

THE WHITE HOUSE
WASHINGTON

Judith M. Gueron
Manpower Demonstration Research
Corporation
Three Park Avenue
New York, New York 10016-5936

THE WHITE HOUSE

July 15, 1993

Dear Judy,

Thank you so much for visiting with us today. As always, it is so very helpful to have you sit and think with us!

Sincerely,

Carol Rasco

THE WHITE HOUSE

2 July 1993

Dear Judy,

Thank you for your letter - very well put, and I know the President will appreciate it also! I look forward to hearing from you about a date to visit.

Sincerely, Carol

MANPOWER
DEMONSTRATION
RESEARCH
CORPORATION

orig: CSR
X: Participants in 6/18 meeting
MDRC

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Roy ↑
All except
Pres. Give
me
an extra
copy to take
him

June 30, 1993

Mrs. Carol Rasco
Assistant to the President for Domestic Policy
Second Floor, West Wing
The White House
Washington, D.C. 20500

Meeting
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Dear Carol:

I was honored to be included in the June 18th meeting and am grateful to you for inviting me. As I mentioned on the phone, I left energized, but also wishing there had been time to explore more of the tough issues that may make or break a successful drive for change. The following comments are offered in response to your request for further thoughts. I am sure that you are well aware of these issues, but their restatement may prove useful.

Reform objectives

Welfare reform is always difficult because it requires balancing two competing objectives: reducing poverty among children and encouraging work and self-support by their parents. For the past 30 years, reformers have struggled to improve on one without sacrificing too much of the other, and without spending too much. The Family Support Act consensus was assisted by evidence that mandatory welfare-to-work programs could reduce dependency without reducing income. Welfare reform in the 1990s will have to address the same concerns and tradeoffs. And, again, reformers will face budget constraints, since almost any change will increase outlays in the short run, given the relatively low direct cost of AFDC.

The broad scope of the Administration's evolving reform vision is a major strength. Making work pay and strengthening child support enforcement are significant and popular approaches. This letter assumes these will occur and focuses on the other two elements – making the JOBS program real and time-limiting welfare – both of which also involve major challenges. This is particularly true for time-limiting welfare: how to do this without breaking the bank or putting children on the street.

My message in brief is the following. The key to reducing the number of people supported on welfare or in subsidized work, and to changing the character of welfare, is to help JOBS achieve its potential – through adequate funding and making the mandate (as well as the opportunity) real. As I noted on the 18th, with money and will, JOBS can transform AFDC into a program that feels transitional. Requiring work after a fixed time on welfare could be a tool for doing this, but could also be a high-cost diversion. We simply do not know. The potential risk and uncertainty suggest that time limits be prudently phased in across the country to minimize the risk of unintended consequences.

The risks and unknowns

There are three clear risks and two major uncertainties to setting a time limit on cash welfare, after which people would have to work to receive support.

Risk #1 – A replay of deinstitutionalization of the mentally ill. As I understand the debate about the mentally ill, reformers recognized something bad when they saw it, and proposed a new system funding small community facilities. The outcome followed only half of the script. States closed the large institutions, but never had the money to build the new ones, with the result that people ended up in the streets. In welfare, we also know what is wrong, but the public thinks reform is synonymous with saving money. The risk is high that we get the lean and mean version of time limits, this time putting children on the street.

Risk #2 – Diverting the system from getting people off welfare to keeping them busy while on. Overall, JOBS has not delivered on the vision of a reciprocal obligation. Mounting a massive community work experience (CWEP) or public service employment program as part of a time-limited strategy would require a whole new structure to manage large numbers of dependent people. Given the limited existing institutional capacity, this is likely to divert energy from the critical task of moving people off welfare.

Risk #3 – Reform that lacks state ownership. As you well know, attitudes toward welfare reflect differing views about social justice, equity, the role of women, why people are poor, and the responsibility of government. As I mentioned on the 18th, as hard as it is to pass new welfare legislation, it is even harder to change administrative practice in the field. This is easiest when programs are designed at the state and local level to reflect varied philosophies and goals. Especially when there is uncertainty about cause, effect, and cost, it is useful to let states fashion and own alternative approaches, as a means to test the feasibility and potential of different strategies.

The two main uncertainties are:

1. Implementing saturation job creation: assuring real work, getting to scale, and containing cost. While there is evidence that both paid and unpaid work experience can be real and not "make-work," this has never been tested at the scale suggested by time-limiting welfare with work at the end. New York City's recent experience is sobering: despite the enthusiastic support of the previous mayor, the city averaged about 3,500-4,000 unpaid community work experience (CWEP) work slots for an AFDC caseload of about 250,000. Mandatory work programs cost money up-front (for developing worksites, supervision, equipment and materials, work expenses, child care, monitoring, and enforcement), with little evidence of offsetting savings. That doesn't mean the work cannot be useful, only that it will be more costly than simply paying out AFDC checks. This argues for part-time, part-year work assignments, scheduled around school hours to minimize child care costs. It also suggests recycling people into JOBS in order to promote welfare exits.

2. Policies for the "unemployable." Even the toughest welfare administrators recognize that there are some welfare recipients who face profound temporary or long-term obstacles to work (substance abuse, learning disabilities, emotional and physical problems). The exact number is not known, but clearly these people may not meet strict disability criteria but will need a fallback system. Yet distinguishing this group from the able-bodied will be very difficult: some people really cannot work, others could with adequate support. Moreover, we know little about how to assist marginally employable, long-term recipients make the transition to work. But we can anticipate that the tougher the consequences, the more the exemption and deferral criteria will be contested, potentially undermining the message of time-limited support.

An Alternative Reform Vision

Ending welfare as we know it involves dramatically changing practice in the field. One way to do that is to make JOBS real, implementing the opportunities and obligations in a way that truly transforms the message of AFDC. Fully implementing JOBS (with adequate funding for activities to make the participation mandate real, a program focused on the transition to work, and a time limit on the opportunity side of the reciprocal obligation, with part-time work at the end for some of those who don't find unsubsidized work) would be time-limiting welfare as we know it.

Another dramatic component of such a plan could be a national program built on the Ohio LEAP model, as part of a strengthened strategy to prevent long-term dependency.

Next steps

In my view, the public needs to hear several messages about welfare reform: the toughness of the issue, the commitment to change but the recognition that it will take time, the uncertainties involved, the up-front cost, and the wisdom of a staged phase-in.

Mrs. Carol Rasco

June 30, 1993

Page 4

The numerous programmatic and fiscal uncertainties and the budget constraints point to the value of phasing in a bold initiative in time-limiting welfare. State experimentation in the 1980s helped build a consensus around the Family Support Act by deflating concerns and expectations. The interest of a number of states in testing alternative visions of time-limited welfare can offer a similar opportunity to build the momentum for change and demonstrate that success is, or is not, feasible. Since an ambitious national and universal plan will likely be unaffordable – and since most states lack the capacity to implement this change – reform could be phased in, starting with a number of leading-edge states that are seriously committed to fully implementing JOBS with a time limit and community work at the end. While a bold plan that is subsequently beaten back to a prudent phase-in risks being seen as a failure, a proposed staged phase-in of a new departure for a very vulnerable population can seem only reasonable.

Carol, this undoubtedly is more than you wanted to hear, but I take literally what the President said about people who know and people who care, and agree that many of us strive to be both.

Best wishes,

A handwritten signature in cursive script, appearing to read "Judith".

Judith M. Gueron

JMG/yv

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Xc: Participants in 6/1
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Judith M. Gueron

JMG/yv

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Ms. Carol Rasco
Assistant to the President for Domestic
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