Draft

Not for Quotation
Circulation or Citation

Initiative

of the

Working Group

on

Welfare Reform,

Family Support

and

Independence

April 12, 1993

AN END TO WELFARE AS WE KNOW IT

In your campaign, you set forth two ideas with the potential to transform the lives of millions of Americans: that people who work shouldn't be poor, and that no one who can work should stay on welfare forever.

These ideas represent a sweeping political, economic, and moral imperative for your Administration: to reward work and family, demand personal responsibility, and build broad and lasting support for programs that empower people and break the cycle of dependence.

We know the problem: over most of the past three decades, Washington has burdened the poor with social policies that penalize work and reward failure, economic policies that favor the rich and punish the poor, and a welfare system that saps initiative and undermines personal responsibility. The Los Angeles riots last year proved that the greatest risk of all is doing nothing.

In other chapters, we address empowering the poor by improving the communities in which they live: community development banks, tenant management of public housing, community policing to put 100,000 cops on the beat fighting crime. This chapter is about what the Clinton Administration can do to make work pay, inspire personal responsibility, and end welfare as we know it.

Political Background

During the campaign, you put forward an empowerment agenda that is pro-family and pro-work, including pledges to expand the Earned Income Tax Credit (EITC), make affordable health care available to all, crack down on child support enforcement, and reform the welfare system to educate and train people and require them to move from welfare to work within two years.

Many of these proposals will be well received in the Congress, where there is much support for an expanded EITC and tougher child support enforcement. The centerpiece of your welfare reform plan – the two-year time limit – will be more controversial.

Four years ago, even though both the Reagan Administration and the congressional Democrats supported welfare reform and organized opposition was scarce (the Senate vote was 97-1), the issue tied up Congress for over a year. This time the task will be more difficult. Public employee unions and most advocacy groups oppose work requirements, and some on the Hill share that view. These opponents will not attack the new Administration directly if they can help it, but behind the scenes they will work to expand the exemptions, weaken the sanctions, and undermine the work

requirement.

Due to these impediments, the support of the states will be critical -- even more important than it was in 1988. Gov. Romer has offered his help, and Carol Rasco has asked the NGA to set up a working group to help us develop a bill they can support. Sen. Moynihan and Rep. Matsui (the new head of the Ways & Means subcommittee) have told us they support this strategy of enlisting state support.

Significantly, the Republican members of the Ways and Means Committee are drafting a welfare reform bill that implements major parts of the Clinton proposal. These Republicans are actually prepared to spend some real money on the program ($3 billion a year in the out years), so it should be possible to develop a bill with bipartisan and nationwide support.

Strategy

We believe the key to building public support for fundamental reform is time-limited welfare. The key to getting the political support necessary to pass time-limited welfare is to expand the EITC and strengthen child support. And the key to making time-limited welfare work is to support and encourage flexibility, creativity, and innovation at the state level.

We believe that you have an opportunity to enact the most sweeping changes in poverty policy since the 1930s: a series of reforms that over the next 5-10 years will replace welfare with work. We envision a plan that takes effect in stages: first, by making work pay, eliminating work disincentives, and strengthening child support enforcement; second, by giving people on welfare up to two years of education, training, and job search assistance; and finally, by requiring all those who can to work, either in the private sector or community service..

In the meantime, we would be building the pillars across the country to support this system: a national service program with community service placement councils at the local level; a health care system that makes affordable care available to all who work; fully-funded early childhood intervention, nutrition, and health programs that make sure all children, regardless of income, can come to school ready to learn; housing programs that give families a stake in how and where they live; and a child support system that enforces personal responsibility through the tax code, not the courts.

That, at least, is the vision. Here are the hard realities of how to get there.

EXPANDING THE EARNED INCOME TAX CREDIT TO MAKE WORK PAY

The guarantee that no one who works full time should have to raise their children in poverty involves two variables — the minimum wage and the earned income tax credit. On the one hand, the higher the minimum wage, the smaller the EITC needs to be in order to bring full-time workers and their families up to the poverty level. But the EITC is a much more effective tool to fight poverty than the minimum wage. While a larger EITC may cost more in direct outlays, its cost to the economy — and to poor people — is much less.

With indexing of the minimum wage at 1992 levels, it will take a $4 billion increase in the EITC to lift all working families of average size out of poverty. If the minimum wage is not indexed, it will cost another $500 million. This is a small price to pay compared to the effects of an indexed minimum wage.

A National Crackdown on Deadbeat Parents

The Family Support Act of 1988 required states to 1) ask unwed mothers for both parents' Social Security numbers; 2) begin mandatory withholding; and 3) establish uniform state guidelines for child support payments. The law is working, so far as it goes (collections are rising 10% a year), but the system is still a mess: Wages are withheld in only one of five cases where they should be. One absent parent in four is a deadbeat. It takes one to three years of red tape to track down a deadbeat, and even then he may not pay.

The Bush administration has been slow to carry out the 1988 law. The federal enforcement bureaucracy is a nightmare — one state complained to Congress about cases it had referred to the IRS for collection in the late 1970s that still had not been enforced.

We propose the following [illegible] steps to follow through on your campaign pledge to "do almost anything to get tough on child support enforcement" and restore the notion that governments don't raise children, people do.

IRS Collection of Unpaid Support

The current enforcement system performs poorly, and federalizing it would create a unified system in place of the current fragmented one which involves every branch and level of government. But turning the existing child support system over to the IRS would be a massive, costly, and unpopular undertaking. Even the staunchest advocates of full federalization believe it is years away. They recommend that we fix the problems with the current system before considering full federal control.

As an interim step, we recommend keeping most enforcement activities at the state level, but asking child support agencies to report unpaid child support obligations to the IRS at the end of the year, to be collected through the tax system. We should probably limit IRS intervention to interstate cases, where the states are least successful.

Tom Downey and most child support advocates would support expanding the IRS role, but some think that going halfway would further fragment an already unworkable bureaucracy. (David Ellwood, for instance, prefers experiments in child support assurance, as described below.) The argument for moving toward IRS collection is that it has enormous long-term potential, and any additional enforcement would be better than nothing.

Other Child Support Reforms

In October, Congress passed one of your campaign proposals into law, making it a felony to cross state lines to avoid paying child support. But much more needs to be done. We recommend the following changes, which should attract bipartisan support:

- Requiring states to report deadbeat parents to major credit agencies.
- A national registry which would allow states to find non-custodial parents who have moved to other jurisdictions.
- National guidelines so that child support awards do not differ markedly from state to state.
- A streamlined paternity process involving paternity determination in hospitals, use of a simple affidavit, and use of the administrative process for contested cases.
- Tougher enforcement of medical support, including elimination of the existing statute that allows self-insured companies to avoid providing health coverage for the non-custodial children of their employees.
- A requirement that all states have central registries of all child support orders and a central mechanism for collecting and disbursing payments; also, employers should be required to report all new hires to the child support agency; and
- Eliminating the current confusing incentives system, with money used for this purpose folded into the regular child support match so that the federal government picks up 85 percent of administrative costs; at the same time, requiring states to spend their federal child support enforcement funds on child support enforcement, instead of using

them to subsidize other programs.

Child Support Assurance Demonstration Projects

Many experts, including Ellwood, believe that time-limited welfare will work only if it is linked to some form of child support assurance, which would guarantee that single-parent families receive a certain amount of money per child, in return for identifying the missing parent and helping track him down.

The advantages of child support assurance are clear: It would help the thousands of children who go hungry when their fathers don't pay, and it would give welfare mothers a greater incentive to cooperate in seeking child support orders.

But the drawbacks are also clear: A national system of child support assurance would be expensive ($2-5 billion a year), and we don't know whether it will work. Many argue that fathers will be even less likely to meet their child support obligations if they know that government will provide for their children whether they pay or not, and that child support assurance could encourage parents to have children or families to break up in order to receive money In any case, government shouldn't promise to make child support payments until it proves it can collect them.

We recommend a series of demonstrations to see whether child support assurance works before committing to a national program. At the same time, we can measure how much our other initiatives do to improve child support enforcement.

Ending Welfare As We Know It

The heart of your promise to those on welfare is a radical transformation of AFDC from a program that provides income maintenance to one that provides transitional support and work. This proposal has three components: (1) everyone who needs help can get up to two years of transitional assistance (job search, education, training, child care) aimed at getting them off welfare; (2) cash benefits will be limited to two years; (3) after two years, all those who can work will have to work.

Below, we outline three possible ways to fulfill the vision laid out in the campaign. You should judge them on at least four criteria:

1. **Feasibility** – Can the states make the program work in the time frame demanded, under the constraints imposed and within the available funding? This is no small challenge; as many as 1.5 million AFDC recipients could be required to work under this program, and even CETA at its peak never topped 800,000 participants. CWEP, the work component of JOBS, currently has only 13,000 participants nationwide.

2. **Results** – Does the reality match the rhetoric? Have we ended welfare as we know it? The reforms have to have wide impact to satisfy public expectations of a real change and to prevent criticism of the program as ineffective. Many will judge success by the toughest standard: the number of people who have moved from welfare to work.

3. **Cost** – Can we afford it? Can the states afford it? And what will we really get for our money?

4. **Flexibility** — It is up to the states to prove that time-limited welfare can work. Surprisingly little research has been done on the overall effects of work requirements on AFDC recipients. Any national program must encourage all manner of experimentation at the state level.

Options for Time-Limited Welfare

Option 1: Universal Workfare

The most literal implementation of your promise would be to seek an immediate two-year limit on all AFDC benefits and to move as rapidly as possible to implement a nationwide work program for those who pass the limit. States would be required to provide two years of education and training to all who need it, and comply with a relatively rapid timetable for phasing in a work program that would apply to all AFDC recipients after two years, subject most likely to current JOBS exemptions.

Advantages: The best argument for this approach is that it would be a shock to the system, and send a clear, immediate signal that you're serious about ending welfare. Some reformers, including Mickey Kaus, believe that a two-year limit is itself too lenient, and that phasing it in over a long period of time will dilute any impact. This option would affect the largest number of people most quickly, and would give you the best chance to point to large numbers of people moving from welfare to work. The cost per person would also be lower, because most states would turn to workfare rather than public jobs programs.

Disadvantages: This approach would require a massive, rapid phase-in of a program with which the states have little successful experience. The faster the implementation and the larger the number of participants, the higher the cost and the greater the odds that the program will be plagued by poor implementation, the appearance of make-work, and so on.

This approach would also have a chilling effect on state experimentation with creative welfare reform. The more the program demands of states, the less they will be able to take on other challenges. Finally, because of the large scale programs, it would be very expensive — at least $4 billion a year by 1995 on jobs programs alone — and the

federal government would have to pick up most of the cost.

Perhaps the most compelling argument against universal workfare is that it moves us no closer to your real goal, which is to move people from welfare to real work, not just make them work for their welfare.

Option 2: Demonstration Projects

David Ellwood initially proposed a modest transition to time-limited welfare, starting with ambitious experiments in a handful of states and gradually adding more states over time as we learn what works. He fears that moving too quickly to a two-year time limit nationwide will discourage innovation, overwhelm the capacity of the system, and ultimately lead to workfare, which he opposes. He has outlined a more cautious strategy:

1. Choose a dozen states that are eager to reform their welfare systems, and require them to design policies that will reduce the fraction of recipients who receive welfare for more than 2 years by 25% without cutting benefits. Give the states considerable latitude to experiment and redirect existing funds, so long as their plan clearly encourages work and independence.

2. Require participating states to design a system that can track recipients' participation in employment and training. A comprehensive evaluation plan will have to accompany the state proposal.

3. Require participating states to adopt some form of time-limited cash assistance for those who can work. Some states could adopt CWEP, while others could try time-limited welfare followed by a public/private jobs program.

4. Require all 50 states to dramatically improve their child support enforcement system. Some would be encouraged to adopt child support assurance; all would have to move rapidly to adopt a series of major reforms.

5. Entice states to participate by offering a high federal match — 90% or more. Eventually, all states would be required to participate. In the meantime, we could enact other changes that will help reduce the welfare rolls and make work pay: an expanded EITC, tougher child support enforcement, and national health care.

Advantages: This approach has some appeal. It will encourage state experimentation, produce useful results, and perhaps build both a political and academic consensus for further action. It avoids the risk of creating a CETA-style workfare program that could turn welfare reform into a national embarrassment – and it could be achieved for a lot less money ($500 million to $1 billion) and very little political capital. Ellwood believes that the best time-limited welfare system is one where no one reaches the limit,

and it would be a mistake to focus all our attention on making people work instead of moving them off welfare.

Disadvantages: There are obvious drawbacks to any effort to slow-dance the problem. First, asking a few states to conduct experiments in welfare reform without enacting a two-year time limit will not end welfare as we know it. Many observers will consider this issue the key test of whether you are willing to take on the status quo, and pilot projects will be viewed as at best a broken promise and at worst a concession to narrow interests. More important, without a two-year time limit and a work requirement, the Clinton Administration will put off progress in the majority of states and won't move many people from welfare to work.

Option 3: Phased-In Time Limits

This is the "modified demonstration" option. Some aspects of the program would be universal: all AFDC recipients would be guaranteed up to two years of education and training, and all new AFDC cases would have to go to work after two years. But sweeping welfare reform experiments would be funded in a handful of states most interested in reform while phasing in national implementation of time limits for all recipients over the next decade.

Here are the key elements:

1. All AFDC recipients would be guaranteed education and training services during the first two years of welfare receipt.

2. As of the effective date of the legislation, all individuals coming onto the AFDC rolls would be subject to a two-year time limit, after which they would have to work (in other words, the time limit would apply to all new cases).

3. A handful of states would be funded to run five-year demonstration projects to test and evaluate ways of implementing the work requirement and creative welfare alternatives that are broader in nature. As in Ellwood's plan, states would be allowed to redirect existing funds for AFDC, food stamps, and other aid so long as the plan encourages independence without reducing the incomes of most recipients. Rigorous evaluations would be required, and the results of these would be made available to all other states for use in designing their programs.

4. Five years after the legislation becomes effective, all other states will submit plans to the Secretary of HHS for phasing in the work requirement for those long-term recipients already on the rolls on the bill's effective date. This phase-in must, in all cases, be completed by year 10.

Advantages: This option gives states more time to gear up for the work require-

ment. Rather than forcing states to find work for 1.5 million people in a short time frame, applying the requirement only to new applicants would affect a much smaller group, according to unofficial CBO estimates:

Year 3	179,214
Year 4	422,979
Year 5	609,543

This option establishes the principles of time limits and work requirements. It fulfills your campaign commitment, since in time all AFDC recipients will be subject to the work requirement.

Disadvantages: This approach will cost more than Ellwood's option — $4 billion a year by 1997. As with Option 1, states will still be hard pressed to find meaningful work for large numbers of AFDC recipients.

Summary

We favor Option 3 as the best way to encourage experimentation while requiring broad participation. We believe this proposal can attract a wide range of support from academics like Ellwood, policymakers like Senator Moynihan, and reform-minded governors across the country. The details of such a compromise option may be tough to figure out, but we would like to explore these options and others in more depth with the NGA and state welfare directors.

OTHER ISSUES

Whichever option is chosen as the overall framework for welfare reform, a number of thorny design issues will confront us in drafting a bill and affect how labor, the states, and liberal advocacy groups ultimately view the program. Some of these issues are mentioned below.

Should education and training during the first two years be mandatory?

Some will argue that the goal of welfare reform should be to increase human capital investment. They advocate making JOBS participation mandatory during the first two years. This would be expensive and increase the burden on states. Furthermore, as many as 30 percent of new AFDC recipients leave the rolls within the first six months, so a mandatory program would spend resources on individuals who are in the process of leaving welfare anyway. We recommend leaving it up to the states to decide whether participation should be mandatory for particular groups, although we should consider mandatory participation for teen mothers. We also urge job search

programs, on the grounds that job placement is better than training.

What form should the work program take?

There are numerous models for work programs, and no definitive research as to which is best. We recommend maximum state flexibility in designing the work program. Options would include:

Community Work Experience (CWEP), or workfare, which involves working in a community job for a number of hours determined by dividing the welfare grant by the minimum wage. CWEP is relatively cheap and easy to target, but is unpopular with public employees and advocacy groups.

Public Service Employment (PSE), in which those who work are paid an hourly wage, and those who do not work get nothing. Some allowance would undoubtedly have to be built in to continue providing for the children, but AFDC itself would end. PSE feels more like a real job, and is more popular with labor. It's also more expensive, as labor will likely push for at least 125% of the minimum wage.

Subsidized private sector employment would clearly be the preferred model. For years, AFDC law has permitted diversion of welfare grants to employers who hire recipients. While states have never taken to this approach (employers complain about the administrative burden), groups like America Works have been very successful in moving people off welfare into private sector jobs.

We recommend letting states decide for themselves which kind of work program to use for those who remain on the rolls after two years — Community Work Experience (CWEP); Public Service Employment; subsidized private sector employment; or a combination. That will assure a range of evidence for researchers to study.

Where will we find 1.5 million new jobs?

As with the national service program, community service jobs for AFDC graduates should not displace existing public employees. A Ford Foundation study in 1986 identified some 3.5 million potential labor-intensive jobs that could meet unmet public needs. But it still won't be easy to find jobs for welfare recipients. We will work with AFSCME and service organizations to identify the types of work that should qualify, and develop guidelines for dealing with the difficult issues of displacement that will come up consistently throughout the country.

To reduce bureaucracy, the same local councils described in the national service chapter could be asked to find community service work for welfare recipients. One day, it may be possible for those who are earning their national service vouchers and those who have moved off welfare into public sector jobs to work side by side.

How much work will be required?

Currently, in low-benefit states, the CWEP work obligation is so short as to make the program of little value (in some states it's under 10 hours a week). As a result, about half the states have eliminated the program altogether. We recommend adding the value of food stamps to the AFDC grant in computing hours of work, or setting a floor on the number of hours recipients have to work. While this will be highly controversial, it will also result in a more meaningful work obligation in all states (for mothers with children under six, the work obligation would still be 20 hours/week, as under current law).

What is the sanction for not working?

The sanction for not working after two years needs to be more meaningful than under the present CWEP structure. In Ohio, for instance, the average recipient assigned to CWEP is supposed to work 80 hours per month. If she doesn't, she loses $60. Since a third of this is made up by an increase in food stamp benefits, the net loss is around $40. In effect, for every hour she misses, she loses 50 cents. We recommend that the states be required to design more meaningful sanctions, perhaps in the range of 30-50 percent of AFDC benefits. This should probably be designed as an automatic reduction in benefits rather than a sanction to make the program less unwieldy to administer.

Who should be exempt from work requirements?

The Family Support Act currently exempts mothers with children under 3, pregnant women in the last two trimesters of pregnancy, and several other smaller categories from JOBS participation. We recommend exempting these same groups from the new work requirement with two exceptions: mothers who have an additional child while on welfare would only be exempt until the child is one, and teen parents should be exempted as long as they remain in school and are under 18 (it makes little sense to force a 17-year-old welfare mother to drop out of high school because she has been on AFDC for two years so that she can go to work). Finally, the two year grace period ought to be a one-time matter — recipients would not get another two years every time they return to the AFDC rolls.

How should federal funding be structured?

Welfare reform of the magnitude being discussed will cost around $4 billion when fully phased in — plus another $4 billion to expand the EITC. We can hardly expect states to provide much of that welfare money when they have only been able to spend two-thirds of the funds available to them in the existing JOBS program. One option, of course, is to provide 100% federal money, but this reduces the states' incentive to manage the money carefully (or so it is said). A workable funding structure

should be the subject of a working group with representatives of the states (NGA & APWA) prior to submission of legislation.

Should states be allowed to impose their own time limits on community service?

Some Republicans may propose taking your idea one step further, by calling for a time limit on public works programs as well. They will argue that our community service proposal will prove to be a disincentive to working in the private sector, and that instead of moving people off the welfare rolls, we will simply be paying them to stay there. We can rebut this argument by making sure that mandatory job searches are a component of any works program.

Other Empowerment Initiatives

We should raise the AFDC asset limit from $1,000 to $10,000 for assets retained for improving the education, training, or employability of family members, or for the purchase of a home or change of residence. In particular, the value of an automobile that AFDC recipients are permitted to own needs to be raised from its present $1000.

You may also want to consider some kind of experiment in Individual Development Accounts to help the poor save — either Tony Hall's demonstration bill ($100 million in federal matching funds for "the poor man's IRA"), or a more conservative pilot project that allows welfare recipients who lose benefits when they go to work to keep some portion of those benefits in an escrow account that could be used for an education or first home.

Finally, we can begin to reduce the marriage penalty, by allowing mothers to keep a portion of their welfare benefits when they get married (but only for the two-year time limit).

A Note on Budget Estimates

We assume that these policies will result in roughly an 8 percent reduction in AFDC payments by the fourth year. This is in the range of reductions that have been experienced in other welfare reform demonstrations, particularly those administered by MDRC. Some will argue that there is no evidence that work requirements, as such, reduce welfare caseloads. On the other hand, the Clinton program includes a range of policies that goes well beyond simply mandating work. Indeed, this is a more ambitious set of policy changes than has been attempted previously.

Advisers Consulted

David Ellwood, Harvard
Paul Legler, Harvard
Paula Roberts, Center for Law & Social Policy
Mark Greenberg, Center for Law & Social Policy
Nancy Ebb, Children's Defense Fund
David Kass, American Public Welfare Association
Harry Wiggins, IVD State Directors
Geraldine Jensen, Association for Children for Enforcement of Support
Bob Greenstein, Center for Budget & Policy Priorities
Isaac Shapiro, Center for Budget & Policy Priorities
Susan Steinmetz, Center for Budget & Policy Priorities
Will Marshall, Progressive Policy Institute
Belle Sawhill, Urban Institute
Judith Gueron, Manpower Demonstration Research Corporation
Sid Johnson, American Public Welfare Association
Nanine Micklejohn, AFSCME
Mary Logan, AFL-CIO
Doug Besharov, American Enterprise Institute
Jan Peskin, Congressional Budget Office
Ray Shepatach, NGA

BUDGETARY EFFECTS
(In Billions)

WELFARE REFORM							
PROGRAM	**FY93***	**FY94**	**FY95**	**FY96**	**FY97**	**FY98**	**94-98**
Expanded EITC	.700	1.000	2.000	4.000	4.200	4.400	15.6
Expanded JOBS	0	.600	1.500	2.600	3.800	4.000	12.5
Child Support	0	.200	.300	.400	.500	.600	2.0
Caseload Reduction	0	0	-.400	-.800	-2.000	-2.200	-5.400
WELFARE SUBTOTAL	**.700**	**1.800**	**3.400**	**6.200**	**6.500**	**6.8**	**24.700**

SUMMARY OF PROPOSALS TO TIME-LIMIT AFDC

President-elect Bill Clinton's Proposal

In Putting People First: How We Can All Change America and in other campaign materials, President-elect Clinton and Vice President-elect Al Gore describe a welfare reform proposal that involves time-limiting the receipt of Aid to Families with Dependent Children (AFDC). According to these materials, AFDC receipt would be limited to 2 years for all those who are able to work. During the 2 years during which receipt is allowed, Clinton and Gore intend to "[e]mpower people with the education, training, and child care they need . . . so they can break the cycle of dependency" (1992, p.165).

At the end of the 2 years, the Clinton and Gore proposal requires those who are able to work to go to work either in the private sector or in the public sector. For those who cannot find private sector jobs, Clinton and Gore recommend providing "dignified and meaningful community service job[s]" (1992, p.165).

The Clinton and Gore plan also includes other antipoverty proposals: 1) universal health care; 2) passage of the Family and Medical Leave Act; 3) an expanded Earned Income Tax Credit (EITC); 4) an increased minimum wage; 5) creation of a national apprenticeship-style program; 6) requiring employers to spend 1.5 percent of their payroll on continuing education and training; 7) provision of loans to low-income entrepreneurs and homeowners in the inner cities through a nationwide network of community development banks; 8) creation of urban enterprise zones; 9) passage of "a more progressive Community Reinvestment Act" (1992, p.167); and 10) various proposals to strengthen child support enforcement.

Additionally, Clinton and Gore suggest: 1) enabling "low-income Americans to set up Individual Development Accounts to save for specific purposes such as post-secondary education, home ownership, retirement, and small business startups" (1992, p.166); and 2) elimination of regulations that discourage Americans who receive AFDC from saving money. what regulations? and limits?

Will Marshall and Elaine Ciulla Kamarck's Proposal

Will Marshall and Elaine Ciulla Kamarck's chapter "Replacing Welfare with Work," in Mandate for Change (edited by Marshall and Martin Schram), suggests placing a time limit of 2 years on AFDC receipt for able-bodied recipients. For those who cannot make the transition to private-sector work after their AFDC benefits run out, they recommend offering the opportunity to work in a community service corps at minimum wage.

Unlike a number of the other proponents of time-limited welfare, Marshall and Kamarck do not propose expansions of education and training services for welfare recipients to participate in prior to the end of the time limit. They maintain that programs that offer such services rarely result in permanent jobs for the participants and that education and training rarely raise the earnings of participants enough to lift them out of poverty. Marshall and Kamarck's alternative "is to let private entities -- nonprofit and for-profit -- bid for the chance to place welfare recipients in private jobs and keep part of the money a state saves when someone leaves" welfare (1992, p.230). Essentially, they want to shift Federal resources from education and training programs to private efforts to employ people (though these private firms may provide such services to increase the employability of those they are trying to place).

Marshall and Ciulla also recommend other anti-poverty strategies to make work pay: 1) a "guaranteed working wage," which they define as basically an expanded EITC, and which would serve to ensure that all families with full-time, year-round workers would avoid poverty; 2) a refundable child care tax credit; and 3) universal access to medical care. Additionally, they propose adoption of a national child support system, which would require noncustodial parents to pay a portion of their incomes for child support through tax withholding, and where the government would guarantee a minimum child support payment, if the absent parent cannot pay child support.

Other antipoverty strategies targeted to AFDC recipients include the elimination of disincentives for welfare recipients to marry and increasing the $1,000 AFDC asset limit to encourage saving. In addition, they would provide incentives for microenterprise experiments that promote self-employment. Marshall and Ciulla also recommend providing poor people with vouchers to allow them to choose the services and providers that are best suited to their needs. According to their plan, this would entail converting into vouchers programs under title XX of the Social Security Act, AFDC and transitional child care, and the Child Care and Development Block Grant.

Marshall and Ciulla call for an "enabling strategy" to reform welfare. They write, "Social responsibility is a two-way street: Government can help only those determined to help themselves. An enabling state should condition social supports on recipients' willingness to work and strive toward self-sufficiency" (1992, p.233). They also view part of the role of government in this reciprocal relationship as expanding opportunities for the poor, so that the poor may enter mainstream American life. Marshall and Ciulla believe the time-limited welfare system is a way to "make work imperative while the guaranteed working wage will make it rewarding" (1992, p.234).

David Ellwood's Proposal

In Poor Support: Poverty in the American Family, David Ellwood suggests four fundamental steps to address the poverty of single-parent and two-parent families. They are as follows: 1) ensure universal medical coverage; 2) make work pay; 3) replace the AFDC and Food Stamp programs with transitional assistance of limited duration; and 4) provide jobs for those whose transitional assistance has ended. According to Ellwood, if these steps are combined with a child support assurance program, "we can address most of the key problems of single mothers" (1988, p.175).

Ellwood argues that making work pay, instituting child support assurance, and ensuring universal medical coverage are prerequisites for fully overhauling the welfare system. His suggestions for making work pay are raising the minimum wage, expanding the EITC, and instituting a refundable child care credit. These policies, he argues, would make it possible for people to support themselves and their families.

making work pay

For two-parent families Ellwood suggests that the transitional support period might be 12, 24, or 36 months. Once someone had used up the full amount of their transitional aid, they could not receive any more transitional aid until they had worked a minimum number of weeks (such as 50 to 100 weeks) and then this additional aid would be limited. While receiving transitional aid, these recipients would be offered both training and support services to help them become self-sufficient again. Minimum-wage jobs would be available for those who had exhausted their benefits but still did not have work. (Ellwood believes that this jobs program would be small because only a very small percentage of two-parent families are poor for a long period.)

Cost? $40 billion?

Ellwood proposes a transitional support period of 18 months to 3 years for single parents, varying with the age of the recipient's youngest child. There would be a wide variety of support and training services available during the transition period, and "the program would be designed to help people achieve independence." At the end of the transitional period, cash benefits would end (although some of the child care and other services might be continued) and the family would have to work "some considerable amount of time" before they could requalify for welfare payments. According to Ellwood's plan, if one had another baby or claimed that no jobs were available, one could "not requalify for much more transitional assistance" (1988, p.179).

The government must also provide full-time or part-time jobs for those who are unable to find private-sector work. Ellwood also argues that there will be people who are in need of very intensive services but who do not qualify for disability

programs. He says such cases should be evaluated on a case-by-case basis and not be allowed to shape the whole welfare system.

The rationale for time-limited welfare, according to Ellwood, is that unless the welfare system is changed, there is "little aid, incentive, or pressure for single parents to work." He also believes that time-limiting welfare will help avoid what he refers to as the "conundrums": 1) the security-work conundrum, which is the conflict between the desire to help those in need, and the likelihood that they will reduce their work effort if you provide them with benefits; 2) the assistance-family structure conundrum, which is concerned with the need to ensure the security of single-parent families, yet providing single-parent families with benefits may provide an incentive for the formation and perpetuation of such families; and 3) the targeting-isolation conundrum, which is concerned with effectively targeting services to those most in need, without isolating them from the economic and political mainstream (1988, p.23). According to Ellwood, transitional assistance would be a second chance for people, not an opportunity to manipulate the system.

Reasons for time-limit

Weber Bill in the House of Representatives

The purpose of the bill introduced by Congressman Weber on June 25, 1992, is to amend the Social Security Act "to provide welfare families with the education, training, and work experience needed to prepare them to leave welfare within 4 years." Key features of the reforms suggested in this bill include the following: 1) requiring States to provide recipients with the education, training, and work experience they need to leave welfare; 2) requiring that each recipient of AFDC participate in the program (with certain exemptions permitted); 3) involving each participant in program activities for at least ten hours per week; 4) imposing a series of penalties for those who decline to participate in the program; 5) establishing a time limit, wherein "a family that has been a recipient of aid under the plan shall not be eligible for such aid if a member of the family . . . has been eligible to participate in the program for periods aggregating 4 years"; and 6) mitigating a marriage penalty for welfare recipients. The bill also suggests allowing States to use the sum of money that would otherwise be used to provide AFDC recipients with Food Stamp benefits for subsidizing jobs under the Work Supplementation program.

Additionally, the bill would require parents who receive AFDC to demonstrate that minor children had received necessary immunizations and appropriate well-child visits and that the children are enrolled in and attend school regularly. If the parents do not meet the requirements, their AFDC benefits may be reduced.

Mickey Kaus's Proposal

In The End of Equality, Mickey Kaus proposes replacing the AFDC program "and all other cash-like welfare programs that assist the able-bodied poor" with an offer of a public sector job for every American citizen over age 18 who would like to have such a job. The public sector job would be "useful" and would pay slightly below the minimum wage. Additionally, the government would provide subsidies for low-wage jobs in both the public and private spheres, "to ensure that every American who works full-time has enough money to raise a normal-sized family with dignity, out of poverty" (1992, p.125). To supplement the earnings of workers whose work still leaves them below the poverty line, he would increase the EITC. According to Kaus, the public-sector jobs that are created would be available to everybody, without attention to their sex, marital status, income level, etc.

Under Kaus's plan, those who do not take advantage of these public sector jobs, including single mothers, would not receive any welfare payments. In order to enable the single mothers to work, any needed child care would be provided to them for their children, and this should be funded by the government when necessary, according to Kaus. If a single mother refuses to work and her children are found "living in squalor and filth . . . [then] [s]he is subject to the laws that already provide for removal of a child from an unfit home." Kaus suggests society build orphanages for these children (1992, pp.126-7).

Those who are unsuccessful at or unwilling to work would end up relying on public in-kind services (such as soup kitchens) and on charitable organizations. The government would subsidize counselling, therapy, and job training for people, but it would not give them cash.

Kaus supports tougher enforcement of child support payments, but opposes child support assurance, where the government would guarantee a minimum child support payment. Kaus does not believe that government workers should be laid off, but he does believe that the government should be able to replace workers who leave through attrition with guaranteed jobholders who are not subject to prevailing wage requirements. Kaus estimates that the cost of his proposal would be between $43 and $59 billion more than is being spent now (not counting the value of the work done by those in guaranteed jobs).

Kaus's rationale for this program is to transform the "welfare state into the Work Ethic State, in which status, dignity, and government benefits flow only to those who work, but in which the government steps in to make sure work is available to all" (1992, p.127). He is interested in transforming what he refers to as

"the culture of poverty" by replacing welfare with work (1992, p.128). According to Kaus, replacing cash welfare with work "would . . . end the disgrace visited on the underclass by welfare itself." Welfare, says Kaus, is not stigmatizing because of the impersonal bureaucracy which provides it, but because it "goes to able-bodied people who haven't necessarily worked and who aren't necessarily working" (1992, p.137).

Shaw, Johnson, and Grandy's Proposal

In "Moving Ahead: How America Can Reduce Poverty through Work," Representatives E. Clay Shaw, Nancy L. Johnson, and Fred Grandy suggest a number of demonstration projects to test different strategies to reform the welfare system.

First, they recommend demonstrations testing time-limited AFDC (not including guaranteed jobs for those who do not find other work after the time-limited assistance is over). Although the number of years of AFDC receipt that would be allowed was not specified, the proposal identified exemptions for disabled individuals (as under current AFDC policy), women in the second or third trimester of a pregnancy or in the first few months after childbirth (a one-time exemption), women who have children under age one, and people providing full-time care to a disabled dependent. They recommend that States allow parents "several years" to prepare for work, where all non-exempt AFDC recipients would be required to spend 25 percent of their time (10 hours per week) preparing for work by participating in the JOBS program.

Their rationale for time-limited AFDC benefits is rooted in their concern about young mothers who become dependent upon welfare, the "entire culture [which] has grown up around life on AFDC, Food Stamps, Medicaid, and housing," and the length of time people remain on welfare (1992, pp.32-3). They conclude that the length of time people remain on welfare is a serious problem and that some families, therefore, will require "strong incentives" to move off of welfare. Further, they believe that those people who remain on welfare for many years may be intimidated by the prospect of working and may lack the needed skills to hold down a job. They believe that people need both assistance and pressure to move off of welfare.

As a second suggested demonstration, Shaw et al. recommend long-term demonstration projects testing the use of government jobs to replace welfare. According to their criteria for demonstration projects, States would be able to require recipients to work for the number of hours equal to their grant (either AFDC or AFDC plus Food Stamps) divided by the minimum wage. Welfare recipients would continue to receive their regular check. They would also require that at least one demonstration combine time-limited welfare with mandatory work. (This is in contrast to the

first set of demonstrations proposed above in which only time-limited welfare was being tested.)

Additionally, Shaw et al. recommend several reforms of current law as part of their welfare reform proposal including: 1) increased JOBS funding and match; 2) broadened waiver authority; 3) modification of the EITC by converting the tax credit for health insurance into a cash provision; 4) increased AFDC asset limit; and 5) requirements for parents receiving welfare to obtain immunizations and periodic health check-ups for their children and to ensure school attendance by their children.

Finally, the Shaw et al. proposal suggests additional demonstrations in the following areas:

Demonstrations testing child support assurance, with the following characteristics: the guarantee level should fall between $1,500 and $3,000, with a maximum of $500 more for all additional children; the assured benefit should not count as income when calculating the EITC; States must pay between 25% and 50% of the assured benefit; and the assured benefit must reduce the amount of AFDC a recipient receives dollar-for-dollar.

Demonstrations to test various financial incentives to leave welfare: these demonstrations should compare the effects of disregards ranging from $30 and 33% to $200 and 50%; also, they would like to see a demonstration testing various disregards in a state that is testing the child support assured benefit.

Demonstrations testing investment strategies, such as enterprise zones and microenterprises.

Demonstrations testing comprehensive JOBS program implementation strategies, including work incentives for staff, staff training, marketing to recipients, and assistance to recipients once they have started working.

Demonstrations testing the reduction of AFDC marriage disincentives by allowing women receiving AFDC to keep part of their welfare benefit after marrying.

Demonstrations designed to inform women receiving AFDC of the availability of free family planning services and demonstrations designed to reduce or eliminate additional AFDC benefits for recipients who have additional children.

Demonstrations to assist fathers who must pay child support to prepare for and find work.

Report of the Task Force on Poverty and Welfare. Submitted to Gov. Mario M. Cuomo

In A New Social Contract: Rethinking the Nature and Purpose of Public Assistance, the Task Force on Poverty and Welfare put forth a time-limited welfare proposal in order to clearly focus the AFDC program's orientation on work. The Task Force proposes to restructure the AFDC program into two new programs: 1) a "time-limited transitional program of temporary income support and service delivery in preparation for work" (1986, p.74); and 2) a guaranteed work program for those who are unable to obtain unsubsidized employment.

According to the Task Force, the main purpose of the transitional program would be to help people who can work enter or re-enter the unsubsidized labor market. The welfare recipient would be obligated to participate in education, training, and placement activities in return for the income support received by his or her family. All recipients, including single parents, would be required to participate, although new mothers would be exempt from participation for "an appropriate period of time" after childbirth and the parents of disabled children might also be excepted. The main features of the transitional program recommended by the Task Force include: 1) counselling, testing, and assessment; 2) intensive education, training, placement, and supported work; 3) support services, especially child care; and 4) income maintenance to support participants while engaged in the program. The proposal says roughly 3 years is the appropriate amount of time for the time limit, but experimentation is suggested to address the issue.

For those unable to find unsubsidized work after their time-limited welfare benefits have run out, the Task Force suggests a guaranteed work program, which would provide and require work in exchange for benefits. They suggest, though, that the guaranteed jobs be limited to the percentage of people in the current caseload who are on welfare for more than three years. Some of the features of the guaranteed work program are: 1) the recipient is only paid for the hours he or she works; 2) the recipient receives a paycheck, not a welfare check; 3) recipients receive assignments to public sector or non-profit jobs; 4) the benefit level is kept at the same level as during the transitional program by regulating the number of hours the participant works at the guaranteed job; and 5) "[t]he jobs are productive jobs in the sense that they are useful from society's point of view" (1986, p.81).

In addition to their time-limited welfare proposal, the Task Force recommends the elimination of the gap in health care coverage between that provided by Medicaid and that provided by employer-based coverage and an increase in access to affordable child care. Additionally, the Task Force suggests: 1) expanding

the Earned Income Tax Credit and varying it by family size; 2) indexing the minimum wage so that it keeps pace with productivity and wage increases; and 3) strengthening child support enforcement and creating a minimum assured child support benefit.

The Task Force has put work at the foundation of their welfare reform proposals. They write, "AFDC and our other public assistance programs should be restructured to incorporate new expectations about obligations of recipients to work or prepare for work on the one hand, and obligations of government to provide services, training and jobs on the other hand" (1986, p.63).

Isabel Sawhill's Proposal

In "An Antipoverty Strategy for the 1990s," Isabel Sawhill of the Urban Institute proposes an antipoverty strategy with the following elements: 1) reduction of dependency; 2) provision of a temporary safety net; 3) provision of a permanent safety net for low-income elderly persons and the disabled; and 4) simplification of the current system, reorientation of its objectives, and payment for new initiatives. One of the approaches under the fourth element is to eliminate or phase out AFDC, Food Stamps, and most of the other existing transfer programs.

Sawhill recommends scrapping all of the current welfare programs (except Medicaid) and "using the savings to design a fairer and more efficient system" (1990, p.7). The new system would entail: 1) a bigger EITC; 2) a temporary income maintenance program for those who are unemployed, sick, recently divorced or widowed or otherwise requiring short-term assistance; and 3) a permanent program with reasonably generous benefits for those certified as disabled. For those adults who fail to become self-sufficient, Sawhill suggests "a residual program of sheltered workshops, public service jobs, or more permanent income assistance" (1990, p.5).

Other approaches suggested by Sawhill to complement the temporary nature of the income maintenance proposal include: 1) subsidization of child care; 2) provision of health insurance; 3) establishment of paternity when children are born and automatic collection of child support through the tax system; and 4) investment in training and education programs.

Sawhill believes that the system she recommends would emphasize work and parental responsibility.

The Ford Foundation Project on Social Welfare and the American Future Proposal

In The Common Good: Social Welfare and the American Future (Common Good), the Ford Foundation Project on Social Welfare and the American Future recommends putting a limit on the length of time able-bodied and healthy adults are entitled to welfare benefits. Work readiness would be improved through education and training. Those who have exhausted their benefits would be entitled to a public sector job, if they could not find work. In combination with this, the Ford Foundation Project recommends a national minimum benefit be established, in which the Food Stamps plus AFDC grants are equal to at least two-thirds of the Federal poverty level.

The rationale for these changes in tandem is to ensure a minimum level of assistance for those in need, while making it clear that receiving welfare should only be temporary for those who are healthy and able to work. The Ford Foundation Project believes that the "welfare system should be overhauled to emphasize work instead of long-term dependency" (1989, p.63). The Ford Foundation Project proposes investing more resources in the front end to increase people's employability and ensure that they have adequate resources while receiving welfare, but make it clear that welfare is only transitional. The choice after welfare had ended for an individual would be between a public-sector job and making it on their own.

Additional policy recommendations found in The Common Good include: 1) restoring the purchasing power of the minimum wage to its 1981 level; 2) expanding the EITC by varying its benefits with the size of the recipient's family; 3) universal health coverage; and 4) overhauling the Unemployment Insurance program to put more emphasis on training workers in new skills and helping them relocate, if necessary.

Irwin Garfinkel and Sara McLanahan's Proposal

In Single Mothers and Their Children: A New American Dilemma, Irwin Garfinkel and Sara McLanahan suggest reforms for increasing the self-reliance and economic security of mother-only families. They also feel their suggestions will reduce the prevalence of mother-only families and reduce the dependence on government of mother-only families.

Garfinkel and McLanahan first recommend a new child support assurance system, which would involve a legislated benefit standard, universal withholding of child support obligations, and a socially assured benefit. They also propose child and adult allowances for all children and adults, where the child allowance

would be a monthly government payment to all children under age 18, while the adult allowance would result from converting the personal adult tax exemption into a $300 or $400 adult allowance.

Garfinkel and Mclanahan would limit the amount of time that the heads of AFDC families could receive cash benefits without working or progressing in an education or training program. The time limit they think might be reasonable is 2 to 3 months. They would also create a work relief program to make jobs available to those who need them. These jobs would pay minimum wage to make private sector or civil service public jobs more attractive. A final step would be to provide support services, particularly education and training (participation in which the authors feel should be an alternative to actual work in a work relief program). They suggest participation in work relief be for mothers without pre-school age children.

Two additional recommendations by Garfinkel and McLanahan are extensions of their plans listed above. The first would be to make child and adult allowances high enough to completely substitute for the Food Stamp program. The second is to extend eligibility for the work relief jobs to both custodial and non-custodial parents, as well as step-parents.

Butler and Kondratas' Proposal

Stuart Butler and Anna Kondratas suggest a time limit on welfare receipt of 4 years. During the 4 years during which the person receives welfare, Butler and Kondratas recommend that education and job training be available and mandatory for teenage mothers (at least). At the end of the four years, if the woman cannot support herself, she should only receive job placement services and in-kind benefits. Otherwise, they state, she should be relegated to depending on State-funded programs or the private assistance network. Their rationale for the time limit on welfare receipt, is two-fold: 1) it would make clear that AFDC is a temporary program; and 2) "if government cannot do the job of helping an individual achieve self-sufficiency in four years, it probably can never do that job at all, and it is time for society to try other approaches" (1987, p.158).

Butler and Kondratas also suggest several other policy changes in addition to the time-limited AFDC proposal. These include: 1) providing poor people with vouchers to obtain services; 2) targeting Federal aid to poorer States; 3) encouraging entrepreneurship in poor communities by looser interpretation of government regulations, fostering capital formation from within the community itself, tax relief for small enterprises, enterprise allowances, and enterprise zones; 4) making tenant management the standard form of public housing management (where

desired by the residents); 5) enabling public housing residents to buy their units; 6) reforming the tax code to assist low-income families; 7) stronger child support enforcement; and 8) combining the AFDC and Food Stamp programs.

	Time Limit	Exemptions	Activities and/or Services Offered/Required Prior to Limit	Community Service Jobs	Other Anti-Poverty Proposals	What Happens to Children if Parents Decline to Work?	Other AFDC Proposals
Bill Clinton (1992)	2 years	Not addressed in detail	Education, training, job placement assistance and child care	Community service jobs for those who cannot find other work after the time-limited assistance has expired	Expanded EITC; increased minimum wage; universal access to health care; tougher child support enforcement; passage of the Family and Medical Leave Act; creation of urban enterprise zones; provision of loans to low-income people	Not addressed	Raise the AFDC asset limit
Marshall and Kamarck (1992)	2 years	Not discussed specifically; "able-bodied" would be subject to the time limit	Private entitities would "bid for the chance to place welfare recipients in private jobs" and keep some of the money saved by the State	Community service jobs at minimum wage for those who cannot find private-sector work	Expanded EITC; refundable child care tax credit; universal access to health care; stronger child support enforcement and child support assured benefit; vouchers to purchase services	Not addressed	Elimination of disincentives for AFDC recipients to marry; provision of incentives for AFDC recipients to save money and build assets; increased Federal support for microenterprise experiments

	Time Limit	Exemptions	Activities and/or Services Offered/Required Prior to Limit	Community Service Jobs	Other Anti-Poverty Proposals	What Happens to Children if Parents Decline to Work?	Other AFDC Proposals
David Ellwood (1988)	Not specifically identified: 12, 24, or 36 months for 2-parent families; between 18 and 36 months for single parents, depending on age of youngest child	Disabled; those needing special, intensive services to be treated on a case-by-case basis; longer time limit allowed for mothers with young children; limited additional assistance for those having another baby	Employment, training, and education services; support services	Community service jobs would pay the minimum wage	Universal medical coverage; child support assurance; higher minimum wage; expanded EITC; refundable day care credit	Cases of people who decline to work will be reviewed on a case-by-case basis	
Weber Bill (1992)	4 years	Exemptions from the education and training program are allowed for those who are: incapacitated; in the final trimester of pregnancy; the mother of a child born or returned within the preceding two months; the mother of a child under three; providing care to a disabled dependent	Education, training, and work experience program for welfare recipients	No provision	Using Food Stamp money to provide subsidized jobs	Not addressed	Elimination of a marriage penalty for recipients; requiring AFDC recipients to obtain health care for their children and ensure that their children attend school
Mickey Kaus (1992)	Replace welfare with the offer of a public-sector job	Those who are not considered able-bodied	Counselling, therapy, and job training should be offered; day care should be provided as necessary	Community service jobs to be offered to all Americans over age 18; would pay slightly below the minimum wage	Expanded EITC; tougher child support enforcement	Expanded orphanages	

	Time Limit	Exemptions	Activities and/or Services Offered/ Required Prior to Limit	Community Service Jobs	Other Anti-Poverty Proposals	What Happens to Children if Parents Decline to Work?	
Shaw, Johnson and Grandy (1992)	Duration not specified	Disabled; women 4-9 months pregnant; first few months after childbirth (a one-time exemption); women with children under 1; those providing full-time care to a disabled dependent	Mandatory JOBS participation for 10 hours per week for 100% of non-exempt caseload	Demonstrations testing government jobs to replace welfare	Increased JOBS funding and Federal matching rate; broadened waiver authority across 70 welfare programs; modified EITC, converting tax credit for health insurance into cash; increased funding for demonstrations	Not addressed	Increased AFDC asset limit
Task Force on Poverty and Welfare, Report to Gov. Cuomo (1986)	Roughly 3 years	New mothers would be exempt for a period of time; parents of disabled children	Education, training and placement activities; supported work; support services	A guaranteed work program of limited size would provide and require work at minimum wage in exchange for benefits	Universal medical coverage; increased access to affordable child care; expanded EITC; increased minimum wage; stronger child support enforcement and an assured child support benefit	Not addressed	
Isabel Sawhill (1990)	Eliminate or phase out AFDC, Food Stamps, and most other transfer programs; institute a temporary income maintenance program for those needing short-term assistance	The disabled	Education and training	Community service jobs would be one service for those who do not find private-sector work	Expanded EITC; child care subsidies; provision of health insurance; child support reform	Not addressed directly	AFDC program would be eliminated

	Time Limit	Exemptions	Activities and/or Services Offered/ Required Prior to Limit	Community Service Jobs	Other Anti-Poverty Proposals	What Happens to Children if Parents Decline to Work?	
Ford Foundation (1989)	Duration not specified	Those not considered able-bodied and healthy	Education and training	Community service jobs for those who cannot find other work	Increased minimum wage; expanded EITC; universal health coverage; UI reform	Not addressed	National minimum AFDC benefit
Garfinkel and McLanahan (1986)	After 2 to 3 months on welfare, adults must go to work or begin progress in an education and/or training program in order to receive benefits	Mothers with pre-school children; the disabled	Education and training (which can substitute for work)	Community service jobs paying minimum wage	Child support assurance; child and adult allowances	Not addressed directly	
Butler and Kondratas (1987)	4 years	Not addressed	Education and training	No provision	Provide poor people with vouchers to obtain services; reform tax code to assist low-income families; child support enforcement	Not addressed directly	Combine the AFDC and Food Stamp programs

WHAT HAPPENS DURING THE FIRST TWO YEARS?

In Putting People First, President-elect Clinton said: "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." This means that the JOBS program may have to be changed in significant ways. First, States must improve their current JOBS program. Two recent studies of JOBS (Chisman and Woodsworth, 1992; and Hagen and Lurie, 1992) suggest that many States are doing little more than implementing the letter of the law, rather than reforming welfare as intended. Second, further changes may be needed to ensure that adequate services and funding levels are available to help prepare all AFDC recipients for the time when they exhaust their time-limited benefits.

JOBS ACTIVITIES

Current Law: A JOBS program must contain four mandatory components: 1) education below the postsecondary level (including high school education or equivalent, basic and remedial education, and education in English proficiency); 2) skills training (including vocational training); 3) job readiness activities; and 4) job development and placement. In addition, it must offer two out of four optional components: 1) group and individual job search; 2) on-the-job training (OJT); 3) work supplementation; and 4) community work experience (CWEP) or another work experience program approved by HHS. The program may also include postsecondary education or other education and training activities determined by the State and approved by HHS. However, public service employment (PSE) was not authorized under the Family Support Act (FSA). The JOBS regulations state (Federal Register, October 13, 1989, p.42183): "In no event will a State program of public service employment be approved under JOBS. Public service employment is fully-subsidized employment in a public agency."

Issues: Should allowable activities under JOBS be expanded to include PSE?

JOBS SUPPORT SERVICES

Current Law: Access to transportation and other supportive services for education and training may depend on whether the individual lives in an area with a JOBS program. In JOBS areas, the State has a duty to provide, pay for, or reimburse transportation and other work-related expenses and supportive services necessary for JOBS participation. In non-JOBS areas, the State may provide, pay for, or reimburse transportation and other work-related expenses and supportive services necessary to participate in approved education or training. In both areas, the State may choose to provide, pay for, or reimburse one-time work-related expenses which it determines are necessary for an

applicant or recipient to accept or retain employment. In addition, a State may choose to: 1) provide case management and supportive services for up to 90 days from the date an individual loses eligibility for AFDC; or 2) permit an individual to complete a JOBS component if funds for the activity are obligated or expended before the individual loses eligibility for AFDC.

The State Supportive Services Plan must describe the types of services that will be available, methods by which they will be provided, monetary limits to be applied to each type of service or activity, and the basis for determining need for each type. The JOBS regulations do not list all the supportive services available, but list the following examples: services for at-risk youth; counseling; medical and dental services; stand-alone courses in parenting or life skills training; day care for incapacitated adults; and substance abuse remediation. Allowable supportive services include work-related medical and dental expenses that could have been covered through the State's Medicaid program.

To be covered as a JOBS supportive service, it must be: specified in an approved Supportive Services Plan; necessary for individual to participate in, or prepare for, a work, education or training activity; and not otherwise available on a non-reimbursable basis. The JOBS regulations direct States to establish monetary limits to be applied for each type of supportive service or activity.

Issues: While all JOBS component activities are aimed at promoting self-sufficiency, JOBS participants may need other services, such as substance abuse counseling, family counseling, and other services to prepare for participation in JOBS. While these services are available as support services, they are only available to those who participate in a JOBS activity. Thus, consideration could be given to making AFDC recipients eligible for JOBS support services without actually being JOBS participants. (Utah is testing this as part of its Single Parent Employment Demonstration.)

Many support services are available at State option and some criteria may be necessary for ensuring that all States offer the services necessary to address the needs of AFDC recipients (if benefits are time-limited), perhaps similar to the mandatory and optional components for JOBS activities. Even then, the issue of access must be addressed.

In some cases, the actual cost of a supportive service for an individual may exceed the State-set maximum. If this is the case, does the individual have "good cause" for not participating in JOBS or the work program (and continue to receive full benefits regardless of the time limit)? Should the maximum be lifted?

STATEWIDENESS

Current Law: All State JOBS programs were required to be Statewide by October 1, 1992. The JOBS regulations define this as: having the full program operate throughout the State; receiving approval for operating the program on a less than Statewide basis; or meeting a standard requiring a "complete" program in parts of the State and a "minimal" program in other parts of the State. A "minimal" program may involve little more than high school and job search requirements. A "complete" program is one that is available in all Metropolitan Statistical Areas of the State, and in a number of political subdivisions in which 75 percent of the State's adult recipients reside; it must include all mandatory components and at least two optional components. A "minimal program" is one that is available in a number of political subdivisions in which 95 percent of the State's adult recipients reside; it must include high school or equivalent education, one optional component, and information and referral to non-JOBS employment services.

The fact that a program exists in the community just means that certain components exist in the area. It does not mean that any particular individual will get served, or get the activity she might want or need. The regulations do not address how much of each component must exist, or the extent to which a component must be available to respond to identified needs of recipients.

The State does not need to operate all components in the same manner in each political subdivision, nor must it operate the same optional components in each subdivision. If a State decides that it is not feasible to deliver the program Statewide, the State has two choices: submit appropriate justification to HHS as part of the State JOBS Plan and get HHS approval; or meet the "complete/minimal" program test described in the JOBS regulations.

Issues: If an AFDC time limit is enacted, should States be required to offer the complete program in all areas where the time limit is in effect? Proponents of this reform could argue that without such a change an individual could be unfairly subject to a reduction in benefits after the time limit is reached, without having had an opportunity to participate in an appropriate activity (and the range of activities that may be available to others in other parts of the State). Such a reform may also mean that the State would have to fully fund all component activities and support services, even though this is not currently a requirement for having a "complete" program. Opponents of this reform could argue that allowing exemptions for those in "remote" areas or where a "complete" program is not available would undermine the message in the reform (and may even induce people to move to such areas).

If States are required to extend more component activities throughout the State, should this requirement be aimed at offering a "complete" program, which can include only two optional components, or should all optional components be offered as well? Should other components, such as postsecondary education or other education, training, and employment activities approvable by HHS also be required? While this requirement can provide the necessary services to recipients, it can, in some instances, also place an undue administrative burden on JOBS agencies, especially those serving a relatively small JOBS population. In particular, some components may not be readily available in some areas (e.g., postsecondary education), while others may be costly to create (e.g., a work experience component for a small number of recipients), while others may not be practical (e.g., work supplementation in States with low AFDC grants, since the amount that can be diverted is relatively small). In addition, if AFDC recipients are given greater latitude in participating in JOBS support services, similar issues may arise, e.g., it may be difficult to provide substance abuse counseling in sparsely populated areas, yet without such counseling, some individuals may not be able to adequately prepare for employment.

VOLUNTEERS

Current Law: It is up to each State to decide whether to let individuals volunteer for specific activities and levels of commitment, or just volunteer to enter JOBS (which means the State will perform an assessment, formulate an employability plan with input from the individual, and assign the individual to a component). In determining priority of participation among target groups, States must give "first consideration" to those who volunteer.

A non-exempt person who volunteers and enters the program is subject to sanctions for failure to participate without good cause, even if the individual volunteered. If an exempt person fails to participate without good cause after volunteering, her only penalty is to lose priority for future participation, as long as other individuals are seeking to participate.

The FSA provides that a State may not be required to serve an individual if serving her would cause the State to suffer a fiscal penalty for failing to spend 55 percent of JOBS resources on target group members.

Issues: If a time limit on assistance is enacted, consideration could be given to ensuring that all recipients have greater choice in selecting the activities they participate in. This may require modifying the JOBS regulations to allow individuals to volunteer for specific components, rather than for JOBS in

general and then allowing the State to choose the component. This latter policy may currently discourage individuals from volunteering in some States (i.e., if the individual wants to participate in an educational activity, but believes the State may assign her to job search). In addition, the sanction for non-exempt individuals who volunteer could be repealed to further encourage voluntary participation, since after a specified period unconditional assistance will end.

Except for target group members, the FSA does not address the issue of priority for volunteers in State JOBS programs. The FSA provides that in determining priority of participation among members of the Federal target groups, States must give "first consideration" to those who volunteer to participate. The JOBS regulations say that "first consideration" does not necessarily mean a State must serve them, only that it "must first look to volunteers." This not necessarily require that volunteers be served before others, regardless of the individual circumstances. Rather, a State must give priority to a volunteer over a non-volunteer when all relevant factors are equal. The JOBS regulations (Federal Register, October 13, 1989, p.__) say that "[d]ecisions to serve volunteers should be made on the basis of such factors as availability of services, resource constraints, effect on the targeting and participation requirements, and program goals." However, if a time limit on assistance is enacted, consideration could be given to requiring States to serve all volunteers, regardless of target group status, since without access to JOBS, they may be unable to prepare adequately for employment after the time limit has expired. (This would require eliminating the current target group expenditure requirements or modifying them by allowing State waivers in cases where JOBS expenditures fall below the target because the State served all volunteers.)

JOBS PARTICIPATION

Current Law: At application or redetermination, the State must inform all applicants and recipients about the availability of JOBS and related services. The State performs an assessment of the individual's needs, proficiencies and deficiencies, family circumstances, and other relevant factors. Based on the assessment, the State and individual must enter into an employability plan, setting forth the services the State will provide and the activities the individual must do. States may also use participant-agency agreements or contracts that set forth mutual rights and responsibilities.

The JOBS regulations (Federal Register, p.__) list participant preference "to the maximum extent possible" as one of five factors that the employability plan "shall take into account."

Issues: If a time-limited program is implemented, JOBS participants would have to be notified not just of the availability of JOBS services immediately, but also of the requirement to work after the time limit expires. In addition, participant preferences might be given greater weight, if not the sole consideration, in the determination of a JOBS assignment.

VOLUNTARY VS. MANDATORY PROGRAM

Current Law: State JOBS programs are affected by two participation rates: the basic rate and the AFDC-UP rate. States must meet each rate or risk reduced Federal financial participation (to 50 percent). For the basic rate, monthly participation rates rise from 7 percent in FY 1990 to 20 percent in FY 1995 (after which they end). A participant is an individual: 1) who met the participation standards of 75 percent of the scheduled hours of participation for the month; and 2) whose hours of participation, when combined and averaged with the hours of other participants, equals 20 or more hours per week for the month. For the UP program, participation rates rise from 40 percent in FY 1994 to 75 percent in FY 1997. To satisfy the UP requirement, one parent must participate at least 16 hours a week in a work program. In the case of CWEP, the number of hours equal to the monthly grant divided by the greater of the Federal or applicable State minimum wage would count. In addition, a parent under 25 who has not completed high school or equivalent may be required to participate in an educational activity directed at attaining a high school diploma or equivalent.

Issues: Proponents of a voluntary program argue that the time-limited assistance would be motivation enough to get individuals to participate and that, in any event, all recipients would be required to work after exhausting their time-limited assistance, and therefore should not have additional burdens placed upon them. Those who support a mandatory program argue that a mandatory program would ensure that a significant number of AFDC recipients are actively involved in working towards self-sufficiency and that States are providing employment-related services to at least a minimum number of recipients. Such standards enforce the idea of mutual obligations, in which welfare recipients are expected to take steps toward self-sufficiency by taking jobs or participating in educational or work-oriented activities, and the government is expected to support their efforts by providing the incentives and services necessary to ensure that States and recipients uphold their obligations. Moreover, the current participation standards could be viewed as a transitional phase for what may be more stringent work requirements for those who exhaust their time-limited benefits.

There is evidence from rigorous evaluations that participation in

some JOBS components can have positive impacts on a wide range of participants, including many who typically would not have volunteered for a program. A mandatory program can reach those who have the potential to benefit from participation, but are unlikely to volunteer. This may be especially important for potentially long-term welfare recipients. Ellwood (1986, p.49) also notes: "The problems with waiting to serve person is that the time that persons spend on welfare in the meantime, and the resources they consume, are lost. If one waits and serves people who have been on welfare for two to four years, one has lost the opportunity to reduce welfare use in the first years of dependence." He also adds (p. 53): "The fiscal advantages to waiting to serve recipients appear to be quite modest. Although waiting does screen out some short-duration recipients, AFDC and Medicaid payments provided to recipients during the period before they are served are lost, so that possible welfare savings are reduced."

If participation is mandatory, efforts should be made to target "would-be" long-term recipients with effective interventions. In other words, it is important to: 1) identify the characteristics of likely long-term recipients; and 2) determine what impacts various interventions have on these groups and select the most appropriate one. This latter step can be done by reviewing research findings on how programs differentially affect subgroups of welfare recipients. While research to date is relatively limited, findings from the JOBS evaluation and other evaluations should provide important new information on targeting strategies.

Even with the existing participation requirements, most non-exempt AFDC recipients are not required to participate in JOBS. Consideration could be given to requiring all non-exempt recipients to participate in JOBS so that they are prepared for employment should they use up their time-limited assistance.

However, others may favor removing all current requirements, noting that the work requirement after one exhausts their time-limited assistance should be enough incentive to prepare for employment and that imposing additional obligations during the first 2 years of assistance is unnecessary. In addition, requiring all or large numbers of AFDC recipients to participate may not be practical, at least initially, since the JOBS program may not have the capacity to provide services (including support services) to all those who need them (i.e., all recipients as of the day of implementation and all subsequent applicants). This is less likely to be a problem in the long-run, as the number of AFDC recipients receiving benefits and eligible for the full range of JOBS services declines, due to the time limit. (In the long-run, the system will only have to deal with applicants for a limited number of years; thus, the policy could be revisited at that time as well.) In other words, a strict mandatory program would force the JOBS program to be expanded many times over

initially, only to drop back to a fraction of that size once the new proposal is fully implemented (since the size at that time will only be based on the rate of applicants who have not been on welfare two or more years). Thus, maintaining the status quo or relaxing current requirements would minimize the burden on State JOBS agencies.

JOBS FUNDING

Current Law: Federal JOBS funding is capped; each State is eligible to draw down a capped entitlement amount from the Federal government each year, which is based on its pro rata share of the total Federal allocation.

The total capped amount is $1 billion in FY 1993, rising to $1.1 billion in FY 1994, to $1.3 billion in FY 1995, and dropping back to $1 billion in FY 1996 and later years. Federal funds for JOBS are available at three matching rates:

- 90 percent for expenditures up to the State's FY 1987 WIN allocation;
- the Medicaid rate or 60 percent, whichever is higher, for program costs; and
- 50 percent for administrative costs and for the costs of transportation and other work-related and supportive services.

Issues: If JOBS services are to be expanded, funding levels will have to be increased. The issues are: 1) by how much; and 2) at what Federal matching rate(s)?

OTHER ISSUES

In addition to changing JOBS for those on AFDC, greater consideration may need to be given to ways of keeping people, especially young people, from ever going on AFDC in the first place. For example, Sawhill (1990, p.3) has suggested placing greater "emphasis on teaching parenting skills to all teenagers before they become parents" and "more efforts to encourage young people to delay childbearing until they are prepared to take on the responsibilities of parenthood." She has suggested financial rewards for the those who delay childbearing in low-income neighborhoods. Others have advocated greater use of family planning services, mentoring, and other interventions. They argue that these kinds of services could help obviate some of the hardships that may be associated with time-limited assistance.

HOW WOULD THE TIME LIMIT BE MEASURED?

CURRENT LAW

Although there are a number of circumstances under which recipients can lose their eligibility for AFDC (such as increased income, departure from the assistance unit, etc.), the two that come closest to time-limited AFDC are the age of youngest child restrictions and the time limits in some States on welfare receipt through the Aid to Families with Dependent Children Unemployed Parent (AFDC-UP) program.

AFDC provides assistance to needy children who are under age 18, or at State option, under the age of 19. This optional coverage is limited to youth who are 18 but have not yet reached age 19 and "who are full-time students in secondary school or in the equivalent level of vocational or technical training and are expected to finish the program before reaching age 19." This definition indicates that a family will become ineligible for AFDC when the youngest child turns 18 (or 19, under the optional coverage). By definition, therefore, AFDC runs out when you no longer have a dependent child.

As of October 1, 1990, all States running an AFDC program were required to operate an AFDC-UP program also. States that had an AFDC-UP program as of September 26, 1988, had to continue to operate the program without time limits on eligibility. Those States that implemented an AFDC-UP program after September 26, 1988, were allowed to impose a time limit if a family had received AFDC under the Unemployed Parent program in at least 6 of the past 12 months. This meant that a State could deny benefits to families for 7 out of every 13 months.

OPTIONS FOR THE TIME LIMIT

Option 1: One-time/lifetime limit

Proposal: AFDC receipt is a one-shot deal. Once a family begins a period of assistance, it may continue to receive welfare for up to 2 years. [If the family exits AFDC before that time, it may not receive AFDC again.]

Discussion: Although families would receive government financial assistance when they were in difficult circumstances once, they would not be able to rely on such assistance again.

Proponents of this option argue that it could increase the incentive to work because of the knowledge that welfare receipt would only be an option for a limited period on a one-time basis.

In addition, it could motivate recipients to more thoroughly take advantage of the various education and training opportunities that are available while receiving welfare. There is also the possibility that it might discourage some unwed women from becoming single mothers, an important issue since, in 1991, 47 percent of single-parent families were in poverty, while 8 percent of two-parent families were in poverty, according to Nicholas Zill (1992, p.13). (It is unclear just how large the effect of AFDC on the prevalence of single motherhood is, and it is even more difficult to know how this option would affect the question.)

Critics of this option could argue that it could be harmful to those who fall onto a second period of hard financial times (or to those who are unable to extricate themselves from the first). If the individual does not qualify for unemployment compensation, the family's income might be severely limited during periods of unemployment. This, of course, could have adverse effects on the welfare of the parent(s) and the children in the household. In addition, if the lifetime time limit on welfare receipt is imposed, it may have the adverse effect of discouraging some of the people who would leave their first spell on welfare in less than two years (whether they are likely to return or not) from leaving before the two years are up.

Issues: One very important issue is whether AFDC recipients will have sufficient access to education, training, and support services during the time they are permitted to receive AFDC for it to be justifiable to place a one-time lifetime limit on the receipt of AFDC. Clearly, the availability of services will also be an important issue when reviewing whether and to what degree recipients are taking advantage of the services.

An important issue involves whether the lifetime limit will affect the decisions families make about leaving AFDC. According to "Targeting 'Would-Be' Long-Term Recipients of AFDC" by David Ellwood, more than 40 percent of first-time AFDC recipients will end up spending another spell on welfare.

Further, Ellwood's data showed that 27 percent of those who were in their first year of their first spell and 34 percent of those who were in their first year of a spell subsequent to their first exited welfare during that first year. Additionally, 28 percent of those who were in a second year of their first spell on welfare exited during that second year, while 32 percent of those who were in their second year of a spell subsequent to their first exited during that second year (Ellwood, p.16). These numbers show that a sizable percentage who come onto welfare, leave before the end of 2 years and that an important percentage of these people, though, come back to welfare.

Under a one-time lifetime limit, it is possible that some portion

of these individuals may actually prolong their time receiving welfare, knowing that it is their only opportunity to collect benefits. (This may not necessarily be a bad outcome, if the family head uses the period to increase her human capital that leads to a better job and higher family income in the future.)

Option 2: Lifetime limit

Proposal: The total amount of time that welfare could be received would be 2 years, but this amount could be accumulated over time over multiple spells. Families would be able to leave welfare and return, but the total amount of time during which welfare could be received would be 2 years.

Discussion: The advantage of accumulating AFDC over time is that families would have more protection if they took a risk and left AFDC for a job. If the job did not work out, they could return to AFDC (as long as they were still below the allowed maximum time on AFDC), using it as a safety net, until they were able to find more work or gain additional skills. In fact, this could encourage people to leave AFDC as quickly as possible in order to retain as much time as possible for future short-term emergencies. A disadvantage would be that someone might use up their full allotment of time receiving AFDC and still be in need of more.

But then they would get a job, sec. job.

Option 3: Each AFDC spell would be limited to two years; to requalify for AFDC, a family must be off AFDC for a specified period of time.

Proposal: Institute a two-year limit on each AFDC spell, with a minimum amount of time required between spells before a family could requalify for receiving AFDC.

Discussion: One of the benefits of this kind of system is that it would allow a family to access the welfare safety net more than once in the event that the family ran into financial difficulties more than once. A potential disadvantage to this system is that it still seems to make welfare a revolving door. As Sawhill (1992, p.7) notes, "Allowing routine returns to welfare could well defeat the goal of encouraging self-sufficiency and make a time-limited program little different from the present one." In addition, some clients may not have the incentive to learn skills that will lead to long-term independence if they know that receiving AFDC again is a possibility.

OTHER ISSUES

Although President-elect Clinton has proposed a time limit of 2 years, the actual length may be a subject of negotiation in a legislative package. Proponents of a relatively short time limit, such as 2 years, argue that it sends a clear message that welfare is a transitional rather than long-term, source of support. A long period, they believe, would allow many recipients to avoid work for many years. However, supporters of a longer time period argue that the same message is sent that welfare is transitional, but using the longer time limit recognizes that more than 2 years is needed by many people to gain the skills and education needed to support themselves independently.

Should the time limit be strictly interpreted or should it represent an average among groups? Specifically, should a longer time limit be allowed under certain cases, such as for those parents who have very young children (to permit sufficient time for bonding), and those who do not speak English as a first language or have serious educational and skill deficits (to give them more time to prepare for employment and long-term self-sufficiency)?

Should there be extensions for people to finish an education or training activity? Given the limited education and work experience many recipients face, it may take more than two years to secure the necessary skills. Sawhill (1992, p.6) points out that this is a difficult decision: "Deciding whether to permit extensions is made harder by the absence of solid research on what to expect from a full two years of intensive education, training, or work experiences. This is because most of the earlier welfare-to-work efforts that have been studied were short-term and focused on job placement, rather than human capital development." However, she also observes (p.6): "Unless carefully circumscribed, permitting extensions may send the same mixed message about the rules of the new system as allowing exemptions. To minimize this effect, it may be necessary to permit extensions only for a specified time in a limited number of cases, where in the judgment of a case worker, they would improve significantly a recipient's prospect of self-sufficiency."

Should someone who leaves welfare be able to "earn" additional months of benefits for time spent off AFDC? For example, under Vermont's proposed demonstration project, a recipient could earn 3 months of AFDC for every 12 months spent off assistance. This kind of provision would ensure that welfare remains transitional, while providing support in the event of financial emergencies. However, this kind of provision would increase the administrative burdens associated with the proposal, by adding a new computation

to the new information requirements. In addition, a decision would have to be made about whether the time spent in a community service job is time off AFDC or if only unsubsidized employment counts.

An issue to be addressed in choosing among the options involves the administrative obstacles to keeping track of the periods during which people are on and off of AFDC. Most States currently only keep information on AFDC receipt for 3 to 5 years; this would have to be extended considerably, if any type of lifetime limit is imposed on welfare receipt. In addition, to ensure equitable treatment among individuals, it may be necessary to modify State reporting requirements, perhaps by collecting information on AFDC recipients by Social Security number in a central location to verify that those who have exhausted their time-limited benefits in one State do not collect full benefits in another. In addition, to address the possibility of recipients obtaining multiple Social Security numbers and multiple welfare checks, officials in Los Angeles have proposed a demonstration in which AFDC recipients would be fingerprinted. This, as well as other strategies, may have to be considered on a national basis, since this could become a problem nationally, as some who exhaust their time-limited benefits seek to regain eligibility fraudulently.

WHO SHOULD BE EXPECTED TO WORK?

CURRENT LAW

All AFDC recipients are either exempt from required JOBS participation, or non-exempt. If a recipient is exempt, the State may not require their participation, but if a recipient is non-exempt, they can be required to participate in JOBS and the State may sanction them if they fail to participate without good cause.

To be exempt from participation in JOBS, an individual must be: ill, incapacitated or of advanced age; needed in the home because of the illness or incapacity of another family member (the family member need not be a member of the AFDC unit); the parent or other relative of a child under age 3 who is personally providing care for the child (or, if so provided in the State plan, any age that is less than 3 but not less than 1); employed 30 or more hours per week; a child under age 16 or attending, full-time, an elementary, secondary or vocational school; a woman who is in at least the second trimester of pregnancy; or residing in an area where the program is not available. In addition, for AFDC-UP families, a State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

When a State requires mandatory participation by caretakers of children under 6, the State plan must also include satisfactory assurances that child care will be guaranteed and participation will not be for more than 20 hours a week. However, custodial parents under age 20 may be required to participate regardless of the age of their youngest child and may be required to participate in an educational activity full-time.

In addition to these exemptions, States may excuse non-exempt individuals from participation, if they have "good cause." The JOBS regulations allow good cause for failure to participate or refusal to accept employment if: 1) the individual is caring for a child under age 6 and the employment would require over 20 hours of work per week; 2) child care is necessary for JOBS participation or employment, and such care is not available and the State agency fails to provide such care; 3) employment would result in a net loss of cash income; or 4) the individual meets other grounds for good cause determined by the State. Examples of State-defined good cause include illness, breakdown in child care arrangement, emergency family crisis, inclement weather, to name a few.

Even if a person is non-exempt, it does not mean that they will be required to participate in JOBS. The JOBS participation rates for the overall non-exempt caseload began at 7 percent in FY 1990 and rise to 20 percent in FY 1995. Since over half the caseload is exempt, this means that in FY 1995, fewer than 10 percent of

adult AFDC recipients can be required to participate in JOBS each month.

DISCUSSION

A fundamental design issue of any time-limited AFDC proposal is whether these exemptions (or others) will be applied. As Ellwood (1992, p.19) notes, "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%." He estimates that of the current 5 million cases, at least 3 million have been on welfare for more than 2 years. Thus, if the participation requirement were 10 percent, just 300,000 jobs would be required, whereas if it were 80 percent, 2.4 million jobs would be required.

While there are a number of reasons for exempting some people, either permanently or temporarily, these determinations are not an easy task. Ellwood (1992, p.20) observes: "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? And 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?" He continues (p.21): "It is not hard to determine the impact of relatively objective exemptions like the age of 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." In Poor Support, he argues that these cases should be evaluated on a case-by-case basis and not allowed to shape the whole welfare system.

OPTIONS

Option 1: All Able-Bodied AFDC Recipients

Proposal: Several proposals would require all able-bodied adults, including mothers with young children, to work once they exhaust their time-limited welfare (see PPI, 1992; Ellwood, 1988; Kaus, 1992; and Vermont ___, 1992). The principal change to the current JOBS exemptions would be to eliminate the exemption

status for mothers with children under age 3 (or under age 1, at State option). Generally, those currently exempt for other reasons (e.g., under age 16, elderly, incapacitated) would continue to be exempt, since they are not considered "adults" or "able to work." However, the exemption for those with young child affects the majority (__ percent) of currently exempt AFDC recipients and would significantly increase the number required to work. (These proposals would typically provide a short period for maternity leave, e.g., Vermont would provide 16 weeks, but even mothers with children under age one could be required to work.)

Discussion: Proponents of requiring all (or nearly all) AFDC recipients to work after some period point out that ___ percent of single mothers are employed; __ percent are employed full-time. Even among mothers with preschool children, these percentages are high (__ percent and __ percent, respectively).

Some proponents of this approach, such as Kaus (1992, p.130), argue that applying the work requirement broadly would have a larger impact on behavior and welfare dependency: "The way to make the true costs of bearing a child out of wedlock clear is to let them be felt when they are incurred--namely, at a child's birth. If would-be single mothers were faced with the prospect of immediately supporting themselves, most would choose a different and better course for their lives." He further argues (p. 254): "Even if the objective is helping those individuals who have an illegitimate kid (rather than deterring them) immediate work might be better. It would put mothers into the world of bosses and paychecks without letting them grow accustomed to dependency."

However, others argue that there are legitimate reasons for continuing exemptions. First, exempting mothers may be important for the well-being of children. Some concerns have been raised regarding potential negative effects on children from requiring a parent to participate in welfare-to-work program or work itself. However, there is little evidence on this subject. According to Garfinkel and McLanahan (1986, p. 171): "There is very little research to indicate that poor children of employed mothers are less well off than poor children whose mothers stay at home. And there is some evidence that the effects of employment--particularly the benefits of added income--are positive for children as well as mothers. But even the best studies are plagued with the problem that mothers who are employed may be different in unmeasured ways (such as their child-rearing abilities and coping skills generally) from those who are not employed. As a consequence, it is possible that the children of poor single women who are not in the labor force might be even worse off if their mothers were employed. The best studies have controlled for many differences among mothers, however, suggesting that the evidence so far accumulated is worth careful

consideration." The JOBS evaluation will measure the impact on preschool children from the mandatory participation of their parents in JOBS. It is also important to bear in mind that under this proposal, all mothers will not be required to leave the home until the time limit actually expires; thus, unless they have additional children, they would not be required to leave their child while it is still an infant. (Critics could point out that they may nevertheless be forced out of the home to prepare for employment, since without such preparation, they may face more serious transition problems when work is required after the time limit is reached.)

Research on programs serving mothers with young children suggest that they can be effective. For example, in an evaluation of the Arkansas WORK program, Friedlander (1988, p.xx) reports: "The inclusion of women with children ages three to five in Arkansas more than doubled the number of individuals who enrolled in the program during the demonstration. Employment rates were the same for this group as for women with older children. Program impacts on earnings and welfare receipt were also similar. The total effects of the program on the AFDC caseload were therefore more than twice what they would have been if only the impacts on regular WIN mandatories were counted." Similarly, in the San Jose site of the MFSP demonstration, the largest net impacts were for mothers with young children. According Gordon and Burghart (1990, p.53): "The program impact for women whose youngest child was between age 0 and 2 at baseline is almost 19 percentage points, an increase of 56 percent over the control group base, while the impact for women whose youngest child was between age 3 and 5 is only 7 percentage points (not statistically different from zero), and the impact for women whose youngest child was older than age 6 is only 3 percentage points (again, not significantly different from zero)."

Garfinkel and McLanahan (p. 186) suggest experimentation and a gradual phase in for mothers with preschool children: "Individual states and the nation will have more than enough challenge for the next few years to provide sufficient jobs at the minimum wage for AFDC custodial parents with no preschool-age children. At the same time, since the issue is so important, the federal government should support some state and local experiments with work relief for poor mothers with preschool-age children of various ages. To the extent that these efforts prove to be beneficial for various subgroups, the states or the federal government can extend the program accordingly."

Second, requiring all AFDC recipients who have exhausted their time-limited welfare to work in public sector jobs if unable to find unsubsidized employment can initially be very expensive. These costs arise not only due to the cost of providing a larger number of community service jobs, but also because mothers with preschool children are more likely to need child care services

and because the cost of such services may be more expensive, e.g., infant care. Past research by MDRC suggests that child care has often not been utilized to the extent predicted. However, these evaluations have typically been of mothers with school-age children. While short-term costs may increase, the offer of intensive JOBS services for those on AFDC and a guaranteed job for those who exceed the time limit is likely to have a much larger effect if applied to virtually all AFDC recipients, rather than just currently non-exempt recipients.

A third, and related, concern relates to service capacity. As Sawhill (1992, p.4) observes: "Many States are experiencing substantial difficulty coordinating services for their JOBS clients, and some providers have reached their capacity for new participants. If Congress enacts a time-limited welfare system without any exemptions, these same States and providers would have to coordinate and provide services to many times the number of recipients they now serve inadequately under JOBS. This would, no doubt, lead to even greater problems than now, threatening to grind the new system to a halt."

Issues: Should other, currently exempt, groups be subject to the work requirement or participation in some other activity? For example, Utah's demonstration waives the exemption for incapacity, but rather than requiring work, it requires individuals to participate in rehabilitation or other services necessary to prepare them for work. Would there be a family leave period after the birth of a child and, if so, for how long? Would "good cause" exemptions be allowed for those temporarily unable to work?

Are those living in "remote" areas exempt from the time limit? If so, what happens if individuals who have exhausted their time-limited welfare move to remote areas, where the time limit is not in effect and community service jobs are not available? What if someone who lives in a remote area would, but for the remoteness exemption, have exhausted their time limited welfare moves to an area with a JOBS program? Does the time limit start at that point?

Should teen parents in school continue to receive their exemption, regardless of the time limit? If forced to work, they may be forced to drop out of school, which could disadvantage their future employability.

Should the limitation for a maximum participation of 20 hours per week for parents with children under 6 be revised to require longer participation, or should the 20-hour maximum work requirement be retained for this group? If public sector jobs are guaranteed, should States be required to allow this group to volunteer for greater participation (so as to increase family income)?

Should extensions be provided to individuals who are finishing an education or training component? Should there be a limit on this extension, e.g., 1 year? Should it be restricted to those who started an activity as soon as they went on welfare (or the proposal is implemented), since otherwise it could be gamed by individuals who enroll in an educational/training activity shortly before exhausting their time-limited welfare just to avoid the work requirement?

Option 2: All Non-Exempt AFDC Recipients

Proposal: The time limit could be restricted to those who are non-exempt, beginning at the point they become non-exempt.

Discussion: Limiting the work requirement to those who are non-exempt for JOBS would reduce the initial cost and implementation hurdles; however, it would mean that AFDC recipients could experience much longer periods on welfare before becoming subject to some sort of participation requirement. This means that an AFDC mother who gives birth could remain exempt for 3 years and then have another 2 years on welfare before her time limited benefits are used up.

Issues: What happens if a woman receiving welfare has another child? Does she continue to remain exempt? Ellwood would allow an initial exemption based on the age of the youngest child, but would then deny the exemption for additional children. Should the JOBS exemption status be changed, e.g., by lowering the age of the youngest child exemption to 1? This would reduce incentives for additional childbearing to avoid the work requirement (to the extent that such incentives are a factor).

When should the time limit start? When the person becomes non-exempt, or immediately upon AFDC receipt, regardless of exempt/non-exempt status?

OTHER ISSUES

Should temporary exemptions be granted to those who cannot work for reasons beyond their control, e.g., an illness? Should mothers who have a baby be allowed a period for family leave? Vermont's demonstration proposal would allow a 16-week period. In addition, there may be legislation that makes family leave a requirement for private sector employment (though most such proposals would mandate unpaid leave). If such exemptions are granted to those who are required to work, should they also be used to, in effect, "stop the clock" on the counting of the time limit for those receiving AFDC benefits?

COMMUNITY SERVICE JOBS

these are part? or off of the grants?

Placing a time limit on the receipt of AFDC and replacing benefits with a community service jobs program is the fundamental element of the welfare reform strategy enunciated in Putting People First. While the community service jobs component can be structured in varying ways, supporters of such a program contend that it would have a number of benefits. First, it could increase overall economic efficiency and growth by employing those who would otherwise not be working. These gains would arise from reduced taxpayer costs for welfare, as well as the provision of important public services. Further, participation in a community service job could also increase the employability of those participating in the program. The result could be higher earnings and reduced childhood poverty, especially if coupled with other nonwelfare antipoverty strategies. In addition, expecting welfare recipients to take responsibility for their own lives and those of their children conveys a positive message that society holds the same expectations for them as for other citizens. An employed parent will provide a role model for children and will be more likely to provide children with the financial support they need. Public opinion surveys also show overwhelming support for requirements that make work a condition for receiving welfare benefits and even welfare recipients who have participated in work experience programs generally view them as fair and rewarding. Finally, the work performed by welfare recipients (or former welfare recipients) can help States and communities provide important public services that would have been left undone.

Opponents of replacing welfare with a guaranteed job argue that creating these jobs would be administratively difficult and extremely costly. In fact, they believe it will not be possible to create the number of jobs needed, which some have estimated at as high as 3 million. (See Appendix A for a discussion of this issue.) Moreover, they note that their is little evidence on the efficacy of programs that require work in terms of increased employment and earnings for welfare recipients and their cost-effectiveness for government. In fact, since many welfare recipients face numerous barriers to employment, forcing them into relatively low-paying employment, rather than providing them the education and skills to enhance their long-term employment prospects, could result in the redirection of public resources away from cost-effective programs to programs that may not be, i.e. work programs. The research on welfare-to-work programs, and work programs in particular, is very limited.) Finally, critics of a community service jobs program argue that it could actually reduce economic efficiency and growth by increasing government costs and misallocating resources. In particular, financing a community services jobs program may entail substantial expenditures, which would have to be financed by increased taxes or borrowing, which generate economic inefficiencies and reduce the resources for private sector job

creation. In addition, there is the possibility that workers placed through a community service jobs program will take jobs away from those who otherwise would have been employed.

Those who argue against the community service jobs program generally favor the status quo, though critics of this would be quick to point out that this would fail to substantially reform welfare. Others who have proposed setting a time limit on welfare have done so without creating a residual jobs program. For example, the Weber proposal provided a 4-year time limit on AFDC, after which those who were not employed could continue to receive Food Stamps and Medicaid, but not AFDC. While extending the time limit from 2 to 4 years would reduce the number who exhaust their lifetime entitlement to AFDC and give individuals more time to prepare for unsubsidized employment, it would increase the economic hardship on those willing to work, but unable to find employment. As Sawhill (1992, p.11) observes, "the potential for hardship without a residual jobs program may still be seen as too great, even with a four-year time limit."

A major design issue is whether welfare recipients will work off their welfare benefits or whether they will lose welfare altogether and instead be offered jobs which pay wages. The "work for welfare" option, or "workfare," is currently an allowable activity under JOBS (work experience). The "work-instead-of-welfare" option would replace welfare with a government job, where participants earn wages; this option is probably best characterized as public service employment (PSE) component of the earlier CETA and WIN programs. While there are a number of similarities between the approaches, there are also significant differences.

There are also a wide range of intermediate options. Some are other JOBS components, such as work supplementation and on-the-job-training (OJT), which represent subsidies for employment. In addition, there are a number of other options available for encouraging private sector employment, such as targeted employment subsidies. If a community service jobs program is created for those who exhaust their time-limited AFDC benefits, any one or more of these programs could be used.

WORKFARE OPTIONS

Work Experience Programs

Current Law: An optional component of the JOBS program is the Community Work Experience Program (CWEP). The purpose of CWEP is to improve the employability of those unable to find employment by providing them work experience and training. A CWEP participant works for a State-designated employer as a condition of continued AFDC receipt. CWEP placements must be limited to

projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. CWEP participants must not fill established, unfilled position vacancies.

The maximum hours of required participation is calculated by taking the monthly AFDC grant (less the portion reimbursed by child support, except the $50 passthrough) and dividing by the greater of the Federal or applicable State minimum wage. After a person has been in a CWEP assignment for nine months, the maximum number of hours can be no greater than the monthly AFDC grant (less the portion reimbursed by child support, except the $50 passthrough) divided by the highest of the Federal minimum wage, the applicable State minimum wage, or the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site. The State may not combine the participant's Food Stamp allotment with the AFDC grant in determining the maximum hours of CWEP obligation for purposes of participating in JOBS. CWEP participants are not considered to "earn" wages and are not entitled to earnings disregards. Furthermore, Federal matching is not available for: capital expenditures; the cost of making or acquiring materials or equipment; or the cost of supervising participants.

In addition to or instead of CWEP, a State may provide any other work experience program approved by HHS. Under this component, some States have constructed programs that avoid some of the restrictions placed on CWEP, e.g., the determination of the hours worked computation, which is derived based on the size of the grant divided by the minimum wage.

Discussion: Proponents of the workfare approach cite five advantages. First, it limits the cost of the work requirement, because recipients are not paid wages (but work off their grant); therefore, the only costs are those of creating and administering the work experience jobs, since there are no payments to participants in addition to the AFDC grant (and necessary support services). Second, since the jobs are linked to welfare, recipients have strong incentives to find unsubsidized employment. Sawhill (1992, p.9) observes: "While the likelihood that CWEP would be dead end jobs is high, that unattractive feature may encourage recipient efforts to utilize training and job placement efforts in order to avoid ending up in a CWEP. It would also make applying for welfare in the first place far less attractive." Of course, there is also the added incentive that comes from increasing family income through a job (especially if other antipoverty strategies are enacted), rather than relying on welfare. Third, adjustments can be made to individual circumstances. For example, the work obligation for mothers with young children could be limited to 20 hours per week (which is

why? But this doesn't make sense

only if wages are sufficiently high

current law, except for teen parents, who can be required to participate in educational activities on a full-time basis) and those who experience a hardship that precludes their participation could be granted a "good cause" exemption. Similarly, if there are not enough community service jobs or if child care is unavailable, individuals can be excused from the obligation to work. Fourth, since work experience is an existing JOBS component and many States have experience with it, it could be phased in as capacity and administrative expertise grow. Fifth, past experience shows that work experience programs are perceived as fair by participants and that employers view the workers as being at least as productive as similar, non-welfare employees (see Appendix B).

Opponents of the workfare approach cite a number of disadvantages. First, in States where AFDC grants are relatively low, the requirement to work in a CWEP project could be minimal; in some States it may be less than 10 hours a week, where the hours worked is constrained by the size of the grant divided by the minimum wage (or prevailing wage, after nine months). The number of hours can be reduced still further if the family has other income (e.g., child support or earnings), which can mean that the work requirement is short even in high benefit States. Moreover, fluctuations in such income can result in a fluctuating work requirement. These conditions can make it difficult to develop meaningful jobs for both recipients and employers, as well as create administrative problems associated with monitoring jobs with such small obligations. One alternative to CWEP is a State-designed alternative work experience program, which gives States the flexibility to set the hours of the work obligation regardless of the size of the grant. Under this option, States could, for example, simply require the same (or a minimum) amount of work in all States. This, however, would create an inequity, where those with low welfare grants would effectively be working for a much lower "wage rate." (In some low benefit States, full-time work in exchange for AFDC could result in an effective wage rate of less than $1 per hour.) Alternatively, States could add the value of Food Stamps to the AFDC grant to determine the work obligation, thereby creating a more meaningful work obligation and one that is linked more closely to a recipient's total public assistance benefits.

Second, if the traditional CWEP program is required, there are equity problems. Ellwood (1992, pp.14-15) notes: "[S]tates 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." He also adds that if Food Stamps are included, then new inequities are created as AFDC recipients are required to work off their benefits, while non-AFDC Food Stamp

recipients are not. (Although non-AFDC Food Stamp recipients may be subject to participation in the Food Stamp Employment and Training program, the participation requirement in the program is quite low, just 10 percent of the non-exempt caseload.)

Third, critics of CWEP argue that the CWEP jobs created would be make-work and would not provide opportunities for participants to move into real jobs. For example, Ellwood (1992, p.15) claims that CWEP "is an obligation which carries no discernable long term benefit to either the recipient or the government." However, the research in this area is extremely limited, with virtually no rigorously evaluated program testing the net impact of CWEP program in isolation. Most MDRC programs tested CWEP as part of a multi-component obligation, and not CWEP alone. (Some less rigorous evaluations suggest that there may be positive impacts on employment/earnings and welfare dependency (see Janzen and Taylor, 1992; and Schiller, 198_). In addition, additional research suggests that it may also be cost-effective (see MDRC evaluation of West Virginia's program).)

Fourth, Ellwood (1992, p.15) cautions, "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." Because the jobs are linked to the receipt of welfare benefits and not wages, the experience is unlikely to be perceived by recipients as a real job. Interviews with recipients in CWEP programs (see MDRC, p. ____) indicate that while the recipients believe the work obligation is fair, they also feel that employers are getting a better deal since they "work for free." In addition, unlike real jobs, if welfare recipients fail to perform they can appeal and still get paid (unlike a job) during the appeals process. Ellwood (1992, p.14) speculates that "there will be a significant portion of the caseload that learns to game the system to avoid the obligation." In short, Ellwood (1992, p.16) concludes: "What is being offered is not an alternative to welfare, but an additional rule for receiving it."

Issues: Should other programs, such as Food Stamps, Medicaid, and housing assistance be included in determining the hours of work required? (The Bush Administration, as part of the "Welfare Employment and Flexibility Amendments of 1992," had proposed allowing States to determine the maximum "workfare" obligations by aggregating the value of AFDC, Food Stamp, housing assistance, and Medicaid benefits, up to a maximum of 40 hours per week.) If so, should non-AFDC recipients of these other programs also be required to work, so as not to create inequities between AFDC and non-AFDC recipients?

Should the Federal government impose a minimum hourly participation requirement to make the work program meaningful? Should it also have a maximum? Under current law, the maximum is 20 hours per week for non-exempt mothers with children under 6 and 40 hours per week for other non-exempt individuals.

Should "payment after performance" be considered an option for all AFDC recipients? Currently, payment after performance is an AFDC-UP option, but it is limited; aid can be denied, but if the recipient appeals the sanction within 10 days, he can receive "aid paid pending" (a Goldberg v. Kelly issue). Thus, while intended to simulate the real world, the current restrictions in the UP payment after performance provision are weakened by regulatory constraints. (The Bush Administration, as part of the "Welfare Employment and Flexibility Amendments of 1992, had proposed allowing States to distribute AFDC benefits after work and training assignments had been completed.) Should the payment for performance provisions be strengthened to more closely parallel the job experience?

CWEP participants are currently not considered to "earn" wages, as are participants in other JOBS components, e.g., work supplementation and OJT. Should this provision be changed, enabling participants to qualify for the EITC. (While receiving the EITC may increase family income, this would be offset somewhat by increased FICA taxes. Moreover, if the payments are considered wages, and the family has other income through the year, its AFDC benefits would also be potentially subject to Federal income taxes, since they would no longer be considered a welfare payment, but earned income.)

PUBLIC SECTOR JOBS

Public Service Employment

Current Law: Public service employment (PSE) is defined in the JOBS regulations (Federal Register, October 13, 1989, p. 42254) as "fully-subsidized employment in a public agency." There is currently no provision within AFDC/JOBS for public service employment, because subsidizing an employer at a rate of 100 percent was not viewed as an effective use of limited resources and because of the concern that "routine costs of State and local governments would be inappropriately shifted to the Federal government under such a program." (Federal Register, October 13, 1989, p.42183) In fact, it was specifically prohibited in the Family Support Act. However, PSE was a major component of a number of the earlier Department of Labor employment and training programs, most notably CETA, as well as the Work Incentive (WIN) program, the primary welfare-to-work program prior to JOBS.

Discussion: Proponents of providing public service employment

argue that the principal advantage of this approach is that individuals would have real jobs and are not just working off their welfare grants. The jobs would have a set work schedule and the person would receive a paycheck, rather than a welfare check, and failure to perform would result in a reduction in wages. In fact, in some low benefit States, families would be able to increase their standard of living by taking full-time jobs that pay more than AFDC (and possibly even more than AFDC plus other assistance program benefits, such as Food Stamps). These jobs would be even more attractive if other antipoverty strategies are enacted, e.g., an expanded EITC and universal access to health care. Second, the jobs would not be governed by all the rules associated with a CWEP requirement, where the hourly work requirement can vary depending on the size of the grant and whether the amount should be divided by the minimum or prevailing wage. Ellwood also argues that issues associated with other programs are straightforward: "Earnings from the last resort jobs are treated the same as earnings from any job when calculating eligibility and benefits for other programs."

However, opponents of a public jobs program make a number of counterarguments. First, it can be very costly. For example, replacing AFDC with a public jobs program that pays minimum wage for full-time work would be much more costly than simply paying the AFDC grant in most States. Second, creating jobs for all those who have exhausted their time-limited welfare may require the creation of as many as three million public jobs. This would be a difficult undertaking, especially if the jobs are to enhance the work experience and skills of participants, while also providing a useful public service. Sawhill (1992, p.8) points out that relying solely on such jobs "can produce boondoggles or make-work projects where the value of the work performed is marginal." She also adds that "it relegates the disadvantaged to special job ghettos, where they have little chance to move into the vast number of unsubsidized positions in the private sector that help them escape from poverty." Critics also note that these jobs could create other problems, if they displace current workers from existing positions (or even result in the unemployment of individuals who otherwise would have had those jobs). In addition, potential displacement of public sector jobs may generate opposition by labor unions and government workers. Finally, State and local governments may be reluctant to provide a large number of jobs because of the inherent difficulties in running a program for welfare recipients. In particular, the potential for high turnover means that many of those placed in positions do not become very proficient in their jobs and sponsoring governments might not be willing to invest much training in them.

However, supporters of public sector jobs could respond that the intent of the jobs is not like past CETA program, which was to fight unemployment, but to change the nature of welfare. They

also point out that to some extent, these costs would be offset by reduced welfare payments, especially in the long-run, if incentives for work and delaying childbearing are increased. Finally, States have in the past decade had to cut back on useful public services and the community service jobs created could help restore some of these.

Issues: Should PSE be reconsidered as a JOBS component or would community service jobs be created through some other mechanism?

While initial eligibility for community service jobs would be based on the expiration of the time limit for welfare, issues related to determining on-going eligibility and eligibility for those who would otherwise return to welfare must be resolved. For example, will income or assets tests be applied? If not, some community service jobs may provide employment for those who would otherwise not require cash assistance (thereby increasing the cost of the program) and/or reduce the number of community service jobs available to those who would otherwise be on welfare (if there is a fixed budget for the program). However, continuing to apply the AFDC rules to those who are in community service jobs could be administratively cumbersome and costly. (Kaus (1992) suggests making the jobs available to anyone who wants one. This would reduce the stigma associated with being linked to a welfare program; however, the cost of expanding the program to single individuals and childless couples could be significant. In contrast, President Carter's welfare reform proposal, the Program for Better Jobs and Income, would have made job search services available to both those on cash assistance as well as those who did not receive such assistance, e.g., single adults and childless couples, but since the only access to the program would have been through the cash assistance intake office, the job search services would have been income and asset tested for such adults.)

Would families be allowed to continue to receive welfare if otherwise eligible, or would all assistance end? If welfare eligibility is continued, would the family be eligible for the current earnings disregards? If the earnings disregards are available, should they be for both unsubsidized employment and community services jobs, or only (or more generous to) the former (to increase incentives for unsubsidized employment)?

Would more than one individual per family be allowed to participate in the program?

OTHER OPTIONS

There are a number of ways incentives for private sector employment could be increased. Sawhill (1992, p.10) describes

this option as follows: "Private employers could be offered deep subsidies initially -- perhaps 100 percent in the first year of employment and 50 percent in the second -- conditioned on their willingness to provide training or extra supervision for former welfare recipients. Large employers could be encouraged to make a commitment to hire and train disadvantaged people as part of their social responsibility to the larger community. Continued employer eligibility for the subsidies could be conditioned on evidence that the program is not being abused (as a source of cheap labor) and that a reasonable proportion of subsidized hires (perhaps 50 percent) was making the transition to unsubsidized employment in the same firm at the end of two years."

One reason for considering these options is that over 80 percent of the jobs in the economy are in the private sector. Moreover, placement in the private sector may provide participants with the training and work experience necessary for long-term unsubsidized employment. Finally, the cost per placement is typically much lower than with public sector jobs, since only a portion of earnings are subsidized and/or only for a limited period of time.

However, Sawhill also notes that there are likely to be problems with this approach, such as low take-up rates by employers and the fact that some employees may never transition to unsubsidized employment. Therefore, these options are more likely to be viewed as complements to a community service jobs program, rather than as a substitute. Several options currently available are discussed below.

Work Supplementation

Current Law: Work supplementation is one of four "optional components" for State JOBS programs. In work supplementation, the AFDC grant (i.e., IV-A funds) is used to subsidize jobs for participants. A State may use JOBS (i.e., IV-F) funds to supplement the wage pool. States have substantial flexibility in determining eligibility and whether participants have employee status during the first 13 weeks of placement ("employee status" confers the benefits available to regular employees of that employer). If the wages from a subsidized job make a family ineligible for AFDC, they remain eligible for Medicaid throughout the period of the placement (which is different from OJT, where participants who lose AFDC eligibility are not automatically eligible for Medicaid) and can also receive child care.

Jobs created through work supplementation are provided by the State or local agency, or by any other employer in which all or part of the wages are paid by the State or local agency. The State may determine the length of the subsidy, amount of wages to be paid to the participant, amount of subsidy, and conditions of participation. However, no participant may be assigned to fill any established, unfilled position. Wages paid under a work

supplementation program are considered earned income for tax purposes, which means that they are subject to income tax and FICA withholding, and can qualify the participant for the EITC.

The entire grant may diverted to subsidize employment or the participant may remain eligible for a residual grant. A State may adjust the levels of the standard of need, and may vary the standard of need for categories of recipients or areas of the State when appropriate for carrying out a work supplementation program. A State may also reduce or eliminate the amount of earned income to be disregarded, and may provide the $30 and one-third earned income disregard for the first nine months of work supplementation placement, even though the full disregard normally expires after four months. The maximum Federal payment to a State for making payments to individuals and employers under work supplementation may not exceed the amount which would otherwise be payable if the family of the participant had received the maximum AFDC grant payable to a family that size with no income. Federal payments are available for the lesser of nine months or the number of months the participant was actually employed in the program.

Issues: In States with relatively low AFDC benefits, work supplementation is likely to be much less effective in generating employment opportunities, since the amount diverted to employers is constrained by the size of the maximum grant for a family of a given size. (This problem would be minimized somewhat if other programs, such as Food Stamps were included in the proposal, i.e., if the features of the work supplementation program were extended to these programs as well. This option has been proposed by Representative Weber.)

Should the nine-month time limit on Federal payments through this program be removed, so that if AFDC benefits are eliminated or curtailed, the "guaranteed job" component would not end?

On-the-Job Training

Current Law: On-the-job training (OJT) is another of the optional JOBS components. In OJT, the State reimburses an employer a portion of the wages paid to a participant during a training period. States have considerable discretion in determining how much an employer is paid and for how long. In OJT, a participant is hired by a private or public employer and while engaged in productive work, receives training that provides knowledge or skills essential to full and adequate job performance. The OJT contract reimburses the extraordinary costs incurred by the employer in providing training and additional supervision. In this regard, it is different than the work supplementation program. Payments to an employer may not exceed the average of 50 percent of the wages paid by the employer to

the participant during the training period.

An OJT participant must be compensated by the employer at the same rates, including benefits and periodic increases, as similarly situated employees or trainees, but at least at the higher of the Federal or applicable State or local minimum wage. OJT wages constitute earned income; Medicaid eligibility lasts only as the long as the recipient receives AFDC, though the OJT placement itself can continue even if the family does not receive AFDC.

Both OJT and work supplementation use a pool of funds to subsidize initial employment, but work supplementation cannot be used to fill any established unfilled position, while OJT can be used for that purpose. In addition, a number of specialized budgeting rules applicable to work supplementation do not apply to OJT.

Issues: OJT is intended to reimburse employers for the "extraordinary costs" of providing training and is not intended to be an on-going employment subsidy. If OJT is to be a mechanism for providing guaranteed jobs, its mission would have to be redefined.

Should OJT provisions be revised to allow for the payment of more than 50 percent of an employee's wages? This may be appropriate in cases where recipients are highly disadvantaged and the extraordinary costs of training exceed 50 percent of the wage bill.

Job Development/Job Placement

Current Law: As part of JOBS, New York and Connecticut have contracted with America Works. The firm places AFDC recipients in private sector jobs that have "decent" wages and benefits. They receive $5,000 for every person they place. They do not collect the fee unless the individual remains employed after _____. The Progressive Policy Institute (1992, p.230) has recommended:

Discussion: "The new administration should expand efforts by nonprofit organizations and even private businesses to place welfare recipients in private jobs.... An alternative to expanding public education and training programs is to let private entities--private and for-profit--bid for the chance to place welfare recipients in private jobs and keep part of the money a state saves when someone leaves the rolls."

Supporters argue that the approach is likely to have a higher payoff than existing JOBS employment and training activities. They cite the success of America Works, which provides intensive, personalized support for welfare mothers after they take a job.

They contend that the success rate is high because of the profit incentive for the private firms to make sure welfare recipients stay in their jobs.

Critics contend that the program has not been soundly evaluated and that America Works creams. Even though they serve a disadvantaged population, some contend that the most motivated and most job-ready among this group are selected. Since there is no solid evidence on its cost-effectiveness, and placement fees are so high, the cost of implementing the proposal could be substantial. They also note that this program could not be the only program, since there are some who do not get jobs and some sort of provision would have to be made for them.

Issues: Should payments for placements be adjusted for the characteristics and barriers facing given clients, i.e., paying a larger amount for those least job-ready.

Targeted Jobs Tax Credit

Current Law: Until recently, the Targeted Jobs Tax Credit (TJTC), originally authorized by the Revenue Act of 1978, provided an incentive for hiring specific, targeted groups. (The TJTC expired in June 1992, but may be reauthorized.) There are nine targeted groups: 1) vocational rehabilitation referrals; 2) economically disadvantaged youth aged 18 through 22; 3) economically disadvantaged Vietnam-era veterans; 4) SSI recipients; 5) general assistance recipients; 6) economically disadvantaged cooperative education students aged 16 through 19; 7) economically disadvantaged former convicts; 8) AFDC recipients; and 9) economically disadvantaged summer youth employees aged 16 or 17. Individuals are considered economically disadvantaged if their family income during the previous 6-month period was 70 percent or less of the Bureau of Labor Statistics lower living standard income level. Target group membership must be certified.

The credit generally is equal to 40 percent of the first $6,000 of qualified first-year wages paid to a member of a targeted group. Thus, the maximum credit is $2,400 per individual (except for economically disadvantaged summer youth employees, who can receive 40 percent up to $3,000 of wages, for a maximum credit of $1,200). The credit is only available if the individual is employed for at least 90 days or has completed 120 hours of work for the employer (14 days or 20 hours in the case of economically disadvantaged summer youth employees). Since the subsidy is in the form of a tax credit, only firms with positive tax liabilities can take advantage of it.

The House Ways and Means Committee "Green Book" indicates that over 445,000 employees qualified for the TJTC, but acknowledges that the "net increase in U.S. employment is probably less than this amount because some of these employees might have been hired without the credit, and some noncredit employees might have been displaced by the targeted jobs credit program." Of the 445,000 certifications, 99,127 (or 22 percent) represented AFDC recipients.

TJTC has remained relatively small, despite being an open-ended entitlement program. Bishop (1990) has identified four reasons for the low participation rate by employers: 1) lack of knowledge of the program; 2) administrative costs of participation; 3) perceived lower productivity of TJTC eligibles; and 4) lack of incentive for local managers.

Research findings: Programs using tax credits to encourage private sector hiring of specific groups of people have been in existence since the 1960s. For a hiring subsidy program to be successful, employers who take advantage of the program should

hire more eligible workers than they would have hired without the program. Research on these programs, as well as related demonstration projects that have included cash payments in addition to tax credits, have not found them to be too successful. The research gives several potential reasons for the limited success of these programs: the stigma of hiring an economically disadvantaged person perceived as having low skills and little work ethic, the perception that the extra work and costs of the program are not worth the benefits, and lack of knowledge about the program.

Studies of past and current programs indicate that they are underutilized and ineffective in raising the employment of target group members. Of all individuals hired under the WIN Employment Tax Credit Program, never more than 20 percent who were known to have entered employment during the year were claimed by the firms as tax credits. The results for the TJTC are even lower. Economically disadvantaged youth aged 18-24, who make up over 50 percent of the individuals served in the program, had even lower rates; in FY 1980, between 2.3 and 4.8 percent of all eligible youth hired were claimed as credits.

One research study on these types of programs involved an experimental design which measured the level of hiring for individuals with a voucher that could be converted to cash, individuals with a voucher that could be used as a tax credit, and individuals with no voucher at all. The credit and the subsidy were of equal value, but the credit was not refundable. The result of the study were that 13 percent of the tax credit group, 12.7 percent of the cash rebate group, and 20.6 percent of the control group found jobs. These results imply that employers view individuals with a voucher identifying them as economically disadvantaged individuals to be less desirable job candidates (Burtless, 1985).

Another study, however, found that although employers do believe that individuals with disadvantaged backgrounds will be poor workers, those employers who unknowingly hired TJTC eligible workers and were later asked to compare their quality of work to other employees stated that the TJTC eligible were just as productive and sometimes even more so.

Employers are also less likely to participate in the program if they perceive the costs to be too high. To participate, they must learn about the program (including complicated eligibility rules), establish a relationship with the administering agency, and apply for certification of those new hires they believe to be eligible. One study found that government outreach can increase utilization of the program. Firms who were personally contacted by an government representative were 63 percent more likely to participate than firms who first heard about the program from other sources (Bishop and Montgomery, 1986).

Because of perceptions and costs related to the program, most of the participation in the program is passive. Managers of firms in industries that are heavy users of the TJTC were interviewed. The majority stated that screening of employees for eligibility occurs after they are hired. Therefore, rather than recruiting individuals who are members of a target group in order to claim the tax credit, firms get the windfall for employees they would have hired anyway.

Issues: Before adopting a program like the TJTC as a means of employing AFDC recipients, there are several issues to consider. Should the program be targeted or should employers be able to claim a credit for any new employee they hire? Is there a way to prevent employers from suing the credit for employees they would have hired anyway? Should the program give tax credits to firms or should it offer cash rebates? Should vouchers be used or should it be up to the firm to certify the person as eligible?

At least one past program was not directed at target groups of individuals. The New Jobs Tax Credit was used as a counter-cyclical program to help speed up the recovery that was under way in 1977. To qualify, a firm had to experience growth of two percent. They could use the credit for any employee and for any type of job. There are several advantages to a broader type of program. First, the stigma problem will no longer exist. Second, firms prefer the less targeted programs, and would be more likely to participate. A drawback to a broader program is that one could not guarantee that the most disadvantaged individuals would be hired. However, depending on the extent of the increased number of individuals hired, target groups may actually be better off with a broader program given the low utilization of the targeted programs.

Another problem with the targeted tax credit programs is that firms often receive subsidies for persons they would have hired anyway. This problem can be partially remedied by paying subsidies only for increments to some set level of employment such as 102% of employment the year before. This strategy, however can lead to churning - firms will hire one year and cut back the second year so they can qualify for the credit in the third year. One method of reducing the churning effect is to subsidize employees for a longer time or to reduce the subsidy in tandem with the increase in productivity of the worker. However, it may still provide windfalls to firms that would have expanded employment anyway.

The experimental study discussed above also looked at employer preference for tax credits or cash. Employers who hired individuals with cash rebate vouchers were more likely to request the rebates than those who hired individuals with the tax credit vouchers, but they were no more likely to hire the subsidized worker. This finding gives some evidence that employers prefer

cash to tax credits (Burtless 1985). For the government, however, tax credits are easier to administer. To disburse cash rebates, an additional administrative apparatus would have to be established, adding to the cost of the program. The issue of making the tax credit refundable is also important. Although this would add to costs, firms with no tax liability would be able to participate.

The pros and cons of vouchers versus firms taking the responsibility for certification are discussed above. Vouchers should make the work easier for the firm, however, they often lead to stigma against the individual. If the firm must take the responsibility for certification, they often wait until after an employee has been hired and then determine if he or she is a target group member. In either case, firms are not using the program to its fullest potential, and individuals who could benefit from the program are not being served. A non-targeted program might increase the number of target group individual served, however, the cost of the program would be much greater.

Wage Subsidies

Current Law: No provision; currently being tested in Canada.

Discussion: The goals of a wage subsidy are to: 1) raise the wages (and incomes) of low-wage employees; and 2) induce the employment of those not working. It would pay a worker a fraction of the gap between his wage and a target wage. For example, it may pay 50 percent of the gap between the worker's wage and $7, the target wage. The lower the wage, the larger the subsidy. A worker being paid $4 an hour would receive a subsidy of $1.50, raising his total compensation to $5.50 an hour. If he then gets a raise to $5 an hour, his subsidy drops to $1 and his total compensation rises to $6. A wage subsidy can raise the reward for work irrespective of the worker's initial level of effort. For those with wages low enough to qualify for a subsidy, the fiftieth hour of work per week is as generously subsidized as the first.

There are several drawbacks to wage subsidies. The information requirements make it more difficult to administer than an earnings subsidy, since information on both the wage and hours of work are required. (Note: for most workers, this information is available on a quarterly basis through Unemployment Insurance records.) An earnings subsidy can be computed simply by knowing the level of earnings, a number which is already available for tax purposes. In addition, as was the case with the EITC, there is no guarantee that work effort will be increased. A wage subsidy will make work effort more attractive for those not working. But for someone already working, the subsidy will raise income and thereby make work less necessary, although it does raise the return to each hour of work. As the worker's wage

rises towards the target wage, the subsidy is reduced, which has the effect of raising the marginal tax rate. (Note: a worker faces an increase in his marginal tax rate when his wage increases, not when he works more hours.) Several researchers (Rea, 1974; Bishop, 1982) have concluded that, at least under some wage subsidy proposals, work and earnings reductions would slightly outweigh work and earnings increases. Finally, wage subsidies may provide employers with incentives to pay less, since they know the wage subsidy will offset part (or all) of the reduced wage.

Issues: How large should the wage subsidy be? What administrative apparatus would be used?

WAGES VS. SANCTIONS

A key decision in a public sector jobs program is the wage that is to be paid participants, while in a CWEP program, it is the size of the sanction that is to be applied. For some programs, such as work supplementation and OJT, there are features of both that can be applied, e.g., failure to work at a job means the participant loses wages, but is able to retain AFDC, though at a reduced amount (the sanction). Tables 1 - 3 illustrate how various options compare to current law AFDC/Food Stamp benefits for a family of three in three States: a high AFDC benefit State (Vermont); the median State; and a low AFDC benefit State. Combined monthly AFDC/Food Stamp benefits in these States, as of January 1992, were $858, $649, $441 respectively.

Wage Rate Options

There are three principal options.

- Community service jobs could pay the prevailing wage, i.e, the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site. Paying above-minimum wage rates on community service jobs could increase work incentives and reduce poverty among families with children. Such wages would also reduce other public costs, such as Food Stamp payments. However, if wages on community service jobs are higher than those typically available to welfare recipients in the community, the program could actually exacerbate welfare dependency for some, by encouraging them to remain on welfare to qualify for these jobs and could even induce some people to go on welfare. In addition, it may create disincentives for those in such jobs to find unsubsidized employment. Paying prevailing wages could also significantly increase the cost of the proposal. Conversely, given a fixed budget, a prevailing wage rate would reduce the number of community service jobs that could be created.

Since the "prevailing wage" is likely to vary from job-to-job, what criteria would be used to place individuals in these jobs? Would such criteria be perceived as fair?

- Community service jobs could pay the minimum wage. This would ensure that those who work are compensated at a level society considers acceptable, but since the wage would be the minimum wage, it would maintain incentives for workers to find unsubsidized employment paying above the minimum wage (or even minimum wage employment, where there are opportunities for future advancement). (This argument is based on the assumption that universal health care coverage will be enacted and child care is available and affordable; otherwise, loss of transitional Medicaid and child care benefits could discourage families from leaving welfare through work.) Garfinkel and McLanahan (1986, p. 186) note that "paying only the minimum wage will minimize the number of workers who will leave private employment for a work-relief job, create a slight incentive and a clear social message that private employment or civil service public employment is preferable to work relief employment, and thus help to make the cost of the program politically acceptable." However, the cost of providing a job, even at the minimum wage, can exceed the cost of providing welfare benefits for a family, particularly in States with low AFDC benefits and/or for small family units. In addition, those placed in community services jobs may feel resentful if they are paid less than the prevailing rate paid to other employees, while traditional workers may view the lower wages paid to community services workers as a threat to their job security.

  Should the higher of the Federal or applicable State minimum wage be used, as under the current JOBS program for determining CWEP hours, or should the Federal minimum wage be used to achieve national uniformity?

- Community service jobs could pay slightly less than the minimum wage. Proponents of paying slightly less than minimum wage, contend that this would increase incentives for unsubsidized employment, since virtually all such employment would pay a higher wage. It would also reduce the cost of a community service jobs program. Opponents argue that paying less than the minimum wage could be stigmatizing and makes it more difficult to support a family. However, expansions in other programs, such as the EITC and universal health care coverage, can alleviate this concern. It may also create resentment among the community services workers and exacerbate job security fears among traditional workers.

Issues: Should individuals participating in these programs be

given their earnings only after performing their required work obligation, i.e, should the "payment after performance" provision, currently an AFDC-UP option, be adopted for the work program?

Should individuals who fail to participate in the community service jobs program be allowed to terminate noncompliance immediately by participating? Would those who repeatedly drop out of the program be allowed to do the same? Under current AFDC sanction policy, those who receive a second sanction receive reduced benefits for at least 3 months, and those sanctioned for a third or subsequent time receive reduced benefits for a minimum of 6 months. Should these minimum periods be adopted for those receiving wages. Proponents of a minimum time period for those who repeatedly drop out could argue that creating employment opportunities is costly and scarce resources should not be used for those who do not take the work requirement seriously. Moreover, such individuals would typically not find employment immediately on demand if seeking unsubsidized employment. However, not allowing individuals who have previously failed to comply to begin participating immediately would reduce family income and the immediate well-being of children. (The issue of the time period would probably be best determined in conjunction with the size of the penalty; with a modest sanction, the minimum time periods could be continued, as under current policy, whereas, with a harsher system of penalties for noncompliance, consideration could be given to shortening or eliminating the time periods altogether.)

Sanction Options

Current Law: In the JOBS program, a non-exempt person can be sanctioned if she, without good cause, fails to participate in JOBS, refuses to accept employment, terminates earnings, or reduces earnings. If an individual is sanctioned, she is removed from the AFDC grant, and the grant to remaining family members is lower. In an AFDC-UP family, both parents will be sanctioned unless the second parent is participating in the program. The size of the sanction varies from State to State (e.g., it is $106 in Vermont, but only $26 in Alabama). If an individual who is sanctioned is the parent or caretaker, payments for the family will be made as protective payments, i.e., to a third party for the needs of the non-sanctioned assistance unit members, unless the State is unable to locate an appropriate payee after making reasonable efforts. In addition, with a JOBS sanction, the sanctioned individual loses AFDC-linked eligibility for Medicaid (though eligibility may be established under some other criteria). The first sanction lasts until failure to comply ceases. The second sanction lasts the longer of 3 months, or until failure to comply ceases. The third and any subsequent sanction lasts the longer of 6 months, or until the failure to comply ceases.

An individual may not be sanctioned if she has "good cause," which must include: the absence of needed child care; that a job would require a parent to work more than 20 hours a week; or that a job would cause the family to suffer a net loss of cash income. States can also define other circumstances that constitute good cause, such as illness or incapacity, inclement weather, and breakdown of transportation, to name but a few of the criteria used by States.

Options: There are many options for imposing sanctions, some of which are described below.

- Retain current law. Under current law, the needs of the individual are removed and she may lose Medicaid eligibility as well. Those in favor of keeping the current sanction contend that it can send the appropriate message to recipients, without imposing an unduly harsh penalty on the family, especially the children. Moreover, States have experience with the current sanction system. Critics of retaining current law would argue that the size of the sanction is relatively small, especially when increases in other needs-based programs are included (e.g., Food Stamps and housing assistance) and may not change behavior.

- End AFDC benefits for the entire family. This would represent a true time-limited program. Advocates of this approach argue that it sends the clearest signal that AFDC is intended to be transitional and that while receiving assistance, individuals must seek or prepare for employment. Moreover, they could still retain other assistance benefits, such as Food Stamps and possibly Medicaid. Critics contend that the penalty would be too harsh and that children would suffer because of the actions of their parents.

- Reduce AFDC benefits by a specified amount, e.g., 30 to 40 percent. This would be harsher than the current sanction, but not as harsh as complete denial of aid.

Issues: Will individuals who have good cause for not participating be allowed to receive AFDC benefits, even if they have exhausted their time limited assistance? Proponents of continuing good cause exemptions could argue that this would protect families if they are unable to participate due to factors beyond their control. Opponents of such a provision could argue that the intent of the time limit is to simulate the real world, where individuals who do not work do not get paid. (However, in the real world, these same individuals may be able to fall back on AFDC and other welfare programs.) If good cause is permitted, should Federal criteria be developed? Otherwise, the good cause provisions could be abused to exempt too many individuals or, conversely, not excuse all those with legitimate reasons for not participating.

Should the current minimum time periods for the second and subsequent sanctions be retained? This issue is probably best resolved in conjunction with the determination on the size of the sanction.

Will Medicaid eligibility for other programs, e.g, Food Stamps, housing assistance, and Medicaid also be terminated or reduced for those who fail to comply. Currently, the JOBS sanction results in removing the person's needs from the grant, which also means the person isn't eligible for Medicaid through the categorical link to AFDC (though the person may be eligible otherwise). While AFDC recipients are generally exempt from participation in the Food Stamp Employment and Training (E&T) program, Food Stamp recipients are subject to sanctions if required to participate in that program and they fail to do so. Proponents of including other program benefits in the sanction note that AFDC is just part of the total public assistance package, and in some States, just a small part of that package. They argue that limiting the sanction to just AFDC would not create a meaningful incentive to find unsubsidized employment or participate in a community service job. Opponents argue that larger sanctions could jeopardize the well-being of children.

The Differential Benefit Option

An alternative option, which was part of President Carter's Program for Better Jobs and Income, would be to provide a different basic benefit, depending on whether the family unit includes an adult expected to work full-time, part-time, or not expected to work. One possible break-out would be to include one parent in a two-parent family and a single parent with a child over six in the group expected to work full-time, single parents with children between the ages of one and six in the group expected to work part-time, and single parents with children under one or with other exemptions in the group not expected to work. Those expected to work full-time would receive a lower basic benefit than those expected to work part-time who in turn would receive a lower benefit than those not expected to work. The lower benefit levels for those expected to work would be based on the assumption that a private or public sector job would be available to the adult expected to work. An advantage of this approach over the sanction approach is that it does not involve the administrative burden associated with imposing sanctions. By lowering benefits, it would increase incentives for work. However, to be effective, a large number of public sector jobs would have to be created in a short period of time.

DISPUTE RESOLUTION

Current Law: Each State must have a conciliation procedure to

resolve disputes about program participation. It must also provide for a hearing process, and for a right to a hearing before an AFDC grant is suspended, reduced, discontinued, or terminated.

Issues: If a community service jobs program is developed where the jobs pay wages, will the penalty for not participating in the work program mean that participants don't receive a paycheck (i.e., payment after performance) or will those who believe they were unjustly treated be able to appeal, as under current law, and receive "aid paid pending?" How would disputes over nonperformance be resolved?

Kaus (1992, p.259) has described the problem and a possible option as follows: "Could guaranteed-jobholders be fired? Certainly we want a neo-WPA in which people who show up drunk, who show up high, or who pick a fight with their supervisor would lose their jobs (though they could show up again after a decent interval). There is a danger that the courts would declare the WPA jobs to be 'property' under the Fifth Amendment and impose debilitating 'due process' requirements that had to be met prior to any dismissal. Congress could make this constitutional claim less tenable by providing basic procedural guarantees (such as a rudimentary hearing), and by making it clear that this is all neo-WPA workers have a right to expect."

DISPLACEMENT PROVISIONS

Current Law: No work assignment under JOBS may result in: 1) displacement of any currently employed worker or position (including partial displacement such as a reduction in hours of overtime work, wages, or employment benefits) or result in impairment of existing contracts for services or collective bargaining agreements; 2) employment or assignment of a participant or filling a position when any other individual is on layoff from the same or equivalent position, or the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant under the program; or 3) any infringement of promotion opportunities of currently employed individuals. No participant in a work supplementation component or work experience program may be assigned to fill any established unfilled position vacancy, though they may do so in OJT. (The Bush Administration, as part of the "Welfare Employment and Flexibility Amendments of 1992," proposed relaxing these restrictions by allowing the placement of welfare recipients in vacant existing positions.)

Discussion: No proposal has envisioned replacing existing workers or those on layoff from their jobs; however, there is some support for modifying the displacement provisions as they apply to vacant positions. Supporters of this change argue that

the displacement provisions limit the number of jobs that can created. They contend that easing these restrictions would save taxpayer dollars by allowing AFDC recipients (or former recipients) to take such jobs. For example, Kaus (1992, p.134) argues: "...pragmatism, as well as fairness, requires that no current government workers be laid off. But as those workers leave through natural attrition, the government should be free to replace them with guaranteed jobholders not subject to "prevailing wage" requirements." (Kaus believes those in guaranteed jobs should be paid slightly less than the minimum wage to make unsubsidized employment more attractive.) To the extent that government costs are reduced by not having to hire additional workers (since some vacant positions could be filled by those in community service jobs), the savings can be used to reduce taxes or finance other projects; either way, they argue, other jobs will be created elsewhere in the economy.

Opponents argue that changing this policy would lead to the unemployment of others, would put less-qualified individuals in these positions, and could create workplace tensions by paying different wages to workers performing similar tasks.

OTHER ACTIVITIES

Should AFDC recipients who have reached their time limit and are required to work be allowed to participate in some other activity in lieu of work? Should AFDC recipients who are preparing for employment, but who reach the end of their time on AFDC without completing their JOBS activities be allowed to continue in such activities?

Current Law: Beginning in FY 1994, one parent in an AFDC-UP family will be required to participate in a work program. However, the Family Support Act made two exceptions to this general rule. First, those in the first two months of receipt can be excused if they participate in intensive job search. Second, and more relevant to the proposed time limit/work requirement, States are allowed to substitute education for those under age 25 who have not completed high school or its equivalent.

Individuals in selected JOBS components may be allowed to complete those activities, even if they become ineligible for AFDC during the course of their participation.

Discussion: Allowing recipients to participate in activities other than work may be appropriate, if such other activities are more likely to lead to greater self-sufficiency. Such activities may be especially appropriate for certain subgroups of the AFDC population, e.g., teen parents. For example, Sawhill (1992, pp.5-6) points out: "By all accounts, long-term welfare

recipients are a very disadvantaged population. Forty-three percent have less than 12 years of schooling (compared to 12 percent of all women), 56 percent score more than one standard deviation below the mean on the Armed Forces Qualification Test (vs. 17 percent of all women), 51 percent have low self esteem (vs. 30 percent of all women), 34 percent have not worked in the past 5 years (vs. 5 percent of all women), and 5 percent have a health problem that prevents them from working (vs. 2 percent of all women)." She also adds (p.6): "Deciding whether to permit extensions is made harder by the absence of solid research on what to expect from a full two years of intensive education, training, or work experiences. This is because most of the earlier welfare-to-work efforts that have been studied were short-term and focused on job placement, rather than human capital development."

Sawhill (1992, p.6) also warns, "Unless carefully circumscribed, permitting extensions may send the same mixed message about the rules of the new system as allowing exemptions. To minimize this effect it may be necessary to permit extensions for educational or training reasons only for a specified time period in a limited number of cases, where, in the judgment of a case worker, they would improve significantly a recipient's prospect for self-sufficiency." However, if recipients know that they can be excused from the work requirement, they may have less incentive to participate in JOBS as soon as possible, since they may feel they can delay enrollment in the alternative activity until the time limit is reached; thus, safeguards against such behavior may also be necessary, perhaps by limiting extensions to those who have used their two-year period productively. Also, if such extensions are permitted, it would be important to ensure that the alternative activities are substantive and are being completed at a reasonable pace, given individual circumstances.

OTHER ISSUES

Given the high cost of public sector jobs, and the fact that job search has been shown to have a positive impact on employment, should participation in job search be required before placement in a community service job and periodically throughout participation in a community services jobs program? (President Carter's PBJI welfare reform proposal would have referred an individual back to job search after 52 weeks of PSE employment.) Proponents argue that this would reduce the cost of the community service jobs program and increase the number of welfare recipients (or former recipients) in unsubsidized employment. Critics contend that, while programs with a job search component have been effective for some groups, they have not been effective for others. In particular, job search has had inconsistent impacts for the most disadvantaged welfare recipients and could waste scarce resources if required of everyone. If this

requirement is imposed, should it be after the time limit on assistance has been reached, or just prior to that? Should it be for everyone or just those subgroups where there is likely to be a positive impact?

Should AFDC recipients who have not exhausted their time limited benefits be allowed to volunteer for participation in a community service job? Proponents contend that this would produce the desired behavior and the community would receive something in exchange for its assistance. Critics could point out that CWEP, work supplementation, and OJT are already JOBS components which recipients could volunteer for; however, if the community service jobs program were based on the public service employment model, allowing AFDC recipients to volunteer could substantially increase the cost of the program (especially if prevailing wages are paid) and could even induce some people to go on welfare.

Who would be responsible for creating community services jobs? The Federal, State or local governments, and/or the private sector?

What steps can be taken to ensure that community service jobs do not become permanent jobs for those who exhaust their AFDC benefits (e.g., periodic job search and paying the minimum (or lower) wage would provide incentives for unsubsidized employment)?

APPENDIX A: NOT ENOUGH JOBS?

Since there is a possibility that as many as three million community service jobs will need to be created, some have raised the objection that there aren't enough useful jobs that can be created. Critics of this argument point out that States and localities have, in the last decade, cut back on many useful public services and that there are numerous opportunities for job creation. Moreover, one potential source of employment is rebuilding the infrastructure, a major policy initiative outlined in Putting People First. Some may object that these jobs would not be appropriate, since most involve physical labor and the principal target group of the community services jobs program is women. Kaus (1992, p.132) addresses this criticism by noting: "Women can fill potholes and paint bridges (and water lawns and pickup garbage) just as women can be telephone repairpersons and sailors. Anyway, there are also many non-arduous jobs that need doing: nurse's aides, Xerox operators, receptionists, clerks, and cooks." Garfinkel and McLanahan (1986, p.146) also point out that "if it was possible to create 3.5 million Works Progress Administration (WPA) jobs in the midst of the Great Depression, it must be technically possible to find or create a like number now." While such a program has not been implemented for welfare recipients, they add (p.148): "Simply because something has not been done to date does not mean that it cannot be done in the future."

A second objection related to these jobs is that those required to work will not have the skills to perform the tasks adequately. According to MDRC, supervisors of welfare recipients in workfare programs have rated them as highly as regular entry-level workers.

A third objection is that the jobs created would be make-work. While this is a possibility, others also note that the jobs created during the depression in the WPA resulted in the creation of many useful public works projects.

APPENDIX B: STAFF/PARTICIPANT VIEWS REGARDING MANDATORY WORK PROGRAMS

Surveys by MDRC dealing with the reaction of State agencies, participants, and the public to mandatory work experience programs are overwhelmingly positive. Although these programs were different than a community service jobs program, they indicate that mandatory participation can be viewed positively by both participants and administrators.

- In West Virginia, 60 percent of supervisors felt the work performed by male CWEP participants was a necessary part of their day-to-day business, while 79 percent felt this was true for female CWEP participants. One hundred percent of the supervisors rated male CWEP participants the same or better than regular, new employees in terms of job performance, attendance, behavior, job skills, and maturity, while 94 percent of the supervisors rated female CWEP participants as highly. A majority of CWEP participants also reported that they had learned something new in their CWEP positions; this was reported by 64 percent of male participants and 59 percent of female participants. Finally, 90 percent of male participants and 82 percent of female participants viewed the work requirement as being fair.

- In San Diego, 78 percent of surveyed supervisors felt that the work performed in CWEP was important to their agencies and not "make-work." Sixty-three percent of the supervisors surveyed felt that the CWEP participants were at least as productive as their regular employees and 57 percent of participants felt that they had learned something new on the job.

- In Maryland, 96 percent of supervisors considered the work performed under work experience to be a necessary part of their day-to-day business, while 78 percent of participants shared this view. Fifty-two percent of surveyed supervisors felt that the participants were at least as productive as their regular employees and 70 percent of participants felt that they had learned something new in their positions. About 60 percent of participants believed the work requirement was fair.

- In Virginia, 83 percent of both supervisors and participants responding to a survey indicated that they felt the CWEP work was necessary. Seventy-two percent of CWEP participants felt they had learned something new in their positions, and 83 percent felt that the requirements were fair.

- In Arkansas, 79 percent of supervisors and 77 percent of participants felt that the CWEP work performed was

necessary. Seventy-three percent of supervisors felt the participants were at least as productive as regular employees. Eighty-six percent of participants felt that they had learned something new in their positions, and 73 percent felt the requirements were fair.

RESEARCH ON THE EFFECTIVENESS OF EMPLOYMENT AND TRAINING PROGRAMS

BACKGROUND

The Federal government has a long history in employment and training activities. During the Great Depression, it established the Works Progress Administration (WPA), which established massive public works and public service employment programs to assist millions of the unemployed. The Manpower Development and Training Act (MDTA), passed in 1962, was designed to assist workers who had been displaced by technological change and provided vocational and on-the-job training. The program initially served primarily those with extensive work experience, but its emphasis was later changed to serve the hard-core unemployed. The Emergency Employment Act of 1971 authorized the first major job creation program since the 1930s, known as the Public Employment Program (PEP), which spent $1 billion in 1972 and $1.25 billion in 1973 to create jobs within State and local governments. The Comprehensive Employment and Training Act of 1973 consolidated many of the programs created during the 1960s and 1970s; it emphasized training, but maintained a public service employment (PSE) component for high unemployment areas. PSE was expanded in the mid-1970s when unemployment grew. Spending on the PSE programs grew rapidly and in fiscal year 1980, they claimed about $3.8 billion or 41 percent of the total $8.9 billion in CETA outlays. In 1982, CETA was replaced by the Job Training Partnership Act (JTPA); its focus was training and there were no funds for any form of direct job creation.

In addition, numerous welfare-to-work programs were rigorously evaluated by the Manpower Demonstration Research Corporation (MDRC) during the 1980s. These included relatively low-cost interventions such as job search followed by work experience and training, as well as more intensive training programs. The former were generally mandatory programs, while the latter were voluntary.

The Federal government has also used the tax system to encourage job creation. For example, the Targeted Jobs Tax Credit (TJTC), authorized by Revenue Act of 1978, offers employers a tax credit for hiring workers from certain groups, including the economically disadvantaged, welfare recipients, and the disabled.

RESEARCH ON WORK PROGRAMS

There is research on a variety of subsidized employment programs. These include: public service employment, where participants are provided jobs in the public sector; work experience programs, where participants are provided subsidized employment, with a focus on instilling basic work habits and attitudes rather than to teach specific skills; subsidized on-the-job training, usually

in the private sector, which subsidizes employers for part of the wages of untrained persons and where there is an expectation that these persons will continue to work for the firm or organization that trained them; supported work, which consists of the creation of a protected working environment where participants can learn basic work habits: and earnings or wage subsidies, which are paid to employers as an incentive to hire disadvantaged workers for existing private sector jobs.

The research findings summarized in the following sections seek to identify net impacts on earnings, employment, welfare payments, and the incidence of welfare receipt. In addition, if available, results from cost-benefit analyses from the perspective of participants, the government, taxpayers, and society are presented. For participants, the key question is whether increased earnings outweighed the loss in benefits and increase taxes. Whether work programs are cost-effective for government depends on whether the savings associated with reduced AFDC and other transfer payments, along with added tax revenues from increased earnings, outweigh the costs of operating the work programs, including the added cost of support services. The analysis from the taxpayers perspective adds the value of output produced by program participants. The final perspective is that of society as a whole, which includes both participants and taxpayers. Viewed in this way, if a program provides gains to one group but an equal loss to another, it would be considered as providing no net gain, but simply as a transfer from one to another.

While the findings from these studies can be useful in designing a work program for long-term AFDC recipients, the results should only be viewed as suggestive. Differences between the programs and target populations, the environmental context in which they were conducted, and their evaluation designs makes comparisons between the programs and inferences with respect to the design of a new program difficult. In particular, even where rigorous evaluation designs were used, it is important to remember that many of the programs tested were voluntary; it is unclear what the impact of mandatory programs would be. In addition, most research on the impact of these programs on welfare recipients, includes mothers whose youngest child is six or older.

AFDC WORK PROGRAMS

Several work programs for AFDC recipients suggest that such programs may have positive effects. The findings from these programs are summarized below, separately for women and men.

WOMEN

Supported Work

The National Supported Work Demonstration tested the effects of a highly structured work experience program on four target groups: long-term AFDC recipients, ex-addicts, ex-offenders, and young school dropouts. The program included peer group support, graduated stress, and close supervision as program techniques; initially, work standards on the jobs were relatively undemanding, but they were increased over time to approximate those of private sector jobs. Nonprofit corporations established small factories or work crews which produced goods and services and helped pay for the project. Participation in the program was voluntary. Participants received wages for their work, which reduced their welfare benefits. After 12 to 18 months, participants were expected to leave their Supported Work jobs, regardless of whether they had found other employment. The emphasis was on the development of work habits, basic work skills, and motivation to enhance employability.

For AFDC recipients to be eligible, they had to have: 1) been on AFDC continuously for the past three years; 2) to be female; 3) to have no child less than six years old; and 4) to have worked very little during the preceding six months. For the AFDC target group, most of the jobs were in the service sector. Guidelines for Supported Work provided that the wage rates be based on, but be below, the wage that participants might be expected to earn on a regular job, subject to the constraint that the wage was never to be below the legal minimum. Women in the program had averaged nine years of AFDC receipt.

In the third year of the program, experimentals in Supported Work earned an average of $1,076 (23 percent) more than controls (see Table __). This increase in earnings was due not to any significant change in employment rates, but due to increases in hours worked (18 percent) and hourly wage rates (12 percent). The program also led to a $401 (10 percent) reduction in average AFDC payments in the third year of the program and reduced the incidence of AFDC receipt by 7.1 percentage points (10 percent) by the end of that year. The program had the greatest impacts on the most disadvantaged -- those who had not completed high school, who had received AFDC a long time, or who had no prior work experience.

The cost-benefit analysis indicated that the benefits from both

the taxpayer and the social perspective exceeded the costs. Although the evaluators point out that the program was not quite cost-effective if only the benefits during the 27-month follow-up period were considered, if the impacts continued to decay at the observed rate of 3 percent a year, then the program would be considered cost effective. Even with such projections, however, the program was not cost effective from the participant's perspective, because the increase in their earnings did not compensate for the reduction in their welfare benefits.

While the results are suggestive for long-term AFDC recipients, the results for new applicants and recipients who have not been on the rolls long, even those likely to be long-term recipients, may be quite different, because such applicants/recipients will not, even after two years, have the same average welfare duration (nine years) as Supported Work participants. In addition, Supported Work was a voluntary program; it is not clear what the impacts would be for a mandatory program.

AFDC Homemaker-Home Health Aide Demonstrations

The AFDC Homemaker-Home Health Aide Demonstrations and operated in seven sites. It targeted women who had been on AFDC for at least 90 days and reached a diverse group of welfare recipients. The program provided four to eight weeks of formal training "in the skills needed to provide homemaking and health services to functionally impaired persons in their own homes," followed by up to a year of subsidized employment. Most of the participants had low educational levels (40 percent had not graduated high school and only 20 percent had any training beyond high school) and no recent work experience (the average participant had not worked for 3 years).

In the third year of the program, experimentals in the program earned an average of $1,121 more than controls and increased the employment rate by 8 percentage points, while combined AFDC and Food Stamp benefits were $343 lower (see Table _). The earnings gains were primarily from increased employment rates, though some sites also had statistically significant gains in wage rates.

New Jersey OJT

New Jersey offered OJT placements in the private sector of up to six months, but program participants could also receive other WIN services. It was expected that employers retain those who performed satisfactorily as regular full-time employees. The program was voluntary.

The program led to earnings gains of almost $591 (14 percent) and reduced AFDC payments by $238 (11 percent) in the second year of the program (see Table _). Because there was no increase in employment, this suggests that participants found jobs that paid

higher wages or more hours.

Maine

In Maine, carefully screened AFDC recipients were offered a fixed sequence of services, consisting of 2 to 5 weeks of pre-employment training in job search and job-holding skills, up to 12 weeks of half-time unpaid work experience in the public or non-profit sector, followed by placement in an OJT-subsidized job in the private sector for 6 to 26 weeks, where employers received a subsidy equal to 50 percent of wages for 6 months. The program was targeted to recipients with substantial barriers to employment. Nearly two-thirds of TOPS participants had been receiving AFDC for more than two years, and only one-third had any recent employment experience. The goal of the program was to provide jobs that paid more than minimum wage and offered opportunities for advancement.

The program led to earnings gains of $941 (34 percent) in the third year of the program, but there were no statistically significant reductions in either AFDC payments or the incidence of welfare receipt (see Table _). The earnings increase was due both to participants receiving higher wage rates and to an increase in hours worked. The total income of participants also increased, due at largely to the fact that the earnings of participants were higher, while their AFDC benefits did not decline. Evaluators believe the lack of impact on AFDC payments is due to the fact that Maine, unlike most states, calculates AFDC benefits in a way that permits working recipients to earn more income before their AFDC benefits are reduced.

Minority Female Single Parent Demonstration

The Minority Female Single Parent (MFSP) Demonstration provided intensive education and training to minority adults who volunteered to participate in the program. The demonstration was conducted in four different cities. Although all of the sites achieved significant gains in GED attainment, there were no positive impacts on earnings, employment or welfare receipt at 3 of the sites 12 months after the program began (see Table __). One of the programs (the Center for Employment Training [CET] i northern California) did experience positive impacts on employment and earnings. The key distinguishing feature between CET and the other three sites is that it placed an emphasis on the combination of training supplemented by education and "general employability training."

Work Experience: San Diego I

While unpaid work experience was a component was a component in many of the evaluations of welfare-to-work programs done by MDRC

in the 1980s, there is very little research on the program in isolation. According to Gueron and Pauly (1992, p. 166), "there is little evidence on whether unpaid work experience, following job search or alone, has any independent effect on program impacts." One demonstration, San Diego I, included a test of adding 3 months of CWEP after initial participation in job search. Gueron and Pauly (1992, p.165) report: "The overall findings for AFDC applicants indicate that the addition of CWEP after job search did increase program effectiveness, but the lack of consistent results across cohorts enrolling during different labor market conditions suggests that, at most, the incremental impact was small."

MEN

Although some research by MDRC suggests that welfare-to-work programs can increase the earnings of men and be cost effective for taxpayers, the programs tested were typically low-cost workfare type programs; there is no research on more intensive interventions for men receiving AFDC.

Work Experience

Research by MDRC has shown that a job search/work experience requirement can increase employment/earnings or reduce welfare dependency and be cost effective for the AFDC-UP population, primarily adult men (see Table __).

- In SWIM, earnings were $500 (18 percent) higher in the first year of the program; however, in the second year, the earnings increase was not statistically significant. Employment was 6.5 percentage points (17 percent) higher at the end of the second year of the program. Average AFDC payments were $551 (12 percent) lower in the second year of the program. (Unlike other MDRC evaluations of AFDC-UP, the sanctioning rules for AFDC-UP families participating in SWIM were changed, so that only the head of the case lost AFDC benefits when a sanction related to the work requirement was imposed making it more comparable to JOBS.) The evaluations of cost-effectiveness from the participant's standpoint indicated that AFDC-UP men broke even in SWIM (with their earnings gains about matching their losses from AFDC, other transfers, and tax payments). The net present value of the program for taxpayers and the government budget ranged from $1,730 to $2,050 per experimental.

- In San Diego I, there were no statistically significant impacts on either employment or earnings, but the program only served applicants. Since research has consistently found that first-time applicants (i.e., these most job-ready) generally don't benefit from these services, it is

not surprising that this program did not show positive impacts. (Principal earners in AFDC-UP families are especially likely to be job-ready, in part, because the eligibility criteria for the AFDC-UP program require a recent attachment to the work force.) Average AFDC payments were $374 (14 percent) lower and the incidence of welfare receipt was 5.7 percentage points (14 percent) lower in the first year of the program. The net present value of the program for taxpayers and the government budget ranged from $1,060 to $1,410 per experimental. The men in the San Diego I program incurred net losses.

- In West Virginia, there were no significant impacts on either employment or earnings; after a year-and-a-half, the incidence of AFDC receipt was 6.9 percent lower and welfare payments had declined by $229 (12 percent) during that time (Friedlander et al., 1986, p.__). However, the precision of these findings is unclear because the evaluation did not involve the random assignment of individuals, but of counties. As a result, adjustments had to be made for differences in labor markets and the characteristics of welfare recipients. While the results are less rigorous, the program is in some ways more relevant for assessing the feasibility of the AFDC-UP participation rates, since it tests the impact of a program with unlimited duration and high participation rates. The study found that reductions in welfare benefits for the UP caseload were large enough so that the program was cost-effective from the government budget standpoint and when the value of CWEP output is added, "the total value of the saturation model to taxpayers becomes highly positive."

Utah's EWP Program

Utah's Emergency Work Program (EWP) includes a strict work requirement (Janzen and Taylor, 1991), with participation equal to 40 hours a week, and a time limit on assistance. However, its design was not rigorous and the impacts should only be considered a very rough approximation of the direction and magnitude of program impacts. While the MDRC evaluations are based on experimental design, they generally include activities other than a strict work program. The evaluation of Utah's program indicates that the time limit had only a minor effect on the mean length of stay (9.3 weeks for sites with the six-month time limit compared to 11.1 weeks for sites without the six-month time limit). The evaluation of Utah's program found increases in employment and an especially impressive reduction in the mean welfare spell (a reduction from 10 months to 10 weeks). As a result, it was also found to be highly cost-effective, compared to the conventional program. The 40-hour per week performance requirement was viewed as a key program design feature of Utah's

EWP program. Payment after performance, a feature of the Utah plan, is intended to simulate the real world, in which wages are paid only after work is performed. This provision may better prepare welfare recipients for work. Utah considered the payment after performance provision critical to the program's design, because it "ensures a 100 percent participation rate."

CONCLUSIONS

While some subsidized employment and training programs have been successful in increasing the earnings and employment of welfare mothers, they have been relatively small, voluntary programs. It is not appropriate to generalize the results of experiments serving small numbers of self-selected, often highly motivated volunteers, to the larger eligible population. These people are also less likely to have barriers to participation, such as drug use or family problems. In addition, screening on the part of staff can result in "creaming," further ensuring that the population will not be representative. It is not clear how these problems affect impacts. According to Friedlander and Gueron (1991, footnote 17): "These factors, since they relate to controls as well as experimentals, may have either positive or negative effects on the ability of programs to achieve impacts: More motivated individuals may be more prone to help themselves, with or without program assistance, or to seek alternative services on their own, lowering the potential for program impact."

Even without these problems, however, it is unclear whether these programs could produce similar results if expanded to less motivated recipients (and/or imposed on other program administrators). As Friedlander and Gueron (1991, p.23) point out: "...services that are offered on a voluntary basis or are selective may, by their nature, be quite difficult to expand. For example, there may be limits to how many on-the-job training slots can be created. Also, there may be only a small number of AFDC recipients who would be interested in participating or would pass the screening criteria. Making participation mandatory as a device to help increase coverage could be self-defeating if it changed the character of the services and their impact."

For many of these same reasons, it would be inappropriate to generalize from the findings of low-cost programs for AFDC men, especially since they often included services other than just work experience.

CETA WORK PROGRAMS

There is a fairly extensive amount of research on employment programs within the CETA program. However, due to methodological shortcomings in the research designs, the findings should only be viewed as suggestive. The CETA evaluations were all based on nonexperimental research methodologies, i.e., they did not involve the random assignment of individuals to treatment and control groups. In addition, only one of the evaluations (Bassi et al., 1984) estimated the impact of CETA separately for welfare recipients.

To measure the net impact of CETA, researchers typically generated a comparison group of individuals that was comparable to the program participants based on observable characteristics that affect earnings and employment. Some of the variables typically used in matching groups were sex, age, race, family income, family size, weeks employed, and educational status. However, it is very likely that the comparison group members differ in other ways from the participants in a systematic but unobservable fashion. For example, those who participated in CETA may be more motivated, and motivation is likely to be an important determinant of earnings. It is unclear the extent to which postprogram earnings differentials between participants and comparison group members result from program participation or differences in motivation or other unmeasurable differences. In the absence of experimental design, where both observable and unobservable should balance out, it is necessary to employ statistical techniques to control for nonrandom assignment owing to unobservable characteristics, but there is considerable uncertainty in the research community about the validity of such methods.

Barnow (1987) has reviewed the principal CETA studies. Table __ shows the impact estimates on annual postprogram earnings for the program overall, as well as for its components and for key subgroups.

FINDINGS FOR WOMEN

PSE produced statistically significant earnings gains for women, with some estimates showing annual earnings gains in excess of $1,500. Overall, two studies found statistically significant increases in annual earnings, from $464 to $1,121, while one study found no statistically significant effects. For white women, five studies found statistically significant effects, ranging from $614 to $1,563. For minority women, the same five studies found similar increases, from $650 to $1,673. (The earnings gains for PSE are larger than for other components; this may be partially because the average length of participation was longest in this component and it is likely that some portion of the earnings gains comes from the program itself, i.e., it is not

completely from postprogram earnings gains.) The largest impacts were found for welfare mothers and they were statistically significant.

Results for the work experience component were not as consistent. Overall, two studies failed to find statistically significant results, while one found positive effects (ranging from $800 to $1,300 a year), while the other found negative effects ($522 a year). For white women, three studies failed to find significant effects, while three found positive effects, ranging from $505 to $1,400. For minority women, three studies failed to find significant effects, while three found positive effects, ranging from $825 to $1,023. The impacts for welfare mothers were at the lower end of the earnings range, but were statistically significant.

For OJT, three of four studies find statistically significant effects, ranging from $700 to $1,100. For white women, three of six studies find statistically significant increases in earnings, ranging from $550 to $1,231. For minority women, four of six studies found statistically significant increases, ranging from $772 to $2,057. The earnings impacts were not statistically significant for welfare mothers.

It seems that program participation increasee earnings primarily through an increase in hours worked rather than through an increase in wages: since women generally work fewer hours than men, there is more room for an impact on their hours of work (and consequently earnings) than is the case for men.

Although the findings indicate that the PSE and OJT programs increase the earnings of women participants, they are also expensive programs and it is not clear that they are cost-effective.

FINDINGS FOR MEN

Most studies showed negative earnings impacts for men, but the results were generally not statistically significant. Overall, two of three studies found no statistically significant effect, while one found that the program reduced earnings by $836. For white men, three of four studies found no statistically significant effect, but one found that the program increased earnings by $1,218 to $1,307. For minority men, five studies failed to find statistically significant effects.

The results for work experience were even more disappointing. For all men, one study found no statistically significant effect, but three studies found reductions in earnings ranging from $526 to $1,108. For white men, four studies failed to find statistically significant effects and one study found that the

program reduced earnings by $872 to $1,021. For minority men, five studies failed to find statistically significant effects and one study found that the program reduced earnings by $912 to $983.

For OJT, three of four studies found no statistically significant effects and one study showed an increase in $612. For white men, three of five studies found statistically significant increases in earnings, ranging from $616 to $1,231. For minority men, four of five studies found statistically significant increases in earnings, ranging from $772 to $2,057.

Of the CETA work programs, only OJT appears to have been successful in increasing the earnings of men. In contrast, the PSE and work experience programs appear to have no effect or even a negative effect. By placing individuals in public jobs, rather than encouraging them to find unsubsidized employment, PSE and work experience participants may have lost ground relative to those not participating in the program.

Given the poor impacts for men and the high cost of the intervention, it seems clear that these programs were not cost-effective.

ISSUES

Past experience with PSE in CETA suggests that the program's direct ability to create employment may be limited due to "fiscal substitution," as State and local governments use Federal funds for a government jobs program to create jobs that otherwise would have been funded completely from nonfederal sources. In the extreme case of complete fiscal substitution, the impact of the grant program would be a shift in the tax burden in support of local public services from local to Federal taxpayers. In the other extreme case--no fiscal substitution--the impact of the grant program would be an increase in activities and jobs equal to the amount nominally funded by the grant. The evidence from evaluation studies of earlier public service employment programs suggests that the degree of fiscal substitution may have been substantial--ranging from 20 to 40 percent in the short-run, up to complete substitution in the long run.

However, some analysts have noted that tighter targeting of the jobs on hard-to-employ low-income people, limits on activities funded to projects of short duration, and the orientation of jobs to skills not usually employed in the local provision of public services may reduce the amount of such substitution in the future. Bassi and Ashenfelter (1986, p. 148) note: "It seems reasonable to expect that the more targeted the program, the lower will be the fiscal substitution rate associated with that program. On the other hand, we would expect the fiscal

substitution rate to have risen over time, since state and local governments had an opportunity to replace regular civil servants with PSE employees.... Fiscal substitution tends to be lower in structural program than in countercyclical programs, and it tends to rise over time in both types of programs."

Opponents of guaranteed government jobs could also argue that past experience with PSE programs suggests that this component would be costly, while failing to produce meaningful employment. First, the market is a more efficient way of determining what jobs are needed in the economy. Second, the substantial cost of creating PSE jobs would be financed by taxing the private sector, reducing jobs there. In fact, the increased burden on the private sector (either through increased taxation or deficit financing) could result in an overall net reduction in employment.

TEENAGERS

Each year, nearly half a million births occur to young teenage mothers. Research shows that young, unmarried parents are at greatest risk of long-term welfare dependency, as well as a wide range of economic, social and personal problems (see Ellwood, 1986; Hayes, 1987). Over a third of teen parents who begin AFDC will receive benefits for at least 10 years (Maxfield and Rucci, 1986). Moreover, one study (Duncan and Hoffman, 1990) has found that AFDC receipt by an unmarried teen may cause future welfare dependence, even after controlling for other characteristics of the mother. The public costs of teenage childbearing were estimated to exceed $21 billion in 1989 for AFDC, Food Stamps, and Medicaid alone (Center for Population Options, 1990). Since many teen parents may also exceed the time limit, they will be required to work, or perhaps attend school.

Learnfare Programs

The goal of "learnfare" programs is twofold: 1) to create a program in which both the State and AFDC recipients have mutual responsibilities; and 2) to increase the number of teen AFDC recipients complete high school or its equivalent, increasing their long-term earning potential and helping them avoid long-term welfare dependency. A number of evaluations are now underway which examine the impact of mandatory programs aimed at preventing long-term welfare receipt among young AFDC recipients.

- Ohio's Learning, Earning, and Parenting (LEAP) program requires all pregnant and parenting teens under age 19 who do not have a high school diploma or its equivalent to attend school regularly; they receive financial bonuses or penalties based on their attendance. The basic grant for a teen parent with one child in Ohio is $274; a bonus for good attendance raises it to $336 while a penalty would reduce it to $212. In addition to financial incentives, the program includes child care assistance and case management to help these teens meet the school attendance requirement. Some States using or considering Learnfare models use only financial sanctions to encourage school attendance (e.g., Wisconsin), but none are currently being evaluated using a rigorous research design.

- The Teenage Parent Demonstration uses an experimental design to evaluate the effects of education and other services, and of a continuous participation requirement. Participation is mandatory for teen parents on AFDC. It is (or was) being tested in Chicago, Illinois, and Camden and Newark, New Jersey, and was restricted to teen parents who already had one child. In addition, the participation requirement includes required school attendance (high school or GED) and may also include job search assistance and vocational

training, as well as other services such as counseling, parenting instruction, and life skills training. Failure to participate can result in the removal of the teen parent's portion of the AFDC grant.

- New Chance is a 16-site national demonstration providing comprehensive education and training, and employability, life management, and parenting instruction to young (17 to 21 years of age) AFDC mothers who are high school dropouts. Its experimental design evaluation will provide impact data on educational attainment and achievement, employment, earnings, welfare receipt, and fertility. This demonstration is targeted at AFDC recipients who are older than the typical high school or learnfare population, but who are also at risk of long-term dependency.

Comprehensive Services Demonstrations

Project Redirection was a voluntary demonstration for AFDC-eligible mothers under age 18, which provided comprehensive after-school services designed to prevent school drop out, teach parenting and life management skills, and increase employability. While it did lead to greater short-term high school attendance, there was no long-term difference in educational attainment between the experimental and the comparison group members. However, after five years, those in the demonstration had an increase of $39 in weekly earnings and a decrease of 12 percentage points in welfare receipt, but higher rates of childbearing (Polit, Quint, and Riccio, 1988).

Work/Education Programs: Job Corps

Job Corps is a Federally administered employment and training program for economically disadvantaged youth between the ages of 14 and 21. Job Corps services are typically administered in a residential setting and provides a wide variety of services, including basic education, vocational skills training, and work experience, in addition to support services such as subsistence, clothing, health care, and recreation.

Mathematica Policy Research, Inc., did an extensive evaluation of the Job Corps program, which is considered to be of high quality, but did not use random assignment. It had a large sample of program participants (5,200) and a non-participant comparison group (1,500). The data were gathered on participant and comparison groups for three to four years. The comparison group was carefully drawn from youth eligible for Job Corps, but residing in geographic areas where Job Corps enrollment was low. The comparison group of youths was developed from lists of school dropouts (70 percent) and from applicants to local Employment Service offices (30 percent). Sophisticated econometric techniques were used to try to control for selection bias (a

major problem in evaluations not relying on random assignment). The principal evaluation results were:

- An increase in employment of over three weeks per year.
- An increase in earnings of approximately $655 per year.
- A very substantial increase in the probability of having a high school diploma or equivalent (a fivefold increase).
- Higher college attendance.
- A reduction in the receipt of welfare, amounting to an average of over two weeks per year.
- A reduction in criminal activity for participants during the period they were in the program and after leaving it; participants had fewer arrests for serious crimes than did the comparison group.

In addition, a cost-benefit analysis concluded that, from the view of society as a whole, the program returns $1.46 for every $1 it spends. However, much of the "benefit" in the benefit-cost analysis comes from reduced criminal activity. Here, the results depend, in large part, on the dollar value placed on reductions in certain kinds of crimes, e.g., murder. Without these benefits, the program does not appear to be cost-effective. It is also worth noting that the program only returns 98 cents on the dollar for non-Corpsmembers (i.e., it is not cost-effective from the rest of society's perspective).

HOW SHOULD THE PROPOSAL BE IMPLEMENTED?

OPTIONS

Option 1: Full-Scale, Immediate Implementation

Proposal: Make welfare transitional assistance of limited duration and provide jobs for those whose transitional assistance has ended.

Discussion: Proponents of immediately replacing welfare with transitional support and a guaranteed community service job argue that this would transform the welfare system into one that emphasizes self-sufficiency. Most proposals would provide recipients with the assistance needed to become employable (e.g., by expanding the JOBS program and support services) and would ensure that once employed, either in the private sector or in a government job, they would not have to live in poverty (e.g., by expanding the EITC and providing universal health care coverage).

Opponents argue that a time limit on assistance could harm children in families where the parents do not take jobs after the time limit on welfare receipt has been reached, by reducing the low level of family income still further. (To address these concerns, some time-limited welfare proposals incorporate other antipoverty programs, such as child support assurance and universal health care coverage. The availability of these benefits as well as other existing benefits not time-limited, reduce the potential adverse effects on children.) In addition, because there are a myriad of details that need to be specified and most program specifications have been untested, imposing a program designed at the Federal level could have other unintended negative effects. Moreover, States may resist attempts to impose a program from the top-down, rather than from the bottom-up. Finally, the initial cost and service capacity problems are likely to be serious.

Issues: Full-scale implementation would require identifying the many detailed provisions that would have to be part of the proposal. Monitoring implementation would be important, but difficult, given the limited experience with such a program.

It is not clear what the impact of such a proposal would be on Federal and State costs. Initially costs could be increased substantially, as more welfare recipients avail themselves of services to prepare for employment. After the time limit, there will be welfare savings, but there will also be costs associated with implementing the guaranteed work program. Depending on the structure of the program, these costs could even outweigh any welfare savings. Mickey Kaus, whose proposal is perhaps the most far-reaching, estimates the initial annual cost of his proposal to be between $43 and $59 billion.

Option 2: Phased Implementation

Proposal: Given the magnitude of the proposal, a time limit coupled with a guaranteed jobs proposal could be phased in.

Discussion: Various elements of the proposal could be phased in, which would allow policymakers more time to assess the effects of the proposal, as well as to minimize initial costs and allow States time to build the capacity to serve individuals through JOBS and a guaranteed work program. The phase in can be related to specific provisions and/or subgroups of the welfare population. As service capacity and State experience grows, the program could be expanded to additional subgroups.

Potential subgroups include:

- AFDC-UP recipients. AFDC-UP recipients tend to be less disadvantaged than the overall AFDC population (due to the requirement that they have a recent work history) and face fewer barriers to employment (e.g., since it is a two-parent household, child care is not likely to be a problem). In addition, the current AFDC-UP is, in some ways, already similar to the proposed time-limited/guaranteed job proposal. Until passage of the Family Support Act of 1988, the UP program was a State option and about half the States chose not to provide benefits to intact families where the principal earner was unemployed. Even today, 13 States have adopted the Family Support Act option to impose a time limit, generally six months in a 12-month period. Beginning in FY 1994, States will face participation rates that rise from 40 percent to 75 percent by FY 1997, where adults in UP families will be required to participate at least 16 hours a week in a work program.

  Implementing the proposal for AFDC-UP recipients first would allow testing it on a relatively small segment of the caseload. It is a group that is typically less dependent on public assistance and has some prior work experience. The work requirement for this population also means that many of the costs of the guaranteed jobs program would be incurred even in the absence of a new proposal, thereby minimizing initial costs. There is some evidence from the Utah Emergency Work Program that such an approach can be effective. However, restricting the proposal to this group would ignore those most at risk of long-term dependency and provide little insight to the potential impact of extending it to the rest of the AFDC population (although it could serve to identify important implementation issues).

- New Applicants. Mickey Kaus (1992, p.251) has argued that the proposal could be limited to new applicants: ". . .

current welfare recipients could be 'grandfathered,' if necessary, to avoid the Take Away problem of ending benefits for those accustomed to receiving them. They could still be required to work in return for their checks--'workfare.' But new single mothers would not be required to work for their checks. They would not get checks." This also helps avoid the start-up problem of having to provide JOBS services and then actual jobs after a certain period to all current recipients; restricting the proposal to applicants would limit the annual number of JOBS participants and new guaranteed jobs to a manageable number. However, by ignoring current recipients, potential long-term savings are reduced and such a phase-in could deter current recipients from leaving welfare, if they thought they may have to return to a system with stricter requirements.

Sawhill (1992, p.5) has proposed a similar, but even more narrowly targeted subgroup: new, first-time recipients. While this would address the disincentive for leaving welfare for current recipients, since they could receive aid if they applied again, it creates more data collection problems, since States would be required to exempt those who had earlier received AFDC. This could be a problem if past receipt was many years earlier or in another State. In addition, it would further narrow the population subject to the new rules.

- Other potential subgroups that could be targeted include: non-exempt AFDC recipients, employable AFDC recipients (e.g., those with prior work experience or a high school degree).

Various provisions of the proposal could also be phased in:

- Time Limit. A longer time limit could be allowed for current recipients and applicants in the early years of the proposal to allow States to build up their JOBS programs to serve all those who need assistance in becoming employable. As the time limit takes effect, and the number of AFDC recipients declines, the time limit could be shortened, since all families can be assured of getting needed services before the time limit has expired.

- Sanction. The penalty or sanction for not working after the time limit has expired can be gradually increased to allow people to adjust to stronger penalties. For example, initially the sanction could be the current JOBS sanction, but later it can be increased to include larger reductions in AFDC and/or include reductions in other welfare programs as well. This would reinforce the importance of achieving self-sufficiency. Alternatively, a single sanction can be selected, but the severity for all groups can be increased (or decreased) over time, as individuals become more aware of

it (e.g., it could be the current JOBS sanction for those on aid 2 to 4 years; 50 percent of the grant for those on 4 to 6 years; and the entire grant for those on over 6 years.

- Work Program. Participation rates, like those that now exist for JOBS, could be built into the community services jobs program. Since initially it may be difficult for the government to guarantee jobs for all those who need them, the proposal could include rising participation rates, where a certain percentage of those who have exceeded their time limit on welfare would be required to work (while the others would continue to receive assistance). This would allow time to build capacity to serve all those who need jobs, and at the same time provide incentives to become self-sufficient, rather than rely on the possibility of having to take a government job.

While there may be valid reasons for phased implementation, others will contend that this would not send a clear message that welfare is transitional, if, as Sawhill (1992, p.5) notes, "it exempts at the outset a significant proportion of recipients from the time limits -- even if only temporarily." She also adds that "the exemptions absolve States of the responsibility for developing sufficient resources to move a large number of recipients off the rolls and into work."

Option 3: State Options

Proposal: Allow States to define the specific elements of their proposal. The Report of the Task Force on Poverty and Welfare (p. 77) argues for this approach: "Experimentation is needed to determine the best arrangement of time limits, requirements, and services. Moreover, different states may find different arrangements that make sense given the conditions of the local economy, the capacity of the state to deliver services, and the characteristics of the caseload."

Discussion: States have historically had significant flexibility to operate the AFDC program under broad Federal guidelines. Giving States the flexibility to define the parameters under this proposal would continue that tradition and would allow them to tailor programs to best meet their needs and resource constraints.

Opponents of this approach could argue that without a national program, with a specific set of rules, significant differences between States in the development of their proposals could create artificial incentives (or disincentives) to migrate to other States. Moreover, there may be little reform, if States are concerned about initial costs being too high.

Option 4: Experimentation

Proposal: Test different versions of the time limit/work requirement, to determine the effects on self-sufficiency, welfare dependency, children's outcomes, etc., and for various subgroups. The demonstrations can also test the feasibility of implementing the reform plan, e.g., the feasibility of achieving a 100 percent participation requirement in a guaranteed job. A demonstration approach would allow testing the impact of varying individual provisions of the proposal, such as: the length of the time limit; exemptions from the work requirement; the wage level for government jobs; the hours per week to be worked; private sector hiring incentives; and other important provisions. The results of these experiments could be used to determine whether the proposal should be implemented nationally and, if so, how it should be structured.

This approach has been endorsed by Senator Boren and Mickey Kaus, in separate proposals for the testing of a government jobs program, and by several Republican members of the House Ways and Means Committee, for purposes of testing a time limit on welfare and government jobs as a replacement for welfare benefits (testing them together, as well as separately).

Discussion: It has been argued that dramatic changes in the welfare system should be tested on a smaller scale before being implemented nationwide. As Ellwood (1992, p.25) notes: "[W]e 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 and offers a far greater chance of moving the system in an appropriate direction." He also notes that allowing States to voluntarily design new programs and compete for Federal dollars, rather than imposing a mandatory national program, would lead to better implementation and more creative thinking. In addition, State plans are likely to be bolder than a national plan would be, as evidenced by some State welfare reform proposals, whereas 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." (In fact, Vermont's current welfare reform demonstration, if approved, would implement a time-limited welfare reform proposal, with a guaranteed community service job afterwards.) Finally, given the potential for large initial costs, with uncertain future savings, beginning with a smaller number of States would permit bolder plans to be tried and identify which are most cost-effective.

Opponents of experimentation could argue that it does not radically change the nature of the welfare system for most welfare recipients and may result in nothing more than a limited number of

demonstration projects. Proponents of immediate full-scale implementation could argue that there is already considerable research on many aspects of the likely effects of a time-limited welfare reform plan, with a guaranteed jobs component for those who exceed the time limit. For example, research clearly shows that the provision of benefits reduces work effort (though there is still debate over the magnitude of this reduction); therefore, ending benefits after a fixed period of time is sure to increase work effort. Similarly, research on welfare-to-work programs show that such programs can increase the earnings and reduce the welfare dependency of those who participate, suggesting that making such programs widely available during the first 2 years of welfare can lead to greater self-sufficiency. Moreover, evaluations of work experience and public service employment programs also show some evidence of success. Opponents of the demonstration approach could argue that the problems facing the poor are so serious that steps must be taken immediately and reform cannot be delayed for years, while experimental programs are evaluated. Finally, full-scale enactment would not preclude experimental projects, which could test variations of the proposal and provide the foundation for further refinements in the proposal.

In response to these arguments, proponents of the demonstration approach could argue that existing research is inadequate to fully assess the proposal. For example, research on the relationship between welfare benefit levels and work effort has been based on differences in benefits between States or over time; some proposals to time-limit benefits would eliminate all unconditioned assistance after a certain period of time, something that has never been tested. Existing research cannot be used, with confidence, to estimate the effects of eliminating welfare altogether. Similarly, the research on welfare-to-work programs generally shows modest effects, meaning that many families may be required to participate in a community service job. There is little evidence on the effectiveness of such programs for most welfare recipients, and there is even some evidence that such programs can have negative effects on some groups, e.g., adult men.

Advocates of experimentation could also argue that full-scale implementation could involve enormous start-up costs, as JOBS funding would have to be significantly expanded to provide for assistance for the first two years on welfare. Even after the time limit is reached, significant costs could be involved in providing guaranteed government jobs. Given the uncertainty regarding the cost-effectiveness of this approach, a demonstration approach would involve more limited funding initially and would provide cost-benefit results for various approaches.

Finally, proponents of the demonstration approach argue that past research suggests the need to be cautious of unintended side-effects. Indeed, findings from the SIME/DIME income maintenance experiment, which suggested that a guaranteed income might increase

marital breakup among welfare recipients, was partially responsible for the defeat of the Carter welfare reform plan.

Issues: All evaluations of demonstration programs are subject to biases, some of which may be particularly serious in testing a proposal that sets a time limit on assistance and requires work thereafter. Most important may be the strong incentive for recipients who lose their benefits to move to another jurisdiction to continue collecting benefits. In addition, those participating in a demonstration may not respond the same a way as they would to a permanent program and the results for one particular site may not be generalizable to the broader welfare population. Finally, the results would not reflect important interactions with other antipoverty strategies, unless enacted immediately, such as expansions in the Earned Income Tax Credit, universal health insurance, and indexing of the minimum wage, unless they were enacted nationally.

Option 5: The Ellwood Proposal

Proposal: David Ellwood (1992, pp.23-24) recently laid out a specific approach for implementing a time limited welfare system with a work program, which combines elements from all four options. His plan would be phased in by initially permitting a modest number of States (up to a dozen) to implement bold welfare reform proposals, gradually adding other States over time, until all States are participating. States would have flexibility in implementing the various provisions, so that different versions of the plan could be tested. Key elements of his proposal include:

- States would be required to have policies to reduce the fraction of welfare recipients who receive aid for 2 or 3 years by at least 25 percent (or some other figure), giving the States considerable flexibility in the use of AFDC, Food Stamp, housing assistance and other welfare program funds. The policies could include "alternative training programs, child care, integrated services, child support enforcement and assurance, altered work incentives, subsidized private employment, etc."

- States would be required to have a system for tracking welfare recipients in employment and training activities and for determining who is employable, giving them latitude in the definition of employability.

- States would have to have some form of time-limited assistance for the employables, after which some would be allowed to adopt a CWEP-type work plan, while others would implement a "true time limited welfare followed by public/private jobs program."

- States would be required to improve their child support

enforcement system, where some would be allowed to include child support assurance in addition to strengthened enforcement procedures.

- A comprehensive evaluation plan would be required for all proposals (though there is no definition of "comprehensive").

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

Discussion: The Ellwood proposal combines many of the advantages of all four options. First, it begins the process for a radical restructuring of the welfare system, making it a transitional program. By phasing it in, however, the initial costs are kept to a minimum and testing variations allows policymakers time to evaluate key provisions and better inform other States on how best to implement a time-limited welfare system. The project is likely to be more successful, and reform proposals more far-reaching, if States with the most interest and support are allowed to implement first, with the design of their choice. Furthermore, political opposition is likely to be reduced, if the number of proposals is limited and include provisions for solid evaluation.

Ellwood (p.27) cautions: "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."

Issues: The proposal does not define what a rigorous evaluation method would be. It is also not clear whether the plans would be implemented statewide or in certain political subdivisions large enough to accommodate a rigorous evaluation.

FINANCING ISSUES

The cost of the welfare reform plan depends critically on the details of program design. Even when these are specified, however, cost estimates would be very tenuous because of the uncertainty regarding how individuals and governments will respond to the new program, and also because of the uncertainty over future economic conditions. Thus, any cost estimate requires numerous assumptions and all such estimates should be interpreted as more suggestive than predictive. This section will identify some of the key issues which must be considered in developing cost estimates, but will not attempt to estimate the cost of any proposal.

DIRECT COSTS/SAVINGS

JOBS/AFDC

The impact on JOBS and AFDC costs depends critically on how the JOBS program is changed for those on during the first 2 years and how the time limit is structured.

Mandatory Program. Making the program mandatory for all non-exempt recipients, i.e., a 100 percent participation rate, would dramatically increase the number of JOBS participants in the first 2 years of the program. Currently, approximately 500,000 individuals participate in JOBS in an average month. If mandatory, this could swell to 3 million in an average month. Thus, total spending on JOBS participants would rise by a factor of six and JOBS spending itself by a factor of more than six, since currently other programs (e.g., JTPA) pay for a sizeable (but unknown) portion of costs for JOBS participants and are not likely to increase their contribution to JOBS. After 2 years, JOBS costs would fall sharply, as most of those who received AFDC at the start of the program are either off assistance or in the community services jobs component. After this point, costs would depend on the number of applicants to AFDC. This would, in the long-term, be less than the number of applicants currently, since many current applicants have previously been on welfare and may not qualify for assistance under the new program because they would have exhausted their time-limited benefits.

The impact of making JOBS mandatory on AFDC costs is unclear. Some activities may reduce AFDC costs by helping individuals get off assistance (or reduce their reliance on the program), while others may increase them in the short-term, as individuals prolong their time on AFDC to "invest" in the development of their human capital.

Limiting Exemptions. Currently, over half of AFDC recipients are exempt, primarily because they have a child under three years of age. If this exemption is lowered and/or other exemptions are loosened, this would expand the number of individuals that would have to be served under JOBS, both in the short-term and in the long-term. This change would increase AFDC savings at the two-

year point, since a larger number of individuals would have exhausted their time-limited AFDC benefits.

Expanding JOBS Services. If more JOBS component activities and support services are required to be offered statewide and/or new activities are added to the program, this would increase costs, especially if participants are given greater latitude in selecting activities and choose high-cost interventions.

Strict Time Limit for AFDC. A program with a strict time limit, e.g., a 2-year lifetime limit, is likely to reduce JOBS costs relative to a program with a loose limit that allows individuals to stay on AFDC longer and therefore access JOBS services for a longer period. Similarly, a strict time limit would increase AFDC savings, since more individuals are likely to exhaust their time-limited benefits.

Immediate Implementation. Immediate, full-scale implementation would result in higher JOBS costs during the first 2 years than a phased implementation, but would also increase AFDC savings at the 2-year point. Conversely, a phased implementation would result in lower initial JOBS costs, but would also reduce AFDC savings at the 2-year point. In addition, JOBS costs would be higher after the 2-year point.

Community Services Jobs. There will also be direct costs associated with the community services jobs program, which could be incorporated within the JOBS program. These costs would be higher if a public service employment approach were adopted, rather than a workfare approach, since the wages paid to all those who have exhausted their time limit is likely to exceed welfare benefits in most States. Even in States where this is not the case, costs would rise if recipients are allowed to retain their benefits while working full-time. Of course, these costs would be offset to some extent by savings not just in AFDC, but also other Federal programs, such as Food Stamps and housing assistance.

INDIRECT COSTS/SAVINGS

The costs of many programs would be indirectly affected by a reform proposal that limited AFDC benefits to 2 years of receipt and required work thereafter.

Food Stamps

If the reform proposal implemented resembled the "workfare" model, Food Stamp costs would rise for families that do not comply with the work requirements, as their AFDC benefits are reduced, but they would fall for families that increase their earnings in response to the reform proposal. If community services jobs are provided that pay wages, Food Stamp costs would decline for families that

receive more income from earnings than they did from AFDC, though they would rise for families that refused to comply and received no AFDC.

EITC

A community services jobs program that paid wages could significantly increase EITC costs, since the number of families eligible for the credit would increase dramatically. However, if a workfare program is implemented, EITC costs would only increase to the extent that more families left welfare for work.

Tax Revenues

The welfare reform proposal may also affect Federal, State and local tax revenues, especially if the community services jobs segment pays participants wages.

FEDERAL MATCHING RATES

A fundamental decision that affects not only the distribution of expenditures between the Federal and State governments, but also the overall level of expenditures on programs affected by the reform proposal, is the Federal matching rate applied to each program.

Currently, JOBS is matched at several different rates and overall funding is capped. Under the reform proposal, JOBS costs may increase significantly. States may argue that the Federal government should pay for all of the incremental cost of such an expansion, because they have limited resources, due in part to expansions in mandated by Congress in Medicaid and the Family Support Act requirements. In fact, States are currently only spending about two-thirds of existing JOBS funds and are unlikely to spend more, unless required to by the Federal government. However, 100 percent Federal financing of JOBS reduces incentives for States to run effective programs. As Sawhill (1992, p.13) cautions, "This change could also lead to waste and inefficiency, as states may be less careful in spending and managing money that is not their own." This could be especially dangerous in the area of community services jobs, since there would be little incentive to create meaningful jobs. In fact, States may have incentives to keep people in such jobs, since they can maximize the influx of Federal dollars and perhaps the substitution of jobs funded from Federal sources, as opposed to State and local sources (i.e., fiscal substitution).

In addition, if a time limit is placed on benefits, States may have significant savings in AFDC costs that could be applied to the JOBS program, but these savings would not be available for 2 years and their magnitude would depend on the AFDC reduction, i.e., whether

it is a sanction or whether all AFDC benefits are reduced.

The ultimate decision regarding Federal matching rates should probably depend on how much the current system is changed. If the time limit on AFDC is a sanction, as currently defined, and if JOBS is not changed extensively, the current financing arrangements need not be changed significantly. However, if JOBS is substantially expanded, a community services jobs program paying participants wages is created, and if a significant share or all AFDC benefits are eliminated after 2 years, the overall Federal matching rates may have to be reconsidered, recognizing State fiscal limitations, while also ensuring incentives for efficient administration.

OTHER ANTIPOVERTY STRATEGIES AND THEIR RELATIONSHIP TO A TIME-LIMITED AFDC PROGRAM

A number of antipoverty strategies have been proposed as complements to time-limited AFDC. This section reviews some of these proposals, their advantages and disadvantages as stand-alonge proposals, and also issues that arise if integrated with time-limited AFDC.

CHILD SUPPORT ASSURANCE

Description. Garfinkel et al. (1992, p.5) describe a child support assurance system as having three components: "child support guidelines, which establish the child support award as a percentage of the nonresident parent's income; routine income withholding, which deducts child support owed from wages and other sources of income, just like income and payroll taxes; and an assured child support benefit, which provides a government guarantee of a minimum level of child support to the resident parent of a child legally entitled to private support." In other words, if the absent parent cannot pay the minimum level, the government would make up the difference. While many proposals differ on the details of a child support assurance system, the minimum assured benefit per child is around $2,000.

Discussion. Advocates of an assured benefit argue that it would enable single parents who work full-time even at the minimum wage, to escape poverty. In addition, since most proposals offset the assured benefit against welfare, it offers no net gain to the non-working AFDC recipient, but does offer an increased incentive to work, since the assured benefit (unlike welfare) is not reduced as earnings rise. In short, it will ensure that those who play by the rules are rewarded.

Critics of the assured benefit acknowledge that work effort among welfare recipients may increase, but that overall work effort may decline, as the increase in unearned income for single parents not on welfare reduces their incentives to work. In addition, they argue that the assured benefit would significantly increase government expenditures, with much of the spending going to nonpoor families, and that it may increase the incidence of single parenthood.

Issues. An assured child support benefit of $2,000 per child equals $333 per month. This is larger than the AFDC benefit for a three-person family in many States and is not much lower than the $372 AFDC benefit in the median State. This means that a time-limited AFDC program has very little meaning for many families in many States. For example, in the median State, the AFDC benefit would be reduced to $39, which means that failure to work after 2 years would result in a very small penalty; in some States there would be no penalty. However, other AFDC families not eligible for

the assured benefit, e.g., those eligible for AFDC due to the death of a parent or single parents who do not have a child support award, would be subject to the full penalty. This could be perceived as inequitable treatment. Finally, if the assured benefit makes a family ineligible for AFDC, it also becomes ineligible for JOBS; thus, even though its dependence on government assistance has increased, the family has access to fewer services designed to promote self-sufficiency. These issues must be addressed if a time-limited AFDC program is to be implemented.

HIGHER MINIMUM WAGE

Discussion. Proponents of indexing the minimum wage argue that wihtout indexing the real value of the minimum wage would be eroded with inflation. Even with an indexed minimum wage, full-time earnings for a three-person family would be $____ below the poverty threshold of $_____. Indexing the minimum wage would ensure that the family would not fall further behind. If combined with the existing EITC, the family would have an income of $____.

However, there is nearly universal consensus that increasing the minimum wage, even if the increase is an adjustment for inflation, would reduce employment opportunities. This effect would be greatest for teenagers. Moreover, critics of indexing the minimum wage argue that it is not an efficient antipoverty mechanism, because most workers who earn the minimum wage do not head families, do not work full-time, or live in households whose total income is well above poverty. As a result, the vast majority (over 80 percent, according to CBO) are not in poor families. Hence, most of the benefits from indexing the minimum wage would not go to the poor.

Issues: Indexing the minimum wage would increase the cost of the community services jobs program, if it is based on the public service employment model, where participants are paid wages, especially if such wages are linked to the minimum wage. If the proposal is based on the workfare approach, it would reduce the number of hours AFDC recipients must work in workfare positions, if AFDC benefits fail to keep pace with inflation.

CHILDREN'S TAX CREDIT

Proposal. A proposal ennunciated in Putting People First is to: "Grant additional tax relief to families with children." One way to do this would be to provide a children's tax credit.

Discussion. Proponents of a children's tax credit argue that it would provide assistance to all families with children and would not stigmatize the poor. Opponents of the tax credit argue that it would be costly and would provide much assistance to nonpoor families, reducing the resources that could otherwise be used to help the poor. In addition, it could reduce work effort.

SAVINGS INCENTIVES FOR AFDC RECIPIENTS

Proposal. A Clinton/Gore fact sheet identified raising the asset limit from $1,000 to $10,000 for recipients to save for specific purposes, such as job training or college.

Current Law: The AFDC asset limit is $1,000 in equity value; in addition, it is $1,500 in equity for automobiles.

The Bush Administration FY 1993 budget includes a proposal to allow States the option of disregarding resources up to $10,000 for recipients, but only if the State determines that any such disregarded resources are being retained for later expenditure for a purpose directly related to improving the education, training, or employability (including self-employment) of a family member or for the purchase of a home for the family.

Discussion. Allowing AFDC recipients to accumulate more in resources is aimed at reducing recidivism, i.e., when a minor setback puts families back on the AFDC rolls. If AFDC recipients were allowed to accumulate more resources before leaving the rolls, they may be able to remain off the rolls in the future by using these resources. Extending the higher limit to applicants is often justified on equity grounds.

There is no empirical evidence on whether increasing the resource limit for AFDC recipients (or applicants) would promote self-sufficiency. An argument could be made that allowing welfare recipients to accumulate more resources would reduce the recidivism rate and promote productive behavior (i.e., savings). Sherraden (1991) believes that the current welfare system is flawed because it encourages only consumption. He argues that allowing welfare recipients to accumulate assets will "change the way people think and interact in the world," making them more productive. However, there is no solid evidence to support (or disprove) this assertion.

However, a higher resource limit would also increase welfare dependency by lengthening welfare spells, since families would no longer be disqualified once their resources exceeded the $1,000. It is not clear how large this latter effect would be, since any family that, under current rules, would be disqualified for excess resources, could simply spend them on current consumption to avoid being disqualified from the program. Raising the resource limit would also weaken the safety net argument for welfare.

Expanding resource limits only for recipients raises an equity issue. Whey should families that had acquired assets while on AFDC continue to be eligible for AFDC, while other families that have a similar level of assets while managing to stay off AFDC be ineligible for AFDC?

Issues. Raising the asset limit in a time-limited AFDC program

may not have a significant effect, since most recipients would only be allowed to receive aid for 2 years, although the potential for asset accumulation would be increased if the community service jobs program were based on the workfare model, where recipients would continue to get aid. If the community service jobs program retains the income and asset eligibility rules, however, this proposal could extend eligibility for the community services jobs and because such jobs pay more than AFDC, may enhance the ability of individuals to save.

AFDC MARRIAGE PENALTY

Current Law: Eligibility for two-parent families in AFDC is contingent upon the principal earner having a work history and now working over 100 hours a month.

Discussion: Some believe that the AFDC program discourages remarriage, because the family would, in many instances, lose its AFDC benefits. Some proposals would allow single-parent families on AFDC to retain all or part of their benefits for a period of time if they marry. This is intended to serve as incentive for marriage. There is no solid empirical evidence on this topic, but the research available does not suggest that reeipt of AFDC benefits is a deterrent to marriage.

Issues: What happens if a mother remarries just before her time-limited assistance runs out? Can the intact family retain benefits for a longer period of time?

EDUCATION/IMMUNIZATION REQUIREMENTS FOR AFDC CHILDREN

Current Law: The AFDC program does not have minimum attendance requirements for school-age children, nor does it require immunizations for pre-school children.

Proposal: Some proposals would sanction the AFDC caretaker if the family's children failed to meet certain school attendance and/or immunization requirements.

Discussion: The intent of these proposals is to improve long-term self-sufficiency and health status by increasing the school-attendance of AFDC children by requiring them to meet minimum attendance standards and getting necessary immunizations or risk losing some AFDC benefits. These proposals are now being tested by several States, but it is unclear what their impacts are.

Issues: If AFDC is time-limited, these requirements may lose their meaning, unless also applied to those in community service jobs.

EARNED INCOME TAX CREDIT (EITC)

Current Law: The EITC was enacted in 1975 to provide tax relief to low-income taxpayers with children. As originally enacted, the credit equalled 10 percent of the first $4,000 of earned income (i.e., a maximum credit of $400). The credit was phased out for adjusted gross income (AGI) or, if greater, earned income, above $4,000, and was entirely phased out for taxpayers with AGI of $8,000.

The EITC has been modified several time since its inception. Most recently, the Omnibus Budget Reconciliation Act of 1990 substantially increased the maximum amount of the basic credit and added an adjustment to reflect family size. It also created two additional credits as part of the EITC, the supplemental young child credit and the supplemental health insurance credit.
For 1992, the basic EITC rate is 17.6 percent for taxpyaers with one qualifying child and 18.4 percent for taxpayers with more than one qualifying child. The maximum basic EITC is $1,324 (17.6 percent of $7,520) for taxpayers with one qualifying child and $1,384 (18.4 percent of $7,520) for taxpayers with more than one qualifying child. It is phased out for taxpayers with AGI (r, if greater, earned income) above $11,840 at a rate of 12.57 percent for each dollar of AGI over the threshold (13.14 percent for families with 2 or more qualifying children). The basic EITC is completely phased out for AGI above $22,370. The income thresholds are adjusted for inflation. Table 1 shows how these parameters have varied since the program's inception through 1994.

Unlike most tax credits, the EITC is refundable, i.e., if the amount of the credit exceeds the taxpayer's Federal income tax liability, the excess is pabale to the taxpayer. Also, under an advance payment system, eligible taxpayers may elect to receive the benefit of the credit in their periodic paychecks, rather than waiting to claim a refund on their return filed by April 15 of the following year. However, less than 0.5 percent of taxpayers who claimed the EITC in 1989 chose to receive advance payment of the credit.

The supplemental child credit is availabe for children who have not reached the age of one by the end of the calendar year. It uses the same limits and phaseout range as the basic EITC. In 1992, the supplemental credit equals 5 percent of the first $7,520 of earned income; the phaseout percentage is 3.57 percent. The maximum credit is $376.

The supplemental health insurance credit component of the EITC is available for certain health insurance premium expenses. This supplemental health insurance credit also has the same income limits and phaseout range as the basic EITC; it is 6 percent of the first $7,520 of earned income and is phased out at a rate of 4.285 percent. The maximum supplemental health insurance credit is $451. It is available to offset premiums paid for health insurance coverage that includes one or more qualifying children; it may not exceed the household's actual health insurance premium

costs. The supplemental health insurance credit is refundable, but in not available on an advance basis.

Proposal: In Putting People First, President-elect Clinton wrote that the Earned Income Tax Credit should be expanded "to guarantee a "working wage" so that no American with a family who works full-time is forced to live in poverty."

Discussion: Proponents of expanding the EITC typically claim that it would increase work incentives and strengthen families. There is little research on this subject, and economic theory provides no clear insight into the direction of the effect on the low-income population. The three ranges of the EITC -- phase-in, stationary and phase-out -- have different effects upon work effort.

> A worker in the phase-in range (earnings less than $7,520) finds that both his net wage and income is about 18 percent higher. The higher net wage provides an incentive to work more hours, but the fact that income is higher at the current hours of work means that there is less need to work. Thus, theoretically, the effect of the EITC in the phase-in range is uncertain, although most empirical evidence indicates that greater returns to work at low income levels stimulate greater work effort.
>
> A worker in the stationary range (income between $7,520 and $11,___) finds that his net wage is unchanged, but that his income is higher by $1,3__ (the maximum credit), which reduces the need to work. Hence, in the stationary range the EITC provides an incentive to reduce work effort.
>
> In the phase-out range (income between $11,___ and $22,___), the worker has a lower net wage because of the 1_ percent phase-out rate). However, his income is still higher because of the credit. Both of these changes provide incentives to reduce work effort.
>
> However, there is also a fourth group: those who would not be working in the absence of the credit. For them, the EITC is simply a wage increase and their work incentives are unambiguously positive.

Since the EITC affects different groups differently, it is not clear what its impact is on labor supply. One empirical study (Hoffman, 198_) of the EITC estimates that it reduced the "labor supply of EITC recipients by just over 30 hours a year." Since there were about 9.2 million recipients in 1988, this translates into 276 million hours, or the equivalent of 138,000 full-time jobs. Further, since the average wage of those receiving the EITC was $4.31 an hour, the reduced work effort due to the credit resulted in a reduction of $1.2 billion in earnings. Since the EITC cost $5.5 billion in that year, its net effect in raising incomes was $4.3 billion. (This estimates does not include the

impact of the $5.5 billion cost of the EITC on the private economy.)

It is worth noting that although the EITC may not raise the incomes of all recipients by the full amount of the credit, those receiving the credit are unambiguously better off, since they have more income than in its absence. Thus, if the overall wellbeing of poor households is considered more important than their work effort, an expanded EITC is an unambiguous improvement.

By increasing family incomes, an expanded EITC may reduce financial pressures that lead to family stress. However, some families may have incentives to split, since doing so would allow them to each claim the EITC (assuming both parents work and each has at least one child) and perhaps receive a larger total subsidy amount. While it is unlikely that there would be significant family effects of this sort, the example shows that it is not clear the direction these effects may be.

Some argue that an expansion of the EITC achieves the same objective of a minimum wage but does so directly and efficiently. Even with the enacted minimum wage increase, they argue that an EITC expansion is still necessary to help larger families with low wage jobs escape poverty. However, the degree to which EITC benefits are targeted to the poor depends on how it is structured; many proposals allow families with incomes well above poverty to receive fairly substantial benefits. The problem with restricting the bulk of the benefits to those below poverty is that the phase out rate then has to be very high.

Perhaps the most convincing argument for an EITC expansion is that it raises the well-being of participating families without causing major reductions in their own self-support. Taxpayers generally support the subsidy because it rewards those who take steps to support themselves. However, as Gary Burtless has noted, expanding subsidies like the EITC "will not save taxpayer dollars either in the short run or the long run." Thus, some argue that scarce Federal resources would be better spent by addressing the problems of the most disadvantaged and/or invested in initiatives that also lead to reductions in government spending (i.e., are cost-effective from a government-budget standpoint).

Some have expressed concern that the current EITC does not provide greater assistance to larger families with greater needs. They argue that increasing the credit rate according to the number of dependents would help protect larger families. Others note that since the EITC is restricted to those with earnings and at least one dependent child, only about 21 percent of all poor households were eligible in 1986. Twenty-three percent had earnings but not children, 18 percent had children but no earnings, and 37 percent had neither earnings or children. To increase its effectiveness as an anti-poverty device, some recommend extending the EITC to childless families and individuals as well.

DEVELOP CHARTS/TABLES SHOWING HOW THE EITC WOULD HAVE TO BE CHANGED TO LIFT FAMILIES WORKING FULL-TIME AT THE MINIMUM WAGE OUT OF POVERTY; SHOW NECESSARY PHASE-IN AND PHASE-OUT RATES; ESTIMATE COST

Issues: Should the EITC be increased to raise gross income or net income (i.e, less other taxes) to the poverty level? How can advance payments on a monthly basis be encouraged? Should welfare program income be counted as income for EITC purposes to improve targeting and minimize the cost of the expansion? If EITC refunds are significant, how can employers make advance payments?

The EITC is an earnings subsidy; it provides a payment based on the worker's annual earnings. One concern expressed about earnings subsidies, such as the EITC, is that they do not provide an incentive to work harder for low wage workers who earn more than $7,520 (the level at which the maximum EITC subsidy is payable). Most proposals geared at expanding the EITC would provide incentives primarily to those with relatively low earnings. People whose earnings are above $7,520 (or whatever other level is selected) are made better off, but their reward for working longer hours is unchanged.

WELFARE MEETING
Wednesday, April 14, 1993
OEOB, Room 324

Attendees

White House

Bruce Reed
Kathi Way
Gene Sperling

OMB

Isabel Sawhill

CEA

Joe Stiglitz

HHS

David Ellwood
Mary Jo Bane
Wendell Primus
Paul Legler
Ann McCormick

Treasury

Maurice Foley
Robert Carver (IRS)

Justice

Deborah Sorkin

Agriculture

Jane McNeil

Labor

Tom Glynn

THE WHITE HOUSE

WASHINGTON

April 13, 1993

MEMORANDUM FOR MEMBERS OF THE WORKING GROUP ON WELFARE REFORM, FAMILY SUPPORT AND INDEPENDENCE

FROM: BRUCE REED BR
DAVID T. ELLWOOD DTE
MARY JO BANE MJB
WORKING GROUP CO-CHAIRS

SUBJECT: April 14, 1993, Meeting of the Working Group

We are happy to report that we are ready to begin work on President Clinton's welfare reform agenda. As you know, the President has called for an end to welfare as we know it by giving people a real alternative to welfare and a genuine opportunity to regain control of their lives.

We are writing to confirm your invitation to participate on the Working Group on Welfare Reform, Family Support and Independence. The first meeting of the Working Group is scheduled to be held Wednesday, April 14, 1993, at 4:00 p.m. in Room 324 of the Old Executive Office Building.

Attached is an agenda for the meeting and a notebook that includes information on the charge to the Working Group, an initial administrative plan, and a possible schedule for Working Group activities. Also included are some reference materials on welfare reform.

We look forward to working with you to carry out the President's agenda.

Attachments

Working Group on Welfare Reform, Family Support and Independence

April 14, 1993

- Introductory Remarks
- Welfare Reform Agenda - Vision
- Working Group Plan
- Schedule
- Next Steps

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

Charge to the Working Group on Welfare Reform, Family Support and Independence

The Working Group on Welfare Reform, Family Support and Independence is charged with developing a welfare reform plan to submit to the Domestic Policy Council by Fall, 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:

- **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.

- **Dramatically improve child support enforcement.** Both parents have a responsibility to support their children. The system ought to ensure that children receive the support they deserve from absent parents.

- **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 training programs need to be expanded, improved and better coordinated.

- **Create a time-limited, transitional support system followed by work.** With the first three steps in place, 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.

Members of the Working Group on Welfare Reform, Family Support and Independence

(Tentative List)

Michael Alexander
Executive Assistant to the Secretary
U.S. Department of Agriculture
Administration Building - Room 220-A
14th and Independence Avenue, S.W.
Washington, D.C. 20250
Phone: 720-9245
Fax: 720-5437

Mary Jo Bane
Assistant Secretary for Children and Families - Designate
Department of Health and Human Services
Aerospace Building, 6th floor
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447
Phone: 401-9200
Fax: 401-5770

Robert Carver
Deputy Assistant Secretary for
Returns Processing
Internal Revenue Service
Department of the Treasury
1111 Constitution Avenue, N.W. - Room 3407
Washington, D.C. 20224
Phone: 622-6860
Fax: 622-6536

Jocelyn Elders, M.D.
Surgeon General - Designate
Department of Health and Human Services
200 Independence Avenue, S.W. - Room 710G
Washington, D.C. 20201
Phone: 690-6467
Fax: 690-5810
Little Rock: 501-661-2110

David T. Ellwood
Assistant Secretary for
Planning and Evaluation - Designate
Department of Health and Human Services
200 Independence Avenue, S.W. - Room 415F
Washington, D.C. 20201
Phone: 690-7858
Fax: 690-7383

Maurice Foley
Department of the Treasury

Thomas Glynn
Deputy Secretary
Department of Labor
200 Constitution Avenue, N.W. - Room 2018
Washington, D.C. 20210
Phone: 219-6156
Fax: 219-7971

Charlotte Hayes
Office of the Vice President

Bruce Katz
Chief of Staff
Department of Housing and Urban Development
451 7th Street, S.W. - Room 10000
Washington, D.C. 20410
Phone: 708-2713
Fax: 708-2476

Madeleine Kunin
Deputy Secretary
Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202
Phone: 401-1000
Fax: 401-3093

Wendell Primus
Deputy Assistant Secretary
for Human Services Policy
Assistant Secretary for Planning and Evaluation
Department of Health and Human Services
200 Independence Avenue, S.W. - Room 404E
Washington, D.C. 20201
Phone: 690-7409
Fax: 690-6518

Bruce Reed
Deputy Assistant to the President
for Domestic Policy
Old Executive Office Building - Room 216
The White House
Washington, D.C. 20500
Phone: 456-6515
Fax: 456-7739

Julie Samuels
Director
Office of Policy and Management Analysis
Criminal Division
Department of Justice
10th and Constitution Avenue, N.W. - room 2740
Washington, D.C. 20530
Phone: 514-4193
Fax: 514-9087

Isabel Sawhill
Associate Director for Human Resources
Office of Management and Budget
Old Executive Office Building - Room 260
The White House
Washington, D.C. 20500
Phone: 395-4844
Fax: 395-5730

Eugene Sperling
Deputy Assistant to the President
for Economic Policy
National Economic Council
West Wing, 2nd floor
The White House
Washington, D.C. 20500
Phone: 456-2620
Fax: 456-2878

Joseph Stiglitz
Council of Economic Advisors
Old Executive Office Building - Room 315
The White House
Washington, D.C. 20500
Phone: 395-5036
Fax: 395-6947

Fernando Torres-Gil
Assistant Secretary for Aging - Designate
Department of Health and Human Services
300 Independence Avenue, S.W. - Room 4661
Washington, D.C. 20201
Phone: 619-0556
Fax: 619-3759

Kathi Way
Special Assistant to the President
for Domestic Policy
Old Executive Office Building - Room 218
The White House
Washington, D.C. 20500
Phone: 456-7777
Fax: 456-7739

Initial Administrative Plan

The Working Group on Welfare Reform, 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 early Fall (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 9 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

1. **Making Work Pay**

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

2. **Child Care and Other Supports**

   - o Child Care
   - o Medical Care, Transportation, Social Supports

3. **Child Support Enforcement and Insurance/Assurance**

   - o Paternity Establishment
   - o Collecting Child Support: Central Registries, Information Reporting, Updating, Other Methods
   - o State versus Federal Role, State Incentive Payments
   - o Child Support Insurance/Assurance

4. **Absent Parents**

   - o Incentives, Supports and Responsibilities for Absent Parents

5. **Welfare/Poverty/Dynamics, Transitional Assistance**

   - o Characteristics, Dynamics, Needs, Health Status and Abilities of Welfare Recipients, Single Parents, Two-Parent Families, Absent Parents, and other groups
   - o Employability Screening Mechanisms; Administration and Design Issues for Time-Limits
   - o Transitional Economic Support
   - o Service Delivery, Client Focus, and Quality Management

6. **Providing Education, Training and Support**

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

7. **Post-Transitional Welfare and Work**

   - Work Strategies After Transitional Welfare (links closely with Make Work Pay groups)
   - Child Care and Other Support Services (same groups as above)

8. **Disability**

   - Ongoing Support for Those Temporarily or Partially Unable to Work

9. **Cost Estimates/Analysis**

   - Cost Estimation
   - Financing

Additional groups may be formed at some later date to examine such topics as the Interaction, Consistency, and Possible Consolidation of Multiple Transfer Programs and State Demonstrations and Waivers.

1. MAKING WORK PAY

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

- How can we ensure that more eligibles receive the advance payment of the EITC?
- Should application for the advance payment of the EITC be integrated into the provision of other services?
- How could the EITC and AFDC income disregards or a Child Support and Insurance payment be integrated?
- Should changes be made in the treatment of the EITC for transfer programs other than AFDC?

2. CHILD CARE AND OTHER SUPPORTS

Child Care

- How much child care is currently being used, what is the adequacy of supply, and how does that compare with the demand that might be expected under various reform options?

- How can current child care programs expand to meet the expected demand? What are the associated costs?

- Can child care be more effectively integrated with other pre-school programs, especially Head Start?

Other Supports: Medical Care, Transportation, Social Supports

- What work related services would be especially useful in helping people find and retain jobs?

- What is known about the importance of transportation services and alternative ways of providing them?

- 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?

- What other support services should be offered and how? Should State flexibility in the choice of support services continue or should certain support services be mandated?

- How should the Federal government ensure that the appropriate level and mix of services are available to recipients on a timely basis?

3. CHILD SUPPORT ENFORCEMENT AND INSURANCE/ASSURANCE

Paternity Establishment

- What should the Federal/State roles be in paternity establishment?
- Should States establish paternity for all out-of-wedlock births, regardless of welfare status?
- What incentives and paternity measures could be devised to increase the number of paternities that states establish?
- Should Federal mandates on procedures or an administrative process be required so that states streamline paternity establishment?

State Versus Federal Role, State Incentive Payments

- What should be the role of the Federal government in child support enforcement? Should the entire child support program be federalized, or should the current Federal-State partnership be maintained? Should the IRS have an increased role in collections?
- If the Federal-State partnership is maintained, should States be required to move toward a central, unified State administration and administrative procedures?
- Should the current dual system of support enforcement be eliminated, so that all parents are provided equal services without regard to IV-D or AFDC status?
- Should there be an alternative funding and incentive payment structure for the Child Support Program?

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

- Should central registries or central clearinghouses for child support payments be used to monitor child support payments, so that the government can take a more active role in seeing that all children receive child support payments?
- How can new hire information be used to maximize the effectiveness of wage withholding?

- How can all child support awards be updated on a periodic basis, so that child support awards are fair to both the parents and children?
- What measures should be adopted to improve interstate enforcement of child support obligations?
- What other child support enforcement techniques should be implemented nationally?

Child Support Insurance or Assurance

- Who would be eligible? What would be the basis for determining eligibility?
- What would be the level and structure of the guarantee?
- What should be the program's administrative structure?
- How should the assured benefit interact with other means/income tested programs?
- Should the program be national, state phased in, or state demonstrations?

4. ABSENT PARENTS

Incentives, Supports and Responsibilities for Absent Parents

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

5. WELFARE/POVERTY/DYNAMICS, TRANSITIONAL ASSISTANCE

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

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

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

- o 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?
- o What do we know about successful client assessment and targeting strategies?
- o How should we treat those who are unable or unwilling to work?
- o What sanctions/incentives should there be?
- o 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?

Transitional Economic Support

- o What level of public aid should be provided during the transition period?
- o Should rules correspond to existing AFDC rules or be completely revised? For instance, should increased earned income disregards and elimination of the 100-hour rule be part of a make work pay strategy? Should elimination of categorical requirements, such as the AFDC-UP attachment to work rule, be part of a

strengthening families agenda? Should increasing the asset limit and the equity value of a vehicle be part of an agenda to encourage work and savings?

- Should we consider a uniform minimum benefit?

- Should other transfer programs be integrated and coordinated with the transitional benefit?

- 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 demonstrations?

Service Delivery, Client Focus, and Quality Management

- How can we ensure that recipients are treated with dignity and respect?

- What do we know about successful service delivery? How can the welfare system be organized to address the multiple needs of families?

- What management lessons can be applied to new or modified programs?

- What are the appropriate performance measures for program workers?

- How can we ensure community involvement and accountability?

6. PROVIDING EDUCATION, TRAINING AND SUPPORT

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

- What education and training strategies have proved most effective in the past? Will employment and training programs be much more effective if work really does pay? Should programs be redesigned if it does?

- How should the Federal government measure and ensure that the appropriate level and mix of services are available to recipients on a timely basis? What can be done to ensure that States use all of their AFDC-JOBS funds?

- How can public-private partnerships be developed and schools used to provide new opportunities for education and training to move people into jobs?

- What should be the participation requirements? Should participation in activities be mandatory or voluntary during the time set for transitional assistance? What other participation options should be allowed, such as volunteer work, private subsidized or unsubsidized employment or combinations?

- How can activities be structured to minimize the number of individuals who reach the time limit and are unable to sustain themselves independently?

7. POST-TRANSITIONAL WELFARE AND WORK

Work Strategies After Transitional Welfare

- 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? What has been the experience with job programs in the past?

- How universal should these jobs be? For former welfare recipients only, or for other poor as well?

- Should jobs be traditional, or adapted to the particular needs of low income parents, especially single mothers?

- How should work hour obligations, if applicable, be determined?

- How will this program be coordinated with other employment and training/education programs?

8. DISABILITY

Ongoing Support for Those Temporarily or Partially Unable To Work

- What kind of support should be provided to those who are partially disabled?
- How should those addicted to drugs or alcohol be helped?
- How should those people who are borderline retarded or borderline mentally ill be treated? Should there be special support provisions made for them?
- 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?
- Should those persons who are temporarily disabled be allowed to receive special support?

9. COST ESTIMATES/ANALYSIS

Cost Estimation

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

Financing

- How much in Federal funds is needed/available to implement the President's welfare reform proposal?
- How can Federal matching rates be structured to maximize incentives for cost-effective programs while maximizing incentives for State commitment of expenditures for administration priorities?
- Should funding be open-ended or capped?
- How can private sector resources be leveraged to provide services and employment opportunities?
- How should changes in financing the proposal be phased in?