

Draft

Not for Quotation
Circulation or Citation

Initiative
of the
Working Group
on
Family Support
and
Independence

We must end poverty for Americans who want to work. And we must do it on terms that dignify all of the rest of us, as well as help our country to work better."

"[We] need to end welfare as we know it, to make it a program that supports people who have fallen on hard times or who have difficulties that can be overcome, but eventually and ultimately, a program that helps people to get on their feet through health care, child care, job training and ultimately a productive job."

President Bill Clinton
Remarks to the National Governors Association
1993 Winter Session

Welfare Reform

Charge to the Working Group on Family Support and Independence

The Working Group on Family Support and Independence is charged with developing a welfare reform plan to submit to the Domestic Policy Council by September 3, 1993. That plan will focus on moving people off welfare and out of poverty through increased opportunity and responsibility. It will emphasize the need for low-income and disadvantaged people to have real control over their lives, to live in dignity, and to support and nurture their families. The plan will be based on the welfare reform agenda enunciated by the President which includes at least four elements:

- o **Make work pay.** People who work should not be poor. They should not have to worry about the cost of medical care. They ought to have access to quality child care. They should get the support they need to ensure that they can work and adequately support their families.
- o **Transform the child support enforcement system.** Both parents have a responsibility to support their children. The system ought to ensure that children receive the support they deserve from absent parents.
- o **Provide the education, training, and support services people need to get off and stay off welfare.** People who want to get ahead and leave welfare ought to have access to the training and education to do so. Existing programs such as JOBS and JTPA need to be expanded and improved.
- o **Create a time-limited, transitional support system followed by work.** When the first three steps are in place, then we can move to a truly transitional system where healthy and employable people move off welfare quickly and where those who can't find jobs are provided with them and expected to support their families.

The Working Group will solicit input from interest groups, the Congress, state and local government (including the National Governors' Association Task Force), business, and current and former welfare recipients.

The Working Group will be comprised generally of senior, sub-cabinet level appointees from affected Departments and Agencies. It will be coordinated by Mary Jo Bane, David Ellwood, and Bruce Reed.

Initial Administrative Plan

The Working Group on Family Support and Independence will be announced by the President at his first Domestic Policy Council meeting this month. Its charge will be to develop a welfare reform plan to submit to the Domestic Policy Council by September 3, 1993 (See schedule below). This section describes how the Working Group will function, its purpose and timelines.

Organization and Role

The Working Group will be comprised generally of senior sub-cabinet level appointees representing appropriate domestic agencies. They will report to the Domestic Policy Council (DPC) which will make final recommendations to the President. The Working Group will be coordinated by Bruce Reed, Mary Jo Bane, and David Ellwood. Its role is to develop a plan, with options as appropriate, for consideration by the DPC. The members will identify the major themes and set the parameters for work to be conducted by agency staff. Working Group meetings will be held roughly once every two weeks and last for about three hours.

We propose beginning work on 21 issue groups. These loose and overlapping work groups will be staffed by people from HHS, other Departments, OMB, DPC, National Economic Council (NEC), and Council of Economic Advisors (CEA). In addition, it is expected that experts from the various departments will be called on as resources from time to time as necessary. The teams will be tasked to develop the information and data necessary for decisions to be made by the Working Group. A preliminary list of issue groups is listed below. For most groups a preliminary list of issues is provided. These groups and their tasks will be revised as work proceeds.

Issue Groups

Making Work Pay / Incentives to Work

- one group {
1. Economic Incentives and Economic Support: EITC, Other Credits and Transfers
 2. Child Care
 3. Other Supports: Medical Care, Transportation, Social Supports

Enforcing Child Support

- one group {
4. Paternity Establishment
 5. Collecting Child Support: Central Registries, Information Reporting, Updating, Other Methods
 6. Incentives, Supports and Responsibilities for Absent Parents
 7. State versus Federal Role, State Incentive Payments
 8. Child Support Insurance or Assurance

Providing Education, Training and Support

9. Education and Training Strategies, JOBS, JTPA, Links to Education, etc.

Transitional Welfare and Work

- one group {
10. Employability Screening Mechanisms; Administration and Design Issues for Time-Limits
 11. Transitional Economic Support
 12. Work Strategies After Transitional Welfare (links closely with make work pay groups)
Child Care (same group as above)
Other Support Services (same group as above)
 13. Ongoing Support for Those Temporarily or Partially Unable to Work

14. Special Cases: Child Only Cases, Relative Care Giver, others

Cross-Cutting

15. Service Delivery, Client Focus, and Quality Management

16. State Demonstrations and Waivers

17. Interaction, Consistency, and Possible Consolidation of Multiple Transfer Programs

18. Characteristics, Dynamics, Needs, Health Status and Abilities of Welfare Recipients, Single Parents, Two-Parent Families, Absent Parents, and other groups

19. Evaluation

20. Cost Estimation

21. Financing

Service
Delivery +
Evaluation

COST

MAKING WORK PAY

Economic Incentives and Economic Support: EITC, Other Credits and Transfers

Child Care

Other Supports: Medical Care, Transportation, Social Supports

Economic Incentives and Economic Support: EITC, Other Credits and Transfers

Issues

How can we make the EITC more attractive & welfare?

1. How can we ensure that more eligibles receive the advance payment of the EITC? *Do we need to?*
2. Should application for the advance payment of the EITC be integrated into the provision of other services?
3. To what extent is the failure of the EITC as an advanced payment a result of:
 - a. lack of employer and/or employee information regarding the availability of the advanced payment;
 - b. employee fears of having to repay overpayments;
 - c. preference of eligibles for lump-sum payments;
 - d. employee reluctance to ask employer to do extra work;
 - e. employer reluctance?
4. If 3.a. is true, what actions could be taken to better inform individuals of the advanced payment?
5. If 3.b. is true, what changes in the EITC could be made to reduce the possibility of overpayments being made?
6. If 3.c. is true, should the Federal government attempt to alter these preferences?
7. If 3.d. is true, should the Federal government attempt to reduce employee reluctance?
8. If 3.e. is true, are there employer concerns that should be addressed, especially for small businesses?
9. What factors account for over-claiming of EITC? What steps should be taken to assure that fraud and abuse are minimized in the reform proposal?
10. How can EITC and AFDC income disregards be integrated to minimize excessive tax rates and work disincentives?
11. How can EITC and a Child Support and Insurance payment be integrated?
12. Should changes be made in the treatment of the EITC for transfer programs other than AFDC?
13. *What impact of 4-yr spending increase in EITC?*

Child Care

Issues

1. How much child care is currently being used and how does that compare with the demand that might be expected under various reform options?
2. How can current child care programs expand to meet the expected demand? What are the associated costs?
3. What is the adequacy of supply generally, and in particular, the availability of child care in the very low-income neighborhoods of central cities, and the availability of child care for infants and toddlers?
4. Can child care be more effectively integrated with other pre-school programs, especially head start?
5. Do we want to reduce the number of child care programs and consolidate them to give States more flexibility to target the programs to reform activities?
6. Are the various Federal financial participation matching rates supportive of the initiative's objectives and do they target funds to priority activities/groups?
7. How should we integrate welfare reform proposals with the tax provisions?

Other Supports: Medical Care, Transportation, Social Supports

Issues

1. What work related services would be especially useful in helping people find and retain jobs?
2. What is known about the importance of transportation services and alternative ways of providing them?
3. Depending on the status and impact of health reform, what medical insurance systems are needed to guarantee that people leaving welfare for work get coverage?
4. Should State flexibility in the choice of support services continue or should certain support services be mandated?
5. Should States be allowed to require participation in certain support services, e.g., drug and alcohol treatment?
6. Should other support services not strictly work related but which may have positive effects be funded, e.g., parenting skills and parent support groups?
7. Should funding be available for support services after the individual is employed (post-AFDC) e.g., parenting skills, other services to assist job retention?
8. If Federal Financial Participation (FFP) for services is broadened or mandated, would funding at a higher match rate be necessary?
9. How should linkages at the State level among Federal services programs be improved, e.g., the social services block grant, the alcohol and drug abuse block grant?
10. How should the Federal government ensure that the appropriate level and mix of services are available to recipients on a timely basis?

ENFORCING CHILD SUPPORT

Paternity Establishment

Collecting Child Support: Central Registries, Information Reporting, Updating, Other Methods

Incentives, Supports and Responsibilities for Absent Parents

State versus Federal Role, State Incentive Payments

Child Support Insurance or Assurance

Paternity Establishment

*What can be done to keep
people off W in 1st place?
- Teen pregnancy*

Issues

1. What should the Federal/State roles be in paternity establishment?
2. Should States be required to establish paternity for all out-of-wedlock births, regardless of welfare status ?
3. What more can we do to promote voluntary paternity establishment?
4. What more can and should we do to improve cooperation in establishing paternity when such cooperation is a condition for receipt of public assistance?
5. What incentives and paternity measures could be used to increase the number of paternities established?
6. Should federal mandates be used to require States to streamline paternity establishment procedures?
7. Should the Federal government authorize the accreditation of genetic testing laboratories and procedures?

Collecting Child Support: Central Registries, Information
Reporting, Updating, Other Methods

Issues

*"What's working at state level?
2. What can be done to streamline system,
reduce backlogs?"*

1. Should the use of new hire information be limited to wage withholding?
2. Should employers report new hires to a State or Federal level depository?
3. How should the system be designed to maximize its effectiveness in interstate cases?
4. Should there be State registries or a Federal registry of child support cases that the new hire information could be matched against?
5. What are the broader uses for a Federal registry of child support cases beyond matching with new hire data?
6. Should the system be universal for all employers and employees, or something short of that?
7. How significantly would a new hire reporting system improve collections relative to the cost of creating and maintaining it?
8. Which system and registry configuration would be most cost effective and efficient?
9. Should all child support awards be updated on a periodic basis?
10. What administrative or systems changes would make updating simpler?
11. Should the Federal government mandate that States adopt additional enforcement procedures such as suspension of drivers, professional, or other licenses for failure to pay child support? To what extent is a national registry necessary to facilitate suspension of licenses?
12. Should existing State enforcement techniques be strengthened through other techniques including those mentioned in the report of the U.S. Commission on Interstate Child Support? For example: Should we require broader access to State data bases? Should credit bureau reporting requirements be expanded to ensure widespread reporting of up-to-date information?
13. Should the Internal Revenue Service or other Federal agencies have an expanded role in the collection and distribution of support payments?

14. What should be the volume of cases that are enforced through Federal mechanisms, such as the Federal criminal nonsupport statute or full collection services of the IRS?
15. Should the Uniform Interstate Family Support Act (UIFSA) be mandated at all? As a Federal law or State law? How quickly can all States be expected to either adhere to, or adopt, UIFSA?
16. How should interstate case processing activities best be accomplished during transition from Uniform Reciprocal Enforcement of Support Act (URESA) to UIFSA-based actions?
17. What role would UIFSA play in a system designed to emphasize Federal-level collection activities?
18. What case processing reforms - management, training, staffing standards - could be used to improve enforcement?

Incentives, Supports and Responsibilities for Absent Parents

Issues

1. What incentives could be used to increase the payment of child support by absent fathers?
2. Can special programs for absent teen parents be designed that would lead to greater future responsibility towards the children of out-of-wedlock births?
3. Should work requirements be imposed on absent parents who are not supporting their children?
4. What training and education programs could be used to increase the financial ability of absent parents to pay support?
5. How could the payment of child support be integrated into other supports that are, or could be, provided to absent parents?

State Versus Federal Role, State Incentive Payments

Issues

1. Should the entire child support program be federalized (even if child support assurance is not adopted) or should the current Federal-State partnership be maintained?
2. If the Federal-State partnership is maintained, should States be required to move towards a central, unified State administration?
3. Should the current dual system of support enforcement be eliminated, that is should there be any distinction between child support enforcement services provided under title IV-D and private child support cases and should there be any distinction in program requirements (like tax offset thresholds) for AFDC and non-AFDC IV-D cases?
4. Should States be required to adopt and use administrative procedures in all cases?
5. Should there be an alternative funding structure for the Child Support program?
6. Should a minimum level of performance be expected from State Child Support programs with respect to AFDC and Non-AFDC collections, cost effectiveness ratios, delivery of services, staffing ratios, etc., as a condition of Federal funding? Should States be required to increase their funding until they reach an acceptable level of performance?
7. Should certain State costs, such as laboratory costs of paternity establishment and the costs of developing statewide automated child support systems continue to be reimbursed at 90% by the Federal government?
8. Should the incentive payments currently in place be changed or eliminated? Should States be required to reinvest incentive payments in the program?
9. Should non-custodial parents or even non-AFDC families receiving IV-D services be required to shoulder more of the cost of providing services?
10. How are costs contained if total reliance is placed on open-ended Federal financial participation?
11. If the distinction between IV-D and non-IV-D cases is removed who (States, Federal government, individuals) should pay for providing services in all cases?

Child Support Insurance or Assurance

*Is this a good idea?
How best to test it?*

Issues

1. Who would be eligible? What would be the basis for determining eligibility?
2. What would be the structure of the guarantee? What options exist in terms of:
 - a. level of guarantee;
 - b. State supplementation;
 - c. absolute or related to award or payment levels;
 - d. tax treatment;
 - e. benefit rules;
 - f. recoupment and accounting periods; and
 - g. indexing?
3. How should the public transfer be financed?
4. What should the program's administrative structure be?
5. How should the assured benefit interact with means/income tested programs?
6. What are the possible behavioral responses and incentives that the program will produce?

PROVIDING EDUCATION, TRAINING AND SUPPORT

Education and Training Strategies, JOBS, JTPA, Links to Education, etc.

Education and Training Strategies, JOBS, JTPA, Links to Education, etc.

*Lump sum experiments
Opportunity Cards
UI*

Issues

1. What education and training strategies have proved most effective in the past?
2. Will employment and training programs be much more effective if work really does pay? Should programs be redesigned if it does?
3. What can be done to ensure that States use all of their AFDC-JOBS funds?
4. Can the JOBS and JTPA programs be more effectively integrated?
5. What new public-private partnerships could be developed to move people into jobs more rapidly?
6. What role should the schools play in providing new opportunities for education and training to move people into jobs?
7. Should participation in activities be mandatory or voluntary during the time set for transitional assistance?
8. What other participation options should be allowed, such as volunteer work, private subsidized or unsubsidized employment or combinations?
9. How can activities be structured to minimize the number of individuals who reach the two-year limit and are unable to sustain themselves independently?
10. How flexible should the Federal government be with regard to State program design?
11. How should the Federal government measure and ensure that the appropriate level and mix of services are available to recipients on a timely basis?
12. How should the needs of teen parents and other youth be addressed?
13. How should the program be phased in?
14. Should preventive services be offered to those "at-risk" of going on AFDC?

TRANSITIONAL WELFARE AND WORK

Employability Screening Mechanisms; Administration and Design Issues for Time-Limits

Transitional Economic Support

Work Strategies After Transitional Welfare

Child Care

Other Support Services

Ongoing Support for Those Temporarily or Partially Unable to Work

Special Cases

Employability Screening Mechanisms:
Administration and Design Issues for Time-Limits

Issues

1. Who should be expected to work? What groups should be targeted? What groups would be exempt? Under what circumstances might individuals be eligible for an extension on time limits, e.g., to complete education, training, or other treatment goals?
2. What do we know about successful client assessment and targeting strategies?
3. How should we treat those who are unable or unwilling to work?
4. How can we ensure that the welfare initiative enhances successful transition of youth from school to work?
5. What sanctions/incentives should there be?
6. How long should the time limit be? Should there be a single time-limited policy? Should there be different strategies tailored to subgroups? Should returns to welfare be allowed and under what circumstances?

7. Measurement/Tracking

Transitional Economic Support

Leap-sums

Issues

1. What level of public aid should be provided during the transition period?
2. Should rules correspond to existing AFDC rules or be completely revised?
3. Should other transfer programs be integrated and coordinated with the transitional benefit?
4. Should increased earned income disregards and elimination of the 100-hour rule be part of a make work pay strategy?
5. Should elimination of categorical requirements such as the AFDC-UP attachment to work rule be part of a strengthening families agenda?
6. Should increasing the asset limit and the equity value of a vehicle be part of an agenda to encourage work and savings?
7. Should we consider a uniform minimum benefit?
8. How will AFDC fit together with other non-welfare components? What are the benefit reduction rates, what offsets would there be for benefit reductions, what kinds of cliffs would there be under various options?
9. How should the program be implemented? What components could be implemented nationally? How should the program be phased in? For what aspects would we want to encourage State demonstration?

Work Strategies After Transitional Welfare

Issues

1. How should the post-AFDC (or post-transitional aid) jobs program be structured? How much emphasis should be given to public jobs, community work experience programs (CWEP), and private jobs?
2. What has been the experience with public service employment (PSE), CWEP, and other job programs in the past?
3. What incentives for employers should be used?
4. How universal should these jobs be? For former welfare recipients only or for other poor as well?
5. How will this program be coordinated with other employment and training/ education programs? (applies to both front-end JOBS and post-welfare employment strategies)
6. Should jobs be traditional or adapted to the particular needs of low income parents, especially single mothers?
7. How should work hour obligations, if applicable, be determined?
8. *Should work programs be time limited?*

Ongoing Support for Those Temporarily or Partially Unable To Work

Issues

1. What kind of support should be provided to those partially disabled?
2. How should those addicted to drugs or alcohol be helped?
3. How should those people who are partially disabled, borderline retarded, or borderline mentally ill be treated? Should there be special support provisions made for them?
4. Should those who are unable to secure employment because they are learning disabled, functionally illiterate or otherwise have substantial barriers to employment, be treated under special rules or given special supports?
5. Should those persons who are temporarily disabled be allowed to receive special support?

Special Cases: Child Only Cases, Relative Caregiver, Others

Issues

1. What special rules, if any, should be devised for special cases such as child only cases or relative caregivers?
2. What other special cases will require unique application of rules and requirements?

CROSS-CUTTING

Service Delivery, Client Focus, and Quality Management

State Demonstrations and Waivers

Interaction, Consistency, and Possible Consolidation of Multiple Transfer Programs

Characteristics, Dynamics, Needs, Health Status and Abilities of Welfare Recipients, Single Parents, Two-Parent Families, Absent Parents, and Other Groups

Evaluation

Cost Estimation

Financing

Service Delivery, Client Focus, and Quality Management

Issues

1. How can we ensure that recipients are treated with dignity and respect?
2. What do we know about successful service delivery?
3. What management lessons can be applied to new or modified programs?
4. How can the welfare system be organized to address the multiple needs of families in a holistic approach?
5. What are the appropriate performance measures for program workers?
6. How can we ensure community involvement and accountability?

State Demonstrations and Waivers

Issues

1. Should State demonstrations be used to test major elements of the reform plan before it is adopted nationwide?
2. If so, what elements should be looked at and under what conditions: statewide, cities, or controlled experiments?
3. What waiver policies should be used?
4. What should be the criteria for evaluation of State proposals?
5. What should the process be for deciding whether waiver proposals should be approved?
6. What can be done to speed up the waiver approval process?
7. What types of input from advocacy groups or the public would be helpful and how should that input be obtained?
8. How can waiver proposals be coordinated with other States so that they can be a more effective mechanism to learn something?
9. Should cost-neutrality be a fixed policy?
10. Should there be an annual appropriation sufficient to cover the cost of worthwhile waiver proposals that States cannot afford on their own?
11. What evaluation requirement should be imposed on demonstrations so that the learning can be maximized but that do not impose an undue burden on State administrators?

Interaction, Consistency and Possible Consolidation of Multiple Transfer Programs

Issues

1. How can program simplification and consistency be achieved while providing the appropriate level of benefits/services and cost containment?
2. Should the separate categorical, income and assets tests, and administrative requirements of the public assistance programs be uniform?
3. Should legislation providing broad waiver authority for all programs be enacted to permit States to test a variety of consolidated program approaches?
4. Should simplification and consistency among programs be attempted (in view of the difficulties) or should alternative strategies be supported?
5. What linkages should there be with SSI, GA programs, food stamps, refugee assistance programs, housing, etc.?

Characteristics, Dynamics, Needs, Health Status and Abilities of Welfare Recipients,
Single Parents, Two-Parent Families, Absent Parents, and Other Groups

Issues

Marriage Penalty?

1. What are the characteristics of short, medium, and long term welfare recipients with respect to education, employment background, health, etc.?
2. What is the pattern of monthly welfare dynamics? . What portion of the caseload stays on for 12 months, 24 months, 36 months, etc.?
3. How common are frequent movements on and off welfare? What causes these movements?
4. What are the characteristics of intact two parent families?
5. What is the ability to pay of absent parents? What are their characteristics?

Cost Estimation

Issues

1. What are the costs of each of the major options?
2. How can we improve our ability to make cost estimations?

Financing

Issues

1. How much in Federal funds is needed/available to implement the President's welfare reform proposal?
2. How can Federal matching rates be structured to:
 - a. maximize incentives for cost-effective programs;
 - b. maximize incentives for State commitment of expenditures for administration priorities; and
 - c. minimize supplantation of existing State and Federal expenditures (e.g., on programs such as general assistance (GA), Job Training Partnership Act (JTPA), Adult Basic Education, etc.)?
3. Should funding be open-ended or capped?
4. How can private sector resources be leveraged to provide services and employment opportunities?
5. What programs should be included in the proposal (e.g., JOBS, Child Care, AFDC, Medicaid, Food Stamps, housing assistance) and should the current method of Federal funding be altered?
6. Should alternative methodologies be considered for Federal matching rates for AFDC and JOBS (and possibly other programs)? (AFDC and most of JOBS are currently funded based on State per capita income; this has been criticized by some because it does not take other factors, such as State poverty rates, into account.)
7. Should there be separate funding for experimental projects that test the proposed approach (or test alternatives to the one implemented nationwide)? If so, how much funding should be committed to such experimentation?
8. How should changes in financing the proposal be phased in?
9. *Where do we find \$ to pay for this?*



Initial Schedule

Ongoing

Identify outside resources: contractors, research institutes, individual consultants, etc., to do analytic pieces that won't be done in-house. Complete initial list of individuals and organizations who should get calls, visits or letters soliciting their ideas on welfare reform.

As soon as possible

Announce the formation of the Working Group on Family Support and Independence.
Hold first meeting at White House after a Domestic Policy Council meeting.

After first meeting

Contact foundations and begin work on public hearings and other external events. Begin making phone calls, visits, and sending out letters to individuals and groups to solicit ideas on welfare reform.

End of April

Make decisions on issues, groups, tasks, and membership. Begin soliciting outside information as needed. Announce public hearings schedule and locations.

May 10

Complete initial drafts of analytic papers, including early data analyses.

[May 17 to June 18] *sunds soon*

Hold Public Hearings/Focus Group sessions and site visits at 6 sites (1 to 2 a week) around the country. For each public hearing and focus group session there will be a transcript and summary of highlights.

June 30

Complete final analytic papers with impact and cost data where possible.

July - August

Receive decisions made by the Working Group and refine cost and impact estimates.

August 20

Obtain final approval of the plan from Working Group members.

September 3

Submit Welfare Reform plan to the Domestic Policy Council.



Outreach and Public Affairs

Our outreach and public affairs strategy will have at least 5 components:

1. A proactive media strategy closely coordinated with the White House designed to insure that the message and ideas critical to the Working Group's activities are presented effectively in the press, that mechanisms are in place for dealing quickly with inquiries from the press, and plans for dealing with media problems.
2. A comprehensive strategy to solicit input from public officials (including the Congress, State Governors and Legislatures, mayors and county officials, and welfare administrators), low-income people, business leaders, intellectuals, the advocacy community, service providers, absent and custodial parents, and the general public. This will include a variety of formal and informal contacts and selected high visibility public events.
3. A correspondence response and control strategy to ensure that the Working Group responds quickly and appropriately to inquiries from the outside.
4. We are considering a working paper series which will indicate key thinking and background ideas as a method of communicating ideas and presenting trial balloons. These could serve as helpful background for people seeking to offer useful input. At a minimum, we need a series of materials that are produced at intervals to give a sense of the Working Group's direction.
5. A series of high visibility events designed to highlight and propel the launching and legislative follow-through.

Many of the details remain to be worked out. We expect to hire at least one full-time outreach person who will deal with these issues. A few highlights are clear already.

Media Strategy

The interest in welfare reform is relatively high, though in the first few months, the real press focus is likely to be on the budget and health reform. Nonetheless, there will be considerable activity. We have already begun developing talking points for welfare reform--a draft of the current set is included. The larger questions involve designating and coordinating the messages of various spokespeople, providing key stories, and planning high visibility events, such as visits to welfare and child support offices, community-based programs, state programs, etc. The hearings and other methods of soliciting views discussed below are another obvious source of attention.

Soliciting Information and Involving Outside Groups

Because the group is composed entirely of Executive Branch people, it is especially important for us to solicit ideas and reactions of outside groups. As we begin the process, we need to plan outreach to key constituencies. Current plans include:

- o Creating a list of people who should be contacted by the Working Group to get their views and input. These will be sorted into those who should be called by one of the three coordinators, those who should be called by other Working Group members, those who should be called by staff, and those who should be sent a letter.
- o Identifying key members of Congress and key staff and set up a system of both formal and informal consultation. Develop a comprehensive list of concerns and ideas of members of Congress and develop ways to incorporate or address them as part of the welfare reform process.
- o Developing an ongoing set of meetings with key government groups, including the National Governors Association/National Council of State Legislatures/American Public Welfare Association panel, separate meetings with each of these groups, as well as other groups representing mayors, and county officials.
- o Identifying key advocacy and other interest groups. Set up a series of meetings and other forms of communication. Develop a list of their concerns and develop a method of incorporating or addressing them.
- o Designing mechanisms to involve and include the business community.
- o Designing mechanisms to include key service providers, including educators, trainers, social workers, case workers, administrators, etc.

In addition to these ideas, we propose that the Working Group conduct a series of public forums/hearings, focus groups, and site visits in at least 6 locations across the country. We are soliciting foundation support in helping to organize and finance these events. We have already received strong interest from foundations. Moreover, the foundations are in a better position than we are to bring together the mix of local participants that needs to be heard by the Working Group. We would expect a report to be prepared at each visit. A rough proposal has already been developed.

Correspondence Response and Control

One lesson from health reform is the need to get a correspondence system in place immediately. (The health reform task force receives at least 1,000 letters per week.) Our strategy calls for screening all incoming correspondence against certain criteria and handling

them using standardized procedures. HHS staff would take the lead in screening the incoming letters and responding to all correspondence that do not involve cross-cutting issues or require a substantive response. Additional staff, possibly temporary contracted support, will be needed.

Letters proposing reform seem likely to fall into three categories: letters from members of Congress, Governors, and other VIPs; substantive, thoughtful proposals from academics, etc.; and all other letters, including those from the general public. Other related correspondence could include letters promoting individuals for participation in the welfare reform process.

Letters from members of Congress, Governors, and other VIPs will require a personalized response tailored to the subjects raised in the incoming letter. These would be prepared for signature by a Working Group member (depending on the issues), regardless of original addressee. Substantive, thoughtful proposals from academics and other experts would be referred to a senior analyst assigned to an appropriate staff work group for a substantive response. These would also be prepared for signature by a Working Group member.

We expect to develop some standard paragraphs to respond to issues raised in all other letters, including those from the general public. These would be assigned to staff to incorporate appropriate paragraphs and signed at a lower level than Working Group members.

Working Papers

While there is an understandable desire for secrecy and drama in the process, we also find that there are many problems which arise from a lack of understanding about the broad outlines of the Clinton strategy. Moreover, as we meet with outside groups and hold forums, documents which enunciate broad principles, along with some possible options, can serve to focus the discussion and reduce unnecessary anxiety. Unplanned, but inevitable, leaks often do considerable damage by suggesting serious consideration is being given to controversial or very popular but infeasible options, which are either not likely to be adopted, or which need to be presented with great care. In addition, we expect to develop valuable fact-based information which would be helpful to others trying to understand the policies being designed. Thus, a major question for the Working Group to consider is what, if any, interim reports, thought pieces, or working papers ought to be released.

High Visibility Launch Strategy

We will need to develop a first rate launch strategy which will include support from a wide range of groups, involvement by members of the Administration, high profile events, and the like. Further development of this piece will come later.

Talking Points on Welfare Reform
March 30, 1993

1. Welfare reform remains very high on the Presidential Agenda.

The President has repeatedly called for welfare reform. He announced his plans to form a welfare reform Working Group in a speech to the National Governors Association, and he reiterated his commitment in the State of the Union Address. That group is now being formed. It has yet to be announced, in part because of the time it took to get key appointments cleared. One can expect an announcement in the next few weeks.

2. Welfare reform is about restoring hope and dignity and control.

The President's call for welfare reform comes from a recognition that welfare for many Americans has meant isolation, stigma, and humiliation. It has meant being stuck in a system that everyone dislikes with little real hope for dignity or independence. The call to end welfare as we know it is not a call to stop supporting the poor. Quite the contrary, the President has repeatedly indicated a willingness to spend more. Rather, it is a call to give people a real alternative to welfare, a genuine opportunity to regain control of their lives by giving people the support they need to achieve real independence.

3. The President's plans for welfare reform involve much more than tinkering with welfare.

Most previous efforts at welfare reform involved primarily changing the welfare system. President Clinton's proposal focuses on providing an **alternative** to welfare. There are four central elements:

Make Work Pay -- The critical starting point for helping people off welfare is to insure that people who work are not poor. The President has repeatedly stressed his belief in this proposition and he proved his commitment in the budget by dramatically expanding the earned income tax credit. In addition, health reform will ensure that all people, especially working people, can count on health coverage. Child care will be critical as well.

Dramatically Improved Child Support Enforcement -- The current child support enforcement system is a disgrace. The obvious starting point for supporting children is to look for support from both parents. The fact that only 1/3 of single parents currently receive any court-ordered child support today is a disgrace. There are many ways in which changes can be made, ranging from paternity establishment in the hospital to a central clearinghouse for all collections and a much greater role for the Federal government.

Better Training and Support -- The Family Support Act of 1988 started a process of improved employment and training services. But many states have been unable to use all their monies (because of an inability to find the state match money). Making the JOBS program really work will be central to welfare reform.

Transitional Time-Limited Welfare and Work -- The ultimate goal of this Administration is to make welfare truly transitional for those who are healthy and able to work. If our other steps make it feasible, then we can, and should, expect people to take advantage of opportunities and move to market work. After some limited period of time, those who can work will be expected to go to work, either by taking a job in the private sector or through community service. Welfare should not become a way of life.

4. *Much work remains to be done. Welfare reform will be a collaborative effort. States will play a key role in innovation and reform.*

The President has already gone a long way toward fulfilling the first element of welfare reform: making work pay. But much hard work remains to be done in health reform, child support enforcement, training and support, and moving people to jobs. That will be the work of the welfare reform Working Group working with the Congress, States, welfare recipients, and others. Welfare reform will be a truly collaborative effort. In Congress are people who know as much about welfare issues as any member of this Administration. We will work closely with them.

And perhaps most importantly, States have done most of the creative work in welfare over the past 12 years. We must forge a welfare reform plan which encourages innovation and experimentation by the States. We learned long ago that the Federal government does not have all the answers. Only a genuine partnership will work.

Staffing

Staffing for the Initiative will consist primarily of current domestic agency staff, under the direction of the Working Group coordinators.

We anticipate hiring for various lengths of time roughly 20 additional staff to fill identified potential gaps in skills and knowledge. The added staff include:

- o a public communications expert
- o several modelers
- o an expert on absent fathers
- o a data systems expert with knowledge of major systems linkages
- o experts on employment, including publicly supported employment programs
- o an expert on demonstrations
- o evaluators
- o facilitators
- o secretarial support.

In addition to these, a variety of lower level staff we can help with analysis, correspondence, and logistics are needed.

Budget Outline

We estimate the following costs for the Family Support and Independence Initiative:

Additional Staffing	\$ 800,000
Travel	150,000
Computer Time and Support	200,000
Outside Services (includes short-term surveys and focus groups TRIM simulation models, data analyses, special projects, etc.)	1,700,000
Publications and distribution	20,000
Materials and Supplies	<u>10,000</u>
	\$2,880,000

More detailed budgets for these items are available.

Funding will come primarily from HHS. Foundations will support the public hearings and focus groups. Agencies will provide their own travel funds.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 7, 1993

REMARKS BY THE PRESIDENT
TO THE NATIONAL GOVERNORS ASSOCIATION WINTER SESSIONJ.W. Marriott Hotel
Washington, D.C.

10:00 A.M. EST

THE PRESIDENT: Thank you very much. (Applause.) Thank you very much, Governor Romer, ladies and gentlemen. I felt pretty good sitting at that table; although that's my real place over there. (Laughter.) We had a wonderful meeting yesterday. I thought -- for a long time, maybe the longest time a President has ever met with a group of governors, but we were discussing a terribly important issue -- health care. And then we also got to discuss the deficit crisis and the budget problems a little bit.

I wanted to come here today, as you prepare to leave, to once again reaffirm my commitment to working in partnership with the governors. You deal with real people in a more immediate way than, unfortunately, the President often gets to do. When I was a governor, every day I would hear directly from people or see people who had suffered from layoffs or had their businesses closed down or who were afraid of losing their health coverage or who desperately wanted to improve their schools.

As you and I learned from last year's elections, the only pattern was not a partisan one, it was a pattern of determination on the part of the American people to have their political system and their government address their real concerns. They don't want our process divided by partisanship or dominated by special interest or driven by short-term advantage. They know things that have too often been forgotten here over the last dozen years. The values that are central to our country's character must be central to our government: work, family, faith, opportunity, responsibility and community.

What I appreciated about this meeting is that no matter what our region or our party, we've always gotten together and tried to pay serious attention to our problems. I think the governors have exemplified for the last dozen years the bold, persistent experimentation that President Roosevelt called for at the beginning of the Great Depression when he took office. And I'm here to tell you that I'm going to do everything I can to work with you in partnership to share ideas and resources and energy to try to do what we can to move this country forward.

As we discussed health care, economic policy and the deficit yesterday, I'd like to spend just a few moments today talking about something that many of us have been working on since the middle 1980s, the issue of welfare reform.

I've often spoken with many of you about the need to end welfare as we know it, to make it a program that supports people who have fallen on hard times or who have difficulties that can be overcome, but eventually and ultimately, a program that helps people

MORE

to get on their feet through health care, child care, job training and ultimately a productive job.

No one likes the welfare system as it currently exists, least of all the people who are on it. The taxpayers, the social service employees themselves don't think much of it either. Most people on welfare are yearning for another alternative, aching for the chance to move from dependence to dignity. And we owe it to them to give them that chance.

In the middle 1980s, when I was Governor here, I worked with Governor Castle, now a member of the Congress -- he and Governor Carper changed jobs, and in six months they're going to have a vote to see who won and who lost -- [laughter] -- to try to work with the Congress to develop a national welfare reform program. With the support of people in the House and the Senate, with the particular help of Senator Moynihan, now the Chairman of the Senate Finance Committee, and with the support of the White House, the governors had an unprecedented role in writing the Family Support Act of 1988, which President Reagan signed into law shortly before he left office, and which Senator Moynihan said was the most significant piece of social reform in this area in the last generation.

The Family Support Act embodies a principle which I believe is the basis of an emerging consensus among people without regard to party, or without regard to their traditional political philosophies. We must provide people on welfare with more opportunities for job training, with the assurance that they will receive the health care and child care they need when they go to work, and with all the opportunities they need to become self-sufficient. But then we have to ask them to make the most of these opportunities and to take a job.

As all of you know, the states never had the chance to fully implement the Welfare Reform Act of 1988, for two reasons: First because, over the last four years, the welfare rolls have exploded everywhere and health care costs have gone up as the job market has declined and the economy has grown at the slowest rate in half a century. Secondly, because of the economic problems, government revenues have been down and the Congress and the administration were never able to fully fund the education and training portion of the act.

This was clearly manifested not only in the growth of welfare rolls, but in the fact that last year, for the first time since the program began, one in ten Americans were on food stamps.

So as the weak economy left millions more in poverty, and the welfare rolls increased five times greater during the last four years than under the previous two administrations combined, it made it more difficult to make welfare reform work.

In spite of that, I think it would be a great mistake to conclude that that act was of no significance, or that nothing good has occurred. Bipartisan efforts in state after state from New Jersey to Georgia, to Wisconsin, and many others all across the country, have resulted in innovative approaches to help move people off welfare rolls and onto payrolls.

In our state, through the program we call Project Success, more than 17,000 people moved from welfare to work, and more importantly, at a time when the rolls were exploding our rolls grew much more slowly than the national average. Many of you have your own successes to report, and I had the opportunity to visit in many of the states -- here represented -- projects that were terribly impressive to me.

I say this to make the following point: The bill that is on the books will work, given the right economy and the right kind of support systems, but we need to do more than fully implement it, we need to do that and go beyond.

I salute you for forming a State Officials Advisory Group on welfare reform with governors and legislators and health and welfare directors from ten states. I want to tell you today that within the next ten days I will announce a welfare reform group to work with you. I will ask top officials from the White House, the Health and Human Services, and other agencies involved, to sit down with governors and congressional leaders and develop a welfare reform plan that will work. I have asked the best people in the nation on this subject to come and help me do this.

The day I took office I promised the American people I would fight for more opportunity for all and demand more responsibility from all, and that is a commitment I am determined to keep with your help, by putting an end to welfare as we know it.

Our working group will learn from and work with state officials, business and labor folks and leaders from every walk of life who care about this issue. On welfare reform, as on health care reform, there are no top-down, made-in-Washington solutions that will work for everyone. The problems and the progress are to be found in the communities of this country.

But, I do want to tell you the principles this morning that will guide my administration as we work with you to reform welfare. First, welfare should be a second chance, not a way of life. I want to give people on welfare the education and training and the opportunities they need to become self-sufficient.

To make sure they can do it after they go to work, they must still have access to health care and to child care. So many people stay on welfare not because of the checks. The benefit levels, as many of you know in real dollar terms, are lower than they were 30 years ago. They do it solely because they do not want to put their children at risk of losing health care, or because they do not have the money to pay for child care out of the meager wages they can earn coming from a low-education base. We have got to deal with that.

I believe two years after a training program is completed, you have to ask people to take a job, ultimately, either in the private sector or in public service. There must be, in addition to the full implementation of the Welfare Reform Act of 1988, in my opinion, a time-certain beyond which people don't draw a check for doing nothing when they can do something. And there is a lot of work out there to be done.

Senator Boren and Senator Wofford have offered a bill to try to recreate on a very limited basis a pilot project that would take the best of what was done with the work programs of the '30s and try to throw them into the context of the '80s. We must begin now to plan for a time when people will ultimately be able to work for the check they get, whether the check comes from a private employer or from the United States taxpayers. (Applause.)

Today, about half the people on welfare are just the people welfare was meant to help. They fall on hard times and they have to have public assistance. They're eager to move on with their lives. And after five or six months, or eight months they're right back at work again, struggling to make their way in the American way. About half the people on welfare stay on for over two years, but one in four persons, the people that we really need to try to help to

break the cycle that is gripping their children and grandchildren -- about one in four stays a recipient for eight years or longer. Those are the folks that Governor Wilder I know is now working on, that many of you have tried to address the problems of, and I want to help you with that.

Second, we need to make work pay. We have to make sure that every American who works full-time with a child in the home does not live in poverty. If there is dignity in all work, there must be dignity for every worker. Therefore, I will propose an expansion in the earned income tax credit which supplements the income of the working poor.

We can do that. We ought to be able to lift people who work 40 hours a week with kids in their home out of poverty. And we will remove the incentive for staying in poverty. It will be much less expensive than to have government direct supplements to pay people to remain idle. And it will reinforce the work ethic. If we can do that and at the same time do what we discussed yesterday -- control health care costs and expand coverage so that no one has to stay on welfare just to take care of their children's medical needs, I think you will see a dramatic breakthrough in our efforts to liberate people from their dependency.

Third, we need tougher child support enforcement. An estimated 15 million children have parents who could pay child support but don't. We need to make sure that they do. Parents owe billions of dollars in child support that is unpaid -- money that could go a long way toward cutting the welfare rolls and lifting single parents out of poverty, and money that could go a long way toward helping us control government expenditures and reducing that debt. We're going to toughen child support enforcement by creating a national databank to track down deadbeat parents. (Applause.)

By having the states go as far as they possibly can to establish paternity at the hospital when children are born -- (applause) -- and, if I can prevail up here, by using the IRS to collect unpaid support in seriously delinquent cases.

I've said it before because it's the simple truth: government's don't raise children, people do. And even people who aren't around ought to do their part to raise the children they bring into this world.

Fourth, we need to encourage experimentation in the states. I will say again what you know so well: There are many promising initiatives right now at the state and local level, and we will work with you to encourage that kind of experimentation. I do not want the federal government, in pushing welfare reforms based on these general principles, to rob you of the ability to do more, to do different things.

And I want to try to flesh out a little bit of the ideas I -- we discussed yesterday about the waivers. My view is that we ought to give you more elbow room to experiment. I know I was perplexed during the recent campaign when I tried to make a statement that some people in the press said reflected waffling, and it seemed to me to express the real genius of the federal system. I said that if I were President I would approve waivers of experiments that I did not necessarily agree with. And they said you're trying to have it both ways. I said no I'm not, I'm trying to honor the founding fathers. If we didn't disagree on anything what would be the need to experiment? That is the nature of the experiment, is that one person has an idea different from another person.

And so I will encourage all of us to work together to try things that are different. And the only thing I want to say -- to ask you in return is, let us measure these experiments and let us

- 5 -

measure than honestly -- so that if they work, we can make them the rule, we can all adopt things that work. And if they don't, we can stop and try something else. That's the only thing I ask of you. If we say, okay, we're going to have more waivers and you're going to be able to experiment in projects that use federal dollars, let's measure the experiment, let's be honest about it. And if it works, let's tell everybody it works so we can all do it. And if it doesn't, let's have the courage to quit and admit it didn't. (Applause.)

I think all of us want what most people on welfare want -- a country that gives you a hand up, not a handout. We don't have a person to waste. We need the talent, the energy, the skills of every man and woman, every boy and girl in this country.

Of all the problems we have with competitiveness, whether it is the deficit or the level of investment or anything else, I think all of us know in our heart of hearts America's biggest problem today is that too many of our people never get a shot at the American Dream. And that if all of our people were living up to the fullest of their potential, we would surely have a much easier path to solving all the issues that we constantly debate about at these meetings.

Of all my moments as Governor, one I remember with the most pride occurred here at a National Governors Association meeting during that two-year period when we were working on welfare reform. And we had a -- Governor Castle and I sponsored a panel and I think 40 governors attended. And we had welfare recipients from all over the country come in and talk to the governors about what it was like to be on welfare.

A woman from Arkansas who was there, whom I knew but had not vetted for this conversation, started talking about her program and how she'd gone into a training program and she had gotten a job -- all of that. And I did something lawyers are told never to do -- I asked a question without knowing the answer. I said, do you think this program ought to be mandatory, should everybody have to participate in this? She said, I sure do. And I said, why? And she said, well, because if it wasn't there would be a lot of people like us home watching the soaps because we don't believe we can make anything of ourselves anymore. So you've got to make it mandatory.

And I said, what's the best thing about having a job? She said, when my boy goes to school and they say what does your mama do for a living he can give an answer.

I think that moment says more than I will ever be ever to say about why this is important -- not just important for the poor but important for the rest of us. We must end poverty for Americans who want to work. And we must do it on terms that dignify all of the rest of us, as well as help our country to work better.

I need your help and I think we can do it. Thank you very much. (Applause.)

END

10:19 A.M. EST



"A SECOND CHANCE"
REMARKS BY BILL CLINTON
CLAYTON COUNTY OFFICE OF FAMILY AND CHILDREN'S SERVICES
JONESBORO, GA
SEPTEMBER 9, 1992

Thank you. Thank you very much, Governor Miller and ladies and gentlemen. I want to say a special word of thanks to the fine people who work in this peach program and to the people who participate in it, not only to those who are here with me but those with whom I met behind this building in the play yard. While you were out here suffering in the sun, we were playing in the sand. Don't you just resent it? We'd actually talked for a few minutes.

There were several parents and their children who were either present participants in the peach program or graduates. Most of them are right back here. Would y'all raise your hand? Let's give them a hand. They were very helpful to me.

I'm here today to talk about this because I believe in the kind of work being done by the peach program and because I've worked with wonderful people back in my state, like the people who work in this program, to help move people off of welfare, out of dependency, to open their futures instead of to make them believe that life is a dead end waiting for another government check that is not enough to support your children or change your life.

I became first involved in the work of welfare reform way back in 1980, and since then, I have believed passionately that we ought to change the welfare system as we know it.

Most of what I have learned about welfare I have learned from the people who are on welfare or those who have been on it, or those who have worked with them.

I share a common belief that I heard from these mothers today and the counsellors that the American people share, people on welfare are the people who dislike it most of all.

Most people on welfare are dying for another alternative, willing to seize it, and they'd like to end the welfare system as we know it.

Today, I want to share with you my plan to do that. It is more

important today than it would have been a few years ago because of the alarming rate of increase in poverty. Here in Georgia and across the country there are more people who are working poor.

Last week the Commerce Department reported that average family income dropped \$1,100 last year alone. Over the last decade, the percentage of hard work low-wage jobs increased dramatically.

And now--listen to this--one in every 10 Americans is on food stamps. America's welfare rolls are full to bursting, increasing five times faster under this administration than under the previous 12 years under Ronald Reagan and Jimmy Carter combined.

Three million more people have gone on welfare since 1988; three million more are out of work. When poverty and jobless rolls rise, we all pay. In the past year--listen to this--we spent \$8 billion more than we were spending three years ago on welfare and food stamps alone.

A big part of the answer is obviously an economic program to put the American people back to work and to get our incomes going up again. And obviously that is what I have talked most about in this campaign.

But the changing face of welfare, and the changing nature of it, and the enormous barriers to people moving from welfare to a productive life deserves special attention.

Especially now, that most people on welfare are young women, and their little children. And the fact that only half of the people on welfare get off quickly.

That's just my musical background. It proves the point. In the mid-1980s, on behalf of all the governors, Republicans and Democrats, I co-chaired a welfare reform task force. We worked in 1988 with the Congress and with the Reagan White House to write something called the Family Support Act of 1988, the first major, major reform in the welfare system in more than a generation.

The law gave the states some financial help and some marching orders. It said try to end welfare by giving more education and training to mothers, and then requiring those who can go to work to go to work, either when their children turn three, or when their children are one if there is available child care.

The problem with the law is, as Georgia knows, it's never been fully implemented, and it didn't go far enough. But Arkansas wanted to be in the forefront of that law, and so, as Governor Miller said, we started Project Success, to give child care, health care and education and training, and then move people off welfare.

In three years, 17,000 have moved from welfare to work, saving our taxpayers \$12 million, but far more important, opening a brighter future to parents and children.

Independent researchers from the Manpower Demonstration Research Corporation concluded it was one of the three best programs in the country. This peach program is doing a great job. It is not in every county in Georgia, and not every state in America has implemented welfare reform, because the 1988 act has not been fully implemented by this administration.

They talk a lot about moving people from welfare to work, but if you don't put the money in there for training, for education, for child care, for transportation, and you don't do it in every county in America, you cannot crack the welfare problem.

So the first thing I think every person with whom I have ever talked on welfare agreed that welfare ought to be a second chance, not a way of life. It's time to end this system as we know it, and to start with two simple principles: first, people who can work ought to go to work, and no one should be able to stay on welfare forever.

And second, no one who does work, and who has children in the home, should live in poverty, as too many are today.

I am running for president on a plan that would give everyone the funding they need for education, training, child care, and transportation. But after two years, or after the end of an education-and-training program, everyone on welfare would have to go to work, either with a private-sector job, or if none is available, with a job provided by the state or the local government in community service.

A strict time limit for AFDC recipients, coupled with a real commitment to help them support their children, provide them the education and transportation they need, would literally make welfare what it ought to be, a temporary hand to people who have fallen on tough times.

This is not a conservative or a liberal idea. It's both. It's different. And the people who have lived with the present system know it will work if we invest what we ought to and are firm in our administration of it. By the time we are through, we shouldn't have a welfare system in America; we ought to have a helping-hand program, followed by a jobs program.

The plan that I have offered sets money aside, up to \$6 billion over the next four years, up to \$6 billion a year, mounting up to that over the next four years, and pays for it from the cuts that we will make in wasteful government spending; in defense savings; and in raising taxes on the wealthiest two percent of Americans, whose incomes went up in America while their tax rates went down, the direct reverse of what happened to the middle class.

When you consider that if we do not change welfare, 25 percent of the people who are on welfare today will still be on it in the year 2000, you can be sure that we have to do it, and that doing it will

save a lot of money down the road. Spending a couple of thousand dollars a year on a welfare recipient today; helping that person to become independent, to lead their children in a different direction; to open up new avenues of possibility; will mean more incomes and more taxes, and less dependence in the future.

More important, it will improve the quality of life not only for people on welfare but for their friends and neighbors as well. We've heard a lot of talk this year about family values, and that's fine with me; most of us wouldn't be here today without them. But if we're going to be pro-family, we ought to be pro-child and pro-work, and that's what this plan is.

Today for people on welfare, going to work too often means taking a job that will never do anything, because you don't have any education and training; and you may lose it in a couple of weeks. It often means losing medical coverage, and child care benefits; giving up Medicaid. It often means struggling to find a job that will keep you mired in poverty forever.

I want to make work pay by simply expanding the earned income tax credit for the working poor. If you work 40 hours a week and you've got a child in the house, the income tax system ought to give you a refund to lift you above the poverty line. It'd be the cheapest thing we could ever do to say we are for work and for family, and we'll reward the right values in this country.

We have to provide medical coverage to working people with children, and to control health care costs while we're doing it. To do that, we'll have to take on insurance companies, the way the government regulates health care, the unbelievable paperwork and bureaucracy and waste in our system. But don't let anybody tell you we can't do it. Your nation spends 30 percent more of its income than any country in the world on health care, and yet we don't provide primary and preventive care, in poor rural areas in inner cities, and we don't do the things that other countries do to control health care costs.

We're going to do that if I win this election.

We also need to find a way for poor people to get into the free enterprise system. There's a community development bank in Chicago called the South Shore Development Bank I've talked about all over this country that actually loans money to poor people to go into business for themselves or in small groups.

And they've made money doing it, because they understand that poor people are like other people. Some are smart, some have skills, some have ideas, some can make money. And they've made money in a bank loaning money to people who are redlined in most communities in this country.

I want to set up a network of community development banks to bring free enterprise to poor people in rural areas and in inner cities.

The next thing we have to do is be pro-savings. Earlier this year, the government ordered a young woman in New Haven, Connecticut, and her family, to repay welfare benefits because she had scrimped and saved money from a part-time job to put herself through college.

I think we ought to raise the asset limit, and encourage poor people to save money for job training, for college, and for other paths to independence. And I recommend raising it from \$1,000 to \$10,000 a year to encourage people to save who are in tough times.

Finally if we believe in family values, we simply have got to toughen up our system of child support enforcement, and launch a nationwide campaign to get money from deadbeat parents who can pay and won't.

I might say, one of the most impressive things to me about the conversation I just had back there is, a lot of these young women who are here working in this program, taking care of their kids, said, if you want to run this program right, you're going to have to crack down on people who don't take care of their kids the way we do.

People who use drugs instead of feeding their kids with that money, you ought to take it away from them and take care of their kids; that's what they said, not me. I was impressed by that.

Today an awful lot of the money you as taxpayers spend on welfare goes for children whose parents should be giving them support, but who aren't. If we want to do something about the fact that one in five children plus is in poverty; almost one in four children under the age of five is in poverty; we can start by tracking down an estimated \$25 billion in owed and unpaid child support.

As president, I will push for the toughest child support enforcement possible. In our state, if you fall more than \$1,000 behind, we report you to every major credit agency in the state. If you don't take care of your kids, you shouldn't be able to borrow money for yourself.

And last year, we collected \$41 million plus, money that we don't have to pay in welfare and other public spending.

Under my plan, we'll set up a national deadbeat parents' data bank; begin a national system of child support collections through automatic wage withholding; and make an all-out effort to establish paternity in the hospital when the baby is born; not in the courts after the father has left.

We ought to use our national data collecting systems like the IRS to make sure that you cannot cross the state lines and meet your court-ordered obligations to take care of your children.

We ought to challenge major credit agencies nationwide to report on

all people who are seriously deficient in their child support. You simply shouldn't be able to borrow money for yourself if you don't take care of your kids.

It's time to send a clear message to people who bring children into this world: governments don't raise kids, people do.

In the end, this isn't about government. This is about people and their futures. There will never be a government program for every problem, and the government can never take responsibility for people that they ought to take for themselves.

The only thing that really holds us together as a nation, a free nation, is that most of us get up every day and do the right thing. We go to work; we do our best by our family; we honor the law; we treat our neighbor with respect; we just do the right thing. Nobody makes us do it.

We have got to empower people to assume that level of personal responsibility for themselves and for their children. IT is one way we can bring people together. Surely every American, without regard to political party or religious faith or philosophical convictions, can agree that we can stop the division and blame and finger-pointing that has characterized welfare while things have gotten worse, and challenged people, then given them the means to make the most of their lives. That is what this is all about.

I want to tell you my favorite story. A few years ago when I started working on welfare reform, I brought some people from my state to Washington, D.C., who had been on welfare, and who had gone through one of our experimental programs before we went statewide.

And one of these women was very articulate, and I was just questioning her. And there were all these governors just sitting around just absolutely fascinated listening to this lady talk. And I said, do you think that this ought to be mandatory? You think that people ought to have to be in this program to get a check? She said, I sure do, otherwise I might be home watching TV instead of up here talking to you.

And I said, well, now that you've got this job, what's the best thing about it. And you could have heard a pin drop, and that lady looked out at that crop of governors, and she said, when my boy goes to school, and they ask him, what does your momma do for a living, he can give an answer.

The Georgia Peach program is testament to the fact that these women behind and those women who talked to me, and this fine lady over here who now works for the state senate, people want to take care of their kids, and they want to take care of themselves. This is a crazy old world we're living in, and a lot of things happen to people that we wish didn't happen. But what brings us together today is the conviction that if we get up tomorrow, we can do

better than we're doing today, and that life is full of potentials, and that we need to look at these folks on welfare, as potential, full blown, vibrant, active, constructive American citizens who are doing a great job raising their kids. And we need them. We do not have a person to waste in this country.

So I say to you that I hope that in the next 55 days all of you will reflect on this. Because one of the things that will chart the future of America as we move toward the 21st century is whether we can do a better job in making sure that every person lives up to the fullest of their potential.

Every person who's on welfare, and every kid who doesn't make it in school, is another person who's not out there in a job making America the strongest power in the world, and helping all the rest of us to see to our parents in their old age; our children in their youth; and to our own lives in their full flower.

This is a very important issue for every American. It's time to end the welfare system as we know it, and lift the people on welfare by providing more responsibility, and more opportunity. Thank you very much.

GEORGE BUSH'S WAR ON THE WORKING POOR

The Bush Record: More Poverty and More Welfare

- An explosion of poverty. Four million more Americans are poor today than when George Bush took office -- more than at any time since 1964. The poverty rate jumped from 13 percent in 1988 to 14.2 percent in 1991. (Census Bureau, 9/92)
- An explosion of welfare. The number of AFDC recipients increased 5 times more in four years of George Bush than in 12 years of Reagan and Carter. Between 1976 and 1988, the AFDC caseload grew by 5 percent. In four years of George Bush, it's grown by 25 percent. Today 1 out of 10 Americans is receiving food stamps -- more than ever before. (1992 Green Book; USDA, 7/92).
- An explosion of costs. Between 1988 and 1991, in current dollars, federal spending on AFDC increased by \$2 billion, and spending on food stamps increased by \$6 billion. (1992 Green Book)
- Millions of Americans playing by the rules and getting nothing. Five million Americans in families with a full-time worker are poor. One out of every five full-time workers does not earn enough to keep a family out of poverty. (David Ellwood, Poor Support; Census Bureau 3/92)
- Millions of parents without the child support they deserve. Two and a half million women receive none or only part of their child support awards -- more than ever before. Deadbeat parents owe \$25 billion. (1992 Green Book; David Ellwood, Poor Support)
- Fewer Jobs. Under George Bush, the unemployment rate has risen from 5.4 percent in January 1989 to 7.6 percent in August of this year. Approximately 3 million more people are out of work today than when George Bush became president. (Bureau of Labor Statistics)
- Lower Wages. Real earnings are down. In constant dollars, real average hourly wages declined by 3 percent between January 1989 and May of this year. (Department of Labor)
- Lower Family Incomes. Because of George Bush's recession, median household income declined by \$1,100 last year. (Census Bureau, 9/92)

The Bush Response: No Comment and No Policy

- George Bush said nothing about welfare reform -- literally -- until the campaign began. The Public Papers of the President show exactly two references to "welfare reform" to the end of 1991. Bush's acceptance speech in Houston shows none at all.
- Bush vetoed an expansion of the EITC. While Bush signed an earlier EITC increase, he vetoed the Tax Fairness and Growth Acceleration Act of 1992, which would have expanded the Earned Income Tax Credit. His reason: the act included a tax hike on the wealthiest 1 percent. (Veto Message, 3/20/92)

Creating Jobs, Helping Entrepreneurs and Building Communities The Clinton Community Development Plan

Governor Bill Clinton today announced a national community development plan that aims to create jobs, provide new capital for small businesses and empower communities.

The plan will aid communities and small businesses across the country, particularly those inner cities and rural areas hardest hit by the Reagan-Bush economic failures. The plan -- already paid for in Governor Clinton's economic strategy, Putting People First -- will:

- Create a national network of 100 community development banks and 1,000 micro-enterprise programs to provide capital and technical assistance to individuals who want to start or expand small businesses and help revitalize communities.
- Establish Individual Development Accounts to help low-income Americans save, and create new private sector opportunities.
- Create 75-125 comprehensive enterprise zones which combine capital incentives and new Community Development Block Grants to help revive economically disadvantaged areas.
- Strengthen the Community Reinvestment Act to emphasize performance over paperwork and stop the practice of "redlining" in economically disadvantaged communities.

"Our plan will give everybody -- businesspeople, homeowners and community groups -- the capital and tools they need to create new private sector opportunities," Governor Clinton said. "Neither handouts nor empty promises will work. Our communities need new solutions that move beyond the old orthodoxies, liberal and conservative."

"This is what putting people first is all about," he added. "We want to put capital in the hands of Americans who have the vision, energy and innovation to put it to work."

Clinton noted that in the 1980s the Reagan and Bush Administrations believed that putting more capital only in the hands of the wealthy few would create economic growth. Those policies failed, he said.

"Since George Bush took office, we haven't added a single private sector job to the American economy," he said. "I've got a new vision of economic growth that will create jobs by putting capital in the hands of the people who have been denied it for too long."

The Clinton plan for community development will invest \$1.5 billion a year in a series of initiatives outlined in the attached plan to create jobs, spur small business development and make capital more available. It is part of a broader program, put forward in Putting People First, that will revive communities by fighting crime, supporting low-income housing, improving schools and ending welfare as we know it.

COMMUNITY DEVELOPMENT BANKS AND MICRO-ENTERPRISE PROGRAMS

Small businesses are the key to vital communities -- creating jobs, stimulating growth, and creating hope. But the Bush years have been a disaster for small businesses. In the first three years of the Bush Administration, the number of new business incorporations declined for the first time since 1945; since 1988 bankruptcies have outnumbered new jobs by a 3-1 margin.

The lack of credit is the central problem faced by small businesses. To ease the credit crunch, Bill Clinton will establish a national network of community development banks and micro-enterprise programs.

Community Development Banks

There are several models for community development banks. Those currently operating are generally holding companies consisting of several subsidiaries, including a federal depository institution providing traditional banking services, a for-profit real estate development company, an SBA-approved small business development investment company, and one or more non-profits that provide development services such as business counseling or job training.

Community development banks attract investment from public and private sources, which they then use for several purposes

- To lend to new, expanding, or troubled small businesses
- To provide financial, marketing, and technical assistance.
- To lend for the community's housing and commercial space needs.

The Clinton/Gore Plan

Create a national network of 100 Community Development Banks

- On a competitive basis, distribute enough grants to adequately capitalize 100 community development banks. Each bank will be required to provide a match from funds raised by the bank through charitable donations or equity investments.
- Provide technical assistance to help in setting up the banks through intensive business counseling, marketing, and training.
- Allow commercial banks to fulfill a small portion of their Community Reinvestment Act requirements by depositing money directly in community development banks.
- Explore other ways to capitalize community development banks, including regulatory, secondary market, and other incentives.

Microenterprise programs

Microenterprises are "small" small businesses -- five or fewer employees, with owners that have incomes no higher than twice the poverty level. Microenterprise loans are not profitable for commercial banks because they are small and don't net big gains. But they are profitable for people -- especially for people on welfare who are trying to fulfill the American Dream and start a business.

The Clinton/Gore Plan

Develop 1000 Microenterprise Programs

- Set up competitive grants for states to develop community-based microenterprise systems every year. Competitors will have to show that they can distribute credit, provide technical assistance, and set up peer groups effectively.
- Make sure that self-employment training is offered in federal job training programs like Aid to Families with Dependent Children-JOBS and the Job Training Partnership Act.

INDIVIDUAL DEVELOPMENT ACCOUNTS

The welfare system discourages savings and fosters dependence. Last week Bill Clinton announced his plan to end welfare as we know it. This week he extends that plan to encourage savings -- the first necessary step to economic self-sufficiency.

The federal government spends billions to provide middle- and upper-income Americans with incentives to save -- through home mortgage interest deductions and tax deductions for pension accounts, for example. Individual Development Accounts will provide the same incentives to low-income Americans.

Individual Development Accounts encourage welfare recipients to save for a first-home purchase, post-secondary education, business development, or retirement. They also encourage the values of thrift and hard-work which the welfare system has too long undermined.

The Clinton/Gore Plan

Establish Individual Development Accounts

- Set up Individual Development Accounts (IDAs) for low-income Americans. IDAs are optional accounts, held in banks for specific purposes: first-home purchases; post-secondary education; business development; and retirement. There will be penalties for withdrawing IDA money for non-designated purposes.
- Provide federal matching funds for limited amounts of money saved in IDAs. The matching ratio will vary depending on the individual's income. The poorest people will have an incentive to save small amounts to achieve large matches.
- Through competitive bidding, establish a five-year demonstration project for IDAs to begin. If the IDAs show immediate success in increasing self-sufficiency, commit much further resources to them.
- Raise the asset limit for AFDC recipients from \$1,000 to \$10,000. People should not be penalized for trying to improve their lives.

COMPREHENSIVE ENTERPRISE ZONES

Enterprise zones provide tax incentives and regulatory relief to businesses located in distressed communities. They create jobs and stimulate growth in neighborhoods which would not otherwise receive it.

However, as currently conceived, enterprise zones do not generate real growth in distressed communities. Unless they are coordinated with other improvements -- in infrastructure, in work force skills, and in public safety -- their effects are limited. In fact, a 1988 study by the GAO indicated that these additional factors are at least as important as tax incentives when businesses decide where to locate.

The Bush approach is also faulty because it allows businesses to earn profits without creating any jobs for local residents. Properly executed, enterprise zones will generate local jobs and empower communities to take control of their future.

The Clinton/Gore Plan

- Create 75 to 125 urban and rural enterprise zones to attract businesses to distressed communities across the country.
- Require businesses to make jobs for local residents a top priority if they are to receive the benefits of enterprise zones.
- Coordinate infrastructure improvements, job training, and police protection with enterprise zones. Bill Clinton will expand Community Development Block Grants and aid to local law enforcement and target additional funding to enterprise zones. This comprehensive approach will increase incentives for businesses to locate in distressed areas.
- Permanently extend the Low Income Housing Tax Credit and expand the targeted jobs tax credit to create affordable housing and create jobs across the country.
- Encourage the growth of Community Development Corporations inside and outside enterprise zones. CDCs combine indigenous leadership with technical know-how and private sector assistance, and have created 90,000 jobs and 300,000 housing units to date.

CREATE A MORE PROGRESSIVE COMMUNITY REINVESTMENT ACT

Capital is the lifeline of a neighborhood, and banks are the key to capital. The Community Reinvestment Act (CRA) was enacted in 1979 to prevent "redlining" -- banks' practice of refusing to lend in minority and/or low-income parts of the communities they serve.

Despite some success, CRA has failed to fulfill its mission. Enforcement remains inadequate, regulators fail to provide banks with adequate assistance in developing solid community lending programs, and the CRA paper trail burdens banks and still fails to promote adequate community lending.

The Clinton/Gore Plan

Support a more progressive Community Reinvestment Act.

- Emphasize performance over paperwork. The current system puts a premium on banks' ability to produce a glossy brochure. A revised CRA will require banks to show real evidence of actual lending to homebuyers and entrepreneurs, consistent with safe and sound lending practices, but reduce needless form-filing.
- Hire and train regulators who are skilled in enforcing CRA.
- Allow banks to fulfill a small portion of their CRA requirements by depositing money directly in community development banks. In partly fulfilling their CRA requirements, conventional banks will also help develop and sustain innovative lending institutions which are acutely attuned to neighborhood needs.
- Instruct financial regulators to assist banks in developing sound community lending programs. For too long, regulators have condoned poor lending efforts but provided no direction for improvement. Regulators should act as clearinghouses for information and catalysts for community development.
- Utilize other means of ensuring that banks meet their affirmative obligations to the local communities in which they are chartered.



**Reducing Poverty By Replacing Welfare
Income Support Strategies for the Nineties
(March 1990 Revision)**

by

David T. Ellwood

For at least 20 years, the rhetoric of poverty policy has focused on work and family and independence. Yet the reality of poverty policy has been welfare. And welfare does almost nothing to promote work or family or independence. Welfare almost never solves problems, it salves them with dollars.

Welfare needs to be replaced, not reformed with a few new programs and requirements, not eliminated leaving poor people with little or no support or protection, but replaced. It needs to be replaced with policies which treat the causes of poverty. It needs to be replaced with a system of income support that reinforces principles of work and family and independence.

In my view, three principles must be adopted if we are truly to replace the welfare system.

1. People who work shouldn't be poor. Those who are playing by the rules should not lose the game.
2. One parent should not be expected to do the job of two. In a single parent family, children need support from both parents.
3. Income tested support for those who can work ought to be transitional, designed to encourage and support those who want to work to achieve economic independence. We ought to do more to help people help themselves and expect more in return.

Adoption of these principles would do far more to help our poor children than 50 years of welfare policy. Ignoring them dooms almost any poverty policy to failure.

American Poverty, American Policy

Americans misunderstand the nature of poverty. Less than 10% of poor children live in big city ghetto neighborhoods. At least twice that number live in two parent families with a full-time worker. The feminization of poverty is real. But single parent poverty is not confined to people of color. We have reached the point where the typical child born in America today will spend time in a single parent home. And the poverty rate in single parent families with children is nearly 50%.

And Americans deeply distrust, even despise welfare, our chief social policy to help poor families. Liberals decry the very low benefits. Conservatives argue that it breeds dependency and illegitimacy. The recipients often hate it worst of all, claiming it leaves them isolated, frustrated, and humiliated. No one believes that welfare solves many problems. At best it tides people over until they can get back on their feet. At worst it creates a dead end, a world offering few routes to independence, and little dignity or self respect.

With the media filled with stereotypical and racially charged images of the ghetto poor and with welfare debates a staple of angry talk shows, it is no wonder that the public is skeptical, even cynical about the nation's capacity to help the poor. But poverty is much easier to understand than many people realize. And practical and affordable non-welfare solutions do exist.

People Who Work Shouldn't Be Poor

People who work can be poor in America. Over 5 million people live in families with a full-year full-time worker. Several times that number live in families where someone works part of the year. And many more live in families on welfare where full-time work would leave the family poor and financially no better off than on welfare. The reality is that for millions of Americans, work simply does not pay.

Depending on the state of the economy, between 40 and 50% of the poor children in America live in two parent homes. These are working families. Table 1, which is based on tabulations of the March 1988 Current Population Survey (the survey used for official poverty statistics), shows that only 9% of poor two-parent families had two healthy and non-elderly parents who did not work at all. Almost 45% (40.9% plus 2.9%) of poor two-parent families had a full-year full-time worker, and well over half of the poor families with two healthy parents had at least one full-time worker. Work is very much the norm for these families. Notice also that in most families with only a part-year worker, that worker earned too little to get the family out of poverty even if the job had lasted all year.

It may seem remarkable that so many people are able to work without being able to support a family. Of course, the overwhelming majority (over 90%) of two-parent families with one or more full-time workers do avoid poverty. But work is no guarantee of success for those at the lower end of the wage spectrum. As shown in Table 2, a full-time job paying the current minimum wage of \$3.35 per hour cannot support even two persons above the current poverty line. By 1992, when the minimum wage has been raised to \$4.25 per hour, one full-time minimum wage job will leave a family of four \$5,000 below the poverty line. (One full-time and one part-time job would still leave a family of four \$1,500 per year below the projected poverty line of \$14,500 even if they have no day care expenses.)

These families are working hard at some of the most unpleasant jobs in America. They ride the same economic roller coaster as the rest of us. When real wages for the middle class rise rapidly as they did in the 1960s, the wages of working poor families rise as well. A strong economy is very good medicine. But wages have been essentially stagnant for 20 years after adjusting for inflation. The median real income for all full-time male workers in America is lower today than in 1969. For the first time in many generations, sons are earning less than their fathers did.

And when the economy stumbles, the working poor fall. They have disproportionately borne the brunt of economic changes of the past few decades. There is now clear evidence that the workers at the upper end of the economic distribution have fared far better over the recent past than those at the bottom. Young workers, the less well educated, and people of color were hurt more by the recession and helped less by the recovery.

Table 1
 Distribution of Poor Husband-Wife Families by Health,
 Work Status, and Wage Rate Relative to the Poverty Line

Health, Work Status, Wage	Distribution of Poor Families (%)
Neither Parent Ill, Disabled or Retired and: At least one parent worked full-year full-time or equivalent	40.9%
Combined work of both parents was equivalent to at least one full-year full-time worker	3.1%
One or both parents worked, but combined hours was less than one full-year full-time worker and: Wage was NOT high enough to keep family out of poverty if a person worked at the job full-time all year*	20.3%
Wage WAS high enough to keep family out of poverty if a person worked at the job full-time all year*	4.9%
Neither Parent Worked	9.0%
One or Both Parents was Ill, Disabled, or Retired and: Other parent worked full-year full-time	2.9%
Someone worked, but less than full-year full-time	6.9%
Neither parent worked	12.1%
Total	100.0%

Source: Authors' tabulations of the March 1988 Current Population Survey

Notes: Full-year full-time work is defined as 1750 hours work annually

* Computed by determining the average wage by dividing annual earnings by total annual hours, multiplying this average wage by 1750 hours to get a potential annual earnings and comparing those to the poverty line for the family.

Table 2
**Earnings and Income for a Family With
 One Full-Year Full-Time Worker in 1992
 Current Law**

Poverty Line in 1992 will be \$11,300 for a Family of Three
 Poverty Line in 1992 will be \$14,500 for a Family of Four

	<u>Wage \$3.35</u>	<u>Wage \$4.25</u>	<u>Wage \$5.40</u>
Earnings	\$ 8,970	\$ 8,840	\$ 11,230
Net Taxes (ETC less payroll)	450	375	200
Disposable Income with no day care costs	7,420	9,215	11,430
Disposable Income with \$2000 day care	5,420	7,215	9,430

All figures are approximate

What do we currently do to support these families? Virtually nothing. They don't qualify for public assistance other than food stamps, and many are too proud to apply for stamps. They get almost no government medical benefits (those go mostly to welfare recipients). In fact, after government transfers, poor two parent families with a full-time worker have incomes farther below the poverty line than single parent families on welfare or two parent families with an unemployed worker. The working poor are literally the poorest of the poor.

And low pay is not simply a problem for two parent families. The nature of our welfare system is such that unless a single mother can find a full-time job that pays at least \$5 or \$6 or \$7 an hour with medical benefits, along with very inexpensive day care, she will be better off on welfare.

Unless we find a way to make work pay, we can never make much progress in the fight against poverty of children. And unless we find a way to make work pay, millions of children will grow up seeing that hard work doesn't pay off, that work is not an alternative to welfare. They will discover that you can play by the rules and still lose the game.

Make Work Pay

If we are going to make work pay, two types of measures must be adopted:

1. We must use a combination of wage and tax policies to insure that a full-time worker earns enough to keep his or her family out of poverty (including the cost of day care).
2. We must insure that medical protection is available to all low income families, not just those on welfare.

I will focus on the first item since others are far more expert than I am in the health area. I would only emphasize that every other major industrialized country except South Africa has found a way to insure that all its citizens have medical protection. And they spend far less on health care than this country does now. Medical emergencies can easily destroy everything a low income family has worked for. And we usually end up paying the bills later anyway, in the form of higher health insurance costs which are used to cover the bad debts of hospitals.

How can we insure that people who work will not be poor? There are two major types of policies: wage policies, such as raising the minimum wage, and refundable tax credits, such as the Earned Income Tax Credit (EITC). I will discuss the proposals in 1992 dollars, since any policy is unlikely to take effect before that time.

Throughout the late 1950s, 1960s, and 1970s, the minimum wage was kept at a level that would enable a full-time worker to keep a family of three out of poverty. But during the 1980s, the minimum was not adjusted with inflation and its real value fell sharply. If the minimum wage were restored the level it stood at during the 60s and 70s (a level sufficient to keep a family of three out of poverty), it would have to rise to roughly \$5.50 per hour in 1992. The recent legislation raises it to \$4.25, still lower than in 1956, adjusting for inflation.

But a higher minimum wage has costs. All economists agree there will be some job losses among teenagers. And the vast majority of people in minimum wage jobs are not in poor families. Most estimates suggest that working poor families would be helped by a higher minimum wage, but there will be economic costs.

An alternative policy is a higher EITC. Already we have a tax credit for low income working families. And because it is refundable, poor families get the credit even if they owe no taxes. The current plan provides a \$.14 credit for each dollar earned up to \$6,800, for a maximum of \$955. (The credit is phased out with a \$.10 reduction for each dollar earned over \$10,740). It is like a pay raise for the working poor. The current EITC is worth about \$.50 per hour. The credit is now large enough to roughly offset Social Security taxes paid by low income workers.

A number of bills have been proposed to raise the EITC. Since it imposes no costs on employers, there are no job losses. Because it is done through the tax system, credits can be targeted to poor and near poor families. Indeed, an expanded EITC seems like such an attractive policy that academics and politicians from the far left to the far right have endorsed it. There is one major problem: cost. To double the existing EITC would cost roughly \$6 billion dollars per year. And it would effectively raise wages by only about \$.50 per hour.

What would it take to insure that a full-time worker could support a family of 4 at the poverty line in 1992? Table 3 provides an illustration. At a wage rate of \$4.50 per hour, even a doubling of the current EITC would leave a family of 4 more than \$4,000 below the poverty line assuming the family has no day care costs. The table makes clear that only the combination of a higher minimum wage and a doubling or tripling of the current EITC could insure that families who work wouldn't be poor. If a family must pay for care, then even more income would be needed to keep their spendable income above the poverty line.

This analysis suggests if we want to insure that people who work are not poor, it will take three types of policies in combination: a higher minimum wage, expanded tax credits for the working poor, and more support for day care. Sometimes in public debate these policies are seen as substitutes for one another. Some propose tax credits instead of a higher minimum wage. Others propose day care instead of tax credits. These simply cannot be substitutes. If we believe in work and families and independence, if we want to insure that people who play by the rules do not lose the game, we must move ahead with all three.

Policies to help the working poor reinforce work. They reward people for their efforts. They help two parent working families. They encourage independence. They do not lead to dependency.

One Parent Shouldn't Be Expected to Do the Job of Two.

Making work pay and guaranteeing medical protection would help many poor children a great deal, especially those in two parent families. Children in single parent families would be helped also. Low pay is a particularly serious problem for single parents. The job market still pays women far less than men.

But there are two other problems that single parents face which these policies do not address: their dual role as both nurturer and provider and a hostile welfare system.

All parents, married or single, face a difficult task of nurturing and providing for their children. Two parent families can balance those duties in a variety of ways. Indeed the most common arrangement today is for both parents to work. But usually only the father works full-time all year. The mother usually works part time or part

Table 3
 Disposable Income for Family with Two Children
 with One Full Year Full-Time Worker
 Under Current Law and Various Proposals in 1992

Poverty Line in 1992 will be \$11,300 for a Family of Three
 Poverty Line in 1992 will be \$14,500 for a Family of Four

	<u>Wage \$3.35</u>	<u>Wage \$4.25</u>	<u>Wage \$5.40</u>
Family With no day care costs			
Current Law	7,420	9,215	11,430
Double Current EITC	8,470	10,285	12,480
Triple Current EITC	9,520	11,315	13,530
Family With \$2000 in day care costs			
Current Law	5,420	7,215	9,430
Double Current EITC	6,470	8,265	10,480
Triple Current EITC	7,520	9,315	11,530

All figures are approximate

year. Only 30% of married mothers work full-year full-time. But single parents don't have that kind of flexibility. They really only have two choices: they can either work all the time or they can go on welfare.

If single parents choose full-time work, they must simultaneously meet the demands of work and the need for child care, the many daily crises involving doctor visits, school holidays, sick children, to say nothing of maintaining a safe and happy household. Women from highly advantaged backgrounds find these demands very heavy. For mothers with a limited education, with little or no work experience, with young children, it can be an almost impossible task. Is it really realistic (or fair) to expect all single mothers to work more than more than 70% of married mothers do?

The only alternative at present is welfare. And it is not a very attractive option. No state pays enough in welfare and food stamps to keep a family out of poverty. Adjusting for inflation, benefits are vastly lower than they were 15 years ago. The welfare system frustrates and isolates and humiliates and stigmatizes. Welfare offices are designed in large part to prevent fraud and abuse, to deliver aid in the right amount at the right time. Applying for welfare is a major undertaking. A variety of verifications must be done. Inevitably, welfare clients must return repeatedly to the welfare office. Welfare and food stamps and housing and social services are separate programs, each with its own rules, its own demands, and sometimes its own office.

Worse still is the way welfare treats people who try to play by the rules, people who attempt to work their way off of welfare. Welfare benefits are reduced dollar for dollar with earnings. Table 4 shows that a woman working full-time at \$4.00 is essentially no better off than someone who does no work at all. Even a woman with very low day care costs who can earn \$6 per hour, almost twice the current minimum wage of \$3.35, may be not much better off working. She will take home only \$2,900 more per year and she will lose Medicaid benefits which are worth almost that amount. And how many disadvantaged women can find and retain a full-time job that pays twice the minimum wage?

It should come as no surprise that only a small fraction (20-25%) of women leaving welfare actually "earn" their way off. And most of them are the better educated and more experienced women who can command a relatively high wage. Other women try to leave, but there is almost always some setback, often something relatively small, such as a sick child, which causes them to lose their job and return to welfare. No wonder the most common way to leave welfare permanently is via marriage, not work.

We would like single parents to support themselves and become self-sufficient, but we have made the task almost impossible. Welfare reform begins the process of moving the government toward a system which encourages and facilitates self-support rather than seeming to defeat it. But it doesn't alter the basic dilemmas inherent in a welfare system. It doesn't make work pay. It doesn't make it possible to support a family on anything less than a full-time job which pays almost twice the minimum wage along with medical benefits. It doesn't insure that a woman is better off working than on welfare.

The reason single parents have such a difficult time is that we are expecting one parent to do the job of two. Without some additional support, all single parents face a difficult struggle. Single mothers with weak educations and limited work experience are virtually assured of being stuck in the welfare system.

Table 4
Earnings, Taxes, Benefits and Total Income
For a Single Parent and Two Children
Living In Pennsylvania--January 1989

Work Level and Wage	Earnings	Day Care	Taxes**	Welfare and Food Stamps	Disposable Income***	Medicaid?
No Work	0	0	0	6590	<u>6590</u>	Yes
Half Time Minimum Wage*	3350	-1500	218	4581	<u>6648</u>	Yes
Full Time Minimum Wage*	6700	-3000	408	1844	<u>5951</u>	Yes
Full Time 4.00 /hour	8000	-3000	310	1610	<u>6920</u>	Yes
Full Time 5.00 /hour	10000	-3000	160	1250	<u>8410</u>	Yes
Full Time 6.00 /hour	12000	-3000	-457	921	<u>9465</u>	No
Full Time 7.00 /hour	14000	-3000	-1207	597	<u>10391</u>	No

Notes: * Minimum wage rate is 3.35 per hour.

** Taxes are positive at very low incomes due to the Earned Income Tax Credit

*** Earnings plus AFDC and food stamps less taxes and day care.

All figures are approximate. Modeled after a table in "Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means."

Insured Child Support Enforcement—A Real Welfare Alternative

Single parents must get some additional, non-welfare support if there is any realistic hope of escaping welfare. Since it is a lack of support from two parents that is a large part of the problem, the absent father is the natural place to look for additional income.

The current system of child support is a disgrace. Only one single parent in three gets any court-ordered child support from the absent parent, and the average amount is only \$2,200. Often the problem is not that the father cannot pay. By most estimates a truly uniform and universal child support system could collect an additional \$25-30 billion from fathers. Remember, this is not just a problem of children in ghetto communities. The typical child born in America today will spend time in a single parent home. The current system essentially lets fathers off the hook. We are sending the signal to parents and children that absent fathers have no responsibilities.

Suppose a woman could count on just \$2,000 per child in child support annually. Then a combination of work and child support could easily support a family at the poverty line. Indeed half-time work at a \$6 per hour job would be enough to keep a family of three out of poverty in 1992. Full-time work would provide some real security.

An insured child support enforcement plan would combine tough yet reasonable child support enforcement with an insured benefit. Absent parents would be held accountable. But when collections from the absent father fell below some minimum level (because of low earnings of the father), the government would insure the difference. The plan would include four elements:

- 1) Both parents' Social Security numbers would be identified at birth or for those children who are born abroad, upon application to the system.
- 2) Child support payments would be determined by a very simple formula. For example the Wisconsin formula requires the absent parent to pay 17% for one child, 24% for two, and so forth.
- 3) All payments would be collected like taxes by the state through automatic wage withholding by the employer. All child support payments would be collected in this way so all women would be in the same system.
- 4) The government would insure that each child received at least \$2,000 per year in child support if a child support order was in place. When collections from the absent parent fell below that level, the government would make up the difference.

The first three elements of the plan are not controversial. They have already been adopted as part of the Family Support Act (though with little real incentive to enforce them). The real stumbling block will be the fourth element--the insured benefit. Experiments with a minimum assured benefit are now starting in Wisconsin, New York, and other states.

The insured benefit is crucial. Without it, child support reform will mainly benefit the middle class single mothers. Child support would then be yet another device that will separate the poor and the non-poor. Middle class women will support

themselves with a combination of work and child support. Working class women will be left with only welfare. With a minimum benefit, middle class and lower class mothers have a common stake in preserving and expanding the system.

Some argue that a minimum child support benefit is simply welfare by another name. I strongly disagree. When a woman earns an extra dollar while on welfare, benefits are reduced by a dollar. When she earns an extra dollar while collecting child support, she keeps the whole dollar. Child support will not require trips to the welfare office. There will be no stigma, no reporting, no verification, and no cheating. Moreover, if the public starts complaining about the money being spent on insured child support benefits, they will say, "Those darn fathers are not pulling their weight, we are paying their child support for them!" And there will be fights about workfare for fathers versus training and education. The struggles and responsibilities of fathers will be debated as part of our concern for the single parent families, just as they should be. And perhaps most importantly, the same uniform system will protect working class, and middle class, and upper class families.

Ideally such a system would be part of the Social Security system. The greatest source of insecurity in America used to be growing old. We dramatically reduced that problem with Social Security which covers all American families, where contributions and benefits are related to earnings, but where people at the bottom had extra protection. A uniform child support assurance plan would do the same. Contributions would be collected from all absent parents, and that money would go directly to the children. And there would be extra protection for those at the bottom.

The most remarkable feature of the system is that it will not cost very much. Most of the payments come from the absent fathers. For women on welfare, the minimum benefits will simply offset welfare payments and thus it costs nothing extra. The only real cost is for people who are off of welfare, achieving independence by combining work and child support. Most estimates suggest that cost will be small. Indeed, it is likely to save money in the long run. And if any additional money is spent, it will all be going to women who are working--families who are playing by the rules and trying to provide for themselves. Thus the system will reinforce work and family and parental responsibility.

With such a system, single mothers would for the first time have some money they could count on: Money to supplement their own earnings. Money to help them meet the "minor" crises that often force people back on welfare. Money to make it possible to achieve real independence from welfare. Money to get out of poverty. Without such a system, poverty rates for single parents will always be astronomical.

Transitional Support and Jobs

Welfare suffers from schizophrenia. Is welfare a program to insure the long term protection of children and or is it a program to help people temporarily in times of trouble? Should welfare benefits be raised to reduce poverty of those getting benefits or lowered to encourage their independence? A program of long term income support would probably be designed very differently from one designed to offer transitional assistance. By trying to fill both roles, the current system has done neither very well.

In the last round of welfare reform, some of the uncertainty seemed to vanish. All sides settled on a conception of welfare as transitional. The primary objective was to help people over a period of hardship and achieve some real independence.

Unfortunately since little was done to insure that work pays or to guarantee that single parents could count on some child support, there is little hope that the reformed welfare will be truly transitional.

But if we had child support assurance, if we insured that people got medical protection, if we made work pay, there would be far less need for welfare. Single parents could realistically support themselves at the poverty line if they were willing to work half time, even at a job paying little more than the minimum wage. If they were willing to work full time, they could move well above the poverty line. Two parent families could avoid poverty with a single full-time worker or two half-time workers.

With this kind of support in place, I think one can more easily contemplate major changes in welfare. There is clear evidence that many single parents have short-term transitional problems. A divorce or separation or birth of a child takes time for adjustment. Often women spend a few years on welfare before remarrying or going to work. Indeed half of go onto AFDC have spells lasting 2 years or less. The last thing new single mothers needs is immediate stress. They need help and support. If a woman has never worked before, it will not be easy to move right into a new job. If she has young children, it may be undesirable and impractical to expect work right away. And economic fluctuations will inevitably create short-term problems for both single parent and two parent families. Thus transitional assistance would be necessary.

If people can realistically support themselves, then the notion of a time-limited, transitional assistance program for both single parent and two parent families makes sense. A rich set of training and support services ought to be included as part of the benefits. But the cash benefit program would be of limited duration. There would be no confusion of the point of the program for either beneficiaries, administrators, or the public. It would be designed to help people achieve independence. In the case of single mothers, with child support and measures to make work pay, the realistic goal would be to get mothers part time or full time work.

The duration of assistance might be allowed to vary with age of youngest child. Generally I'd favor making it last 18 months to three years depending on the age of youngest child. But the key would be that this assistance is transitional. One could not re-qualify for much more transitional assistance by having another baby or claiming that no jobs were available. The transitional program would be society's attempt to offer short term aid and an opportunity for support and training. It would reflect the clear recognition that people often need help over a difficult period.

When benefits were used up, one would have to work for some period to re-qualify for more. I would be inclined to allow many support services—certainly child care and some training—to continue past the transitional period, but cash benefits would end. After benefits ran out, the only alternative for support would be to supplement child support with work.

There are a number of concerns which must be addressed if we were to move to a truly transitional support system. The first involves what would happen to people who exhausted their transitional benefits. There will be people who cannot find work and there will be regions where few jobs are available. If government is not willing to provide cash support forever, it must provide full or part-time jobs for those who exhaust transitional support, so that people can, in fact, support themselves. Just how many people would need these jobs is almost impossible to predict. Half of those who go

on AFDC use it for more than 2 years. But that occurs in a world where there is no way to work part time and escape poverty, where work does not pay well (both because wages are often low and because welfare benefits fall as earnings rise), and where there is little help or incentive to move off of welfare.

My own instincts are that only a tiny fraction would actually need these jobs if the other reforms were in place. Single mothers with child support would not have to work more than half time to avoid poverty. And they would have had 2 to 3 years to adjust to their new situation, acquire training and transitional support, and move to a part-time private sector job. The program would certainly be considerably smaller than the current welfare system.

In reality, this proposal is not so different than that contained in the Family Support Act of 1988. Under that bill, people are required to participate in some activity--often jobs--starting almost immediately. These proposals may offer a workable alternative, especially in the short run. Yet I believe that it would be far better to make clear to all those concerned, both recipients and the public, to have two separate programs: transitional assistance and jobs. Both programs will do their job better if they are separated.

Consider transitional support first. Currently most of those who use welfare, use it for relatively short term aid. Yet the first few years of welfare is not now considered "transitional". The same demands, rules, obligations, indignities are put on the new recipient as the old one. The public does not perceive the difference between those who use welfare for temporary aid and those who use it for long term assistance. And so there is little dignity even in getting temporary help.

A system of transitional assistance could feel quite different. Transitional aid is unambiguously designed to help the recipient get on her or his feet. It is not a program to punish people for misbehaving nor does it offer the hope that manipulating the system will lead to permanent support. Transitional support would be a second chance, an opportunity to take advantage of special aid. It is a chance to be taken advantage of, not another burden to get through just to gain enough aid to get by.

Those who study management say that organizations with a clear and unambiguous goal are most successful. A system that tries to train people and encourage self-support, demand work, help the working poor, while simultaneously insuring that people have some minimal income is one with very mixed goals. Insuring income is quite different than encouraging self-support. Indeed the two are diametrically opposed. Not so for a transitional support system. The clear goal would be to help people help themselves.

After transitional support comes jobs. But isn't that the same as workfare? I believe there is something fundamentally different about "working off a welfare check" and working at a government job. In the first case you seem to be working for free, in the latter you are being paid for your work. Indeed, although participants in workfare programs express some satisfaction with the work, they think their employers are getting a very good deal. Similarly when researchers recently asked welfare recipients about their attitudes toward workfare, they reported that "recipients like the idea that they would be working, but disliked the fact that they would still be on welfare". To both public and recipients, workfare will not be a job.

There will be much more pressure on both the transitional program and the jobs program to do their job well if they are separated. In a transitional program, it is easy to see how many people leave your program and when they do. It will also be easy to check and see how many people end up on the jobs program, since administrators would have to certify that they have exhausted transitional assistance before they can get the jobs. In a workfare program, if there are not enough jobs, one just continues paying welfare. But in a jobs program, if there are not enough jobs, one knows immediately and there is an instant impetus to find more. A true jobs program will inevitably be more demanding than a workfare program. In workfare, one must go through an elaborate process of sanctions for people who fail to show up. With a job, when people don't work, they don't get paid.

Another problem with time-limited transitional aid is that some people are so dysfunctional, disabled, or their life is in such chaos that they cannot work. Remembering that half-time work at a minimum wage job would be sufficient to keep a single parent family out of poverty, I doubt the number of such people is large. If people really cannot work, they ought to be on the SSI program for the disabled. Still we will need some system for exempting and protecting people who really cannot work. There will be people who need special, intensive services, who somehow don't qualify for the disability programs, but who cannot make it on their own. They need to be treated on a case by case basis. Still, I think it would be a mistake to design the entire support system worrying only about these people.

A final and far more difficult problem involves the period of adjustment as we move from one system to another. Since I recommend against giving assured child support benefits to anyone for whom a court order is not in place (or who has been exempted from it for good cause), initially there will be a large number of people who do not have assured child support payments. If we moved rapidly to transitional assistance, the pressure on mothers, government agencies, and the courts to get awards in place would be enormous. In many ways that pressure would be a good thing, we will finally have created a strong incentive for finding all fathers. But in the interim, how do we protect mothers and children who do not yet have child support.

If transitional benefits lasted 18-36 months, mothers and the state would have that long to seriously try to get awards in place. Initially one might make the time limit on transitional benefits longer to give more time to identify fathers and get awards in place. Still, I still worry that fathers of children born many years earlier cannot readily be found.

Thus during the implementation phase, I would probably provide an assured benefit to anyone who is cooperating in good faith in the location and identification of the father. This provision would have to be written with considerable care, since it could be a very large loophole in the child support system. Finding fathers can be difficult and unpleasant. New York state has a variant on an assured benefit plan whereby benefits are only paid to people with awards in place and there is enormous pressure to relax that requirement. The state and the clients need to have a very strong incentive to do child support enforcement. One might also force states to pick up the larger share of the cost of any assured benefit for someone who is making good faith efforts, but for whom no award is in place. Ultimately I would favor phasing out the "good faith" provision, perhaps by insisting that new enrollees actually secure an award to qualify for an assured child support benefit.

People Who Play By the Rules Shouldn't Lose the Game

My message here is a simple one. If we want to reinforce our values of family and work and independence and responsibility, we cannot allow working families to be the poorest of the poor. We cannot abide a system that traps women who want to work on welfare. We cannot let absent parents shirk their responsibilities.

We must insure that if people work, they really can achieve a real measure of financial security. That means making work pay. And it means insuring that single parents get some child support. For too long, the American dream has been an empty one for many of our children. We find generations of people mired in welfare with little hope and little sense that the future could be better. We see the costs of the despair in our schools and in our factories. To turn things around, we will have to insure that people who play by the rules do not lose the game.

Major Issues in Time-Limited Welfare.

by
David T. Ellwood
(December 2, 1992)

"We will scrap the current welfare system and make welfare a second chance, not a way of life. We will empower people on welfare with the education, training and child care they need for up to two years so they can break the cycle of dependency. After that, those who can work will have to go to work, either by taking a job in the private sector or through community service."

Bill Clinton

The President-elect has called for an "end to welfare as we know it", by empowering people to leave welfare during a two year transitional period, followed by some sort of mandatory work. The language of the campaign is consistent with a variety of strategies.

Consider two extreme alternatives:

Spend modest amounts seeking to make work pay and try to collect more child support. Expand the existing JOBS program by adding somewhat more money for employment and training programs. Then mandate states to require community work experience for people who stay on more than two years. Work hours would ordinarily be determined by dividing benefits by the minimum wage. No recipient would be expected to work more than 35 hours, and some recipients, such as those with a young child or with a disability might have to work fewer hours or be excused from the program altogether.

Concentrate on finding ways to move people off of welfare by using non-welfare support strategies including expanded programs to make work pay, child support enforcement and assurance, and expanded education and training. Seek to minimize the number of people who end up on welfare for more than two years. Terminate welfare for employable recipients who remain past two years and offer them some sort of government or publicly subsidized job.

While both of these strategies are consistent with the rhetoric of the campaign, they

reveal a fundamental difference in emphasis. The first strategy would concentrate most of the money and energy into the creation and supervision of the community jobs program through which welfare recipients would work off their welfare check. The second would focus much more heavily on non-welfare support strategies to move people off welfare and keep them off, would have a stricter limit on welfare, and would offer people who exhausted their welfare benefit a job instead of welfare.

In my view the ultimate goal ought to be to genuinely transform the welfare system. The starting point is to make work pay and guarantee that everyone has medical protection just as Clinton proposes. The ending point could be some sort of time limited welfare and jobs program. The focus surely ought to be on finding ways to empower low income families, on finding ways to eliminate the need for welfare. This seems to make moral, economic, and practical sense. For one thing that becomes abundantly obvious when one looks hard at the details of any time-limited welfare and work program is that there will be many weaknesses. The best time-limited welfare program is one in which no one hits the limit.

Candidate Clinton made clear that the goal was to find a way to help people move off welfare first. He called for making work pay, for stricter child support enforcement, and for some form of universal medical protection. There is no doubt that, coupled with a stronger economy, these measures will reduce the welfare rolls. However, no one believes that these measures alone can reduce the caseload more than about 25%, and even that may be quite optimistic. Thus, in the Clinton proposal, the call for time-limits loom large.

This paper examines three key issues in a time-limited welfare system.

1. What is the nature of additional income supports, services, and training that accompanies the time-limited welfare plan?
2. Will the work program represent work *in exchange for welfare* or work *instead of welfare*?
3. Will eligibility rules for determining who must go to work after some time limit be loose or strict?

There are an astonishing number of questions which must also be answered, but in my view, these are the big three. I look at each in turn.

Additional Services and Supports

The impact, cost, and moral legitimacy of time-limited welfare hinge critically on what happens in concert with such a program. It is hard to justify time-limited welfare on any grounds if there is no viable alternative to welfare for many women. I, along with many others, have repeatedly emphasized that the current system of supports for single mothers puts them in an impossible position.

All parents, married or single, face a difficult task of nurturing and providing for their children. Two parent families can balance these duties in a variety of ways. Indeed the most common arrangement today is for both parents to work. Usually only the father works full-time all year, while the mother works part time or part year. Only about a third of married mothers work full time all year. Single parents, on the other hand, don't have that kind of flexibility. They really only have two choices: they can either work all the time or they can go on welfare.

If single parents choose full-time work, they must simultaneously meet the demands of work and the need for child care, the many daily crises involving doctor visits, school holidays, sick children, to say nothing of maintaining a safe and happy household. Women

from highly advantaged backgrounds find these demands very heavy. For mothers with a limited education, little or no work experience, and young children, it can be an almost impossible task. Is it really realistic or fair to expect all single mothers to work longer hours than more than 70% of married mothers do?

The only alternative at present is welfare. And it is a not a very attractive option. No state pays enough in welfare and food stamps to keep a family out of poverty. Adjusting for inflation, benefits are vastly lower than they were 15 years ago. The welfare system frustrates, isolates, humiliates, and stigmatizes. Welfare offices are designed in large part to prevent fraud and abuse, to deliver aid in the right amount at the right time. Applying for welfare is a major undertaking. Inevitably, welfare clients must return repeatedly to the welfare office. Welfare, food stamps, housing, and social services are separate programs, each with its own rules, demands, and sometimes its own office.

Worse still is the way welfare treats people who try to play by the rules, people who attempt to work their way off welfare. Welfare benefits are reduced dollar for dollar with earnings. In a state like Pennsylvania, a woman working full-time at the minimum wage earns only \$2,400 extra. That is like working for \$1.20 per hour. And half of that \$2,400 comes from the Earned Income Tax Credit (EITC)--money she collects only at the end of the year if she bothers to submit a tax return. On a day to day basis, she seems to be working for 60 cents per hour. Even if she can work full-time at \$5.00 per hour, her income is only \$3,400 higher and she loses her Medicaid--something worth several thousand dollars. No wonder administrators in states like California and Massachusetts find that unless a woman is placed in a full-time job which pays \$6 per hour or more, with full-medical benefits, and low day

care costs, she is likely to come right back onto welfare.

It should come as no surprise that only a small fraction (20-25%) of women leaving welfare actually "earn" their way off, nor that most of that small fraction are better educated and more experienced women who can command a relatively high wage. Other women try to leave. Indeed recent evidence suggests that a very large fraction, even of newly enrolled young welfare recipients, leave welfare for work early on. But there is almost always some setback, often something relatively small, such as a sick child, which causes them to lose their job and return to welfare. No wonder the most common way to leave welfare permanently is via marriage, not work.

If we are truly to "end welfare as we know it", we must make it realistic for single parents to support themselves outside the welfare system. There are three basic methods for doing so: make work pay for every low income worker, increase the earning capacity of single parents through training programs, and insure single parents have some non-welfare support.

The *make work pay* strategy has been developed in detail elsewhere. Ideally it uses a combination of tax credits, higher minimum wages, and universal medical protection to ensure that a full-time worker can realistically support a family of four at least at the poverty line. The medical protection is particularly important, since a host of anecdotal evidence suggests that working poor families are most concerned about their lack of medical protection. There is both statistical and anecdotal evidence that a fear of losing Medicaid is major deterrent for women considering leaving welfare for work. Making work pay and universal medical coverage were central elements in the Clinton proposals. One element that was talked about

but not addressed with much specificity was increased support for child care. Though the current poverty line does not deduct child care costs from income, the cost of child care reduces the real income of families. Again, both anecdotal and statistical evidence suggest that child care costs play a crucial role in the lives of many working or would-be working poor families.

Increasing earning capacity via *education and training* has long been the darling of social reformers. If people can get sufficient training to raise their earnings to a level where they can realistically support themselves through work, they have no need for welfare, and they achieve real control and independence. There has been some demonstrated success with employment and training programs for single parents. Annual earnings gains of from \$100 to \$1000 have been found in various programs, depending on the nature and intensity of the program. However, most programs with a moderate per recipient cost rarely increase earnings more than \$300-\$500 per year, and most of the earnings gains come from increased work, not higher pay.

These employment and training gains are useful and important, but we have yet to find a training program which alters the fundamental economics of single-parenthood and welfare. It still takes a full-time job at 50-100% above the minimum wage with good medical benefits and low day care costs to allow a single mother to support her family and be better off than welfare in most states. It is possible that the expansion of the EITC, indexing of the minimum wage, and the expansion of medical coverage will improve the effectiveness of training programs in getting women off welfare. Still, it is hard to see how any program lasting only a few months can make a profound difference for a woman who has fared poorly

in other educational systems. And it will still require full-time work for a woman to adequately support her family. Is such a requirement realistic for a young, never married mother without any previous work experience?

The third strategy is to provide some *additional income support* to single mothers in some form. One plan is to increase work incentives within the welfare system.

Unfortunately, experience to date suggests that such plans have little impact on work and that women find mixing work and welfare to be the worst of all worlds, offering neither independence and control, nor much improvement in income. The other major strategy that has been proposed is child support enforcement and assurance. Clinton has endorsed dramatically improved enforcement, but not the assured benefit.

If single parents could count on some sort of child support or other non-welfare income support, then it becomes quite possible for them to work even part-time at the minimum wage and do better off than on welfare. This level of work seems realistic and fair. Unfortunately, improved enforcement alone cannot guarantee that single mothers will get support at a reasonable level and in a timely fashion in many cases which, of course, is the argument in favor of an assured benefit. Recall that an assured benefit that is fully offset against welfare offers no net gain in income to the non-working mother on welfare. It merely changes the form of the payment (more from child support, less from welfare). What an assured benefit does on net is to dramatically change the position of someone who goes to work, for that person can keep the assured benefit along with their earnings.

Ultimately I believe that we will have to use all three strategies together. Training programs will work much better if recipients don't need to work full time at 50% above the

minimum wage to escape welfare and poverty. Child support enforcement and assurance alone cannot do the trick, but together they could make real the principle that all healthy, employable single mothers really can support themselves and their children without welfare.

Policymakers who ignore the need for services and non-welfare income supports will find a time limited plan far less viable. Effectiveness, cost, and moral legitimacy are all undermined without strong supports. Consider effectiveness first. The easier it is for people to leave welfare for work, the more likely it will be that training programs will be successful. Past training programs have shown a capacity to increase work hours, but not wages. If increased work hours make work a viable alternative to welfare, then work is likely to increase. It is likely that the *make work pay* ideas alone will increase the viability of work for an important segment of the welfare population. However, as long as self-support requires full-time work and day care costs, many women will be unable or unwilling to move from welfare to work. That's why a combination of all three strategies (make work pay, training, and non-welfare income sources) seem likely to create the greatest effect.

Consider also the impact on cost. If only a few women are able to move from welfare to work, then the number of people who will need to be put to work will be massive. At least 3 million women have probably been on welfare for two years or more. If half of these are required to work, the cost and mechanics could be staggering. Also recall: all these women would still be in the public support system. At the same time, providing services and non-welfare income supports costs money. No one has any clear idea of the tradeoffs between spending more on supports and the cost of creating jobs, but surely these tradeoffs deserve very close study. A strategy that costs the same but puts people to work in private,

non-subsidized jobs should surely be preferred to one which places people in long term government jobs.

Finally, one comes to the question of moral legitimacy. Some, such as Larry Mead, argue that it is morally legitimate and socially desirable to insist on work even if there are few viable alternatives to welfare. Still, the moral basis for a time-limited welfare program is significantly greater if single mothers can unambiguously support themselves through a realistic level of work outside the system. If only 1/3 of all married mothers work full year full time, is it fair to ask all single mothers to work fully in order to realistically support their family out of poverty? If a woman can realistically support her family through a combination of half or two-thirds time work and child support or some other form of support, then one has a very strong basis for time-limiting welfare in many cases. On the other hand, if onerous or unrealistic demands are placed on people who are highly disadvantaged, who clearly will need real support to reach independence, claims of moral legitimacy are severely reduced.

Work In Exchange for Welfare or Work Instead of Welfare

The second major design question concerns the form of the work program. Will welfare recipients work off their welfare checks or will the plan be one where recipients are cut off welfare completely after some period and are offered jobs which pay a wage for services rendered, the way jobs traditionally do.

Work-for-Welfare. This is often called workfare. Work-for-welfare is quite simple in theory, and endlessly complex in practice. Persons receiving public assistance must work in order to receive their benefits. The usual formula is that the expected hours of work is calculated by dividing the benefits received by the minimum wage. In principle, the person is

"working off" or "working for" their welfare check. Thus depending on the welfare benefits paid in the state and on other income which the welfare recipient has, the mandatory work could range from a few hours to full-time work. Some work-for-welfare plans limit the number of mandatory weekly work hours to something less than 40 depending on circumstance. In general such plans limit not only the minimum number of hours, but also the maximum. These are not jobs that one can work at for 40 hours per week and earn extra money if the welfare payment is covered by working just 10 hours.

The jobs provided under such plans could range from public to private, but the most obvious and best understood strategy uses "community work experience" program (CWEP), whereby jobs are created in the non-profit or the public sector.

Work-Instead-of-Welfare. Work-instead-of-welfare suggests a fundamentally different sort of support system. For at least some group of people, welfare would no longer be available after some period. Instead, they would be guaranteed some sort of government created or subsidized job. In principle, these would be more like "traditional" jobs, with well defined hours (full or part-time) and work expectations. There would be no artificial limits on maximum and minimum hours worked. The nature of such public jobs might range from something like the work of the Civilian Conservation Corps to community service jobs, not so different from CWEP.

The major distinction between the two types of work plans can be summed up by the words used to caricature them: *welfare* and *public jobs*. While these are properly considered two ideal types, there are quite naturally a wide range of intermediate cases. Work-for-welfare need not limit the maximum number of hours worked. The jobs provided may be

much work any particular employee will deliver. In addition, the cost of creating and administering jobs, often with small obligations, could be very high relative to the benefits.

Second, workfare normally imposes a fixed work obligation. If the welfare recipient is highly motivated and wants to work more hours, that is not allowed--an unfortunate and awkward signal regarding work.

Third, precisely because the work is linked to welfare receipt and any sanctions will be subject to elaborate due-process protections, there is likely to be little of the rigor of a real work place. In the New York State workfare program for employable general assistance recipients, court orders now require that the state demonstrate that the recipient intentionally sought to avoid work without good cause before any sanction can be applied. The closer the program is tied to welfare, with work a part of the obligation for receiving welfare, the less likely ordinary obligations associated with regular employment will be applied. There will be a significant portion of the caseload that learns to game the system to avoid the obligation.

Fourth, because something less than a regular job is being offered, and because the person will still receive a welfare check rather than a paycheck, recipients will not get nearly the satisfaction or feeling of accomplishment nor the useful work experience that a "real" job would offer. Welfare recipients in current CWEP programs report that they think it is fair that they work, but that they feel like the employers are getting a much better deal since they "work for free". Outside employers will not regard workfare employment as real employment. Rightly so. The inevitably loose nature of the jobs, which must accommodate the differences in obligations across recipients and over time, coupled with the variety of exemptions and protections, will render the jobs very different from traditional private sector

will have to be excused from work. If day care is unavailable, persons will have to be excused from work. The client need not fear loss of income in such cases.

Fifth, it is relatively easy to phase in such a plan. One can start by requiring work for welfare from a relatively few persons. As capacity expands and administrative knowledge grows, one can lower the threshold gradually and require work of more and more people.

Finally, while administering such a program on a large scale will be a massive undertaking, we have considerable experience with smaller scale community work experience programs (CWEP). Thus, there would be a reasonable basis for initial program design.

At the same time, however, there are several real disadvantages with this sort of plan. First, precisely because work hours are tied to benefits, a variety of troubling questions arise. In some states, such as Mississippi, required hours might be very low, 8 or 10 hours per week. For people with outside sources of income such as child support, some outside earnings, or benefits from other programs, work hours may also be relatively short even in high benefit states. People with one child will be working fewer hours than those with two. A rise in the welfare benefit level of the state would immediately translate into the need to expand work hours for all obligees. High benefit states will require more work than low benefit ones. Worse yet, since outside income often fluctuates considerably month to month, mandatory work hours will fluctuate.

Designing jobs that are so flexible that they can accommodate some people with a large number of mandatory work hours and others with very limited hours will severely influence the type of job and its administration. The jobs are unlikely to be ones of real content or import, for the employer or administering agency will not be able to predict how

employment.

Fifth, major questions arise as to how the program interacts with other programs.

Assume that the work-for-welfare program is for AFDC recipients. Do AFDC recipients who have food stamps have to work off that benefit also? If so, there are serious horizontal equity questions if other food stamp recipients are not required to do so. If not, states with low benefits are rewarded with a much smaller work program to administer, and recipients in low benefit states are partially advantaged since they get more from food stamps (since food stamps are reduced as welfare benefits rise) and less in AFDC payments and thus must work off a smaller portion of their total government benefits. Similar questions arise with housing subsidies.

Sixth, CWEP has been repeatedly demonstrated and evaluated. The demonstrations uniformly show that there are little or no private gains to recipients from CWEP. That is, earning capacity is not increased by working in a CWEP job, nor is there much impact on the likelihood of finding or retaining a private sector job. Nor is there any evidence of a welfare deterrent effect from current CWEP programs. In short, it is an obligation which carries no discernable long term benefit to either the recipient or the government.

Finally, and very importantly, the public perception of welfare may be little affected. Since CWEP jobs may not really look or feel like real jobs, there is a high likelihood that the public will regard the program as something of a sham. Recipients are still on welfare, though some are working somewhat. Exemptions are likely to be legion. Stories will abound about people not really working, "leaning on shovels" and just putting in their time. This may be perceived as another form of welfare fraud. If workfare jobs are seen as different

from "real" jobs, the workfare program will do little to reduce the sense of *us versus them* which is so damaging to the welfare system and its clients. Work-welfare recipients may not get the respect they deserve. They may not be counted among the working poor.

In sum, the advantages and disadvantages of a work off welfare program revolve largely around the fact that workfare jobs almost certainly will be very different from traditional private sector jobs. Hours, obligations, protections, expectations will all be very different. These plans may be less expensive to mount, but they have severe limitations. They mainly appear to be a way to impose some additional obligations on welfare recipients. *What is being offered is not an alternative to welfare, but an additional rule for receiving it.*

Work-instead-of-welfare also carries significant pluses and minuses. The most obvious advantage is that one can set up a system of real jobs with regular hours and ordinary work rules. Welfare has ended for some recipients, and they are offered a last resort job. Because this is not a program of obligations in exchange for an entitlement, far less due process will be involved in the work part of the program. These can be something akin to private jobs.

Last-resort jobs may not have rules as rigid as traditional private sector jobs perhaps, but since the person is paid a paycheck, can be docked pay, and should have a fixed set of work hours, this will look and feel like work for pay. More motivated workers can work longer hours so long as work is available. Low income people in low benefit states would have the same opportunity to work part or full-time and earn money to support their family as those in high benefit states.

A related advantage is that there will be no elaborate calculation about hours worked. Persons who have exhausted their welfare benefits must find a job or come to government

subsidized private or public jobs. Work hours are set by the employer, not based on other sources of income or the welfare benefit level of the state.

Similarly the question of interaction with other programs is straightforward. Earnings from the last resort jobs are treated the same as earnings from any job when calculating eligibility and benefits for other programs.

Moreover, for the public, a program that actually ends welfare benefits and offers a job in its stead will feel and look like a fundamental change in the welfare system. This really would appear to be an "end to welfare as we know it."

Nonetheless, these plans carry major limitations. The biggest one is cost and scale. If one really is going to offer a set of genuine last resort jobs, the program might be very large indeed, especially if there were few additional non-welfare supports. If there were rather few limits on work hours, the cost could be considerably greater than the current welfare system, or a CWEP plan. The extreme case is a last resort jobs program for all comers, regardless of welfare, family, or income status. Mickey Kaus recommends such a plan, and suggests the cost would be \$40 or 50 billion dollars or more. Mounting and funding a large scale jobs program seems almost impossible. There seems little support for such a massive program.

I recommend a very different plan whereby people qualify for the jobs only *after* they have exhausted their time-limited welfare. Moreover, if there are sufficient non-welfare supports, relatively few people might need last resort jobs. Properly administered, relatively few public sector jobs would be needed. It is without non-welfare support and tight rules for participation that public sector jobs seem unworkable. Another way to limit costs is to limit the number of available jobs. The obvious problem then is that people who cannot find

private jobs are left without a means of support. Again, this problem is most serious when there are few non-welfare supports available to a family.

A related problem involves displacement--drawing people who otherwise would have been working in private jobs into the public work force. The magnitude of displacement depends on the desirability of the last-resort jobs relative to private jobs. If the last resort jobs pay the minimum wage, then private jobs would seem at least as attractive. Still, since the last resort jobs would be available to all welfare exhaustees, they might appear less rigorous and easier to retain than private jobs. On the other hand, since the possibility for advancement would presumably be greater in private jobs, there would be a good reason to prefer them.

Another problem involves displacement of public sector jobs and the potential opposition by labor unions and government workers. The more real and reasonable the jobs are, the more they will be seen as competing with traditional employment for workers who earn considerably above the minimum wage. This could lead to pressure to raise the effective wage and expand eligibility which would drive up costs and raise fears of private job displacement.

Finally and perhaps most importantly, nothing like a truly time-limited welfare system has ever been tried in this country. Other countries have systems somewhat like this, but we have no experience with it. Administrative and equity questions loom large.

This discussion highlights the severe limitations to any time-limited welfare/jobs system. The design issues are gargantuan. While the theory of work-instead-of-welfare has great appeal, in practice it has never really been tried, and many issues remain, especially if it

is to be mounted on a large scale. Work-in-exchange-for-welfare is easier to implement, but its appeal and impact are much more dubious.

Indeed, the most important lesson from this discussion may be that before we concentrate too heavily on how to time limit welfare, we should work very hard to find out what best moves people from welfare to work *before* a time limit ends. The preferred time-limited welfare system would be one where nobody came. That requires far greater attention to non-welfare supports. If we do not find more and better ways to move people from welfare to work, time-limited welfare will pose very serious dilemmas.

Loose versus Tight Rules About Who is Time-Limited

The third and equally crucial element in a time-limited welfare scheme involves the question of who is expected to work. A program that requires work from 10% of the caseload which has been on welfare for more than two years is very different from one which requires work from 80%. One obvious difference is cost, but much more fundamental questions are raised as one obligates work for a larger and larger portion of the caseload.

My estimate is that with a steady state of 5 million AFDC cases, at least 3 million have been on welfare for 2 years or more to date.¹ If the economy improves or if *make work*

¹ A number of people have looked at my figures for the distribution of total time on welfare for those on welfare at a point in time to infer that over 85% of the cases on welfare would be affected by time limited welfare. There are two problems with that approach. The first is that the data I report are for the number of calendar years in which the person will receive welfare for at least two months. That is quite different from the total time on welfare since some people on in two years, may only have a few months welfare in each year. A reasonable approximation might be that persons who receive welfare in three different calendar years might be assumed to received welfare for at least 24 different months. Secondly, and more importantly, the proper measure for cost purposes is the fraction of people who have *already* receive welfare for more than 2 years, not the fraction who will eventually do so. Thus what one wants is the uncompleted total time on welfare for those on

pay proposals and non-welfare supports are adopted, these figures are likely to fall. On the other hand the continued increase in single parent families will cause caseloads to rise. If the caseload remained at 5 million, the number of jobs required would be 300,000 if just 10% of the two year plus caseload was mandatory, but 2.4 million if 80% was mandatory. Paul Offner estimates that CWEP and day care costs would be \$3,500 per case, leading to a cost estimate of \$1 to \$8 billion. While it is hard to imagine a program which required work from 80%, half such a number could certainly be affected, and it would not be at all difficult to create a set of exemptions that lead to just 10% of the caseload being required to work.

It is much harder to estimate costs for a work-instead-of-welfare program. Fewer people would probably actually enroll in the private jobs, but when they did, the costs would be higher in low benefit states since one is allowing participants to work more hours than would be required to work off welfare benefits in that state.

The more difficult issues involve who should and should not be expected to work. What sort of exclusion should there be for women with young children? What about people already working part time? What about people who live more than 1 hour from the job site? What sorts of rules will apply in the case of illness or disability? How are short-term disabilities handled? Toughest of all, what about people in families that have trouble functioning and coping with day-to-day existence in their often exceptionally complex and crisis-laden worlds? Are they to have additional burdens placed on them?

It is not hard to determine the impact of relatively objective exemptions like the age of

welfare at a point in time. I did not report that table, though it is easily derived from the tables I did publish. That data show that roughly 60% of recipients on welfare at a point in time have collected welfare in three different calendar years.

youngest child, but no one has a clear idea of how many people are in a poor position to work because of their physical, social, or mental status. Making rules too flexible will lead to easy possibilities for gaming the system. Making them too strict could significantly increase homelessness and stress for people living right at the margin. Indeed both outcomes are likely in any serious system.

For me, the greatest fear is that desperately needy people will be cut off welfare and hurt. If some people are terminated from welfare and told where to report for work if they desire to earn money, there is a much greater probability that some people will fall through the cracks. Some people who are terminated may not be able to work, may suffer some temporary crisis, or face some other complication in their lives. The moral legitimacy of such a plan is open to serious question unless very careful protections are built into the process of determining who is expected to leave welfare and go to work.

One could imagine designing non-income and emergency support systems for people who have been put in last resort jobs and for those who left welfare for work. The dangers are reduced and the moral legitimacy increased if there are many non-welfare sources of income support. Still, one would have to be much more careful to build due process and other protections into the decisions about who is actually taken off welfare, especially in a welfare-instead-of-work plan.

Observers differ in their assessment of the fraction of the caseload which is employable. We are aware of no good studies that are very helpful in determining how realistic work is for various parts of the caseload. The morality and efficacy of a time-limited welfare program hinges critically on who is determined to be employable and how it is done.

Moreover, workers who are given discretion will inevitably exempt large numbers of recipients. The tragic reality of poverty in America today is one of crisis, stress, and despair. It will seem unfair to insist on work in a family that has undergone real tragedy, where children are at risk, and where mothers plead that they need to be home to protect their children. This is not *do-goodism*. This is confronting the complexity of life on the wrong side of the tracks.

Yet if the goal is ultimately to find a genuine alternative to cash welfare, then one must make some attempt to push beyond the easy cases and impose serious demands on some important segment of the welfare poor. Work is important to dignity and independence in our society. Furthermore, the welfare program will not finally command even the modest political support it now has, if few recipients work.

Here again, I believe the choices regarding other supports and type of work program influence the economic, political, and moral logic of experimenting with tough work rules. If sufficient supports are in place so that anyone can be better off working part time than being on welfare, then there is strong logic to moving some distance beyond the easy cases when considering rule for work. If people who go to work really can effectively provide for and nurture their families, then a strong moral case exists for time limiting welfare for many people. However, if the level of work and pay necessary to be better off than when on welfare, and to *stay* out of poverty, are excessive, then it seems unlikely that one can justify tough workfare.

Where Does It All Lead? A Proposal for the Next Steps

President elect Clinton has called for bold changes in the welfare system. Yet his

rhetoric is consistent with two very different types of approaches. The easiest and probably least expensive course in the short run is to have modest non-welfare supports, a CWEP type workfare program, and fairly loose eligibility rules. A true transformation of welfare, however, will almost certainly require significantly more non-welfare supports, a time-limited program followed by last resort jobs for some, and relatively strict eligibility rules.

Some are calling for a vast expansion of the CWEP program creating upwards of 1.5 million jobs. Given what we know about CWEP, I think this would be a real mistake. It would do little to help welfare recipients or reduce caseloads, and there will be strong pressures to keep the participation rate low to start with. Creating even half a million jobs will be no small problem. I find it almost inconceivable that a CWEP type national program initiated by a Democratic President and Congress would ever reach more than 20-30% of the post two year caseload--that translates into 12-18% of the total caseload. The rhetoric of an "end to welfare as we know it" suggests strongly that the program will touch more than a handful of welfare clients. It seems unlikely that a program where only a modest fraction of the caseload is expected to work will be perceived as a transformation.

In my view, a far stronger alternative would be to phase in Clinton's plan using much bolder welfare alternative plans in a modest number of states, and gradually add more states over time. Participating states would get more federal support in exchange for radical reforms in their welfare system. In the first period, up to a dozen states would be allowed to create major welfare alternatives. Later more states would be expected to join and over an extended period, all states would be required to participate. States who choose to start early would get a much higher Federal match. They would have considerably more flexibility over funding

and support strategies than they do now, but all plans would be required to have several key elements:

1. All participating states would be required to design a set of policies to reduce the fraction of recipients who receive welfare for greater than 2 or 3 years by at least 25% (or some other figure) without cutting welfare benefits. In other words, they are forced to come up with credible policies to move people from welfare to work in far larger numbers than have been moved in the past. States will be given considerable latitude in redirecting existing funds for AFDC, food stamps, housing assistance and other aid, so long as the plan clearly will encourage work and independence without reducing the incomes of the bulk of recipients. Such policies could include alternative training programs, child care, integrated services, child support enforcement and assurance, altered work incentives, subsidized private employment, etc.

2. All participating states would be required to design some system for tracking welfare recipients' participation in various employment and training activities and for setting up a system of determining who is employable after several years of welfare receipt. Some states would be allowed to adopt very strict definitions of employability, while others would be given more latitude.

3. All participating states would be required to adopt some form of time-limited cash assistance for the employable. Some states would be allowed to adopt a CWEP type work-for-welfare plan, while others would be expected to implement true time-limited welfare followed by public/private jobs program.

4. All states would be required to dramatically improve their child support enforcement system. Some would be allowed and encouraged to adopt a system of child support enforcement and assurance, but all would have to move rapidly to adopt a series of major reforms.

5. A comprehensive evaluation plan will have to accompany the state proposal.

6. Federal matches for these programs would be high--in the range of 90% or even more.

The reality is that we simply do not have all the answers about how to transform the welfare system. Serious time-limited welfare followed by last resort jobs has never been tried. Even workfare has never really been seriously implemented for this group. The strategy of phasing in the new plans while learning about them will likely avoid many costly

mistakes. It also offers a far greater chance of moving the system in an appropriate direction.

One major advantage of this strategy is that the new administration can pick and choose its experimental states. The best states always do an excellent job of implementing new plans. Moreover, by asking states to voluntarily design new programs and compete for scarce federal dollars and flexibility, a great deal of excellent thinking will go into the design of the transformed welfare systems. By contrast, if all states are forced to implement a mandatory national CWEP program, most will approach the task with far less enthusiasm and many will consciously resist attempts to force adoption of the program.

Another major advantage to this strategy is that state plans can and will be much bolder than some form of national plan could be. There are a number of states that would leap at the opportunity to make very dramatic changes in welfare if the financing and political support were available from Washington. The politics of the Congress and the uncertainty about the impact and appropriateness of various changes will force a national program to be pale and cautious. On the other hand, some states will be willing to be quite bold. From them, we can learn about a true transformation of the welfare system.

Yet another advantage is cost. If one starts in perhaps a dozen states, the same money will go much further. Then with the lessons of the initial states, more cost effective plans can be adopted in other states.

There is some danger that a state-by-state phase-in will appear to be backing off on the Clinton promises of the campaign. That would be an unfair perception. If the states involved really try dramatic changes, Clinton can rightfully point to the experimental states as the kind of transformation he envisions for the whole country. Given the budget deficit and

the difficulty of adopting such a bold new program, a state-by-state phase-in strategy is a natural way to move to full scale implementation. States can try even bolder strategies than were talked about in the campaign. Any governor knows the limitations of having Washington dictate the details of a new welfare system and the importance of learning what works and does not work before we spend a fortune on welfare reforms. Clinton would not be backing off of major welfare changes. Quite the contrary, this is the only viable strategy for achieving them:

I think there is vastly more political danger from trying to go with a full-scale CWEP/workfare type program. The odds of success in 3-4 years is very low. It will be controversial in the Congress, the administration, and the press. In the end, a watered-down plan is likely to be adopted. No one will believe that welfare has been transformed if a tiny fraction of people are actually forced to work, nor if a great deal of money is spent with no noticeable effect on anything other than government payrolls. Governors and state officials will strongly prefer a state-by-state phase-in. They want more, not less, flexibility.

Still the most important reason to go with a state-by-state phase-in is that it is economically and morally the right direction to go in. Serious reform which involves millions of the most vulnerable Americans should, indeed must, proceed slowly at first. The danger of missteps here are legion. There are literally hundreds of key questions which must be answered. We will never transform welfare by legislating national changes of policies that have never been fully tried at the state level. Thus we will not be bold if we try to move nationally too fast. More importantly, we will hurt people and waste federal dollars.

Let me close by emphasizing one point. The best time-limited welfare system is one

where no one reaches the limit. I hope the new administration concentrates most of its energy on finding ways to help all employable recipients move off welfare within a few years. Rather than putting most of our money or attention on the work component, let us begin by exploring much bolder ways to move people off of welfare.