America Works - Peter Cove -

My name is Peter Cove and I am the Founder of America Works Inc. of Connecticut and America Works Inc. of New York. Thank you members of the Working Group on Welfare Reform, Family Support and Independence for asking me here today on as part of your ambitious work on welfare reform. I appreciate the opportunity to discuss my companies and lend my experience with welfare to work issues.

I am businessperson with longtime experience in welfare dependency issues. I also know the world of work well. And, I know the need of the private sector to find qualified motivated labor.

My company, America Works, was developed nine years ago and because (1) I saw that there was a need for a marketplace to develop to match qualified, particularly entry level, workers with the companies that needed them. And, (2) as a taxpayer, I recognized that there were plenty of funds going toward keeping people on welfare, but few toward placing them in jobs, which is what most welfare recipients want.

During the past decade I have convinced governments in Connecticut, New York, and most recently Indiana to begin to experiment with a paradigm shift from concentrating on education and training programs to job placement ones instead. Consequently, those governments have contracted with America Works to place welfare recipients in permanent jobs with good benefits, guaranteed through totally performance based contracts.

And you know we have succeeded: America Works has found over three thousand welfare recipients jobs, saved the governments at least two dollars for every one they spent, satisfied the labor needs of hundreds of companies, and all the while America Works was making a sound profit. This has lead to quite a bit of positive national attention and acclaim as a prototypic reinventing government program. In fact, America Works is sited in David Osborne's book with the same name.

Let me tell you a little how America Works operates. We are a private company that places welfare recipients into jobs at no risk for government. America Works recruits, trains, places, and supports welfare dependent people in Connecticut and New York and soon Indiana. The key to our success is two-fold; first, we create a "good ole' girls" network for the welfare recipients who use us just as many of us use connected family and friends to secure jobs, which as you know is a crucial part of finding a job, and second, we provide crucial on site job support, unlike most government sponsored jobs programs, and liaison work with line management to ensure that the welfare recipients succeed at work.

In addition, I put up my own funds at first and don't receive full payment from the states until I keep someone employed for seven months. It is simply results oriented. We get paid for outcome not process. States' reduce welfare rolls and the cost of getting someone off welfare is significantly cheaper than keeping a person on. This arrangement affords all parties, governments, the private firms, and the welfare recipients a win-win opportunity.

In conclusion I can tell you this, American taxpayers are desperate for a state welfare policy that reduces the tax burden, gets people into jobs and off welfare. The challenge for you with this issue is to focus your efforts on businesses who desperately want good workers who will stay, taxpayers who want the welfare burden reduced, and welfare recipients who desperately want jobs.

Again, thank you for having me here and I wish you luck with your mission.

TESTIMONY

BEFORE THE

WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE

August 20 1993

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Good morning. I am Lynn Cunningham, an attorney at the Neighborhood Legal Services Program in D.C. NLSP is the largest legal services program for very low income citizens of the District of Columbia. I work on cases involving housing, homelessness, and public benefits. My comments do not necessarily represent the position of my colleagues at NLSP.

I have been involved with low income housing and welfare litigation since 1970.

INTRODUCTION

I would like to focus my testimony on two major issues. First, I discuss the problems with the implementation of welfare programs experienced by the D.C. agency which administrators the programs, the D.C. Department of Human Services (DHS). Any welfare reforms must be implemented by the state agencies responsible for these programs. The problems within these agencies will have a marked effect on the success or failure of the Working Group's proposals.

Second, I ask the Working Group to consider the neighborhood and community context in which poor people normally live, because factors operating in these neighborhoods will also affect the outcome of any welfare reform proposals.

WELFARE AGENCY IMPLEMENTATION ISSUES.

Whatever reforms the federal government produces in the

welfare area will have to be implemented by state welfare agencies. Thus careful consideration should be given to how states, especially state welfare agencies, will go about implementing welfare reform. I would like to discuss today the operational problems of one state welfare agency, the D.C. Department of Human Services. I and other attorneys in my legal services program have prosecuted a series of civil lawsuits against DHS and the District government since at least 1974. Thus we have a wealth of experience with the operations of this agency.

For poor persons who are already experiencing the abandonment of their neighborhoods by the middle class in Washington, the welfare agency, the school system and the police are too often the only remaining ties to the mainstream of our society. To the extent DHS fails to perform well in its role as a mediating institution for families struggling to escape from poverty and distress, the isolation and stress on poor families and their children is heightened.

A. **EXPERIENCES OF DHS CLIENTS.**[1]

Getting on to welfare and staying on it is normally a very

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[1] I will mention but not discuss the painful fact about welfare: the completely inadequate benefits. As the Working Group is no doubt aware, the AFDC benefit levels in D.C. are half of the HUD Fair Market Rent levels. A family supported by AFDC is either homeless, overcrowded, living in substandard housing, or living in subsidized housing: the poor are excluded by income from the mainstream, private housing market.

trying experience for people.[2] A private company that treated so many of its customers as roughly as DHS does would quickly lose its customers.

Delays. DHS is given 45 days to process an application for AFDC, 30 days to process Medicaid, 30 days to process regular food stamps, and 8 working days for an emergency assistance application, once the applicant has completed the application. These are very long periods of time to wait for persons who are by definition without income and resources. Yet the agency fails to meet these deadlines in many cases. In addition, the agency is continually looking for ways to extend the timeline, in an effort to reduce staff usage.

Some applicants simply do not bother to apply if they know they will be out of work for only a few months, since the hassle and delay of applying are formidable. Other applicants must go without food or vital medicine while the application is being processed.

Rude treatment by staff. Reports from clients about rude and disrespectful treatment by DHS staff during the application process are common. For family that is already under stress from

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[2] I am summarizing here descriptions of actual experiences by individuals applying for and/or receiving public benefits from DHS. These descriptions in many cases have been recorded in affidavits and pleadings filed with the court. I and my colleagues at NLSP at and other legal services providers have discussed these experiences with these individuals. In addition DHS files with me on a monthly basis various reports on the operations of some of its benefits programs. These reports reveal that these complaints are not "merely anecdotal" or isolated incidents. I am willing to supply this documentation to the Working Group upon request.

living in a bad neighborhood, and from being poor, the cold and unfeelingtreatment by some DHS staff simply reinforces people's negative attitudes about themselves.[3]

Dropped from the rolls by "computer error". For many months DHS managers have been expressing their hopes that a massive new centralized computer system would enable them to handle the D.C. welfare caseload better. Nevertheless, as the August 31, 1993 deadline for having this new system operational approaches, there are many problems. NLSP staff receive reports from clients of AFDC, food stamp, and Medicaid benefits being terminated without notice because they were "overincome" or some other unexpected disqualification. In some cases a "software error" in the computer had mistakenly doubled the amount of client income reported. Minor keying errors will render a family ineligible for AFDC or Medicaid or some other program. The computerized process of sending out notices prior to termination of benefits generates problems fairly frequently. Whether these are genuinely computer problems, or some mix of human and computer error is hard to tell. The result is clear: clients are terminated who should not be and must spend a month or two without benefits before they are reinstated. The list of computer and human/computer error problems is long and distressing. For families that depend on these benefits for

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[3] DHS staff and officials report to me also of rude treatment by applicants of the staff. The staff are in "frontline" positions that subject them every day to trying to deal with human misery and stress with only a limited array of tools.

their survival, the sudden and unexpected -- and incorrect -- loss of benefits can cause extreme hardship.

Long waits in line to see case workers. DHS intake centers commonly open at 8:30 a.m. and close at 4 p.m. Clients have for many years had to begin queuing up for admission to a center as early as 6 a.m in order to make certain that they are seen by a social service representative (SSR) before closing time. In some centers on some days, the client must come back on a later day in order to be interviewed. Normally several hours of a client's time are required at a minimum to prepare and file an application and to wait to be interviewed by the SSR. The conditions in the waiting rooms are not comfortable for small children who are with parents who have no other place to safely leave them, and for the elderly and disabled.

The agency for its part is struggling to keep staff vacancies filled, train new staff, train staff on new and ever-changing procedures, and to handle vacations and other leave issues. The city government is in a financial crisis and is always looking at ways to cut staff. There are supposed to be 400 social service representatives and supervisors. This large concentration of staff in one place makes a very tempting target for budget cutting managers looking for ways to reduce the city's personnel costs. As a result, but for the pressure on the Mayor as a result of the litigation discussed below, there would be even greater waiting times for applicants seeking benefits.

Bewildering applications procedures including excessive

documentation requests. Legal services lawyers sometimes joke that you need a Harvard Law School degree to be able to figure out how to get on welfare, because the process is so bewildering. The combined application form is over 20 pages, which is lengthy by anyone's standards. It is monstrous to persons with poor or no reading skills. The definition of who is in a household and who need not be, often seems arbitrary and differs from program to program.[4] DHS often requires letters to be brought from neighbors to verify that children are living in the home of the applicant, a process which exemplifies the demeaning and intrusive nature of the application process.

Being made to feel ashamed about getting welfare. Welfare is a federally and locally mandated entitlement to benefits necessary for the care and feeding of children and persons unable to care for themselves. It is not inherently a shameful thing. Yet I have had my clients tell me that they did not want to apply for needed welfare benefits because it was such a demeaning process. Commonly clients complain that DHS asks too much about their private lives during the application process. Other clients who are working poor tell me proudly that they "have never been on welfare", as if it were a very shameful thing.

Problems with fair hearings. Fair hearing procedures were intended (and mandated) to provide applicants and recipients with

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[4] These varying definitions of who is in a household appear to put some pressure on people to stay together or to split up and thus are a form of destabilization of family structure, which is in addition the stresses coming from the community around the family.

an avenue for redress of errors and problems that inevitably come up in a human bureaucracy. DHS has an Office of Fair hearings. Yet DHS has merely two hearing officers and two paralegal assistants to handle the complaints from the more than 100,000 persons on the welfare rolls, as well as complaints from other areas within DHS's purview. English generally is the only language available for fair hearings. Moreover, the procedures for filing grievances are not clearly laid out and made available at the intake centers for the applicants. As a result, hearing requests are not sent forward. Hearings are normally delayed. The grievance procedure often does not function to provide prompt and fair redress for agency errors.

B. THE OPERATIONS OF DHS

DHS is a agency of the D.C. government with a budget of over $1 billion per year and several thousand employees. It is responsible for the administration of the AFDC, Food Stamps, Medicaid, Emergency Assistance WIC, and General Public Assistance programs, as well as a host of other human services programs, including various abuse and neglect and foster care programs, mental health, and various youth services.

DHS is headed by a Director who sits in the Mayor's cabinet. He is a political appointee and politics plays some role in all decisions made by him with respect to the administration of welfare in the District. He oversees several "commissions" which administer different aspects of the programs. The Income

Maintenance Administration (IMMA) within the Commission on Social Services is responsible for the processing of applications for public assistance, the maintenance of recertification records, and the payment of benefit checks and food stamp ATP's.

The IMMA operates eleven geographically decentralized welfare intake centers where persons go to apply for welfare and to file recertification forms. A staff of about 400 Social Service Representatives and supervisors at these centers process the applications and recertification applications, as well as send out notices of termination of benefits, or notices to recertify and so forth. IMMA also operates a small multinational unit in an effort to serve non English speaking applicants, including persons who speak only or primarily Spanish, Ethiopian, Vietnamese, and the other languages of recent immigrants to the District.

HHS and the USDA Food and Nutrition Service have occasionally issued reports sharply critical of the administration of these programs. Both federal agencies have refused federal reimbursement because of poor or missing documentation of welfare expenditures covered under the various state plans, or threatened to do so. The litigation discussed below is aimed at overcoming the serious management deficiencies within this agency.

A major obstacle to administration of the program appears to lie with staffing. The Mayor has from time to time imposed an across the board "hiring freeze" on the District government in

order to reduce expenditures. The effect of such freezes has been to leave positions at the intake centers vacant so that there are not enough staff to handle applications and recertifications promptly. One of the effects of the litigation discussed below is that the Mayor at times has exempted programs that are "under court order" from the hiring freeze. Other problems with staffing arise because the annaul salaries paid are relatively low, starting at less than $20,000. As a result the work force is not highly skilled and has a fairly high rate of turnover. Being a front line social service representative is not a career goal for most people. The turnover in turn creates a need for constant training and recruitment and careful supervision.

DHS is responsible for nearly one third of the District's operating budget. The agency is under the political control of the Mayor. To the extent the Mayor is paying attention to political issues and the daily crises being played out in the media, the fundamental management of this enormous and complex bureaucracy gets ignored, or worse, the Mayor may make decisions about the handling of the agency for short term political goals rather than for best management strategy of the programs and recipients.

C. **LITIGATION AGAINST DHS**

In an effort to win improvements in the way that clients are treated by DHS legal services attorneys in D.C., including myself as well as numerous pro bono private counsel, have filed class

actions against D.C. in federal and local courts. I will describe most of these cases briefly in order to provide background on the range of problems facing the implementation of welfare reforms.

i. In the case of Motley v. Yeldell, applicants for AFDC benefits filed suit in 1974 to enforce a federal rule requiring processing of AFDC applications within 30 days (the rule later became 45 days). The welfare agency was following a practice when the case was filed of simply denying applications that caseworkers were unable to act upon within 30 days. Applicant denied under these circumstances had to refile their applications. The court ordered the agency to comply with this processing deadline and 11 years later held the city in contempt for failing to do so.

ii. In Jones v. Barry filed in 1982, applicants for the locally funded General Public Assistance program for incapacitated or disabled persons sued to require that applications be processed within 45 days and that concurrent applications for food stamps not be denied simply because the applicants' GPA applications were denied. The court ordered compliance with this 45 day deadline and prohibited food stamp and medical assistance denials based on GPA ineligibility.

iii. In Feeling v. Barry, also filed in 1982, applicants for Emergency Assistance sued to enforce, inter alia, the federal requirement that applications for EAS be processed "forthwith". The court ordered that they be processed within eight working

days of the completion of the application. In 1988, in response to plaintiffs' first motion for contempt, based on widespread failure to process applications within 8 days, the city was ordered to take specific steps in reforming the management of the program to achieve compliance. Some of those steps were not taken and in 1993, in response to the plaintiffs' third motion for contempt, the city was again held in contempt and ordered to purge itself of that contempt within 90 days. The city has responded by attempting to rewrite local law to give itself 12 working days to process applications. The legality of this move is still under consideration by the court. The effect, however, is that the city is attempting to reduce the quality of its delivery of services to clients in order to meet its own short range fiscal goal of reducing staff. In effect, the city has tried to avoid the effect of the court order by passing local legislation to contravene the federal requirements of the program. Such local resistance to federal mandates will almost certainly play a major role in shaping the outcome for the clients of any national welfare reforms. Without national mandates, the local governmental entities will almost certainly shape programs not in the interest of poor people, but in the interests of the local officials and their middle and upper income constituents.

iv. In Franklin v. Barry, filed in 1991, applicants for food stamps, including homeless applicants for emergency food stamps, sued the city for failing to provide emergency food

stamps within five calendar days, failing to allow applicants to file applications on the day they appeared in the intake center, and for other violations of federal law. The city agreed to a settlement of the case, but has never lived up to the terms, and is now facing a renewal of the litigation. A special master appointed by the court to recommend management reforms to improve the handling of the food stamp program in D.C. reported serious breakdowns in the handling of the program. The Special Master's recommendations were not implemented voluntarily by DHS.

v. In Wellington v. D.C., filed in March, 1993, applicants for Medicaid sued DHS for failing to process applications timely, failure to implement the EPSDT program, failure to "outstation" intake workers in hospitals and clinics, and other claims. The case is in the early stages of litigation, but DHS has done nothing to show that the allegations in the complaint are incorrect. For example, generally speaking, of the many thousands of children receiving Medicaid in the District, only a small percentage have been immunized and received health screenings under the EPSDT program.

These are the major cases on welfare programs. There are other similar cases, with similar results, on related programs, such as delivery of mental health care services, and treatment of children in foster care, as well as conditions in the D.C. prison system. The general conclusion among attorneys who handle these cases is that the District generally does not take steps to improve the administration of these programs from the perspective

of the welfare recipients unless there is a court (or a federal agency) taking an active role in requiring action.

Our public housing agency is having similar problems. A team of pro bono attorneys, plus myself and the Washington Legal Clinic for the Homeless, have filed suit proposing to put the federally funded public housing program into receivership because it is so poorly run. Some of my colleagues have begun to receive reports, as yet unsubstantiated, that the JOBS program is not performing in the manner intended by federal law.

The poor then have a very rough road to follow in getting out of poverty. The minimum wage does not support a family above the poverty line and AFDC and food stamps rarely supplement the incomes of working poor households. Poverty programs do not pay and the administration of them is generally abysmal.

D. THE LACK OF ENFORCEMENT BY HHS.

I want to mention briefly here that generally HHS and FNS have not been helpful allies in our efforts to improve the management of the welfare programs in the District during the past 19 years. HHS appears to spend most of its enforcement resources looking for errors in overpayment, while normally ignoring errors that deny benefits. HHS does not look at the quality of delivery of services to the clients: its main interest seems to be in preserving federal funds. Legal Services attorneys and pro bono attorneys are in many ways doing what HHS

should be doing: prodding the local agency to perform better. Welfare reform will, I hope, include a much stronger role by HHS and FNS in enforcing on state and local welfare agencies mandates to deliver services to clients in manner than gives them a hand up, not a kick in the shins.

THE INCREASING SOCIAL ISOLATION OF THE POOR IN D.C.

My impression is that in fact welfare programs are not so bad in themselves, but that they are a thin reed upon which too much reliance is placed for nurturance and survival by families who are living in communities that are under tremendous negative pressure from many other social forces, such as racial discrimination, disinvestment, poor schools, drugs and street violence. Four population trends in the city of Washington, D.C. alarm me and many of my colleagues:

* The number of District persons receiving some form of public benefits assistance has held steady or increased during the past several years. According to the 1991 Indices, just under 180,000 of the District residents receive benefits, or about thirty percent of our population.

* The population of the District has dropped in the decade of the 1980's by 30,000 and in the past two years by another 17,000. Mayor's 1994 Executive Budget, p.13 (hereinafter "EB"). More alarmingly, the populations of Wards 1, 2 and 3 have increased in the two past years, with Ward 3 gaining 7 percent, while Wards 4, 5, 6, 7, and 8 have lost population, with Wards 7

and 8 losing more than ten percent each. ibid. Currently D.C. has about 609,000 people according to the 1990 census.

* The vacancy rate of our District's housing stock is up to more than 10 percent; nearly 30,000 units are vacant out of a housing stock of 278,000 units. See, the 1992 D.C. Comprehensive Housing Affordability Study (CHAS).

* The labor force of District residents has declined by 7 percent in the past two years, while the labor force in the region has increased by 1 percent. EB, p. 14.

This information on the population and population movements in the Washington area reveals some alarming trends towards the isolation of poor people in some (overwhelmingly African American) wards and the concentration of high income households in another ward, with an overall loss of middle income and working poor people from the city: first, the trend toward the isolation of persons on public assistance in Wards 6, 7, and 8; and second, a trend toward isolating the relatively affluent in Wards 1, 2 and especially 3. The middle class flees the deprivation of the one yet cannot afford the exaggerated luxury of the other. If left unchecked, these two tends will devastate the social fabric of this city, and help bankrupt the District government's finances. Welfare programs will have to be radically altered on a national level if they are to play a positive role in this situation.

Neglect and inappropriate actions by the federal and local

governments will provide additional working families with the "last straw" that makes them want to leave a neighborhood and intensify the trend toward the social and economic isolation of a welfare "underclass."

What would the District's taxbase look like in 1996 with only 500,000 District residents, of which 200,000 are supported by public assistance, 270,000 are minimum wage supported households and retirees, and only 30,000 are higher salaried employee-supported households?[5] With a population of 500,000, the housing stock would show about 80,000 vacant units, or a vacancy rate of more than 20 percent.

Washington, D.C. has not had in recent memory large areas of abandoned housing, and miles of boarded up commercial strips. When William Julius Wilson wrote about the "underclass" in Chicago, Illinois, he was describing neighborhoods of a kind that we in Washington have not seen here. What kind of a welfare program will be effective if this tragedy occurs?

I strongly urge this Working Group to take a hard look at designing a welfare and employment strategy that is closely coordinated with housing and community development programs. Poor people do not just live off of welfare: they live in neighborhoods and seek jobs within regional economies that are competing with other economies internationally. If their

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[5] According to the 1991 Indices, of the 289,251 households filing individual income tax returns, there were only 33,000 taxpayers with adjusted gross incomes of $50,000 or more. p.88.

neighborhoods do not nurture them by providing safe streets and affordable housing within relatively friendly communities, no amount of welfare reform will help them. If their local economy does not provide them with jobs that pay a living hourly wage, welfare benefits may be their only lawful alternative.

Recently the Coalition of Non Profit Housing Developers in the District, a major city wide coalition of such developers, called for our city to undertake a serious long term community economic development strategy that would reach deep down into the communities affected by the "middle class" flight. They suggested many steps as examples of part of that strategy, such as these:

* microeconomic development strategies in distressed neighborhoods, such as the ones pursued by the Marshall Heights Community Development Center focused in Ward 7 and the by Latino Economic Development Corporation focused in Wards 1 and 2;

* expand city support for housing being developed by the kinds of nonprofit housing developers that make up the Coalition For Nonprofit Housing Development;

* encourage the joinder of social services and low cost housing to assist troubled families to restabilize and re-establish themselves as viable families, through such programs as are carried out by FLOC, ConServ, and the Community Family Life Center;

* encourage public housing and Tenant Assistance Program residents to "graduate" into home ownership in housing developed

by these non profit developers. The existence of 30,000 vacant and often abandoned housing units can be seen as a resource for this "graduation" process; and so on.

I provide this sample list because I hope that while you are thinking through what kinds of changes to make in the welfare system, you will keep in mind the community and economic development strategies that are developing in many cities around the country that need to go hand in hand with welfare reform.

I have read in the press about various proposals to limit welfare to one or two years and to mandate that someone on welfare get a job after a few years on welfare. I can never figure out how someone who is on welfare is supposed to get a job when they live in a community where there is already a 30 or 40 percent unemployment rate among able bodied young men who are not on welfare.

I hope that you can turn the federal government and the public debate away from giving welfare and welfare recipients a bad name and away from looking for ways to treat poor people punitively. I urge you and the federal government to look for ways to assist the many, many good people in these low income communities to rebuild their communities, to restore their families, and to rejuvenate their individual lives.

Thank you for your consideration of these comments.

FSA

Statement on "Supporting Work" Before the Welfare Reform Working Group

Family Service America, Inc.

Jack R. Childs
Chairman
James B. Carson, Jr.
Vice Chairman
Glen M. Rosenthal
Vice Chairman
Jane R. Thomas, Ph.D.
Vice Chairman
Alfoe E. Stokes
Secretary
Daniel A. Phillips
Treasurer
Geneva B. Johnson
President and
Chief Executive Officer

Presented by

Ronald H. Field
Senior Vice President for Public Policy
Family Service America, Inc.

On behalf of Family Service America, I want to thank the Working Group on Welfare Reform, Family Support and Independence for inviting us to be part of this important discussion. It is essential that, after so many years of trying different piecemeal approaches to welfare reform, that this Administration provide the leadership and commitment that will succeed in helping vulnerable families escape welfare dependency. We are pleased to be part of the process and promise our support and advocacy for a comprehensive plan that will address the broad range of needs and conditions that contribute to such dependency.

Founded in 1911, Family Service America, Inc. (FSA) is an international nonprofit organization dedicated to strengthening families and family life through services, education, and advocacy. We represent the oldest and largest network of family and children's counseling and support service providers in North America, serving over 4 million people annually in over 1,000 communities.

In its capacity as an association of direct service agencies for individuals and families, FSA is acutely aware of the need to have governmental policies and programs that encourage and enhance the ability of families to earn more, learn more, and aspire to expanding opportunities for the betterment of their lives and their children's future. Families come in many forms today, but that has not changed their significance as the social foundation of our society. The difference is that many of them are without the means, the skills, the opportunities, and the information to be able to be the providers and caregivers that would assure self-sufficiency.

During the past twenty years, American families have experienced important changes in employment and income. The reduction and relocation of manufacturing jobs has created a dislocation that has resulted in a significant decline in real wages among young families, minorities, and workers without a college education--people who derive practically their entire income from wages. In addition, the economic welfare of families has further deteriorated because of changes in family

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structures. Increasing divorce, separation, and births to single women and teenagers have created especially serious problems for single-parent families with children. Together, with the deleterious tax and fiscal policies of recent years, an increasing number of families find themselves in vulnerable positions and in need of public assistance, at least for a year or two.

There are some critical elements--some systemic and some programmatic--that must be addressed, if this Administration is going to claim the high ground in a national effort to help dependent families become self-sufficient. One of them, expansion of the Earned Income Tax Credit, has been accomplished and should prove to be of considerable help and encouragement to low-income working families. We applaud and thank the President and his Administration for their steadfast support of this important family strengthening policy in the recent budget agreement.

Now, as the President has already indicated, the next step is health care reform that would assure affordable and accessible health and mental health care in the least restrictive setting to all Americans. Together, these two policy successes would go a long way toward helping potential or periodic welfare families stay off public assistance by indeed making their work pay and by removing the fear of being without health care, especially if they are phased in early in the process. The key for us in family service is that these are policies that encourage and enhance the ability of families to work together, stay together, and better care for each other.

But if we are going to help support work for families that have come to be more dependent on public assistance, many other things need to be in place. First, there needs to be a sufficiency of real jobs for real people to go to. Evidence seems to indicate there may be more people in need of family-supporting jobs than there are jobs. That, of course, may be at the heart of the problem. New economic policies that generate the number of jobs that pay sufficiently above today's inadequate minimum wage and on which families can be supported may be the best remedy of all. The economic system must be able to reasonably absorb the people that are being given a welfare time limit or we are only dealing with unreasonable expectations that can further hurt people that are already hurting. And measures such as broadscale workfare may not only be expensive as an alternative to real private or public sector jobs, but might create an even more demeaning dependency than already exists.

Second, assuming there may be jobs for people to go to, there needs to be a system of family support services that includes

(a) expansion of developmentally appropriate child care and full funding of the Child Care Development Block Grant and of Head Start;

(b) before- and after-placement employment and training information and counseling aimed at helping individuals seek and attain education and occupational training opportunities that not only lead to real jobs at the beginning, but offer opportunities for continued self-improvement, including

higher education, and advancement into higher-skilled, higher-wage careers;

(c) ongoing case management and community-based counseling services similar to employee assistance programs that help people overcome family dysfunctions related to parenting, employability, family finances, family violence, and substance abuse;

(d) further policy adjustments to strengthen income support for working families by (1) reducing the AFDC work penalty, (2) making sure the unemployment insurance system adequately covers displaced workers in all states to obviate the need for them having to go on AFDC, (3) increasing the dependent tax exemption to better reflect current costs of child rearing, (4) permanently extending the targeted jobs tax credit, and (5) providing temporary assistance to small businesses to help them develop and promote family-friendly jobs and work policies to accommodate job sharing, flextime, and flexplace.

The key to supporting work for currently dependent families is by assuring family economic viability with structural supports that protect the most vulnerable and aid those on their way out of public assistance. The bottom line is that there is more to welfare reform than welfare.

RENT REFORM/WELFARE REFORM

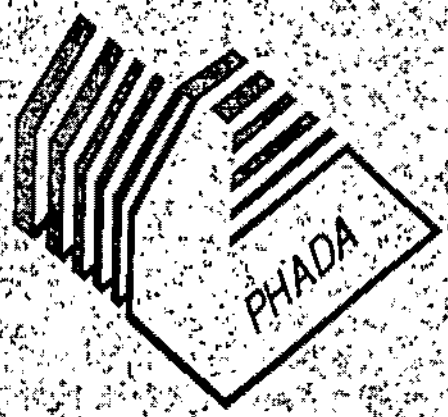
A report on why rental policies in Federally subsidized housing interact with welfare to produce disincentives to employment

TESTIMONY

PRESENTED TO THE WHITE HOUSE

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

ON AUGUST 20, 1993



by the

Public Housing Authorities Directors Association

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RENT REFORM/WELFARE REFORM

A report on why rental policies in Federally subsidized housing interact with welfare to produce disincentives to employment

Ladies and Gentleman of the Working Group, I wish to thank you for the opportunity to appear before you this morning. My name is John Hiscox and I am the Executive Director of the Macon, Georgia Housing Authority. I appear this morning as a representative of the Public Housing Authorities Directors Association (PHADA), the professional organization representing the Executive Directors of the nation's 3200 local housing authorities. I am also representing the Georgia Association of Housing and Redevelopment Authorities, the state chapter of the National Association of Housing and Redevelopment Officials (NAHRO), with over 200 agency members. Nationwide, our member agencies house approximately 1.4 million families, over two-thirds of which receive public assistance.

If I could only make one point today, it is simply this: if welfare reform is to succeed, it must include rent reform as well. Today, more than one out of every four AFDC recipients lives in public housing, Section 8 assisted housing, or other Federally subsidized housing in which rent is based on income. In this housing, dysfunctional Federal rent policy works to reinforce equally dysfunctional welfare policy to create powerful disincentives to employment and upper mobility. The result has transformed once thriving public housing neighborhoods into welfare ghettos, its residents robbed of opportunity and hope and its social fabric rendered inadequate to cope with challenges like drugs, crime and youth gangs.

THE IRON PENALTY: WHY THE CURRENT SYSTEM FAILS

Please allow me to describe for you the iron penalty, the reason the current system fails. For two-thirds of its fifty-five year history, public housing served as a ladder for upward mobility. Families needing decent shelter moved in, got a break on their rent, got on their feet, and moved out. The families who left were usually better off than when they arrived, often moving to unsubsidized private rental housing or homeownership. Public housing alumni include many of our most distinguished citizens.

All of this worked because these impoverished public housing residents had positive incentives to work hard to improve their lives. By the early 1980s, however, important changes in Federal law substituted negative incentives for positive incentives. Minimum rents were abolished and the rent to income ratio increased to thirty percent. Various exemptions and exclusions of earned income were eliminated. Most importantly, ceiling rents were abolished, thereby eliminating the adjustment period necessary for a family to transition from AFDC to beginning employment to self-sufficiency.

The highest marginal "tax" rate is not paid by millionaires but rather by AFDC dependent public housing residents who accept a full time minimum wage job. Please refer to the attached matrix which compares the incomes of various types of families common to public housing in Georgia. Details would vary from state to state, but the principals remain the same. The purpose of this table is to clearly demonstrate the method by which public assistance policy and public housing policy interact to create powerful disincentives to employment.

Minimum wage employment actually imposes a stiff penalty on public housing residents. Notice that family # 3, whose head of household works forty hours per week at minimum wage, receives $121 a month less disposable income than family # 1 with AFDC income only. **This is the equivalent of being taxed at the rate of 116% of gross earnings!** It is worse when you

consider that these numbers make the optimistic assumption that the working family has deeply subsidized child care for two of their three children through the Department of Family and Childrens' Services. We further assume that the working family pays no state or Federal income taxes and no work related expenses such as transportation, uniforms, meals, union dues, etc. We also assume that the working family has the good fortune to have Medicaid replaced by private health insurance with the employer paying half of the premium for family coverage.

The working resident's situation does not materially improve as earned income rises above minimum wage. Family # 4, whose head of household works at $7.35 per hour (73% above minimum wage), still enjoys less than $10.00 per week additional disposable income. Divided by a forty hour work week, this means that employment significantly above minimum wage still yields extra income averaging only 23 cents per hour, again not counting taxes and other normal work related expenses. Thus, our system not only discourages entry into employment but through relentless rent increases imposes long term penalties even on those who persist long enough to secure substantial improvement over entry level wages.

The impact of these policies on low income public housing residents is devastating. Public Housing Authorities can report thousands of examples of families who attempt entry level employment only to quit when they realize the effect that it will have on their rent, and hence on their net disposable income. Since this also discourages entry into the job market by young adults in the household, young women are more likely to accept permanent AFDC dependency and young men to turn to a life on the streets. Besides the monetary cost in government transfer payments and housing subsidies, the cost in human terms to individuals and society is incalculable.

As tragic as these circumstances are when they affect an individual family, they are multiplied thousands of times over when they are endlessly repeated in the high density multi-family environment of public housing. The last decade has produced a radical shift in public housing demographics, all for the worse. Our experience is more or less typical. The number of households with at least one wage earner declined from slightly less than a half of all households to less than one-sixth. Two parent families with children declined from over a quarter of the resident body to less than one and a half percent. The number of households receiving at least one government transfer payment increased from just under half to 91%. Please note that a significant number of the households with an employed individual also receive government transfer payments. Despite this, the average **total** income of households containing a wage earner is $7124/annum, less than full time minimum wage employment. These adverse demographic trends occurred in spite of vigorous GED, scholarship, job training, family self-sufficiency, and resident entrepreneurship programs which did not exist in the 1970s.

These are not merely dry statistics. These are the declining vital signs of an unhealthy resident body. A decade ago, a significant block of working low-income families provided role models and contributed to neighborhood stability. Now, a teenager facing important life choices may very well reside in a building without a single resident who gets up and goes to work in the morning (particularly if he or she lives in an older, inner-city development).

Let me state here that AFDC recipients are very often good parents, neighbors, and citizens. Nevertheless, by sheer concentration, the social milieu reinforces negative social outcomes such as welfare dependency, low education levels, and teen pregnancy. As these become the rule rather than the exception, they feed on themselves. It goes without saying that such a population has increased vulnerability to such adverse influences as crime, drugs, and youth gangs. Whether one is concerned with the welfare of the individual resident family or the social fabric as a whole, surely we can agree that this was not the intent of subsidized housing.

The Public Housing Authorities Directors Association strongly recommends that the welfare reform task force include in their work a thorough policy review of the federally subsidized housing rent structure, with the intention of producing the statutory changes necessary to eliminate negative incentives for employment. Specifically, PHADA believes that this policy review should focus on:

1. **Revised HUD definition of earned income** - The current HUD definition of income makes no distinction between unearned income and earned income; both are for all practical purposes taken at their gross. This is despite the fact that the recipient of unearned income receives 100 % of their allocation, plus additional benefits such as food stamps and Medicaid. Meanwhile the recipient of earned income takes home significantly less than the gross, after deduction of FICA, Federal and State taxes if any, health insurance, and work related expenses such as transportation, uniforms, union dues, etc. The only adjustment to earned income recognized by HUD is the out of pocket cost of child care, a deduction which should certainly be retained. The net effect of this policy is that most of the working poor who reside in public housing and are paid on a weekly basis require two of their four paychecks each month, about 50% of their net income, to pay their rent. This is unconscionable.

   It is critical that the definition of earned income be revised in a manner which realistically calculates the **net cash proceeds** of employment rather than gross wages. Most desirable would be a percentage exclusion from gross income which combines the actual standard deductions state by state with a realistic percentage for work related expenses. If it is more politically feasible, the same could be accomplished by a single national percentage exclusion. However the deduction is determined, PHADA believes that the 10% exclusion from earned income authorized but not yet funded in the 1990 Housing Act is far from adequate. FICA alone is 7.65%, leaving virtually nothing for other deductions and work related expenses. Even food stamp eligibility computations include all unearned income but exclude 20% of earned income.

   If we wish to remove the negative incentives for employment facing subsidized housing residents, the most important single deduction from earned income might well be the cost of health insurance. Current federal rules allow the deduction of health care expenses when they exceed 3% of gross income, but do not include the cost of health insurance. In Georgia, which is not a particularly high cost state, half of the cost of family coverage health insurance (assuming the employer pays the other half) may exceed $250 or about one third of gross pay. It is small wonder AFDC recipients are loathe to abandon Medicaid. Until such time as health care reform effectively deals with such issues, PHADA strongly recommends that health insurance be added to the list of health care costs which are deductible from earned income to the extent that they exceed 3% of gross.

   As important as it is to adopt rules which realistically estimate the net cash proceeds of employment, we must point out that these would not in themselves eliminate negative incentives. Refer again to Family # 3 in the matrix, whose head is employed at 40 hours a week at minimum wage. A 20% income exclusion **and** a 25% rental rate applied to earned income would indeed drop this family's rent from $212 to $141 per month, a savings of $71. Even under this circumstance, however, family # 1 (AFDC income only) still enjoys a higher disposable income. It is obvious then that earned income exclusions must also

be coordinated with other rent reform measures and welfare reform in order to accomplish the desired results.

2. **Partial exclusion of secondary wage earners** - Until the 1980s, local Housing Authorities had the option of excluding a portion of the income of those wage earners who were not the head of household. Since this has been abolished, we frequently see families devastated by what should be a happy event -- the newly graduated high school senior (age 18 or above) securing his or her first job. If we refer back to family # 1 on the matrix and assume that this family's oldest son turns 18 and secures a forty hour a week job at minimum wage, their public housing rent jumps from $108 to $326. Since it's likely that the new wage earner takes home approximately $580 per month in new income and his mother loses $50/month in AFDC benefits, our new wage earner would have to voluntarily surrender $268/month or 46% of his net income to his parent as contribution to the increased rent. When the newly employed member is unwilling or unable to do this, the entire family is forced out. In all cases, the incentive to accept that all important first job is severely undermined.

   For this reason, PHADA strongly recommends that PHAs be given the authority to exclude up to 50% of the earned income of formerly dependent family members for a period of up to five years. HUD promoted this policy in the late 1960s and early 1970s, with proven good results.

3. **Ceiling Rents** - Until 1982, PHAs enjoyed the local option of establishing ceiling rents. These served a vital function of allowing a new wage earner a reasonable period of time (PHADA recommends three years, followed by a three year phase out) to get on their feet and make a transition to private housing. Ceiling rents in effect establish a time and income band in which a striving low income family actually gets to keep most of its additional income, laying the ground work for economic advancement and, for many, homeownership. The psychological impact of ceiling rents on residents should not be underestimated; the knowledge that you can earn an extra dollar, at least for a time, without the Housing Authority grabbing its share has a liberating effect on the aspirations and behavior of residents.

   It is important to point out that HUD's token ceiling rent policy is dysfunctional. HUD allows PHAs to establish ceiling rents based on the sum of average operating cost **plus** imputed debt service for the development cost of the project plus all subsequent capital improvements. This results in ceiling rents as high as $400-$500 for 2-BR public housing apartments in Georgia. Besides being absurd on its face, these ceiling rents do not work to encourage employment.

   A workable ceiling rent formula could be based on the "Rent Reasonableness" requirement already used in HUD's Section 8 Certificate Program. PHAs should have the option of establishing ceiling rents by project and bedroom size based on comparability with similar apartments with similar amenities in the same general neighborhood, maintaining documentation for HUD review. This, or a similar market-based approach, is absolutely necessary for success. As HUD states in the preamble to the March 15, 1989 Federal Register (24CFR 913.107), "HUD believes that tenant families should not pay more in rent than comparable housing would cost on the private rental market". We heartily agree.

So What's The Problem: Dealing with Objections

The two principal objections to rent reform in public housing are financial and philosophical. The first, which is raised by the Office of Management Budget, asserts that the result would be an immediate and continued increase in Federal outlays for Performance Funding System operating subsidies. The second, often raised by both conservatives and liberals, is based on a belief that public housing is and should be the housing of last resort for the poorest of the poor.

PHADA would like to respond to both of these objections, beginning with the financial. Major changes in public housing rent computation methods began with the Brooke Amendment in 1968 and culminated with the abolition of ceiling rents in 1982. In that year, Federal outlays for public housing operating subsidies totaled $1,493,459,891. In the following decade, they grew to $2,266,934,000 an increase of 52%. At first glance, this would appear to roughly parallel inflation. The subsidy picture, however, was far from static during this period. In 1983, as the first impact of ceiling rent elimination and the thirty percent rent to income ratio took hold, subsidy outlays actually dropped over 22%, to $1,154,366,035. For the next three years, subsidy growth was relatively slow, averaging about 2.5%. To the casual observer, it would appear that the new rent rules were succeeding, at least as fiscal policy.

These figures, however, mass a dark undercurrent. The imposition of the thirty percent rent to income ratio was phased in for families in occupancy so that none experienced more than a 10% increase each year. This meant a period of slow growth in operating subsidies as decreases in the number of working families were balanced by higher rents on those who remained. Increases were further buffered by general inertia; it took time for established families to move out or change their behavior.

However, by the late 1980s the demographic transition within public housing neighborhoods caused by these rules had come into full flower and began feeding on itself. The rapid decline of working families in public housing began to drive public housing operating subsidies relentlessly upward. By 1987, they were $1,460,071,960, approximately the same as 1982. The increase from 1986 through 1992 has been an astonishing 82%, despite this being a period of relatively low inflation. According to figures quoted by former HUD Assistant Secretary Joseph Schiff in the 2-8-93 PHADA ADVOCATE, operating subsidy has increased 46% in the last four years, approximately 2.2 times inflation. Since operating subsidy basically funds the difference between the allowable expense level, the growth of which has approximated inflation, and housing authority rental income, which has not, it is obvious that the culprit is primarily rental income.

We can demonstrate that one of the principal reasons for this increase in operating subsidy is the removal of the working poor from our neighborhoods. Again, our experience at the Macon Housing Authority is more or less typical. In 1982, the Macon Housing Authority housed almost 1,000 wage earners in its 2126 units. The average rent of $79.17 PUM paid 54% of the Housing Authority's operational cost, the difference being paid by $53.18 per unit month federal operating subsidy. By 1992, only 380 wage earners remained. As a result, the average rent of $106.44 paid only 44% of total operating cost, the difference covered by $132.94 PUM in subsidy. The increase in annual operating subsidy in the ten year period was $2,127,961.00, over 159%. The rental income in the same decade increased only 34%, which means that average resident incomes **declined** after inflation. At the time of their adoption, the abolition of ceiling rents and the adoption of a 30% rent to income ratio were touted as a great relief to the Federal Budget. It should be patently obvious that the effect is precisely the opposite.

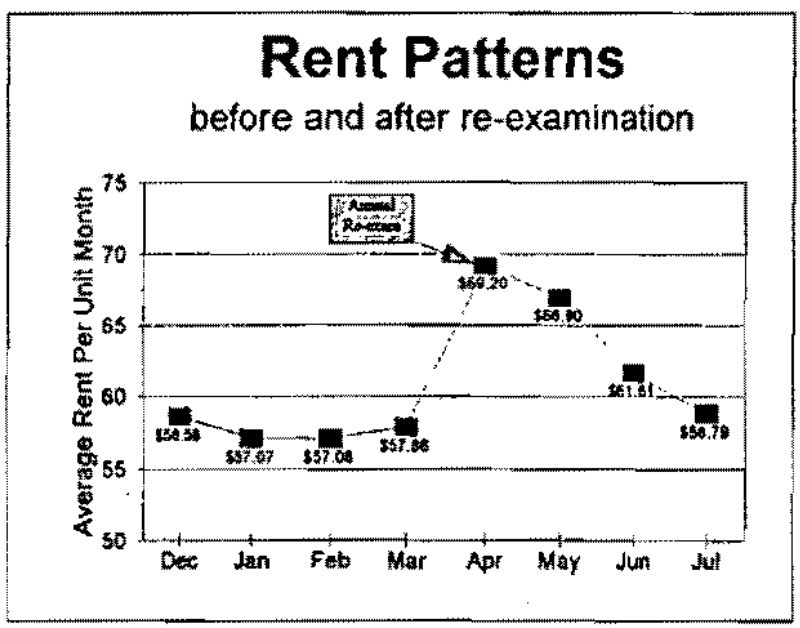
The mechanism by which this occurs is observed daily by Housing Authority Occupancy Staff. The head of household or other family member goes to work and dutifully reports the income as the lease requires. Within a few weeks, the family receives a rent increase effective the first of the following month. The family responds, often within days, by either:

1. **Quitting the job.** This is particularly the case with young adult members of the household accepting their first job after graduation from high school. It should go without saying that if the head of the household cannot afford for their 19 year old to accept their first entry level job, their chances of permanent independence are drastically reduced. For young men, the alternative is usually the street corners; for young women it is usually AFDC dependency.

2. **Moving out.** If forty hours per week employment at $5.00 an hour was sufficient to pay for decent but modest rental housing on the open market, this would be a cause of celebration, but it is not. In typical Georgia rental markets, the family moves back to cheap but grossly substandard housing. In tight rental markets, the only choice is unconscionably high rent, whether in public or private housing.

3. **Removing the offending family member (i.e. the one with the job) from the lease.** In almost every case, this involves young men whose incomes are not sufficient to allow them to live independently. They are driven out of their legitimate home into a life on the street and/or living temporarily with low-income single women, thereby contributing to the social instability of the neighborhood. In some cases, they are removed from the lease but remain in the household, setting up the family for a future fraud accusation.

Please understand that these are not "Welfare Cadillac" stories but standard patterns easily observed in any PHA. As an example, consider the recent history of Project GA007003, a 128 unit development. As the following table shows, average rent remains more or less level until April, the effective date of annual reexaminations. Note that there is an immediate increase in the average rent, representing the reported increases in resident income. Notice also that within 90 days the average rent had returned to "normal".



The average income of families that left during this period due to rent was $10,600, equivalent to full time employment at $5.10/hr. This is only 27% of the area median and just over half of the $19,500 threshold for "very low income" in the Federal definition for a family of four. These families are obviously not leaving because they have "made it".

Just as there was a short-term benefit when the federal rent rules were changed over a decade ago, there will be a short-term cost to fix it. We have not yet prepared an accurate estimate on a national scale, but we believe that we do have enough data to demonstrate that the cost would be small and temporary. We estimate the initial cost for ceiling rents at $1.57 per unit month (PUM). We further estimate the cost of a 20% earned income exclusion to be $5.08 PUM. Because ceiling rents apply primarily to wage earners, the total cost is less than the sum of these two. Although it is not statistically valid to extrapolate the results from one PHA to the entire public housing stock, we mention for point of reference that doing this would result in an initial one time cost of approximately $94 million, or about 4% of current operating subsidy. HUD's estimates are very close to this, and roughly double when all other subsidized housing is included.

The reason rent reform costs so much less than the amounts "saved". a decade ago is simple; the exodus of the working poor from public housing means that lower rents will initially apply to a great deal fewer people. As the incentives take hold, this will change, but the net effect will be to the benefit of the federal budget. Please refer to the attached matrix labeled "Federal Government Saving Resulting From Rent Reform".

The family circumstances described are the same as in the Public Assistance/Public Housing Income Comparison Matrix, and assumes that the AFDC recipient (Family #1) goes to work at minimum wage (i.e. becomes Family #3). The family in the left column represents the effect of the PHADA recommended changes in deductions from earned income. Not only would this family pay $62 higher rent, but there are an additional $443 savings in FICA paid and received AFDC and food stamp benefits. The net effect is that each such family that is motivated by reasonable rent rules to accept minimum wage employment will save the federal government enough in housing and welfare subsidies to pay for the windfall benefit for **twelve** families living in subsidized housing who are already working. Further, as a mix of low income families develops within federally subsidized housing, societal costs are reduced as well.

This leads to the philosophical objection often raised to rent reform, namely that it represents an attempt to convert low rent public housing to a program serving moderate or even middle income families. This is simply not the case. As demonstrated in the example above, most of the families forced out of public housing by the rent structure are not middle income but in fact fall under the federal definition of very low income (<50% median). These are the same families whose low wage employment yields less in net disposable income than a similarly situated family receiving AFDC.

Even more importantly, rent reform will not materially affect the supply of low income housing available to AFDC recipients. This is simply because the families most affected are already in occupancy, not new admissions. Rent reform would not change the fact that most new admissions would continue to go to AFDC recipients. What would change, and must change, is that very low income residents would no longer be kept in permanent, welfare/housing serfdom. **If society owes these families anything above food and shelter, it is a reasonable opportunity to work and improve their own lives!**

This belief is shared by our principal allies in the fight to improve the upper mobility of our residents. The Georgia Department of Family and Children's Services, which is concerned

by lack of public housing resident participation in the PEACH work experience program, has offered its endorsement of rent reform. The report of the Governor's Task Force on Welfare Reform, attached, endorses a rent reform demonstration. They are joined in this by our Private Industry Councils, who have experienced first hand the difficulties of inducing public housing residents to accept job training.

Lest anyone stereotype public housing residents as being uninterested in employment, one Georgia PHA recently had over 100 applicants for eight VISTA slots which pay only a $580/month living allowance. This is equivalent to about $3.35/hour, less than minimum wage. **VISTA allowances do not count against rent!**

THE TIME IS NOW

In conclusion, the Public Housing Authorities Directors Association urges the Working Group on Welfare Reform to recognize the degree to which rent policy in Federally subsidized housing interacts with Federal welfare policy to create powerful disincentives to employment. Since approximately one quarter of the nation's AFDC recipients are also residents of Federally subsidized housing, we ask you to recognize that workable welfare reform is not possible unless it embraces rent reform as well. To this end, we respectfully request the Working Group to consider establishment of an internal sub-group to gather facts and prepare housing rent policy recommendations that are philosophically and practically compatible with welfare reform initiatives. We believe that only in this manner can we bridge the gulf that separates HUD and HHS, a divide that reaches upward through separate congressional committees and extends down to separate local agencies in every community.

I believe that we have demonstrated how the existing HUD rent computation policies work in perverse efficiency with the welfare system to destroy initiative, undermine families, and erode neighborhoods. They are bad public policy and they must be changed. Without such change, subsidized housing residents will continue to be denied that fundamental right essential to both economic and social well-being, the right to better oneself through one's own efforts. With a new Administration committed to welfare reform, the time for that change is now.

PUBLIC ASSISTANCE / PUBLIC HOUSING INCOME COMPARISON MATRIX

	SINGLE PARENT WITH THREE CHILDREN				MARRIED COUPLE WITH THREE CHILDREN				SINGLE PARENT WITH UNREPORTED LIVE-IN AND THREE CHILDREN			
	INCOME SOURCE				*INCOME SOURCE*				*INCOME SOURCE*			
MONTHLY INCOME AND EXPENSES	1 AFDC Only	2 25 Hrs / Week @ $4.25	3 40 Hrs / Week @ $4.25	4 40 Hrs / Week @ $7.35	5 Food Stamps Only	6 25 Hrs / Week @ $4.25	7 40 Hrs / Week @ $4.25	8 40 Hrs / Week @ $7.35	9 AFDC Only	10 25 Hrs / Week @ $4.25	11 40 Hrs / Week @ $4.25	12 40 Hrs / Week @ $7.35
Earned Income	$0	$460	$737	$1,274	$0	$460	$737	$1,274	$0	$460	$737	$1,274
Child Support	150	150	150	150	0	0	0	0	0	0	0	0
AFDC Benefits	330	82	0	0	0	0	0	0	330	130	0	0
Food Stamps	292	313	235	118	440	418	336	191	346	294	266	121
TOTAL GROSS INCOME	$772	$1,005	$1,122	$1,542	$440	$878	$1,073	$1,465	$676	$884	$1,003	$1,395
Public Housing Rent	$108	$156	$212	$348	$0	$102	$185	$346	$63	$141	$185	$346
Medical Insurance	0	0	250	250	250	250	250	250	0	0	250	250
FICA Withholding	0	35	56	97	0	35	56	97	0	35	56	97
Child Care Expense	0	52	61	143	0	0	0	0	0	0	0	0
NET DISPOSABLE INCOME	$664	$762	$543	$704	$190	$491	$582	$772	$613	$708	$512	$702

NOTES:
1. Child support of $150/mo. is assumed for families #1, 2, and 3. Elimination of child support decreases rent by $45/month.
2. AFDC benefits phase out over 12 months. This is assumed to be complete for families #3, 4, 11, and 12.
3. Medical insurance is assumed to be available to full time employees at $550/mo. with the employer paying 50%. This percentage may vary, but employer provided free medical insurance for dependents is rare for entry level employees.
4. FICA is assumed to be the only deduction from gross wages. There are no reductions for state and federal or employee benefits. Likewise, there is also no deduction assumed from gross wages for transportation, uniforms, union dues, meals, or other normal work related expenses.
5. Child care for two children is assumed to be available to single parent families #1-4 with subsidy through the Department of Family and Children Services. Market child care is much more expensive, as would be care for the third child, if required.

FEDERAL GOVERNMENT SAVINGS RESULTING FROM RENT REFORM

NET SAVINGS TO FEDERAL GOVERNMENT	AFDC Family #1 accepts minimum wage employment i.e. becomes Family #3		AFDC Family #1 accepts employment at $7.35/hr i.e. becomes Family #4	
	20% EARNED INCOME EXEMPTION		*20% EARNED INCOME EXEMPTION*	
	30% RENT	25% RENT	30% RENT	25% RENT
New Rent	$170	$141	$278	$232
Less Old Rent	$108	$108	$108	$108
RENT INCREASE	$62	$33	$170	$124
FICA Paid	$56	$56	$97	$97
Food Stamp Savings	$57	$57	$174	$174
AFDC Savings	$330	$330	$330	$330
GOVERNMENT SAVINGS	$505	$471	$771	$725
Rent at Current Rules	$212	$212	$348	$348
New Rent	$170	$141	$278	$232
LOST RENT WINDFALL	$42	$71	$70	$116
RATIO OF SAVINGS TO WINDFALL	12 to 1	6.6 to 1	11 to 1	6.25 to 1

Recommendation 8: Housing Pilot

ISSUE:

Currently AFDC recipients residing in public housing who increase their earnings face an automatic rent increase. This represents a serious disincentive to employment.

ACTION 1:

Request that an urban Housing Authority pilot a program that freezes rents for participants in the AFDC-based Positive Employment and Community Help Program.

ACTION 2:

Petition the federal Department of Housing and Urban Development to review housing policy pertaining to definition of income, income exclusions, ceiling rents and their impact on AFDC recipients.

IMPACT/IMPLICATIONS:

1. This proposal addresses the most direct work disincentive in public policy.
2. This will provide a model to be replicated elsewhere.
3. The Public Housing Authority will lose some income from rent increases.

ESTIMATED PROPOSAL COST: $0

RESPONSIBLE AGENCIES:

- Local Housing Authority
- Department of Human Resources

Statement

of

Diana M. Pearce
Director

Women and Poverty Project

before the

Working Group on Welfare Reform,
Family Support and Independence

August 20, 1993

Wider Opportunities for Women, Inc.

A nonprofit tax-exempt Women's Employment Organization
1325 G Street N.W., Lower Level, Washington, D.C. 20005 (202) 638-3143

Thank you for the opportunity to address the Working Group today; I am going to talk about recycling. We now know, thanks to the work of Pavetti, and states' research on dynamics, that many welfare recipients leave welfare for employment, only to return shortly. For example, Pavetti found that 45% of all exits from welfare are for work--a higher rate than Ellwood and Bane's earlier estimates--but that two-thirds of these women return to welfare within five years (the majority within the first year).

Why do so many return, and what can we do to support a successful work exit--and prevent recycling? I think two factors determine successful work exits: (1)what happens when women are on welfare (or what does not happen), and (2) what happens when they leave and enter low-wage employment.

I. Job training under JOBS:

Under the JOBS program set up by the FSA, women may participate in education, job search and other components; only about 15% are participating in job skills training during the average month, with the proportion ranging from 1.8% in Maine to 46.8% in Pennsylvania (1993 Green book, p. 636-7).

Because HHS collects no information on the specific kinds of training received, we conducted our own survey this summer. More than two-thirds of the states collect no information on the type of training, or type of occupations of recipients who enter employment. The quality of the information that is available varies widely, from detailed occupational codes for each individual, to back of the envelope guesses--but it is the best there is. Nevertheless, it is remarkably consistent. In all but one of the fifteen states

with data, the majority of JOBS participants train for and/or obtain employment in just two occupational categories: service work, and clerical and sales, with the proportion ranging from 44% (Iowa) to 84% (Florida). With the exception of Alabama (and this data is limited to the one-fourth of JOBS participants who are in JTPA training programs), most states trained very few women in jobs that are nontraditional for women. (Where data is available by gender, it is striking that male JOBS participants do train, overwhelmingly, in jobs that are traditionally male but nontraditional for women; of 28 male JOBS participants in Alabama JTPA training, 26 were in predominantly male jobs, mainly construction trades, machine tooling, or truck driving).

Very few states have data on wages, but for those that do, the wages obtained reflect the predominance of low-wage clerical, sales and service occupations. For example, in Illinois, 80% of JOBS participants obtained employment with wages under $6.00 an hour.

II. Women's Experience of Low-wage Employment

Where do such low-wage jobs lead for welfare recipients? In research that I did for the Department of Labor, I found, not surprisingly, that such low-wage jobs are short-lived, with a spell lasting on the average 1.75 years. But while men who held low-wage jobs tended to leave for higher-wage jobs when the low-wage job ended, women workers tended to go from a low-wage job to unemployment, back on welfare, or another even more temporary job. (Surprisingly, there was much less difference by race in low-wage job outcomes).

Low-wage employment is a highly gendered experience: for men it tends to be bottom-rung on a ladder to increased earnings and job quality--it simply does not work that way nearly as often for women.

III. The self-sufficiency gap

In order to survive off of welfare, women need to be able to meet their basic needs. The costs of those needs, such as housing, food, and child care, vary greatly by where one lives. I have begun to calculate the cost of self-sufficiency for specific places--not hypothetical, but real. (I have used HUD's Fair Market Rents for housing, HHS's market child care costs, etc.)

To meet the costs of her family's basic needs requires wages, working full-time that range from $9.86/hour for a single mother with one school age child in Penobscot, Maine or $10.14 in Riverside, California, to $19.36/hour for a mother of three (one preschooler and two school-age children) in New York City. Of course, most people think that it is extremely difficult for a single parent with one or more preschool children to work full-time, and also be able to be a good parent. Working half-time would of course double the wages needed to meet basic needs. Even in the lower cost areas, these wages are still much higher than the ones normally obtained by welfare recipients leaving for employment, even those who have had skills training beyond basic education.

This basically leaves us with two choices: either we can chip away at the costs of basic needs through various subsidies; or we can substantially increase our investment in training and education, resulting in increased wages. Clearly we need to do both.

Without boring you with the details, providing housing subsidies which reduce the cost of housing to 30% of the family's income, plus free child care, reduces these self-sufficiency wages to $8.49 and $7.26 for the Maine and California mothers with one child, respectively, and $12.28 for the New York City mother of three. At the same time, the housing and child care subsidies are substantially above what is now provided under various programs. For example, in California, only about 10% of eligible families receive housing subsidies, and only about a third of poor single mothers nationwide receive housing aid. Child care is often limited not only in amount, but duration.

But providing support services is not just a matter of money, but a matter of providing the kind of support that enables families to work and stay off of welfare. Just as health care should not depend upon employment, neither should housing or child care. That is, housing subsidies should reduce the housing costs of all workers' families to 30% of their income; when families pay 60 and 70% of their income, even the smallest crisis can blow the budget, the family does not meet its rent, and then she loses not only housing, but the job, child care, community, and a much bigger problem has been created.

Likewise, child care should be seamless, continuous: imagine if we ran public schools the way we run child care--every time a worker loses her job, she pulls the kids out of school, and the school loses her taxes, and she loses her "place". The result is harmful to the children; as they move between, 3, 4, 5 child care givers in a year; it is harmful to the school; with children moving in and out, and funding uncertain week to week. (With uncertain funding, they would reduce salaries, and begin to experience the

kindof staff turnover rates, 40% per year, common to child care centers). And of course it is harmful to parents, as they try to both obtain reemployment, or new training, and find child care, and pay for it. Child care should be continued while women are unemployed--it would be good for the children, and would probably enhance rapid reemployment.

Finally, the problem of transportation should be noted. In our survey of states, we found that rural states faced much less of a child care shortage, but the lack of transportation was critical; because of the enhanced match for child care, many poor states find that coming up with transportation money is quite difficult, and finding ways to provide aid in the absence of public transportation and restrictive asset limits is problematic.

Of course, subsidies cost the government money. A year of training at a high-wage job, as is proposed for dislocated workers, resulting in a lifetime in self-sufficiency, is less than even one year of subsidies, much less continuing years needed to subsidize the low wages of the working poor. Jobs that pay self-sufficiency wages not only provide women with the wherewithal to buy themselves out of the instability and deadend nature of low-wage jobs, but it permits them to meet their needs, without resorting to costly and unstable solutions--doubling up to meet housing costs (which leads to problems of overcrowding, and homelessness), using friends and relatives for child care (which though sometimes is preferred, and is cheaper, is often unstable, resulting in program dropout and job loss).

To continue to accept training for jobs with poverty-level wages is to accept the

unequal pay, and indeed to reinforce the occupational ghettoization that underlies it. Women should have access to the kinds of job training and education programs being made available to displaced workers, and should not be relegated to the kind of second-class short-term training programs which the Clinton Department of Labor has recently labelled as worthless. They should have access to the full range of opportunities, including training for nontraditional occupations and college education. Welfare reform should not help create a two-tiered job training program, differentiated by gender and race. Separate is inherently unequal.

Occupational Distribution of Job Training and Jobs Obtained for Welfare Recipients (AFDC) Under the JOBS Program, 1992–93

Occupational Categories	Occupational Distribution of Job Training* and Jobs Obtained*, by State (Percent)														
	AL	CA	CT	FL*	IL	IN	IO*	ME	MO	NB	NV	NM	NY	WA	VA*
Professional	0	3	13	5	5	0	26	8	21	5	0	7	0	17	7
Technical	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Clerical & Sales	58	40	38	42	14	30	20	38	37	17	90	19	50	32	33
Service	22	25	33	42	59	36	24	32	29	49	0	45	0	27	56
Agricultural	0	12	2	1	2	0	0	3	1	2	0	2	0	5	1
Processing	2	0	2	1	3	0	0	0	2	4	0	3	0	3	0
Machine Trades	8	0	2	1	3	0	0	3	2	1	0	3	0	2	0
Benchwork	2	0	4	3	3	0	0	0	3	1	0	0	0	2	0
Structural	6	0	2	1	2	0	0	11	1	3	0	14	0	5	1
Transportation	4	3	0	0	0	0	0	0	0	0	0	5	0	5	0
Fabricators	0	3	0	0	0	0	0	0	0	0	0	2	0	0	0
Handlers	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0
Craft & Repair	0	9	0	0	0	0	0	0	0	0	0	0	0	0	1
Miscellaneous/Other* and not specified	1	0	4	4	10	33	30	5	3	18	10	0	50	2	0
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Nontraditional total	22	0	0	110	0	0	0	0	0	0	0	0	4	0	3

* For some states, figures were only available for job training received, while others were only available for jobs obtained, regardless of the type of training received.

NOTE: The accuracy of these figures varies greatly: some figures are based are hard data obtained from state records, while others are based only on a rough guess ventured by one individual state employee.

*F only

** includes entrepreneurship

COMMUNITY: **NEW YORK, NEW YORK**

COSTS OF BASIC NEEDS:	Type of Family: Single Woman	Mother with 1 preschool age child	Mother with 1 school-age child	Mother with 1 preschool & 1 school-age child	Mother with 1 infant and 1 preschool age child	Mother with 1 preschool & 2 school-age children
Housing	$ 477.00	681.00	681.00	681.00	681.00	854.00
Food	151.05	250.90	296.48	396.33	337.08	541.77
Child Care	-	602.33	303.33	905.66	1542.66	1208.99
Health Care	94.62	156.59	139.27	201.22	218.54	245.87
Transportation	84.91	108.73	108.73	132.54	132.54	156.35
Clothing/Misc.	80.76	179.96	152.88	231.67	291.18	300.70
TOTAL	**888.34**	**1979.52**	**1681.69**	**2548.42**	**3203.00**	**3308.68**
Self-sufficiency Wage (FT)	5.20	11.59	9.84	14.92	18.75	19.36
Percent Housing	53.7	34.4	40.5	26.7	21.3	25.8
Housing Subsidy Deduction	-210.49	-87.14	-176.49	0	0	0
Self-sufficiency wage with housing subsidy	3.97	11.08	8.81	14.92	18.75	19.36
Self-sufficiency wage with full child care subsidy	5.20	8.07	8.06	9.62	9.72	12.28
Self-sufficiency wage with both housing and child care subsidies	3.97	7.56	7.03	9.62	9.72	12.28
With Child Support/ Child Assurance	3.97	6.58	6.05	8.16	8.26	10.82

COMMUNITY: **RIVERSIDE CALIFORNIA**

COSTS OF BASIC NEEDS:	Type of Family: Single Woman	Mother with 1 preschool age child	Mother with 1 school-age child	Mother with 1 preschool & 1 school-age child	Mother with 1 infant and 1 preschool age child	Mother with 1 preschool & 2 school-age children
Housing	$ 470.00	647.00	647.00	647.00	647.00	838.00
Food	156.75	260.37	307.67	411.29	350.46	562.21
Child Care	--	315.00	240.00	555.00	925.00	795.00
Health Care	92.89	153.72	136.72	197.54	214.54	241.37
Transportation	189.69	242.91	242.91	296.10	296.10	349.29
Clothing/Misc.	90.93	161.90	157.43	210.69	243.31	278.59
TOTAL	**1,000.26**	**1,780.90**	**1,731.73**	**2,317.62**	**2,676.41**	**3,064.46**
Self-sufficiency Wage (FT)	5.85	10.42	10.14	13.57	15.67	17.94
Percent Housing	47.0	36.3	37.4	27.9	24.2	27.3
Housing Subsidy Deduction	-169.92	-112.73	-127.48	--	--	0
Self-sufficiency wage with housing subsidy	4.86	9.76	9.39	13.57	15.67	17.94
Self-sufficiency wage with full child care subsidy	5.85	7.92	8.74	10.32	10.25	13.29
Self-sufficiency wage with both housing and child care subsidies	4.86	7.26	7.99	10.32	10.25	13.29
With Child Support/ Child Assurance	4.86	6.28	7.01	8.86	8.80	11.83

COMMUNITY: **PENOBSCOT COUNTY, MAINE**

COSTS OF BASIC NEEDS:	Type of Family: Single Woman	Mother with 1 preschool age child	Mother with 1 school-age child	Mother with 1 preschool & 1 school-age child	Mother with 1 infant and 1 preschool age child	Mother with 1 preschool & 2 school-age children
Housing	$ 369.00	528.00	528.00	528.00	528.00	662.00
Food	151.05	250.90	296.48	396.33	337.08	541.77
Child Care	--	381.33	229.67	611.00	786.50	827.67
Health Care	88.24	146.02	129.87	187.65	203.79	229.28
Transportation	169.82	217.45	217.45	265.08	265.08	312.70
Clothing/Misc.	84.74	166.52	153.07	217.36	231.92	281.51
TOTAL	**932.17**	**1,831.72**	**1,683.81**	**2,390.97**	**2,551.16**	**3,096.64**
Self-sufficiency Wage (FT)	5.46	10.72	9.86	14.00	14.93	18.12
Percent Housing	89.6	28.80	31.40	22.00	20.70	21.30
Housing Subsidy Deduction	-89.34	--	-22.85	--	--	--
Self-sufficiency wage with housing subsidy	4.93	10.72	9.73	14.00	14.93	18.12
Self-sufficiency wage with full child care subsidy	4.93	8.49	8.52	10.42	10.33	13.27
Self-sufficiency wage with both housing and child care subsidies	4.93	8.49	8.39	10.42	10.33	13.27
With Child Support/ Child Assurance	4.93	7.51	7.41	8.96	8.87	11.82

TESTIMONY OF

ADOLPH P. FALCON, M.P.P.

VICE PRESIDENT FOR POLICY AND RESEARCH

NATIONAL COALITION OF HISPANIC HEALTH

AND HUMAN SERVICES ORGANIZATIONS (COSSMHO)

FOR THE

WORKING GROUP ON WELFARE REFORM,

FAMILY SUPPORT AND INDEPENDENCE

PUBLIC FORUM

AUGUST 20, 1993

WASHINGTON, D.C.

National Coalition of Hispanic Health and Human Services Organizations
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Members of the Working Group, I am pleased to have this opportunity to provide the perspective of the National Coalition of Hispanic Health and Human Services Organizations (COSSMHO) on welfare reform and supportive services. However, before providing our perspective on this issue I would like to provide you with some background on COSSMHO.

COSSMHO is the only national organization with a primary mission of improving the health and well-being of Hispanic communities. We represent the needs and concerns of over 350 community-based organizations and 1,000 professionals providing health and human services in Hispanic communities. All COSSMHO programs utilize a community-based empowerment model of service delivery as evidenced by the fact that 60% of the COSSMHO budget funds community-based programs. COSSMHO also operates a computer bulletin board network of 350 Hispanic community-based organizations organized in 35 regional health coalitions. Given our community-based health mission, COSSMHO does not accept funding from tobacco or alcohol companies or their subsidiaries, the only national Hispanic organization to have adopted this organizational policy. Founded in 1973, COSSMHO is celebrating its 20th anniversary as the nation's action forum for Hispanic health.

As the nation's leading organization for Hispanic health and human services consumers, COSSMHO is particularly concerned with the provision of supportive services under any welfare reform plan. In particular, in these brief remarks I would like to touch on the issues of community-basing, child support enforcement and transitional health care benefits.

Community Basing: Unless the range of supportive services meant to reach families transitioning off welfare are accessible, than no amount of increased funds will adequately meet the needs of low-income families. The first step in designing an adequate program of supportive services is to base those services in the communities of the individuals they are meant to serve. Additionally, programs must be placed in agencies which exhibit

community governance and which have a history of service in the target community. It is only these agencies that have gained the trust of the community they serve and are best equipped for the task of assisting families to transition from welfare to work.

In particular, child care services must be community-accessible and in a setting where a mother trusts her child will be well cared for and protected. Furthermore, the regulations governing child care services under welfare reform should be examined in order to provide support for mothers who choose to have their child cared for by a family member or friend. Such services are valuable to the mother transitioning from welfare to work and should be supported at some level.

In addition caseworker and administrative functions of welfare services would be well served by community-basing. For the most part, human services programs have not used community-based organizations as alternative application sites for program eligibility and other administrative services. For instance, a survey conducted by COSSMHO of Medicaid application offices in Hispanic population centers found that only one third of offices used community-based organizations as alternative application sites and that one third provided no training for the workers who served Hispanic or Spanish-speaking populations. Community-basing of administrative services under welfare would ensure that services more adequately reflect the needs of the community they seek to serve.

Child Support Enforcement: There is probably no other single program that can provide support for families on welfare than capturing the child support due to a mother on welfare. Particularly helpful under the current program has been the recognition that child support enforcement must have an adequate community-based outreach initiative to ensure that welfare recipients are aware of their rights and options. These efforts should be expanded and include the specific needs of Hispanic communities by providing such services through community-based organizations as well as providing culturally competent materials in both Spanish and English. In addition, one of the most promising new activities in the area of child support enforcement is the use of automated child

support systems. These systems which are proving effective in ensuring adequate payments of child support should be supported and expanded.

Health Care Services: Next to child support, health care services is probably the most important supportive service parents depend on in the transition from welfare to work. One of the most promising changes in our welfare system has been the recognition of this fact and the enactment of transitional Medicaid services for parents moving from welfare to work. Under health care reform, at the national and state level, it is important that this important innovation not be compromised. It will be necessary to ensure that health care services provided under Medicaid or a revamped plan of services for low-income persons are adequately subsidized for persons in the transition from welfare to work. Indeed, the standard should not be to ensure that there is not a negative economic impact of loss of health care in the transition from welfare to work; the standard should provide full support of health care for at least a period of one year in full employment. This standard would serve as an incentive for the person making the transition from welfare to work and would help in the critical first year of the transition.

Thank you for the opportunity to provide COSSMHO's perspective on this important issue. We look forward to the Working Group's continued dialogue with the Hispanic community and the development of proposals that include the specific needs of Hispanic communities.

TESTIMONY SUBMITTED TO THE WELFARE REFORM WORKING GROUP
BY
JAMES A. RICCIO
MANPOWER DEMONSTRATION RESEARCH CORPORATION
AUGUST 20, 1993

The Family Support Act's JOBS program was the cornerstone of welfare reform in 1988, and it had the vision of transforming welfare from a simple income support entitlement to a new social contract between government and individuals featuring a "reciprocal obligation." But the nation has yet to transform this vision itself into a widespread reality. Today, JOBS in most states is underfunded and operated largely as a voluntary program on a limited scale, particularly because of states' inability to provide sufficient matching funds to secure all of the federal monies available to them.

Nonetheless, there are some counter-examples, such as California's GAIN program -- the nation's largest JOBS program, in a state where over a quarter of federal AFDC dollars are spent. From a six-county evaluation of GAIN, we are beginning to see the likely potential and limits of JOBS.

On the positive side, we have learned that GAIN really can change the terms and conditions of receiving welfare -- and on a very large scale. Especially during its early years, it delivered on the Family Support Act's goal of a "reciprocal obligation" by providing opportunities for job search, education, and training services, but, at the same time, making recipients' welfare grants partially contingent upon participating in these activities. The message was clear: welfare was to be temporary; the program would help you look for a job and assist you with the education and training you needed to prepare for a job; and you had to pursue this goal (unless you could establish a justifiable reason for not doing so) or you could lose part of your welfare grant as a penalty. But now, even in California, funding constraints have made it virtually impossible for counties to extend the program's services and participation mandate to all those who could be in GAIN.

This is disappointing because we are finding that the combination of services and a strong mandate can be effective. While the final results of the evaluation are not yet in, the findings show that across the six counties over a two-year follow-up period, GAIN increased welfare recipients' earnings by 21 percent and reduced their AFDC payments by 6 percent. In Riverside county, the results are particularly striking: a 55 percent increase in earnings and a 14 percent reduction in AFDC payments. These are the largest effects of any welfare-to-work program that MDRC has studied.

These interim GAIN findings add to a growing body of convincing evidence (much of which pre-dates JOBS) that welfare-to-work programs can make a difference, and can save money for the government. Together they suggest that if the goal is to "end welfare as we know it," investing fully in the JOBS program and trying to build on the approaches that work best, would, in and of itself, constitute an important leap forward.

At this time, convincing evidence on "what works best" in operating welfare-to-work programs is sparse. Nonetheless, a number of insights are suggested by Riverside's approach to operating GAIN. What most distinguished Riverside from the other counties -- and, therefore, what might have contributed to its more favorable results -- was its particular *combination* of practices and conditions. Perhaps most distinctive was Riverside's pervasive employment message, which encouraged quick entry into the labor force and which the county backed up by providing direct job development assistance and by setting job placement standards for case managers. Riverside's approach was also characterized by a more equal use of job search and education and training activities (as opposed to a balance that overwhelmingly favored education and training); a strong commitment to (and adequate resources for) securing the participation of all mandatory registrants; and a greater reliance on GAIN's formal enforcement mechanisms to reinforce the seriousness with which the program viewed the participation obligation. Together these strategies made up a constellation of practices not found in any other county. (Riverside's approach may have enjoyed an "added boost" from an economy that, early on, was growing more rapidly than in the other counties, although economic conditions deteriorated later.)

The question of "what works best" (and for whom within the welfare population) is also being studied in a rigorous way in the national evaluation of JOBS sponsored by the Department of Health and Human Services and being conducted by MDRC. Several demonstrations within the JOBS evaluation will provide compelling evidence on the relative payoff of a strategy emphasizing human capital development through education and training versus one that stresses rapid employment. It will also provide evidence on the relative effects of different ways of structuring case management in JOBS. When these findings become available, they will lend unusually strong empirical guidance to future efforts to structure and operate JOBS in ways that will maximize its effectiveness.

While we look for ways to strengthen JOBS, we must, at the same time, remember not to expect from JOBS more than it can realistically achieve by itself. The research on GAIN makes very clear that, even at their best, states' JOBS programs alone are not likely to move large numbers of people into sustained, well-paying jobs and out of poverty. We have learned, for example, that even in Riverside County, many of the people who were assigned to the GAIN program still accumulated more than two years of welfare, and would have exceeded a two-year limit on welfare had one been in effect. For example, 46 percent would have exceeded a two-year limit in approximately three and one-half years after starting the program. In other counties, the proportion would be even higher.

We have also learned that many of the recipients in GAIN did not find employment at all within two years after having starting the program, and those who did work did not always remain continuously employed. For example, while two-thirds of welfare recipients in Riverside found employment at some point during the two-year follow-up period, only about one-third were employed in any calendar quarter.

Of course, if the economic incentives to work had been stronger (for example, if the increase in the EITC had been in effect and if national health care had been available) the number of

people who got and kept jobs *might* have been larger, and the number who remained on welfare for more than two years *might* have been smaller -- but by how much we have no way of knowing.

We should care about the effectiveness of JOBS for many reasons, but especially in the context of a plan that calls for time-limited welfare and includes a requirement for "post transitional work" in positions to be supplied by the government. Indeed, the success of time-limited welfare may, after all is said and done, hinge directly on the success of JOBS. This is because the more people that JOBS helps to become self-supporting, and the more that it can prevent welfare recidivism among those already on the rolls, the fewer would be the number of people who exhaust their welfare benefits but continue to need public support. Needless to say, if an exceptionally large number of people exceed the time limit, the challenge of creating a sufficient supply of post-welfare government-sponsored work positions would be daunting. Moreover, these positions would not be cheap. Estimates from MDRC studies show that the costs of setting up three-month unpaid work experience slots and monitoring the people assigned to them as part of welfare-to-work programs in the 1980s ranged from about $1,000 to $4,000 (in 1993 dollars) per slot per year for programs operating on a moderate-to-large scale.

These observations are sobering, and, once again, underscore the importance of helping people to become self-supporting *before* they reach the end of a time limit in order to contain to a reasonable amount the number of guaranteed work slots that would have to be created. But containing the number of work slots may also require that *this* phase of the reform plan itself be structured as a transitional phase, for the longer that those who enter the work slots stay in them, the greater will be the total number of slots required. In other words, the efforts to help people become self-supporting should not end after the first two years on welfare; they should continue even into the next phase, perhaps through periodic job search assistance (or, possibly, through recycling recipients through JOBS itself).

There are obviously many unknowns that could affect the success of a plan that combines JOBS with time-limited welfare. For example, how can JOBS be strengthened so as to minimize the number of people who would hit the time limit? Would a much stronger emphasis on post-placement services improve the prospects of a permanent exit from welfare among those recipients who can get their foot into an employer's door but have trouble keeping a job? How will efforts to "make work pay" really affect welfare recipients' willingness to leave welfare for employment? What are reasonable criteria for exempting people from the work requirement, and for how long? How many public job slots will, in the end, have to be created in order to accommodate all who are eligible and for the work mandate to be real, and is this feasible? How long will people stay in those slots? Will they prefer them to looking for competitive employment? Would recycling long-stayers back into JOBS for a second opportunity after getting some work experience under their belts help them finally make a permanent transition to self-support? And in the JOBS program itself, what tradeoffs should be made between high-cost education and training services and low-cost job search services (which is a decision that could affect the costs and therefore the prospects of extending the participation obligation to the full mandatory caseload)?

These are all critical questions, and guessing wrong in trying to answer them could undermine the prospects for welfare reform that is effective, fair, humane, and affordable. This argues for phasing in any major overhaul of the system, taking full advantage of opportunities to learn from and build upon states' efforts to execute what would clearly be dramatic changes that would affect the lives of many families and children.

While there are undoubtedly ways that JOBS can be expanded and strengthened to enhance its contribution in a new welfare system, the likely limits of what we can hope to accomplish through JOBS with single female *adults* should inspire us to consider whether complementary interventions with other groups implicated in the welfare problem can reduce some of the burden on JOBS and, in turn, on a post-welfare work program. In this regard, two initiatives in particular deserve close scrutiny. One is the Ohio LEAP project, which has forged new linkages between the welfare system and the educational system for teenage mothers on welfare. These are potential long-term welfare recipients with whom the JOBS program would have to work, and who might exhaust any time limits on welfare while still at a young age. How can we hasten the rate at which these teens leave the rolls? A lot may depend on improving their education, and the early findings from an ongoing evaluation of LEAP point in a promising direction. They show that with a combination of financial incentives, penalties, and case management, teen parents on welfare stay in school longer and return to school at higher rates than they otherwise would. The hope is that this will eventually lead to higher graduation and employment rates and quicker welfare departures, which the evaluation will attempt to assess.

Another new initiative aspires to improve child support enforcement, which the President has identified as an important element of his overall reform plan. Here it is critical to remember that many of the fathers of children on welfare are poor themselves. Finding ways to increase their own earnings capacity, as well as their compliance with their child support obligations, is essential. This is part of the rationale behind a nine-state pilot study called Parents Fair Share that is now underway and whose lessons should be watched closely. If it works, it would help JOBS help welfare mothers leave welfare and lift themselves and their children out of poverty.

A final lesson is suggested by the evolution of the Family Support Act itself, which grew out of innovative state programs and the states' own stake in welfare reform. The success of an even bolder restructuring of the nation's welfare system will require, more than ever, commitment and support at the state and local level where control over the system ultimately rests. In charting a new federal direction, flexibility and the encouragement of local innovation and testing of alternative approaches must not be lost.

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Statement on Federal Welfare Reform:

Time Limited Assistance and Work Requirements

Presented to the

WORKING GROUP

ON

WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

Washington Forum

Washington, D.C.

August 19 & 20, 1993

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Good morning, Mr. Chairmen and Members of the Working Group. I would like to start by thanking you for the opportunity to testify today on the subject of welfare reform in general and time limited assistance and work requirements in particular.

My name is Linda R. Wolf Jones and I am here on behalf of the Community Service Society of New York, an organization that has been working actively to improve the conditions of the poor for almost 150 years. One of the ways in which we carry out that mission is through analysis and advocacy of social policies in such fields as housing, education and income security. It is our concern for the economic well-being of the nation's poor in general, and the urban poor in particular, that brings me before the Working Group today. CSS has been monitoring, analyzing and commenting on welfare reform proposals for many years. We very much appreciate the opportunity to comment with respect to the ideas being proposed at the federal level at this time.

The charge that President Clinton gave to the Welfare Reform Working Group was based on four principles: to make work pay; to dramatically improve child support enforcement; to provide education, training, and other services to help people get off and stay off welfare; and to create a time-limited transitional support system followed by work. We essentially agree with the first three of those goals. The fourth goal, however - time-limited welfare - gives us major cause for concern.

While we support the first three of the Administration's goals and would express only a few concerns about the details of

implementation (such as the need to prevent any new child support requirements from deteriorating into harassment), we are implacably opposed to time-limiting the welfare system. I have taken time limits in this context to mean a system in which poor people would only be allowed to receive cash benefits for some specified length of time, whether or not they were also working or participating in an approved activity during part or all of that time period. Such time-limit proposals are both inhumane and unnecessary.

Time limits are inhumane because they ignore economic realities and gloss over the issue of human need. The economic reality is that many poor people combine welfare and work in a simultaneous or sequential manner throughout a period of their lives. Some wage earners work in the private sector and collect a partial welfare benefit simultaneously because their earnings are not adequate to meet their family needs. While beefing up the earned income tax credit and child support enforcement efforts may bring in enough income to allow many of these families to make it without welfare, some will still need an income supplement.

Other single heads of household may earn enough to become independent of welfare and then wind up back on the rolls because of a job loss, personal problem or family crisis. Cycling on and off welfare for good reason is a common phenomenon and not a shameful practice for which the need will disappear if the practice is curtailed. Eliminating the availability of welfare does not eliminate the problems that force people onto the welfare rolls several times over the course of a lifetime. For many welfare

recipients, losing a job or leaving it for good reason does not translate into eligibility for unemployment insurance. The economic reality and human face of unemployment without a safety net of cash benefits cannot be wished away with pieties about "making idle people work." Further, poor people do not have economic cushions to tide them over the hard times. Economically, their lives are nothing but hard times, only some of the times are harder than others.

Morally, time limits are indefensible. Logically, if other policy changes are made, they are not necessary. If the hypotheses about what people need by way of education, training and services are correct; if jobs are available when needed; and if there are work requirements in place -- then time limits are essentially superfluous. If the assumptions underlying the Administration's first three principles are viable, then welfare recipients would be assured of the income and supports that they need and would be working when employable, in private sector jobs optimally and in subsidized jobs if the labor market cannot absorb them.

The time limit proposal essentially recognizes that the other principles may not be viable or that they may fail and that another solution may be required. Are we so desperate to be perceived as having all the right answers that we must build an undesirable final solution into the initial proposals instead of being willing to go back to the drawing board and trying again? We, like you, would like to see the welfare caseload reduced, but shutting our eyes to economic and social realities is not the way to do it.

We have no argument with the idea that people who can work should work, unless extenuating circumstances make work impossible or impractical, but we also believe that there must be a safety net for children and their families. Arbitrary time limits on the receipt of cash assistance take away that protection. On the related issue of work requirements, I would just add that we also believe strongly that people who work should receive wages and benefits in return for that work.

Your question to this panel was: "How should a program of time limited assistance followed by work be structured?" My answer is that it shouldn't -- unless jobs are guaranteed for everyone who cannot find work in the private sector labor market, the guaranteed jobs pay wages, the determination of employability is put into the hands of qualified professionals, the exemptions are reasonable and clear, and an adequate safety net is devised to cover the unintended and unforeseen consequences of an untested policy.

I would conclude my comments by noting that we, too, used four principles as a standard for judging the desirability of a welfare system. In our minds, any plan for welfare reform must accomplish four things:

A welfare reform plan must --

--address human needs;

--reduce the <u>need</u> for welfare;

--allow Americans to work for wages, not just welfare;

--assure an adequate safety net for children and their families.

Basically, we envision a new program that combines income packaging with support services and needs-based case management. Such a program would provide an income package for each family that might include earned income, tax credits, child support, an assured child benefit, welfare and/or other cash benefits. The proportions and amounts from each source of cash income would necessarily vary, but all program enrollees would be assured of the ongoing health care coverage and child care needed to make work effort make sense. Education, training, and other assistance for movement into the labor force would also have to be available, as needed, to make the program truly succeed.

We believe that income packaging (including an expectation of some earned income in most cases) and support services, combined with an individualized approach to case management and close attention to changing case dynamics, are the ingredients that will lead in a positive way to a reduced need for welfare. Yes, arbitrary time limits would also reduce the welfare rolls, but presumably we as a society are striving for a more lofty goal than fewer people living on welfare at the cost of more people living on the street.

I urge you and the other members of the Administration who are working with you to keep <u>our</u> four principles in mind as you go about the critical task of reforming the welfare system. I hope I may also look forward to continuing to work closely with you as the process unfolds.

Thank you again for this opportunity to testify.

Testimony

of

Most Reverend John H. Ricard, S.S.J.
Auxiliary Bishop of Baltimore
Chairman, Domestic Policy Committee

on behalf of

The United States Catholic Conference

before the

Working Group on Welfare Reform,
Family Support and Independence

August 20, 1993

INTRODUCTION

I am pleased to be here today to represent the views of the United States Catholic Conference, the public policy agency of the Roman Catholic bishops of the United States.

The topic of this morning's forum, Welfare Reform, Family Support and Independence, is of deep concern to the bishops. We are now in the second year of a Catholic Campaign for Children and Families. The Campaign began in 1991 in response to the bishops' pastoral, **Putting Children and Families First,** and has taken as its public policy priority those governmental initiatives which impact families coping with the moral, social, and economic stresses of caring for children.

Throughout this century the Church has been actively involved in working with and for the poor. By means of our ongoing pastoral work; through Catholic Charities' extensive network of over 1400 charitable agencies serving 18 million people in 1992; through the Catholic Health Association's nearly 600 hospitals and more than 300 long-term care facilities serving more than 20 million people annually; through the Campaign for Human Development's efforts to organize and empower the poor which last year funded over 200 local anti-poverty groups each working to improve policies, practices and laws impacting low-income communities and individuals; and with our advocacy work, through the U.S. Catholic Conference, in 198 dioceses and over 19,000 parishes, to

improve public policies, we have had extensive contact with the problems of the poor.

These experiences have led the Catholic bishops to work for improvements in the welfare system. Throughout its history the Catholic Conference has consistently called for adequate benefit levels, a comprehensive full employment strategy, rejection of welfare rules that weaken families, and administration of the system in a manner that supports dignity, equity and self-determination. We support a refundable children's tax credit and applaud the expansion of the Earned Income Tax Credit as a first step toward rewarding work.

Our views on this subject are shaped by two perspectives. The first is the principle that human dignity is the fundamental criterion against which public policy must be measured. Secondly, and more specifically, is the conviction that in a society as rich as ours there is no excuse for the extremes of deprivation and poverty that leave millions without even the basic necessities of life.

As our pastoral letter **Economic Justice for All [EJA]** states, we measure the strength of the nation not only by what its economy produces but also by how it touches human life and whether it protects or undermines human dignity. Economic decisions, whether they are employment decisions or welfare decisions, help or hurt people, strengthen or weaken family life, advance or diminish the quality of compassion and justice in our country.

In my brief remarks I want to address two points: first, that a program of time limited assistance followed by work must be directly linked to national, state and private sector employment policies; and second, that any reform of the welfare system, including time limitations, must be structured so that it supports and strengthens individuals and families.

WORK

The central problem in America is not welfare, but poverty. Our economy is not producing the jobs and opportunities we need to use the talents and energies of all people. Dealing with poverty is not a luxury to which our nation can attend when it finds the time and resources. Rather, it is a moral imperative of the highest priority. [EJA para. 170]

In 1991, the number of poor Americans hit its highest level in more than 20 years. More than one out of every five children in the United States lives in poverty. Millions of children are so poorly nourished that their physical and mental development is seriously harmed.

In addition, we have also seen the growing economic hardship and insecurity experienced by moderate income Americans when they lose their jobs and their income due to forces beyond their control. As long as we continue to accept as "full employment" the structural unemployment of up to 7% of the workforce, we must expect that some people will need support. We should not

be surprised to see such a need when our economy and unemployment compensation programs systematically leave a large number of people unprotected.

And for those who do find work the prospects are not necessarily bright. Many labor analysts believe that wages will continue to fall due to global competition, technology, downsizing and the growth of the contingent work force. As the Wall Street Journal recently concluded, we are "creating a nation increasingly divided into haves and have nots". [10 March 1993]

FAMILY

While we strongly support proposals to increase genuine work and training opportunities for welfare recipients as a prerequisite to setting realistic time limitations, we are troubled by the way that the question has been framed. We believe that human work has a special dignity and is a key to achieving justice in society. But, as Pope John Paul II reminded us in several papal encyclicals, caring for one's own children is work that is just as important and valuable to society as paid employment. While the trend is clearly toward mothers of young children working at least part-time, we question whether the government should degrade the value of maternal care by a policy that <u>requires</u> mothers of young children to take jobs outside the home. Federal or state policy should not enshrine the notion that the family is only an <u>economic</u> unit

and that parents' primary responsibility is to provide for material needs rather than emotional, intellectual and spiritual needs.

Child care and health benefits are also essential. Mothers who find satisfactory, affordable day care arrangements and have private health coverage or Medicaid [or have extraordinary luck] can often manage to keep their jobs. When society fails to provide one or both of these essentials, either the mother can't hold her job or the children are neglected. Either result is unsatisfactory, but the latter should not be tolerated.

CONCLUSION

We are not supporters of the status quo, which we believe contributes to dependency and undermines human dignity. Too often the empty rhetoric of both the right and the left uses the problems of poor families for political purposes, but fails to take steps to really help them leave dependency and poverty behind. Some talk about values, but seem to be more committed to cutting benefits. Others ignore the family dimensions and the value questions surrounding welfare. We support an approach which cuts across these political lines and focuses on the needs of the poor and not the needs of politicians or ideological groups. We fear that in some places concerns about values and behavior are being used simply to justify cuts in essential assistance to poor children.

The poor ask for the right to share in enjoying material goods and to make good use of their capacity for work, thus creating a world that is more just and prosperous for all. The advancement of the poor constitutes a great opportunity for the moral, cultural and even economic growth of all humanity. [John Paul II, Encyclical Letter, Centesimus Annus, para. 28] True welfare reform may demand an investment of resources but such an investment of time and money is vital to our nation's future.

The work of the Catholic Church reflects our desire to shape a society - and a world - with a clear priority for families and children, especially those in need. We share with you a commitment to contribute to the development of policies that help families protect their children's lives and futures.

Thank you for this opportunity to testify today on behalf of the Catholic bishops of this country.

WELFARE REFORM PRINCIPLES

The central problem in America is not welfare, but poverty. Our economy is not producing the jobs and opportunities we need to use the talents and energies of all people. We will use the following guidelines in evaluating welfare reform proposals:

1. **Eliminating poverty should be the target of comprehensive welfare reform.** Poor families did not cause the recession and cuts in poverty programs will not end it. Real welfare reform seeks to help people leave poverty behind, not just leave the welfare rolls.

2. **Welfare reform should help welfare recipients to find meaningful employment and achieve self-sufficiency.** Too often, a poor family moving from welfare to work loses health coverage, child care and income support essential for their family's well-being.

3. **Welfare reform should include education and job training programs that lead to real jobs.** They should reflect a stronger commitment to education for the poor; and they should be oriented toward empowering the poor to become self-sufficient.

4. **Welfare reform should include strong child support enforcement.** Child support reform is not only necessary for the protection of children but also for families who benefit as a whole.

5. **Welfare reform should affirm and reward the values of strong intact families, personal responsibility, sexual restraint and basic morality for people of all economic means.**

6. **Welfare reform should provide real incentives and supports for poor families to stay together, continue their education, and find meaningful employment.** We oppose penalties that deny children basic benefits because of the behavior of their parents. Policies and programs at all levels should support the strength and stability of families, especially those adversely affected by the economy.

7. **Welfare reform should support other efforts of states to assist families in moving from welfare to work** such as reform of state unemployment compensation; increase in state minimum wage; reduction or elimination of penalties on step-parents and married families; continued health care coverage, child care and other income supports.

National Head Start Association

NATIONAL HEAD START ASSOCIATION

COMMENTS

WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

AUGUST 19-20, 1993

National Head Start Association

Welfare Reform and Head Start

Rationale for Partnership

When the Welfare Reform Act passed in September 1988, Leon Panetta, current Director of Office of Management and Budget, was quoted as saying, "The goals of true welfare reform are to preserve the family unit, provide adequate benefits, require expanded work and job training opportunities, and simplify and coordinate existing programs." When restructuring welfare reform, Head Start must play a key role. Head Start's intricate involvement with low income families and parent and staff training provides an opportunity to maximize federal dollars. Head Start focuses on all facets of welfare reform as referenced by Mr. Panetta. These two programs share a similar conceptual framework and hold the promise of uniting and providing quality comprehensive services to meet the needs of low income families.

FACT: Head Start programs provide Training and Technical Assistance for staff and families.

FACT: Head Start programs provide Child Development Associate (CDA) training for teachers, teacher assistants, and parents.

FACT: Head Start programs collaborate with social service and other human service agencies.

FACT: Head Start programs are currently providing child care services to JOBS participants.

FACT: Head Start programs are located in the same low income communities targeted by the Family Support Act.

FACT: 49% of parents participating in the Head Start program are eligible for jobs participation.

FACT: The expansion of some Head Start programs to serve children full-day full-year provides an opportunity for children of parents in a JOBS program to receive quality comprehensive services.

Developing a special agreement between Head Start and the JOBS program can actually benefit both children and families and achieve a two generation benefit already supported by Head Start. Children and families both would receive the support needed as families grow toward self sufficiency.

PARENT INVOLVEMENT

Currently one third of the Head Start staff are former Head Start parents. Some parents have moved from their first work experience in the Head Start system to other areas of employment. Head Start programs involve parents in three major areas of the program; (1) volunteerism, (2) parent training (3) and decision making. Both parents and children benefit from the parent's direct involvement in the program. This is accomplished through participating in the classroom and assistance with delivery of all Head Start services. Parent training is required for child development and those in need of literacy training. Head Start parents are empowered by their role as equal partners with staff in designing their child's program.

Head Start has an established and historic relationship with parents striving to become self sufficient. Family needs assessments are required of each Head Start family. This information could easily be utilized by the JOBS case worker thus reducing time spent on data collection and providing a more comprehensive coverage to a participating family.

BARRIERS

1. Under the JOBS program, child care was developed in a custodial mode, to enable parents to work rather than enrich the lives of young children. JOBS child care does not currently mandate the use of licensed child care programs or provide for parent consumer education about the developmental needs of children that would create a need for quality.

2. When parents seek quality care, the reimbursement rate may be so low they can't afford the services.

3. Too few Head Start programs are able to offer full-day full-year programs.

4. The same caseworkers could be used for Head Start participants in JOBS programs if some regulations were relaxed and active leadership at the federal level encouraged partnerships.

RECOMMENDATIONS

1. The federal government should require JOBS lead agencies in each state to establish a memorandum of understanding with the local Head Start program to identify areas where collaboration may take place.

2. Require Head Start representation on the JOBS Interagency Councils.

3. During Head Start reauthorization process, provide for full-day full-year Head Start services that will meet the needs of JOBS participants both for 3 and 4 year olds and infants and toddlers.

4. Case managers from JOBS and Head Start would collaborate to reduce duplication of service.

5. Provide statutory and regulatory language in both programs to support coordinated efforts.

6. Provide federal incentives to encourage collaboration across these two programs which often involves two separate agencies.

AMERICAN FRIENDS SERVICE COMMITTEE

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Biographical Statement

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Anne B. Turpeau is a member and former chairperson of the National Community Relations Committee of the American Friends Service Committee (AFSC) and serves as member of its Economic Rights Task Force. She is a retired program administrator and program development specialist who has worked primarily in non profit organizations in human services and social action. She has held leadership roles in human rights, women's advocacy, and community development activities.

A former Associate Director for Programs of the Washington Urban League and director of the League's neighborhood development program, Mrs. Turpeau also served as executive assistant to the Director of the D. C. Office of Human Rights, and as a program associate of the Mental Health Association of the District of Columbia. She also worked for several years with ACTION, the federal volunteer agency, helping to develop demonstration employment programs for rural women.

Mrs. Turpeau served for nine years as a member of the D. C. Commission for Women, and was chairperson from 1976 to 1979. Under her leadership, the Commission became a statutory body of the D. C. government. She served as the Commission's director of a federally funded research project on sexual harassment; and provided leadership in promoting sex equity policies and programs in the public schools and promoting employment of women in non-traditional occupations.

Mrs. Turpeau was elected as one of two founding co-chairpersons of the National Women's Conference Continuing Committee, following the 1977 U. S. National Women's Conference held in Houston; and served for three terms. The principal purpose of this national network has been to promote and monitor implementation of the National Plan of Action adopted by the Houston Conference. She continues to serve as a member of the board of directors of the National Women's Conference Center, an allied organization.

She was actively involved locally and nationally in political, social and economic changes and events during the United Nations Decade for Women, 1975-1985. She was a member of the U. S. Delegation to the Mid-Decade Conference in Copenhagen, Denmark, July 1980; and was a member of the AFSC non-governmental delegation to the U.N. Women's Conference in Nairobi, Kenya, July 1985.

Currently, Mrs. Turpeau is a member and secretary of the Board of Directors of the National Center and Caucus on the Black Aged, and its several housing development corporations.

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STATEMENT ON WELFARE REFORM
August, 1993

The American Friends Service Committee has worked for over 75 years in this country and around the world in the struggle for justice and peace. In our work in the United States, we associate ourselves with poor communities in their struggle for civil and economic rights and for participation in making the decisions that affect their lives. Over the years, we have worked closely with groups and organizations seeking a greater fairness and effectiveness in the system of providing public assistance.

No issue of economic justice is more important now and over the next several years than welfare and the relationship between welfare and jobs.

PRINCIPLES We wish to summarize briefly some principles that should undergird reform of the welfare system.

1. **Language** is important. We are struck by the fact that advocates as well as opponents of greater fairness use the gender-neutral term "welfare recipients" which conceals the fact that most of the people receiving welfare are women and children. Comments about "cracking down" on "deadbeat parents" or "choosing welfare over work" strengthen stereotypes about welfare fraud, paper over the fact that many parents are too poor to offer child support, and overlook the fact that at this time there are not enough jobs for all who want and need them.

2. **Participation of women experienced as recipients** will be required for meaningful reform of Aid to Families with Dependent Children. They should be involved throughout the consideration of change and in monitoring of new approaches.

3. **A decent living** for children, mothers and other caretakers should be the cornerstone of welfare reform.

- Many full time jobs don't provide adequate income and will require supplemental supports, such as child care, housing assistance, food stamps, health care, education and training, and the earned income tax credit. (This applies to all low wage workers, not only to women in the period from welfare to work. The Earned Income Tax Credit is extremely valuable, and we welcome the recent increases in the credit and the expansion of its applicability.)

- more -

- Cash benefits are also necessary, sustaining not only women moving from welfare to jobs, but also people who for personal or family reasons can't work outside the home or can't take full time jobs. Benefit levels need to be raised. The real value of welfare has declined by 43% over the last 15 years.

4. **Jobs** are a key component of welfare reform. Several factors need to be kept in mind:

- Welfare reform must acknowledge that mothers do work in the home, and most want also to work outside the home in the marketplace.

- The jobs generally available do not pay a living wage, and more often than not do not provide benefits to secure a future. (Part-time and contract jobs are notable for misusing women in this way.)

- Real jobs are needed. Whether in the private of public sector, they should permit union membership and provide a living wage and standard benefits.

5. **Fair and affordable housing** is essential to family welfare. Our metropolitan areas are severely segregated by income and race, and we must take strong action to address patterns of housing exclusion if we are to enable people to be where jobs and training are. Efforts to stimulate job development in inner cities are desirable, but not adequate to the need, because increasingly the good jobs are located in suburban areas that are not accessible for those living in the inner city.

OTHER ISSUES. We want to comment briefly on some other issues that are under discussion:

- Two year cutoff - This is too short for adequate education and training, certainly for the high-tech and other jobs that provide incomes leading to self-sufficiency.

- Abuses - We are troubled by the emphasis in some quarters on abuse in the welfare system, given the level and cost of abuse in other government programs. We support the drive for responsibility, including child support, as long as it is fairly pursued.

- Certain government-established standards must be adjusted: the poverty line, which does not reflect the reality of living costs; the minimum wage; and state standards of need, many of which date back to the early 1960s.

- Public and community service jobs for people on welfare for whom work is an option but who can't find private sector jobs must be real jobs, offering decent wages and benefits.

# # #

Wider Opportunities for Women, Inc.

A nonprofit tax-exempt Women's Employment Organization
1325 G Street N.W., Lower Level, Washington, D.C. 20005-3104 (202) 638-3143

Testimony of Cynthia Marano, Executive Director of Wider Opportunities for Women before the Working Group on Welfare Reform, Family Support, and Independence
August 20, 1993

Introduction

Good Morning, Co-Chairs and Members of the Working Group. I am Cindy Marano, Executive Director of Wider Opportunities for Women, a national nonprofit women's employment organization, with a thirty year track record of providing direct services to women on welfare in the District of Columbia. WOW also coordinates a national network of 500 women's training organizations across the 50 states which serve 300,000 women yearly, many of them welfare recipients. And, WOW works at the national, state and local levels providing technical assistance to public agencies to improve the impact of job training and vocational education for low income women and girls. WOW has a long history of dedication to creating pathways of real promise for low income mothers and their children. Since the mid-1960's, we have recognized that to reduce or eliminate poverty in this country will require an investment in quality employment opportunities and quality education and training for women and girls.

I'm pleased to have the opportunity to share the lessons of WOW's work on education, training, and support services with you and to add my voice to those urging you forward on a thoughtful retooling of our welfare system.

Overall Recommendations

I will make four overall recommendations for your consideration:

1) the use of welfare reform dollars **only** for investment in education and training strategies which have a realistic promise of economic independence as the outcome;

2) the targetting of welfare education and training dollars to those welfare recipients who are "training ready" and have the needed support services in place to succeed in training versus a categorical list of priority recipients;

3) the combining of literacy and basic skills training with occupational skill building to shorten the period welfare recipients must wait before entry into a well-paying job; and

4) the use of limited financial resources to support real occupational skill development programs for those who are ready for and have the support services in place to succeed in employment and training services, resulting in fewer participants served with a higher return on the investment.

With the dramatic increase in the number of women in the U.S. who are working and living in poverty, WOW urges the Working Group to develop an education, training, and support services initiative, which begins with a commitment to investing **ONLY** in education and training strategies for welfare recipients which

lead to higher wage, quality jobs. With the expansion of the Earned Income Tax Credit and improved enforcement and collection of child support, access to income enhancements for mothers working in low wage employment will be strengthened. I would therefore urge you to concentrate the welfare education and training investments on preparation for occupations where entry wages are high enough to support the welfare recipient and her family. These would include trade and technical or "nontraditional" jobs and more traditional career fields which require postsecondary education or apprenticeships. While it is true that preparation for such jobs is somewhat more costly, the investment has a longer term payoff -- economic independence, rather than a recycling off and on welfare. States could target those fields which -- in their economies -- bring a wage equal to real self-sufficiency. Given the experience in the JOBS program and the limited dollars available, WOW believes that this should be the single most important goal of a new welfare employment initiative.

While many believe that it is not possible to prepare welfare recipients for higher wage, self-sufficiency-oriented jobs, WOW has more than ten years of experience that proves otherwise.

Secondly, I would urge you to provide intensive education and employment training services to those welfare recipients who are "training ready." This means an assessment that a participant has the comprehensive supportive services needed to complete training -- housing stable enough to be sustained for the period of training, access to health care for herself and her children, reliable and safe child care for her children while in training, and transportation to and from training. It means that the recipient is not in a state of physcial or emotional crisis -- or current drug/alcohol dependence -- and can concentrate on training and education. At WOW, we have designed the attached Phases of Job Readiness Scale to help us identify clients who are ready for full-time training or for employment. Please note that this does not mean that those who are not "training ready" receive no services or can do nothing toward their future economic independence. It simply means that intensive occupational education or training investments -- which are costly and require consistent attendance and concentration -- are not provided to those who cannot benefit from them. Recipients who are not yet ready should be supported in gaining the full spectrum of supportive services to resolve the non-training issues which are barriers to their employability. They should receive career counseling and pursue career exploration, focusing on the development of an employment plan toward real economic independence. These services can be provided on a less rigorous schedule and are less expensive per participant. It should be the role of the individual's case worker to bring the participant to "training readiness" through the use of a comprehensive model of support services. Upon achievement of the "training readiness" phase, the participant should be enrolled in significant skill building for a well-paid job if she needs skills to gain higher wage employment (a high proportion of the welfare population). Otherwise, she should be assisted in finding employment in her area of career interest and skill.

I do not include as a requirement for training readiness a minimum basic skill level. It is WOW's philosophy that welfare education and training dollars should be spent to hasten the process through which welfare recipients gain basic and occupational skills simultaneously -- through support of occupational training based on the functional context education model or through postsecondary education in institutions with facilities for increasing basic skills as the student works on her academic/vocational program. WOW would discourage the large scale referral of welfare recipients to general adult basic education courses soley to raise their literacy skills or gain their GEDs as the required first step in a sequence of services. We now know that it is possible to address both goals at once -- the building of career skills and career direction at the same time as one builds basic skills. The functional context approach has been shown to retain participants better, to have a "double duty" impact, and therefore to be more cost-efficient. Organizations like WOW and many in our Network have shown that this can be done and is largely preferable to the women themselves who have limited skills and for whom employment and improved economic status feel like distant goals.

Changing Policy

How might you achieve the goals I am suggesting in new welfare reform policy?

WOW recommends setting **performance standards** for welfare employment programs which require the achievement of wages at placement that are reflective of quality jobs consistent with economic independence. Education and training for such jobs can be purchased through some Job Training Partnership Act programs, community colleges, vocational technical institutions, employers, community based organizations and others with a proven track record of operating occupational training for higher wage jobs. Congresswoman Lynn Woolsey has recently introduced a bill which would require the use of a "self-sufficiency standard" in job training. This is one model that could be replicated in welfare reform legislation. You could also require that states develop plans for how they would meet the standard, targetting a cluster of 8-10 high demand occupational areas with an average wage which would approximate economic independence or a self sufficiency standard. You could require a list of education and training opportunities and training providers in the plan which match the occupational clusters from which welfare education and training services will be purchased. You could also require that all recipients who are not yet job ready receive a career counseling and career information service component targetting the same occupational clusters.

In a time limited welfare program, I would recommend introducing all welfare enrollees to career counseling and career information focused on higher wage options as the first step service. I would recommend the use of providers of high quality, culturally sensitive career services to deliver these services, such as community based organizations, guidance professionals, or others identified in the state. The goal of this service would be to orient new enrollees to specific occupation and training options with the potential for economic independence and to explain the need to gain economic independence within the defined time limits of the program. WOW has modelled this approach in its work in the JTPA community, where, for example, every female JTPA client in the city of Milwaukee is introduced to nontraditional and technical careers through a career counseling module, and more than 30% now choose to pursue nontraditional training, resulting in wages averaging 30% higher than previously. In an expanded version of this concept, all welfare enrollees might participate in a career orientation that would open the possibilities of higher wage traditional and nontraditional higher wage options as a first step. Individual assessment would follow this activity to determine who was "ready" for training and what would be the occupational choice that would bring about economic independence within the time limits. Packaging of the needed support services for those who were ready would be the next step. Those who were not ready for training would be assigned counseling, case management to gain needed support services, with the goal of reaching training or job readiness within a year. Those who were already job ready would be given job development assistance.

Utilizing this process would direct the system away from a focus on special target groups of welfare recipients to be served to a focus on identifying those ready to be served in different components of the program, without prior judgment as to who should be ready. Setting wage standards would also redirect the system to the outcomes desired. Participation rates could include all those being served in the many phases of the program -- at the level and intensity of support needed by the individual, not arbitrarily. Not all recipients would receive intensive occupational training. Some would have career interests or continuing skill gaps or family circumstances which would lead them to jobs at the lower range of the wage spectrum or to part-time work. For these participants, introduction to the EITC and, where appropriate, to the child support system will be critical. Paying for training for such job options is not a wise investment of public dollars. There should be strong disincentives built into the new policy to avoid the training of welfare recipients for jobs which lead to continued poverty.

To encourage the use of the functional context education model or simultaneous basic skills occupational skills acquisition will require a substantial change in the way most states do business. Upon

assessing that a welfare client does not have adequate basic skills, most states refer recipients to a local adult basic education or pre-GED programs, unrelated to a career plan or career direction. The drop out rates from such programs is estimated to be as high as 70%. States can be encouraged to hasten the process through having to report their plans for SIMULTANEOUS basic and occupational skills enhancement and through the use of alternative education providers with a proven track record of assisting individuals with limited literacy prepare for well-paid jobs. Such providers can be found in the traditional education environment (i.e. some community college and adult education programs, linked with voc ed, etc) and among community based organizations, some literacy programs, and others.

Closing

Wider Opportunities for Women stands ready to work with you to see that our experience in operating and advising programs that utilize the directions I have outlined this morning can be integrated into policy as you proceed. We urge you to design an education and training component for this newest version of welfare reform that can deliver on the promise of long term economic independence for those served. We know that it is possible to design and implement such a program and that this is the hope of the President and the citizens of the country. We are confident that a program that could show long term economic independence as the outcome of investment would win the support of recipients, providers, policymakers, and the public.

Wider Opportunities for Women, Inc.

A nonprofit tax-exempt Women's Employment Organization
1325 G Street N.W., Lower Level, Washington, D.C. 20005-3104 (202) 638-3143

About WOW

Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, D.C. to achieve economic independence and equality of opportunity for women and girls. For nearly 30 years, WOW has helped women learn to earn, with programs emphasizing literacy, technical and nontraditional skills, and career development. Since 1964, WOW has trained more than 10,000 women for well-paid work.

What began as a local Washington effort to help women help themselves has become a multi-faceted women's employment organization, recognized nationally for its skills training models, technical assistance, and advocacy for women workers. While it continues to provide training services locally, WOW also leads the Women's Work Force Network (WWFN) comprised of over 500 independent women's employment programs and advocates in every state and the District of Columbia. Each year, the Network reaches more than 300,000 women seeking employment information, counseling, training and jobs. With its unique perspective as a job trainer and policy monitor, WOW is a respected advocate for the needs and rights of women workers.

1993 Activities

The WOMANLINC Project: staff development workshops and technical assistance for organizations interested in teaching literacy in the context of employment or intergenerational programs;
Leadership Development Project: state-based institutes and follow-up support designed to increase the effectiveness of women's advocates in community-based employment and training organizations;
Nontraditional Employment Training Project: technical assistance for the JTPA system on improving the access of women to nontraditional occupations;
Educational Equity Options Project (EEOP): consultation with school systems to improve vocational education opportunities for women and girls;
The Women at Work Awards: a recognition event to celebrate exceptional contributions to working women in the media, public policy, in the workplace, and in individual leadership.
The Sexual Harassment Solutions Project: a best practices project identifying programs and policies that prevent or address sexual harassment in the workplace.

The Family Literacy Project: a program for local area women integrating basic skills, introduction to nontraditional and technical jobs, and family learning activities.
The DC NEW Act Project: a local public education and technical assistance project to increase the numbers of low income women entering and succeeding in training for nontraditional jobs.

Leadership

WOW is governed by a Board of Directors and guided by advice from the National Commission on Working Women, the Regional Leaders of WOW's Women's Work Force Network, and a local Industry Advisory Council. WOW's Board Chair is Anna Padia; Chair of the Commission, Irene Natividad; and Executive Director is Cynthia Marano.

PHASES OF JOB READINESS -- THE WOW MODEL

I. TRUE CRISIS:

People who fall into this category of Job Readiness are those experiencing a high degree of emotional stress, instability, and lack of ability to concentrate. Sometimes the stress and instability derives from a situation in the participant's life which requires all of their attention. Often, people who are in early stages of recovery from drug or alcohol abuse, abusers themselves, individuals in intensive treatment for mental or physical disabilities, or those in dire life situations fall into this category.

Indicators of this phase include:

- inability to listen to directions
- physical agitation
- complete focus on the self/circumstance
- evidence of recent drug/alcohol use
- lack of cleanliness/personal hygiene
- lack of coherence in communication
- repeating phrases frequently
- sense of danger
- aggression toward getting needs met
- visible anxiety
- "tuning out."

Recommended Strategy: Individuals who are in the true crisis stage are not good candidates for career counseling, career assessment, training/education or job placement. Their energies are focused elsewhere and must be used to solve the pressing problems confronting them. Income concerns must be directed toward getting financial assistance from public sources or toward some type of sheltered employment.

Referral to a job or to training in this stage will be counter-productive for the individual and unfair to the training/education organization and to the employer. Results of such referrals include loss of jobs quickly, negative reinforcement, and a sense of inability to learn. It is almost always very damaging for the participant.

II. CRISIS TRANSITION

Participants at this stage of job readiness are beginning to attend to life planning after a crisis or disabling illness. They are capable of making and keeping some appointments, or listening to others, of taking sequential steps in problem-solving. They are beginning to ask questions that have a longer term impact than those in true crisis and can sustain attention to information provided by others for several hours at a time. They are, however, truly in transition, and their behavior day to day may vary greatly.

Indicators

Indicators of this phase of job readiness are:

- varying capacity to plan and problem-solve day to day;
- curiosity about/concern about the future;
- asking for advice from many sources;
- changing strategies/shifting from thing to thing;
- "needing a job now" but being unrealistic about how she/he will meet the demands of daily or full-time work given other life realities;
- unclear about career goals and skills needed to support goals;
- unable to sustain consistent behavior and attendance for a week or more;
- engagement with others' views, ideas -- even to the point of going to one person after another seeking counsel;
- evidence that the person is systematically solving life problems which stand as barriers to training or employment.

Recommended Strategies

For individuals who are in this phase of job readiness, there are three recommended strategies:

1. Skills/Employability Assessment
2. Career Counseling/Planning
3. Career Exploration

This is an appropriate time to begin basic skills testing, discussions about work and life experiences that relate to the job, career interest inventories, job shadowing, the development of

employment plans, and other short term activities that can open up doors, begin to document steps that will need to be taken and identify barriers. These activities will help the individual become concrete about what lies ahead and make her/him feel like progress is being made toward important goals. Usually activities should be designed for 2-3 hour segments and should not require every day attendance to career planning or development, leaving plenty of time to continue solving other life problems and get support. Often people's minds will change many times during this phase, and the individual should be supported in pursuing several different potential goals.

III. TRAINING READINESS

Not all participants will use this phase of job readiness because some will already have developed the skill and experience needed to get the kind of job they are looking for. But for many individuals, returning to the work force from a crisis or out of disadvantaged backgrounds, investment in education and training is a prerequisite to finding a job which will provide sufficient income and benefits to provide economic independence.

Whether education and training are needed should become apparent at the crisis transition phase through assessment of basic skills and employment skills.

Indicators

Evidence that an individual should next be referred to training or education includes:

- basic skills which indicate reading and/or math skills below the 8th grade level;
- lack of a high school diploma or GED;
- little work experience or experience in a series of low wage/low skill jobs;
- interest in a career area requiring employment skills;
- a competitive job market, where entry level jobs are being filled by those with "credentials";
- interest in going to college or technical training;
- evidence that the individual can follow through on attendance for several week periods, solving basic personal barriers that interfere with attendance;
- capacity to conform enough to follow the requirements/guidelines of a structured program;
- capacity to retain information/attend to a learning mode;

- enough planning skills have been acquired so that the person can gauge her financial situation/public assistance status to gain access to needed resources;

- recovery from abuse or health crises has reached a stage of stabilization such that the added stress of demands from an education or training environment will not be likely to cause a relapse.

Recommended Strategies: Use the participant's own motivation to achieve her goals to explore different education and training options. Strategies in this phase should be designed to meet assessed need and the energy level of the participant. If the individual needs employment as soon as possible but has very intensive skills needs, look for a short-range program that can link education and job skills. If the person is interested in education and training but feels that she/he does not have adequate income, explore public subsidies (the JOBS program, JTPA, vocational rehabilitation, vocational education) financial aid and free adult education programs. In developing the training plan, it must be presented to the participant that the investment in training has a wage consequence that will mean it will be possible to get a job that can really support her versus moving to a job immediately with minimal wages and no benefits. For some, the training phase can begin with a 2-hour per evening GED course and then be followed by a job skills program lasting 15 weeks to 6 months as the individual's goals become more certain. This phase can last over several years -- or can be completed in 6-8 weeks. If a person is in need of educational or training skills, skipping this phase can mean cycles of low wage work and poverty.

JOB READINESS: STAGE I

The individual in this phase of job readiness can handle the discipline, routines, and requirements of some type of employment. The individual may not be fully prepared for employment which will be economically-sustaining but can concentrate on work, communicate well enough with co-workers and supervisors to maintain the job, and can meet the time, attendance, and hiring requirements of an employer. For many individuals in the first stage of job readiness, part time work can be combined with training or education.

Indicators

Indications of this phase of job readiness include:

- tentative realism about how she/he will cope with getting to a job on time and overcoming personal barriers to regular attendance;

- enough work skills and/or education skills that can be documented on a resume or application to show a reasonable chance of passing through the applications process;

- personal hygiene and dress norms that can sustain regular work schedules;
- capacity to follow directions and learn new skills;
- enough skills at dealing with conflict that so that communication conflicts in the workplace can be overcome;
- adequate basic skills to be able to fill out applications and read/figure simple job requirements;
- a plan for how this beginning job can lead to a more desirable employment goal later.

Strategies: Assisting the individual at this stage of getting the job is challenging because the job market is competitive and her/his skills are not fully developed. Perhaps, most important, the self esteem of the person in phase one job readiness is often very vulnerable, and the realities of the job market are harsh. Helping to prepare the individual for a series of unsuccessful attempts and to help make the attempts as successful as possible should be the goal of work during this phase of assistance. This is an especially good time for job search workshops, stressing how to interview and practice interviewing. The person should have a resume, a model cover letter that can be adapted, and basic telephone skills for making inquiry calls. Individuals at this stage often need a structured job-finding support group that will provide encouragement, feedback and a regular place to go to work on finding a job.

This individual is not ready for career employment and should not be encouraged in this direction. Part-time work or entry-level employment that connects to a longer-range career plan, and more supportive work environments are ideal results for individuals in this phase. Assistance is often helpful in helping to manage/plan for the use of the limited wages which result.

<u>JOB READINESS: STAGE II</u> (POST TRAINING STAGE)

Individuals at this phase of job readiness have the basic tools needed to mount a serious job search -- adequate basic skills (8th grade and above), a high school diploma, GED, or other specialized training, some work experience that can provide a serious positive reference, a career goal, and the communications/self esteem needed to "sell" skills in a job interview. The challenge in this phase of job readiness is to assist the individual with making choices that will result in the best wages she/he can get, health and other benefits, and a job that is consistent with the career goal.

Indicators

The individual at this phase of job readiness demonstrates the following:

- clarity about one or more alternate career goals;
- the capacity to realistically evaluate possibilities/ leads against her skills/experience and her career goals;
- the ability to communicate the connection between her skills and experience and a job opening in a persuasive manner;
- the capacity to problem solve how to overcome barriers of transportation, child care, finances related to different job opportunities;
- ability to consistently make appointments and keep them;
- ability to follow directions;
- personal hygiene and dress norms that will conform to the requirements of the work world on a regular basis;
- ability to cope with the conflicts on the job on a full-time basis;
- high motivation to work.

Strategies: This individual needs help in reviewing her resume, 171, job applications, cover letters and assistance in developing a job search plan. She may need a structured job search assistance program, providing support in following up job leads and being disciplined about the process of the job hunt. Practice or mock interviewing, practice phone calling, and pre- and post- interview strategy sessions are often helpful. Group work with others who are in the same process is often very helpful, as are job leads/access to vacancy information.

GOODWILL INDUSTRIES
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STATEMENT

OF

MICHAEL R. GRAUL
DIRECTOR OF GOVERNMENTAL AFFAIRS

GOODWILL INDUSTRIES OF AMERICA, INC.

BEFORE THE

WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE

AUGUST 19 - 20, 1993

WASHINGTON, D.C.

Statement of
Michael R. Graul
Director of Governmental Affairs
Goodwill Industries of America, Inc.
before the
Working Group on Welfare Reform,
Family Support and Independence
August 19 - 20, 1993
Washington, D.C.

TO THE MEMBERS OF THE WORKING GROUP:

On behalf of the Goodwill Industries network, we appreciate this opportunity to present our views on the principles we believe should guide the Clinton Administration as it undertakes the demanding task of overhauling the nation's welfare system.

Goodwill Industries of America, Inc. (GIA) is the corporate office representing 173 autonomous vocational rehabilitation/job training facilities operating throughout the United States in response to local needs. While Goodwill Industries is often recognized as a provider of vocational services to individuals with disabilities, we, in fact, provide vocational rehabilitation and job training services to a broad variety of people who are considered "vocationally disadvantaged." Included in this group are welfare recipients. In 1992, the Goodwill Industries network provided services to more than 24,000 individuals on welfare (both Aid to Families with Dependent Children or general assistance), with additional welfare recipients served through Job Training Partnership Act programs.

Given Goodwill Industries' considerable expertise in training adults for employment, we believe the Administration's welfare reform initiative should be guided by the following principles:

NO INDIVIDUAL OR FAMILY SHOULD SUFFER AN ECONOMIC DECLINE AS A RESULT OF LEAVING THE WELFARE ROLLS TO ENTER OR REENTER THE NATION'S WORKFORCE.

Goodwill Industries strongly believes that incentives must be built into the welfare system that encourage welfare recipients to seek out appropriate services that will lead to employment. For example, Supplemental Security Income recipients are allowed to retain Medicaid coverage, with cash benefits phased out as earnings increase. Similar incentives must be included in the welfare reform effort.

JOB TRAINING SERVICES SHOULD NOT BE VIEWED AS A ONE-TIME EVENT.

Additional training opportunities should be available to individuals transitioning out of the welfare system to encourage upward mobility and to allow individuals to change jobs in response to changing economic circumstances. Most job training programs currently available for welfare recipients place them into entry-level positions with little or no opportunity to advance, thereby increasing wages or reinforcing the concept of long-term employment goals.

EMPLOYMENT SERVICES TO WELFARE RECIPIENTS SHOULD BE BASED ON INDIVIDUALIZED PLANS AND STRATEGIES TO MAKE THEM JOB-READY AND MOVE THEM INTO EMPLOYMENT.

Time limits should be placed on the receipt of cash benefits, based on the time needed to make welfare recipients job-ready. As training requirements will vary based on current skill levels, job market conditions, etc., each welfare recipient should participate in the development of an "individualized employment plan" that establishes outcomes and the method by which those outcomes will be obtained. Arbitrary limits will guarantee failure of the training system and the people it is designed to serve.

CURRENT DEMONSTRATION PROJECTS IMPLEMENTING THE "ONE-STOP SHOPPING" CONCEPT SHOULD BE EVALUATED AND SUCCESSFUL PROGRAMS SHOULD BE REPLICATED.

Welfare recipients typically are in need of a variety of social services. Goodwill recognizes this reality and believes that the one-stop shopping concept permits recipients to obtain needed services in an integrated setting that permits greater coordination among the education system, job training programs and other social service providers. Providing services in a convenient and safe location is also important.

JOB TRAINING PROGRAMS SHOULD BE OCCUPATION SPECIFIC AND BASED ON LOCAL NEEDS AND MARKET CONDITIONS.

The job training component of the welfare system should be designed to prepare individuals for occupations for which demand exists now or will exist in the short-term future in specific communities in which recipients live. Accordingly, states and localities should be encouraged to experiment with service delivery options that best address local need, with the business community playing a key role in the identification of job market demands and training criteria. Goodwill's Projects With Industry program is an excellent example of how this combination of trainers and employers can produce outstanding results inexpensively.

Goodwill Industries believes that almost all social problems confronting welfare recipients may be successfully addressed when individuals are gainfully employed. People want to solve their own problems and employment enables them to do so. Accordingly, the Administration's welfare reform initiative should be built around the provision of appropriate education and job training services based on local need that accurately reflect the strengths and abilities of individual welfare recipients. We look forward to assisting the Working Group to accomplish President Clinton's goal of "ending welfare as we know it."

National Low Income Housing Coalition

1012 Fourteenth St., NW, #1200, Washington, DC 20005 • 202/662/1530 • (Fax) 202-393-1973

Karen V. Hill, *Chair* Cushing N. Dolbeare, *President*

August 20, 1993

HOUSING ISSUES FOR WELFARE REFORM

Statement of Cushing N. Dolbeare, President
National Low Income Housing Coalition
to the
Panel on Education, Training, and Support Services
Working Group on Welfare Reform, Family Support, and Independence
Washington Forum
August 20, 1993

The nexus between low income housing issues and welfare reform is critical. Access to decent, affordable housing is not only a basic human need in itself, but it is fundamental to good health, to access to employment opportunities, and to decent education. Providing this access requires both closing the housing affordability gap and expanding housing opportunities.

Unfortunately, both welfare programs and low income housing programs now fall far short of meeting their basic responsibilities in this respect. In 1990, a substantial majority (62%) of AFDC households lived in private, unsubsidized housing in 1990. Fewer than one quarter (24%) lived in subsidized low income housing.[1] A small fraction (5%) either owned or were buying their homes.

Federal low income housing programs fall tragically short of meeting low income housing needs. The total number of occupied, HUD-subsidized low income units is just now reaching 5 million. This is the cumulative result of all the housing construction, rehabilitation, and tenant-based subsidy programs since the depression of the 1930's. In contrast, HUD officially estimates that there are more than 5 million unsubsidized very low income renter households with "worst case" housing needs. That is, they pay more than half their incomes for housing costs, live in seriously substandard housing, or both. In other words, just to meet the most critical of our housing needs, we would need to double the amount of low income housing we now have. We would have to quadruple the number of units to meet all of our housing needs.

HUD's estimate was based on 1989 American Housing Survey data. In all, 92% of the 5.1 million "worst case" households in 1989 paid over half their incomes for housing;

72% had *only* this high cost problem and lived in otherwise adequate housing. But one quarter (25%) of worst case households lived in severely inadequate housing, with 16% paying more than half their incomes for their substandard units.

Turning now to families with children:

- Of the 4.0 million very low income renter households with one or two children, HUD found that 37% had worst case problems (27% with rent burden over 50% of income only and 9% with multiple problems); 31% had less severe problems (17% with cost burden over 30% of income and 5% with multiple problems); 11% had no problems; and 29% lived in subsidized housing. Of these households, 51% were minority, 63% were female householders, 38% had AFDC or SSI income, and 16% needed additional bedrooms to meet HUD occupancy standards.

- Of the 1.8 million very low income renter households with three or more children, HUD found that 34% had worst case problems (15% with rent burden over 50% of income only and 19% with multiple problems); 31% had less severe problems (10% with cost burden over 30% of income and 13% with multiple problems); 6% had no problems; and 29% lived in subsidized housing. Of these households, 67% were minority, 59% were female householders, 47% had AFDC or SSI income, and 42% needed additional bedrooms to meet HUD occupancy standards.[3]

A frequently overlooked housing problem facing AFDC families, with serious consequences, are lead hazards. The Centers for Disease Control and Prevention have characterized childhood lead poisoning as "the No. 1 environmental health hazard facing American children." Even at low levels, lead poisoning in children causes reductions in IQ and attention span, reading and learning disabilities, hyperactivity, and behavior problems. Overall, an estimated 10% to 15% of preschoolers are affected, but in many communities with concentrations of low-income families and older, deteriorating housing, more than half of preschool children suffer from lead poisoning. Lead hazards are most severe in units built before 1950 -- yet almost one fifth (19%) of all households reporting income from AFDC or SSI in 1991 had children under six and lived in housing built before 1950.

In 1989, the Low Income Housing Information Service, an affiliate of NLIHC, attempted the first state-by-state comparison of HUD fair market rents, the best indicator we could find of rental housing costs for modest but satisfactory housing, with AFDC grants. The results were shocking: in all but seven states (Alaska, Wisconsin, Michigan, Vermont, Minnesota, and Washington), the HUD fair market rent (FMR) for a two-bedroom unit was more than the *entire* maximum AFDC grant for a mother with two children. The FMR was at least twice the total maximum grant in five states (Arkansas, Nevada, Tennessee, Louisiana, and Texas). In the two worst states (Alabama and Mississippi), the FMR was more than three times the maximum AFDC grant for a mother and two children. The 1991 update of *Out of Reach* found the situation was even worse -- only five states had maximum grants that were higher than FMR

levels and even in these states, families receiving the maximum grant and spending the fair market rent on housing would have only a few pennies to a few dollars left over daily for their other needs. Since 1991, many states have cut their already inadequate grants even further.

We need to face several key facts. First, the overwhelming majority of families on AFDC will not be able to obtain decent housing -- or any secure housing at all -- unless (a) they live in or can obtain subsidized housing (including rental assistance vouchers or certificates) or (b) their AFDC grant levels are increased so that they can pay what housing costs.

Fortunately, our housing stock is now more plentiful and more adequate than it has been at any time during my lifetime. Since the mid 1980's, national rental housing vacancy rates have been over 7%. The problem, in most areas is not that decent housing does not exist, but that it costs far more than people on public assistance can pay for it. Our housing construction and rehabilitation needs could be met within a reasonable period if they are funded at their authorized levels (admittedly a big "if," though a plausible one). But these programs will only serve AFDC and other families with worst case needs if they are coupled with housing assistance, either through project-bases subsidies to cover operating and other costs or through tenant-based subsidies.

The key to dealing with the housing needs of AFDC families and others at comparable income levels, however, lies in expanding rental assistance. If every very low income renter household needing it could be given tenant-based certificates or vouchers, the private housing market and subsidized housing supply programs would begin to work effectively for them.

What would this investment in meeting urgent low income housing needs cost? In 1989 there were 5.1 million renter households paying more than half their incomes for housing, and another 6.5 million renters with housing costs of 31%-50% of income. Their housing affordability gap (the difference between 30% of reported income and reported housing costs) totaled $21.3 billion. Assuming that this gap is the cost of the program (probably high, since administrative costs -- not calculated here -- would be more than offset by the tendency to underreport income to the AHS, at a 50% participation rate, a comprehensive housing assistance program would cost an additional $12.2 billion annually. Adding another 25% to cover the cost of counseling and additional subsidies to encourage mobility would bring the total cost of a comprehensive program to an estimated $20 billion annually.[3]

A program at this scale could be paid for by cutting the level of home owner tax deductions benefitting more affluent people who pay only a small fraction of their incomes for housing. Theoretically, the cost could be covered by changes in the mortgage interest deduction which would roughly cut in half the benefits now going to people in the top fifth of the income distribution, leaving those in the bottom 80% untouched. The changes would be along the lines of both limiting the amount of the

deduction and reducing the rate at which it could be deducted (similar to the current limit on income tax deductions for people with high incomes).

Short of an intervention at this scale, we can neither satisfactorily meet the housing needs of AFDC households nor can we provide the kind of housing stability and security to low-wage households to enable them to increase their incomes and avoid AFDC.

There are, however, some additional avenues of linking housing and welfare which should, in my view, be explored by the working group:

- The anti-poverty strategy now required as a component in the state and local Comprehensive Housing Affordability Strategies (CHASes) as a condition for most federal housing funds should be a major vehicle for coordinating housing assistance and public/private efforts to prevent or alleviate poverty.

- A major criterion for approval of applications for empowerment zones should be the extent to which the proposal emphasizes dealing with the housing needs of economically vulnerable,[4] very low income people.

- Since 1968, recipients of HUD housing and community development funds have been required to use these funds to provide jobs to low income and minority people. But no consistent efforts have been made to put teeth into this requirement. "Providing economic lift" is now a major stated goal of HUD Secretary Cisneros. This requirement (in Section 3 of the 1968 act as amended) could be a major tool to achieve this objective.

- HUD's self-sufficiency programs now require that participants seek to become so self-sufficient that they no longer require housing assistance. Yet wage levels required to obtain decent housing at 30% of income are, in most markets, far higher than a participant in a self-sufficiency program can reasonable be expected to earn in the short run. Thus, self-sufficiency efforts may be doomed to "failure" not because they do not succeed in improving self-sufficiency, but because the goal is unreasonably high. The goals and incentives to participate and/or continue in the programs should be more realistic.

- Many developments with project-based subsidies are good locations for training and other self-sufficiency efforts. Some beginnings have been made in public housing, but there are more project-based subsidies provided through other programs. The potential here should be explored.

- Self-sufficiency efforts through federal housing programs should be closely coordinated with the JOBS and other self-sufficiency efforts addressed more broadly to AFDC.

- Housing opportunity programs and fair housing enforcement efforts should be strengthened and expanded to enable an increasing proportion of economically

vulnerable families to obtain housing accessible to good schools and real employment opportunities.

We urge the working group to consider these and other connections between housing and welfare reform, and to consider meeting the housing needs of economically vulnerable people a significant investment which will pay future dividends that more than offset their costs.■

Endnotes

1. HHS, Characteristics and Financial Circumstances of AFDC Recipients, 1990, cited in *1992 Green Book*, Table 36, p. 683.

2. HUD PD&R, *Priority Housing Problems and "Worst Case" Housing Needs in 1989*, Table 3, p. 14.

3. These estimates based on analysis of raw 1989 American Housing Survey data.

4. I use the term "economically vulnerable" to refer to people on AFDC or at risk of needing it.

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Supporting Organizations of Church Women United

African Methodist Episcopal Church
(Women's Missionary Society)
African Methodist Episcopal Zion Church
(Women's Home and Overseas Missionary Society)
American Baptist Churches in the USA
(American Baptist Women's Ministries)
Christian Church (Disciples of Christ)
(International Christian Women's Fellowship)
Christian Methodist Episcopal Church
(Women's Missionary Council)
Church of God
(Women of the Church of God)
Church of the Brethren
(Program for Women)
Council of Hispanic American Ministries (Ecumenical)
(Women's Department of COHAM)
Cumberland Presbyterian Church
(Cumberland Presbyterian Women)
The Episcopal Church
(Episcopal Church Women)
The Evangelical Lutheran Church in America
(Women of the Evangelical Lutheran Church in America)
General Convention of the New Jerusalem (Swedenborgian)
(Alliance of New Church Women)
Greek Orthodox Church of North and South America
(Ladies Philoptochos Society)
International Council of Community Churches
(Women's Christian Fellowship)
Korean American Church Women United
(Ecumenical Women's Fellowship)
Moravian Church in America
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(Senior Women's Auxiliary)
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(Women's Convention)
Presbyterian Church/USA
(Presbyterian Women)
Progressive National Baptist Convention, Inc.
(Women's Department)
Reformed Church in America
(Reformed Church Women)
Religious Society of Friends
(United Society of Friends Women International)
Reorganized Church of Jesus Christ of Latter Day Saints
(Women's Ministries Commission)
United Church of Christ
(Coordinating Center for Women in Church and Society)
The United Methodist Church
(Women's Division)

STATEMENT TO
THE WORKING GROUP ON WELFARE REFORM,
FAMILY SUPPORT AND INDEPENDENCE

on behalf of
Church Women United
August 19-20, 1993

For over 50 years, Church Women United has worked to build a more just society. As the largest U.S. movement of Christian church women -- Protestant, Roman Catholic and Greek Orthodox --, CWU has been the founder, or co-founder of Meals on Wheels, WICS (Women in Community Service), National Farmworker's Ministry, and numerous local and state service-providing projects and agencies. Our membership is concerned about the severity of the current national and global socioeconomic crisis. The disproportionate impact experienced by women and children has spurred our actions.

We provide testimony to the Working Group on Welfare Reform, Family Support and Independence because of our deep concern for those living in poverty and our commitment to changing structures that force people into poverty and make their attempts to rise above the poverty level extremely difficult. While we recognize the importance of community, and particularly the religious community, to offer aid to those in need, we also recognize the indispensable role of government in safeguarding the integrity of our society and making sure basic needs are met for all. We commend President Clinton and your working group for taking leadership on the issue of constructing public policies which truly ensure a healthy and vital citizenry.

Church Women United Actions

From 1986 to 1991 Church Women United focused our efforts on the povertization of Women and Children. Our membership, through training workshops and "hands-on" service projects, came to "know" various service and public policy realities for women and children.

We recognize that the United States and the world are living through an economic crisis that will require major structural changes. CWU women do not want to see women and children continue to be victimized by flawed policies. Thus we have pledged to learn what alternatives are feasible both on paper and in concrete day by day realities in local communities.

Our testimony is thus based on this intense focus and upon our current priority placed on advocacy of economic alternatives. Since May of 1993 we have held three economic alternative hearings in Connecticut, California and Florida.1 These public events have brought together, in the planning and in the actual implementation, collaboration between women ,of diverse races and classes, in learning about concrete projects revitalizing community well-being. The dynamics of individual and community empowerment are becoming much clearer to us.

Our Understanding of the Working Group Positions

We understand the Working Group on Welfare Reform, Family Support and Independence intends to focus on four needed elements of social support: 1) making work pay; 2) providing access to quality child care; 3) ensuring quality education; and 4) providing access to further training for adults receiving public assistance. We further understand that the goal of this training is to move people off of welfare and that a two year limit will be imposed for those receiving benefits.

Critical Elements to Eliminate Poverty

While we agree that some reforms to the "welfare system" are desirable, we are convinced that reforms cannot succeed in the absence of a broader anti-poverty agenda. Welfare reform, as currently defined, assumes that simply putting women to work will solve all problems. Our studies and lived experiences lead us to question the efforts being taken by several states to force women on welfare to work. Such programs ignore larger issues of the labor force i.e. high unemployment, low wages, the growing number of jobs that offer no benefits, etc. In addition, these programs ignore the particular gender and race biases in our society and are punitive, blaming the victim.

In addition to making changes in the "welfare" structure, Church Women United strongly supports public policy changes which allow all individuals to live in dignity. We have identified the following elements as critical to reducing poverty:

- Child care must be viewed as a social good rather than an individual good.
- Poor people must have access to a floor of adequate income and other support which must be based on need.
- Jobs must provide wages adequate to cover basic living expenses, including child care and health care benefits, as well as flexible working conditions for those caring for children or elderly parents.
- Affordable housing must be available to everyone who needs it.

* Quality health care must be available to all with no unnecessary financial barriers.

Universal Health Care

We recognize that another working group has focused on changes in the health system. However, we request that the Working Group understand and speak clearly on Universal Health Care. We urge your support of a single payer system which at this point is the only system which truly guarantees health care for all. This type of system would sever the link between medical coverage and employment - a much needed change for women, particularly those below the poverty level. This change would impact the needed composition of the so-called "safety net".

We come to this position through our extensive use of an educational tool which CWU developed to help people understand the trade offs that must be faced in choosing the most appropriate option for the establishment of a universal health care system in this country. The video, discussion guide and decision-making tools help individuals make judgements on the trade-offs inherent in the various approaches. Over 2500 video education kits are now in circulation. Through our monitoring system we are able to measure responses to the Ethical Choices tool: over 70% of participants lean toward a single payer plan to reform the U.S. health care system.

Making Work Pay

We commend the Working Group for recognizing that forcing people to work is not a solution in and of itself. In many parts of the country few decent paying jobs exist. In addition, the changing nature of the U.S. economy shows that those persons currently on welfare typically have low educational attainment. They are competing in the job market against many formerly middle-class, well-educated persons who have become unemployed in corporate downsizing and manufacturing flight.2

First and foremost, we support making the minimum wage a livable wage.3 The failure to raise the level of the minimum wage during the 1980s has taken a toll despite the increasing concentration of jobs in the service and sales sectors. It is impossible to earn income to move above the poverty line at a minimum wage job. In fact, someone working full-time, year-round at $4.25 will make only 79% of the poverty line for a family of three. There needs to be an increase in the minimum wage as well as creations of descent jobs and wages.

As you focus on "making work pay" we urge you to expand the concept and focus on assisting low-income adults to prepare for, and attain, higher paying stable jobs. Any new approach must stimulate ways that those who are eligible for, or receiving benefits, have access to jobs paying more than minimum wage."

We, too, wish to improve the prospects for women, children and families that have insufficient incomes. We do not believe that

women in these circumstances are lazy or corrupt "welfare cheats". In the situations we have monitored, workfare pays workers below the minimum wage, driving downward wages for other workers, thus expanding the pool of low-income persons.

We find persuasive the editorial in Dollars and Sense4 noting that the current proposals for welfare reform are designed more to increase the supply of workers for low wager employers than to alleviate poverty.

The real value of AFDC benefits has declined dramatically in the last decade. Thirty states currently pay less than 50% of what the federal government categorizes as the poverty level for a three person family.5 This, too, has penalized the weakest and most vulnerable as states face fiscal crises. We feel all states should award 100% of the poverty wage at minimum, with no mandatory cut off, while providing wage, training, day care and health incentives for mothers to enter the workforce.

Child Care

We support the President's concern around child care issues. The Working Group has an opportunity to recommend strongly that quality child care be treated as a social good (like education) rather than an individual good. We encourage the Working Group to explore ways to ensure a living wage for child care providers. It is unconscionable that talk of family values fails this national scandal.

Every mother is a working mother. We hope the Working Group will place a higher value on raising children to be public citizens of high integrity and moral character. Where are the provisions for this in the talk of workfare? Too often the debate around welfare reform has ignored the best interests of the infants and children involved.

Your Opportunity to Challenge and Educate on Deep-Rooted Myths

As a multiracial movement of women of faith, we call to your attention to the hypocrisy within the general debate on family values. Here white middle and upper-class women are urged to return or stay at home and care for their children; women of color, disproportionately working class, are urged, and sometimes forced, to get our of the home and find a job. This is a reflection of the mixed messages and racial biases in our society, belying the idea of some universal truth about work and family.

Much of the media and political discourse on welfare ignore the statistics, and the root caused behind poverty. The Working Group must speak clearly to the false assumptions behind some proposals for welfare reform. While only 4.4% of welfare families, according to the longitudinal University of Michigan study, have received benefits for 8 or more years, most recipients leave AFDC within a year.6

We call your attention, also,to the findings of a study

conducted by Elaine McCrate.7 Black teen mothers' choice to have children may be a rational assessment of their future prospects in the labor market. She found that postponing a child has a lower economic payoff for Black teens than for white teens, given that they are "disproportionately confined to poor schools and labor markets characterized by low pay, little opportunity for advancement, and low job security."

We remain critical of attempts to build upon the Family Support Act of 1988 which has proven flawed in its assumption that all states will fully and fairly implement its provisions. The "reform" dealt with the cry for cutting of welfare spending but did not meet the needs of women impoverished by the conditions of the economy. We oppose time limits which arbitrarily force low income people to work without the needed transitional training and education which allows them to get decent paying jobs. We urge Working Group members to discuss and educate the public around the false assumptions behind workfare that are described so eloquently by various authors in Job Training for Women: The Promise and Limits of Public Policies, edited by Sharon L. Harlan and Ronnie J. Steinberg.8

Ethical Dilemmas

As Church Women United, we call for greater attention to the ethical dilemmas stemming from the pain of people trapped in programs and policies, well-meaning in intent, but that perpetuate oppression in impact. The grinding poverty and social stigma experienced by those receiving the small amounts of assistance currently have been obscured for many by the media drumroll, of "welfare queens" and other labels.

We recognize that charity, a prime religious tenet, always runs short. Yes, it is virtuous to be charitable, but in that vein we have allowed ourselves to accommodate to homelessness, and to sheltering as an industry. Some are annoyed by panhandlers, but we are no longer surprised when we see one. This cannot continue if we are to rebuild strong and viable communities.

We applaud Mr. Ellwood's participation, and that of others, in the Ford Foundation Project on Social Welfare and the American Future which held that the current social welfare system is fragmented, inadequately "picking up pieces rather than preventing the original breakage". The Project's stated task" "realigning the social welfare system with the needs of modern America." The final report stated that it is "essential that we improve economic opportunities and strenghten social protections for our most vulnerable citizens". Thus we call for new forms of social support to help reduce the insecurities that occur in every stage of life.9

Where Will The Dollars Come From?

We are concerned as we listen to the current debate on the national deficit and frequently hear welfare programs at the center of deficit reduction proposals. Targeting welfare programs is neither logical nor humane. AFDC represent less than 1% of the

federal budget and just 2% of state expenditures.

We commend you for recent statement illustrating a recognition that moving people out of poverty initially will costs the federal government money. We urge you to continue resisting pressure to talk about welfare reform in cost containment language. The Family Support Act of 1988 has failed to reach its goals largely because a commitment to fund its programs has been lacking.

We call your attention to a study published on August 11 of this year. The study findings, completed by the University of Michigan Institute for Social Research, counter the myth that generous welfare benefits, such as those offered in Europe, are strong disincentives to work. This study disproves the assumption held by many in this country that generous benefits limit upward mobility.

We, therefore, hold that the dollars will come from the base closings, military cutbacks, increased taxes on corporations and those individuals with high levels of income, shifting the bail-out of S&L's to those who benefitted from the scandal. We hope the Working Group will urge President Clinton and the Congress to move forward expeditiously on public policies that improve the quality of life for all.

In Closing

We seek opportunities to interact with the Working Group, and with the President and Congress, as decisions are made on "welfare reform." Church Women United will continue to broaden the base of support for an income security assistance program which contributes to community economic development. We recognize that service delivery alone cannot address structural barriers. We urge the Clinton Administration to focus not on "ending welfare as we know it" but rather focus on **ending poverty as we know it**.

ALTERNATIVES

We request that the following approaches be explored in depth:

1. A children allotment.10 We support public policies that will truly help the working poor including those who work at home to raise the next generation.
2. Expanded family support center programs lessening the isolation and insecurity of those experiencing low levels of income.
3. Creation of, and training for, full time jobs paying over the minimum wage plus benefits.
4. Expansion of minimum wage to all sectors.
5. A simplified and strengthened Earned Income Credit system.
6. Mechanisms permitting and encouraging the accrual of savings by those receiving government welfare benefits.

7. Unemployment insurance as a bridge to the changed global economy, not just a safety net.11
8. New forms of social support helping reduce the insecurities that occur in every stage of life.12
9. A national child support assurance system.
10. Welfare benefits that meet family needs, and do not punish recipients either through abusive bureaucratic policies and relationships; workfare; or mandatory limits to benefits; or due to the presence of a live-in partner.
11. A national policy strategy for children which recognizes their importance for the future of our nation and world, and breaks the pernicious spirals of neglect and tragedy in our current welfare system.
12. Education; training; quality child day care; housing assistance; family medical leave for small employers; flexible work schedules; health insurance; child support; equal pay- all are integral elements of welfare restructuring.

"We ought to invest in human capital with the same entrepreneurial spirit and concern for long-range payoffs that venture capitalist bring to investments in new enterprises."
Ford Foundation Report
The Common Good, 1989

Testimony delivered by Ms. Mattie P. Patterson immediate past president of Church Women United Greater Washington Unit. Ms. Patterson is the Administrator of the Mount Carmel Child Development Center, Washington, DC.

ENDNOTES

1. We will hold four more hearings by February 1994.

2. See Caputo, Richard K., "Limits of Welfare Reform," Social Casework: The Journal of Contemporary Social Work, Vol. 70, February 1989, pp. 85-95.

3. We recommend that the Working Group invite testimony from The United for the American Dream in Florida Coalition, 837 East Park Avenue, Tallahassee, FL 32301.

4. "The Retreat from Welfare: Putting the Poor to Work," Dollars and Sense, June 1987.

5. See Schram, Sanford F., "Welfare spending and Poverty: Curring Back Produces More Poverty, Not Less," The American Journal of Economics and Sociology, Vol. 50, April 1991, pp. 139-142.

6. See Duncan, Greg J., Years of Poverty, Years of Plenty: The Changing Economic fortunes of American Workers and Families, Institute of Survey Research, The University of Michigan, 1984.

7. Lee, Thea, "Rational Expectations: A New Look at the Economics of Teen Pregnancy," Dollars and Sense, March 1989.

8. Temple University Press 1989.

9. See Ford Foundation Project on Social Welfare and the American Future, The Common Good, New York, 1989, pp. 6, 45.

10. Long advocated by Brandeis Professor David G. Gil, The Florence Heller Graduate School for Advanced Studies in Social Welfare. See Gil, David G., Beyond the Jungle, Cambridge: Schankman Press 1979.

11. See Ford Foundation Report.

12. Ibid.

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August 20, 1993

The Working Group on Welfare Reform,
Family Support and Independence
Aerospace Building
370 L'Enfant Promenade, S.W., Suite 600
Washington, DC 20047

Dear Members of the Working Group:

On behalf of the Center for Law and Education, we appreciate the opportunity to offer testimony in today's public forum. Our focus will be on the nature of any education and training programs that are designed under new welfare initiatives -- and, in particular, on the content of the education and training. The Center, which represents low-income students in education law related issues, also has taken this opportunity to submit more in-depth comments about the content of programs offered. In addition, the Center urges the Working Group to be cognizant of the rights of low-income parents to develop the skills necessary to obtain better jobs through the provision of appropriate instruction and supportive services designed to meet their individual educational needs, as well as their rights to high-quality child care programs responsive to their children's needs.

A. Underlying Issues

Preliminarily, there are certain basic issues which, even if not directly addressed and resolved by the particular legislation from the Committee, should be taken into account in shaping the legislation. These include recognition that:

Existing AFDC and other benefits do not reach many of those living in poverty, and those who are reached generally do not receive benefits that come close to meeting a basic standard of human need.

Barriers to employment reside in the economy itself, not just in lack of skills or education -- in terms of lack of jobs (let alone good jobs) in many areas, in terms of discriminatory features of labor markets, and in terms of absence of quality, affordable child care needed to make employment feasible for parents.

AFDC benefits assist families with children in dire financial need. Socioeconomic factors as well as personal crises contribute to the situations that

render people eligible for such benefits. Welfare reform, particularly work programs and termination/duration policies, must take into consideration the obstacles people face in attempting to move off of AFDC, including level of literacy, language barriers, disabilities, and academic and employment histories.

Moving off of AFDC and into paid employment is not equivalent to moving out of poverty, particularly in light of the growing proportion of service sector jobs which pay sub-poverty wages and offer little or no benefits.

While the solutions to these issues may seem outside the scope of education and training proposals, there are opportunities which should not be overlooked for linking education and training to efforts at addressing these underlying issues. Otherwise, education and training programs run the severe risk of being ineffective and disappointing.

B. The Content of Education and Training Programs

1. "All Aspects of the Industry," Basic Skills, and Problem Solving

First and foremost, it is critical to ensure that the education and training programs are high quality ones that provide people with meaningful education and life-long skills that enhance long-term economic and social well-being and allow the individuals and their communities to exercise more control over their own destinies. Too often the education and training programs offered to poor people have been too narrow and too short-term to have real impact on their lives or to be a worthwhile investment of financial resources.

We particularly commend to your attention a portion of the Perkins Vocational and Applied Technology Education Act of 1990 which could be adapted into any welfare reform proposals. Under the Act, both state planning and local evaluations must address the need to give vocational education students "**strong experience in and understanding of all aspects of the industry the students are preparing to enter (including planning, management, finances, technical and production skills, underlying principles of technology, labor and community issues, and health, safety, and environmental issues.**" Where programs have moved in the last three years to teaching all aspects of the industry, we are seeing remarkable results.

As Senator Kennedy noted in his statement of support for this requirement when it was first introduced into federal vocational education law, it is designed to "move away from the notion of 'throw-away' workers, passively trained for a narrow set of skills and disposed of when the need for those skills disappear" and toward providing them with the broad academic and vocational skills to take an active, ongoing role in the operation of their communities' enterprises. The "throw-away

workers" he refers to are, of course, in a different phase of their lives, a part of the population now being targeted by welfare reform.

By giving people experience in and understanding of all aspects of the industry, and not just the skills needed for one narrow job slot, the provision is designed not only to provide higher quality education but to address the need for:

Long-term employability: The provision is designed to ensure that, when precise labor market predictions or predictions about job content fail to be entirely accurate, people are not locked in by overly narrow skills training and have the kinds of skills (from management and finances to understanding of underlying technology) that are useful in any enterprise.

Community economic development and job creation: Instead of assuming that the current labor market will provide enough high quality jobs to take advantage of the skills being imparted, the focus on all aspects of the industry gives people skills appropriate to their taking part in the community's efforts at economic development and job creation, in that they have gained some experience in the overall running of enterprises. Some of the best models for meeting the "all aspects of the industry" provision actually involve participants directly in job creating economic development activities (see below).

Preparation for high performance work organizations (HPWOs): One of the main characteristics of HPWOs is that they break down distinctions between front line workers and management. Responsibility and decision-making are decentralized, requiring all workers to understand and participate in all aspects of the industry.

As much as possible, then, the education and training programs under any welfare legislation should be broadly focused on life-long skills through a similar emphasis on experience and understanding of all aspects of the industry participants are preparing to enter.

2. Integration of Academic Education and Problem-Solving Skills

The treatment of academic skills as different from the skills needed for employment is no longer useful or valid. In order to provide individuals with real, long-term employment opportunities, programs need to integrate employment/ vocational training and academic education. Individuals need problem-solving skills and basic and advanced academic skills, including skills in the areas of mathematics, reading, writing, science, and social studies in a technological setting.

As technology has continued to change at a rapid pace, the required skills of an employee have become more encompassing. Rather than being isolated experts in

narrowly defined fields, successful workers must become team participants. They must be capable of understanding many different types of information and must be able to use that information to solve problems and make decisions with co-workers.

Integration of academic and problem solving-skills with employment training is both more feasible and more rewarding when the employment training includes experience in and understanding of all aspects of the industry, as discussed above. For example, if the standard of relevance is the literacy skills needed for one particular job, then we run the risk of people emerging with vocabulary relevant only to one potentially temporary work environment (at an extreme, the ability to read the technical manual for one machine), but remaining largely illiterate in other contexts. In contrast, the "all aspects of the industry" and problem-solving focus allows job relevance to be integrated with broader and deeper literacy skills, and is also more consistent with what has been learned about adult development in relation to reading.

Recent developments in vocational education have confirmed the effectiveness of integrating vocational and academic education. The Perkins Act requires such integration, and integrated programs have shown that the approach is extremely effective in enabling individuals who have had academic difficulty to master academic and problem-solving skills. This makes it particularly relevant for serving individuals in the welfare system.

3. Linkages to Economic Development and Job Creation

Again it is important to recognize that education and training programs cannot be a substitute for the kind of economic development and job creation that provides well-compensated, high quality jobs which can make use of the skills developed by that training and education system. Nevertheless, there are ways of structuring the education and training which will facilitate those economic tasks.

First, as mentioned above, a focus on experience and understanding of all aspects of the industry, together with basic and problem-solving skills, is the natural counterpart in educational terms to an economic development agenda, in that it enhances participants ability to play an active role in development and job creation activities -- including imparting the skills necessary to start and operate new enterprises.

Second, there are models which explicitly combine the two -- including using the start up and operation of enterprises needed for community development as the actual setting for training and education. In vocational education, this sometimes takes the form of school-based student-run enterprises, based upon a community economic needs assessment involving the students. It can also, however, involve specific linkages with community development activities outside the schools (such as those conducted by community based organizations), which may be a better model for this

legislation. As well as individual entrepreneurship activities, this can include cooperatives and worker-owned or community-owned enterprises. More value will be derived from such activities to the extent that they are linked to the community's overall plans for economic development and are the kind of enterprises which support other economic and social activity. (Infrastructure-related enterprises are one obvious example; child care centers are another.)

Third, this focus would be enhanced by ensuring that performance standards include measures of long-term employment in good jobs, job growth, etc.

Fourth, coordination between providers of education and training and entities involved in community development should be required.

Fifth, coordination of benefits should encourage job creation and economic development activities, for example, by allowing retention of benefits for participants involved in business start up.

4. Other Secondary Education Issues

a. State and Federal Education Reform Initiatives

Education and training programs for welfare recipients should be consistent with existing federal laws, including but not limited to, Chapter 1 of ESEA, the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act, the Bilingual Education Act, as well as new federal and state educational reform initiatives, particularly those calling for strong educational outcomes and mastery of specified performance standards. Welfare recipients should be provided opportunities to develop critical thinking and other higher order skills that will enable them to attain better jobs and to be compensated accordingly. Welfare recipients who are of secondary school age should, consistent with the Family Support Act and other federal and state laws, have the opportunity to meet the standards expected of all other age appropriate students.

Any proposal to impose sanctions based on completion of an education and training program, and/or within a specified duration, must make provision for differences in prior learning and achievement among students, including students with disabilities or with limited English proficiency. Also, education and training programs will need to develop, as appropriate, alternative methods and approaches to instruction, including through reasonable accommodations, provision of supportive and corrective services, and assistive technologies, to respond to different learning styles and different educational needs of students. Educational programs and related services designed to meet individual students' special educational needs and/or limited English proficiency must, to the degree possible and appropriate, support the core curriculum with common goals and expectations for all students.

Consideration should also be given to ensuring that teachers of these students receive the necessary support through staff development, continued education and reeducation to enable them to assist welfare recipients, regardless of their educational needs, to succeed.

Any standards, assessments, or certificates developed or issued under the auspices of the government must comply with civil rights statutes, and not create further barriers for minorities and women who have been historically underrepresented in high wage, high skills jobs.

b. Termination of Benefits to Students with Disabilities

Welfare reform must stop the practice of prematurely terminating the education and job preparation of students with disabilities by terminating their AFDC benefits while they are still entitled to special education and related services under the Individuals with Disabilities Education Act ("IDEA"). Recognizing that many students with disabilities require services beyond age 18 in order to receive an appropriate secondary education, IDEA generally requires states and local school systems to provide a "free appropriate public education" to children with disabilities through age twenty-one. For older students, a critical component of that education consists of preparation for the transition to post-school activities, including employment, post-secondary education and additional job training, and independent living in the community; Congress recognized as much in 1990, when it amended IDEA to require transition planning and transition services for all students between the ages of 16 and 21.

Under current law, however, states may terminate AFDC benefits when a child reaches 18 regardless of whether he or she is still receiving educational services under IDEA. At a state's option, benefits may continue if a full time student may reasonably be expected to complete the secondary education program before turning 19. Disabled students who need to continue beyond age 18 or 19, and who require and are entitled to additional years of education and training under IDEA, lose their AFDC benefits. With no means of financial support they are forced to drop out of school for the job market, where they are qualified for little (if any) work because their educational services were prematurely terminated. They are left with few viable options but to return to AFDC or other public benefits as adults.

5. Postsecondary Education

Any welfare reform legislation should be structured in a way which encourages broad, meaningful postsecondary education as an option. This means avoiding incentive systems which discourage States or localities from encouraging participants in that direction, removing barriers to attendance for participants (see support services below), providing high quality information to participants about this option,

reorienting agencies and staff (see below), etc. Unions have begun to play a useful role in this arena.

C. Other Significant Issues

1. Support Services and Benefits

For those individuals subject to work requirements by anticipated welfare reform proposals and measures linking work requirements to public benefits, it is essential that they receive necessary support services, including, but not limited to, child care, health services and transportation. For those with young children, increased child care subsidies, not merely tax credit incentives, are important so that greater numbers of low-income families can obtain adequate child care - obviously critical to their children's physical health and cognitive, social and emotional development. A realistic assessment of the full needs for high quality child care is needed so that parents have access to quality programs and are not placed in the position of seeing employment gains at the expense of their children's welfare. Such child care programs should, consistent with existing federal laws, incorporate, as appropriate, early intervention services, Chapter 1 programs and services for educationally disadvantaged children from low-income families, and/or special education and related services for young children with disabilities.

Knowing that increased exposure to learning at early ages will improve educational outcomes for children and minimize costs later to society, it is important that parents who need child care be encouraged to utilize programs with an educational component. To insure the availability of such programs the federal government needs to increase funding levels for existing federal programs, including, Pub. L. 99-457 or Part H of the Individuals with Disabilities Education Act [IDEA] for infants and toddlers, from birth through 36 months, who are developmentally delayed and/or "at risk" of becoming developmentally delayed, in large part, as a result of a host of poverty related factors; Chapter 1 of ESEA preschool programming and services [3 to 5 year olds] so as to permit transition of poor children moving out of early intervention programs into non-IDEA, Part B [Pub. L. 94-142, as amended], Chapter 1 programs that integrate eligible 3-5 year olds with disabilities eligible for Part B of IDEA; and Head Start. States should be provided incentives to establish comprehensive child care programs that include an educational programming component, access to health care (e.g., through EPSDT), and parent support services, including parenting skills, violence prevention, drug and alcohol treatment/support services. Consideration should be given to providing incentives to public school districts that integrate child care programs into early childhood and primary education on a year-round basis.

Part H of IDEA explicitly recognizes the significance of the link between early childhood development and subsequent learning. Congress, by providing eligible

infants and toddlers an entitlement to quality early intervention services, specifically sought to enhance their development and strengthen the capacity of families to meet their children's special needs.[1]

Although the Act provided for a five year phase-in-period [with 2 year waiver period] for states to plan, develop, and implement a statewide, comprehensive, coordinated system of early intervention services, lack of adequate funds has seriously hampered the level of state participation to date - obviously at the expense of young children from low-income families with little or no alternative services available.

The law offers children with developmental delays, or who are at-risk of developing delays, a very limited window of opportunity to take advantage of specific interventions that may be essential to their growth and development - only children under three are eligible. To insure parental involvement, support and understanding of their children's strengths, and needs, child care provisions of any welfare proposal should specifically recognize the importance of parental participation and the importance of providing parenting training, counseling, and support services. In addition, drawing on the Head Start model, parents should be encouraged to develop management and decision-making skills. Assuming an increase in the minimum wage, improved salaries, health benefits and career ladder developments for individuals in the field of child care, opportunities should be made available for low-income parents to receive training as paraprofessionals in the delivery of early intervention services in their communities, as child care/early childhood education aides/educators. Currently, however, these are among the most undervalued workers with child care teaching assistants being paid about $5.00 an hour or $8,800. per year, thus, contributing to a high national turnover rate, and, as a consequence, low quality child care.

2. Voluntary, Informed, Individualized Participation

This is central to any program designed to give people more control over their economic lives. It means a heavy emphasis on voluntariness, on ensuring that participants get the full information and assistance they need to understand and evaluate their options, on an assessment and choice process that recognizes the differences in individual needs, and on strong protection of participants' rights, including the right to move from one program element to another without penalty.

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[1] These services include, but are not limited to early screening and assessment services; medical services for diagnosis and evaluation services; health services necessary to enable the infant or toddler to benefit from other early intervention services; family training, counseling, and home visits; speech pathology and audiology; physical therapy; psychological services; and case management services.

3. Agency and Caseworker Orientation and Training

These must be focused in a way which matches the content focus discussed above. Adequate resources will need to be devoted to ensuring that agencies and caseworkers have a good understanding of educational, economic development, and job creation issues -- both in terms of understanding needs and in terms of knowing the concrete institutions and resources available. This is particularly important in terms of awareness of postsecondary education options.

4. Governance

The focus on gaining greater control over one's own destiny argues for a heavy emphasis on involvement of participants and their advocates in the design and implementation of the programs. Further, the focus on meeting the needs of workers and potential workers argues for heavy involvement of employee representatives. Finally, the economic development focus argues for heavy involvement of community based organizations and others involved in community economic development.

D. Focusing Reform on These Concerns

The issues above -- broad education and training (all aspects of the industry, academic and problem-solving competencies), linkage to community economic development and job creation, consistency with other federal education laws, encouragement of postsecondary education, support services, voluntary and informed individualization, and appropriate in-service training -- should all be carefully woven into program requirements and into performance standards.

In particular, reform should include performance standards that emphasize enabling individuals to obtain and retain good jobs -- jobs that provide income sufficient to rise above poverty and meet basic needs, that provide adequate benefit levels, and, equally important, that are in good environments which utilize the fully developed skills and capacities of the participants.

Again, thank you for this opportunity to comment.

Sincerely,

Lauren Jacobs
Staff Attorney

Paul Weckstein
Co-Director