

The goal of these services is to enable participants to enter the labor market either through job training or employment; due to low skills and accompanying problems these adults are unable to qualify for job training or jobs in today's economy. Yet no services are generally available to this large group of people in Chicago.

ETC's program is designed around the people it serves and the problems they present. As a laboratory, ETC evolves and implements new program designs and curricula in a continuous state of development.

The majority of ETC participants are long-term welfare recipients. The ETC program was designed to provide a total protective package of services at one site as a home base to provide a safe harbor, during which time participants can prepare for the labor market by both improving their literacy skills and solving personal and social problems experienced by the family as a unit. Because of this complex of problems these participants are unable to use existing, conventional resources like City Colleges of Chicago literacy and GED programs or federally funded job training programs. ETC provides a sheltered workshop, a totally supportive atmosphere, to prepare participants to take the first step into the wider world.

ETC's goal is to demonstrate principles of effective programming with this population in the hope that these principles will be adopted by other program providers and that the learnings from ETC will be incorporated into public policy.

Some proponents of welfare reform advocate a two year limit for welfare receipt, during which time recipients would obtain the education and training needed for employment. ETC was designed to test the validity of this hypothesis. What problems and barriers must be overcome and within what time period can this be accomplished by a significant number of participants?

This report, with statistics from February, 1991 through August 1992, provides some preliminary answers to these basic questions. However, only over a longer period of time will it be possible to provide definite answers with a much larger service base.

THE ETC PROGRAM - ORGANIZING PRINCIPLES

Family Focus

ETC is a family literacy model. Chicago Commons believes that strong, healthy families and children's success in school are directly linked to parents' ability to succeed in the labor market. The ultimate goal thus is for program participants to obtain jobs that provide decent wages and health benefits that will keep them and their families off the welfare rolls.

At their time of entry most ETC participants' literacy skills are too low to enable them to gain admission to job training programs or obtain employment. As a result, they can only reach their employment goals by improving their literacy and math skills, obtaining their GED, or learning to speak English.

At the same time, ETC's focus is preventive in nature; the goal is also to prevent the illiteracy problem from being transferred to the next generation. This purpose is accomplished through 20 hours per week of child development activities for participants' children who are on-site at ETC in Head Start and day care classrooms. In addition, participants receive training in parenting and in serving as their child's first teacher. This organizing principle enables ETC to focus on the entire family.

Collaboration

Due to a shortage of resources it is essential to coordinate existing resources to organize a comprehensive project like ETC. The ETC project is a collaboration with several major organizations. They include:

City Colleges of Chicago. Through Daley College, City Colleges provides eight training specialists who work on site 16 hours per week providing literacy training to ETC's participants. City Colleges has allowed these teachers to help design and implement the innovative ETC curriculum, as well as use the small group model employed by ETC.

Erie Family Health Center. The center provides on-site health screening, health services, health case management, and health and nutrition education to ETC participants.

The Chicago Public Schools. Through the Orr School Network, an organization of the community's 11 elementary and one high school, eligible parents are recruited for the ETC program. The Illinois Department of Public Aid, one of ETC's funders, also refers participants.

The Head Start Program. (City of Chicago Department of Human Services). The City provides funding for two Head Start classrooms at the ETC site which enables ETC to offer on-site child care, making ETC services more accessible. Head Start also enables ETC to provide educational programming and child development services to participants' children in an attempt to prevent the transfer of illiteracy to the next generation.

Integration of Individualized Employment Goals with Literacy Instruction

Each ETC participant designs an employment plan which delineates his(her) ultimate job goal and the educational competencies which need to be achieved in a given time frame. Participants spend 20 hours a week five days per week at ETC, but they stay in on-site literacy components only until their literacy skills are at the level necessary to proceed to the next step in their employment plan. Eight City College instructors from Daley College work part-time along with ETC's literacy and ESL coordinators to provide literacy instruction. In addition, job skills components at ETC help participants develop employment-related skills. Internships on-site and at various area businesses are offered which help them gain important work experience and strengthen work-related skills; competencies gained include: ability to follow directions; ability to complete tasks in a timely manner; ability to complete work accurately; and ability to make good decisions and think critically.

Coordination with Needed Social Services: Case Management

Simultaneously with their literacy training, ETC enables participants to solve a range of personal and social problems which have hindered their progress in the past. These issues include alcohol and drug addiction, domestic violence, poor health and mental health, among others. Case managers are the critical program component which responds to these needs of ETC participants, linking participants with the wealth of social services opportunities present within and outside the community.

Case managers:

- facilitate the 80-hour Life Skills component which is the prerequisite for admission into ETC. During this component, a group process is used to assess participants and ready them to make the commitment to intensive skills remediation and personal problem-solving;
- design individualized employment plans with participants;
- obtain necessary off-site services, including domestic violence shelters, individual and family therapy, alcohol and drug treatment, etc;
- facilitate monthly support groups;

- help make arrangements for job training or further education for participants;
- assist in child care planning; and
- track participants for a two year period following employment to assist in problem-solving and job retention.

ETC's interventions are flexible. Each participant has distinctive needs which must be met and problems must be solved in the order which makes sense for the participant. Often these problems are those of other family members which are serving as barriers for the ETC participant. The case management component of ETC enables the combination of services in the proper order needed by the family to be provided.

Although intensive one-on-one case work does occur with each participant many times during participants' involvement with the program, resources do not permit ETC to provide one-on-one counseling and case management services to participants on more than a monthly basis. ETC is thus demonstrating the effectiveness of the more economical group work model.

Basic Support Services on Site

Medical Care

In addition to case management, ETC provides two additional support services on-site. Because poor health constitutes a serious barrier to making the transition from welfare to work, two part-time nurse-practitioners affiliated with Erie Family Health Center provide primary health care, preventive health care and health education, and medical case management to ensure that all participating adults and their family members are put on a course guaranteeing better physical health and development. Statistics are being kept so that eventually ETC can determine the relationship between program success and the presence of various health factors.

Child Care

ETC's on-site child care enables approximately 80 of the children of ETC's participants to obtain needed developmental programming. At the ETC site there are two Head Start classrooms (capacity 34 in the mornings) and one full day classroom funded by Title XX. (17 children.) In addition, ETC operates an Infant and Toddler Center (capacity 15) and a 3-5 year old classroom which contains 12-15 children ineligible for Head Start or for whom Head Start is not available due to Head Start's capacity enrollment.

In addition, ETC's on-site child care helps participants make the transition to using community-based child care opportunities.

PROGRAM STATISTICS

Since February 1991 and August 31, 1992 ETC has provided services to a total of 257 participants in seven groups of enrollees. This figure includes all enrollees who completed ETC's initial 80-hour Life Skills module, the prerequisite for literacy and job training enrollment.

- 65% of ETC's participants are public aid recipients
- 89.1% are females
- 10.9% are males

- 70.5% are Hispanic
- 24% are African-American
- 3.9% are White and
- 1.6% are other

- 63% are English-speaking
- 37% are Spanish-speaking only

- The average reading score of English-speaking ETC participants at entry is at the 7.2 grade level using the TABE test. Most job training programs and City Colleges vocational training programs require a reading level ranging from 8.0 - 10.0.

- 37% of all participants are reading at *6th grade and below* upon entry and an additional 30% range between 6-9th grade. Reading scores range from a low of 1.6 to a high of 12.9.

- The average math score at entry is 6.7. 36% of all participants score at 6th grade and below with an additional 52% between 6th and 9th grade. Math scores range from a low of .9 to a high of 10.9.

- ETC participants are evenly spread over various age ranges:
 - 20% are 21-25 years of age;
 - 21% are 26-30 years of age;
 - 24% are 31-35 years of age;
 - 17% are 36-40 years of age;
 - 12% are 41-45 years of age;
 - 4% are 46-50 years of age;
 - 1% are 51-55 years of age; and
 - 1% are 56-67 years of age.

- Of the participants who enrolled in calendar year 1991:

- 23% are working

- 8% are in job training

- 4% are looking for a job

- 27% are on-site working on their literacy skills

- 8% are off-site receiving support services (in a domestic violence shelter, on medical leave, etc.)

- 30% dropped out and did not continue with their education and employment plans. (This group does include many participants who have moved out of state or back to their country of origin.) Of the participants who enrolled in calendar year 1992 to date (January-August 31, 1992):

- 6% are working

- 5% are in job-training programs

- 65% are on-site working on their literacy skills

- 7% are receiving support services (in domestic violence shelter, etc.)

- 18% have dropped out.

- Of all the 257 participants who have enrolled since February 1991:

- 17% are working. Of these 41% were on Public Aid before they obtained employment.

- 7% are attending job training programs to which they gained admittance after they had raised their literacy levels. Of these, 89% are Public Aid recipients.

- 26% have dropped out. 50% of these drop-outs are welfare recipients. 42% of the drop-outs are English-As-A-Second Language students.

- 2% are looking for a job.

- 8% are receiving support services.

- 40% are still on-site.

FINDINGS

- Participants with low basic skills need nine months to a year to raise these skills to enable them to enter job training programs or be ready to enter a GED class. With scores at the lower end of the spectrum, the time required is even longer. Short-term training programs cannot remediate the problems presented by participants with literacy skills at 6th grade or below. The majority of ETC's participants are initially not ready to enter federally funded job training programs or employment.
- Public aid participants do not perform any better or any worse than non-public aid participants in the ETC program, and in one instance (job training participation) they performed significantly better. In addition, their average reading and math scores are slightly higher than non-public aid participants. Nor is there a difference in the performance of public aid participants who are mandatorily referred to the ETC program by the Project Chance Program (IDPA's welfare-to-work program) as compared to those public aid participants who volunteer for ETC participation through ETC's own community recruitment activities. English-As-A-Second Language participants drop out a little less frequently than do native English speakers.
- Many ETC participants cannot manage to attend regularly enough to make a dent on improving their skill levels. Some are able to identify and solve personal and family problems while they are raising their literacy levels; others take longer to face their problems- the first step toward resolution- and the process takes longer. ETC's case managers monitor drop-outs and work to bring them back into the program. Many job training and welfare-to-work programs terminate participants who do not attend regularly and do not let them gain readmission. ETC takes a flexible approach to allow participants to undergo a developmental process in which their motivation and ability to follow through can improve. At the end of this process ETC participants are able to successfully complete job training programs or obtain and keep employment. Program statistics to-date confirm our optimism about this assertion.
- There is one common unifying thread among participants who drop out of the ETC program: age. Most of the participants who do not follow through on their employment plans are between the ages of 21 and 23, with the majority just at age 21. The ETC program does not appear to respond to the problems presented by this younger population.
- Once participants solve some basic problems and begin to raise their literacy levels, there is a tendency for them to seek employment, often without the aid of their case manager. Although this is a positive development, many ETC participants take this step before they are ready to take or have taken the GED exam; many of these participants will be stuck in low-paying, entry level jobs unless they ultimately obtain the GED. The need to work

also partially accounts for low numbers of individuals participating in job training programs. (The issue of job training participation is discussed in greater detail below.)

- Low basic skills are only part of the complex of problems presented by ETC participants. Literacy is not enough; literacy instruction doesn't "take" until personal domestic problems are faced. At this time in Illinois, public aid participants in the state's welfare-to-work program, Project Chance, are usually offered only an educational program at a community college, which does not begin to deal with these personal and social problems. Given the problems presented by ETC participants, it would appear unlikely that the majority of the 10,000 Project Chance participants in Cook County will be successful in entering the labor market.

In the process of dealing with participants ETC staff must constantly develop and refine the program to address personal and social problems and other barriers presented. In the next section we examine these barriers in greater depth.

FOUR BARRIERS TO THE WELFARE-TO-WORK TRANSITION

This section highlights the barriers which must be overcome before ETC participants can make progress along a continuum from welfare to work, and the implications of these issues for program design and public policy. These barriers have proven to be more complex than previously thought.

Barrier One: The family and the community environments present formidable barriers for low-income individuals seeking to become self-sufficient.

Family barriers: domestic violence, child abuse and neglect, incest history, and alcohol and drug abuse

FINDINGS

- When they enter the ETC program, 50-60% of all ETC participants are current victims of domestic violence. Almost 100% were teens when they gave birth to their first child. At least one third are adult survivors of incest. This early history of incest, especially when combined with current domestic violence, can cause depression, anxiety, panic attacks, amnesia, social withdrawal, phobias, insomnia, and alcohol and drug abuse. (These figures are not unusual. In the most sophisticated epidemiological survey conducted in the early 1980s by Diana Russell, one woman in four had been raped and one woman in three had been sexually abused in childhood. Other studies conclude that half of all women will experience some form of violence from their spouses during marriage.)

Staff find that women who have been injured by a parent who was supposed to love and protect them frequently lack the personal strength to overcome vicissitudes and live normal lives. All too often they repeat the pattern of victimization by seeking attachments with powerful authority figures who promise special care; the abuse they receive is accepted as the price of the special relationship.

- Domestic violence is often exacerbated when participants come to ETC and begin to plan for employment; the male in the participant's life often feels threatened by the prospect of the participant becoming more independent. This domestic violence keeps the participant in a low state of self-esteem and adversely affects the development of children in the household. Participants remain in these situations for many reasons, including fear, low self-esteem, and economic dependence upon the abuser, who most often assists the family with funds to pay the rent and buy shoes, clothing and toys for the children.

Even when the children have not themselves been physically abused, domestic violence has severe psychological effects on the children observed by the ETC child care staff, ranging from nervousness, anxiety, and depression to aggressive, disobedient or destructive behavior. All run the risk of school failure as a result of this traumatization.

These women must recover from trauma induced by domestic violence and incest. In the words of Dr. Judith Herman, Associate Clinical Professor of Psychiatry at Harvard Medical School and an expert in father-daughter incest, recovery occurs when the victim has restored a sense of efficacy and power, an ability to protect herself from danger and to develop relationships with persons she can trust. Lastly, recovery occurs when a sense of commonality can be created. Group solidarity dissolves feelings of isolation and shame, offering a degree of support and understanding unavailable anywhere else.

ETC's 80 hour Life Skills module, the pre-requisite for literacy classes, employs a group process which enables the healing commonality described by Professor Herman to develop. Employment planning, solving of personal problems, and acquisition of literacy skills are key ingredients to a participant's obtaining a sense of personal power and autonomy necessary for recovery and healing. ETC's comprehensive blend of services would appear to provide many of the key ingredients important to enable participants to overcome traumatic experiences and to avoid subsequent traumatization.

Not all ETC participants, however, can resolve their problems without resort to professional counseling and therapy, including family therapy. Several have even needed in-patient hospitalization and medication. Others are too depressed to make any progress, and for these, an SSI application is in order to provide financial support until the participant is able to function in a work or job training setting.

- Family factors are often the clue to understanding the participants' lack of work experience and dependence upon welfare.

Anna's mother abandoned her at the public aid office at the age of six and Anna spent the rest of her childhood in a group foster home. Unable to effectively cope with this loss, the loss of her brother she no longer saw, and the earlier abandonment of her father, Anna dropped out of high school. When she came to ETC Anna was living on welfare with her three children and using cocaine. The father of her children, who introduced her to drug use, is in prison out-of-state. Anna stopped using cocaine, began to make excellent progress in raising her reading and math skills, and was recently accepted into the job training program of her choice.

From the time she was four years old *Linda* had been sexually abused by her father, who continued this almost daily practice until Linda was able to reject his advances at age 15. When Linda's mother found out what was going on, she had a nervous breakdown and spent many years in a mental institution. Linda came to ETC when she was unable to find another job after being laid off from an office job she had held since high school graduation many years before. Linda's boyfriend did not support her decision to try to

return to work and became more and more physically and verbally abusive. When Linda raised her reading level at ETC from 7.6 to 9.8 and became accepted into a computer training program, he pulled a knife on her during a quarrel about her plans. Linda left with her three children and moved in with her aunt. For many months Linda refused to discuss her early experiences and blocked out even thinking about them, but eventually Linda shared her history as an incest victim with her case manager and fellow students. Coming to terms with her experience and learning how it has affected her ability to function, her life choices, and her decision-making abilities has removed a major barrier to normal functioning for Linda.

When *Maria* complained that she had been molested by one of her school teachers, her parents took her out of school because they felt embarrassed. Maria did not attend school after the fifth grade and went to work with her mother who cleaned houses for a living. When she came to the ETC program, Maria had three children and was living with an alcoholic man. By the end of ten months at ETC Maria had eliminated the intoxicated presence from her home, obtained individual counseling for one of her children, and raised her reading score to 8.2, a gain of over three grade levels.

HEALTH BARRIERS

FINDINGS

- Poor health of participants or their children can constitute a significant barrier to completion of training. Asthma appears in the ETC children's population at rates three times higher than normal (70%). With proper diagnosis and treatment, ETC's health center is able to prevent the onset of major asthma attacks and pneumonia which keep both children and parents out of school one week out of every month.
- Proper diagnosis and treatment of problems such as thyroid, poor vision, and high blood pressure have enabled many participants to begin to lead more normal lives and to be able to contemplate embarking on job training.
- Most ETC participants (approximately two-thirds) do not obtain preventive care like yearly PAP tests and mammograms which in the long term can save lives as well as medical costs. At ETC's health center they are educated about the need for this kind of health care and obtain the requisite screening. For very young children, immunizations are most often behind schedule; these too, can prevent serious problems from developing down the road.
- In fact, many ETC participants have not had positive experiences with health providers (usually Medicaid clinics), and as a result have not developed a level of trust which enables them to maintain their family's health status at an acceptable level. Lack of

access to regular, high quality health services and reliance on hospital emergency rooms has caused ETC's families not to rely upon their health practitioner (whom they do not fully trust) as a full partner in guaranteeing good family health. Nor are participants able to act as informed consumers of health care, asking the proper questions of their provider and obtaining the information they need to safeguard their family's health.

Nowhere is this fundamental lack of trust more apparent than in reactions to the issue of family planning. Although many ETC participants do not wish to have more children and understand that a constant increase in the size of their family will prevent them from being able to enter the work force, they do not trust the safety of birth control or contraceptive devices. Nor, until their contact with ETC, did they understand the need to protect themselves from AIDS transmission. ETC's education about safe sex practices may well save hundreds of lives, not to mention health costs to society in the future. However, the majority of the ETC participants who need to practice safe sex do not do so even after repeated exposure to information about sexually transmitted diseases like AIDS.

COMMUNITY BARRIERS

FINDINGS

- Family problems and community conditions drag ETC participants down, making it difficult for them to follow through on their employment plans. Many emotional problems experienced by ETC participants are directly related to oppressive situations which must be remedied. Some of these problems are not capable of easy resolution and require a greater community-wide response. ETC's case managers must help participants work through problems like these:

Sheila's 21 year old son developed schizophrenia and after being hospitalized for 30 days was released home to her care. After she and her younger children put up with many months of verbal and physical abuse, Sheila and her ETC case manager were able to find a nursing home placement for Sheila's son. Coming to terms with this situation and resolving the immediate problem was necessary before Sheila could begin to concentrate upon her preparations for the GED exam.

Cynthia's mother, who was babysitting for her three grandchildren while Cynthia attended a job training program, had a nervous breakdown and was hospitalized. Having lost her baby sitter, Cynthia spent many hours at the hospital with her mother. Unable to cope, she quit a computer job training program three weeks before graduation.

Ramona's young son was hit by a car and dragged several blocks. He spent months in the hospital, recovering from massive physical and psychological wounds.

Elena's son was seriously injured in a drive-by shooting incident.

Monica and her husband, witnesses to a crime in the community, were placed in a Witness Protection Program, necessitating a physical move, which terminated *Monica's* participation in the ETC program.

Wanda's 40-year old mother abused alcohol to the extent that she had to be taken constantly to the hospital emergency room by *Wanda*. With the help of her case manager, *Wanda's* mother entered a detox program and a follow-up out-patient treatment program.

Gloria was ready to quit the ETC program when her teen daughter became pregnant and her slightly older daughter was being physically abused by that daughter's boy friend. The last straw occurred when her daughter defended the actions of her boy friend, who then threatened *Gloria* herself.

Participants see little hope of change for themselves. When events like these occur, they serve to snuff out what little hope and determination have been developed. Guilt and depression set in; participants give up and drop out. By working closely with participants and tracking them, case managers are able to draw most participants back into the program.

Barrier Two:	Negative attitudes toward use of day care and the absence of licensed, affordable day care in the community affect ETC participants' abilities to participate in full-time job training programs or employment.
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FINDINGS

Child care attitudes

- Many ETC participants categorically state they are unwilling to leave their children with neighborhood baby sitters due to their fears for the children's safety. As a result, ETC's on-site child care program makes literacy and job training services accessible for the first time.

Negative attitudes about child care are the result of mechanisms developed by West Humboldt Park community members to cope with community violence and neighborhood alcohol and drug abuse. Because of this violence, parents do not trust anyone to provide for the safety of their children. This coping mechanism prevents employment by keeping mothers at home until their children are fully grown.

- Participants become convinced to use community-based care, based on their positive experiences at ETC's child care center; they observe the educational, developmental and social progress made by their children when they attend ETC's on-site Head Start and child care programs and come to understand that their own coping mechanisms impede their children's normal development.
- When the public schools are closed during July and August many ETC participants experience temporary child care problems and are unable to continue their literacy instruction during these months or enroll in job training programs, many of which unfortunately begin in July. (Many of these programs do not have a second enrollment until January).

This summer ETC's case managers launched a major campaign to persuade parents to enroll their school-age children in two low-cost summer day camp programs to enable the children to experience summer camp and the parents to continue or complete their education. Sixty parents enrolled their children for the first time ever in summer day camp as a result.

Child care availability

- Once participants are ready to leave the ETC site to attend job training (normally six to eight hours per day) or obtain employment, the lack of affordable day care in the community presents a serious barrier. As there is no child care center in the community, neighborhood baby sitters must be located; if the parent has school age children, the baby sitter must be situated near the elementary school and be able to pick up the child at the close of the school day at 2:20 p.m.

Head Start programs are not helpful in this regard, because they are only a half day in duration. Case managers are the key to resolving this problem; participants generally have no idea how to locate child care resources in or outside the community.

<p>Barrier Three: Extremely low literacy skills constitute a serious barrier to employment or participation in employment training.</p>
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With 37% of all English-speaking participants reading at 6th grade and below upon entry and an additional 30% between 6 and 9th grade, the majority of ETC's English-speaking and all ETC's Spanish-speaking participants cannot gain entrance into federally funded job training programs which require higher reading levels.

Low skills levels effectively prevent participants from obtaining work of any kind; most are unable to succeed filling out an application form or participating in an oral job interview. Unfortunately, it is not possible for these participants to obtain an infusion of skills even within a one or two year period. Reading, writing, vocabulary, and grammar acquisition (not to mention spelling) take years of cumulative skill-building. A large proportion of ETC's drop-outs

have basic skills which fall in the lowest grade levels. For these, three years of education will be required for the GED.

For this reason, the two year limit on welfare receipt proposed by some is unrealistic and would create a great deal of hardship. Nor would these participants be able to succeed at mandatory public sector employment, the often proposed alternative to education and training for welfare recipients. With their low basic skills and accompanying personal problems, these participants are not ready for employment of any kind.

FINDINGS

Retention

- It is necessary for ETC to retain participants long enough to make a fundamental difference in their literacy skills. To-date the numbers are encouraging. However, it is unreasonable to expect that most participants will stay the course for a three year period. Assuming that many participants will thus not be able to get their GED within a time frame of two years, it is necessary to build training opportunities or discover entry level jobs for participants once they have reached an acceptable literacy level. This is a difficult proposition, in that most job training programs require the GED as well as 8th or 10th grade reading levels. Many entry level jobs are now requiring the GED as well. Moving these participants from welfare-to-work may well require a commitment on the part of area employers to hire them without the GED if they have completed a minimum amount of literacy training.
- There are several important successful methods ETC has developed to increase long-term retention. One is to divide the literacy students into four levels, with movement possible from one level to the next, based upon completion of tasks as well as gains in competencies. In this way participants understand that they are progressing through a set curriculum guaranteeing progress. Tying all literacy instruction to an individualized employment goal and providing competency-based instruction (the more one puts in at one's own pace, the faster one achieves) are two additional design factors.
- Assigning literacy students to on and off-site internships one day each week allows participants to practice and use their literacy skills, graphically demonstrating the relationship of the literacy and math skills to successful completion of tasks in a real job setting. The prospect of an internship helps keep literacy participants engaged over a longer period of time. Successful participation in internships off-site increases participants' self-esteem and self-confidence, and improves attitudes towards work. In addition, successful completion of an internship gives participants some relevant work experience for their resume which may help them when they begin job-hunting. Area employers cooperate with ETC by offering these paid and unpaid internships.

- On their own many ETC participants do find and accept entry-level part-time employment (often in the afternoons, evenings or summers) after nine months to a year at ETC. For many this is the first job they have ever obtained; part-time employment appears for some to be the first step in the welfare-to-work process. Unfortunately, Public Aid recipients have little incentive to obtain part-time employment because their Public Aid check is reduced almost dollar for dollar after four months as a result of employment wages. Some do work and do not report this fact to their Public Aid case worker.

TABE test issues

- The test mandated by the Illinois State Board of Education to measure progress in literacy instruction and the test universally used by JTPA-funded job training programs and City Colleges of Chicago for admission is the Test of Adult Basic Education, known as the TABE. The TABE test has a reading comprehension section and a math section, including word problems. It also has an extensive vocabulary section, testing the meanings of words presented out of context. Even after many months of study, ETC participants are not able to score well on this vocabulary section, which contains multi-syllabic words of some sophistication. It takes years to build vocabulary that can be tested in abstract form.

A high score on the comprehension section will be offset by a low vocabulary score, lowering the total TABE grade level as a result. A high reading comprehension score means that a participant will be able to read materials used in job training or City Colleges course work, or on the job, because he/she is able to glean the meaning of what is being read, often figuring out the meaning of words in context. The GED examination does not test words out of context. Use of the TABE test as a gate keeper may permanently keep many low income persons, including minorities, from job training programs.

Test-taking skills

- Many ETC participants can raise their test scores by becoming more acquainted with the mechanics of timed test-taking. In answering multiple choice questions they need to learn the process of elimination as well as the ability to make an educated guess. They need practice in taking tests under the pressure of time and in dealing with the stress this engenders. For this reason, ETC participants take test-taking courses designed to improve their ability to demonstrate their capabilities on standardized test instruments.

Barrier Four: ETC participants have difficulty obtaining access to formal job training programs.

FINDINGS

- ETC's experience is that participants who possess a GED but do not have a work history have extreme difficulty in finding full-time employment with benefits. The recession has shrunk the number of new jobs available in Chicago's economy, and due to the large number of persons looking for work, employers with job openings are able to hire persons with a higher level of education and experience than that possessed by ETC participants, who have no sustained work experience and only general skills. Acquisition of a higher level of specialized skills through participation in job training programs is imperative.
- ETC has, however, very few participants in job training programs. The low numbers of ETC participants in job training programs at the date of this report reflects the fact that the vast majority of ETC participants must substantially raise their literacy levels or obtain the GED, a process which takes a year to two years at a minimum. However, there are three additional factors which present significant barriers to job training participation.

1. *Accessibility of City Colleges Programs*

City Colleges of Chicago provides a number of one and two year vocational training programs; the two year associate's degree also ensures good job possibilities. City Colleges courses are the prerequisite for a variety of careers, including child care. These programs cost approximately \$500 in tuition per semester, and without grants and loans they are not accessible to most ETC participants.

A large percentage of ETC's participants have in the past enrolled in for-profit trade or job training schools, as a result of television advertising or door-to-door solicitation. Some have completed the training and were never able to find jobs; others dropped out prior to completion, because they were not able to succeed in the training due to low basic skills. Because they obtained a Pell grant and a federally guaranteed loan in order to attend, these participants are in arrears and are obligated to repay these loans. As a result, they are ineligible at the present time for federal or state financial assistance and cannot enroll in City Colleges programs.

2. *Chicago's JTPA (federally funded) job training system- limited variety of free training*

The Mayor's Office of Employment and Training (MET) contracts with a variety of organizations to provide free job training services to low income Chicago residents using federal training dollars. MET, however, funds very little vocational classroom training, most

of it in the field of office technology. No training is offered in allied health fields, an area in which many ETC participants have a great deal of interest.

3. Lack of Access to MET JTPA-funded programs

Limited number of training cycles

Cuts in federal job training funds have limited the number of training cycles offered by MET-funded providers. As a result, there are often many more applicants than training slots. Participants must often wait six months to gain entry into a training program.

Support services greatly reduced

Training providers receive the bulk of their funding when they place a participant in a job and the job is retained for 90 days. For this reason, MET providers seek to accept applicants they most believe will successfully complete the training and be acceptable to area employers.

With reductions in federal JTPA funds, local training organizations have had their contracts cut in size. As a result, their ability to provide supportive services to participants with multiple problems decreases- the programs no longer have that much staff to do the job. This economic reality forces programs to carefully pick and choose applicants for acceptance.

Public aid participants, referred directly to training programs from Project Chance, have not had the opportunity to work out and solve family and social problems, and are not, as a result, able to succeed in a traditional job training program. Public Aid participants are the least desirable applicants for some job training providers. Public Aid participants who can succeed and are motivated to stay the course, and those who have attended pre-employment training programs like ETC's, can be denied entry as a result.

ETC's Public Aid participants, with their lack of work history and long-time welfare receipt, do not fit the profile sought after by many training providers. For all these reasons, ETC participants often experience difficulty in gaining entrance to MET-funded job training programs. Because they cannot afford City Colleges training programs, they are simply not able to attain the skills that they need to enter the work force.

Successful completion of vocational training

Some ETC participants have had difficulty performing adequately in vocational training programs because they have not developed the study skills, the ability to plan time for homework, and the ability to grasp and retain scientific or technical information. Many vocational training programs lack academic support services to assist students who fall within this category.

Programmatic Conclusions

Some of our findings dictate principles of effective programming, and others lead us to propose public policy changes.

Based on the ETC experience, to meet the needs of low-income persons with low basic skills, programs must deal with the issues of:

Assessment Programs must have the capacity to assess and sort participants. Some adults, based on mental health factors and other issues, may not be able to effectively participate in a literacy program at a given time. For example, they may need to apply for SSI until their mental or physical health has stabilized. Assessment is not a one time or "one-shot" operation; often it takes many weeks before the totality of factors becomes apparent. ETC's 80 hour Life Skills component allows ETC's case managers to get to know the participant, and, most importantly, view her (his) interacting in a group and classroom setting over a four week period. This assessment cannot be accomplished as effectively by the Illinois Department of Public Aid case worker or Project Chance worker because some participants will not share personal information about domestic violence or alcohol and drug usage for fear that their children will be taken from them.

Case Management Programs must have the capacity for case management. Case management is the key to resolving personal, family, and social issues which directly relate to the participants' ability to succeed in literacy and job training. Participants do not know of community resources and how to access them. This is particularly true in the area of child care and job training. In addition, by constantly interacting with participants as they proceed through the ETC program, case managers teach participants human relations skills necessary for job retention (i.e., how to relate to a group, how to relate to authority, how to deal with conflict, etc.)

Group Support Programs must have the ability to support participants in groups. Because of the nature and severity of personal and family problems experienced by participants, it is essential that they feel a sense of group support at all times. Many providers, including the community college system, have with the best of intentions tried not to identify and stigmatize public aid participants. ETC participants find great strength in participating with a group of persons, all of whom are trying to get off welfare. This approach obviously borrows from the 12 step method, developed by Alcoholics Anonymous and appears to be enormously effective, as well as economic and efficient. Healing occurs through helping others and through being part of a community of similarly situated persons.

Child Care

Programs must have the capacity to offer on-site child care. On-site child care is essential to introduce low-income parents to the use of community-based child care which they have in the past refused to use due to fears for the safety of their children. Project Chance participants obtain a child care stipend which goes a long way toward financing the costs of this on-site child care.

Family Literacy

Programs must have the capacity to provide family literacy training. The children of ETC participants have never participated with another group of children or been separated from their mother. Their self-esteem and social skills are poor, and without intervention, probable success in school is slim. The cycle of illiteracy will be repeated unless the children receive developmental programming and unless their parents are trained to develop their children's literacy skills through reading and other activities. The family literacy program model, which combines adult literacy, Head Start, and training for parents in serving as their child's first teacher, appears to be an enormously powerful one.

Internships

Programs must have the ability to combine classroom education with practical job-related experience. This approach appears to offer great promise for the swifter acquisition and retention of literacy skills and for program retention.

PUBLIC POLICY ISSUES

1. *Access of public aid participants to job training programs*

Because of unpaid student loans based on an earlier proprietary or trade school experience, many low-income persons cannot afford tuition and fees of City Colleges training programs (Approximately \$500 per semester.) which offer a variety of long-term vocational training courses in a classroom setting. One solution, which has been adopted in a few states, is to waive tuition for Project Chance participants (those on public aid participating in the state's official welfare-to-work or JOBS program.) Another is for Project Chance to pay this tuition. Currently Project Chance only pays up to \$300 for books and uniforms.

The newly passed amendments to the federal Higher Education Act provide relief by allowing persons in default to make six consecutive reasonable monthly payments on their debt, after which they may requalify for federal financial aid. Public assistance participants may have difficulty in making these payments. Although the Department of Education has yet to promulgate regulations defining "reasonable and affordable" monthly payments, the provisions have gone into effect. Unfortunately, Project Chance participants and literacy training providers may not know of these new provisions. A major educational campaign about the Higher Education Act Amendments of 1992 would be of great assistance at this time.

ETC participants experience difficulty in being accepted by federally-funded job training programs. A more formal study of the City's current JTPA-funded job training program needs to be made to determine the degree of access public aid recipients with poor work histories have to free job training programs. Admission policies of job training programs may be rational within the context of the JTPA cost reimbursement scheme, but appear to be out of sync with federal and state policies which are trying to encourage welfare recipients to work.

ETC participants need vocational classroom training which will lead to jobs. The JTPA-funded job training scheme in Chicago does not provide a great deal of classroom vocational training other than in the computer field, and as a result, low-income persons lack opportunities to acquire skills which will lead to employment in today's economy. The JTPA system in Chicago does not appear to meet the needs generated by the economy of the 90's and should be seriously studied and revamped.

ETC participants need largely unavailable academic support services to assist them in successfully completing job training courses, especially in technical or scientific areas.

2. *Incentives for Public Aid participants to work*

Federal regulations as well as the State's public assistance laws and regulations need to be revised to provide a stronger economic incentive for welfare recipients to find and accept part-time jobs. Part-time employment often appears to be the first step for a welfare participant in getting off welfare; the current welfare-to-work program, Project Chance, assumes that full-time employment is the all or nothing goal. Welfare recipients who work part-time do not end up much better off financially because the amount of their welfare check is reduced by most of their earnings after four months. The State has the authority to adopt a plan called "Fill the Gap Budgeting," which will provide a better financial incentive for employment; the Illinois Department of Public Aid is actively supporting legislation in this year's General Assembly which would remove these barriers to part-time employment.

3. *TABE test*

The TABE test, universally used as an admission test by job training programs, City Colleges of Chicago, and employers, tests vocabulary out of context, unlike the GED examination. It may be impossible to bring about enough vocabulary improvement within a year and a half period to enable participants entering literacy programs with extremely low basic skills to score high enough on the TABE test to gain admission to job training programs.

Use of the TABE test as an admission test may unfairly keep low-income persons, especially minorities and English-As-A-Second Language participants, from ever entering job training or community college certificate programs, even though they may be able to perform adequately in these programs.

4. *Funding needed for comprehensive services*

Although comprehensive services like those offered by the ETC program appear to offer great hope, there is currently no source of funds to operate programs like ETC or to replicate them. The cost of the ETC program per participant per year is not great: \$1,896.

STATE FUNDING

In FY' 91 and FY' 92 ETC received some funds from the Illinois Department of Public Aid's Project Chance, but these funds for contracting were totally cut by the Illinois General Assembly for FY' 93. The department has come up with approximately \$200,000 for funding of some programs in FY' 93. State funds need to be appropriated to provide comprehensive services to public aid recipients. These state funds are matched 60% up to a maximum of \$54 million by the federal government. Many federal funds are lost to Illinois because the state is not able to appropriate state dollars needed to match these federal funds; in FY' 91, the State of Illinois was able to obligate only 46% of its share of the total federal entitlement of \$54 million. All of these funds are currently used for caseworkers to administer the

program and for supportive services like child care and transportation; only \$200,000 was available for literacy or job training in FY '93.

Unfortunately, the State has been unable to adequately fund the Project Chance program. It is imperative that policy makers understand that only comprehensive, long-term services will be successful with this population, and that it is time now for the state to build a system which can provide these needed services.

FEDERAL FUNDING

One solution is for the federal government to waive the matching requirement to allow an infusion of federal funds to come into the state for this training effort. Legislation has been proposed in both the U.S. House and Senate providing additional federal dollars through a waiver of the matching requirement, but no action has occurred.

Federal adult education dollars are granted to the Illinois State Board of Education. The bulk of these funds are granted to the community college system to operate literacy, GED and English-As-A-Second Language classes. These stand-alone classes do not meet the needs of low-income persons with low skills and multiple social problems. In Chicago, City Colleges of Chicago could use some of these funds for case management services to build comprehensive programs for low-income persons with low basic skills and long history of welfare dependence. Although this programmatic decision would result in fewer people being served, it is likely that more participants would be retained and would continue long enough to bring about a permanent improvement in their basic skills.

We urge City Colleges of Chicago to adopt and implement the programmatic principles delineated in this report in order to better serve the needs of this population.

PRIVATE FUNDING

Many private foundations do not provide funding for literacy and job training programs, viewing the provision of these services as a governmental obligation or within the purview of community college systems. There is a role for private foundations to play. By providing resources to match public dollars they can create the public-private partnerships which may make the dream of comprehensive services a reality in Chicago and can continue to encourage public resources to be forthcoming.

5. *Funding for Community Improvement*

Funding for comprehensive, community-based literacy programs like ETC will not be enough to turn the tide. In any given community there is a need to simultaneously fund community-based efforts geared toward improving the community- to eliminating violence and substance abuse. The pathology of a low-income community prevents even individual progress; the environment continually drags individuals and families down. If community residents see that cooperative efforts can improve the community, if they see changes which are positive, their

own resolve to improve themselves and their families is strengthened. A community plagued with violence with no visible public or private intervention pulls down all its residents, keeping them in a perpetual state of isolation and low self- esteem.

Physical revitalization and safety efforts must thus go hand in hand with activities geared toward individual skill-building.

At the present time public funds do not exist to fund and support such community organizing efforts. Based upon the ETC experience, it is critical that the private funding community support the development of this kind of funding initiative.

In addition, other supportive services must be available in the community to support individuals who are attempting to enter the labor market. A community must have a full range of day care opportunities for working families as well as after-school recreational activities for children.