

WR - WORK

EXECUTIVE OFFICE OF THE PRESIDENT

25-Feb-1994 01:27pm

TO: Bruce N. Reed
FROM: Bonnie L. Deane
National Economic Council
SUBJECT: Child Care and WORK

Bruce here are some preliminary thoughts I have shared with OMB on daycare/WORK which Belle has dubbed the two birds (with one stone) proposal.

→ Why not combine Option 3 + 4?

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

25-Feb-1994 09:51am

TO: Isabel Sawhill
TO: Mark D. Menchik
TO: Paul R. Dimond
TO: Stacy L. Dean
TO: Lester D. Cash

FROM: Bonnie L. Deane
National Economic Council

SUBJECT: Two birds in the hand

Please review the following draft as an attempt to lay out the range of approaches to creating a mutual help system of daycare and employment that provides scorable savings.

Objectives: To allow welfare recipients to help one another toward self-sufficiency by encouraging arrangements in which some parents can choose to specialize in child care while others are freed up to work in other areas. At the same time, we want to improve the effectiveness of our investments in employment assistance and daycare availability by encouraging activities that support both goals at the same time.

Option 1) Incentives to states to set up programs which provide daycare and jobs for welfare recipients at the same time.

Pros -- Flexible, state choice.

Cons -- Difficult to score savings without knowing what states will do. May not create savings.

Option 2) Require that a certain percentage of federally funded daycare be used in centers which employ post-transitional moms or in home based daycare centers run by post-transitional moms. States would be responsible for ensuring that X% of the centers hired a reasonable number of post-transitional moms for a given level of federal funds (e.g. one per four children, or one per \$20,000 annual federal funds.).

Pros -- Could create a somewhat predictable level of post-transitional work slots for given levels of federal funds.

-- Allows states to use home-based or centralized child care. So long as a certain proportion of the arrangements result in a reasonable number of post transitional slots.

-- Does not restrict customer choice anymore than other federal contracting rules.

-- Is less rigid than a rule linking all federal daycare funding for the disadvantaged to hiring some welfare moms.

Cons -- How would you ensure that enough post-transitional moms were sufficiently trained or able to do child care? Would states want an exemption if they could argue that they had done such a good job before the time limit that only the "walking wounded" remained? Would a six month apprenticeship be enough to qualify many moms for jr daycare staff positions?

Option 3)

Require all JOBS programs to include a day care apprenticeship program for x% of second year JOBS participants as part of their basic participation requirements. This would involve moms taking their own child or children to a daycare program which provides mentoring. It could be justified as a combination parenting education and job skill course.

Also require all WORK programs to provide y% of their jobs in child care centers using grant diversion. Assuming the X% trained for daycare in JOBS is much greater than the y% in WORK, the supply of trained child care workers at the post transition stage would not be a problem in most cases. Those who received training, but did not end up in childcare jobs would presumably benefit as parents and have a skill to fall back on.

Require states which accept federal child care funds to negotiate agreements with centers (federal, state, or otherwise funded) to provide both the apprenticeships and the work slots. Could be headstart, ordinary child care, franchise home-based network, etc.

PROS -- Very flexible.[?] Has great externalities in terms of disseminating parenting skills. Also will increase the parent to child ratios in day care programs because of extensive apprentice arrangements. Disadvantaged children will benefit from having staff with more diverse socio-economic backgrounds.

-- Could lower the estimates for child care funding by \$X.

CONS -- Would create a disincentive for day care centers to train or hire welfare moms on their own since they can obtain fully subsidized trainees and employees. For example, why would any federally funded center consider hiring an apprentice before the time limit, when the center can get the same worker fully subsidized after the time limit? I don't think this problem is a show stopper--it is the natural consequence of trying to buy post-transition slots.

Option 4)

Require WORK programs to have self-sustaining daycare systems. They could set up new institutions or work with existing centers to create Child/Parent Resource Centers (See Bavier Model). Such programs would provide all the daycare for WORK program participants while providing some OJT and work activities to cover overflow of people between assignments. Like the FOCUS HOPE model, such a system would allow people to come back between jobs or to get extra hours of work once they had been

through the OJT program.

PROS -- Easy to communicate idea. Emphasizes the mutual help aspect of WORK program participants looking after one another's children. Would create highly flexible work slots. Clarifies the non-displacement issue.

-- Savings would come from the money allocated for WORK program daycare or the WORK slots dollars. Tremendous impact on the worst case, steady state which the public will want to estimate.

CONS -- Limits the ^{Big deal} choice of work program participants regarding the provider of their subsidized daycare. May segregate post-transitional children.

Center for Law and Social Policy

CLASP

WR-WORK

MEMORANDUMMARK H. GREENBERG
SENIOR STAFF ATTORNEY

TO: Mary Jo Bane, David Ellwood, ~~Bruce Reed~~

FROM: Mark Greenberg

DATE: February 24, 1994

RE: ~~Length of the WORK Program~~

The welfare reform planning process generally envisions that after a family has reached its AFDC two-year limit, the parent will become subject to the requirements of the WORK Program. I understand that one issue under discussion is whether a person's eligibility for the WORK Program should be time-limited, i.e., whether after some period of time, a person would cease to be eligible for any further WORK slots. The purpose of this memo is to set forth the argument for why, if AFDC is time-limited, eligibility for WORK should not be time-limited.

My basic point is that the Administration's guiding principle ought to be that government should never refuse to help a parent who wants to work to support her children. This does not necessarily mean the individual will receive a WORK slot; assistance might be provided during a period of job search, or in return for community service, or under some other terms. But, the overriding principle should be that if a parent is willing to work, the government is willing to help. If this principle is departed from in any way, it opens the door for those who want to depart from it more fundamentally and potentially runs the risk of unravelling the basic concept of the WORK Program. The rest of this memo explains why.

My primary points are that:

- The WORK Program should not be thought of as simply a mechanism to provide a work experience for individuals who have little or no work history; the other function of the program is to provide work when an unemployed parent cannot find a job and has exhausted all other alternatives. Over time, there will be a group of people who may need more than a brief period in the WORK Program, either due to economic downturns, or

because they have the greatest difficulty attaining employment in any economic circumstances. If they are willing to work, why deny them help? If they cannot get WORK assistance, what will happen to them and their children?

- It is quite possible that the number of WORK slots will be less than the number of people who need one. This will make it essential to have some kind of process by which a family can receive assistance while the parent is on the waiting list. For purposes of this waiting list, there is no reason to treat people who have previously had a WORK slot and still need help differently from those who have reached the AFDC two-year point and are still awaiting a slot.
- It is clearly essential to develop safeguards so that individuals do not stay in the WORK Program when they do not need to do so. But there are many ways to do that without denying access to those who qualify for and need help.
- If the program design of the Administration reflects a willingness to time-limit WORK, the discussion will quickly shift to what's the appropriate time limit. Here, all lines are arbitrary. Should WORK eligibility be 3 years? 2 Years? 6 Months? Should states have flexibility to offer no WORK Program at all? There is no principle on which the lines can be drawn. Time-limiting WORK invites others to seek to minimize or eliminate WORK altogether.

Some people may need access to the WORK Program for extended periods of time because they are unemployed and cannot find an unsubsidized job.

In thinking about whether WORK eligibility should be time-limited, the threshold question needs to be "What's the purpose of the WORK Program?" As I understand it, the underlying rationale for time-limited AFDC followed by WORK, is that AFDC ought to be available as a temporary safety net in times of crisis, and as a program that will provide temporary income support while a family is getting needed education and training. After that point has been reached, any further support from government ought to occur in return for work. Thus, the purpose of the WORK Program is to offer a means by which a parent can work to support her family when all other alternatives have been exhausted.

Besides providing a work opportunity for an unemployed parent, the WORK Program will also sometimes perform the function of providing a work experience for an individual who has little or no work history. However, states can, and often will, be providing such a work experience during the first two years of AFDC. Over time, it is reasonable to expect that many in the WORK Program will be there not because they do not know what work is, but rather because they cannot find any.

Who is likely to accumulate more than a few months of WORK participation? When unsubsidized jobs are available, WORK participants will have a strong economic incentive to take them. Any WORK participant who is able to perform satisfactorily will have a reference in seeking unsubsidized employment. WORK participants will be engaging in their own job search;

in addition, the state can always refer a WORK participant to identified unsubsidized jobs. Any WORK participant who refuses to accept unsubsidized employment without good cause can be punished for doing so. Accordingly, under these circumstances, who is likely to be in the WORK Program for more than a relatively brief period of time? It seems likely that they will fall into two categories:

- people who lose or cannot find jobs during times of economic downturn; and
- people who want to work but, for any number of reasons, are not able to find unsubsidized jobs even in the best of times.

In thinking about the "economic downturn" people, it is important to keep in mind that, depending on how any earn-back provision is written, the AFDC eligibility restrictions will apply for years or a lifetime. Suppose Ms. Smith receives AFDC in 1995 and 1996, participates in WORK in 1997, and then needs help in 1999 or 2000 or 2005. At that point, what should happen? The three options seem to be to let her return to AFDC, provide a WORK slot, or refuse to help her. Here, there's obviously a trade-off between the generosity of the AFDC earn-back rule and the need for WORK slots. But assuming Ms. Smith doesn't qualify for AFDC due to the AFDC time-limit, what's the policy reason for denying WORK assistance if she is undisputedly trying without success to find an unsubsidized job?

One might hope that Ms. Smith won't need WORK because she ought to qualify for unemployment insurance. However, there could be any number of legitimate reasons why she does not qualify for UI. For example, she might have left her last job because of serious illness, but resides in a state where a voluntary quit must be for reasons attributable to the employer. Or, she might have been married, been out of the paid labor force because she had a young child, and the marriage has just broken up. As these examples suggest, there will be cases where a person clearly has a good reason for not receiving UI, cannot find a job during an economic downturn, and needs help. If not WORK, then what?

The other group that could need significant WORK time are people who have the greatest difficulty attaining employment in even the best economic times. This will occur for a multitude of different reasons.

One major reason is likely to be a basic skills deficit. Previous research indicates that AFDC recipients are more likely to score lower in basic skills than other women. Child Trends found that 47% of AFDC mothers aged 22-30 in 1987 had Armed Forces Qualification Test scores in 1980 more than 1 standard deviation below the mean. Among those who had received AFDC for three of the last five years, 87% scored below the mean on the AFQT, and 56% scored more than one standard deviation below the mean. The average aptitude or achievement test score of welfare mothers was significantly below the mean of even the lowest occupational classes.¹ While we can hope that JOBS services can reduce some of this gap, the reality is that not everyone can be above average.

¹ Zill, Moore, Nord, and Stief, *Welfare Mothers as Potential Employees: A Statistical Profile Based on National Survey Data* (Child Trends, 1991).

A second factor that needs to be acknowledged is race. In December 1993, the unemployment rate for white women age 20 and over was 4.6%, while the comparable rate for black women was 9.6%. We should be willing to at least allow for the possibility that minority group members may sometimes have a more difficult time attaining employment than white people.

A third factor is the possibility of employment-restricting disabilities and incapacities. Child Trends found 20% of AFDC mothers described their health as fair or poor, as compared with 8% of all mothers. Analysis by Michelle Adler at ASPE found that 19% of AFDC mothers reported a functional disability; altogether 34.5% of AFDC mothers reported being either disabled themselves, or residing with a disabled child or other disabled adult.² Often, individuals will have physical or mental impairments which do not render them unemployable, but which may significantly restrict their employment opportunities.

There are an array of other reasons that might make an individual a less attractive employee - emotional difficulties, a criminal record, below-average social skills, limited English language skills, etc. The reality is that even in a 4% unemployment economy, 4 people out of every 100 are the least attractive potential employees for employers, and they may find it difficult or impossible to get hired. It is entirely possible that someone who is among the least attractive potential employees in 1995 will still be among the least attractive potential employees in 1999. But if she is unemployed in 1999, wants to work to support her family, and cannot find an unsubsidized job, why should government turn its back on her?

As these examples suggest, the broad point is that sometimes, people will need the WORK Program because they cannot otherwise find a job. It is entirely reasonable to establish whatever safeguards are needed to ensure that is in fact their status. But once it has been adequately established that they are unemployed and have no other viable alternatives, the only choices are to make assistance available through the WORK Program, allow for a return to AFDC, or allow families with children to face homelessness because they cannot find a job.

Given limited resources, it seems quite possible that there will be fewer WORK slots than people in need. That makes it essential to have some form of waiting list. However it is structured, there must be a means of providing assistance to those who are willing to work but who cannot find a job and are not allowed a WORK slot.

States administering WORK will be required to generate some number of WORK slots, which may or may not be sufficient to be available to everyone who reaches the AFDC time limit. Even if you firmly believe the number will be adequate, the Administration's proposed legislation will have to address the duties of a state if the number of WORK slots is not enough for all those who have reached their time limit.

Broadly, there seem to be two choices here: develop a waiting list structure, with some set of expectations in return for assistance while a family is on the waiting list; or, deny all assistance

² Adler, Disability Among Women on AFDC: An Issue Revisited

while a family's application for a WORK slot is pending. The second alternative seems profoundly arbitrary and harsh, and seriously inconsistent with the President's expressed vision for welfare reform. If State A has 1000 work slots, and they are all filled at the point Ms. Smith reaches her time limit, it is plainly not her fault that there is no available slot. Conceptually, denying aid because all WORK slots are occupied seems little different from a proposal to end all assistance at the two year point without a community service work structure -- for those not able to get a WORK slot, there would be no practical difference. This is clearly not the vision conveyed by the President. Accordingly, one is left with the first alternative -- some kind of waiting list structure.

There are obviously difficult design issues around the waiting list, since you presumably don't want the activities of those on the waiting list to be expensive or administratively challenging to states. However, there will have to be a specification of the waiting list concept in the proposed legislation. Moreover, some states may want to cut their costs by, e.g., proposing to provide reduced assistance to those on the waiting list. Again, this would have the effect of punishing families because of factors beyond their control -- the number of WORK slots, the number of other families in need, the magnitude of unemployment in the area. The concept of reduced or no aid simply because one is on the waiting list implies that a person on the waiting list is somehow at fault. But the key consideration to keep in mind is that those on the waiting list are playing by the rules - they would be willing to take WORK slots if such slots were available, but due to the state's limited capacity, the slots are not available.

For purposes of waiting list assistance and activities, those in a second or subsequent spell of needing WORK assistance should be treated no differently from those awaiting an initial WORK placement. In both cases, the individual has applied for a WORK slot, and met whatever test is established for the state to be satisfied of their availability and willingness to work. But if the individual is willing to work and no WORK slot is available, there must be some viable structure to assist the family while on the waiting list. This might be addressed by providing waiting list assistance through the WORK Program, through AFDC, or through some other entity, but it must be somewhere.

There are better ways to deal with potential abuses of the WORK Program than time-limiting slots.

I appreciate that an underlying concern is whether the WORK Program will be vulnerable to attack if WORK eligibility is not time-limited. Clearly, some opponents will assert that WORK slots are not "real" jobs and that individuals may be tempted to rely on them because they will be easier and less rigorous than unsubsidized work. Further, some opponents will surely contend that WORK will just be another form of dependency, that the government should

not guarantee anyone a job forever, and that WORK is creating a new entitlement which individuals might receive forever without ever having to get a "real" job.

Undoubtedly, all these charges and more will be made, and they will need to be answered. However, there are better answers than time-limiting eligibility, and time-limiting eligibility as a response runs the risk of seeming to acknowledge the correctness of the charges.

However big the WORK Program is, it will be a challenge to satisfy the public and policy-makers that the jobs are genuine, serious jobs, but this will be true whether WORK is or isn't time-limited. Suppose, for example, WORK eligibility is limited to three years. If someone asserts that the Program is pervaded by make-work, phoney jobs, it won't be a very effective answer to point out that an individual can only be in the program for three years. Even if eligibility is limited to six months, that's no answer to the charge that these are make-work positions. Ultimately, the answer here has to be development of processes to ensure WORK slot integrity, not time-limited eligibility.

There is the possibility that these will be less rigorous slots, and that someone who could be elsewhere will try to stay longer than she needs to. One answer (which I continue to dislike) is that since WORK slots don't qualify for the EIC, it is economically irrational for anyone to stay in a WORK slot longer than needed.³ Moreover, in any case where it is suspected that an individual could be working in an unsubsidized job, the remedy is fairly simple: place her in a structured job search, refer her to known unsubsidized jobs, and apply appropriate sanctions if she fails to accept one without good cause. Again, however, the claim that people will stay longer than they need to cannot be credibly answered by, e.g., asserting that overall eligibility is limited to three or five years.

You can address the dependency/entitlement issue by being clear that slots (as opposed to overall eligibility) are time-limited, and followed by job search periods. Moreover, if there are fewer slots than people in need, there will be some sort of waiting list structure so that an individual will never know how long the job search period might be before the next WORK slot opens up. The key to receiving assistance, however, would be a demonstrated willingness to work.

In short, time-limiting eligibility doesn't address the issue of abuse; it implicitly concedes the correctness of the criticism. A far better approach is to address the potential problems in program design and sequence.

³ I continue to strongly believe that an individual in a WORK slot should have their earnings treated the same way for purposes of the tax system and means-tested benefits as any other worker. Appropriate exiting from the WORK Program can be ensured by making individual WORK slots time-limited, followed by substantial job search periods before a new slot is made available. This fosters both fairness to individuals and the goal of reducing the poverty of those who work. Also, I understand that one rationale for denying the EIC is to ensure that an individual who can find an unsubsidized job will leave the WORK Program at the first possible moment. But the ability and willingness of employers to participate in WORK or provide constructive work experience may be sharply constrained if employers must always be fearful that the person being given work responsibilities today might be gone tomorrow.

While I would urge that the EIC be extended to WORK participants, I do appreciate that when it is not extended, there is a substantial income differential between those in and out of the WORK Program.

Allowing any time-limit on WORK eligibility runs the risk of blurring the difference between the Administration and those advocating a time limit on AFDC with no work opportunity after the time limit.

Suppose you decide to put forward a time-limit on WORK eligibility, e.g., five years. We already know that the House Republicans, in H.R. 3500, would give states an option to terminate assistance after three years in their work component. What's the argument for five years as opposed to three? If the implicit rationale of WORK is that everyone who learns the rules of work can find a job, then three years sounds just as reasonable as five. One year, or maybe even less, probably sounds equally reasonable. And, suppose a state comes along and says it will incorporate work experience into the two years of AFDC receipt, and doesn't want to run any program for people after the two years. What's the basis for turning that state down?

As these examples suggest, the only way to avoid the slippery slope is to emphasize that sometimes people need help because they cannot find a job, and to hold firm to the principle that if a parent wants to work, the government is willing to help. Again, that doesn't necessarily imply a WORK slot - it could mean providing assistance during a job search period, or in return for less formalized community volunteering, or some alternative. But it should mean that there is always some way that a parent who wants to work can receive help.

I understand that one possible approach for the Administration is to take the position that the issue of time-limits on WORK need not be decided yet, because it will be five years or more before anyone would really be affected. I do not think it is tenable to avoid the issue in this way once the bill is introduced. Surely, the House Republicans will seek to put forward their three-year option, or a more extreme version. At that point, the Administration will have to take a position. And, when one side is asserting that time-limits on WORK are essential to prevent a boondoggle, it will not be very persuasive for the Administration's response to be "we don't know that yet." The only effective response must be holding to the basic principle of helping those who

are willing to work, while emphasizing that in a world of time-limited AFDC, it is essential to develop a WORK Program with integrity.

Conclusion

I hope these comments are helpful to you.

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September 30, 1993

Honorable Bruce Read
Deputy Domestic Policy Advisor
1600 Pennsylvania Ave.
Washington, D.C. 20500

Re: The Neighborhood Watch Coalition

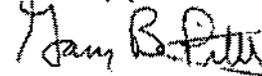
Dear Deputy Domestic Policy Advisor Read:

Please accept the enclosed copy of today's letter to the President and attached materials as a status report on this coalition.

On behalf of the many members and supporters of this coalition, I ask that you please consider supporting this coalition's goals within the councils of the administration.

Thank you for your devoted attention to duty and the well-being of our country.

Sincerely yours,



Gary B. Pitts

WR - work/what jobs?

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September 30, 1993

Honorable Bill Clinton
President of the United States
Washington, D.C. 20500

Re: The Neighborhood Watch Coalition

Dear Mr. President:

I write to you on behalf of the captioned coalition of 168 public officials, which includes 24 Governors, 38 Mayors, 76 Police Chiefs and Sheriffs, and 17 District Attorneys from 40 States and the District of Columbia. Since my July 31, 1993 letter to you, the attached letters from Governor Pete Wilson of California, Governor Jim Edgar's office of Illinois, Governor William Schaefer of Maryland, Governor Douglas Wilder of Virginia, and from Congressman William Zeliff of New Hampshire have been written. Sample newspaper editorials pro and con are also attached.

This national coalition of concerned public officials favors Federal government stimulation of nationwide neighborhood watch participation. The "neighborhood watch" concept means periodic instructional neighborhood meetings sponsored by local law enforcement agencies. Neighbors will meet each other and their local police and learn how to lawfully and best defend themselves, their families, their neighborhoods and assist the police. The objective is to build an effective partnership between the neighbors in a community with each other and their local police. This should be an essential part of the prevalent community policing strategy. The Federal government plans on funding 50,000 additional police at the cost of \$3.4 billion as part of the community policing strategy. But the additional police, without the active participation and training of the communities are unlikely to make a dramatic difference. As the Houston District Attorney John Holmes put it so well: "Government will never be able to provide enough peace officers to adequately protect neighborhoods as completely as a well-organized and operated watch group. It is only with the assistance of citizens that we can reclaim our communities from the lawless."

While the great majority of the public officials in this coalition have specifically written in favor of a tax credit to effectively mobilize and compensate the nation's citizens for their participation in the war against crime, there are at least four ways that the Federal government can mobilize the nation:

1.) Our national leaders, particularly the President and Attorney General, should speak out clearly and frequently for Americans to participate in the neighborhood watch concept, as a contemporary moral duty for American citizens;

2.) The compensation of a modest income tax credit, analogous to the modest compensation presently given to a citizen for serving on a jury, should be granted to participants. The savings in lost lives and property would more than compensate for a small legitimating tax credit;

3.) If the promised middle-class tax cut is to be phased in over four years as you said on May 17, 1993, then the Federal government should link receipt to participation. This would be compatible with your "New Covenant" philosophy of linking citizen responsibilities to government benefits, in order to "recreate" government. Such linkage would also make a middle-class tax cut more possible, since the crime rate that would be brought down is a drag on our economy, besides being a national disgrace and a clear threat to the life, liberty and pursuit of happiness of Americans; and

4.) Continuing receipt of welfare benefits should be linked to proof of attendance at semi-annual or periodic instructional neighborhood watch meetings. This would again be compatible with your "New Covenant" philosophy and the philosophy of your promised welfare reform plans. It would also help the poorest neighborhoods in our country, which have the highest numbers of victims to crime, by organizing and empowering the law-abiding citizens and introducing them into an effective partnership with each other and the police that serve them. *

Since 1960, violent crime has increased 500 percent in the United States. The annual rate of murder in our country (24,700 in 1991, according to FBI statistics) has grown to about twice the annual rate of Americans killed in the most intense year of the Vietnam War (14,623 in 1968).

For the decade of the 1960s America gave many lives and tens of billions of dollars to help organize and train Vietnamese communities to defend themselves from the communists. If a little more than two decades later the Federal government now chooses a false economy and says that it "cannot afford" to organize and train the communities in its own country to defend themselves, then there is a failure in leadership. We are not talking about spending money to defend "political stability" in Vietnam, Somalia, Macedonia or Botswana. We are talking about your literal backyard and mine. Go out on the back porch of the White House in the middle of the night occasionally and see if you don't hear gunfire. Consider this as a wake up call.

Military history shows that organization and training are effective, and that on the small unit level where battles are fought, people are heroic in looking out for those they know, love and train with. People are also naturally territorial, and most are social to some degree. These human predispositions can be drawn on and instructed in lawful means of defense by the neighborhood watch concept.

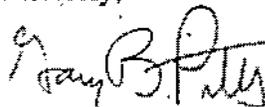
Mao Tse Tung once said that the communist guerrilla is like a fish in the sea of the people. Likewise, wide-spread criminal violence and anti-social behavior can only occur in a weak, atomized and demoralized people. Nationwide neighborhood watch organization will turn the tables from a defensive failure to a successful offense against crime. There is no reason our rate of crime cannot be returned to the level of more civilized societies such as our own was 25-30 years ago. Neighborhood watch organization will alienate, isolate and identify the criminally antisocial and violent. To paraphrase General George Patton, the neighborhood watch participants will hold the criminals by the nose, and the police will kick them in the ass (using the least force necessary to make arrests of course).

Ultimately, the authority for many Americans to participate in a neighborhood watch program will be the New Testament directive to love your neighbor as you love yourself. In the meantime the amount of organization and participation in neighborhood watch programs is pathetic compared to the problem. This is where our national leaders are needed.

Whether one wishes to face it or not, there is a war going on in our country, a crime war. It is a crisis of alienation, lack of social responsibility, lack of discipline and need of effective leadership. The American people have been losing this war for some time now. As all Federal servants are, you are of course sworn to protect the Constitution against enemies foreign and domestic. The life, liberty and the pursuit of happiness of your people are being lost as each frequent battle of this war is lost. As the leader of this country we look to you to lead us to victory in this war which is going on within miles of you and every reader of this letter.

Thank you for the use of your gifts for the service of your people.

Sincerely,

A handwritten signature in dark ink, appearing to read "Gary B. Pitts". The signature is written in a cursive style with a large initial "G" and "P".

Gary B. Pitts



GOVERNOR PETE WILSON

August 25, 1993

Mr. Gary B. Pitts
Pitts & Collard, L.L.P.
12600 North Featherwood Drive
Suite 117
Houston, Texas 77034-4411

Dear Mr. Pitts:

Thank you for keeping me informed about the progress the Neighborhood Watch Coalition.

As you know, I have proposed a number of reforms to deter the senseless victimization of Californians and punish those who commit crime. Clearly, local community support is key to successfully preventing crime. Groups such as yours play an integral role in developing that community-based support.

Please accept my best wishes for continued success in the Neighborhood Watch Coalition's crime prevention efforts.

Sincerely,

A handwritten signature in black ink that reads "Pete Wilson".

PETE WILSON



STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
CHICAGO 60601

JIM EDGAR
GOVERNOR

August 24, 1993

Mr. Gary B. Pitts
Pitts & Collard, L.L.P.
Gulf Freeway at Fuqua
12600 North Featherwood Drive
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Houston, Texas 77034

Dear Mr. Pitts:

Thank you for your letters and status report regarding the Neighborhood Watch Coalition. The Governor has asked me to respond on his behalf.

The Governor agrees that neighborhood watch groups can have a significant impact in the fight against crime, especially gang-related crime. In Illinois, the Governor is working aggressively to stem the tide of gang violence through reforms ranging from school instruction that discourages gang membership to stiffer penalties for gang-related criminal activity. The Governor believes that community involvement in crime prevention can complement these efforts and help reduce the level of gang-related crime. Programs, like yours, that would promote community involvement in crime prevention are certainly worthy of careful consideration.

The Governor commends your efforts and wishes you continued good luck.

Sincerely,

A handwritten signature in cursive script that reads "James S. Montana, Jr." with a large flourish at the end.

James S. Montana, Jr.
Chief Legal Counsel and Executive
Assistant to the Governor for
Public Safety

JSM/ghr

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August 25, 1993

Mr. Gary B. Pitts
Pitts & Collard, L.L.P.
Attorneys at Law
Gulf Freeway at Fuqua
Suite 117
12600 North Featherwood Drive
Houston, Texas 77034-4411

Dear Mr. Pitts:

I have read with interest your recent letter proposing a federal tax credit to encourage participation in community-based crime prevention programs.

It has become increasingly obvious that government acting alone cannot hope to reduce crime in our cities and towns. New partnerships must be formed between government, business and the community to encourage citizen involvement in improving the quality of life in their neighborhoods. We in Maryland have very active community crime prevention programs at both the State and the local levels, and any assistance which the federal government can provide would be welcomed. In the meantime, my administration will continue to encourage neighborhood self-help efforts and aggressively promote anti-crime initiatives, including a ban on assault-type weapons.

I applaud your efforts.

Sincerely,

A handwritten signature in cursive script that reads 'Don Schaefer'.

Governor



COMMONWEALTH of VIRGINIA

Office of the Governor

Richmond 23219

September 23, 1993

Lawrence Douglas Wilder
Governor

(804) 786-2211
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Gary B. Pitts, Esquire
Pitts & Collard, L.L.P.
Suite 117
12600 North Featherwood Drive
Houston, Texas 77034-4411

Dear Mr. Pitts:

Thank you for your recent letter. I was pleased to hear about the progress you are making regarding the Neighborhood Watch Coalition and the proposal for a tax credit for citizen participation.

Your message of greater citizen participation is an important one, and one that we have strongly advocated in Virginia for a long time. Citizen involvement is the other side of the community policing equation. In order for us to be successful in addressing crime, we will all have to be involved. I hope that your program will expand this much needed citizen participation and support.

With best wishes, I am

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. Douglas Wilder".

Lawrence Douglas Wilder

LDW/slt

cc: The Honorable O. Randolph Rollins
Secretary of Public Safety

Mr. Lindsay G. Dorrier, Jr.
Director, Department of Criminal Justice Services

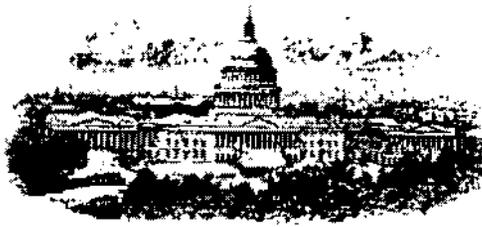
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Congress of the United States
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August 23, 1993

CHAIRMAN, REPUBLICAN TASK FORCE ON
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THE GENERAL ECONOMY

Mr. Gary B. Pitts
Pitts & Collard, L.L.P.
1600 North Featherwood Dr. Suite 117
Houston, Texas 77034

Dear Mr. Pitts:

Thank you for contacting my office to express your support for initiating a tax credit for community crime prevention programs. I appreciate your alerting me to your interest in this idea.

I believe community involvement should be an integral part of our federal anti-crime policy. "Neighborhood watch" initiatives have proven quite effective where they have been implemented. A tax credit for crime prevention expenses certainly would encourage greater participation.

As Congress continues to consider crime control legislation, I will keep your proposal in mind. Thank you again for taking the time to write.

Sincerely,

A handwritten signature in cursive script that reads "William H. Zeff Jr.".

William H. Zeff, Jr.
Member of Congress

WHZ:mp

EDITORIAL

Neighborhood Watch



Phoenix Police Chief Dennis Garrett calls involved citizens "our best weapons in the fight against crime."

President Clinton's crime package — what he calls a "major down payment" on a campaign pledge to do battle against the escalating crime rate, including deployment of thousands of new police officers and implementation of stricter gun control laws — has ignored Gary B. Pitts.

Too bad. The personal injury lawyer from Houston has a proposal that is a perfect fit for any plan to reduce crime. Called the Neighborhood Watch Coalition, Pitts' proposal begins with the premise already in place in hundreds of communities — that local neighborhoods are the place to start battling the national crime wave.

In Detroit, for example, Devil's Night, the night before Halloween traditionally used as an excuse for harmless pranks, turned into Devastation Night in the early 1980s. Arson fires roared through the city every year, destroying hundreds of homes. But things changed when thousands of citizens, armed with nothing but fire extinguishers, flashlights and radios, spread out across Detroit in a show of force and solidarity. Four thousand volunteers watched designated vacant houses in the city's Adopt-A-House project, while police helicopters patrolled the town from above. A dusk-to-dawn—curfew was ordered for youths under 18. Arson fires dropped dramatically, and the citizens of Detroit grabbed back their city.

In Portland, Ore., after drug dealers had taken over Washington

Park, 404 acres of greenbelt around the waist of suburban West Hills, citizens organized a "court watch": to be in court when the judge passed sentence. Suddenly, judges were handing down stiffer sentences. Neighbors entered the park, cleaning up drug paraphernalia and trimming trees to create better visibility so drug deals could be observed and reported.

Pitts got involved in the most tragic of ways. After a friend was beaten to death, allegedly by a drug dealer who was free on intensive probation, he vowed to fight back with a national plan — endorsed by governors across the political spectrum, from Arizona's Fife Symington to New Jersey's Jim Florio.

It's very simple, really. It adds an incentive to the organization of neighborhood groups, offering a modest federal income tax credit — perhaps \$25 per household — for those who participate in a neighborhood crime-prevention organization. The revenue lost by the federal government would easily be made up by the preservation of lives and property.

Phoenix Police Chief Dennis Garrett endorses Pitts' idea, saying, "Citizens involved in neighborhood crime watch programs are our best weapons in the fight against crime."

Here's hoping someone will tack on Gary Pitts' idea to the president's crime package and make that down payment in the fight against crime even more profound.

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FRIDAY, SEPTEMBER 24, 1993

A pat on the back, not a tax credit

*Neighbors don't need a tax break
for doing what they should be doing*

Hundreds of Portlanders volunteer to add their eyes and ears to those of the police fighting crime in neighborhoods. Hundreds more should join the effort, but not at the estimated \$1.5 billion cost of a proposed \$25 tax credit being advocated by supporters of Neighborhood Watch.

Texas lawyer Cary B. Pitts is leading a nationwide campaign to win congressional approval of the tax credit. It could be \$5 or \$10, instead of the \$25, he readily concedes, but he sees the credit as a necessary act by the nation's leaders to "legitimize" citizen involvement in the protection of their communities and spur participation.

"The numbers now are pathetic compared to the problem," he insists. And they are.

In Portland, nearly 1,000 residents are involved in neighborhood crime-prevention programs at a given time. More are needed, certainly, but not at

the expense of adding to a national debt that contributes to many of the economic problems in which crime often is rooted.

What is needed is more help, voluntary and paid, for neighborhood crime-prevention workers stretched thin contacting and linking block captains, recruiting new ones and supporting their efforts through training, counseling and appropriate recognition. Few block-watches last more than a year; getting programs started is easier than sustaining them.

Constant attention to the volunteer program from local elected officials, police and neighborhood associations is the best way to start and sustain citizen crime-prevention efforts. A federal tax credit gesture would be an impersonal nod to their commitment compared to the personal pat on the back that they all deserve from the mayor, the police chief or, most important, a neighbor.

WEDNESDAY, SEPTEMBER 22, 1993

**MARK
GENRICH**DEPUTY EDITOR
OF THE
EDITORIAL
PAGES

Crime

Tax incentives might work well

Attorney Gary B. Pitts isn't trying to change the whole country, just the part that has the potential to make a difference in the battle against crime.

Well, all right then — he is trying to change the whole country. Because certainly there is potential everywhere to make a difference, especially when Americans are provided with the incentives Gary Pitts has in mind.

Pitts's crusade began following the violent death of his friend and paralegal, Patrick Gannon.

In 1991, Gannon was robbed and beaten to death in his Houston apartment about 300 yards from Pitts's law firm, Pitts & Collard.

Gary Pitts and Patrick Gannon's sister were faced with the traumatic obligation of cleaning up the apartment and packing up Gannon's personal belongings.

Pitts said he spent sleepless nights thereafter, agonizing over the search for an appropriate response to the nation's escalating violence.

His response began with a letter to the local newspaper in which Pitts and his law partner said that, with regard to crime, "there is nowhere to run," and that "the time has come when we must fight for the defense of our society, or our children will wish that we had. We must be politicized or we will wish that we had been."

THE TWO LAWYERS made several recommendations in their published letter, including labor-rehabilitation camps for drug addicts, the cessation of early paroles and the enforcement of jury sentences, workfare instead of welfare, and, finally, individual tax credits for those who participate in neighborhood security groups.

Thus the Neighborhood Watch Coalition was born, taking root with the idea of tax incentives — perhaps \$25 per person per year — growing today to include the endorsement of governors, mayors, and chiefs of police from 40 states and the District of Columbia.

"The idea of the neighborhood as the center of this, made sense because it feeds on the natural territorial of people wanting to be proud of their neighborhoods," says Pitts.

"For more than a decade America gave many lives and tens of billions of dollars to help organize and train Vietnamese communities to defend themselves from the communists. If a little more than two decades later, our government now chooses a false economy and says that it cannot afford to organize and train communities in its own literal back yard to defend themselves from the worst crime rate in the industrialized world, then we really have gotten off the track."

The murderer of Patrick Gannon has never been captured, though the police do have a suspect — a man previously convicted of burglary as well as robbery during which he told his female victim that he had a weapon.

In fact, he did not have a weapon, so technically his crime was not aggravated, and he was sentenced to intensive probation, an expensive alternative to incarceration that sometimes provides an opportunity to the untrustworthy for continued preying upon the community. In short, the alleged perpetrator never spent much time in jail.

Though there were no witnesses to Patrick Gannon's murder, an investigation led police to the robbery suspect on intensive probation. Murder investigators picked him up for questioning and he failed a polygraph test. Still, police had no evidence with which to go to trial, much less arrest the suspect. However, he was behind in his rent payments, so police accompanied the landlord — who was armed with a landlord's lien — into the suspect's apartment.

THEY DID NOT discover sufficient evidence regarding Gannon's murder, but police did find proof that the suspect continued to deal cocaine, and based upon that discovery they moved to revoke his probation. But the suspect immediately entered a drug rehabilitation program and the effort to revoke his probation was subsequently withdrawn. He then checked himself out of the rehabilitation program... and he has now disappeared.

"The nation," says Pitts, "is suffering from a crisis of the spirit, an alienation that needs immediate attention. People want to join something larger than themselves — that's why they join gangs — so why can't we organize the good guys for a change?"

Indeed, it is time to organize the good guys, if not to take advantage of Pitts' modest tax credit, then to recognize that Patrick Gannon's murderer is living in someone else's neighborhood.
(Mark Genrich's column appears on this page every Wednesday.)

WR-Work

WORK AND WELFARE

Prepared by
U.S. Department of Labor

For
Welfare Reform
Post Transitional Employment
Issue Group

October 1, 1993

WORK AND WELFARE

President Clinton has proposed establishing a time-limited welfare system. Persons could remain on AFDC for a period of two years, with subsidized jobs available for persons who cannot find work when their stay has been exhausted. This paper explores issues relating to what such a subsidized work component would look like. It includes sections on early public aid in the U.S.; work programs during the Great Depression; public service employment in the 1970s; the Carter Administration's welfare reform demonstration; a San Diego welfare-to-work demonstration similar in many respects to current welfare reform proposals; subsidizing private sector jobs; and issues relating to establishing a subsidized work component in welfare reform.

I. EARLY PUBLIC AID IN THE U.S.

How to deal with widows, orphans, and the infirm has been a problem societies have dealt with since ancient times. Poverty existed in America even in Colonial times, but it became particularly salient when large cities formed during the Industrial Revolution in the 19th Century.

It is interesting that the issues surrounding helping the poor during the Industrial Revolution are basically the same as today--in-kind versus or cash welfare; the role of the private sector versus the public sector; the role of institutional care; the role of local versus State governments; the role of the federal government; residency requirements for local relief; requiring work in exchange for public assistance; and designing work relief so as to encourage recipients to move on to private sector jobs. The notion that welfare should not make a person better off than the lowest paid laborer goes back at least to 1834 in England, and the doctrine even has a name--"less eligibility" (Trattner). There was even a forerunner to the Earned Income Tax Credit operated in several districts in England in the late 18th and early 19th centuries in which laborers paid less than a certain amount were granted relief allowances (Trattner).

The United States responded to urban poverty in the 19th Century with a combination of private charity and local government actions. Welfare generally was given in-kind, because it was feared cash assistance would subvert the work ethic.¹² Both workhouses and county almshouses or poorhouses existed in the 1800s (Brown). In 1860, for example, there were 219 almshouses in the State of Massachusetts (Trattner). Depressions occurred roughly every twenty years beginning in 1837, and each depression caused relief rolls to swell. In the 1880s, relief was abolished in several major cities because of its tax burden and supposedly negative effects on the work ethic (Brown). Poor farms also existed in the U.S. Even in 1922, there were 70,000 persons admitted to poor farms in the country, 6,000 of them children.

In the first part of the 20th Century, there was some progress towards more humane social policies. For example, States began enacting mother's aid and workman's compensation laws. Still, inhumane and miserly policies towards the poor predominated. Even in 1934,

six States did not have mother's aid programs; and in the remaining 42 States, such programs were operative in only half of their counties (Brown). States continued to impose residency requirements for local relief, and as late as 1930 four States required settlement for at least 10 years before a person could be eligible for public aid (Brown).

A reading of the history of aid to the poor in 19th and early 20th Century America suggests two lessons:

1. Policies towards the poor were basically stingy, and this stinginess caused a great deal of hardship and suffering for the poor.
2. In retrospect, much cruelty was done and much suffering caused in the name of protecting the work ethic.

II. WORK PROGRAMS DURING THE GREAT DEPRESSION

During the Great Depression, work relief projects were funded under a number of federal programs. The most notable programs were the Civilian Conservation Corps (CCC), the Works Progress Administration (WPA), the Public Works Administration (PWA), and the National Youth Administration (NYA).

The CCC was a residential program aimed at young men from families receiving welfare, and was one of the first programs started under the New Deal. The Army was responsible for food, shelter, and discipline at the work camps, while agencies such as the Forest Service, Interior Department, and Soil and Conservation Service were responsible for the work projects. Experienced woodsmen and carpenters were hired as foremen. Work projects included reforestation, building national and State parks, and soil conservation. The CCC had a peak enrollment of 500,000, and close to \$3 billion was spent on the program over its 10-year life (Kesselman).

The WPA was the New Deal's principal work relief program. It provided federal funds for work projects operated by State and local governments. Eligibility for the program was based on family need, but persons did not have to be on direct relief to participate. However, at one point, the WPA's deputy director reported that 95 percent of enrollees came from relief rolls. Enrollment was limited to one person per poor family. The program peak enrollment was 3.3 million, and over its eight-year history over \$10 billion in federal funds was spent on it (Kesselman). A wide variety of work projects were funded, but an emphasis was placed on public works construction. Eighty-eight percent of WPA funds were spent on wages (Briscoe). Over its existence, the WPA built or reconstructed 617,000 miles of new roads, 124,000 bridges and viaducts, and 35,000 buildings. Projects included the construction of New York's Central Park Zoo, the Philadelphia Art Museum, and La Guardia Airport (Briscoe).

The PWA funded federal, State, and local construction projects conducted through private contractors. Due to the use of private contractors, funds were not directed at the poor but rather more generally at increasing employment. The PWA preceded the WPA, and once the WPA was established a division of responsibility was established whereby the WPA would concentrate on light construction and service projects and the PWA would conduct heavy construction through private contractors. The PWA's peak enrollment was 540,000, and over its lifetime \$4.5 billion in federal funds was spent on it (Kesselman).

The NYA included work programs for both in-school and out-of-school youth. These were relatively cheap, non-residential projects. Peak enrollment was 808,000, and \$534 million was spent on the program over its seven-year existence (Kesselman).

Some observations on these depression-era programs include the following:

- President Roosevelt and Congress understood that direct income support was cheaper than work relief. Estimates were that work relief was 30 percent more expensive than direct relief (Kesselman). Nonetheless, the President and Congress decided to go with work relief because of a general loathing for simply paying out cash welfare to persons. There were people at the time who argued that direct relief could serve more people.
- Even then, there was a recognized trade-off between the goals of income support and producing useful work. The conflict between these goals was evident in decisions on how selective to be in hiring workers, what projects to conduct, whether to use private contractors, how much funds would be spent on supervision, and how much funds could be spent on equipment, materials, and supplies. Within the Administration, there were advocates of both the income support and the useful work goals. The different work relief programs varied in the emphasis placed towards each goal. The WPA was aimed mainly at income support, and a high proportion of its funds went to wages for the participants. By contrast, the PWA and CCC spent a much greater proportion of their funds than the WPA on supervision, equipment, and materials.
- These work relief programs took a large amount of the federal budget and of GNP during the Great Depression. Combined, the New Deal work relief programs employed over 4 million a year out of a total population of less than 130 million. This would be the equivalent of employing 8 million people today in public service employment. The WPA's \$1.36 billion annual budget made up over 10 percent of the federal government's budget and over 1 percent of the country's GNP. An equivalent expenditure today would amount to an over \$60 billion a year public works program.

III. PUBLIC SERVICE EMPLOYMENT IN THE 1970s

The federal government operated public service employment programs through most of the 1970s. Over time these programs became increasingly targeted on the economically disadvantaged. However, AFDC recipients never constituted a large percentage of persons served under these programs. This summary of PSE programs is based primarily on an Upjohn Institute report (Cook et.al.) as well as various Employment and Training Reports of the President.

The Public Employment Program (PEP) was signed into law in 1971, and was funded at \$1 billion in FY 1972 and \$1.25 billion in FY 1972. At its peak, it provided employment for about 185,000 persons. Most jobs were created in local and State government agencies. Eligibility was open to anyone unemployed for a week or more, was working less than full-time involuntarily, or working full-time at wages that provided less than a poverty-level income. Sixty-four percent of participants were white, 72 percent were male, only 26 percent were high school dropouts, 31 percent had some post-secondary training or education, and only 12 percent were welfare recipients. The average wage was \$2.87 an hour, when the minimum was \$1.60 an hour.

In 1973, the Comprehensive Employment and Training Act (CETA) was passed, and PEP was replaced by a public service employment (PSE) program aimed at structural unemployment under CETA Title II. Funds were to be disbursed to areas of unemployment of 6.5 percent or more. In late 1974, Congress added to CETA a Title IV countercyclical PSE program. The legislation for both of these programs specified that at least 90 percent of funds be used only for wages and employee benefits of participants. In June of 1975, enrollments stood at 155,000 for Title II and 125,000 for Title IV. The jobs in these PSE programs were mainly in State and local government agencies; and participants were mainly white, male, and high school graduates. Only 36 percent were economically disadvantaged; roughly 5 percent were AFDC recipients.

Amendments to these PSE programs in 1976 were aimed at reducing the fiscal substitution of locally paid workers with federally subsidized workers. These amendments restricted eligibility to persons who had been unemployed 15 of the previous 20 weeks, and required that all newly hired Title VI workers beyond the number needed to sustain State and local governments at their existing PSE level be assigned to special projects that would last no more than one year. The amendments also lowered the requirement of funds going to wages and employee benefits to 85 percent. During the spring of President Carter's first year in office, Congress authorized another \$4 billion for PSE programs. Enrollment in these programs increased from 300,000 in May 1977 to 755,000 in April 1978. Also during this period, the proportion of job slots going to community based organizations increased greatly to 25 percent of the program.

There was a large difference in the types of people hired for the State and local government "sustainment" slots and those hired for the one year special projects in local governments and CBOs. Enrollees in special projects were more likely to be minority, high school dropouts, and welfare recipients.

Job slots in the sustainment component of PSE tended to be in the areas of property maintenance, public works, street repair, aides in police and fire departments, and park maintenance. Special project slots also included work in park and street maintenance, but more generally were in social service positions such as teacher's aide, health aide, child care, social work, drug counseling, recreation aide, school lunchroom aides, library assistants, hospital attendants, and clerks in social welfare agencies. In 1977, the average wage paid in sustainment positions was \$4.50 and the average wage in project jobs was \$4.32. The minimum wage at that time was \$2.30. In 1978, slightly less than 10 percent of PSE participants were AFDC recipients.

In 1978, amendments to CETA further tightened eligibility requirements, lowered the limits on what PSE workers could be paid, and required job training to be provided to participants.

Of interest to the current Administration's ideas for reforming AFDC, the Carter Administration considered converting PSE into a work component for its welfare reform initiative. The idea was to provide heads of AFDC households with minimum-wage PSE jobs. This PSE program would be operated by local CETA prime sponsors. As it turned out, the Carter Administration did not reform welfare, but did implement the large Employment Opportunities Pilot Project described below.

Funding for PSE declined sharply in 1979 and 1980, and in 1981 the Reagan Administration terminated the program. In FY 1980, 85 percent of PSE participants had incomes below the poverty line at intake, and 17 percent were AFDC recipients. As more disadvantaged persons were served by PSE, the wages paid in real terms declined. While in 1977 jobs in the sustainment component of PSE paid almost double the minimum wage, the average PSE wage in 1980 was only 26 percent higher than the minimum wage of \$3.10 an hour.

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

Observations about the CETA PSE programs that are relevant to current welfare reform proposals are as follows:

- It is feasible to mount a large public service employment program in a short period of time, and potential PSE slots do exist in State and local governments and community based organizations. The \$4 billion PSE program operated in 1977 with over 700,000 enrollees is on larger scale than we are now contemplating.

The CETA PSE program differed fundamentally from the depression-era CCC in that CETA simply incrementally added workers to existing programs. CETA was a public service employment program, not a public works program. CETA did not build new parks or roads as the CCC did. This explains why the CETA PSE programs were so relatively cheap. They involved minimal extra supervision, equipment, and materials. Recreating the CCC today, with some of the light and medium construction that it did in building State parks, would probably cost about \$30,000 per slot. CETA PSE programs were much cheaper. However, legacies to the CCC still exist today in State and national parks. Such legacies to CETA PSE do not exist.

IV. THE EMPLOYMENT OPPORTUNITY PILOT PROJECT

The Employment Opportunity Pilot Project (EOPP) was developed as a field test of the jobs component of President Carter's welfare reform proposal. President Carter's welfare reform ideas were similar to President Clinton's in being based on the notions that 1) employable welfare recipients ought to work, and 2) if primary earners in welfare families cannot find a job they should be placed in a subsidized public service job or training position. The EOPP demonstration operated in 10 sites during a 27-month period from mid-1979 to mid-1981. Between January 1980 through February 1981 the demonstration enrolled an average of 1,600 clients per month, and all told, over 24,000 persons were enrolled in the demonstration. The results presented here are from the evaluation of the project conducted by Mathematica (Brown et al.)

As originally conceived, EOPP was to test the idea of an entitlement jobs program available to all of the eligible population within the demonstration sites. In practice, funding limitations and the change in administrations in the 1980 elections somewhat altered the scope of the demonstration. Still, EOPP provides much information relevant to President Clinton's proposed welfare reform.

Persons eligible for EOPP included both AFDC recipients and the principal earners of low-income families. Over time, there was an increasing emphasis on targeting the program on AFDC recipients. Because of this emphasis on AFDC recipients, the bulk of enrollees in EOPP were unmarried females. Of all EOPP enrollees, 16,000 were unmarried females, 3,000 were married females, and 5,000 were males. AFDC recipients eligible for the program included both primary earners and other adults. However, only primary earners were eligible for subsidized jobs or training. Other adults in AFDC households were eligible only for job search assistance (JSA).

During EOPP, the Work Incentive (WIN) program was in operation, which at that time required participation in a job training program depending on the age of children in the AFDC household. Persons eligible for EOPP included persons who were both WIN-

mandatory and WIN-voluntary. Only persons in the WIN-mandatory group were at risk of having their AFDC payments reduced or canceled for non-participation in EOPP.

Program services provided under EOPP included an intensive job search component of up to 8 weeks, and then a subsidized employment or training (SET) component that could last up to one year. Roughly two-thirds of SET participants were placed in a PSE job, 25 percent in classroom training, 14 percent in work experience, and 7 percent in OJT. Child care and transportation assistance were the main support services offered, although some sites also offered counseling. Participants who could not find a private sector job during their one-year period in SET, were returned for re-eligibility determination for EOPP services and then re-assigned to the JSA and then the SET component.

Overall, there were 50,000 primary earners in AFDC families eligible for EOPP services in the 10 demonstration sites. Of these, 30,000 were WIN-mandatory. Also, there were 70,000 primary earners in non-AFDC families eligible for EOPP in the demonstration sites. Finally, there were 70,000 other adults in AFDC families in the 10 sites who were eligible only for JSA. Roughly 33 percent of WIN-mandatory primary earners eligible for EOPP enrolled in the program; 31 percent of WIN-voluntary primary earners; 8 percent of non-AFDC primary earners; and less than 3 percent of other adults in AFDC families. It appears that the main reason eligible persons did not enroll in EOPP is simply that they did not know about the program. Eighty percent of eligible non-enrollees reported that they did not know about EOPP.

The 33 percent average enrollment for WIN-mandatories masks divergent enrollment rates between new WIN registrants and WIN registrants who had already been on caseloads when EOPP started. New registrants had a higher enrollment rate in EOPP than did persons on existing caseloads. Still, the majority of EOPP participants were persons who had already been on AFDC caseloads. Eighteen percent of WIN-mandatories enrolled in EOPP were new registrants, 15 percent had been on AFDC between one and six months, and the remaining two-thirds had been on AFDC for over six months.

Not all persons who enrolled in EOPP actually received services from the program. Estimates during the planning phase were that 90 percent of enrollees would enter JSA, and that 65 percent of enrollees would require some SET services. As it turned out, 65 percent of enrollees received JSA, and only 17 percent of enrollees received SET services. Of participants who enrolled in JSA, 32 percent found unsubsidized jobs, 24 percent entered SET, 16 percent were terminated for failing to comply with the program, 9 percent dropped out for health or family reasons, 3 percent entered non-EOPP training or school, 7 percent were no longer eligible for the program, and 2 percent left because necessary support services were not available. Overall, 17 percent of participants returned to JSA after a period in SET or having left JSA previously.

Of those who received SET services, 35 percent eventually found an unsubsidized job, 7 percent left for non-EOPP training or school, 12 percent were terminated for failing to

comply with the program, 8 percent left for health or family reasons, 3 percent dropped out because of lack of necessary support services, 7 percent left for unknown reasons, and 28 percent either left the program because they were no longer eligible or were still in SET at the time the demonstration ended.

The average length-of-time varied for the various services offered under SET. For those assigned to PSE, the average stay was 5.2 months; for those in those classroom training, 4.6 months; for those in work experience, 3.7 months; and for those in OJT, 3 months. The PSE and job training provided under EOPP was funded out of CETA dollars.

The average participant stayed in JSA for four weeks, at a cost of roughly \$1,154. The average participant stayed in SET for 5 months, at a cost of approximately \$5,400. Since current welfare reform ideas see some persons staying in subsidized jobs indefinitely, the annual cost per slot in SET is perhaps more relevant than the cost per participant. A person staying a full year in SET would have cost roughly \$13,000. The cost for the PSE component in SET was slightly higher than this. Within the PSE component of SET, wages and fringe benefits amounted to \$8,270 for a person staying a full year. Thus, wages and fringe benefits amounted to less than 60 percent of PSE costs in EOPP.

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as long as
they could
in work
programs*

The evaluation of EOPP was not based on a randomly selected control group. Rather, it was based primarily on comparing changes over time in employment, earnings, and rates of welfare dependency in the EOPP demonstration sites with a matched set of similar sites. Such a research design does not have the validity of random assignment. For what they are worth, the results indicated positive, though modest employment and earnings impacts on unmarried women; highly positive earnings impacts on males; and highly negative earnings impacts on married women. No difference in welfare dependency rates between demonstration and comparison sites were found. A positive benefit/cost ratio was found for the program.

V. THE SATURATION WORK INITIATIVE MODEL

The Saturation Work Initiative Model (SWIM) was operated by the County of San Diego from July 1985 to September 1987. The program provides a good pilot test of current welfare reform ideas because it aimed to involve large proportions of welfare recipients in job training and employment activities. Participation in SWIM was required for the 40 percent of the caseload that were WIN-mandatory. This included two groups—unmarried female heads of households with children six years-old or older and male heads of households in AFDC-U families. SWIM operated in two of seven of San Diego's welfare offices, and served the most urban and disadvantaged part of the county's caseload.

SWIM consisted of three components provided in sequence—1) a two-week job search activity; 2) three months of unpaid work experience for 20 to 30 hours per week, including a

job club; and 3) education and job training. The community work component included positions as teacher's aides, clerks within the Department of Social Service, aides in health clinics, and park maintenance. The initial goal of the program was to have 75 percent of the WIN-mandatory caseload participating in one of these three components at any given time. The program was designed to serve both new and existing welfare recipients. Approximately 40 percent of AFDC enrollees in SWIM were new registrants, while 60 percent of AFDC-U enrollees in SWIM were new registrants.

While SWIM never reached the 75 percent participation goal, it did succeed in getting a large proportion of the WIN-mandatory caseload involved in employment and training activities. In a given month during the program's second year of operation, 19 percent of SWIM enrollees fulfilled their work requirement by being employed at least 15 hours a week in an unsubsidized job; 11 percent enrolled in education and training programs outside of SWIM; and 22 percent were enrolled in SWIM-sponsored work or training activities. Most of the remaining 48 percent of the caseload had temporary deferrals, were scheduled to begin the work component the next month, or were pending deregistration from SWIM. Over the course of the demonstration, 54 percent of AFDC recipients and 58 percent of AFDC-U recipients participated in the job search component of SWIM, and 21 percent of both AFDC and AFDC-U recipients participated in SWIM community work projects. Roughly 11 percent of AFDC enrollees and 9 percent of AFDC-U enrollees assigned to SWIM were sanctioned during the demonstration for non-compliance with the work requirements.

SWIM was evaluated using a randomly assigned control group. The results were quite encouraging at two and a half years after program entry, with positive results for both women and men in earnings, employment, and decreased welfare dependence (Hamilton and Friedlander). However, by the five-year follow-up point, controls had caught up to experimentals in almost every outcome (Friedlander and Hamilton).

For example, at two years post-program, women in the experimental group had a 35 percent employment rate as compared to 28 percent for controls; earned \$2,900 as compared to \$2,250 for controls; and had a 48 percent welfare dependency rate as compared to 55 percent for controls. During the 5th year post-program, women in the experimental group had a 33 percent employment rate as compared to 32 percent for controls; earned \$4,100 as compared to \$4,000 for controls; and had a 32 percent welfare dependency rate as compared to 32 percent for controls. The same story of controls catching up with experimentals occurred among males.

It is difficult to know what to make of the convergence between experimentals and controls in earnings, employment, and welfare dependence. It is not that the position of experimentals deteriorated over time, but rather that controls gradually caught up. SWIM only operated for a two-year period, and then the State-administered GAIN program began serving SWIM experimentals and controls alike. It is possible that if the experimental distinction between participants and controls had been continued for all five years, the early gains of participants would have been sustained over time. Thus, a permanent program, as

envisioned under welfare reform, could be expected to have longer term impacts than those found under SWIM.

The SWIM evaluation is also useful in distinguishing between program impacts on new registrants versus persons already on AFDC caseloads. In the female AFDC sample, the programs had very large earnings impacts on first-time applicants and moderate earnings impacts on less disadvantaged persons already on welfare rolls. Recipients who were more disadvantaged were helped less by the program, and returning applicants were not helped at all. Decreases in welfare payments were roughly equal for these four groups. Among males, conversely, it appears that the more disadvantaged recipients and the returning applicants were affected most by the program, both in terms of increased earnings and reduced AFDC payments.

The costs of SWIM were \$1,545 for AFDC enrollees and \$1,292 for AFDC-U enrollees.

This includes operating costs, support services, stipends, and education and training services. It does not include the AFDC payments made to participants in the community work projects. These costs would need to be taken into account in comparing the SWIM model to the existing AFDC program or alternative proposed welfare systems. Currently, the average AFDC family in California receives over \$7,500 a year in AFDC payments, which would bring the total cost of a SWIM program today to over \$9,000 per enrollee.

The costs in SWIM were kept low by having community agencies provide supervision for the work projects and by having work schedules coincide with school hours so that child care would not need to be provided. The benefit/cost analysis of SWIM showed positive gains to society for the program.

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VI. SUBSIDIZING PRIVATE SECTOR JOBS

Private companies can be encouraged to hire welfare recipients through either on-the-job training (OJT) payments or tax credits. These two incentives are fundamentally different in that OJT is premised on the employer providing training to the new worker in exchange for the subsidy received, while tax credits are simply a way of buying a job for a worker. By its nature, OJT implies that a job has some skill level attached to it that must be learned. Depending on their design, tax credits can aim at expanding any level of job—but most typically are aimed at low-wage employment.

Under JTPA legislation, OJT subsidies must be directly related to the level of skill for which the enrollee is being trained. The subsidy is limited to 50 percent of the enrollees wage and to six months duration. For a full time worker paid at the minimum wage, this amounts to a \$2,125 subsidy over a six-months period. It is possible, of course, to legislate a more generous subsidy, but that is moving away from the concept of simply compensating employers for training costs.

Results of the 18-month follow-up in the National JTPA Study show OJT to increase the earnings of adult women by about 8 percent, and increase the percentage employed during the sixth quarter after entry from 67 percent for controls to 69 percent for the experimental group (Bloom et.al). Twenty-five percent of the women in the OJT sample were AFDC recipients. Results for adult men (only 6 percent of whom were AFDC recipients) were roughly the same as for women. OJT results for youth were not positive. Preliminary results from the 30-month follow-up indicate that OJT's positive effects on adult males persist, but the effects on adult females wane. The benefits of OJT, however, most likely will still outweigh the costs even for adult women.

Two States have emphasized OJT in WIN demonstrations that were evaluated using a randomly assigned control group (see Gueron and Pauly). In both Maine and New Jersey, participation in the OJT program was voluntary. Efforts were made to place all volunteers in OJT slots, but only 31 percent of enrollees in Maine and 40 percent in New Jersey were actually placed in OJT positions. The remaining enrollees were provided pre-employment training, work experience, and JSA in Maine, and primarily JSE in New Jersey. The New Jersey program offered OJT placements of to six months. In Maine, there was a sequence of services, consisting of 2 to 5 weeks of pre-employment training, up to 12 weeks of unpaid work experience, and then placement in an OJT job for up to 26 weeks.

The New Jersey program resulted in earnings increases in the second year of 14 percent over controls. The Maine program resulted in increased earnings the third year of 34 percent over controls. Both the Maine and New Jersey programs boosted earnings by increasing wage rates or hours worked. Neither program had much of an impact on increasing the number of enrollees with jobs. New Jersey had a slight positive effect on reducing welfare dependency—48 percent of controls versus 46 percent of experimentals were still receiving AFDC at the end of the second year of follow-up. In Maine, however, more experimentals than controls (56 percent versus 50 percent) were still on AFDC at the end of the third-year follow-up. It appears that the impact of OJT in Maine may have been to increase the level of job obtained by persons who would have left welfare anyway (Gueron and Pauly).

Note that the JTPA, Maine, and New Jersey studies did not test OJT training versus no training at all. Rather, the studies examine the marginal impact of having an OJT program. The JTPA study permitted the control group to receive services from non-JTPA sources, and the Maine and New Jersey demonstrations permitted the control group to receive alternative WIN and JTPA services. In Maine, 90 percent of experimentals participated in some training program, as compared to 50 percent of controls. In New Jersey, 84 percent of experimentals participated in some job training activity, as compared to 73 percent of controls. Most controls in New Jersey, however, primarily received only JSA, so there was a difference in both the quantity and intensity of services provided.

The results of the JTPA, Maine, and New Jersey evaluations suggest that, while OJT may be cost-beneficial in terms of earnings gains, it does not have a large impact on increasing the longer-term employment rates of participants. Gueron and Pauly suggest that counselors may

pre-select the best candidates for OJT, and thus end up serving persons who would have done well even in the absence of the program. It may make sense, then, in a new welfare program to concentrate on JSA or additional schooling for more educated enrollees, and to reserve OJT for more disadvantaged recipients. Efforts could also be made to operate a higher quality OJT program than existed in JTPA, Maine, or New Jersey.

Employment tax credits can be aimed at expanding the number of jobs in the country in general or at boosting employment levels of specific target groups, industries, or regions. An example of a general employment incentive is the New Jobs Tax Credit (NJTC) that was in effect in 1977 and 1978 (see Bishop). The NJTC provided a tax credit amounting to 50 percent of the increase in each employer's wage base above 102 percent of that wage base in the previous year. The credit was restricted to the first \$4,200 of wages paid to each employee. Because of this restriction, employers of low-wage workers benefitted more than other employers, and part-time employment was also encouraged. For each firm, total credits were limited to \$100,000. The NJTC effectively reduced the cost of labor, giving employers an incentive to hire more employees and also to substitute labor for capital. The long-term impact of the NJTC is unclear because it is not known how much such a tax credit increases wage inflation.

As in any employment incentive, the NJTC in part increased the number of jobs and in part paid employers for new hires they were going to make in any case. How much of the tax credit goes towards a windfall to employers determines the net cost of job creation. A way to measure this would be to randomly assign firms to receive or not to receive such a credit. Such a random assignment study has not been done. Non-experimental estimates by the Treasury Department suggested that the cost of the NJTC for each job created was quite high. Without an experiment, the correct answer cannot be known.

An example of a specific employment incentive is the Targeted Jobs Tax Credit (TJTC) that has been in existence except for one year since 1979 (see Berry and Feldman). Under the TJTC, employers can get tax credits of 40 percent of the first \$6,000 in wages paid to a certified worker over the course of a year. Certifications for the TJTC are limited to the following targeted groups: economically disadvantaged youth ages 18-22, Vietnam-era veterans, ex-offenders, summer youth employees ages 16-17, persons with physical disabilities, AFDC recipients, SSI recipients, and General Assistance recipients. As in the NJTC, the TJTC's \$6,000 limit on salaries affected, favors employers of low-wage workers and also encourages part-time work.

The initial concept of the TJTC is that target group individuals would be given a voucher to aid them in their job search. However, a second procedure has developed which now predominates. Consulting firms have been started specifically to assist firms in screening applicants who will be TJTC eligible, and to obtain vouchers for them before they are hired.

Since 1979, over 4 million TJTC certifications have been issued. In 1989, 450,000 certifications were issued. Even so, only 1 percent of private employers make use of the

TJTC each year. Retail trade is the industry that makes the most use of the TJTC. The major users in this industry include restaurants, grocery stores, department stores, and retail apparel stores. Other major users include lodging and health services and security guards. In 1989, youth represented 55 percent of all certifications, and AFDC recipients 22 percent. Thus, roughly 100,000 TJTC certifications were issued to AFDC recipients that year, representing roughly 6 percent of all AFDC recipients hired in the overall economy that year.

It is also useful to look at the distinction between TJTC vouchers and TJTC certifications. TJTC vouchers let an employer know an individual is eligible for the tax credit. A certification occurs once the hire takes place. For youth during 1989, certifications amounted to almost three-fourths of vouchers. For AFDC, SSI, and General Assistance recipients, however, certifications amounted to less than a third of certifications. This difference reflects the relative difficulty of welfare recipients obtaining employment (Berry and Feldman).

There was also a predecessor to the TJTC known as the WIN/AFDC tax credit. Between 1971 and 1975, the WIN/AFDC credit was available only to WIN registrants. Starting in 1975, AFDC recipients who had been on welfare for 90 days became eligible even if they were not enrolled in WIN. In 1982, the WIN/AFDC tax credit was folded into the TJTC.

One can imagine several possible impacts of the TJTC. It could increase the level of employment by making the cost of labor cheaper; it could be a windfall to employers for hiring the exact same people they were going to hire anyway; it could simply result in the displacement of equally disadvantaged persons who would have been hired; it could allow some persons a foothold in the labor market while only temporarily displacing other persons who will soon find a different job on their own; it could also be, as suggested by Daniel Hamermesh, that we stigmatize people by giving them TJTC vouchers and hurt their long-term employment prospects.

A set of random assignment studies--some randomly assigning firms and other randomly assigning individuals--would be necessary to disentangle these effects. There was a random assignment experiment conducted by the Department of Labor as part of the BOPP Demonstration in Dayton, Ohio in 1980-81 which tested the impact of the TJTC (see Burtless). A total of 916 participants were enrolled in the study, 46 percent of whom were AFDC recipients and the remainder General Assistance recipients. One third of the sample was randomly assigned to receive TJTC vouchers and trained on how to present them to employers. Another third of the sample was assigned to receive cash vouchers which they could offer to potential employers. The final third were assigned to a control group. All persons in the sample received a two-week job search assistance class.

The study found that after a six-week job search period, 13 percent of the TJTC group had found jobs; 12.7 percent of the cash voucher group; and 20.6 percent of the control group.

Thus, rather than help people find jobs, it appears that the TJTC stigmatized them as being welfare recipients (Burtless).

There was also a study in three small cities in Wisconsin in which persons eligible for TJTC vouchers were randomly assigned to receive coaching on how to use the voucher (Bedeau et.al.). The study did not have follow-up data on overall employment levels of the two groups, but found that the group encouraged to use the TJTC in looking for work had lower rates of receiving TJTC-certified jobs than the control group. Thus, it appears that even among firms who use the TJTC, there is a bias against persons who present themselves as TJTC-eligible.

Probably the main justification for the TJTC is that we are letting some persons obtain employment, while only temporarily displacing more job-ready persons. Given that only 1 percent of firms currently participate in the TJTC, there is room for expanding the program in a new welfare reform initiative. However, given the program's obvious potential for simply displacing other disadvantaged workers as well as the negative results in the Dayton experiment, it is highly questionable whether the TJTC should be made a key part of any welfare reform effort. Consideration could be given to using instead a general employment tax credit such as the NJTC.

ISSUES IN THE DESIGN OF EMPLOYMENT PROGRAMS IN AFDC

1. Proportion of Recipients Who Will Participate. Probably the first issue that needs to be considered in designing an employment and training component for AFDC is how many AFDC recipients will participate in such a component. On paper, it appears that a large proportion of AFDC recipients would need to enroll in an employment and training component. Over half of AFDC recipients stay in the program for a period of several years, and almost all of these persons should conceptually be the focus of employment and training assistance. In practice, however, it has proven difficult to get large proportions of welfare recipients into employment and training activities.

In the EPOP demonstration, which was designed as a saturation model, only 31 percent of 50,000 persons who were AFDC recipients and primary earners in their families enrolled in EPOP. Of these 15,900 AFDC primary earners, only 19 percent eventually enrolled in the SET employment and training component. Thus, only 3,000 (or 6 percent) of the 50,000 eligible AFDC primary earners enrolled in EPOP employment or training beyond ISA.

In the San Diego SWIM demonstration, also designed as a saturation model, 28 percent of AFDC mothers with children age 6 and above and 24 percent of AFDC-U fathers received some education or training programs during the follow-up period, and only 21 percent of both the AFDC and AFDC-U groups participated in SWIM's community work projects. (It is unclear from the SWIM data the extent to which the job training and community work experience groups overlap).

From the EOPP and SWIM demonstrations, then, it appears that a welfare reform effort need only plan for providing education and training to roughly 25 percent of recipients and subsidized jobs to roughly 20 percent of participants. The results of the HHS teen parent demonstration in Camden and Chicago may have shown larger participation rates. The results are not available to DOL yet. This demonstration emphasized high expectations and mandated education and training activities for teen parents entering AFDC for the first time. ✓

2. Serving Males. Another issue that must be decided in developing an employment and training component in a new welfare system is how much emphasis to place on serving males. At a minimum, males in AFDC-U caseloads most likely will be served in an employment and training component in proportion to their numbers in the AFDC population. But a further question is whether non-custodial fathers should be eligible--or even given top priority--for employment and training services. Budget constraints will push towards leaving out non-custodial fathers from the employment and training component. However, notions of fundamentally changing the welfare system and restoring the black family argue strongly in favor of making absent fathers the focus of job training and employment efforts.

The SWIM evaluation suggests that serving AFDC-U fathers results in positive short-term impacts on employment rates, earnings, and welfare reduction, although these impacts are not as strong as those for women on AFDC and appear to fade over the long term. Results from a welfare to work program in San Diego prior to SWIM showed no statistically significant improvement in earnings for males (Gueron and Pauly). The National JTPA Study suggests that earnings gains from job training for economically disadvantaged adult males may actually be stronger and more persistent than gains for adult women. However, only 6 percent of the adult males in the JTPA Study were AFDC recipients at intake.

3. PSE versus Community Work Experience. Both PSE and Community Work Experience Programs (CWEP) would put welfare recipients to work in socially useful projects. The main difference between them is that under PSE, participants would be paid a wage and fringe benefits, while under CWEP participants would still be paid their AFDC grant and essentially be working for free to pay off their grant. The advantage of PSE is that it would eliminate the stigma attached to being on welfare, as recipients would actually be receiving a wage. The advantage of CWEP is that it would cost less assuming recipients work full-time simply because AFDC benefits in most States are below what a full-time minimum wage job pays. If CWEP participants work less than full-time, which most likely will be the case, it is no longer clear that CWEP is cheaper.

Further, any cost differences between CWEP and PSE are relevant only from a taxpayer's perspective. From society's point of view, if the work produced is the same, the benefits are the same. Paying recipients less in CWEP only amounts to a transfer payment from recipients to taxpayers. ?

Regardless of their relative merits, CWEP would be politically easier to implement on a large scale because of the budget process. PSE would require an appropriation by Congress, with the largest costs for wages paid to enrollees. CWEP, even if conducted the same work projects and cost the same money, would not require a new appropriation for wages paid to enrollees because AFDC benefits are an entitlement. CWEP would only require an expanded appropriation for costs of administration, supervision, and materials and supplies.

It is possible that an agreement could be reached with Congress to allow for a simple work supplementation formula in which a person's AFDC grant could be used to pay wages for the person. This would permit taking advantage of the less stigma attached to PSE with the easier budget path of CWEP. ← *

4. Quality of Work Projects. Budget pressures will push towards making PSE or CWEP projects as cheap as possible, and for tight constraints on costs going towards administration, supervision, and materials and supplies. Typically, attempts are made to require that at least 70 percent of expenses go to wages, thus sharply limiting all other costs. However, a lesson from PSE programs is that effective projects require planning, quality supervision, and materials and supplies. In the Civilian Conservation Corps, widely perceived to be the most successful work program ever, wages amounted to less than 40 percent of total expenses. PA was 88%

One way to achieve quality work projects while limiting costs is to emphasize work projects that are socially useful but do not require constant supervision, heavy equipment, and many materials and supplies. For example, quality teacher aide projects could be developed fairly cheaply. However, construction and forestry projects, which would be ideal for serving males, would be expensive to do right. This leaves a set of questions as to what types of jobs we would provide for males. How much emphasis do we want to place on the social utility of the jobs we provide? Do we care about whether the jobs lead to private sector positions? Can quality projects can be developed that would promote the long-term employability of males yet still be inexpensive? Are willing to spend up to \$20,000 a slot for construction and forestry jobs that would have much social value and could lead to private sector placement? NO

5. Private Sector Versus Public Sector Jobs. Most persons agree that the general public would be more supportive of placing welfare recipients in private sector jobs rather than public sector jobs. However, not all welfare clients will be able to find private sector jobs. This issue can probably best be resolved not by emphasizing one over the other, but by sequencing services appropriately. As was done in the BOPP and SWIM demonstrations, the first service provided should be job search assistance to allow persons who can get private sector jobs to do so. This can be followed by classroom training and on-the-job training, again, to encourage private sector placement, and then by PSE or CWEP. As was done in SWIM, job clubs to pursue private sector placement can still be mandated while participating *

in PSE and CWEP. Use of wage subsidies are a way of promoting private sector placements, but the negative results for the TJTC in the Dayton BOPP experiment casts serious doubt on the effectiveness of targeted wage subsidies.

6. New AFDC Registrants Versus Existing Enrollees. One option for phasing in time-limited welfare would be to concentrate on new applicants. However, as is clear from both studies of welfare recipients and the control group in the SWIM evaluation, existing AFDC enrollees are a much more disadvantaged group than new registrants. Further, the SWIM results indicate that earnings impacts and welfare reductions from job training programs are strongest among existing enrollees. In any case, time-limiting welfare only for new applicants would create a perverse incentive for existing enrollees to stay on welfare so that they would not be subject to new requirements if they had to return to the rolls.

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7. Need for a Work Support Agency. Single mothers often leave welfare to accept employment, only to have some family or personal crisis cause them to quit work and return to AFDC. A time-limited welfare system will need to recognize the obstacles AFDC women will face in handling a job perhaps for the first time. As described by Demetra Nightingale, neighborhood work support offices could fill the role of providing AFDC women with the various social services they need to hold a job. These offices would operate independently of the welfare system, and provide counselling, job search assistance, help with college application forms, assistance with tax forms, workshops on balancing work and family responsibilities, and referrals to child support enforcement, crisis intervention, family counselling, and health screening. Work support offices could also operate the CWEP projects.

8. Emphasis on High-Poverty Inner-City and Rural Areas. One way to ration limited funds available for employment and training would be to target this component to high-poverty inner-city and rural areas. Long-term poverty and the breakdown of the family is most severe in these areas. Funds for employment and training services, including PSE slots, could be concentrated on persons residing in 30 percent or higher poverty areas. This would target funds almost exclusively on blacks and Hispanics and other minorities.

Politically, it would not be practical to time-limit AFDC in high-poverty areas but not in other areas. AFDC could be time-limited in all geographic areas, but JSA could be emphasized in non-poverty areas, while more intensive job training and PSE was emphasized in poverty areas. Targeting on 30 percent or higher poverty rates would also be a way of making a PSE program for non-custodial fathers realistic in terms of costs.

9. Rationing Limited Employment and Training Funds. Isabel Sawhill has estimated that even with generous assumptions 46 percent of the current AFDC caseload, or about 2 million

people, would be eligible for a CWEP or PSE placement once their two-year lifetime limit on AFDC ran out. Her estimate includes an assumption that JSA and training programs during the initial two years on AFDC have been available for winnowing the number of clients requiring subsidized jobs.

Currently, the minimum wage is \$4.25 an hour, amounting to \$8,500 a year for a full-time, year-round job. Half-time PSE jobs with only a minimal amount of supervision and materials could probably be developed at a cost of about \$6,000 per participant. For \$1 billion, 167,000 PSE jobs could be funded each year. If CWEP were used instead of PSE, the costs to society would be the same, but compensation to enrollees would be picked up by the AFDC grant and thus would not require a new appropriation. Assuming \$1,750 per participant as the cost of supervision and materials, a \$1 billion new appropriation would pay for about 570,000 CWEP half-time jobs.

These numbers suggest that with \$1 billion we could serve roughly 8 percent of Sawhill's estimated eligible population with PSE, or roughly 28 percent with CWEP. Given the participation rates in EOPP and SWIM, we may not need further rationing, as more than 28 percent of eligibles may not participate in CWEP. However, we would also need an additional \$1 billion or so for job training that Sawhill assumes will occur during a recipient's initial two-year period on AFDC. It also ignores any PSE jobs to non-custodial fathers.

If \$2 billion is not available to cover both a training component and a work component, or if a more intensive intervention is desired, then a rationing of available funds is required. Possible rationing mechanisms include targeting on new registrants, targeting on high-poverty areas, or providing demonstration funds to States.

That's
all?

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File
WR ~~WORK~~ WORK

"TJTC PLUS"
→ Incremental
welfare Worker Credit -
take this welfare person,
we'll pay half for
a year. (Gets worker
into UI)

CENTER FOR LAW AND SOCIAL POLICY

MEMORANDUM

To: Interested Persons
From: Mark Greenberg
Date: July 6, 1993
Re: Public Employment vs. CWEP

A major component of the President's vision of welfare reform involves a work expectation for families that have received welfare for two years. In developing this component, a crucial question is whether families will be provided public service employment, or simply required to work without wages for their welfare grants.

One possible model for public employment would involve the creation of 20 hour a week public sector minimum wage jobs. The earnings from those jobs would be treated as earned income for purposes of AFDC and food stamps.

In contrast, in a CWEP model, the individual would not receive wages, but would be required to work some number of hours each month, based on a formula that divides the AFDC grant by the minimum wage to determine the required hours of obligation.

In many respects, from the standpoint of the individuals and society, public sector minimum wage jobs would be substantially preferable to CWEP. The major problem with public sector jobs is their greater cost. However, there is reason to believe that the marginal cost of such jobs over CWEP, for one million slots, would be in the range of \$2 billion or less -- a figure that is low enough to justify serious policy consideration.

This memo summarizes the advantages of minimum wage jobs over CWEP, and then discusses the basis for the cost estimate.

Why would work for wages be better than work for welfare? It would be better for families, the welfare system, and the nation's economy because:

Families would be financially better off. In a CWEP structure, an individual who is working off her AFDC grant is no better off than an individual who is not. There is no return for work. And, in high benefit states, individuals would be working full time or close to full time in order to receive a welfare check; this is fundamentally inconsistent with the President's principle that a family where the parent works full-time shouldn't be poor.

In contrast, if individuals are in jobs paying wages, then their family will have more income, and will both be and feel better off from working. The amount of gain from work will depend on the number of hours of work, how the system's rules treat earnings from employment, and whether the earnings qualify for a

full EIC. However, it will always be true that the family is at least somewhat better off as a result of working.

People who work should be treated like workers. Historically, one rationale for CWEP is that individuals with little or no work experience would benefit from an unpaid work experience. This might be true for some people for some period of time, but not on an ongoing basis for everyone who has received AFDC for two years. If individuals are willing to work, and neither they nor the state can find a private sector job, they should be offered a real job paying a real wage. If one goal is to provide work that individuals can list on a resume and that does not include "welfare stigma", than government (or other non-profit) employment is surely preferable to "welfare unpaid placement."

20 Hour a week jobs would foster and reflect the principle that there should be reasonable expectations for single parents. One problem with CWEP is that the hours of obligation would be different in every state. In high benefit states, e.g., families would, in essence, be working full time just to work off their AFDC. In low benefit states, one of two things will happen: either the work obligation will be quite low, i.e., about 11 hours a week to work off a \$200 AFDC grant, or there will be substantial pressure to include food stamps in the work-off-the-grant calculus. If that occurs, then individuals in low benefit states may be working full-time or close to full time for food coupons and a small amount of cash.

Full-time obligations will cause a number of problems. First, they will be much more expensive than 20 hour slots, because many more families will have child care costs, including those with school-age children. Second, displacement issues are likely to be greater if employers are essentially offered free full-time workers. Third, as the required compliance level goes up, the number of non-compliers is likely to increase, and penalties for non-compliance are likely to have to be imposed on more people.

Most fundamentally, though, an expectation of full-time work for single parents is inconsistent with the fact that most married mothers do not work full-time outside the home. Only 34% of wives work year-round, full-time, and only 27% of wives with children under age 6 work year-round, full-time. As originally framed by David Ellwood in Poor Support, in two parent families, one parent typically either doesn't work outside the home or works part-time. In a one-parent family, where the mother must be trying to balance her work and caretaking roles, it may not be good family policy to mandate an expectation of full-time work.

In the current debate, while there may be strong public support for the principle that welfare mothers should work, there is not likely to be strong public support for the principle that single parents should either have their children in day care or leave them unattended for 45 or 50 hours a week. Nor is there likely to be broad agreement that the best social policy for families of middle-schoolers and teens is for their parent to be

leaving them unsupervised for a number of hours before and after school each day.

In short, a 20 hour expectation balances a serious work expectation with a concern for what is reasonable for parents and best for children.

20 Hour a Week Jobs Would be Significantly Easier to Administer than CWEP. CWEP is complicated to administer in part because the individual's required hours of participation vary with her AFDC grant. So, for example, an individual getting an AFDC grant of \$372 would have an 87 hour obligation that month. However, if she received a \$100 contribution from a relative the next month, and her grant dropped to \$272, her CWEP hours would drop to 64. Few employers have any interest in readjusting work hours each month, or in, for instance, having Ms. Smith work 20 hours a week, while Ms. Jones works 17, and Ms. Doe works 13. Many potential employers that might be attracted to designing 20 hour jobs would have little interest in a structure where each new slot may have different required hours of work, and the hours per slot may vary every month. CWEP forces administrators and employers to devote massive resources to odd hour calculations; 20 hour a week jobs would not.

Creating waged jobs would reduce the number of families receiving AFDC; mandating CWEP would not. If families were paid the minimum wage for 20 hours a week, and the earnings were treated as income for AFDC purposes, some number of families would cease to receive AFDC checks. For a family of three with no other income, the earnings would result in no AFDC check in one state immediately, and in six more after four months. For a family of two with no other income, there would be no AFDC check immediately in five states, and none after four months in five more states. For families with other non-AFDC income, the numbers would be greater. While this is obviously not a huge caseload reduction, it is substantially better than what would be offered by CWEP. (Note that there would need to be a means to "deem" Medicaid and child care eligibility for families ineligible for an AFDC grant.)

Jobs paying the minimum wage would be better for the economy than work paying no wages. A basic concern about large-scale CWEP is that it may depress wages and job growth: individuals in CWEP slots would be part of a large pool prepared to accept any minimum wage job, even under the most adverse working conditions. It may not be in the best interest of children, for example, for their mother to be working for minimum wage on the late night shift at the local convenience store. If the government were offering part-time minimum wage jobs during the school day for single parents, then private employers would need to offer something more attractive to attract them, e.g., higher wages, better working conditions, more hours, opportunity for advancement. If the government offers minimum wage jobs to AFDC families, it is a way of putting pressure on the private sector to do better; if the government only mandates CWEP, then the worst minimum wage job will look better than AFDC,

* Best argument against PSE

and it will seem irrational for many private employers to ever pay more than minimum wage. In short, either approach is going to have an impact on the private economy, but minimum wage jobs encourage private employers to do better, and CWEP encourages private employers to do worse.

Note that there is another concern about the impact of either CWEP or minimum wage jobs on the economy: if public sector or private non-profit employers have an essentially unlimited pool of free workers, when will they ever have an incentive to add additional paid workers to their workforce? While this is a problem in either approach, it could be less of a problem in the public employment approach if, for instance, the worksite were required to put in some amount of match. A match requirement would also increase the likelihood that the worksite took the jobs more seriously, and it would also be a means of bringing down overall program costs. (For instance, a 25% required employer match would essentially offset the cost of a 25% EIC for workers in public service minimum wage jobs).

The costs of minimum wage jobs are within a range that merits their consideration. Much of the previously-expressed concern about public employment concerns its potential cost. However, given the commitment to a work program, the relevant question is its marginal cost above the cost of CWEP. For example, there appears to be no reason to believe that the cost of job creation, administration, and supervision would be different for public employment than for CWEP. And for comparable hours of work, there is no reason to believe that child care costs would be different. The difference would involve the payment of wages for minimum wage jobs. However, there would be a partial offset in reduced AFDC and food stamp expenditures.

On an annual basis, the marginal cost to government (over CWEP) for one million slots would appear to be less than \$2 billion without the EIC, approaching \$3 billion with the EIC. For example, the 20 hours a week times \$4.25 is \$365.50 a month. Wages of \$365.50 a month translate to a \$164 reduction in AFDC for the first four months, and a \$246 reduction in AFDC after the first four months, when the 1/3 disregard expires. There is also a food stamp reduction. The amount of the food stamp reduction depends on one's assumption about shelter costs. On the attached pages, there are examples for the median benefit state, a high benefit state, and a low benefit state. The basic picture appears to be that for the median state benefit level, a 20 hour a week minimum wage job would involve a net cost over CWEP of approximately \$171 per person for the first four months, and \$126 per person after the first four months without the EIC; if a 25% EIC were provided, the cost would increase to \$263 and \$219 respectively. On an annualized basis, this translates to \$1.7 billion to 2.8 billion. If there were a required employer match, costs would go down (depending on the amount of the match).

\$2000/slot,
but
doesn't
include
admin
costs

Costs may be somewhat (though not substantially) higher because:

- not all AFDC families receive food stamps, and when the family does not receive food stamps, there will be no food stamp saving when income increases;
- in low benefit states, if the AFDC grant is less than \$164 in the first four months, or less than \$246 after the first four months, the full AFDC savings will not occur;
- cost estimates for food stamp savings are sensitive to one's assumptions about housing costs, in the complicated way in which excess shelter deductions interact with income.

Nevertheless, even if costs are slightly higher, they nevertheless suggest that this approach is within the range of reasonable options, and ought to be given serious consideration in the coming discussions.

CWEP and Public Employment: Comparing Costs

Example A: AFDC Grant of \$372 (Median state, family of three)
Assume \$300 for rent and utilities

1. Status: No Earnings or Other Non-AFDC income:

AFDC	\$372
Food Stamps	<u>\$272</u>
Total Income	\$644

2. Status: Working 20 hours a week at \$4.25, for gross earnings of \$365.50/month. During first four months, AFDC's 1/3 disregard available:

Earnings	\$365.50
AFDC	\$208
Food Stamps	<u>\$214</u>
Total Income	\$787.50.

3. Status: Working 20 hours a week at \$4.25, but 1/3 disregard expires after four months:

Earnings	\$365.50
AFDC	\$126
Food Stamps	<u>\$251</u>
Total Income	\$742.50

4. Cost to Government:

First four months: $\$787.50 - \$644 = \$143.50$ in net costs; if government paying social security of 7.65%, add \$27.96 to get \$171.46.

After first four months, $\$742.50 - \$644 = \$98.50$ in net costs, plus \$27.96 social security, equals \$126.46.

First year cost to government is \$1697.52:
(4 * \$171.46 = \$685.84, 8 * 126.46 = \$1011.68)

Example B: AFDC Grant of \$200 (Low Benefit State)
Assume \$200 for rent and utilities

1. Status: No Earnings or Other Non-AFDC income:

AFDC	\$200
Food Stamps	<u>\$292</u>
Total Income	\$492

2. Status: Working 20 hours a week at \$4.25, for gross earnings of \$365.50/month. During first four months, AFDC's 1/3 disregard available:

Earnings	\$365.50
AFDC	\$ 36
Food Stamps	<u>\$262</u>
Total Income	\$663.50.

3. Status: Working 20 hours a week at \$4.25, but 1/3 disregard expires after four months:

Earnings	\$365.50
AFDC	\$ 0
Food Stamps	<u>\$277</u>
Total Income	\$642.50

4. Cost to Government:

First four months: $\$663.50 - \$492 = \$171.50$ in net costs; with social security of 7.65%, add \$27.96 to get \$199.46.

After first four months, $\$642.50 - \$492 = \$150.50$ in net costs, plus \$27.96 social security, equals \$178.46.

First year cost to government is \$2225.62:
(4 * \$199.46 = \$797.84, 8 * 178.46 = \$1427.68).

Example C: AFDC Grant of \$500 (High Benefit State)
Assume \$400 for rent and utilities

1. Status: No Earnings or Other Non-AFDC income:

AFDC	\$600
Food Stamps	<u>\$199</u>
Total Income	\$799

2. Status: Working 20 hours a week at \$4.25, for gross earnings of \$365.50/month. During first four months, AFDC's 1/3 disregard available:

Earnings	\$365.50
AFDC	\$436
Food Stamps	<u>\$141</u>
Total Income	\$942.50.

3. Status: Working 20 hours a week at \$4.25, but 1/3 disregard expires after four months:

Earnings	\$365.50
AFDC	\$354
Food Stamps	<u>\$178</u>
Total Income	\$897.50

4. Cost to Government:

In first four months, $\$942.50 - \$799 = \$143.50$ in net costs; if government paying social security of 7.65%, add \$27.96 to get \$171.46.

After first four months, $\$897.50 - \$799 = \$98.50$ in net costs, plus \$27.96 social security, equals \$126.46.

First year cost to government is \$1697.52:

(4 * \$171.46 = \$685.84, 8 * 126.46 = \$1011.68)

ISSUES

Program

What should be the nature of the work? Should it be entry-level, unskilled? Should there be job progression and training with growth potential? What are the trade-offs in terms of costs? Incentives to stay in the program vs. incentives to move into private sector jobs? What do we know about the effectiveness of job progression models for welfare populations? How much supervision and administration is involved?

Job Search

Should participation in CWEP be combined with some period in job search? Should there be a period of job search after each CWEP assignment is over? Are there other ways to encourage participants to move to private sector jobs, and to encourage private employers to hire these individuals?

Education

Should participants be given additional time to receive education and training or pursue other activities to increase employability? What are minimal job skills and work habits that participants need to have? Are they likely to have already acquired these before they reached their time limit? What further development are they likely to need?

Duration

What is the maximum amount of time participants can remain in CWEP? Indefinitely until they find a private job? Two years? One year? 26 weeks? Should it vary depending on local unemployment rates? What happens after this period is over.

Assigned Hours

Should each person's assignment be based on their individual grant levels divided by the minimum wage? Or should there be a set number of hours regardless of former welfare grant levels, e.g. 20 hours a week for everyone? Do we need to customize these jobs to the needs of single mothers?

Safety Net

Are we responsible for ensuring a minimal safety net for the post-transitional population? Can individuals refuse to participate in the work program? What happens if slots are not available? Is the population off of welfare or still on welfare, but working?

Level of Income

What is a minimally adequate income for the post-transitional assistance population? Do the plans provide this with a 40 hr. per week assignment? With a 20 hr work assignment? Should there continue to be an effort to maintain aggregate income levels at AFDC benefit levels, varying by state and family size?

Treatment of Earnings

Does reimbursement count as earnings for EITC, FICA, unemployment benefits? What is the interaction with food stamps and housing assistance?

Universality

Should community work programs and incentives be available to all poor families with children or targeted to former AFDC recipients? Should these programs be available to non-custodial fathers who need jobs to pay child support? Should these programs be available to welfare recipients who have not yet exhausted their time-limits? Are they available to former welfare recipients who found a private job and then were fired or quit.

Sanctions, Firing

Should there be a system of sanctions, or should participants who don't perform simply not get paid? Should participants be paid for the hours they work or should they not get paid at all if they don't work for their assigned time, e.g. 20 hours a week? What would be "good cause" criteria for not participating. Should those who drop out of the program be allowed to be reinstated immediately by participating? Should participants be able to be "fired?"

Post Work

If the work program is of limited duration and the family still hasn't found a private job, what happens? What happens to those who are fired from the work program or move on to a private job and are fired?

Financing

Who should pay for the cost of these programs? Federally funded, federal-state match? At what match rate?

Employment Rights

Do participants have access to appeal rights? How would disputes over nonperformance be resolved.

Implementation Issues

How long will it take to implement such programs? What could we expect to have in place after 1 year, 3 years, 5 years, etc.

Further Research

What are the major areas where research and demonstrations are needed?

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24 January 1994

To: Mary Jo Bane, David Ellwood, Bruce Reed

From: Larry Mead *LMM*

Subject: Comments on Draft Discussion Paper by Working Group on Welfare Reform, Family Support and Independence.

Here are some comments on each main section of the paper. See also my paper on "Reforming Welfare Through Half-Time Work."

Promote Parental Responsibility and Prevent Teen Pregnancy

Note that "more than 100 hours a month" on p. 8 should read "more than 99 hours a month." The idea of ending the 100-hour rule and the 6-month limit on AFDC-UP is good. However, the labor force attachment rules for UP ought to be kept. That is, a welfare father should have to have a work history.

Alternatively, one could substitute a work requirement for the father. At present, he merely has to look for work. The Family Support Act (FSA) mandated that high shares of UP fathers have to enter workfare jobs, but this is only now being implemented. It would be better to obligate the father to work in the private sector along the same lines as the mother, but he should have to work sooner (that is, not be eligible for an extension) and nearer to full-time.

Mentoring by older welfare mothers strikes me as hard to sell. Are mothers who have lived on welfare good role models for younger women who we hope to steer away from welfare? This could look like legitimizing welfare as an alternative lifestyle.

The community-oriented measures (p. 9) look soft and send a mixed message. They suggest that society assumes responsibility for unwed parenthood, when we want individuals to do that.

Raising the family planning issue is risky, as the abortion controversy might flair up and sink reform. Better to shift the issue to the health area and let that reform proposal deal with it.

Make Work Pay

I was surprised how little you proposed here. The reason must be that a lot has already been done. EITC and the minimum wage have already been raised, and health reform is on another track. Transitional child and health care is already available under FSA.

The argument for further steps is weak. Although anecdotes say the Medicaid notch is serious, research says it isn't except for families with serious health problems, in which the adults would probably not be expected to work anyway. There is little evidence of a child care shortage at present work levels. A lack might develop if JOBS were expanded, but higher funding under JOBS and the

~~WR = Jobs~~
WR - WORK

IVA entitlement should take care of that. Why eliminate the state match just for child care when it is all of a piece with the rest of JOBS?

I don't see a reason to make the Dependent Care credit refundable or do other things do improve child care, at least not as part of welfare reform. That would eat up money you need to fund an expanded JOBS. It really serves the agenda of advocates for "quality" child care and Head Start. While they may have a case, it should be dealt with separately and not hold welfare reform hostage.

Work fails to pay more than welfare mainly when one does not work full-time. The expectations you set about work levels seem to me a bit low. You suggest that families with one full-time worker should not be poor. That is fine for a single parent. But in the case of an intact family it would be reasonable to expect the other spouse to work at least half-time, since that is what most people not on welfare do today. You also suggest that a single mother working half- or three-quarter-time should be able to get off welfare and out of poverty (p. 14). I'd accept that, but to justify it politically, the bulk of employable welfare mothers would have to work this hard, not just a few.

I agree that the working mother should do better than a nonworking recipient, but one can assure that simply by denying support to the nonworking mother. I'd also give the working mother a bonus on welfare. There is no need to construct a new set of income supports for her.

The most important proposal in this section is to make EITC regularly payable in more cases. That means tackling the whole work supplementation problem, which is tough. It will probably be difficult to get many employers to serve as conduits for government aid. It's probably best simply to pay EITC through welfare in the case of working poor who remain on AFDC or Food Stamps.

You also suggest demonstrations in the area of income support for working families. I don't see a need for special "work support offices," since the programs in question already serve many working poor families, nor for front-end emergency assistance, which might revive the welfare fraud problems of twenty years ago.

But I do see an argument for liberalizing the work history rules in UI so that more people with short job histories can get UI. This is also the best nonwelfare way to help the working poor. Unlike some other proposals--children's allowances, assured child support--it doesn't require creating new entitlements, only expanding an old one.

Provide Access to Education and Training, Impose Time Limits, and Expect Work

For a more detailed response to the JOBS aspects of the plan, see my separate paper on "Reforming Welfare Through Half-Time Work." My approach, like yours, is to keep as many recipients as possible from hitting the two-year limit on cash assistance that the President has proposed. However, I think that to do that one must mandate work search at the outset, condition eligibility on half-time work, and permit extensions only to two years, not beyond it. The current plan is vague about how and when work would actually be expected.

Your most important recommendation in the whole paper is to move JOBS to full participation. I strongly support that. To implement that policy, you need to define new participation floors for years beyond FY95. You would also need a set of ceilings to bring down the share of clients allowed extensions over time.

In addition, the emphasis within JOBS has to be shifted away from remediation and towards job search. The document is vague about this. Job search is specified only at the end of the two-year period. Up-front job search should be mandated, not left to state option.

The two-year transition period should not universally be allowed. I'd limit it to people who had tried to get a job at the outset and failed. To allow it generally contradicts the message that welfare eligibility is to be based on work. Rather, I'd make all the employable look for work at the outset and then limit extensions to two years.

Exemption criteria are too vague. You probably need to take a stand on the age of youngest child question. I'd lower the age of exemption to two. Even better, define mothers with children of any age as employable, but give those with children under two an extension of up to two years.

Work is too long postponed. It shouldn't take 90 days just to get into JOBS (p. 18) You allow everyone two years to go to work and then allow further extensions for some percentage of the caseload. I'd require up-front job search, give a two-year extension to a fixed percentage of the caseload, and allow no extensions beyond that--unless one was working half-time.

Rather than allow people to "earn" months of future welfare by working (p. 21), I'd let them earn eligibility for UI by working, like other people.

More federal funding for JOBS is needed, but I would not raise the federal matching rate above 75 percent. Without an important state share, localities won't "own" their JOBS programs, and they will wither. In WIN, the predecessor of JOBS, FFP was 90 percent, and the programs were ignored at the state level. Rather than cut the state share, I'd promote awareness of how much well-run work programs save government at all levels, according to the evaluations. This connects to the question of accounting for welfare savings (see below).

Public jobs as a way of guaranteeing work strike me as a morass. If WORK jobs were promised as an entitlement, they would only be given to a small share of the caseload, other cases would go on a waiting list, and any idea of a time limit on aid without work would go by the board. WORK should be provided only as a non-entitlement, as CETA was. Alternatively clients should have to meet tough work-search requirements to demand a WORK slot on pain of remaining on aid without working. If private jobs are scarce, it would be better to allow more extensions, during which people would have to look for work.

Public jobs, if provided, should not be described as work for wages, as conservatives regard this as setting up a separate job empire within government; nor as work for welfare, because liberals regard that as punitive. Rather, call them "work experience," a term that was anodyne in WIN.

The economic development proposals (p. 24) strike me as soft and unpersuasive, given the small impact of such programs in the past. And like child care investments, they threaten to soak up funds that you need to expand JOBS, which is the really critical reform.

Child Support Enforcement

While the proposed bureaucratic improvements are useful, they don't get to the heart of the child support problem, which is failure to establish paternity. The \$50 incentive now given the mother to cooperate obviously isn't enough. I'd require her to name the father to get any aid at all, with no "good cause" exemptions. If the father hassles her, prosecute him. She could name more than one man if unsure. If the name, or names, did not result in a child support judgment, the case would be closed.

Child support assurance is presently impolitic, as suggested at the meeting, although experiments with it should go forward. The main limitation I see is that it doesn't cause very many welfare mothers to go to work.

The idea of "mandatory work programs" for noncustodial fathers (p. 28) is worth exploring. I think you'd see more support for using government jobs for this purpose than within JOBS. This discussion again brings up the question of work tests for fathers. I'd combine this discussion with the earlier treatment of AFDC-UP into a separate section on work arrangements for the fathers. This would parallel the section on JOBS and time limits aimed mostly at mothers.

The message would be that the fathers of welfare families face three choices, in order of preference: Work full-time and support your family off welfare. If you can't do that, join UP, and

welfare will make sure you look for work and go to work within 90 days. If you don't do that, you will face tougher treatment from the child support system, including mandatory work.

Reinvent Government Assistance

I share the skepticism about this section voiced by others at the meeting. I agree that welfare administration typically ignores the work mission now. But I don't see this as a reason to try to change the focus of the eligibility/claims payment operation. That bureaucracy has been built up over decades around the mission of avoiding payment errors, in part because of federal incentives and sanctions. It would be difficult and impolitic to change that direction now.

Rather, build a comparable bureaucracy around the work mission, driven by its own incentives and penalties. If the political and funding payoffs are clear, top management will give it priority.

While there is no general need to reorient claims payment, it does have to be reconciled with a higher incidence of work by people on welfare. According to anecdotal accounts, the current system doesn't take kindly to adjusting grants to reflect work by people who remain on the rolls. One approach, which I got from Mike Wiseman, would be to give out grants at the end of the month, not the beginning. Recipients would appear in person, present pay stubs to evidence earnings in the last month (also hours if work levels were enforced), get incentives like EITC, and then receive a check of the appropriate amount. Sort of like UI claimants queuing up to get their checks.

I'm also skeptical of the need to streamline eligibility processes and combine rules for different programs. I think the programs appear more separate in Washington than they really operate at the local level, where the same agency usually runs AFDC, Food Stamps, Medicaid, etc. The main problem in welfare isn't that needy people can't figure out where to apply for aid, it's that many stay on it too long without working.

The question of performance measures (p. 31) is crucial but subordinate to the goals of the program. The desire to measure "results" and not "inputs" or "processes" is orthodox. But some of the results reform should seek are matters of process, such as higher participation rates in JOBS and higher rates of employment from people on welfare. Above all, the performance measures cannot be as client-oriented as those used in evaluations tend to be, aimed mainly at earnings and employment gains for the recipients. The goals of a mandatory work policy are to satisfy society first, then serve the clients. Welfare savings and, above all, work levels have to be paramount, or the reform will not be seen as "ending welfare as we know it."

Four other administrative problems raised by reform are not discussed and should be:

- o How to develop the case management systems that seem necessary to make high-intensity welfare work programs effective. Close follow-up of clients is what keeps them in programs.
- o How to reconcile welfare payment systems with a higher level of part-time work (see above).
- o How to monitor the working hours of clients as well as earnings, as would be required by any work test couched in terms of hours. As with earnings, this might be done through an end-of-the-month reckoning.
- o How to give JOBS appropriate credit for the welfare savings it generates. Requires estimating the share of grant reductions attributable to the program, using evaluation findings as a guide. Without such credit, JOBS appears to localities not as a worthwhile investment but as a cost levied on them by Washington. That is one reason, I think, why states have underfunded it.

REFORMING WELFARE THROUGH HALF-TIME WORK

Lawrence M. Mead
24 January 1994
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The following paper develops an approach to welfare reform based on half-time employment.¹ In part, the plan is a reaction to the initial reform ideas produced by the Clinton Administration's Working Group on Welfare Reform.² Below I discuss the general approach and its rationale, a number of the details—such as exemptions, extensions, and the role of government jobs--and implementation. I have not attempted to estimate caseloads or costs.

General Approach

Reform should primarily require that AFDC recipients, if employable, work serious hours as a condition of aid. Welfare adults would have to get a job within 90 days of going on the rolls and would have to keep working as long as they were on welfare. However, in most cases recipients would have to work only half time, and they would face no time limit on aid provided they kept working. A minority of the caseload would be allowed aid without work beyond 90 days, but limited to two years.

These expectations are chosen to be simple and straightforward, and to match those faced by women not on welfare. The hope is to make the rules broadly communicable and legitimate, so that the work test becomes known and established in poor communities, the way other obligations, such as paying taxes or sending children to school, already are. A reason to define the work requirement as half-time is that this is already the participation standard in JOBS. A reason to limit extensions to two years is that this is the limit President Clinton has publicized for aid without work (although the current Administration plan would permit some extensions beyond this), and experts often use two years to demarcate short-term welfare cases from long.

This strategy differs from standard liberal and conservative approaches to reform in that the immediate goal is not to get the mothers *off* welfare or cut the rolls. It is simply to put the mothers

¹ The author is Professor of Politics at New York University and, currently, Visiting Professor of Public Policy at the Kennedy School of Government, Harvard University.

² Working Group on Welfare Reform, Family Support and Independence, "Draft Discussion Paper," November 1993.

to work while *on* welfare. A significant proportion of the recipients probably would leave welfare once required to work at all, and grant money would certainly be saved, but this is not the immediate objective. My plan agrees with the President's notion in part. I judge that it is not possible currently to cut welfare eligibility or benefits much, as some conservatives want, without causing unacceptable hardship. Nor could one set an absolute time limit to benefits. One can set a two-year limit to benefits without work. However, to do that one must demand work much sooner, of more of the employable, than suggested in the current Working Group plan.

One might finally be able to cut welfare or set strict time limits to it, but only after a much higher percentage of the caseload was routinely employed than now. Until then, to take such steps would not be humane or credible, as they would simply throw a lot of needy families on the street.

The core of reform is to raise work levels on AFDC, but some clients should also shift to other programs that are less controversial. Some mothers now on AFDC would be exempted from work as disabled and go on SSI. Those who left AFDC for work and then lost jobs would be supported on Unemployment Insurance (UI) and Food Stamps by preference rather than returning to AFDC. It is more politic to "mainstream" welfare families on these existing benefits than on new ones that have been proposed (e.g., children's allowances, assured child support).

Rationale

I cannot give a detailed rationale for this approach here,³ but my reading of the research and policy experience related to welfare supports these conclusions: The main reason the working-age poor and their families go on welfare is that the adults do not work regularly; family breakup is secondary. The main reason for nonwork is not that the poor do not want to work, or that barriers such as lack of jobs or low wages keep them from working, although those factors contribute. Rather, it is that welfare and other institutions do not enforce work. Public authority motivates the seriously poor to work more strongly than do the incentives surrounding work and welfare.

³ For supporting arguments and documentation, see Lawrence M. Mead, The New Politics of Poverty: The Nonworking Poor in America (New York: Basic Books, 1992), chs. 3-8; "The Potential for Work Enforcement: A Study of WIN," Journal of Policy Analysis and Management 7, no. 2 (Winter 1988): 264-88; and "Should Workfare Be Mandatory? What Research Says," Journal of Policy Analysis and Management 9, no. 3 (Summer 1990): 400-4.

Welfare reform is an administrative problem, not a problem in social reform. While measures to "make work pay" such as a higher EITC or minimum wage would help people already working, they would not cause many more nonworking poor to go to work. Thus, such steps may be desirable in their own terms, but they do not constitute a reform of welfare. Nor would radical cuts in welfare benefits or eligibility have much effect, other than to make needy people worse-off. In contrast, requirements to enter work programs do show some power to shift the welfare caseload toward constructive activity. While welfare employment programs have not cut dependency or raised earnings much to date, they have expanded by two or three times the share of the employable clients doing something to help themselves, if only to join training activities or look for work.

Welfare work programs need money for support services such as child care, but the key to their impact is their authority. The share of the employable caseload that goes to work is proportional to the share that is obligated to participate in a work program. It also reflects the share of the participants who go into actual work or job search as against education or training. Participation and job entries are high in programs that communicate strong work expectations and follow up on clients closely to prevent them dropping out. Remediation should play some role, but it seems to do more good after recipients are working than before.

But if many recipients can work, it is hard to get a great many entirely off welfare, at least in the short run. That is partly because they typically earn low wages, compared to what they can "earn" on welfare, and partly because they have trouble working full-time, due to personal difficulties and the burdens of childrearing. While the majority could get off welfare with full-time work, government cannot feasibly require that. What it can and should do is to get the mothers organized for employment and working part-time. That should enable a fair number to get off the rolls over time. More important, it would transform welfare for those staying on the rolls.

A half-time work standard also fits the politics of reform. At a policymaking level, both liberals and conservatives would like to raise work levels among the poor, but disagree about how to do this. Liberals want to do it through new benefits, conservatives through cutting back welfare and its disincentives. That difference becomes unbridgeable if one insists on getting people entirely off welfare. To do that, liberals have to recommend expensive steps to "make work pay," such as

government jobs, while conservatives have to demand large cuts in eligibility and benefits that reduce welfare's ability to support the needy. Each side then prefers to leave the mothers idle rather than promote work on the other's terms, and reform is defeated. However, both sides can agree on part-time work, because it is relatively cheap and does not put the principle of aid in question.

At the level of public opinion, a half-time standard is also politic. Most voters do not oppose welfare as such, only the "abuses," such as nonwork, that are linked to welfare. While Americans would like to get people off welfare, their main demand is that the adult recipients work alongside the taxpayers to help support their families. If work were seriously required and sustained, even half-time, public concern would be allayed, and the climate for a more generous antipoverty policy would improve.

The Work Test

Eligibility for AFDC should normally require working at least half-time. To keep aid, an employable recipient would have to be in a job requiring half time or more within 90 days of going on the rolls, and would have to keep working at this rate as long as he or she stayed on AFDC. "Employable" here would normally include all adults aged at least 16 covered by a case unless they were elderly, disabled, or teenagers in school. Mothers with children under two would be classed as employable but not required to work immediately (see below). Those meeting the work test would face no time limits on benefits, although they would still have to satisfy other eligibility rules for AFDC, such as being needy and having a child under 18.

In the Clinton plan, everyone has two years to go to work, and some recipients are allowed extensions beyond that. This does not make the work test immediate enough to be compelling to many recipients, for whom work would remain a distant prospect at the time they applied for aid. In this plan, recipients have 90 days to go to work, and the extensions are limited to two years (see below). Virtually no nonworking recipients would be kept on the rolls beyond this. While dependency would not be strictly time-limited, it would be conditioned on half-time work.

The test generally would be 20 hours work regardless of the wage earned. The point of the work test is to satisfy a social expectation and not to "work off" the benefit in a literal way. Recipients working at low wages would not have to work more hours, nor would those in high-wage

jobs have to work fewer, unless their earnings would take them entirely off welfare (see below). Hours might vary per week but would have to average 80 per month. The work test would not demand more than half-time work, to give the mother time for childrearing and also to train for a better job, provided she kept working half-time (see below).

Of course, welfare has the power to require work only if recipients stay on the rolls. They usually would stay on while working half-time in states with high benefits, typically in the North. They would not stay on in states with low benefits, typically in the South. Thus, work could be enforced in these states only at a lower level. The requirement might be to work enough to defray half or two-thirds of the need standard or for 20 hours a week, which was lower. For the bulk of the caseload, which is in high-benefit states, the half-time standard would apply.

New recipients, if employable, would enroll in JOBS and would remain in it as long as they stayed on welfare. They could be given child care and job search assistance, and could look for work for as long as 90 days. For the less job-ready recipients, the first week or two would be spent in job clubs learning job search skills. The employable would have to look for work at least half-time until they got a job. Adults would enter job search as soon as they had applied for welfare, in hopes of forestalling a need for aid. JOBS would have to certify that they had begun job search before their applications could be approved, if support services were available. The 90-day clock would start running after they were on the rolls.

Two groups would be treated specially. Welfare fathers, in AFDC-UP cases, would face a work test of the same kind as the mothers's, but somewhat more stringent. A father would have 90 days to get a job, and would have to be working at least half-time at that point. He could then have a two-year extension to get up to full-time work (defined as 35 hours a week). Fathers would be ineligible for nonworking extensions.

For teen mothers still of school age, the obligation would be to stay in school. These mothers would have to maintain normal progress and live with their parents. On graduation, they could establish their own households but would become subject to the regular work test. Those who failed to maintain normal progress or dropped out would also face the regular work test. "School" here means ordinary school pursued full-time. Alternative programs such as GED or training would not

be allowed except for mothers already working half-time (see below). Mothers who cannot handle regular school do not seem to learn much in the classroom, at least not before going to work.

Exemptions

Outright exemptions from the work test within AFDC should be avoided. The Family Support Act normally exempts mothers with children under 3. I would reduce that age to two. And rather than exempt these mothers totally, I would define them as employable but include them in the clients to be given extensions of up to two years. During that time, they would enter the JOBS program and face some service or work-readiness obligation, but for less than half-time. Their children would then be at least two when the extensions ended and they faced the regular work requirement.

Disability has traditionally been a grounds for exemption and should remain one, but not within AFDC. Much of the controversy over AFDC results from mothers who are not narrowly disabled yet are treated as unable to work. AFDC intake workers should refer clients who might be disabled to SSI, where they would face SSI's eligibility tests. Some expansion of SSI would result. All other applicants should be referred to JOBS and face the regular work test.

Most often, recipients now referred to SSI are older mothers, long out of the labor force, who are too old to adjust to employment when their youngest child turns 18. It is important that the number of younger mothers, and the number with mental as against physical impairments, who go on SSI be limited. The fact that a mother is disorganized should be grounds for an extension, not total exemption. Otherwise, work controversies will continue in AFDC, or will arise in SSI. The battle over Disability Insurance reviews in the Reagan Administration is a precedent.

Work Incentives

In this conception, the work obligation is mostly separate from how much money a family gets. The former is an obligation owed by any employable recipient, while the latter depends on the need standard set by the state. Traditionally, welfare reformers have tried to assure that a working mother gained a higher income by working by allowing her to keep some of her earnings net of any reduction in her grant. However, research and experience show that work incentives cause few

welfare recipients to go to work. Administrative stipulations have more effect. Hence, the work requirement would be presented to clients as a moral obligation and enforced as an eligibility rule.

However, work incentives might well be used to recognize and reward work once it occurs. I would raise the present \$30 earnings disregard to perhaps \$60 and describe it as a work bonus. I would keep the 33% work incentive and make it open-ended rather than limited to four months, but would apply it only to earnings from hours above 20. Given the large savings welfare would realize from clients going to work at all, sizable bonuses and incentives may be affordable. However, such benefits should be limited to what could be paid out of the savings produced by JOBS (see below).

In addition, EITC could be paid to working recipients on a routine basis through the welfare system provided they stayed on the rolls (see below). The same could be done for working families off AFDC but still on Food Stamps.

Support Services

Could a mother, as now, demand child care, transportation, etc., as a condition of participating in JOBS? I'd leave transportation as an entitlement, as it is not a crucial problem in the big cities. One can reasonably expect that recipients take public transportation to jobs provided that commuting times are not excessive.

The big issue is child care. One wants to be sure children are taken care of, but at the same time make child care less of an "out" than it sometimes is now. I'd continue to provide child care as an entitlement, but I'd also allow work bonuses or incentives only to mothers who arranged their own care--as mothers outside welfare have to do--and financed it out of their \$175 child care disregard. Such care would typically be cheaper than care JOBS paid for in child care centers, and awarding the bonuses or incentives recognizes this.

Extensions

Not all nondisabled mothers can get ready to work within 90 days. Some proportion of those who did not get jobs in that time would be given extensions, but limited to a minority of the mandatory caseload. This limit is essential to be sure that both clients and welfare departments take

the initial job search seriously. Whom to extend would be up to the locality, but the choice would presumably favor the more disadvantaged clients.

Those given extensions would still have to participate in JOBS at least half-time. Within JOBS, most of the extended clients would continue in job search, and would remain there until they got a job fulfilling the work test. The more disadvantaged would combine some community service obligation analogous to a job, such as volunteer work of an approved kind, with work-readiness activities decided on by staff, the total to equal half time or better. Work-readiness activities would be limited to the remediation needed to hold the most unskilled jobs, such as drug rehabilitation or English-language instruction. Except for teen mothers making normal progress in school, other education of even the most basic sort--GED, adult basic education--would be postponed until the work test was satisfied (see below).

Except for the teen mothers still in school, no one could stay on AFDC past two years without meeting the work test. The nonworkers could get no further aid except by qualifying for SSI, relying solely on Food Stamps, or giving up their children to foster care and seeking general assistance.

Furthermore, an extension would be allowed only once. The second time a mother applied for AFDC, she would have to satisfy the work test within 90 days and would be ineligible for an extension. The third time, she would to satisfy the test even to apply for aid.

Sanctions

At any stage, clients could be sanctioned for noncooperation. A sanction could occur within the first 90 days if a mother did not look seriously for work. It could also be applied to former recipients who left work without good cause and returned to AFDC.

The sanction should end the entire grant and not, as now, only the noncooperator's share of it. Whole grants are closed for other rule infringements. Failure to comply with the work test should be no different. Unless their families are at risk, some recipients will decline to take employment seriously.

However, sanctions are administratively cumbersome and unpopular with clients and staff alike. They would play a lesser rule in enforcing work under this scheme than up-front job search, the limit set on the share of caseload given extensions, and the two-year time limit on extensions.

Assessment

Many states now assess clients and draw up employability plans or "social contracts" when people first enter welfare. But the initial job search cannot be tailor-made if it is to apply immediately and widely enough to change the face of welfare. Early assessment is also often a waste, because many clients do not know their interests or potential at the outset, and it is difficult to predict what they can do. Requiring work or at least job search provides a lot more information.

Beyond adjudicating claims to disability, the initial assessment should be confined to what is necessary for job search--recording the client's work history, if any, and referring him or her to appropriate job openings. Clients should be appraised in more depth and employability plans drawn up only after they are working half-time or have failed to get jobs and been given extensions. Subsequent training or work-readiness activities, if funded by JOBS, would have to be approved by staff as consistent with the plan.

Training

Training prior to work would be confined to the school obligation of the teen mothers and the limited job-readiness preparation given to the extended clients. Other education and training would be funded, but would be limited to clients already fulfilling the work requirement and would have to be approved by staff as consistent with employability plans. That is, training would be conditioned on work and not, as it often is now, a substitute for work. The Family Support Act's preferences for education in advance of work for much of the caseload would have to be altered.

Many mothers now undertake postsecondary education programs on their own while they are exempt from JOBS due to young children. Then they seek to continue their studies rather than work once they become mandatory. That has proven to be a big "out" from the work test in New York. It is an abuse, since AFDC is not supposed to be a college scholarship program. JOBS needs these more motivated clients available for job placement in order to generate case closures and fund services for the more disadvantaged clients.

When the new rules took effect, I would include mothers already in self-initiated programs among those given extensions. But from that point, newly mandatory recipients could not normally pursue training without working half-time. They could if they wished undertake training or

education prior to becoming mandatory and could continue these programs after entering JOBS, but only if they also went to work half-time. Work-study assignments in support of postsecondary education would qualify if they were at least half-time.

Job Availability

The greatest question facing this plan is whether there would be enough jobs to absorb all the employable mothers. When implementation began, job availability would probably be sufficient. Many mothers already have jobs, but do not report them. The new policies--as well as the incentive to get EITC--would act to force these jobs onto the books, or the recipients off welfare. Also, if work levels rose in poverty areas, so would incomes, and enough additional jobs might be created so that there was little displacement.

However, as the numbers of mothers seeking work rose, job availability could prove inadequate, or it might be reduced due to a recession. I would prefer to deal with that problem without abandoning the work test or allowing indefinite aid without work. Instead, extend the period of job search permitted at the outset of welfare, or allow a higher proportion of recipients to get extensions. Those extended, however, would have to keep looking for work, as the regular jobless have to do. To be a meaningful work test, job search would have to be more closely monitored than it is in UI (see below). I would not extend the two-year length of extensions.

If working recipients lost jobs, they would be referred first to UI, then Food Stamps if necessary. UI benefits are normally limited to six months, but Congress usually extends them during recessions, making them more welfare-like. UI following a part-time job might well pay too little to support a family, but families if still needy would apply to Food Stamps. Only as a last resort would they return to AFDC, where they would face the same work test as before.

One of the great attractions of an up-front, half-time work test is that recidivism on welfare is no longer problematic. The fact that some recipients lose jobs and return to the rolls does not defeat reform, since the initial goal is not to get people off welfare. It is simply to be sure that the employable work whenever they are on welfare.

Support from UI and Food Stamps is to be preferred since these programs are more adequate and/or less stigmatizing than AFDC. UI's work connection rules might be slightly eased to raise the

share of the unemployed receiving benefits, which is currently only half. But the change could not be great without seeming to turn UI into a welfare program and damaging its respectability.

The three programs would present a hierarchy where the more sensitive a benefit, the tougher the work test. UI is the least sensitive, as these benefits are earned and time-limited; accordingly, UI's requirement that claimants look for work is not generally enforced. Food Stamps is noncontributory and open-ended, but the benefits are in-kind, and the caseload includes many intact and working families; accordingly, it has a job-search requirement only somewhat more serious than UI's. AFDC is the most sensitive, as it is open-ended and in cash, and goes to the most troubled families. So its work test should be the most stringently enforced. That is one thing that should motivate recipients to live on UI and Food Stamps if they can and get out of AFDC.

Government Jobs

I would minimize guaranteed jobs as a backup to work-conditioned AFDC. If offered as an entitlement, huge numbers of slots would be required. To provide them would be prohibitively costly as well as a nightmare to administer. I would allow localities to create some backup jobs with a federal match for part of the cost. But recipients could not demand such jobs as a right, so that those who did not receive them stayed on welfare without working. Jobless recipients who did not get a slot would still go off the rolls at the end of two years.

Alternatively, one could provide the jobs as an entitlement but set demanding preconditions. No one could get such a job without first undergoing the up-front job search, failing to get a job, qualifying for an extension, and then fulfilling his or assignment during the extension with no trouble. For the more job-ready, that assignment would be to look for work steadily; for the less job-ready, it would be to complete community service and remediation assignments. Presumably, the number that would fulfill these conditions and still not get a regular job would be small.

The jobs, if provided, would be designed to satisfy the regular work test and nothing more. They would be half-time and pay the minimum wage. They would offer no raises and no promotion ladder. I would not describe them as either work for wages or work for welfare. To conservatives the first formulation suggests an attempt to create a haven from the private sector, while liberals

reject the latter as punitive. Rather, call the jobs work experience, designed to fulfill the work test until the recipients got regular work.

Implementation

Implementation would primarily involve expanding JOBS and shifting its focus from remediation to job search. The expansion would have to occur over several years to avoid swamping the program and, perhaps, the labor market.

The new legislation should set an ascending series of floors for participation in JOBS, rising from the 20% in FY95 in current law to something well over 50%. Simultaneously, it would set a descending series of ceilings for the proportion of new cases given extensions. The more new applicants that were given child care and job search by a growing JOBS, the fewer would have to wait to work.

For existing nonworking cases, the two-year limit would be phased in gradually, with appropriate warnings given to the clients. The longest cases would go to work or be terminated first, then shorter ones, until no one remained on AFDC longer than two years without working. Again, those ousted from AFDC would not necessarily be denied all aid, but they would have to get it from SSI, UI, Food Stamps, or other programs.

The proposed version of welfare reform is cheaper than some others, because it does not involve large spending on training or government jobs. However, the new administration required would still involve substantial costs. As JOBS is expanded, it is crucial that sizable numbers of job entries and case closures be achieved early on. To generate those is one of the reasons for up-front job search. Although the goal is more to transform welfare than cut the rolls, implementers have to realize some savings from their labors to sustain the will to reform welfare. Reform cannot seem to be simply the addition of a new program to the old, as FSA has appeared to be. To be sure that reform saved money overall, any new benefits such as work incentives would be limited to what could be financed out of the savings.

Besides building up the scale of JOBS, five key problems would have to be solved:

1. *Case management.* Work enforcement is paternalist. It requires providing needy families support, but also enforcing norms, in this case work. The current welfare bureaucracy is oriented to

eligibility determination, grant payment, and--within JOBS--the provision of job search and support services. To those operations must be added a corps of case managers who would monitor the mandatory adults and keep them involved in their assigned activities. Such administrators have been essential to the success of the best welfare employment programs to date.

2. *Integrating grant payment and part-time work:* Currently, payment systems are good at recording large earnings gains that close cases, typically due to full-time work. They are less good at adjusting grants for earnings that leave a case open, typically due to part-time or intermittent work. Some clients have been discouraged from working part-time because of the paperwork involved. Part-time work would vastly increase under this reform, so the adjustment of grants for earnings must become more routine. The best solution is probably to combine the reporting of earnings with grant payment. At the end of the month, recipients would visit the welfare agency and present pay stubs and other evidence of earnings. With this information, computers could make adjustments for work incentives, add in EITC, and print out a welfare check for the amount necessary to meet the need standard.⁴ To combine earnings with aid through the welfare system is probably easier than through grant diversion or work supplementation schemes involving the employer.

3. *Monitoring work effort.* Work enforcement requires tracking employment status as well as earnings. To do this through the UI reporting system, as evaluators do, is inadequate, as that system records only earnings and quarters of employment, not working hours, and it tolerates considerable lag time. Again, the solution is probably to have recipients deliver evidence of employment to welfare and then receive their grants. They would have to show employment to stay on welfare, and this would give them an incentive to report earnings, as well as hours, honestly.

4. *Accounting for welfare saving.* Evaluations demonstrate that a work program of the proposed kind would save large sums for government overall. But the savings would show up in lower grant payments and, over time, smaller welfare rolls. JOBS itself will still appear costly unless it is credited with some of these savings. One cannot attribute any specific case closure or grant reduction to the program, the way one can child support payments to child support enforcement, because many clients leave welfare for work voluntarily. Rather, some fair share of the

⁴ I am indebted for this suggestion to Michael L. Wiseman.

savings must be imputed to JOBS, on the basis of evaluations, and then used to fund it. One approach would be to estimate JOBS's impact on welfare reductions in each fiscal year, then use that money to fund the program in the next cycle.

5. *Performance measures.* JOBS will need performance criteria to drive it through the implementation of the new work rules and then to guide it on an ongoing basis. Designing such measures should be easier for the proposed reform than for some others, since the main purpose is simply to get clients working half-time. Monitoring that goal should be possible with a modification of the current system for measuring JOBS participation rates. However, it would be desirable to track as well the quality of jobs clients get--their wages and duration. JOBS programs should primarily put people to work in available positions, but they should get some credit for obtaining "good" jobs.

An additional issue that could well arise during implementation is immigration. One of the reasons to think that jobs would be available to welfare recipients if required to work is that there is little evidence to date that immigrants, either legal or illegal, are displacing jobless Americans from employment. But immigration continues at high levels while job creation in the current recovery is below recent experience. There is thus reason to fear that competition for jobs could develop among welfare jobseekers and immigrants, particularly the illegal migrants who now do many unskilled jobs in cities. One part of a work-oriented welfare reform package, therefore, should be new proposals to restrict illegal immigration.

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work

ISSUES IN THE ADMINISTRATION OF WELFARE REFORM WORK SITES

by

Department of Labor
Employment and Training
Administration

for

Post-Transitional Employment
Issue Group

October 6, 1993

As work on the development of a comprehensive plan of welfare reform progresses, there is need for attention to the issues of the administration of work sites for individuals who complete two years on AFDC and must accept available post-transition work program assignments.

The Employment and Training Administration (ETA) has a history of administering similar activities, primarily through public service employment programs (PSE). Our experience with these programs has shown that all PSE entails some job creation and management problems with regard to the structure of comparable public sector wage rates, personnel system requirements, retirement system charges, and collective bargaining agreements. To deal with these problems effectively, there must be professional expertise in running these programs at the local level. Employment that focuses on a particular project, with both a limitation on the duration of the project task and the tenure of the workers, helps control against the substitution problems (where the hiring entity receives a windfall from hiring workers it would normally have hired without incentives) experienced by the early public employment programs.

Another lesson we have learned is that PSE can be, in current dollar outlay terms, prohibitively expensive. It was estimated in 1989 that creating a series of more strictly controlled jobs in limited-duration projects, rather than in regular State and local government operations, would cost approximately \$15,000 each. This cost included a \$7,200 annual salary, fringe benefits, participant training and services, and administrative overhead. A 300,000-slot program nationwide would cost at least \$4.5 billion.

Our past experience is reflected in the initial list of issues discussed below.

Administration - There is clearly a need for an administrative entity that will focus on the activities involved in the work site development and administration. Our experience in PSE and in other activities demonstrates that the identification of sites, the assignment of individuals to sites, the follow-up to ensure that individuals so assigned report and work as scheduled and the dealing with issues, including grievances, are all functions that must be performed by agencies at the State and local levels.

There are at least three options that could be pursued since both the welfare and the employment and training agencies have had experience in operating similar programs. One option might be to have this program administered by DOL and the State and local employment and training agencies. These agencies have had

extensive experience operating PSE programs and currently operate the JTPA program which has important ties to employers and staff who are knowledgeable of the delivery of employment and training services at the local level. On the other hand, State and local welfare agencies have had experience administering CWEP projects in a variety of situations. They have developed an expertise in addressing the special needs of welfare clients. A third option would be to utilize the arrangement we currently have under the JOBS program, where primary responsibility rests with HHS and the welfare agencies but where DOL shares responsibility for some aspects of the program, such as handling complaints regarding displacement and working conditions.

Eligible Employers - A decision needs to be made regarding the types of employers eligible to participate. Should private non-profit agencies, as well as public agencies, be allowed to participate? Experience in CETA has shown that using non-profit agencies simplifies the process considerably by avoiding civil service personnel regulations.

Assignments - In terms of assignments, will there be a policy that assures that an individual assigned to a site has the necessary skills to perform the activity envisioned? Some level of matching to provide to the site an individual capable of the activity and to the individual an experience that further prepares them for the employment seems necessary.

Availability - Is the system required to provide a work site for every person who "hits the wall" after two years. What about areas in which transportation, child care or other necessary services are not available, particularly rural areas? Some areas may not have work sites or sufficient work sites for the number of individuals who need such sites.

Participation - An issue in mandatory programs is whether and under what conditions failure to participate in available work sites is justified. Both temporary and long-term illness, lack of child care, transportation, family emergency and other conditions arise that affect participation. What is the minimum for participation and under what conditions is exemption permitted? Under what conditions are individuals declared ineligible for further work-sites assignments?

Full-time vs. part-time - Many PSE employers found that it was not beneficial, given the supervision, reporting, etc. required, to bring on less than full-time persons, yet most would not necessarily have to work full-time to equal the grant.

Wage vs. grant - Is the payment received a grant under AFDC or a wage. If a grant, does the individual continue eligibility for AFDC related benefits? Is the individual subject to the AFDC

administrative adjudication system? If a wage, who is the employer and who determines satisfactory performance?

Wage supplementation - Most discussion of the maximum number of hours to be worked by participants seems to center on 20-30. At 20 hours per week at the minimum wage of \$4.25 per hour, a participant would earn an annual salary of \$4420. At 30 hours per week, the annual salary would be \$6630. In the PEP program in the early 1970s, salaries could not exceed \$7200 based on working full time at the minimum wage. However, non-Federal funds could be used to supplement this amount up to a maximum of \$12,000 per year per job.

Employer - One question that needs to be addressed at an early juncture is the issue of who is the employer as opposed to the work site. Will the administrative agency or the site be the employer? The employer is responsible for assuring that necessary health and safety requirements, eligibility for employment (I-9), workers compensation and other provisions are met. The employer is also responsible for FICA, unemployment insurance contributions and any other withholding and for any required governmental reports.

Displacement - How do we minimize the effects of displacement? Public employee unions have a vital interest in ensuring that their members don't lose their jobs to participants in this program. This issue was recently addressed in the National and Community Service Act which provides very strong safeguards to prevent displacement. Among other things, the Act requires the "written concurrence of any local labor organization representing employees of the service sponsor who are engaged in the same or substantially similar work as that proposed to be carried out." Perhaps we would want to provide similar protection.

Benefits - Are work site individuals eligible for and must they be covered by retirement plans, health plans, and other benefits? DOL is still dealing with problems that arose out of non-coverage of PSE participants under CETA, particularly related to retirement plans. Would participants be eligible for unemployment benefits and would employers have to make contributions to the unemployment insurance trust fund?

Adjudication - There is a need for a system accessible to work site assignees to deal with the issues that come up in the administration of such a system. Failure to participate without good cause, termination, inappropriate behavior and other matters arise that can be subject to administrative appeals. In this regard, we may want to look at the joint regulations that were crafted for the JOBS program between DOL and HHS. Those regulations provide that, in addition to the fair hearing process of the State welfare agencies, any dissatisfied party may appeal to the Department of Labor's Office of Administrative Law Judges

(ALJ) in disputes involving hours of participation, working conditions, and workers' compensation coverage. The decision of the ALJ is the final decision on the appeal.

Use of work experience - we may want to look at the use of work experience as a viable option in getting people rapidly participating in the program. Under CETA, work experience was a useful means of avoiding cumbersome civil service systems. The emphasis was on simplified job descriptions that supplemented regular jobs and were not part of the regular payroll. On the downside, this made transition to the regular public sector payroll more difficult, and eventually we prohibited the practice for that reason.

Use of one stop career centers - In reinventing the delivery of services, perhaps we should look at the use of the proposed one stop career centers to perform some activities such as job development and placement. The use of these one stop career centers or perhaps even private for-profit employment agencies would be a good way to introduce competition into this area and ensure that customers would be served more efficiently and effectively.

WR-Work

To: Mary Jo Bane
David Ellwood
Bruce Reed
Wendell Primus
Kathi Way

From: Jeremy Ben-Ami

Attached are two memos which I received while I was away concerning the WORK program from CDF and from CLASP. I wanted you to have these to consider while you are deliberating the future of the WORK program.

MEMORANDUM

To: Jeremy Ben-Ami
From: Cliff Johnson and David Kass
Date: February 10, 1994
Subject: The WORK program

We understand that you are now in the midst of further drafting and refinement of the WORK program. We also understand that the range of options under consideration in this drafting process may be constrained. Nonetheless, we want to reiterate how concerned we are about the equity and effectiveness of the structure of the WORK program as outlined in earlier drafts and conversations with HHS officials, and again urge the Working Group to take steps to substantially improve and strengthen these key provisions.

We believe that job creation and financial rewards for work effort are central to the success of any welfare reform effort. While earlier drafts of the WORK program purport to embrace the concept of "work for wages," in actuality the program design more strongly resembles the current Community Work Experience Program (CWEP) than a serious job creation and work reward initiative. The proposed WORK structure is inadequate in a number of key areas:

- o **Lack of financial rewards for work:** Throughout the past year, the Administration has held the moral and political high ground by insisting on steps to "make work pay." The Administration now is opening itself up to attack on these same grounds by proposing a welfare reform plan that would leave AFDC parents who work no better off financially than they were on AFDC. The proposed wage/benefit structure in the WORK program must be changed to ensure at least modest financial gains for parents who accept public sector jobs, both by guaranteeing a minimum number of hours of work and by using earnings disregards or other mechanisms to allow parents to combine earnings and benefits when appropriate.

This revised approach also avoids the administrative complexities of any effort to match earnings from public jobs with prior AFDC benefit levels. To ensure that some parents do not end up with less income when they work, the proposed WORK program would have to return to the precise calculation and constant recalculation of required hours of work that has contributed to CWEP's problems, costliness, and limited use. Such a design undercuts any notion that these public sector jobs offer "work for wages" and the dignity of genuine employment.

- o **Denial of EIC eligibility:** At least partial EIC eligibility also should be a part of the Administration's effort to reward work. The complete denial of EIC eligibility would raise very troubling equity issues. For example, parents in public sector jobs should not be required to pay FICA taxes and at the same time be ineligible to receive EIC payments that are intended in part to offset these taxes. In addition, the likelihood that WORK participants will work alongside other workers with similar or even identical responsibilities who are eligible for the EIC underscores the inequities inherent in this structure.

We understand the desire to retain financial incentives for parents to move from the WORK program into regular public or private sector jobs. However, the opportunity to secure full-time work even at the minimum wage alone provides an incentive in this direction that will be much more powerful than any limits on EIC eligibility (particularly given the limited awareness of EIC benefits among low-wage workers). At the very least, partial EIC eligibility would further reinforce those incentives while offsetting FICA liabilities and treating parents in public sector jobs more equitably.

- o **Excessive reliance on CWEP:** There is no policy justification for allowing states to use CWEP on a large scale. As you know, the MDRC research shows that CWEP is ineffective: MDRC found that unpaid work experience had no impact on employment or earnings of participants; the only instance of a statistically significant impact was for one subgroup of applicants in a single site. We know that conservative estimates of CWEP costs are \$3,000 per recipient -- with no income gain. Particularly given the limited resources available for welfare reform efforts, we strongly believe that resources must be focused on initiatives that will help families move toward self-sufficiency and out of poverty. There is no useful or legitimate role for large-scale CWEP activities in this regard, and it is unacceptable for the Administration to rely upon CWEP simply as a means of avoiding the higher costs associated with real job placement and job creation.

As alternatives to CWEP, there are enormous opportunities to link public job creation under the WORK program and other Administration investment priorities related to poor children and their families. Appropriate roles for AFDC parents in Head Start centers, immunization outreach activities, and youth development and violence prevention all deserve careful examination as ways to get the most out of limited welfare reform and job creation funds.

- o **Potential holes in the safety net:** We continue to be concerned about the potential for complete and unwarranted loss of benefits to poor children in the event of disruptions in the work schedules of parents who accept public sector jobs

under the WORK program. We must ensure that parents are fairly treated and that poor children receive the income support they need to prevent extreme deprivation, homelessness, and increased foster care placements. In addition, we certainly hope that parents already working part-time will be considered employed and not subject to the requirements of the WORK program.

- **Targeting resources vs. volunteer "jobs":** The creation of large numbers of volunteer "jobs" would contribute little to ending welfare as we know it or helping recipients move from welfare to work, and nothing to making work pay. We are very concerned about using very large numbers of volunteer positions as a default mechanism to fulfill quotas when real jobs are not available because of insufficient investments in the employment side of the program. We are also concerned about the enormous practical problems and potential costs. For example, providing child care would be extremely difficult because volunteer "jobs" would have few hours and often would be different times each week. Sound policy and politics mean using limited available resources to provide significant services in a more targeted fashion, focusing energy and resources on real jobs and income gains for families in those jobs.

We hope that you will be able to share additional information about the structure of the WORK program as soon as possible. We look forward to continuing to work with you -- please let us know if we can be helpful.

MARK H. GREENBERG
NEW YORK ATTORNEY

MEMORANDUM

TO: Jeremy Ben-Ami
Michael Wald

FROM: Mark Greenberg

DATE: February 7, 1994

RE: Recipient Safeguards in the WORK Program

This memo offers some preliminary thoughts on points where recipient safeguards and due process protections need to be incorporated into the WORK Program. As you know, I have grave concerns about the basic design of the WORK Program, and do not think that the procedural protections I outline in this memo are adequate to address my concerns. Nevertheless, I hope this memo can be helpful to you in developing safeguards for the program.

As you'll see, there are a number of places where I identify the need for a dispute resolution process and a hearing process. A dispute resolution process could be something far short of a formal hearing - it might simply be the opportunity for review for a neutral individual who was not a part of the initial decision. The hearing process could, but need not, be the same as the AFDC fair hearing process. However, the hearing must contain a set of basic requirements to satisfy due process - e.g., right to be heard, right to present evidence and witnesses, right to cross-examine, right to have counsel present, right to an impartial decision-maker who bases the decision on the rules and evidence.

I understand that some of those involved in the planning process may be concerned that too much emphasis on hearing rights could undercut program goals by making WORK seem more like AFDC than employment. I appreciate the concern; however, a basic difference between the private sector and the government is that a private sector employer is free to act arbitrarily, and government is not. Much of what I describe is likely to be constitutionally mandated; even where that is not the case, these safeguards are essential to ensure that the program operates in conformity with the expectations established for it.

THE WORK Program

I'll briefly begin by outlining my current understanding of WORK Program design:

- An individual reaching the AFDC time limit would be subject to WORK Program requirements. There would be a limited number of slots, and she would not have a right to participate in the WORK Program. However, if the state chose to select her, she would be subject to WORK requirements, and could not opt to simply receive AFDC instead.
- If the individual were not selected for the WORK Program, she would continue to receive AFDC, subject to a requirement to participate in community volunteer work.
- The number of hours of WORK obligation, compensated at the minimum wage, would in many states provide gross income equal to or greater than the family's prior AFDC grant. In those states where it was not sufficient to do so, the family would receive a supplemental check sufficient to reach the prior AFDC grant level. Thus, in at least some states, a WORK Program participant would no longer receive AFDC. In others, where a supplemental check was provided, the individual might or might not still be considered an AFDC recipient.
- The WORK Program would operate on a "pay for performance" structure, in which an individual would be paid for hours worked.
- It is not yet resolved whether the individual's employer would be the worksite, or the WORK Program.
- WORK Program funds could be used to provide wage subsidies for private (or, I assume, public) sector employment, to provide funding for job placement contracts, or for publicly funded employment slots.

Based on this initial outline, I want to identify potential issues in the following areas:

- Issues around WORK Program entry.
- Issues around the WORK Program assignment;
- Issues around hours of work, and payment for hours worked;

- Issues around discharge from a WORK slot.

Disputes around WORK Program Entry

Two scenarios seem possible around WORK Program entry, depending on how attractive the WORK Program seems in comparison with AFDC/volunteer work: in some cases, individuals might want to participate in WORK and be dismayed they were not selected; in other instances, individuals might want to resist WORK enrollment and continue receiving AFDC. It is, of course, possible that a state will always or often have some people in each group.

For the first scenario - individuals wanting to be in the WORK Program - the key would seem to be avoiding either the appearance or reality of arbitrariness. If WORK is attractive, it would be troubling if, e.g., Ms. Smith claimed she had been denied a WORK slot because of her race or religion, or because her caseworker hated her, or because her caseworker lost her file, etc. One way to avoid this scenario would be for the statute to explicitly specify the order of WORK program entry, or to provide that state plans must explicitly specify an objectively determined order of entry. There might still be disputes (and the need for a dispute resolution mechanism and hearing procedure to resolve disputes) about whether the state followed its policy, but that would be far preferable to allegations of racism, playing favorites, etc.

There also needs to be a dispute settlement mechanism, and ultimately a right to a hearing, about instances where individuals do not want to participate in the WORK Program. For example, an individual would not be subject to WORK requirements until she reached the two year limit; there are bound to be disputes about how to count two years. The specifics will depend on how the counting rules work, but suppose, e.g., that only months when one is non-exempt, or months when one is receiving services, count against the limit. There could potentially be disputes about whether Ms. Smith had been exempt, or about whether she ever received services, or whether the services met the promise of her employability plan. Similarly, if there is an exemption/extension procedure, there will be disputes about whether individuals qualify for it. As a result, I think it follows that you necessarily need a hearing procedure for disputes about whether an individual must participate in the WORK Program.

Disputes about WORK assignments

Once an individual enters the WORK program, there will be disputes about the appropriateness of particular assignments. I do not know what, if any, criteria you are considering for the appropriateness of assignments. But, for example, under current law, a work assignment cannot be an unreasonable distance from the participant's home, cannot violate health and safety standards or civil rights laws, and must be reasonably related to the individual's ability to perform the

job. If you retain such standards (and I would hope you would), then there may be disputes about whether particular assignments meet (or continue to meet) the applicable criteria.

Disputes about hours of WORK assignments

I am not clear on how hours of WORK assignments will be determined. Will the number of authorized hours vary with family size (reflecting the variation in grant amounts)? Will an individual be required to take the number of authorized hours, or could, e.g., the individual request 15 hours instead of 20? If there is any potential for dispute about the number of authorized hours, there needs to be a dispute resolution/hearing process available for resolving the issues. | ?

Disputes about WORK compensation

I generally understand that the intent of WORK is to operate on a pay-for-performance basis, in which an individual is paid minimum wage for the number of hours actually worked. I am not clear on how sick leave/vacations/etc. will be handled. If the WORK Program is the employer, will these policies still be based on the practices of the individual work site, or will there be uniform rules for all WORK participants? I am also not clear on whether you envision any "good cause" reasons, or whether you would expect those to be subsumed within sick leave/vacation rules.

At minimum, there may be disputes about how many hours were actually worked? For example, the time-sheet may say Ms. Smith was absent, and she may claim that it is inaccurate.

I believe it is essential that there be some "good cause" reasons that would allow for payment even when an absence is not covered by sick/vacation policy. For example:

- Suppose Ms. Smith begins her WORK assignment, has only accumulated one day of sick leave, and gets the flu for a week. Would her family just be out of luck?
- Suppose Ms. Smith's young child gets the flu. Some employers would not consider the sickness of a family member a permissible reason for using sick leave.
- Suppose there is a snow emergency, and the employer does not provide any work for some number of days, or sends all employees home early. Or suppose that due to the snow emergency, school is canceled and Ms. Smith has no place to provide child care for her six year old child.

Does Family Leave apply?

• Suppose Ms. Smith's child care arrangements break down due to the failure of the state to meet its obligations, i.e., the worker fails to timely issue payment, and the provider informs Ms. Smith that she no longer has a slot.

As these examples suggest, there may be a number of scenarios in which an individual will not fall within the coverage of an employer's personnel policies, but for which "good cause" plainly exists. Accordingly, I think some form of good cause provision for payment of WORK amounts is needed, and if there is a "good cause" standard, there will inevitably be disputes and the need for a dispute resolution/hearing process.

Disputes Around Termination of WORK Slots

Periodically, individuals will be let go or fired from their WORK slots. An individual may or may not have been fired for good cause. She may have been discharged because her work was simply not of good quality, or because the employer concludes that her work is no longer needed. In any case, you may need to draw a distinction here between public employers, who may not act arbitrarily, and private employers, who are generally free to do so. A legal question I have not researched is whether if, e.g., a private job were 100% subsidized with governmental funds, there would be any due process obligations for the private employer. In any case, wherever there is a requirement that termination can only be for cause, there will be a need for a dispute resolution/hearing process.

For purposes of this memo, I assume that private employers, even if deeply subsidized, would be free to terminate an individual for no cause. However, this poses a difficulty in a pay-for-performance structure. Suppose Ms. Smith is placed, through the WORK Program, with the XYZ Company. On February 2, she is terminated. What happens to Ms. Smith? Will she receive only two days of income for February? Will she be redirected to another WORK slot on February 3, or reinstated on AFDC? Does the answer turn on whether she was terminated for misconduct?

Unless there is some mechanism to ensure that Ms. Smith gets another WORK opportunity on the day after termination, there are bound to be issues concerning whether Ms. Smith should receive less than a full month's pay in the month she is terminated from a WORK slot. If the answer to the question turns on whether she is at fault, there needs to be a dispute resolution/hearing structure on issues of fault for termination from WORK slots.

Conclusion

As you can see, there are points throughout the process where there could be disputes about whether individuals are being treated fairly and in conformance

with program requirements. Each of these require the provision of a dispute resolution/hearing process. As a practical matter, it is quite possible that utilization of the process could be infrequent, though we have no way of knowing for sure at this point. In any case, whether utilization is frequent or infrequent, the process needs to be recognized as an essential part of the WORK Program design.

Please let me know if there is something useful I might do to follow up on this memo.

WR-
WORK

**Considerations In Going-to-Scale with Public Service Employment,
Community Work Experience, or Services for Non-Custodial Parents
as Part of Welfare Reform: Perceptions of Selected State and Local Stakeholders**

Prepared For: Working Group on Welfare Reform, Family Support, and Independence
The Office of the Assistant Secretary for Planning and Evaluation
US Department of Health and Human Services

Prepared By: Michael C. Laracy
Casey Fellow
The Annie E. Casey Foundation

December, 1993

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EXECUTIVE SUMMARY

Background

This report focuses on two important components expected to be included in President Clinton's anticipated revamping of Aid to Families with Dependent Children (AFDC):

1. Using public service employment (PSE) and/or Community Work Experience Programs (CWEP) for AFDC recipients who have reached the proposed two-year limit on AFDC receipt without finding a job in the private sector; and
2. Including special services for non-custodial parents (NCPs)—generally fathers—of AFDC children to enhance their child support payments and strengthen their role as parents.

This analysis compiles and summarizes the results of interviews with more than one hundred state and local officials during October, November, and December of 1993. These officials shared their perceptions, concerns and judgments about implementing the above noted services as part of a national overhaul of the welfare system. Of special concern were their insights into the feasibility of enlarging PSE/CWEP, formerly small-scale pilot or demonstration programs, into large scale public service employment efforts.

This report complements the federal research and analysis, and the findings of independent sources such as MDRC, MPR and the Urban Institute. Hopefully, the findings herein can aid the Working Group on Welfare Reform, Family Support, and Independence as it finalizes its recommendations to President Clinton.

Key Findings and Analysis of Responses

Listed below are the highlights of the stakeholders' responses. These responses deserve special attention of the Working Group on Welfare Reform, Family Support, and Independence in finalizing the proposed welfare reform package.

A. Public Service Employment and Community Work Experience Programs

1. Receptivity to Time-Limited Welfare

Most respondents favored a transitional, time-limited welfare

system; more than 75 percent could embrace the President's proposed two-year limit on AFDC receipt. However, many respondents envisioned from 20 to 40 percent of the AFDC caseload being exempt from the two-year limit.

2. Receptivity to PSE/CWEP

Most state and local officials would attempt PSE/CWEP as the principal post-transitional service or activity for AFDC recipients unable to find private-sector jobs.

Most respondents believed that, coupled with other reforms to make work attractive, such as an expanded EITC and universal health insurance, it would be worth trying a two-year limit and PSE/CWEP.

3. Preference for Public Service Employment or Community Work Experience Programs.

Respondents favoring PSE were in the majority and cited the philosophical value of being paid for work rather than working for welfare, receiving a paycheck instead of welfare check, and the less punitive and demeaning work available through PSE.

Many respondents saw PSE as easier to administer; yet some respondents minimized the CWEP's administrative obstacles.

A significant number of stakeholders had no preference and maintained that states and localities should be able to choose between the two programs or even implement both.

4. Scale and Availability of Appropriate PSE/CWEP Jobs.

Respondents believe that sufficient and meaningful public sector work exists to engage 300,000 to 500,000 PSE/CWEP participants.

Nevertheless, most respondents lacked confidence in their ability to link work and workers easily, especially in large urban centers. Yet, respondents believed that, with adequate

support and resources, a WORK program of 300,000 to 500,000 worksite slots was possible in most cities.

Expanding the program to 1 million slots was viewed as highly problematic.

5. Types of PSE/CWEP Worksites in the Voluntary or Private Non-Profit Sectors.

Most respondents felt that WORK should stress private, non-profit agencies as PSE/CWEP sites, because states with the largest AFDC caseloads are experiencing the greatest reductions-in-force within the public sector, thus precluding placing PSE/CWEP participants in state agencies.

State and local officials recommended placing PSE/CWEP participants as workers in urban churches, Head Start centers, settlement houses, tenant groups, neighborhood organizations, or using them to care for the elderly and infirm and in environmental programs.

6. Goals and Roles of WORK Placements

All respondents said that the jobs had to have social value: a function or service of some value to the community, and agreed that the slots should not be "make work" situations.

Respondents differed on the goals of these programs. Some said the programs should enforce society's expectation of work, such as conventional "workfare." Some felt the programs should develop the participants' skills, similar to an internship. Others thought the programs should have a mixed approach, with some placements being valuable to participants, and some merely engaging them in productive labor.

7. Characteristics of WORK Participants.

Most respondents agreed that the participants in PSE/CWEP worksites will tend to have personal characteristics, circumstances or attitudes that will present major challenges. But some respondents who manage CWEP programs downplayed

the differences between participants and the "typical" AFDC recipient or typical person entering jobs comparable to those under WORK.

8. Alternatives to PSE/CWEP for WORK.

Among the alternatives to PSE/CWEP specifically mentioned were: work supplementation, grant diversion and on-the-job training; tax credits to employers; private, for-profit placement firms; micro enterprise efforts; and intensive job search.

Respondents perceived WORK as a program of "last resort" for participants who could not be placed into private sector jobs through JOBS. They felt that such services would be of greater value in JOBS than in WORK.

Almost without exception, respondents expected PSE or CWEP to be the primary components of WORK.

9. Availability and Quality of Private Sector Jobs.

Stakeholders drew a distinction between "minimum wage, high turnover" jobs which generally seemed plentiful, and "good" or "self-sufficient" opportunities which were far more difficult for their clients to secure. (A "good" job was usually defined as one offering anywhere from \$7 per hour to \$12 per hour, with some family health coverage.) Almost all respondents concurred that an expanded EITC, universal health insurance, and better access to subsidized child care would close the gap between "good" jobs and minimum wage jobs.

10. Wages, Benefits and Supportive Services

Almost all respondents agreed that the federal minimum wage—or state minimum, when higher—would be an appropriate level of compensation. Also, everyone agreed that continued Medicaid coverage (or universal health insurance) was essential for WORK participants, as was child care comparable to that under JOBS.

✓ Roughly two-thirds of all respondents ended up favoring making PSE wages ineligible for the EITC, but only after being pressed on the issue of making private sector employment more attractive than PSE.

11. Participation Expectations and Availability of Supplemental Benefits

Respondents shared their views about the number of hours per week participants should be expected to work, and whether—under PSE—participants should be given supplemental benefits if their PSE earnings were insufficient to bring their income up to their welfare grant levels.

This question generated some passion; although perceived as technically complex, it was seen as one of great consequence for clients. Respondents recognized its policy significance even if they did not fully grasp its details.

12. Duration of Placements and Time Limits

Almost everyone believed that placements should be time-limited, not open-ended. Most respondents recommended that PSE/CWEP placements be followed by an intensive period of renewed job search before another placement was started.

13. Sanctions and Enforcement

There was united sentiment for prompt, meaningful, enforceable sanctions. On the other hand, respondents recognized that many WORK participants would be of limited capacity and might fail at PSE/CWEP due to no fault of their own. They felt that these individuals should not be terminated or sanctioned.

14. Service and Administrative Costs

Almost all respondents were concerned that the federal government would not adequately reimburse for service and

administrative costs.

15. Concerns of Organized Labor

Although seen as a serious problem, no one suggested that PSE/CWEP be avoided on the basis of labor union opposition; most respondents offered a variety of ideas on how to diffuse or minimize the enmity of organized labor.

16. Administrative Responsibility and Authority

Respondents were unsure about how best to structure WORK and where to vest organizational authority and accountability. Similarly, they viewed PSE/CWEP as not fitting neatly in the labor system nor within the welfare/JOBS system.

Everyone stressed the importance of giving states plenty of lead time to make decisions and to plan and phase-in the program.

Both local and state stakeholders stressed the need to plan at the local level, affording urban mayors the opportunity for getting involved in the early planning of WORK.

B. Services for Non-Custodial Parents

Structured programs for non-custodial parents are still quite rare—perhaps one to two dozen pilot or demonstration projects nationally—and few have existed for more than two years. Consequently, about 75 percent of respondents had limited expertise or familiarity with NCP programs; 20 percent declined to comment at all. In all, about two-thirds of respondents engaged in some substantial discussion of NCP issues.

Respondents were far more tentative in discussing NCP services and many admitted to uncertainty on specific questions or qualified their answers. Their responses might be revised as they become better informed, or gain more experience with NCP services.

The major perceptions of NCP issues and services are:

1. Receptivity to Serving Non-Custodial Parents

Almost all respondents recognized the urgency of serving these parents and shared their acute awareness and concern about the status of NCPs — especially younger fathers in urban centers.

While recognizing that something must be done, stakeholders were unsure of what could be done and were all not in agreement that welfare reform was the appropriate vehicle for addressing the problem. More than 75 percent of respondents favored incorporating some NCP services in welfare reform. Several had reservations about using the impending Clinton welfare reform package as the venue for funding NCP services.

2. Characteristics of NCPs—Low Income and Otherwise

Most of the stakeholders interviewed understood the diversity of the characteristics and circumstances of NCPs.

Many perceived important differences between younger, never-married, NCPs and older, divorced, non-custodial fathers, and between inner-city, unemployed, absent fathers and middle-income men who were simply avoiding their child support obligations. They recognized the need for different strategies to deal with each population.

3. Expectations About Potential Payback from NCP Services

No one expected tremendous monetary paybacks, at least in the near term, from investments in NCPs. Rather they talked in terms of values, social norms, social stability, and justice.

4. Goals and Intent of NCP Services

There was little consensus among respondents about what the primary goals and intent of an NCP initiative should be. Some spoke of enabling the NCPs to meet their child support obligation. They viewed NCPs as a new approach to child support enforcement for those unable to be reached through

conventional strategies.

Others talked about enabling NCPs to be better parents and partners in raising their children. They emphasized reintegrating the absent father into the social mainstream and the healthy development of the child.

5. Lack of Guidance from Research on NCP Services

Currently there are less than two dozen pilot programs nationwide, most of which are part of either MDRC's Parents Fair Share Program or Public/Private Venture's Young Unwed Fathers Program.

All findings to date are either in the form of process and implementation analysis or impressionistic.

This lack of strong research guidance influenced the views of most respondents and seemed to restrain them from supporting large-scale national NCP services. For example, only a few respondents urged incorporating services for non-custodial parents as a core part of JOBS. But many respondents supported allowing states the option to allocate some modest portion of JOBS funding to NCP services. Virtually everyone urged a major expansion of the current research demonstrations of NCP services.

6. Resource Allocations Given a "Zero-Sum" Budget

Respondents were asked to assume budget neutrality for the President's welfare reform program, and were told that they had a fixed pool of new resources available to spend on all components of welfare reform (e.g., \$2 billion), including enhancements to JOBS, the new WORK program, and improved child care. They were asked what percentage of their resources they would devote to NCP services.

About one quarter of all respondents declined to make a firm recommendation. Two stakeholders said they would devote no welfare reform resources, using instead existing funding streams such as JTPA. Several suggested 20 to 33 percent

and one suggested 50 percent. Most suggested 5 to 10 percent, either for state-elective programs or for greatly expanded demonstrations.

7. Appropriate Services and Strategies for NCPs

All respondents noted that the services required to assist low-income males would probably vary from those for females. For example, on-the-job training, which usually provides trainers with some stipend income, might be appealing to young men since they have no AFDC to live on while in training.

Peer counseling, legal services, parenting skill training, reconciliation services and substance abuse counseling were also perceived to be vital services.

8. Treatment of Arrearages

Large arrearages are daunting for young men whose earnings prospect—even after successfully completing a NCP program—are quite modest. Some policy makers have proposed allowing NCP programs to negotiate reductions or forgiveness of the back debt in return for enrollment, successful progress, and promises of future compliance.

✓ / Some respondents opposed forgiveness as sending a bad message to young men that they can escape debt. Others favored flexibility, with certain caveats. Still others suggested forgiving arrearages over time.

Overall, almost all respondents recognized the perversities and disincentives of the current child support system when it comes to NCPs making back payments.

9. Use of Non-Welfare Delivery Systems Services

There was universal consensus that existing service delivery systems badly underserve the low-income NCP population, in particular JTPA.

Respondents recognized that little seems to be effective with marginalized young males, but suggestions included models based on Job Corps, Youth Corps and boot camps.

10. Degree of "Smoke-Out" Effect

Mandatory full-time participation in a NCP program forces some young men to confess that they will soon be starting a job (a job they already hold with payment "under the table") and that they will be able to make support payments. This "smoke-out effect" seems to occur in ten to 30 percent of cases.

Respondents believed that the smoke-out effect would be significant. Several respondents speculated that smoke-out savings alone could finance a moderate sized program of services for non-custodial parents.

I. Introduction

In 1994, President Clinton will articulate his vision for a fundamental overhaul of the nation's welfare system for Congress and the American people. This analysis focuses on two important components expected to be included in the President's multi-faceted revamping of Aid to Families with Dependent Children (AFDC):

- using public service employment (PSE) and/or community work experience programs (CWEP) as principal "post-transitional" service activities for AFDC recipients who have reached the proposed two-year limit on AFDC receipt without securing employment in the private sector; and
- including special services for non-custodial parents (NCPs)—generally fathers—of AFDC children to enhance their child support payments and strengthen their role as parents.

This report provides federal policy makers in the President's Working Group on Welfare Reform, Family Support and Independence with information and insights on these two components of the planned reform proposal; it compiles and summarizes the results of survey interviews with more than one hundred state and local officials during the months of October, November, and December of 1993. The interviews focused on two general issues likely to be important considerations in federal decision making with regard to PSE/CWEP as post-transitional activities and/or services for NCPs:

- the overall receptivity of the public officials to the possible inclusion of either or both of these initiatives in the President's package; and
- their perceptions, concerns and judgments about the programmatic and operational implications of implementing these services as part of a national overhaul of the welfare system.

Of special concern to this report are the various considerations

entailed in "going-to-scale" with either of the two initiatives. Most recent experience in implementing and managing PSE/CWEP or services for non-custodial parents have been relatively small-scale pilot or demonstration programs. Not since the CETA program of the mid and late 1970s has the United States undertaken a large scale public service employment effort. Similarly, CWEP has generally been implemented only on a modest scale as part of tightly-controlled research-demonstrations, utilized as a minor component of the national JOBS program (approximately 3 percent of JOBS spending is devoted to CWEP), or reserved for male-dominated, "General Assistance" or "Home Relief" state welfare programs. And, services for non-custodial parents have only recently been started in a series of small, but promising, initiatives as part of two foundation funded efforts, "Parents Fair Share" and "Young Unmarried Fathers." These experiences provide invaluable, but limited, instruction about the myriad of obstacles and challenges in developing and managing full-scale PSE/CWEP or NCP programs in all fifty states. Consequently, prior to making decisions, it is particularly important for federal policy makers to explore the implications of a commitment to going-to-scale.

This report is not a comprehensive analysis of either PSE/CWEP or NCP services. Rather, it attempts to distill the views and insights of a range of knowledgeable and experienced state and local stakeholders on how well PSE/CWEP and NCP services will be received, and how they might be best implemented. The material presented here is meant to complement the federal agency staff's more rigorous research and analysis, and the findings of independent sources such as MDRC, MPR and the Urban Institute. It does so by articulating the operational and policy concerns and suggestions gathered in the course of the field interviews. Similarly, it can supplement the more formal input and advice of key interest groups such as NGA, NCSL, APWA, CBPP, CLASP, and the AFL-CIO.

Hopefully, the findings presented here can be of some value to the Working Group on Welfare Reform, Family Support and Independence as it finalizes its recommendations to President Clinton. As of December 22, 1993, the Working Group had progressed in its endeavors to a point where it had specified many of the components of the package it would present for the President's consideration. Because of the rapid pace of the Working Group's myriad

activities and its overlap with the preparation time frames of this document, some of the initial questions delineated in the author's October work plan have been settled, with tentative decisions made by the time this report is finalized. In particular, the broad outlines of the proposed post-transitional program—tentatively named “WORK”—have been completed. Nevertheless, it is hoped that this report can still be of value, if only in confirming or calling into question the decisions of the Working Group.

This report was undertaken at the suggestion of Wendell Primus, Deputy Assistant Secretary for Planning and Evaluation in the US Department of Health and Human Services, as part of the author's autumn field placement in ASPE under the Annie E. Casey Children and Families Fellowship. Sponsored by the Annie E. Casey Foundation of Greenwich, Connecticut, the Fellowship affords ten mid-career professionals dedicated to the reform of systems serving children and families the opportunity to pursue a year-long program in leadership and professional development. The Fellowship includes a series of group learning experiences and two three-month individualized field placements for each Fellow. In his placement at ASPE/DHHS, the author served in the capacity of consultant (uncompensated) for the months of October, November and December. This analysis—together with the set of several shorter interim analyses contained in the appendices—constitutes the principal deliverable of the field placement. The findings and conclusions contained in this document are solely those of the author and do not necessarily reflect the views of either ASPE/DHHS or the Annie E. Casey Foundation.

II: Methodology

In preparing this report, the author reviewed the limited literature available on public service employment, community work experience, and services for non-custodial parents. Then, consulting with ASPE staff, the author drafted and refined a series of interview questions that responded to the various needs and concerns of the federal policy-makers. As noted above, these interests related to the receptivity of state and local stakeholders to the program components and their perceptions as to operational issues entailed in going-to-scale with national initiatives. The author presented a set of 23 survey questions in a work plan memorandum (Appendix A) approved in mid-October. Subsequently, these questions were refined and others

added during the course of the field interviews.

Concurrently, the author developed a list of two dozen key respondents — primarily state and local officials — to interview using the survey questions. These key respondents were selected upon the advice of ASPE staff and outside welfare policy experts, including sources at APWA, MDRC, MPR, and the Urban Institute, as well as the author's own experience. The respondents fell into one of two categories:

- Highly-regarded state or local program managers directly responsible for developing or managing PSE/CWEP services or services for NCPs, usually as demonstration programs or part of JOBS. These individuals could offer insights gained through actual experience with the programs, and could be especially valuable in exploring the issues entailed in going-to-scale.
- Astute mid and senior-level public officials in state and local government who, although not involved in either PSE/CWEP or NCP services, would be key decision-makers if these programs were introduced in their jurisdictions. These respondents could be particularly helpful in gauging the probable receptivity of stakeholders and in anticipating likely concerns and obstacles.

To the extent allowed by time and travel constraints, the author conducted the interviews in person and on site, and used teleconferencing when logistics precluded travel. For the most part, the two dozen key respondents invited several colleagues to participate in the interviews, thus expanding the number of individuals surveyed to more than one hundred. In such instances, the interview process resembled an informal focus group discussion.

The states included in the survey were California, Indiana, Michigan, New Jersey, New York, Ohio, Pennsylvania, Washington, and Wisconsin. The cities and counties surveyed included New York City, Indianapolis, Milwaukee, Trenton (NJ), San Diego, Cleveland, Seattle, and Cumberland County (NJ).

Supplementing these stakeholder interviews, the author also sur-

veyed officials at APWA, NGA, and CLASP, as well as academics or researchers at Rutgers, SUNY, MDRC, The Evergreen State College, and RAND.

The author did not attempt to develop a sample of respondents that represented or reflected "typical" state and local stakeholders. Indeed, as noted above, the sample was anything but random: the key respondents were selected because of their special expertise, experience, or reputation. Consequently, the key findings and patterns of responses in Section III and conclusions in Section IV should **not** be construed as necessarily predictive of general reactions and concerns of **all or most** state and local stakeholders. The findings and responses presented below may tend to be generally more positive, informed and receptive than those of a more strictly representative group of respondents.

III. Key Findings and Analysis of Responses

Encapsulated below are, in the author's judgment, the most significant findings of the interviews with state and local stakeholders. This portion of the report synthesizes and highlights the most salient and consequential of the respondents' perceptions. The reactions, suggestions, and concerns noted below are deserving of special attention by federal policy-makers as they finalize the proposed welfare reform package for Presidential and Congressional consideration.

A. Public Service Employment and Community Work Experience Programs

As noted above, this report addresses the topic of PSE/CWEP in greater depth and detail than it does NCP services. Part of this imbalance is because the respondents were more familiar and opinionated about the former. However, in large part, the stress on WORK reflects the evolving concerns of the Working Group and ASPE leadership as time progressed. During the three months of this analysis, the debate on WORK assumed greater urgency, while discussions on NCP services appeared to reach closure.

1. Receptivity to Time-Limited Welfare.

To a remarkable extent, the respondents reacted positively to the notion of an explicitly transitional, time-limited welfare system. While they admitted to many reser-

uations and caveats (detailed below), over three-quarters of the stakeholders surveyed were prepared to embrace the President's proposed two-year limit on AFDC receipt.

The most frequently cited reservation was the need for exempting from the two-year limit a significant portion of the AFDC caseload. Most expressed a concern that the federal government recognize that many recipients could not leave AFDC without heroic efforts and prohibitively expensive services. The respondents' estimates of this exempt population ranged from 20 percent to 40 percent of the caseload, with many clustering around one-third.

A second qualification cited by a majority of the stakeholders was the need to greatly improve JOBS if there was to be any realistic expectation of getting recipients off AFDC prior to their hitting the two-year limit.

A third caveat cited by some — but not most — of the respondents was their doubt about the availability of enough private sector jobs in their labor market so that JOBS participants could find "real" or "good" jobs. Perceptions on this questioned varied greatly, with as many respondents being sanguine as being pessimistic.

2. Receptivity to Public Service Employment and/or Community Work Experience Programs

Although usually tinged with trepidation and accompanied by a host of qualifications, most of the state and local officials were prepared to attempt PSE/CWEP as the principal post-transitional service or activity for AFDC recipients unable to find private-sector jobs. Of note, none of the respondents dismissed PSE/CWEP out-of-hand. Equally significant, perhaps a third were quite enthusiastic, some embracing the concept with surprising vigor.

The reservations, which are detailed below, frequently entailed the high costs of services, the adequacy of reimbursement for administrative expenses, a prevailing public skepticism or (conversely) an unrealistic expectation

about "ending welfare as we know it," insufficient planning and development time, administrative complexity and bureaucratic jurisdictions, labor union opposition, and the sustainability of federal commitment.

Still, notwithstanding all their concerns, a great majority of the respondents believed that, coupled with other reforms to make work attractive — particularly an expanded EITC and universal health insurance — it would be worth trying a two-year limit and PSE/CWEP.

3. Preference for Public Service Employment or Community Work Experience Programs.

Only about one-half of those interviewed initially understood the differences between PSE and CWEP. However, most of the respondents quickly grasped the significance of the distinctions once explained.

Approximately one-half of the stakeholders expressed a clear preference for public service employment over community work experience; more than a quarter either had no preference or would like to have the choice of both; and less than a quarter opted for CWEP. Consequently, while a majority supported PSE, a significant number of respondents found CWEP a viable option.

Among those who preferred PSE, almost all mentioned the philosophical value of "being paid for work rather than working for welfare." They emphasized the importance of having WORK participants receive paychecks instead of welfare checks, and noted that PSE more closely resembled "real" work, being "less punitive and demeaning." In some cases, respondents were vehement on this count. Many also believed that PSE would be significantly easier to administer. Among the administrators who will make WORK work, CWEP was often portrayed as a "huge hassle, with ridiculously variable hours of work per month, burdensome reporting requirements, and greater difficulty in enforcing work expectations."

As noted below, the possible availability of the Earned

Income Tax Credit, Unemployment Tax Credit, Unemployment Insurance and Social Security also was a factor for some in their preference for PSE over CWEP.

On the other hand, some respondents, including several who actually run CWEP currently, minimized the administrative obstacles of CWEP. They said CWEP could actually be easier to manage than PSE, especially for the host or worksite agencies, which would not have the payroll or reimbursement obligations under CWEP that they would under PSE. They also argued that CWEP would minimize problems with civil service, state labor laws, and public labor unions. Several respondents even turned the argument about principles on its head: WORK "jobs are **not** 'real' jobs, so don't pretend they are... we want the clients to get private sector jobs and CWEP will encourage that more than PSE."

A significant number of stakeholders remained unsure as to their preference and some asserted that states and localities should be able to choose between the two or even implement both. A couple of state officials observed that in some areas of their states PSE would "sell" better and in others CWEP would be easier to have accepted.

4. Scale and Availability of Appropriate PSE/CWEP Jobs.

A special concern of the Working Group on Welfare Reform, Family Support and Independence has been "Where will the states find sufficient PSE/CWEP slots for the number of WORK participants likely to need them?" Closely related to this question are two others: "How will a sufficient number of worksites be developed and managed?" and "To what extent will the public sector jobs be meaningful and of value... or will they end up being 'make work'?" These questions were the topics of two of the author's interim products (Appendices C and D).

Given the proposed parameters of a national WORK

program on the scale of 300,000 to 500,000 slots, all respondents were asked how difficult it would be to develop their proportionate share of worksites.

None of the respondents indicated any doubt regarding the existence of sufficient and meaningful public sector work. Several pointed out that a PSE/CWEP program of 300,000 to 500,000 slots would be daunting, but would constitute an effort of only about half the size of CETA at its peak. And, if anything, the nation's aggregate need for low-cost, low-skilled labor to perform work in the public sector is greater than ever... In that sense, they argued, there is clearly plenty of work, more than enough to engage 300,000 to 500,000 PSE/CWEP participants.

For example, New Jersey's largest city, Newark, which includes roughly 18% of the state's caseload, would have to find meaningful public sector work for 1,415 to 2,359 participants. There seemed to be little doubt among the respondents in New Jersey that Newark would have enough work for 1,415 to 2,359 PSE/CWEP positions.

Even in New York City, where WORK would entail developing between 15,000 and 25,000 slots, the respondents were confident that they could develop sufficient worksites, given adequate time and funding. The managers of the City's current CWEP program of 13,000 slots, which is targeted to General Assistance participants, also operated an AFDC-oriented CWEP effort of 7,500 participants under former Mayor Koch. They claim to be "bar-raged" by non-profit agencies seeking CWEP slots that they can't now supply, and they felt that they could "easily" double or triple their current program, provided they were given sufficient support.

However, saying that there is plenty of work to be done is different than saying that a WORK program of this scale could be efficiently implemented and administered. No one interviewed expressed confidence of their ability to easily match, link-up and supervise all the work and

the workers, at least not in the larger urban centers, where most AFDC recipients reside. Several factors were repeatedly cited as making the prospect of a PSE/CWEP effort daunting:

- The “downsizing” of many state and local governments during the recent recession has made the issue of displacement of public employees more problematic than ever:
- Because the role assigned to PSE/CWEP will be to serve WORK participants who have been unable to find private sector jobs after two years of employment-directed activities, the individuals placed in PSE/CWEP will tend to have personal characteristics, circumstances, or attitudes that present the greatest barriers to employment.
- There is a perceived mismatch between the nature of much of the most pressing public work and the traditional gender roles and expectations held by many AFDC recipients. It is one thing to encourage women to voluntarily embrace non-traditional jobs; it is another thing to mandate it.
- CWEP is difficult to administer, especially with monthly recalculations of the hours necessary to work-off the grant.

Although those officials interviewed generally were not sanguine about being able to develop sufficient PSE/CWEP slots in “regular” governmental settings due to displacement concerns, there was more enthusiasm about the potential of engaging participants in special WORK “projects”, such as organizing teams to clean up vacant urban lots. Everyone agreed that expecting government to absorb large numbers of WORK participants through simple linear expansion of routine office jobs was not realistic. Simply replicating librarian aide positions, for example, was viewed as offering only a partial contribution to the challenge of finding work for

300,000 to 500,000 participants. They cited not only the issues of displacement and mis-matches between skills and jobs, but also the fact that most office jobs require fairly intensive supervision and mentoring. While office jobs can provide participants with especially good skills, they are hard to develop, and will not constitute the bulk of PSE/CWEP slots envisioned under WORK.

On the other hand, organizing cadres of a dozen or so workers to tackle the less demanding tasks of urban clean-up and enhancement seemed to appeal very strongly to most respondents. Several mayors were especially enthused about this opportunity; more than one mentioned an "Urban CCC" as the model they'd like to see.

Several respondents suggested that there will not be a problem developing sufficient WORK slots in rural or suburban areas or in smaller cities. They speculated that the general receptivity to "workfare" in such communities will facilitate the development of sufficient PSE/CWEP slots for the comparatively modest AFDC caseloads there. (They did acknowledge that transportation would be a problem in rural and suburban areas, however.) Rather, the greatest challenge would be in the larger cities, where WORK might require special efforts in developing sufficient capacity. The sheer numbers of participants, the inefficiencies and culture of the welfare bureaucracies, and the presence of "underclass" behaviors all will resist WORK, thus necessitating an especially intense effort.

In short, the stakeholders generally perceived a WORK program of 300,000 to 500,000 worksite slots are very daunting but probably doable in most cities, given adequate support and resources.

Respondents were further queried about a much larger WORK program, one totalling one million slots. Would they continue to view WORK as a reasonably achievable program if the number of worksites that they'd have to develop was doubled?

The reactions were consistent and unequivocal: one million slots would be a "whole different can of worms," as one respondent put it. The consensus was that the increase from 500,000 worksites to one million is not only quantitatively different, but qualitatively different too. For all respondents, there was definitely some threshold—somewhere between 500,000 and one million—where the merely "daunting" became the positively "dubious".

It would not only entail more effort and staff, it would be a very different program, especially in terms of the types of worksites that would have to be developed. The emphasis would have to shift to large work crews, with less attention to educational or skill-building, and more to just keeping participants engaged in some sort of activity. The work might still be "real" and of social value, but they would be seriously compromising any value that WORK might have for many of the participants (beyond that of working itself). States that might want to stress PSE/CWEP as "internships" rather than "workfare" would find it difficult.

There was also a fear that quality control would suffer with a program of that size. It would become more difficult to ensure that participants were actually showing up and working at worksites and that work crews were not, for example, raking leaves in the Mayor's backyard, rather than the park.

A couple of respondents indicated that it might be possible to eventually "grow into" a PSE/CWEP program on the order of magnitude of one million slots, but that, initially, the program should start smaller.

5. Types of PSE/CWEP Worksites in the Voluntary or Private Non-Profit Sectors.

Given the perceived difficulty of developing a major portion of the WORK jobs in government agencies, special

attention was paid to the types of worksites that might be developed in private, non-profit or voluntary agencies. Respondents were asked to suggest promising examples of worksites they would be interested in pursuing.

As noted above, most of the individuals surveyed felt that WORK should stress private, non-profit agencies as PSE/CWEP sites. With widespread lay-offs of state workers, it will be difficult to find large numbers of jobs that don't replace or displace unionized public employees. Many of the states with the largest AFDC caseloads are also ones experiencing the greatest reductions-in-force within the public sector (e.g., California, New York, New Jersey, Pennsylvania), thus precluding placing PSE/CWEP participants in state agencies. As several state officials observed, they have plenty of holes in their organizations that could be filled via PSE/CWEP placements if it weren't for the fact that the holes had just been created through RIFs.

In response to a request for innovative suggestions as to just where in the non-profit sector, PSE/CWEP worksites might be developed, the state and local officials made a number of promising recommendations:

- **Urban churches,** particularly African-American churches, offer an exceptional opportunity in this regard. These churches are located precisely where potential participants are concentrated, making matches easy and reducing transportation problems. The churches usually enjoy strong credibility within their own communities, enabling them to be powerful articulators of values, social norms, and expectations. Through role modeling and peer pressure, they can be far more effective than any government agency in this regard. Moreover, they are acutely aware of their communities' needs, and should know where to invest available labor. African-American churches have been at the forefront of recent efforts to reclaim

and resurrect their neighborhoods; PSE/CWEP might tie in very well with their grass root strategies of empowerment and capacity building. While many will require extra support with the administrative aspects of WORK, several respondents believed they would warrant the effort.

- **Head Start Expansion** also offers a potentially rich source of PSE/CWEP slots. One of the largely unsung success stories of Head Start has been the way in which it has involved the mothers of Head Start children, recruiting them as volunteers and later training them as teacher aides. With President Clinton's expansion of Head Start, it might be possible to extend the model of volunteer/mother into a successful CWEP experience. Moreover, many SSBG and CCDBG child care centers would like to incorporate more of Head Start's comprehensive approach and would be possible placement sites. This type of placement has been highly successful for a population similar to that which states will be dealing with in WORK. Using Head Start and other contracted child care centers would also avoid the quality control concerns about training welfare recipients to be family day care providers. And, as with African-American churches, it would expose participants to powerful values, social norms, role models, and expectations. It would be wise to aggressively seize the planned expansion of child care and early childhood development.
- **Care for the Elderly and Infirm** was cited by several respondents as having great potential for worksite development. Many of the services most needed by the aged and disabled are not sophisticated or training-intensive. Escort and chore services for the home-bound are two examples. Comparable services are in demand in institutional settings, as well. And, with the health sector always recruiting, these WORK slots would be excellent "internships" for subsequent employ-

ment. Of course, as with child care, provisions to prevent abuse and exploitation of patients by participants would be essential.

- **Settlement Houses, Tenant Groups and Other Neighborhood Organizations** should certainly be explored. With the Clinton Administration's strong emphasis on local capacity building, self-help, and empowerment, PSE/CWEP slots would be a natural feature. Such organizations are powerful engines of upward mobility, which would fit nicely with WORK.
- **Environmental Programs**, such as recycling efforts, are usually labor-intensive, and will be a growth industry over the next decade throughout urban areas. Almost all respondents mentioned programs of this sort as ideal for PSE/CWEP.

6. Goals and Roles of WORK Placements

A fundamental policy question about the PSE/CWEP jobs to be developed for WORK is the degree to which the prime goal is simply to enforce a work expectation on welfare recipients or, conversely, to provide participants with opportunities to develop their work skills and improve their employability in the private sector. In short, are WORK placement "workfare" or "internships"?

If the primary policy goal is to establish a clear quid pro quo in exchange for income, then the meaningfulness of the activity to the participant will be of secondary concern. If, on the other hand, WORK is meant to assist participants in developing skills, enhancing self-esteem, and speeding a transition to unsubsidized employment, the nature of the jobs to be developed—and their costs—will be rather different. Respondents were pressed on such value clarifications.

There was a strong general consensus on two value questions among those interviewed. First, everyone said that the **jobs** had to have **social** value; that is they must constitute a function or service of some value to the

community. Not surprisingly, all respondents agreed that the PSE/CWEP would have to be meaningful in the sense that the slots should **not** be "make work." Perhaps surprisingly, however, most of the respondents perceived that almost any job that had social value also could provide dignity to the participant, even "menial labor." For example, several respondents noted the likelihood of being criticized for "forcing participants into demeaning or menial labor like leaf-raking." Their reactions to this were mixed: a few seemed sensitive to the charge, but most were almost eager to confront such critics and to defend the dignity and value of this type of work.

On the more fundamental question of the goals of PSE/CWEP placements, there was no consensus, with respondents breaking into three roughly equal camps. Some asserted that the primary goal should simply be to enforce society's expectation of work through "work-fare." An equal number argued strongly for the more ambitious goal of developing the participants' skills, much akin to an internship. The third group were either ambivalent or suggested a mixed approach, with some positions being very valuable to participants while others were merely meant to engage participants in productive labor. One respondent proposed that the distribution of PSE/CWEP jobs will resemble a "bell" or "normal" curve, with a few purely punitive jobs, a few very meaningful learning experiences, and the preponderance somewhere in between.

Those who argued for slots with high developmental value tended to suggest more intensive case management, job development, and "job-coaching." Those who favored the more basic model tended to emphasize the need for on-going job search to be linked with PSE/CWEP.

7. Characteristics of WORK Participants

The AFDC recipients who enroll in WORK are not likely

to be representative of the overall AFDC caseload, since PSE/CWEP will be the "last resort" after two years on welfare and participation in JOBS. They will have had the opportunity to receive education and training services, but were unable to find a job. Certainly, they will tend to be more difficult to place and supervise in a WORK slot than participants in previous PSE programs such as CETA. It is important to determine the degree to which this is perceived as an obstacle by the people who will make WORK work.

Most of the respondents agreed that the participants ending up in PSE/CWEP worksites will tend to have personal characteristics, circumstances or attitudes that will present major challenges. However, a significant number of stakeholders saw these traits as of only minor consequence. Of special note was the fact that respondents who actually already manage CWEP programs said that the differences between participants and the "typical" AFDC recipient were not all that great. Several speculated that the individuals placed in PSE/CWEP slots would more or less resemble non-AFDC individuals who might end up in such jobs. As one supervisor of a public works department put it, "They'll be no different than the people I hire off the street... I'm used to working with these folks."

8. Alternatives to PSE/CWEP for WORK

The Working Group on Welfare Reform, Family Support, and Independence does not, in any way, envision limiting post-transitional activities to just PSE/CWEP. Quite the contrary; they see WORK as a highly flexible program, affording a wide array of service activities with an emphasis on placing participants in unsubsidized private sector jobs, not subsidized public service jobs. Among the options specifically mentioned are: work supplementation, grant diversion and on-the-job training; tax credits to employers; private, for-profit placement firms; micro enterprise efforts; and intensive job search.

Many respondents reacted favorably to one or more of these strategies. For example, several mentioned (almost ruefully) that they should be making better use of OJT and work supplementation within JOBS. Likewise, several respondents bragged about the efficacy of their "job clubs." The use of tax credits and private placement firms drew a distinctly mixed reaction; many respondents were dismissive while others very enthusiastic. Indeed, with regard to America Works, passions were evident, both pro and con. Micro-enterprise activities were usually seen as valuable, but only for a small select set of participants.

However, notwithstanding the respondents' range of reactions to the individual strategies, they evidenced a sense of caution — even skepticism — about the utility of such services for WORK. The stakeholders perceived WORK as a program of "last resort" for participants who could not be placed into private sector jobs through JOBS. They felt that such services would be of greater value in JOBS than in WORK. As one local welfare official put it, "Those are the stuff we'll be pushing on folks in JOBS; the people who reach WORK will probably have already failed at them."

Almost without exception, respondents expected PSE or CWEP to be the primary components of WORK, with the other services playing secondary roles.

9. Availability and Quality of Private Sector Jobs

The most powerful determinant of a need for PSE/CWEP slots in any area will be the availability of appropriate unsubsidized private sector jobs. Stakeholders were thus asked their perceptions about the job markets in their state or region.

Reactions were highly subjective. There was no discernible pattern in the responses, even including wide variations within a given area.

However, most respondents did draw a distinction between "minimum wage, high turnover" jobs which generally seemed plentiful, and "good" or "self-sufficient" opportunities which were far more difficult for their clients to secure.

A "good" job was usually defined as one offering anywhere from \$7 per hour to \$12 per hour, with some family health coverage. The respondents were divided — even confused — about whether the current goal of JOBS is simply to get participants employed or to secure them "good" jobs. In this regard, it is important to note that almost all respondents did concur that the advent of a greatly expanded EITC, potential availability of universal health insurance, and enhanced access to subsidized child care would help to resolve this conundrum. To them, these three supports would make even a minimum wage job a "good" job... or at least a "good enough" job. The Clinton Administration's theme of "Make work pay" resonated well with everyone interviewed.

10. Wages, Benefits and Supportive Services

Because ASPE staff flagged these issues as of special importance, all stakeholders were closely probed about the pay and benefit levels that should be offered PSE/CWEP participants. They were asked to discuss, in particular, the federal policy concern about tradeoffs between adequately compensating participants for the work performed while keeping unsubsidized private sector work (which often offers only minimum wage) more attractive. Respondents were also asked what supportive services were important for WORK participants.

On the fundamental question of hourly wages, respondents were asked to choose from a continuum: sub-minimum, federal minimum, state minimum (if higher), prevailing wages, or union scale. Remarkably, virtually everyone interviewed agreed on the federal minimum wage — or state minimum, when higher — as the appropriate level of compensation. The degree of conver-

gence on this issue was especially surprising given its ideological nature in the past.

Likewise, everyone agreed that continued Medicaid coverage (or universal health insurance) was essential for WORK participants, as was child care comparable to that under JOBS. There also was a general consensus that participants should be eligible for Workman's Compensation. Questions regarding eligibility for Unemployment Insurance and Social Security drew mixed reactions, with many confessions of uncertainty. Most respondents believed that UI and FICA would not apply to CWEP, but they seemed divided or unsure about PSE.



Another core policy question on benefits was the eligibility of WORK participants for the Earned Income Tax Credit. Initially, few respondents were aware of the magnitude of the recently enhanced EITC, which will eventually make a minimum wage job the equivalent of one offering almost \$6 per hour for many families. Upon reflection, most respondents recognized that the EITC would not apply to CWEP "wages" (indeed, several indicated this as a consideration in their preference for PSE over CWEP or vice versa).

Respondents were initially asked simply whether PSE earnings should qualify for the EITC. Reactions were divided, with slightly more stakeholders saying yes than no. Individuals answering in the affirmative cited equity ("equal pay for equal work") and the principle of making work pay. Stakeholders answering negatively cited the fact that these were not "real", market-generated jobs and the desire to make private sector jobs more attractive than PSE.

Those respondents who initially felt that PSE wages should qualify for the EITC were then pressed on whether or not denial of the EITC for PSE earnings would be a powerful incentive for private sector employment. Most conceded it would, and some—but

not all — changed their position as a result. Consequently, roughly two-thirds of all respondents **ended up** favoring making PSE wages ineligible for the EITC, but only after being pressed on the issue of making private sector employment more attractive than PSE.

11. Participation Expectations and Availability of Supplemental Benefits

Respondents were asked for their views and recommendations on the complex and technical issues of the number of hours per week participants should be expected to work, and whether —under PSE—participants should be given supplemental benefits if their PSE earnings were insufficient to bring their income up to their welfare grant levels.

Perhaps a quarter of all respondents had trouble grasping the question or declined to voice opinions. This tended to be more the case for individuals outside the AFDC system.

With regard to CWEP, most of the remaining respondents were aware that the number of hours of expected participation is generally determined by dividing the AFDC grant level by the minimum wage. Although simple in theory, the stakeholders saw it as complex in practice, especially due to variable levels of offsetting child support and unearned income. Similarly, in low-grant states, the expected participation may be as modest as ten hours per week; in high grant states, as demanding as 35 hours per week. As noted above, these factors were cited as reasons some respondents preferred PSE.

For PSE, the situation would be different, but also complex. Essentially, post-transitional PSE would operate in one of two ways. In the first, WORK participants would be offered jobs which would be their only source of income. After two years on AFDC, no grant benefits would be available to supplement PSE earnings, regardless of how they compared to the previous welfare grant:

"What you'd earn is what you'd get." Alternatively, through some sort of earned-income disregard, PSE participants whose wages did not reach this grant level — or some higher level set as an incentive — could receive a supplemental grant. This second, more liberal, version entails setting some minimum participation expectation, below which earnings would not be supplemented and sanctions might be enforced.

✓ A significant minority of respondents, roughly a quarter, favored some version of a tougher—"two years and out"—PSE program. They noted the clearer, more unequivocal message it would send to AFDC recipients: "After two years, you're on your own." They also found its simplicity and ease of administration appealing. However, most stakeholders strongly preferred the more generous approach of allowing supplemental benefits. Several voiced their belief that many participants—e.g., mothers with very young children — should be expected to work only part-time, e.g., 20 hours per week. Others mentioned that PSE participants in high grant states (or with larger families) would otherwise be worse off working than on welfare alone.

This question generated some passion; it was perceived not only as technically complex, but also as one of great consequence for clients. Respondents recognized its policy significance even if they did not fully grasp its details.

12. Duration of Placements and Time Limits

Should PSE/CWEP placements be open-ended or should they be limited in time? How long should participants remain in their worksite... and if there is a limit, what happens when that limit is reached: Another placement, elsewhere? Renewal? Termination? Job Search? What is there to discourage participants from settling into semi-permanent situations which are comfortable, familiar, and secure, but not desirable from either a social or personal perspective? To a large extent, the respondents seemed to arrive at a consensus on these questions.

Almost everyone believed that placements should be time-

limited, not open-ended. The suggested duration ranged between six to twelve months, with the modal response nine months. Most of the respondents recommended that PSE/CWEP placements be followed by an intensive period of renewed job search before another placement could be started. There was no agreement on whether the second (and subsequent) placements could be at the same worksite as the first: some felt that renewed placements at the same worksite would discourage aggressive job search, others saw that risk as minimal.

*Then what does
2 yrs + out on p 22
refer to?*

No one suggested a limit on the total number of PSE/CWEP placements for an individual participants. The respondents seemed to feel that some individuals might never be able to secure private sector jobs due to circumstances beyond their control, and that such participants should not be terminated. No one proposed termination of participants who were acting in good faith but were not successful at job search.

13. Sanctions and Enforcement

Another area where consensus prevailed was on the issue of what to do when participants failed to act in good faith, performed unacceptably, or refused to cooperate. There was a strong, united sentiment for prompt and meaningful sanctions, ones that demonstrated a seriousness of intent and that were enforceable. All respondents saw the need for consequences for non-compliance as especially important given their belief that a relatively large proportion of "difficult" or "problem" AFDC recipients would be represented in the WORK population.

On the other hand, there was also a recognition that a relatively large proportion of WORK participants would be of limited capacity and might fail at PSE/CWEP due to no fault of their own. Such individuals should not be terminated or sanctioned.

Several respondents complained that the current sanctions under JOBS were not sufficiently severe for certain non-compliant recipients. Many more bemoaned the onerous processes entailed in sanctioning, and asked for a greatly expedited process. Sanctioning and enforcement was, as noted above, one reason respondents preferred PSE over CWEP, since they perceived that dismissing a non-cooperative participant from a PSE slot would be easier than sanctioning a CWEP participant.

14. Service and Administrative Costs

No other question generated such doubt and suspicion among the state and local officials. Almost all expressed a concern that the federal government would "try to do it on the cheap," by not adequately reimbursing for service and administrative costs.

Although none of the respondents was able to cost-out PSE/CWEP in a rigorous way, they tended to have a reasonably good appreciation of the various cost elements. They all assumed that health and child care would be provided to participants at significant costs, but not be included in the costs of WORK per se. Many cited the expense of recruiting, developing and maintaining worksites as considerable. Reporting, sanctioning and liaison activities were also noted as administrative costs. Several stressed the importance of on-going case management and "job coaching" as components of PSE/CWEP that should be reimbursed. Most stakeholders agreed that the costs of supervising participants at worksites should be absorbed by the host agencies in exchange for the free labor; only a few argued for reimbursing this expense.

A number of respondents recognized that PSE would be more expensive than CWEP, especially if supplemental AFDC benefits were allowed, but this was too complex for them to delve deeply into during the interview process.

Estimated bottom-line costs of operating one PSE/CWEP slot, exclusive of health and child care and any PSE wages, ranged between \$1,000 and \$3,500 per year.

15. Concerns of Organized Labor

The potential opposition of labor unions to PSE/CWEP loomed large in the minds of respondents. Even stakeholders who were sanguine about their ability to resolve this problem saw it as a serious one. As noted above, one of the factors repeatedly cited as a concern about PSE/CWEP was the recent "downsizing" of many state and local governments, which was perceived as possibly exacerbating normal labor union concerns about the displacement of public employees.

Still, it is noteworthy that no one suggested that PSE/CWEP be avoided on the basis of labor union opposition. Rather, most respondents offered a variety of ideas on how to diffuse or minimize the enmity of organized labor.

One of the suggestions already mentioned above is that WORK should look less to placements in government offices and more to private non-profit agencies. Likewise, the creation of special teams to tackle projects beyond the capacity of strapped local governments has already been mentioned. But, one caveat often stressed about these two strategies was the need to avoid placing PSE/CWEP slots in agencies which had received government contracts to provide "privatized" services. That would be viewed by labor unions as **both** displacement **and** privatization, making an already bad situation worse.

Several respondents also emphasized the need for bringing the public employee labor unions into the planning of WORK at the very earliest stages, involving them in the decision-making process in a meaningful way. These officials argued that acknowledging the valid concerns of the unions, and working with them cooperative-

ly to address them, would go a long way in diffusing opposition.

A couple of respondents who expressed a preference for CWEP over PSE cited their belief that labor unions would not resist the former nearly as strongly as the latter. Apparently, the fact that the WORK participant is not on any payroll in CWEP makes it less threatening than PSE.

Other respondents mentioned that paying only the minimum wage and strictly enforcing time limits on WORK placements both would reduce organized labor resistance. Short-term and low-paid WORK slots would raise less of a specter of displacement.

Finally, a good number of stakeholders speculated that labor union opposition would not be as serious as it had been in the past. They believed that unions were part of the general convergence on welfare reform and that labor would be less suspicious about the Clinton Administration using it as part of an anti-union strategy the way the Reagan and Bush Administrations might. And, several noted that the downsizing of government was going to continue irrespective of PSE/CWEP, which will be largely irrelevant in the larger struggle about government payrolls.

16. Administrative Responsibility and Authority

This turned out to be a quandary for almost everyone. None of the respondents seemed very confident about how best to structure WORK and where to vest organizational authority and accountability. PSE/CWEP was viewed as "neither fish nor fowl," not fitting neatly in the labor system nor within the welfare/JOBS system. Moreover, few was comfortable arguing that either state system would be, *a priori*, the superior management entity. Critics of the labor system cited CETA, ES, and the perceived anti-AFDC, anti-female, anti-public employment biases of the JTPA system. Critics of the

welfare system noted a "hand-out-the-checks" mentality of welfare agencies and the slow pace of JOBS implementation.

Many respondents suggested that the federal government delegate the decisions about managerial responsibility to the states and perhaps even to local governments. Others saw a danger of fragmented accountability and "finger-pointing" in such flexibility.

Everyone stressed the importance, however, of giving the states plenty of lead time to make decisions and to do adequate planning and phase-in. The specter of another "CETA fiasco" was never far from their minds, and they saw the counter-cyclical rush to implement it as a causal factor. In this regard, JOBS was the preferred model.

Finally, a suggestion that was mentioned by both local and state stakeholders was the need to plan at the local level. For instance, several respondents suggested issuing a Presidential challenge to urban mayors, involving them in the early planning of WORK. The mayors of medium to large cities will make or break WORK, so get them on board up front, they argued. Ask them to set up local planning processes, bringing all the key stakeholders to the table: labor unions, ministers of the urban churches, Head Start directors, JTPA, and the leadership of any other potential sponsoring agencies. Don't worry so much about where to find all the WORK slots; instead, set up a process that makes the local leadership eager to find them. In this regard, PICs were generally seen as too oriented to the private sector to take the lead on planning for PSE/CWEP; mayors were preferred.

B. Services for Non-Custodial Parents

Not all stakeholders were interviewed regarding the possible inclusion of services for non-custodial parents within the impending welfare reform proposal. In some cases, the respondents declined to discuss NCP services in any detail — usually because they felt unfamiliar with the topic. This was

partially attributable to the fact most of the stakeholders had at least some experience with PSE/CWEP; very few were involved or exposure to NCP services. Structured programs for non-custodial parents are still quite rare — perhaps one to two dozen pilot or demonstration projects nationally — and few have existed for more than two years. Although an emerging issue, NCP services are still unfamiliar to many state and local officials. About three-quarters of all respondents noted their limited expertise or familiarity with NCP programs; roughly a fifth declined on this basis.

A second reason for a lower response rate was the constraint imposed by time and stamina. Because somewhat greater urgency was given to gathering information on PSE/CWEP, all interviews started there. Generally, two hours were scheduled for one-on-one interviews and three for focus groups. It was not at all uncommon for PSE/CWEP to consume virtually all the time or energy available to the stakeholders. In some cases, follow-up interviews were scheduled to complete the discussion of NCP services. In all, about two-thirds of respondents engaged in some substantial discussion of NCP issues, with a total of half completing the full interview.

It should also be noted that the respondents were more tentative in discussing NCP services. On numerous occasions, individuals admitted to uncertainty on specific questions or qualified their answers. Thus, caution should be exercised in considering the responses below; generally, they were not as strongly held as with PSE/CWEP. They, therefore, might reasonably be more subject to revision as respondents gain further information, experience, or reflection.

1.Receptivity to Serving Non-Custodial Parents

Notwithstanding the respondents' general lack of first-hand experience in serving the generally male non-custodial parents of AFDC children, virtually all expressed a recognition of the situation's increasing urgency. Many expressed an acute awareness and concern about the status of NCPs — especially younger fathers in urban centers. Often they equated these younger urban NCPs

with what they perceived to be “the growing problem of the underclass.”

Those respondents who admitted their limited direct expertise and experience usually cited the general press (e.g., **New York Times**, **Newsweek**) or periodicals (e.g., **Atlantic**, **Public Welfare**, **The New Republic**) as informing their opinions.

The stakeholders were unanimous in their belief that “something has to be done.” However, they were less sure exactly what it is that should be done, and not everyone agreed that welfare reform was the appropriate vehicle for addressing the problem. As noted below, several had reservations about using the impending Clinton welfare reform package as the venue for funding NCP services because of their uncertainty as to what strategies to incorporate, even in light of what they perceived to be a crisis. “First, do no harm,” is the way one respondent expressed this sentiment.

Also discussed further below, only a few stakeholders opposed NCP services outright — at least as part of welfare reform — on gender grounds. They were afraid it would divert resources from women and their children.

Still, the clear majority of respondents — over three quarters — did favor incorporating some NCP services in welfare reform. Overall receptivity was quite high.

2. Characteristics of NCPs — Low Income and Otherwise

Underlying the respondents' general receptivity to “doing something about low-income non-custodial was a fairly sophisticated appreciation of the heterogeneity of the NCP population. Most of the stakeholders interviewed understood the diversity of the characteristics and circumstances of NCPs.

Many perceived important differences between younger, never-married, NCPs and older, divorced, non-custodial

fathers, and between inner-city, unemployed, absent fathers and middle-income men who were simply avoiding their child support obligations. This translated into a somewhat vague, but nevertheless real, sense that strategies appropriate for dealing with "dead-beat dads" — tougher versions of conventional child support enforcement — might not be applicable for "turnips," from whom there was little blood to draw.

For many of the respondents, there appeared to be an implicit (sometimes explicit) assumption about the ethnic and racial characteristics of this latter group of NCPs. The younger, never-married, undereducated, and unemployed absent fathers were usually visualized as part of the urban "underclass." That is, largely African-American.

Several respondents expressed a view that these fathers often maintained contact with the mother(s) of their child(ren), providing various types of informal support, monetary and otherwise. They saw these NCPs in essentially sympathetic terms, using phrases like "disadvantaged," "poorest of the poor," and "grossly neglected." On the other hand, others argued against adopting "an overly romanticized view" of these men, pointing to high levels of criminality and irresponsibility. Finally, still others seemed prepared to accept both views, seeing the divergent perspectives as not really inconsistent or in conflict.

3. Expectations About Potential Payback from NCP Services

No one expected tremendous monetary paybacks, at least in the near term, from investments in NCPs. Words like "modest," "eventual," "at least something, if not much," and "anything is better than nothing," were used. Respondents noted that raising a young man's annual reported earnings from zero to \$10,000 would result in only minor increases in child support payments.

The respondents generally did not justify investments in NCPs from a narrowly construed cost/benefit perspective. Rather, they talked in terms of values, social norms, social stability, and justice. This seemed significant because public officials in the field of welfare policy are increasingly used to thinking about interventions from the perspective of cost/benefit analysis and expected payback on investments. In the instance of NCPs, many expressed such a sense of urgency that they would suspend this criteria for deciding on a new initiative.

4. Goals and Intent of NCP Services

If there was a strong consensus among the respondents on the need to “do something” for non-custodial parents, there was far less consensus about what the goals and intent of a NCP initiative should be. One school of stakeholders talked mostly of enabling the NCPs to meet their child support obligation and to live up to their responsibility for having fathered children. A second school talked about enabling NCPs to be better parents and partners in raising their children, focusing on mitigating familial and social dysfunctions.

The first group of respondents saw the primary goal of services for NCPs as only a new approach to child support enforcement for a population not able to be reached through conventional strategies. These stakeholders acknowledged (as indicated above) that the expected payback, in financial terms, of NCP services will be modest. Nevertheless, they argued that the goal should be enforcing a societal expectation that both parents are responsible for supporting their children.

A smaller number of those interviewed — about a quarter — saw NCP services as a means to address the widely-observed disintegration of low-income urban families and the alienation and marginalization of young minority males. For them, the emphasis of NCP services should not be the enforcement of societal norms about

financial support but rather on the re-integration of the absent father into the social mainstream and on the healthy development of the child. They urged a "child-oriented" perspective, stressing the presence of the father in the life of the child as a positive role model and parent. Several respondents in this group also frankly saw NCP services as mainly a means to get additional resources for a badly under-served population.

The tension inherent in these two different orientations to NCP services was noted by some respondents. Others, however, were more comfortable and did not see them as conflicting.

5. Lack of Guidance from Research on NCP Services

Any federal expansion of services non-custodial parents will be building on an exceedingly small and very recent base. While programs oriented to low-income urban males are nothing new, prior to 1990 there were few if any organized efforts to work with the absent fathers of children on welfare. Currently there are less than two dozen pilot programs nationwide, most of which are part of either MDRC's Parents Fair Share Program or Public/Private Venture's Young Unwed Fathers Program.

The Parents Fair Share initiative will shortly finish its pilot stage and begin operating as a rigorous research demonstration incorporating an experimental design and an impact evaluation. However, any real outcome findings are likely at least four years off. All findings to date are either in the form of process and implementation analysis or impressionistic.

Consequently, the federal government will have to proceed in shaping expanded NCP services without the benefit of the well-informed empirical analysis that has guided much of the welfare reform of recent years. This lack of strong research guidance did seem to influence the views of most respondents. However, it did not dissuade them of the urgency to act. The lack of knowledge about what works with NCPs and the checkered results of research demonstrations attempting to work with younger low-income males did seem to restrain many respondents from supporting **large-scale national** NCP

services. Only a few respondents urged incorporating services for non-custodial parents as a core part of JOBS, for example. On the other hand, many respondents supported allowing states the option to allocate some modest portion of JOBS funding to NCP services. And, virtually everyone urged a major expansion of the current research demonstrations in order to develop a better knowledge base upon which to build future efforts.

6. Resource Allocations Given a "Zero-Sum" Budget

After discussing the allocation of funds to NCP services in a fairly general way, respondents were asked to engage in a simple budget allocation simulation. They were asked to assume budget neutrality for the President's welfare reform proposal — that is, that new service expenditures would have to be more or less offset by resulting savings. They were then told that they had a fixed pool of new resources available to spend on all components of welfare reform (e.g., \$2 billion), including enhancements to JOBS, the new WORK program, and improved child care. They were asked what percentage of their resources they would devote to NCP services, recognizing that those dollars would be diverted from other pressing priorities. This "zero-sum" budget exercise forced them to explicate and quantify the importance they ascribe to NCP services.

About one quarter of all respondents declined to make a firm recommendation, usually pleading insufficient information. A couple of stakeholders said they would devote no welfare reform resources, using instead existing funding streams such as JTPA; they did not want to divert funds from women and children. At the other extreme, several suggested 20 percent or 33 percent and one suggested 50 percent ("half of the parents of poor children are males").

The preponderance, however, clustered around 5 per-

cent to ten percent of all new resources, either for state-selective programs or for greatly expanded demonstrations.

7. Appropriate Services and Strategies for NCPs

All respondents noted that the services required to assist low-income males would probably vary in a variety of ways from those for females. Most obviously, child care would not be an issue, and health care might be a less compelling need. Similarly, many of the stakeholders observed that the types of education and training might differ significantly both in subject and approach. For example, on-the-job training, which usually provides participants with some stipend income, might be appealing to young men since they have no AFDC to live on while in training.

Many of those interviewed mentioned the importance of peer counseling in breaking down resistance and in addressing attitudinal problems. Legal services were also perceived to be vital since many of the men have other legal problems in addition to child support. Substance abuse was seen by most stakeholders as a serious problem for many NCPs—apparently more so than for the women. Many respondents noted that public service employment might be an ideal activity for NCPs. It would provide them with immediate income and valuable work experience, perhaps concrete skills as well. The idea of reserving some portion of WORK slots for NCPs found favor among many stakeholders. However, others expressed a fear that men might tend to displace women if the demand for WORK placements exceeded the supply.

Several suggestions included parenting skill training and reconciliation services as valuable to improving the mens' role as fathers.

The bottom line for most respondents, however, was an admission that they weren't sure exactly what service

interventions would work best.

8. Treatment of Arrearages

Typically, the entry-point for most men in to NCP service programs is a court hearing because of arrearages in child support payments. The men are referred to the NCP program because they explained their failure to pay support by pleading unemployment.

In many cases, by the time the NCP appears in court and then is referred for services, large arrearages have accumulated, sometimes as much as \$10,000. Debts of that magnitude are daunting for young men whose earnings prospect—even after successfully completing a NCP program—are quite modest. Some policy makers have proposed allowing NCP programs to negotiate reductions or forgiveness of the back debt in return for enrollment, successful progress, and promises of future compliance.

Respondents had mixed feelings on this. Some opposed forgiveness because it would send a bad message to young men becoming fathers: "If you can avoid us long enough to run up a big debt, we'll forgive it when we finally catch you, as long as you promise to be good from now on." Others favored flexibility, but only with certain caveats (e.g., only if the arrearages are owed to the state, rather than the mother.) Still other suggested arrangements whereby arrearages could be forgiven over time, with each dollar of current support paid also reducing back debt.

Overall, almost all respondents recognized the perversities and disincentives of the current child support system when it comes to back payments of bona fide low income NCPs. Where there was disagreement was in "how much slack to cut these guys."

9. Use of Non-Welfare Delivery Systems Services

There was universal consensus that existing service delivery systems badly underserve the low-income NCP population. Most notably, JTPA was repeatedly criticized for failing to serve younger men.

Muting this criticism, however, was the recognition that little seems to be effective with marginalized young males. As one PIC director puts it, "There's an alarm clock in these boys' heads, and until that alarm goes off, there's nothing you can do for them. At some point—who knows when—something in their heads tells them their lives are all screwed up and they have to get their act together. Before that, almost nothing works; after the alarm goes off, anything seems to work. That's different from girls."

Several stakeholders pointed to immersion programs such as Job Corps and Youth Corps as successful resources for NCPs, arguing that it was important to get the young men away from "the influence of the streets." A couple proposed "boot camps" and other models borrowed from the juvenile justice system.

10. Degree of "Smoke-Out" Effect

Administrators of Parent Fair Share pilot programs and the PFS evaluators at MDRC have documented a significant smoke-out effect in mandatory NCP programs. It appears that a significant portion of the men who plead unemployment as an excuse for non-payment of support are, in fact, employed "under the table." Either part-time or full-time, legal or illegal, these men sometimes have hidden sources of income.

When the courts require such NCPs to participate on a regular basis in a NCP program, the men are faced with something of a scheduling conflict. Since the court referrals are enforceable by contempt proceedings compliance is difficult to avoid. In some cases, these men suddenly confess that "Come to think of it, I'm gonna be

starting a job next week so I can start making payments then." In such instances, calling the bluff of these NCPs has produced a significant smoke-out effect: 10 percent to 30 percent.

Respondents were asked if they believed that the rates noted in the few pilot programs would be replicated more generally. Universally, the response was in the affirmative. Everyone believed that the smoke-out effect would be significant. Several respondents went as far as speculating that the smoke-out savings alone could finance the cost of a moderate-sized program of services for non-custodial parents.

IV. Conclusions

The findings of in-depth interviews with over one hundred state and local officials in nine states largely validate the policy and program design decisions made by the Working Group on Welfare Reform, Family Support and Independence with regard to public service employment and community work experience programs. The feedback and perspectives of the respondents tend to closely parallel the recommendations—at least those as of December 22, 1993—of the Working Group with regard to the WORK component of the impending Clinton welfare reform proposal.

Likewise, with regard to the possible inclusion of expanded services for non-custodial parents in the President's welfare reform package, the views and suggestions of respondents generally support the policy and program direction being pursued by the Working Group and ASPE, as of December 22, 1993.

On PSE/CWEP, most stakeholders supported the notion of a two-year limit on AFDC, as long as adequate recipient exemptions and safeguards were included. The respondents perceived PSE/CWEP as appropriate post-transitional services, with a majority preferring PSE over CWEP. A work program on the scale of 300,000 to

500,000 slots struck most respondents as "daunting, but doable;" enlarging the scale to one million slots crossed some threshold, at which the respondents saw the program becoming highly problematic. A heavy reliance on private, non-profit worksites and special public work projects, rather than routine government placements, was uniformly urged.

Stakeholder concerns about adequate planning time, financial resources, public attitudes, labor union resistance, and sustained federal support were frequently expressed, but did not greatly undercut their receptivity. It is noteworthy that the greatest worries of the state and local officials were also the concerns expressed by the Working Group and ASPE staff. Not surprisingly, the stakeholders were divided on the principal purpose and goals of WORK—i.e., "workfare" or "participant developmental experience"—reflecting an ambivalence apparent in society at large and in the Working Group deliberations.

The tentative federal decisions on wages and support services for WORK participants closely reflect the prevailing views of the stakeholders interviewed. The same was also true for participation expectations and the availability of supplemental financial benefits. The Working Group's uncertainty about administrative responsibility paralleled that of the respondents; there was no consensus on where best to administer WORK.

One notable area where respondents differed from the Working Group was in the utility of stressing private-sector placements in WORK. They saw PSE/CWEP as being the more realistic tool, with private-sector strategies being emphasized in JOBS.

The respondents were quite receptive to including a significant initiative for non-custodial parents in this round of welfare reform, but were divided on its magnitude and scope. Without exception, the stakeholders perceived the situation of numerous young absent fathers who are unable to pay child support due to chronic

unemployment as requiring remedial action. Most—but not all—approved of using the President's forthcoming welfare reform package as the vehicle to address the situation.

Views on the nature of a NCP initiative and the amount of resources to devote to it were divergent. Many favored only expansion of current demonstrations, with relatively modest additional funding (e.g. 5 percent of new available dollars); others argued for nationwide programs with major allocations (in excess of 25 percent.)

There was also differences of opinion about whether the goals of a NCP service program should be to enable fathers to live up to their child support obligations—even if their contributions are minimal—or to be better parents and role models, with economic contributions secondary.

The respondents believed in a significant potential smoke-out effect, acknowledged the lack of guidance from research and demonstrations and saw the need for a variety of special services oriented towards young men. Although arrearages were seen as a serious problem, there was not a real consensus on how to handle them.

In all of this, the respondents' views seemed to be consistent with those of the Working Group on Welfare Reform, Family Support, and Independence.

As noted elsewhere above, the one hundred stakeholders interviewed for this analysis were not randomly selected and should not be seen as necessarily representative of all state and local public officials. Consequently, caution is suggested in drawing inferences about the high degree of congruence between their responses and the recommendations of the Working Group.

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VI. APPENDICES

- A. Work Plan for Field Visits Regarding Post-Transitional Activities and Non-Custodial Parents.
- B. Revisiting the Issue of Unit Costs for Community Work Experience Programs (CWEP) and Public Service Employment (PSE)
- C. "Where Will We Find 300,000 to 500,000 PSE/CWEP Jobs for WORK?" Thoughts From the Field
- D. "What If We Were To Go One Million WORK Slots?"
- E. Michigan's Self-Initiated Community Services Activity and Its Possible Relevance to WORK
- F. The Costs of Worksite Supervision of PSE/CWEP Participants As A Component of Overall Costs

To: Wendell Primus
Canta Pian
Ron Mincy
Rebecca Maynard

From: Mike Laracy

Re: Workplan for Field Visits Regarding Post-
Transitional Activities and Non-Custodial Parents.

This is to outline my initial thoughts about how I might be of most help in completing the first two projects you have suggested for my field placement:

1. Through a series of field visits, secure informal input and feedback from state and local stakeholders on the programmatic and operational implications of the two post-transitional activities currently under consideration, community work experience (CWEP) and/or public service employment (PSE); and
2. Through field visits, obtain perspectives from state and local stakeholders on issues related to expanded employment and training services for non-custodial parents (NCP) as a means to enhance child support payments.

Outlined below is a workplan of how I think I might best develop a set of background papers on these two issues. It incorporates the comments and suggestions each of you have made in response to the draft I shared two weeks ago. Thank you for your helpful suggestions. Based on your concurrence, I am proceeding along the lines below.

Given the similarity of the nature of the two tasks (i.e., both entail discussions with state and local stakeholders) and given the potential overlap in the nature of the two interventions (i.e., non-custodial parents might be good candidates for PSE) I propose integrating the two tasks. Specifically, as outlined below, I plan discussing both sets of issues with the various state and local players and then preparing integrated reports, devoting separate sections to each topic.

As you know, my placement at ASPE runs through December 17 or so. My initial instincts had been to prepare a series of two background papers: a preliminary paper with a target date of November 19 and a final report for December 17. However, with the arrival of my new child and the interruptions of the holidays, I concur that it would be more realistic to compile one report, at the end of my

placement. It would include an Executive Summary and appendices, as appropriate.

In total, I envision visiting somewhere between four and six states, and interviewing state officials and local stakeholders from large and medium-sized cities/counties in each. In order to take advantage of my 17 years of experience in New Jersey, my first and most extensive set of discussions will be with colleagues back home. New Jersey has had considerable experience in operation CWEP/PSE programs, as well as initiatives for non-custodial parents (most notably, the Trenton Parents Fair Share Project, "Operation Fatherhood"). Moreover, New Jersey has historically been one of the more ambitious and proactive states in thinking about and pursuing various welfare reforms schemes. Consequently, I contemplate detailed discussions with perhaps a dozen or more individual from New Jersey, allowing me to get the perspective of a full range of stakeholders in at least one state:

- policy staff from the Governor's Office;
- senior officials in state Labor and Human Services Departments;
- senior and mid-level planning and operational staff in the state welfare and employment bureaucracies;
- county officials and operational staff;
- city officials and local staff; and
- local providers and CBO directors.

I plan on visiting New Jersey first, probably on November 3, 4, and 5.

Because I have to be in Seattle on November 13, (to attend a Casey-funded public hearing on child support enforcement), I propose including Seattle and Olympia as sites. Both are medium-sized cities, and Washington State has had considerable experience with welfare reform initiatives.

An obvious site to visit is San Diego, where CWEP was a major component of SWIM's successful welfare-to-work demonstration, and where MDRC staff are currently evaluating GAIN. I have spoken to MDRC staff, and asked them about their evaluation of the CWEP component, and they told me it would be well worth a visit since SWIM came close to "going to scale."

Other possibilities include Milwaukee and Indianapolis, where both mayors are articulate, well-informed, and interested in welfare reform issues, including PSE/CWEP and non-custodial parents. Ohio might also be a good possibility, given its use of CWEP and its well-regarded program for non-custodial father in Cleveland. Closer to home, New York City ran a large CWEP program (7,500 participants) under former Mayor Koch; I'd like to discuss the implications of "going-to-scale" in at least one major urban area, and New York City might be ideal.

I am still very much open to other suggestions for possible sites. Please keep in mind that I need to talk to stakeholders who would be relatively new to PSE/CWEP or non-custodial parents -- in order to gauge the receptivity and views of the more typical stakeholders -- as well as to individuals who have extensive experience. If you have any suggestions, please let me know as soon as possible.

I view my efforts as providing another source of perspectives and input for your consideration as you move to closure on the Administration's proposal. Hopefully, the informal, local and operational-level feedback I will emphasize will complement the more rigorous research and analysis prepared by DHHS and DOL experts, MDRC, MPR, the Urban Institute and such. Similarly, it will provide another channel for communication, supplementing the input of the NGA, APWA, NCSL and other interest groups.

My overall strategy in the interviews with stakeholders will emphasize two general themes:

1. I will try to ascertain their overall interest in and receptivity to the inclusion of PSE/CWEP and/or NCP initiatives as part of a welfare reform proposal;
2. I will delve into the operational and implementation issues they foresee, should either PSE/CWEP and/or NCP services become significant components of a national overhaul of welfare. Particularly with PSE/CWEP, I will stress their views of the implications of "going-to-scale" on the order of magnitude being contemplated. Outlined on the following pages are some of the types of questions I propose to discuss with each stakeholder and to report on in my two papers.

If you have any further questions that you would suggest pursuing, or if you want to recommend any change in the approach I've outlined below, I'd greatly appreciate receiving your suggestions, orally or in writing. With your concurrence, I am proceeding along the lines detailed here.

Many thanks for this opportunity to contribute, and for any further suggestions you might have.

cc: Jim Hyman
Cheryl Casciani

PROPOSED QUESTIONS FOR STAKEHOLDER DISCUSSIONS

A. PSE/CWEP

1. What are your views about making AFDC an explicitly temporary, time-limited transitional program? What about your colleagues?
2. What should be offered to AFDC recipients at the end of the time-limit? What are your general views about "post-transitional" services?
3. Specifically, what do you think of PSE/CWEP as appropriate post-transitional services (I would describe both PSE and CWEP using Ellwood's formulation? Do you prefer one over the other? Do you see roles for each?
4. What experience, if any, have you or your colleagues had with PSE and CWEP, in CETA, WIN, EOPP, or JOBS/FSA? Have you tracked the labor market experience of these participants? What type of placements and work projects were utilized?
5. What about the quality of possible work projects locally? Do you see social value to the work likely to be performed through PSE or CWEP? Will it be make-work or meaningful? Will it be a meaningful or valuable experience for participants?
6. At any given time, could you provide work for the number of participants possible if the PSE/CWEP components "went to scale"? How many slots at any given time? Could you and your colleagues handle as much as 20% to 35% of the AFDC recipients now on your caseload?
7. Would you anticipate or recommend putting more slots in governmental agencies or in non-profits? Where would you envision placing participants?
8. One determinant of the need for PSE/CWEP will be the availability of the appropriate entry-level jobs in the private-sector. To what extent do you believe that such jobs are available? Are they accessible to AFDC placements?
9. Given the consensus that private sector jobs are to be stressed over PSE, how would you ensure that participants are encouraged toward the former?
10. What type of wages do you see under either PSE or CWEP: sub-minimum, federal minimum, state minimum (if applicable), prevailing, union?

11. What benefits and/or support should be offered: child care, Medicaid or health insurance, transportation stipends, workman's compensation unemployment, etc.?

12. What about labor unions? How would organized labor respond and under what circumstances? How could you avoid "displacement" especially given the on-going down-sizing at all levels of government?

13. Should we target new AFDC applicants only or recipients also? Younger or older? UP segment, as well as single parents? Non-custodial parents? Given a limited number of slots, what are your priorities?

14. Should the slots be time-limited or open-ended? For some participants, PSE/CWEP might become a semi-permanent arrangement; what are your views on this?

15. Given the generally poor public perception of CETA, do you think you could operate a full-scale PSE/CWEP program that could withstand the close scrutiny of the press, the public and other skeptics?

16. Should PSE/CWEP be administered through the state's welfare system or their labor and job training agencies (or some combination of both)?

B. Non-Custodial Parents

1. What are your thoughts about incorporating a strategy of providing services to NCPs (generally dads) as a means to improve the well-being of children on AFDC?

2. Do you believe that a significant number of NCPs who don't pay support, or who pay very little fail to do so because their own incomes are inadequate? Do you think programs for non-custodial parents would enhance child support benefits? Do you see other benefits?

3. Most research demonstrations have shown that welfare-to-work programs can achieve "modest-but-positive" impacts for women on AFDC. Given the dearth of research on impacts on NCPs, do you think we know enough about the merits of such programs to move forward on a national scale?

4. Given a limited pot of money available for a new welfare reform effort, what proportion (if any) do you think should be allotted to services for NCPs?

5. Given that NCPs are not a monolithic or homogeneous population, can you suggest different interventions for different sub-groups? Any special target groups?
6. What types of interventions or strategies would you suggest for NCPs, and under what circumstances? Should the intervention come about as a result of a court order, or do you prefer a voluntary program?
7. If we were to mount some sort of work program for NCPs, would you recommend including or emphasizing any particular employment-oriented set of services: classroom training, GED, OJT, job search, remedial education, higher education, PSE, etc.?
8. In terms of support services for NCPs, how important do you see: stipends (since they have no grant to live on), Medicaid or health insurance, drug/substance abuse treatment, parenting or life-skills, case-management, counselling, mediation (with the custodial parents), etc.? Aside from child care, how do the service needs of NCPs differ from CPs?
9. Many low-income NCPs have accumulated large arrearages. Current policy does not encourage relaxing these obligations. What are your thoughts about foregoing the collections of a portion or all of these back debts as a means to encourage future desired behaviors?
10. Over the last several years, national policies have stressed targeting training and employment service resources (eg, JTPA) to AFDC recipients -- mostly Moms. What do you think about further targeting existing resources to NCPs?
11. To what extent do you believe that a work-requirement might "smoke-out" NCP's who actually are employed "under the table" and who may or may not be providing the custodial parent with informal support?
12. Do you have any reaction to including NCPs in PSE if it turns out to be the only post-transitional service for CPs who have come to the end of their time-limited AFDC?
13. Assuming we were to mount a full-scale program for NCPs -- not just demos: one consuming more than say 30% or 40% of resources -- what issues do you foresee in "going-to scale"?

To: Wendell Primus

From: Mike Laracy

Date: December 7, 1993

Re: "Where Will We find 300,000 to 500,000 PSE/CWEP Jobs for WORK?" Thoughts from the Field

This is to provide some initial thoughts about the questions you posed to me, "How and where will we be able to create some 300,000 to 500,000 real jobs for participants of WORK's public service employment or community work experience programs (PSE/CWEP)?"

The comments and suggestions outlined below are based primarily on my review of the PSE/CWEP literature and on the two dozen interviews I've conducted with state and local officials across the nation. Please appreciate that my thoughts are still somewhat preliminary, and constitute only a partial answer to your question.

A PSE/CWEP program of 300,000 to 500,000 slots would be daunting, but would constitute an effort of only about half the size of CETA at its peak. And, if anything, the nation's aggregate need for low-cost, low-skilled labor to perform work in the public sector is greater than ever... In that sense, there is clearly plenty of work, more than enough to engage 300,000 to 500,000 PSE/CWEP participants. None of my respondents indicated any doubt regarding the existence of sufficient and meaningful public sector work.

In thinking about a PSE/CWEP initiative on the scale of 300,000 to 500,000 slots, it is helpful to translate those numbers into state and local figures. Attached is a table displaying the number of PSE/CWEP slots that would be allocated to several representative states and cities, assuming that they are distributed in proportion to the overall AFDC caseload. For example, New Jersey, which accounts for 2.6 % of the nation's welfare roles, would receive between 7,914 and 13,190 slots. New Jersey's largest city, Newark, which includes roughly 18 % of the state's caseload, would have to find meaningful public sector work for 1,415 to 2,359 participants. There seemed to be little doubt among the respondents I've talked to that Newark, for example, would have enough work for 1,415 to 2,359 PSE/CWEP positions.

Even in New York City, where WORK would entail developing between 15,000 and 25,000 slots, my respondents were confident that they could develop sufficient worksites, given adequate time and funding. The managers of the City's current CWEP program of 13,000 slots, which is targeted to General Assistance (aka, "Home

Relief") participants, also operated an AFDC-oriented CWEP effort of 7,500 participants under former Mayor Kotch. They claim to be "barraged" by non-profit agencies seeking CWEP slots that they can't now supply, and they felt that they could "easily" double or triple their current program, provided they were given sufficient support.

However, saying that there is plenty of work to be done is very different than saying that a WORK program of this scale could be efficiently implemented and administered. No one I interviewed expressed confidence of their ability to actually match and link-up all the work and the workers, at least not in the larger urban centers, where most AFDC recipients reside. Several factors were repeatedly cited as making the prospect of a massive PSE/CWEP effort daunting:

The "downsizing" of many state and local governments during the recent recession has made the issue of displacement of public employees more problematic than ever.

Because the role assigned to PSE/CWEP will be to serve WORK participants who have been unable to find private sector jobs after two years of employment-directed activities, the individuals placed in PSE/CWEP will tend to have personal characteristics, circumstances, or attitudes that present the greatest barriers to employment. They will tend to be more difficult to place and supervise than participants in previous PSE programs, such as CETA.

There is a fundamental mis-match between the nature of much of the most pressing public work and the traditional gender roles and expectations held by many AFDC recipients. This is especially true in urban areas, where much of the work would entail manual labor. It is one thing to encourage women to voluntarily embrace non-traditional jobs; it is another thing to mandate it.

CWEP is notoriously difficult to administer, especially with monthly recalculations of the hours necessary to work-off the grant. While PSE is also difficult to administer, most respondents expressed a preference for PSE over CWEP on the basis of administrative concerns. To the extent that we mandate only CWEP, we will run the risk that local governments and private non-profits will simply decline the offer of free labor due to the hassles involved.

Turning more directly to your question, my interviews have led me to several observations and conclusions about where we will likely find 300,000 to 500,000 PSE/CWEP jobs.

First, we should stress private, non-profit agencies as PSE/CWEP sites, not states or, in some cases, local government. With widespread lay-offs of state workers, it will be very difficult to find large numbers of jobs that don't replace or displace

unionized public employees. Many of the states with the largest AFDC caseloads are also ones experiencing the greatest reductions-in-force within the public sector (eg, California, New York, New Jersey, Pennsylvania), thus precluding placing PSE/CWEP participants in state agencies. As several state officials observed, they have plenty of holes in their organizations that could be filled via PSE/CWEP placements if it weren't for the fact that the holes had just been created through RIFs.

Combining this consideration with the reality that the public holds private non-profit agencies in higher regard than they do government, suggests that we pay serious attention to job development in that sector. Several possibilities for placing relatively large numbers of participants in non-profits strike me as especially promising:

Urban churches, particularly African-American churches, offer an exceptional opportunity in this regard. These churches are located precisely where potential participants are concentrated, making matches easy and reducing transportation problems. The churches usually enjoy strong credibility within their own communities, enabling them to be powerful articulators of values, social norms, and expectations. Through role modeling and peer pressure, they can be far more effective than any government agency in this regard. Moreover, they are acutely aware of their communities' needs, and should know where to invest available labor. African-American churches have been at the forefront of recent efforts to reclaim and resurrect their neighborhoods; PSE/CWEP might tie in very well with their grass root strategies of empowerment and capacity building. While many will require extra support with the administrative aspects of WORK, I believe they would warrant the effort.

Head Start expansion also offers a potentially rich source of PSE/CWEP slots. One of the largely unsung success stories of Head start has been the way in which it has involved the mothers of Head Start children, recruiting them as volunteers and later training them as teacher aides. With President Clinton's expansion of Head Start, we might be able to extend the model of volunteer/mother into a successful CWEP experience. Moreover, many SSBG and CCDBG child care centers would like to incorporate more of Head Start's comprehensive approach and would be possible placement sites. We know that this type of placement is highly successful for a population similar to that which we will be dealing with in WORK. Using Head Start and other contracted child care centers would also avoid the quality control concerns about training welfare recipients to be family day care providers. And, as with African-American churches, it would expose participants to powerful values, social norms, role models, and expectations. We should aggressively seize our planned expansion of child care and

early childhood development. (You may want to check on this suggestion with your colleagues over at ACF.)

Care for the Elderly and Infirm was cited by several respondents as having great potential for worksite development. Many of the services most needed by the aged and disabled are not sophisticated or training-intensive. Escort and chore services for the home-bound are two examples. Comparable services are in demand in institutional settings, as well. And, with the health sector always recruiting, these WORK slots would be excellent "internships" for subsequent employment. Of course, as with child care, provisions to prevent abuse and exploitation of patients by participants would be essential.

Settlement Houses, Tenant Groups and Other Neighborhood Organizations should certainly be explored. With the Clinton Administration's strong emphasis on local capacity building, self-help, and empowerment, PSE/CWEP slots would be a natural feature. Such organizations are powerful engines of upward mobility, which would fit nicely with WORK.

Environmental Programs, such as recycling efforts, are usually labor-intensive, and will be a growth industry over the next decade throughout urban areas. Almost all my respondents mentioned programs of this sort as ideal for PSE/CWEP.

Although those officials I interviewed generally were not sanguine about being able to develop sufficient PSE/CWEP slots in "regular" governmental settings, there was more enthusiasm about the potential of engaging participants in special WORK "projects", such as organizing teams to clean up vacant urban lots. Everyone agreed that expecting government to absorb large numbers of WORK participants through simple linear expansion of routine office jobs was not realistic. Simply replicating librarian aide positions, for example, was viewed as offering only a partial contribution to the challenge of finding work for 300,000 to 500,000 participants. They cited not only the issues of displacement and mis-matches between skills and jobs, but also the fact that most office jobs require fairly intensive supervision and mentoring. While office jobs can provide participants with especially good skills, they are hard to develop, and will not constitute the bulk of PSE/CWEP slots we envision under WORK.

On the other hand, organizing cadres of a dozen or so workers to tackle the less demanding tasks of urban clean-up and enhancement seemed to appeal very strongly to my respondents. I found it significant that several mayors were especially enthused about this opportunity; more than one mentioned an "Urban CCC" as the model they'd like to see.

Of course, such programs are not without serious obstacles. As noted above, we would have to confront the matter of traditional gender roles. More importantly, this type of "urban CCC" model does not prepare participants for main-stream private sector jobs; they may improve attitudes and work-skills, but they probably will not impart very much in the way of marketable training or knowledge. My respondents also noted the likelihood of being criticized for "forcing participants into demeaning or menial labor like leaf-raking." Their reactions to this were mixed: a few seemed sensitive to the charge, but most were almost eager to confront such critics and to defend the dignity and value of this type of work. My personal view is that we have no choice but to support such work if we hope to have any chance of developing 300,000 to 500,000 PSE/CWEP slots capable of contributing to the public good.

Several respondents (including, notably, Paul Offner) suggested that we will have no problem developing sufficient WORK slots in rural or suburban areas or in smaller cities. They speculated that the general receptivity to "workfare" in such communities will facilitate the development of sufficient PSE/CWEP slots for the comparatively modest AFDC caseloads there. (They did acknowledge that transportation would be a problem in rural and suburban area, however.) Rather, the greatest challenge would be in the larger cities, where WORK might require special efforts in developing sufficient capacity. The sheer numbers of participants, the inefficiencies and culture of the welfare bureaucracies, and the presence of "underclass" behaviors all will resist WORK, thus necessitating an especially intense effort.

My interviews and research suggest six steps that should help to overcome the challenge we will encounter in our largest urban centers:

Make sure we give plenty of lead time to the states and local governments. A realistic phase-in schedule will be a great help in generating PSE/CWEP slots. Our plans in this regard seem on target.

Don't be cheap on administrative and developmental budgets. Nothing will ensure a tepid response to WORK more than inadequate funding for the costs associated with the development of PSE/CWEP slots. It's very embarrassing to throw a party and not have anyone show because you aren't putting much on the table.

Allow decisions about the mix of PSE and CWEP to be made at the state, and maybe even the local, level. Among the people who will make WORK work, PSE is generally preferred over CWEP. For most, CWEP is seen as a tremendous hassle, with ridiculously variable hours of work per month, burdensome reporting requirements, and less expectation that participants engage in real work. However, other

respondents preferred CWEP because it better avoids Civil Service, labor union, and labor law problems. Since we will need to sell WORK heavily to local governments and non-profits -- for whom participation will be voluntary -- it behooves us to attend to the desires of our market.

Permit non-custodial parents -- dads -- to participate in WORK in significant numbers. There are many good reasons to include NCPs in WORK, one of which is that it would expand the types of public work projects that could be undertaken. Many of my respondents expressed desires to have teams undertake projects that might be resisted or difficult for some females, but attractive to males. For example, it will be vastly easier to develop and recruit for a light rehab housing project if you can include welfare fathers, as well as moms.

Issue a Presidential challenge to urban mayors, involving them in the early planning of WORK. The mayors of medium to large cities will make or break WORK, so get them on board up front. Ask them to set up local planning processes, bringing all the key stakeholders to the table: labor unions, ministers of the urban churches, Head Start directors, JTPA, and the leadership of any other potential sponsoring agencies. Don't worry so much about where we will find all these WORK slots; instead, set up a process that makes the local leadership eager to find them for us!

I realize that this memo does not constitute a nearly exhaustive or even adequate listing of possible placements for a half-million WORK participants. However, I hope it provides at least a starting place. And, I am confident that, with reasonable funding and lead time, a strong local planning process will generate more than enough worksites.

Thank you for this chance to contribute.

cc: Cantia Pian
Marcy Carlson

TO: Wendell Primus

FROM: Mike Laracy

Mike

DATE: December 2, 1993

SUBJECT: Revisiting the Issue of Unit Costs for Community Work Experience Programs (CWEP) and Public Service Employment (PSE)

As requested, this is to respond to your question regarding the unit costs of community work experience programs (CWEP) and public service employment programs (PSE). More specifically, this is to provide you with some initial comments on the portions of Rebecca Maynard's October 2 paper, "Costs of Employment-Support Services Under Welfare Reform", that dealt with CWEP. However, I also include more general observations on unit costs for both CWEP and PSE.

Apparently, several observers found Rebecca's cost estimates for CWEP to be surprisingly steep. Her benchmark estimate of \$5,872 per slot per year of service for "transitional work experience" (with a low-end estimate of \$4,460 per year and a high-end of \$7,560) struck some colleagues as considerably higher than expected, especially since CWEP participants "work-off" their AFDC grants rather than earn wages.

In completing this assignment, I have reviewed Rebecca's analysis; MDRC's September 1993 report, "Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research"; and several internal working papers prepared by DHHS and DOL staff. I have also conferred with several individuals outside of DHHS who I am interviewing for another assignment. Finally, I reviewed Mark Greenberg's (CLASP) July 6, 1993 memo, "Public Employment vs. CWEP".

I need to stress one caveat up front: I am not a trained economist. Consequently, my observations are from the perspective of an experienced state-level policy analyst and program manager, not a research economist or budget expert.

My findings and comments are summarized below. In the interests of time and your need for an expeditious response, I am including only a summary here. If you desire, I can prepare a more detailed analysis subsequently.

First, in my judgement, while seeming quite high, Rebecca's benchmark estimate for the costs of CWEP -- \$5,872 -- is generally reasonable and realistic. In my view, her assumptions and methodology are, for the most part, appropriate and defensible. I take exception with her on only a few issues, each of which is addressed below.

Second, Rebecca's estimates seem largely consistent with the independent findings presented in MDRC's September report, which described the "costs per filled position per year" for the eight CWEP demonstrations it evaluated to range between \$1,122 and \$8,168, with a mid-point of around \$5,000.

Third, the main reason that her benchmark estimate of \$5,872 per service year may appear to be very high is, in large part, because of the unit of service she chose to analyze. Rebecca used "cost per year of service" rather than the more familiar "cost per participant", a perfectly valid decision, especially from the perspective of a research economist. And, since most CWEP demonstrations have had average lengths of participation of considerably less than one year, her figures are higher than we are used to seeing for CWEP.

By way of comparison, while MDRC's mid-point costs per "filled position year" were about \$5,000, they reported "costs per participant" as ranging between \$1,004 and \$2,020, with a mid-point of about \$1,340 per participant.

As this implies, cost estimates for CWEP are extremely sensitive to assumptions about the average duration of the CWEP experience per participant. Rebecca explicitly assumed that the average duration of participation would be one year (12 months), which was the experience in the only open-ended CWEP demonstration, West Virginia. One year is a considerably longer average length of stay than most CWEPs have experienced; however, her assumption does not seem unreasonable based on the nature of CWEP as contemplated in the working documents I have reviewed.

Obviously, based on cost considerations alone, very serious thought needs to be given to the design of those features of CWEP affecting the average duration of participation.

Fourth, Rebecca appeared to assume that CWEP will be primarily an educational and developmental activity, with a goal of improving participants' job skills and giving them a meaningful job experience. For example, she assumed a quite generous level of case management, one clearly predicated on more than simply having the participant "work-off" or "earn" her AFDC grant. At \$1,152 per service year, case management accounted for a full 20% of her benchmark estimate. If we view CWEP as an "internship", providing an important growth opportunity for a participant, I think her assumption is warranted. However, if the goal of CWEP is primarily to have recipients engaged in a work activity (regardless of its value to the individual) while awaiting a private sector job, the level and cost of case management could be reduced considerably.

Fifth, Rebecca assumed that job search would be a concurrent activity, integrated into the one year of CWEP. But, if formal job search followed a period of CWEP, costs could be reduced. For example, if two months of job search followed every six-month

stint of CWEP, annual costs might be reduced by several hundred dollars. Again, the programmatic goals of CWEP need to be explicated in this regard.

Sixth, Rebecca included the costs of the case management which would be associated with CWEP as part of the overall costs of the activity. While including the costs of case management is entirely appropriate from the perspective of a research evaluation, it is not usually included in CWEP costs from the perspective of a local JOBS administrator or state manager. To state and local officials, the costs of case management are viewed as part of the basic JOBS program, largely independent of which activities -- if any -- participants happen to be engaged in. Whether a participant is in CWEP, classroom training, or idle, the costs of case management are largely fixed. From this perspective, including the expense of case management in the incremental costs of incorporating CWEP may not be valid. And, as noted above, case management constitutes 20% of Rebecca's benchmark estimate.

Seventh, Rebecca estimated that the costs of developing and maintaining one CWEP slot would be \$2,160 per service year, which may seem high. However, her figures again seem consistent with those of the MDRC report. Moreover, her estimate was generally supported by my field interviews, in which respondents stressed the difficulty of developing and maintaining CWEP positions that are "real" jobs. Some economies of scale may be realized when multiple participants (eg, part-time or shorter duration) fill the same CWEP position, or when a position continues over multiple years, but Rebecca's low-end estimate of \$1,800 would accommodate those considerations. It may also be possible to achieve significant economies of scale by relying heavily on special projects that employ teams of CWEP workers (eg, a cadre of workers cleaning up vacant city lots, as opposed to developing additional library aide slots).

Finally, both Rebecca and MDRC addressed only the costs of CWEP, and did not directly deal with public service employment. In PSE, the participant earns an hourly wage, rather than works off her grant, with her income varying according to the hours worked. The costs of any given job would tend to be higher in a PSE program than in CWEP since participants could opt to earn more than their AFDC grant by working more hours. (However, the greater administrative complexity of CWEP might offset some portion of the cost differential.) It is difficult to determine how much more expensive PSE would be than CWEP in the absence of specific key program design specifications and assumptions. Most significantly, the costs per PSE participant would be highly sensitive to the average number of hours worked and to assumptions about the retention, termination, or modification of AFDC and Food Stamp earned-income disregards for PSE participants.

Nevertheless, based on my field interviews and review of the available literature, I believe it is reasonable to assume that

the base costs of the individual components of CWEP, as analyzed by Rebecca and MDRC, would also apply to PSE. The individual components are essentially comparable in both programs. Consequently, Rebecca's benchmark estimate of \$5,872 per service year for CWEP could be used as a point of departure to model the additional costs of converting the position into a PSE slot.

In this regard, Mark Greenberg's comparison of the incremental costs of PSE over CWEP is helpful. In his analysis, he explicitly assumed the retention of current AFDC and FoodStamp policies about treatment of earned income; he also assumed PSE participants would work primarily part-time -- 20 hours a week -- and that they would receive the federal minimum wages of \$4.25 per hour. His model for a family of three, in a median grant state (\$372 per month), with \$300 allowed for rent and utilities, produced a net governmental cost of \$143.50 per month for the first four months of PSE, and \$126.46 per month thereafter.

Consequently, he calculated that a PSE slot would cost the government \$1,697.52 more on an annual basis than the equivalent CWEP slot, exclusive of any tax consequences (eg, EITC).

If we accept Mark's analysis, and add his incremental PSE costs of \$1,698 per year to Rebecca's annualized CWEP costs of \$5,872, we arrive at a total estimate of \$7,570 per year per PSE slot. Of course, these costs would increase if we assumed that participants work more than an average of 20 hours per week; they would decrease if we assumed the reduction or elimination of current income disregards for PSE participants.

I hope you find these initial thoughts and comments of some value. Please let me know if you would like any additional analysis done on this issue or if you have any questions.

Many thanks for this opportunity to help

cc: Cantia Pian
Rebecca Maynard
Marcy Carlson
Stella Koutroumanes

TO: Wendell Primus

FROM: Mike Laracy

DATE: December 8, 1993

RE: "What If We Were to Go to One Million WORK Slots?"

As you requested, I have made some phone inquiries on your questions of yesterday, "Would the state and local respondents who we talked to about the 300,000 to 500,000 PSE/CWEP slots respond the same way if we were to ask them about a WORK Program of one million slots? Would they continue to view WORK as a reasonably achievable program if we doubled the number of worksites that they'd have to develop?"

I checked back with several of my respondents; in several other instances, my initial interviews explicitly or implicitly touched on the question of a one million slot effort. For each query, I estimated what that level would mean for their individual state, county, or city. Consequently, I can give you a pretty good response.

In short, one million slots would be a "whole different can of worms," as one respondent put it. The consensus seems to be that the increase from 500,000 worksites to one million is not only quantitatively different, but qualitatively different too. For all my respondents, there was definitely some threshold -- somewhere between 500,000 and one million -- where the merely "daunting" became the positively "dubious". I wasn't able to get a clear sense of what that threshold would be, since it was vague in some folks' minds, but it was there.

They told me that it would not only entail more effort and staff, it would be very different program, especially in terms of the types of worksites that would have to be developed. The emphasis would have to shift to large work crews, with less attention to educational or skill-building, and more to just keeping participants engaged in some sort of activity. The work might still be "real" and of social value, but we'd be seriously compromising any value that WORK might have for many of the participants (beyond that of working itself). States that might want to stress PSE/CWEP as "internships" rather than "workfare" would find it difficult.

I also heard a fear that quality control would suffer with a program of that size. It would become more difficult to ensure that participants were actually showing up and working at worksites and that work crews were not, for example, raking leaves in the Mayor's back yard, rather than the park.

A couple of respondents indicated that it might be possible to eventually "grow into" a PSE/CWEP program on the order of

magnitude of one million slots, but that, initially, the program should start smaller.

I hope this helps. Let me know if I can be of further help.

cc: Cantu Pian
Marcy Carlson

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TO: Wendell Primus

FROM: Mike Laracy

DRAFT

DATE: December 8, 1993

RE: Michigan's Self-Initiated Community Services Activity and Its Possible Relevance to WORK

As you requested, I have looked into the aspect of Michigan's welfare reform program that involves the state's use of self-initiated volunteer or community service work as a permissible participant activity. You were interested in this program component as a possible activity for WORK participants, when they cannot find employment and there are also no appropriate PSE/CWEP slots available. You were wondering if self-initiated community service or volunteer activities might be a realistic option to explore in such cases.

I was able to reach Stephanie Comal-Page (a former ASPE staffer), who is a senior aide in Lansing. Thus far, however, I have been unable to reach Evert W. Vermer, who I may be able to get to on Thursday. Stephanie was very helpful, so I wanted to get my initial feedback to you ASAP, while I continue to work on Evert.

As you may know, the Social Contract activities in Michigan are relatively new -- less than a year old -- so lessons and findings are quite preliminary and impressionistic. Under Michigan's Social Contract initiative, new AFDC recipients are encouraged, upon opening their case, to become involved in a range of acceptable activities via a Social Contract. It is important to stress that these are up-front activities, at the very start of an AFDC episode. Specifically, new recipients are expected to have a signed Social Contract within three months after opening their case. As discussed below, this is a significantly different role than would be the case under WORK.

Michigan Social Contract participants have a range of different activities to chose from... very much a menu approach. As of August 1993, there were 8,716 participants in the Social Contract, with the following breakdown of activities:

Employment Only	22.4%
Employment Plus Other Activities	8.2%
Formal Services (eg, MOST/JOBS)	35.3%
Self-Initiated School/Training	3.7%
Community Service	8.5%
Self/Family Improvement	8.2%
Non-Work Combination (multiple activities)	13.7%

The categories of Community Service and Non-Work Combination are probably the two corresponding most closely to the type of self-initiated activity we are envisioning as possibly appropriate under WORK. Thus, as of August, of the 8,716 Social Contract

clients, somewhere between 740 and 1,934 were engaged in things we might allow. The overall numbers are considerably higher now.

Participants actually sign documents detailing the activities they intend to engage in, and then file a self-report every six months. They are expected to participate in the activities at least 20 hours per week. The range of activities included in the self-initiated community service rubric is pretty much what you might expect:

Volunteering in churches, schools, senior citizen centers, hospitals, or community organizations;
providing child care for friends so that they can work (or do volunteer work); or
caring for sick, aged or infirm neighbors or relatives.

DSS had started the Social Contract initiative with two objectives in mind:

They didn't want to delay getting clients into some-kind of valued or constructive activity. They wanted to establish expectations of self-improvement and self-sufficiency up-front, before folks get used to AFDC.
Funding was very limited for MOST/JOBs, so they needed some non-intensive, low-cost, option for folks they couldn't get into the more formal services.

Individuals participating in the less formal activities under the Social Contract, including self-initiated community service, have little or no access to MOST/JOBs support services, such as child care or transportation stipends.

According to Stephanie, Michigan's is the only such program of any size in the nation. She described the Department of Social Services as "very pleased" with their experience to date. However, there has been no real evaluation performed as of yet. DDS does conduct a periodic QC-type random sample review of participants' self-reports, comparing them with accounts of "collaterals" (individuals, such as ministers or volunteer coordinators, who can confirm the activities). Stephanie says that they've gotten "pretty good compliance -- perhaps surprisingly good." Participants who fail to comply are not sanctioned; they are simply placed at the top of the MOST/JOBs list, where requirements become more serious.

In my view, it's hard to assess the applicability of the Michigan experience with self-initiated community service vis-a-vis WORK. It seems to me that a crucial difference is the timing of the activity in the AFDC episode. Having volunteer services up-front, at the start of the episode is quite different from having them after two years of JOBS. First of all, the latter strikes me as a more explicit acknowledgement of failure than the former; a double failure really, since we/they not only failed to get a "real" job, we/they then failed to get even a PSE/CWEP job.

Moreover, Michigan's somewhat casual monitoring and sanctioning practices -- which seem reasonable in their context -- would be courting disaster in WORK. The onus of public accountability and expectations would be very different for us.

One major consideration, I think, in the possible use of self-initiated community service within WORK is its expected duration. Treating it as an explicitly interim activity of a couple of months (say, two to four), while a PSE/CWEP slot becomes available, might be more acceptable than using it as a long-term, semi-open-ended, experience because of a large supply/demand problem. Likewise, having to use such expedients for only a few participants -- clearly the exception -- is vastly different from using it as some sort of latter-day "WIN Unassigned Pool".

These are my thoughts as of 5:00 pm today. Once I talk to Evert, I'll get back to you. Also, I'd like to discuss my thinking thus far with Cantá before finalizing this memo.

See you Friday.

cc: Cantá Pian
Marcy Carlson

TO: Wendell Primus:
FROM: Mike Laracy
DATE: December 17, 1993
RE: The Costs of Worksite Supervision of PSE/CWEP
Participants As A Component of Overall Costs

Last Friday, Howard Rolston asked a question regarding my December 2 memo on Rebecca Maynard's analysis of the estimated annual costs of operating a PSE/CWEP slot. As you'll recall, Rebecca's benchmark estimate was \$5,872 per slot per year, which seemed high. Howard questioned the extent to which Rebecca's estimate included any costs associated with the supervision of the PSE/CWEP participant at the worksite by the staff of the host agency. That is, did she include any of the costs incurred by the worksite agency in the courses of its day-to-day supervision and oversight of the participant? I had not addressed this issue in my December 2 memo.

Howard's question is significant because we probably will stipulate that WORK will not reimburse the host or worksite agency for their costs of supervising PSE/CWEP participants in the course of their placements. As is currently the case with CWEP under JOBS, we will likely require that such administrative expenses be treated as in-kind, non-reimbursable, contributions on the part of the worksite agency, in exchange for the value of the free labor provided by the WORK participant. Consequently, to the extent that Rebecca's figures do include the costs of supervision, we could reduce her overall benchmark in costing out the WORK program.

Unfortunately, Rebecca's estimates did not include the costs of worksite supervision. Her data were taken from several separate and distinct sources, each of which handled cost reporting differently. However, the two major sets of data -- MDRC's analysis of its CWEP demonstrations and routine state cost-reporting for CWEP under JOBS -- both already exclude such supervisory costs. In both sets of programs, worksite or host agency supervisory costs are the responsibility of the host agency, and are not reimbursed as part of CWEP. I confirmed this with Rebecca and with MDRC research staff.

Consequently, we can not reduce Rebecca's benchmark figures -- at least not on this count. Of course, this does raise the issue of why the monthly administrative costs have been so high if we're not paying for direct CWEP worker supervision by the host agency. What the heck is it that we are paying for? Good question. As far as I can tell, most of it seems to be some fairly inefficient bureaucratic paper work and some unavoidable liaison work.

Hope this helps.



cc: Howard Rolston
Canta Pian
Rebecca Maynard
Emil Parker
Marcy Carlson