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THE ❖ PRIMER

MARYLAND BUSINESS ROUNDTABLE FOR EDUCATION



The eyes of a Maryland child reflect a pledge we make to each of the 715,176 students in the state's public schools: a quality education.

Fulfillment of that pledge is a multi-dimensional task of almost overwhelming complexity. The only verity is that the educational system must be improved if Maryland is not to break faith with her children.

The statistics detailing how the system is failing our children are bleak: the very definition of the problem, arduous and elusive. Yet, from the demonstrated success of innovative programs, we know that transformation of Maryland's educational system is a goal within reach.

Critical analysis of the current system reveals that nothing short of systemic change will suffice. Our aspirations for educational reform demand utmost dedication from our classroom teachers, educators, parents, citizenry, and the business community.



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Mr. Brian Cahill
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Governors

THE WHITE HOUSE

FAX COVER SHEET

ECONOMY AND JOBS BACKGROUND FOR WELFARE TO WORK TRANSITION

	<u>Dept.</u>	<u>Phone #</u>	<u>Fax #</u>
Jeremy Ben-Ami	HHS	401-6954	401-5770
Gerald H. Britten	HHS	690-8774	690-6518
Bonnie Deane	NEC	456-2802	456-2223
Brad DeLong	TREA	622-0583	622-1294
Paul Dimond	NEC	456-7604	456-2223
David Ellwood	HHS	690-6443	690-7383
Robert Gillingham	TREA	622-2220	622-1294
Larry Katz	DOL	219-8271	219-8822
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Larry Matlock	OMB	395-3262	395-1596
Alicia Munnell	TREA	622-2200	622-2633
Bruce Reed	DPC	456-6515	456-7739
Heather Ross	NEC	456-2802	456-2223
Doug Ross	DOL	219-6050	219-6827
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Gene Sperling	NEC	456-2620	456-2878
Kathi Way	DPC	456-7777	456-7739
Peter Yu	NEC	456-2802	456-2223

FROM: _____

NEC

PHONE: _____

456-2802

PAGES FOLLOWING COVER SHEET

~~2~~ 5

THE WHITE HOUSE

WASHINGTON

July 12, 1993

MEMORANDUM FOR Economy and Jobs Issue Group

FROM: Bonnie Deane

SUBJECT: Meeting with the Empowerment Network

As part of the welfare reform outreach, Jeremy Ben-Ami has suggested that our issue group should meet with the Empowerment Network. The Empowerment Network is described in the attachments that follow.

Where: OEOB room 440

When: 5:00 to 6:00 on July 15.

Please call Sandy Mancini at 456-2801 if you are interested and need clearance into the OEOB.

TEN THE
EMPOWERMENT
NETWORK
FOUNDATION

DATE: July 12, 1993

TO: Bonnie Dean
Office of Domestic Policy
The White House

FROM: David Caprara
The Empowerment Network

We have invited the following leading welfare reform advocates to attend a meeting with members of the Welfare Reform Working Group, Paul Diamond and Bruce Reed on Thursday, July 15 from 5:00 PM to 6:00 PM. Each presenter would take no more than 5 minutes to brief the working group on their particular area of welfare reform. This would be followed by Q's and A's and discussion. Please let me know if this is convenient and what information is needed to obtain clearance in to OEOB.

I. Conference Synopsis
David Caprara, President
TEN-F

II. Family and Responsibility
Robert Woodson, Sr.
National Center for Neighborhood Enterprise

Charles Ballard, President
National Institute for Responsible
Fatherhood and Family Development
(featured in the William Raspberry column last week)

Irene Johnson
LeClaire Courts Resident Management Council

III. "Full-Employment" Models / State Initiatives

Charles Hobbs, President
The Hobbs Company

Sam Brunelli, Executive Director
American Legislative Exchange Council

Sam Black
Consultant

Ramona Younger
Alexandria Tenant Council

IV. Asset Models

Bob Friedman
Corporation for Enterprise Development

Kathy Kecley
Corporation for Enterprise Development

Audley Evans, Executive Director
Tampa Housing Authority

Gussie Livingston
Family Day Care Homes
Tampa

Staff: Sharron Lipscomb

TEN THE
EMPOWERMENT
NETWORK
FOUNDATION

The Empowerment Network Foundation (TEN-F) focuses on the development of strategies to help people achieve economic independence. While welfare reform and demonstration projects involving waivers effect important short-term goals, we believe there must be a fundamental revolution to replace the present welfare system with a new "earnings and asset-based" system which fosters support for individuals who exert responsibility for themselves and their families.

The Empowerment Network Foundation is bringing together a diverse group of people including welfare recipients and grassroots activists, leading scholars from the left and right, and state and federal decision-makers. From this working seminar, TEN-F will publish a journal on conference findings and papers presented and develop an implementation strategy for grassroots driven local, State and Federal actions.

The Washington Post

WEDNESDAY, FEBRUARY 17, 1993

Espy Urges 'Empowerment' As New Anti-Poverty Policy

By Guy Gugliotta
Washington Post Staff Writer

Agriculture Secretary Mike Espy yesterday called for an anti-poverty policy that goes beyond traditional welfare and subsistence programs to promote independence and initiative among poor people, signaling that "empowerment" is an idea whose time has come—even for Democrats.

"We need to come to a better understanding about how poverty can be eradicated," Espy said. "Poverty has adamantly outlived the 'War on Poverty,' the New Deal and the Great Society; it has defied the 'Reagan Revolution' and Bush's 'kinder, gentler.' Poverty is here and it is strong. . . . We have got to do it better."

Espy's remarks opened a three-day conference held by The Empowerment Network, a newly formed nonprofit organization that promotes strategies to mobilize poor people to make their own decisions and create their own opportunities in housing, jobs and social action.

Empowerment was a watchword for a Bush administration intent on nurturing market forces and individual initiative in the nation's slums. But it was a buzzword for Democrats suspicious that conservatives wanted to use empowerment as an excuse to cripple government-mandated welfare, housing and social assistance programs.

Policies typically described as empowerment include tenant management and home ownership for low-income families, granting tax breaks and other advantages to companies willing to settle in "enterprise zones" in poverty-stricken areas, promotion of small business "micro-enterprises" among low-income entrepreneurs and active efforts to stimulate training, education and asset formation among welfare recipients.

President Clinton embraced many of these ideas during his campaign, treating them as if they had become part of a universal menu of anti-poverty alternatives rather than a Republican call to arms. His program to "end welfare as we know it," co-written and announced by Espy at the Democratic National Convention, incorporated many elements of the empowerment agenda.

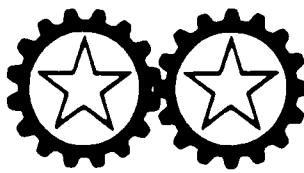
And with a Democrat in the White House, there are increasing signs that empowerment is becoming politically correct for Democrats. The House Tuesday announced formation of a bipartisan "Congressional Empowerment Caucus," and Rep. Charles B. Rangel (D-N.Y.) has scheduled an "empowerment briefing" today with experts invited from around the country.

Espy, a former congressman from the Mississippi Delta, recalled his days as a "renegade Democrat" supporting empowerment policies among hostile colleagues, but showed the game had changed by promising to be "a consistent voice within the Clinton administration for an empowerment agenda." As agriculture secretary, Espy has control over food stamps, school lunches, feeding programs for pregnant women and new mothers, and a host of housing, lending and development projects for rural areas.

Espy also espouses the empowerment tenet that the effectiveness of anti-poverty policy should be measured in asset accumulation rather than income and consumption.

"We spend billions of dollars to help poor people subsist," he said. "But unless they can accumulate assets, the poor will always be poor."

Owning your own home, he said, "is not a Republican idea; it is an American idea." If nothing else, he added, last year's Los Angeles riots showed that "you don't burn down what you own."



AMERICA WORKS

Kathy Wang

cc to

*Pat Diamond +
Bonnie Deane*

July 14, 1993

*I need this
copy back.
Thanks*

Mr. Bruce Reed,
Deputy Assistant to the President
for Domestic Policy
Old Executive Office Building
Washington, D.C. 20501

Dear Mr. Reed:

It was an honor to have the opportunity to brief you on welfare reform and America Works. We appreciate your taking the time to discuss these issues with us.

On your recommendation and with encouragement from Senator Breaux, we have drafted a proposal to develop a national demonstration project similar to what we discussed with you that would stimulate the private sector, reduce the expenditures of welfare dollars by government, and get people off welfare and into good jobs. That proposal is enclosed along with a recently released article in City Journal documenting some of the public policy obstacles we face.

We look forward to working with you further, please feel free to contact us or Richard Greenwald regarding any questions you may have at (212) 529-2900. If at all possible, a visit by the President would help focus on the critical element of a two year and off policy. I hope you are able to arrange that.

Sincerely,

Lee Bowes
Dr. Lee Bowes,
CEO

Peter Cove
Peter Cove,
Founder

Enclosure

WELFARE TO WORK DEMONSTRATION

ISSUE - HOW TO REDUCE WELFARE DEPENDENCY, CREATE A REVENUE NEUTRAL MECHANISM TO FINANCE A JOB EFFORT, REDUCE THE BUDGET DEFICIT, STIMULATE PRIVATE INVESTMENT AND MAKE GOOD ON TWO YEARS AND OFF

PURPOSE -

Initiate a national demonstration of a fully performance based welfare to work program for 500,000 people annually for five years. Federally funded under the Family Support Act (FSA) but state implemented, private sector run welfare to work companies would be encouraged to invest in mounting programs which only if successful would be paid. This proposed demonstration is based upon America Works' successful nine year experience in two states. Review of America Works' experience and other programs focusing on jobs first as a welfare strategy suggest a major role for this type of approach. The key elements are:

- For five years place approximately 10% of the welfare population into jobs each year.

- Save 67.5 billion dollars during the five years in cost savings, half of which can be used to reduce the deficit and the other half can be reinvested into an increasing fund for welfare to work.

- Stimulate private capital investment into welfare to work programs.

- For the first time in welfare to work programs direct government to pay only for successful welfare reduction, not for programs regardless of their impact.

BACKGROUND -

1. The Aid to Families With Dependent Children Program was established in the 1940's to help widows and their children. It has grown into a massive entitlement program.

2. There are over five million families on AFDC and the welfare rolls are growing. The costs have reached 150 Billion dollars. Of those on welfare, 60% stay for more than five years. Researchers say there is a trend toward longer term and intergenerational dependency.

3. Since the 1950's there have been a number of programs targeted at reducing dependency. In 1989 congress passed FSA. The JOBS piece of this legislation directs the states to design welfare to work strategies.

4. Simply stated there has been a debate in the field between those who believe in jobs versus those who believe that the

route out of dependency in through education. The regulations for FSA heavily emphasized literacy and education as the route out of welfare dependency.

5. The general consensus is that the employment and training systems have not been effective. Many welfare recipients have been through a number of training programs of business schools yet have failed to find employment. They have paid for process not outcome.

6. Since the FSA implementation States have not drawn down all of the funds the federal government made available. This is because the local municipalities can not get its law makers to allocate additional revenue to the welfare budgets which are escalating. Thus the funds are there for dependency but not to seek a way off.

7. Recent research evidence indicates that despite FSA regulations, a jobs first approach, not education, is more effective in reducing the welfare rolls. (See the Rockefeller Foundation studies, Riverside California's outcomes, MDRC research and the experience of America Works.)

8. Job placement efforts targeting private sector jobs can have the additional benefit of acting as an economic development tool. According to a recent Ernst and Young study conducted on the welfare recipients placed by America Works businesses averaged \$2,448 savings per worker.

RECOMMENDATIONS -

The creation of a two billion dollar per year demonstration for five years paying \$4,000 each placement. The placement fee would only be paid after a person had been working 90 days. The project would place 500,000 people a year. A 60% projected retention rate would yield:

500,000 welfare recipients X 60% retention = 300,000 X \$15,000 (the average cost to keep a family of three on welfare) X 3 years (the average length of time the family would have stayed on welfare without the program) X 5 years (the length of the demonstration) = 67.5 billion dollars in cost savings for the five years of the program. Some of the funds can come from the unexpended FSA obligation thereby reducing the need for new funds. The demonstration will have the following elements:

•For each welfare recipient placed into a job a calculation of a cost savings to the taxpayer will be made. For as long as the individual remains off welfare a deposit will be made into the savings. Fifty percent will go into reducing the deficit and 50% will go into a new reinvestment fund. This fund will be a new entitlement for jobs pool. Based upon the above calculation 38.75 billion dollars would be available for future welfare to work programs.

•The demonstration will be totally performance based. The organizations delivering the service will only get paid when a person goes into a full-time job and have retention of 90 days thereafter.

•The demonstration will not require local match. It will be fully federally funded. However the program operation funds will be expanded by the use of Work Supplementation funds (see Jobs Regulations in FSA) for private sector jobs.

•There will be an on-going evaluation of the effectiveness of the approach and the true costs savings.

•Federal and participating State laws will be amended to allow reinvestment of savings from welfare into job programs which are paid only if they get a person off welfare.

IMPLICATIONS -

1. This will build the capacity through job placement to implement a two years and off welfare if that becomes policy.

2. A fund will be created out of welfare savings to fund employment efforts in the future.

3. Through the evaluation component there will be hard evidence of the outcomes and value of the demonstration.

4. The performance based contracting model, if proven to be more effective will be adopted throughout the employment and training system.

CITY

October 1993

U.S. \$6.95

JOURNAL

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*Bruce Bender
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Race and Reporting
William McGowan

No Surrender
Daniel Patrick Moynihan

PM: New York's
Highbrow Tabloid
Roger Starr



America Works

A Venture to End Dependency

Jan Rosenberg
and Sol Stern

New York City has had little success in moving welfare recipients to work. But a private company called America Works is placing hundreds of them in good, private-sector jobs. Its secret: stressing basic work habits and contacts with potential employers.

In February 1993, the *New York Times* carried a front-page story recounting the many frustrations suffered by a middle-aged woman trying to get off the welfare rolls and back into the labor market. The article appeared just two weeks after the inauguration of a new president who had pledged to "end the welfare system as we know it" by requiring stringent back-to-work programs for able-bodied recipients. But what really raised eyebrows was that the "welfare client" profiled in the article was actually Barbara Sabol, commissioner of the city's Human Resources Administration (HRA).

The normally press-shy Sabol gave the *Times* an exclusive account of how she had posed as a poor person and applied for welfare in order to learn how her agency treats its clients—not very well, she discovered. She described long waits in filthy, cockroach-infested offices. She said she had been "depersonalized" by the system, and was particularly critical of caseworkers in the city's BEGIN (Begin Employment Gain Independence Now) program, which was created to get recipients into the labor market. They seemed indifferent to her expressed desire to move from an unsatisfying mandatory work assignment with the city to a full-time job. "I mean, nobody saw my spark," Sabol said. She concluded that HRA should become more focused on helping welfare clients search for jobs as soon as they enter the system.

Did Sabol's experiment signal the beginning of a serious, long-overdue effort to apply David Osborne's concept of "entrepreneurial government"—making government social services more accountable and competitive—to the huge HRA bureaucracy? It appears not. Sabol has once again become largely "unavailable" to the press. From all indications, not much has been done to improve HRA's dismal record of helping welfare recipients break the cycle of dependency.

Indeed, a recent study by the Public Policy Institute concluded that the percentage of New York State's welfare recipients (of whom HRA's clients are the overwhelming majority) who move into paying jobs has actually dropped over the past several years. This happened despite new federal mandates imposed by the 1988 Family Support Act, which aimed to get welfare clients back to work. "Most states

Research for this article was supported by the J.M. Kaplan Fund.

leapt at the opportunity" to put the Family Support Act's requirements into effect, wrote the legislation's principal author, Senator Daniel Patrick Moynihan, in the report's introduction. "Not New York." The study faulted New York's "questionable decision to emphasize schooling to the exclusion of job experience."

In New York City, it was none other than Barbara Sabol who shifted the BEGIN program's emphasis away from securing immediate employment for welfare recipients. Instead, clients assigned to BEGIN are allowed to choose among various training and education options. "In some ultimate sense HRA still believes in the employment goal," says Lawrence Mead, a welfare researcher at New York University. "But so much priority is now given to reducing 'barriers' around recipients that few face any real pressure to go to work. BEGIN is inducting 2,500 new clients a month, but so many drop out and so few look for jobs that no impact on the caseload is discernible. HRA simply has not confronted the ethos of entitlement that surrounds welfare in New York."

Road to Success

Yet even in New York City, there are model programs that successfully match long-term welfare clients with private-sector jobs. During her underground stint as a welfare client, Sabol might have asked her caseworker to refer her to a privately owned employment service called America Works. Or she might have called the company herself, as some welfare recipients do. Had she made that connection, Sabol's "spark" would certainly have been noticed. In fact, it is likely that she would have been quickly placed in an entry-level clerical job in a publishing firm, law office, or insurance company.

For the past five years, America Works has placed thou-

sands of welfare clients, with an average of between five and six years on the rolls, in private-sector jobs with an average starting salary of \$15,000 plus benefits. Employers have been overwhelmingly satisfied; America Works has a long list of companies that keep coming back, asking for more referrals from the welfare rolls. America Works has staked its survival as a profitable business on the proposition that welfare clients, properly motivated and helped with a limited amount of technical assistance, can be successful at getting and holding jobs.

Consider the case of 35-year-old Lenore Green. Other than two short-term jobs, she had been on public assistance all her adult life. Like Sabol, Green had a disappointing experience with HRA's BEGIN program. "They basically give you the yellow pages and tell you to start calling to find a job," she says. "They also do something they call 'networking,' where someone comes in and says that some company is hiring. And they tell you to read the *New York Times*. Well, I was doing that anyway."

When Green heard about America Works, she asked her caseworker to refer her to the firm, even though its offices are in lower Manhattan and she lives in the Bronx. When she made the trip, she found a businesslike facility, in contrast with the



A job-readiness class at America Works.

grim welfare offices she was used to visiting. A polite receptionist directed clients and visitors to the business lab, the pre-employment classroom, a small meeting room, and staff offices. America Works was humming with activity, and no one was waiting in line.

Green signed up, and after a week of pre-employment screening and "job readiness" training, she landed a two-week data-entry job. Immediately thereafter, she was sent on two interviews, each of which led to a job offer. She currently works in the claims department of the Amalgamated Life Insurance Company.

America Works makes its money by contracting with state welfare agencies to place clients in jobs

America Works functions as a kind of "old girls' network." (Most of its clients are women.) Staff members build relationships with employers and provide the connections to the job market that women on welfare usually lack. "After screening to make sure there's a fit with what the employer is looking for, they go out and represent you to the employer," Green says. "They help you get that interview."

America Works makes its money by contracting with state welfare agencies to place clients in jobs. The contract is performance-based: the company is paid (about \$4,000 per client in Connecticut and \$5,300 in New York) only after the client has completed a four-month probationary period with an employer. The state comes out ahead as well. For its fee of \$5,300, America Works estimates that it saves taxpayers \$22,000 a year, the cost of keeping a mother and two children on the welfare rolls in New York.

America Works is the brainchild of a husband-and-wife team, Peter Cove and Lee Bowes. Cove is a community activist, a veteran of the 1960s War on Poverty and various non-profit employment training

projects; Bowes is a sociologist. They launched America Works in the mid-1980s with \$1 million in start-up capital and the belief, based on their own experiences in the job-training field, that the primary obstacles preventing welfare clients from finding and retaining jobs are a lack of connections and gaps in interpersonal skills. Extended education and training programs are unnecessary, time-consuming diversions, Cove and Bowes argue. Further, they contend, clients with shaky self-confidence are best served by an early success in getting a job, not by long periods of preparation.

America Works' week-long training sessions are narrowly focused on the skills needed to land an entry-level job. A counselor works with clients on such basics as maintaining a businesslike personal appearance, speaking properly, preparing a résumé, showing up on time, and arranging child care. Attendance is strictly enforced: if a client is late to class, even by five minutes, she is dropped from the program, though she may enroll again at a later date. After completing the class, clients spend half their day in the company's business lab, working on typing, word processing, and other office skills while they wait for job interviews. During the remainder of their day, they can seek employment on their own.

Paula Phillips, an energetic former schoolteacher who leads the training sessions, stresses that clients' success depends on their own motivation and effort. "How many of you were referred by BEGIN?" she asks a larger-than-average class of 46 crowded into the classroom one spring morning. Eight or nine women raise their hands. "Did they say that America Works will definitely find you a job?" Only a couple say yes, but she uses the occasion to nail home her point: "There are no guarantees. . . . If you want something to happen, you've got to make it happen." "But," she continues, "if we don't find people a job, we can't stay in business. We want to find jobs for as many people as possible."

The company's entrepreneurial ethos is catching. We spoke with numerous women and men in

America Works classes who defied the stereotypes of long-term welfare clients steeped in a permanent culture of dependency. After waiting several months to be admitted to the program, they understood that they had to compete for jobs, were working very hard at improving their skills in the business lab, and were confident that they would succeed.

Employers are impressed with the workers' enthusiasm. "Their candidates really want to work," says the personnel director of a catalog company who, since 1989, has relied exclusively on America Works for filling entry-level positions.

"They have people who have been out of work and so they're willing to stay with a job for quite some time," says the manager of a law office. "They're willing to stay longer than other people who haven't been on public assistance. We're willing to take a chance on them; we get a dedicated and loyal employee. It's a win-win situation."

During the four-month probationary period, the employer pays an agreed-upon wage to America Works, which pays the employee minimum wage. (Employees' welfare grants are gradually reduced during their transition to permanent work.) The trial period allows the employer to evaluate the new employee's work habits and adaptability to the company culture. At the same time, America Works offers the employee services to ease the transition from dependency to the job market. America Works job counselors visit the worker on the job every week and meet with the employee's supervisor every other week to "troubleshoot." If there are problems with punctuality or attendance, or if the client needs help with child care or housing, the counselor will intervene. "Most problems new employees have show up quickly, in the first few months on the job. That's why the 'reps' are so useful," says one employer, singling out the baby-sitting problems that trip up even the most eager working mothers.



A trainee in the America Works business lab.

After the probationary period, the employee is paid a standard wage. The support America Works provides during the transition period is clearly effective; an estimated 85 to 90 percent of its clients are still in their jobs at the end of the first year.

Going Against the Grain

Despite America Works' success, New York's social-service bureaucracy remains indifferent to its promise. The company is under contract with New York State to find jobs for 250 workers a year, but many more welfare clients are trying to get into America Works than it can accommodate under its contract. And the firm does not have a single contract with New York City. Indeed, it has been rejected four consecutive times for welfare-to-work contracts let by city agencies. Critics and city officials offer several explanations for the city's reluctance to embrace the firm's approach.

One charge is that America Works "creams," selecting the most job-ready clients, who would land jobs on their own anyway. A New York State welfare official disagrees. "That may have been true early on, when they were getting their clients from newspaper ads, but now more than half of their clients come after failing to find jobs through HRA's programs." And, indeed, why would people

who could find work on their own sit through a week of job-readiness classes and then spend four months working at minimum wage? It seems more likely that America Works is successful with those public assistance recipients who are willing to work but lack the interpersonal skills, self-confidence, and connections necessary to find work.

Another concern is cost. Cathy Zall, deputy commissioner of HRA, argues that America Works is much more expensive than other welfare-to-work programs and that the \$22,000 savings trumpeted by the company is exaggerated, because it assumes that none of the people placed in jobs by America Works would have found work on their own. Computing the exact savings from various welfare reform programs is complicated, but the Public Policy Institute report notes that America Works' placement fee "compares favorably with the \$8,259 per placement cost of the JOBS program," a federal initiative offering education and placement services.

Our interviews with welfare officials and independent analysts suggest that much of the criticism of America Works is driven by an underlying suspicion of a for-profit company operating on the belief that welfare clients can and should compete in the market economy. This approach directly challenges the institutional biases of much of the nonprofit world and the government bureaucracy.

How could a company that places so many people in good jobs be judged as lacking "demonstrated effectiveness"?

Some officials concede that such a bias exists. "It's very difficult for us in the social work professions to accept individuals who make a profit," says Audrey Rowe, Connecticut's commissioner of income maintenance, who became a champion of America Works after evaluating its performance under a state contract. "It's difficult to work through staff biases."

Michael Dowling, New York State's commissioner of social services, adds that while America



America Works cofounder Peter Cove says government must "bring in creative entrepreneurs" to help people off welfare.

Works has done "exceptional work," the state has come in for "criticism from the traditional employment and training agencies, from the nonprofit sector. They wanted to know why we were contracting with a for-profit agency."

Compounding the problem is the bureaucratic procedure by which contract proposals are judged, a process that elevates form over substance. In the competition for a recent welfare-to-work contract with the city's Department of Employment (which America Works lost), the final decision was made largely on the basis of the written "statement of purpose" in the contract proposal. The organization's success rate in actually placing and keeping recipients in jobs was a secondary consideration. In a proposal for another Department of Employment contract, America Works earned just one-quarter of the possible points for "demonstrated effectiveness." How, we asked our guide through the bureaucracy, could a company that was placing so many people in good, private-sector jobs be judged as lacking "demonstrated effectiveness"? The answer: "They just didn't write a very good proposal."

America Works recently found itself a new champion, Manhattan Borough President Ruth

Messinger. Having seen the company's good work for herself, Messinger tried to cut through the bureaucratic thicket by intervening directly with First Deputy Mayor Norman Steisel. Her letter to Steisel recommended that the city take a second look at how America Works could benefit New York's welfare reform effort.

Steisel's reply was, typically, more bureaucratic. He expressed regret that America Works had lost four straight competitions and explained that there just isn't enough money to fund all the worthy proposals. He encouraged America Works to keep trying. Finally, the deputy mayor assured Messinger that the Department of Employment was "looking forward to receiving additional proposals from America Works in response to future RFP's [requests for proposals]."

Beyond Left and Right

Tomes have been written about the difficulties of getting long-term welfare recipients into the job market. Liberal and conservative critics alike insist on the almost insurmountable odds against ending welfare dependency. Conservatives tend to argue that long-term welfare clients won't work, because they have not developed the values and discipline—the "culture," if you will—that push people into the labor market. Liberals counter by arguing that the jobless poor can't work, pointing to a range of "structural barriers" that prevent minority and unskilled inner city residents from succeeding in the private job market.

For many conservatives, the solution is something like economic shock therapy—reducing benefits or even taking people off welfare altogether. For their liberal counterparts, welfare reform must await major governmental intervention in the economy to create "decent" jobs.

America Works confounds the shared pessimism of both liberals and conservatives about the possibility of getting welfare recipients into jobs quickly. It points beyond the familiar "won't work" versus "can't work" argument, toward pragmatic, intermediate solutions.

America Works confounds the shared pessimism of both liberals and conservatives

Peter Cove argues that success in welfare reform "must be measured by the obtaining of jobs, retention, and the resultant welfare cost reductions." Government should not pay for classroom programs, he says, but for "the job *acquisition and retention* that result. . . . This will immediately guarantee government getting what it pays for. It will bring in creative entrepreneurs and maintain only the successful ones."

These ideas, very much in keeping with President Clinton's stated goal of making government social services more effective and accountable, are worthy of attention in the coming national welfare reform debate. In New York City, meanwhile, hundreds of welfare recipients on America Works' waiting list deserve better. They too have "sparks" that ought to be recognized. ■

**FINAL IMPACT ANALYSIS REPORT:
THE WASHINGTON STATE
FAMILY INDEPENDENCE PROGRAM**

**DRAFT
April 1993**

(Revised May 1993)

Authors:

Sharon K. Long
Douglas A. Wissoker

Programming Support:

Daniel J. Dowhan
Sharon M. Hirabayashi

This report is one of a series from the Evaluation of the Washington State Family Independence Program conducted by The Urban Institute under contract from the Washington State Legislative Budget Committee. Opinions expressed are those of the authors and do not necessarily reflect the positions of Washington State officials, The Urban Institute, or its sponsors.



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I. INTRODUCTION AND OVERVIEW OF THE RESULTS

The welfare reform initiative in Washington State -- the Family Independence Program (FIP) -- is intended to improve the State's welfare system by redefining the interaction among income maintenance, education and training activities, employment, and supportive services available to recipients of Aid to Families with Dependent Children (AFDC). The goal of FIP is to increase the self-sufficiency of welfare families and decrease the number of children growing up in poverty by (1) providing a strong education, training, and work component; (2) changing the structure of the income support system, including converting food assistance from coupons to cash; and (3) expanding the availability of child care and other supportive services for families on welfare, and providing transitional child care and Medicaid benefits for families who leave welfare with earnings.

FIP operates as a welfare demonstration program under waivers from federal law granted for a five-year period. As part of the FIP demonstration, Washington State is conducting an evaluation of the program's ability to help families enter the work force and attain economic independence.

The evaluation of the FIP demonstration has three broad objectives:

1. To assess the effect of FIP relative to the AFDC program on program costs, caseloads, and the economic well-being of children and families,
2. To assess the relative effectiveness of various education and training activities under FIP on welfare recipients' labor market outcomes, and
3. To identify the practices and procedures that result in an effective welfare program.

In addressing these objectives, the evaluation has three interrelated components -- a process analysis of the implementation and operation of FIP, an analysis of the net impacts of the program on welfare recipients' behavior, and a cost-benefit study.¹

The first component of the evaluation considers program implementation and operations. The issues addressed include: how FIP operations differ from those of AFDC; how the FIP and AFDC programs change over time; how the two programs differ by location (e.g., urban vs. rural areas); and what practices, procedures, organizational features, and interorganizational linkages contribute to a successfully run program. Periodic interviews with program administrators and staff, questionnaires completed by staff, observations of group activities, and program documents and records are the data sources for this part of the evaluation.

The second component, the net impact analysis, focuses on estimating the overall effects of FIP relative to the AFDC program on welfare recipients' employment and earnings, duration of welfare receipt, and welfare recidivism. This part of the evaluation uses administrative data from welfare, employment services, and education management information systems.

The third component, the cost-benefit analysis, compares administrative costs and benefits paid under the two programs, estimates what the long-term savings from FIP (compared to AFDC) are likely to be for both the State and Federal governments, and assesses the costs and benefits to the individuals who participate in FIP (again in comparison

¹ Appendix A lists the evaluation reports completed to date.

to AFDC). The cost-benefit analysis uses the results of the impact analysis and administrative cost records in evaluating FIP.

The final report of the FIP evaluation will synthesize the findings from the process, net impact, and cost-benefit components of the evaluation.

This report summarizes the findings for the net impact component of the FIP evaluation. The remainder of this chapter provides an overview of the impact analysis and evaluation design (Section A), and summarizes the impact analysis findings (Section B). Section C provides a brief assessment of the results. The final section, Section D, outlines the organization of the report.

A. OVERVIEW OF THE NET IMPACT ANALYSIS AND EVALUATION DESIGN

The FIP evaluation is based on a quasi-experimental design that uses matched pairs of treatment and comparison sites. In selecting the treatment and comparison sites, all the welfare offices in the state were stratified by region (east or west) and by urban or rural location to ensure reasonable geographic coverage of the state.² Within each stratum pairs of sites were matched based on characteristics of the welfare caseloads and the local labor market. Five matched pairs of welfare offices were selected for the evaluation. Welfare offices assigned to treatment status implemented FIP, while comparison sites continued to operate the AFDC program.

²Some sites encompass more than one local welfare office, called Community Service Office (CSO).

The site pairs selected for the evaluation are:

FIP Treatment Sites

Burien/West Seattle
Everett/Skykomish Valley
Goldendale/White Salmon/Stevenson
Spokane North
Moses Lake/Othello

Non-FIP Comparison Sites

King South/Federal Way
Pierce West
Shelton
Yakima/Yakima-Kittitas
Okanogan

The analysis focuses on adults who were on welfare in the sites during a six-month sample window, adjusting for the experiences of a corresponding group of adults on welfare during a six-month period prior to the implementation of FIP. Estimates of the net impact of FIP are obtained by comparing outcomes for welfare recipients (both FIP and AFDC) in the treatment sites with outcomes for AFDC recipients in the comparison sites.³ Thus, the estimates are the impact of FIP relative to the AFDC program, not the impact of FIP relative to no program. In order to control for differences between the treatment and comparison sites that existed prior to FIP, a "difference-in-differences" estimation approach is used. Regression analysis is also used to increase the precision of the estimates and to help control for differences between the treatment and comparison sites that are not related to FIP.

This report provides estimates of short-run impacts of FIP on participation in education and training activities and on six employment and welfare outcomes -- probability of employment, average earnings, probability of welfare participation, average welfare grant, rate of exit from welfare participation, and rate of welfare recidivism. The analysis covers a

³Households already on AFDC in the treatment sites when FIP was implemented were given the choice between staying on AFDC or participating in FIP. About 10 percent chose to stay on AFDC.

three year period following entry into our sample and focuses on estimating net impacts for adults in one- and two-parent households in each quarter of the follow-up period. Within the one-parent caseload, separate estimates are obtained for new entrants to welfare under FIP and for those who were continuing a period of welfare participation. Small sample sizes prevent us making this distinction for two-parent cases. However, for the two-parent cases we do obtain separate estimates for women and men.⁴

Both because of small sample sizes and the likelihood that the two-parent estimates are influenced by FIP-induced program entry (see Chapter III), the estimates of the net impacts of FIP on the adults in two-parent cases are less reliable than those for adults in one-parent cases. Two-parent cases represent about 12 percent of the welfare caseload in Washington State.

B. SUMMARY OF KEY RESULTS

FIP was designed to help families become self-supporting by providing parents with the opportunity to acquire needed job skills through employment, education, and training services. Financial incentives are provided to encourage participation in education and training programs and to promote increased work effort. Child care and other support services are provided to ensure that the families are able to take advantage of the education, training, and employment opportunities that are available. Transitional child care and medical services are extended to families of those who obtain a job and leave welfare, to

⁴This distinction is not made for the one-parent cases because so few sample members are male. We do include gender as one of the explanatory variables included in the regression analysis for the one-parent cases.

reduce the cost and uncertainty associated with moving from welfare to economic self-sufficiency.

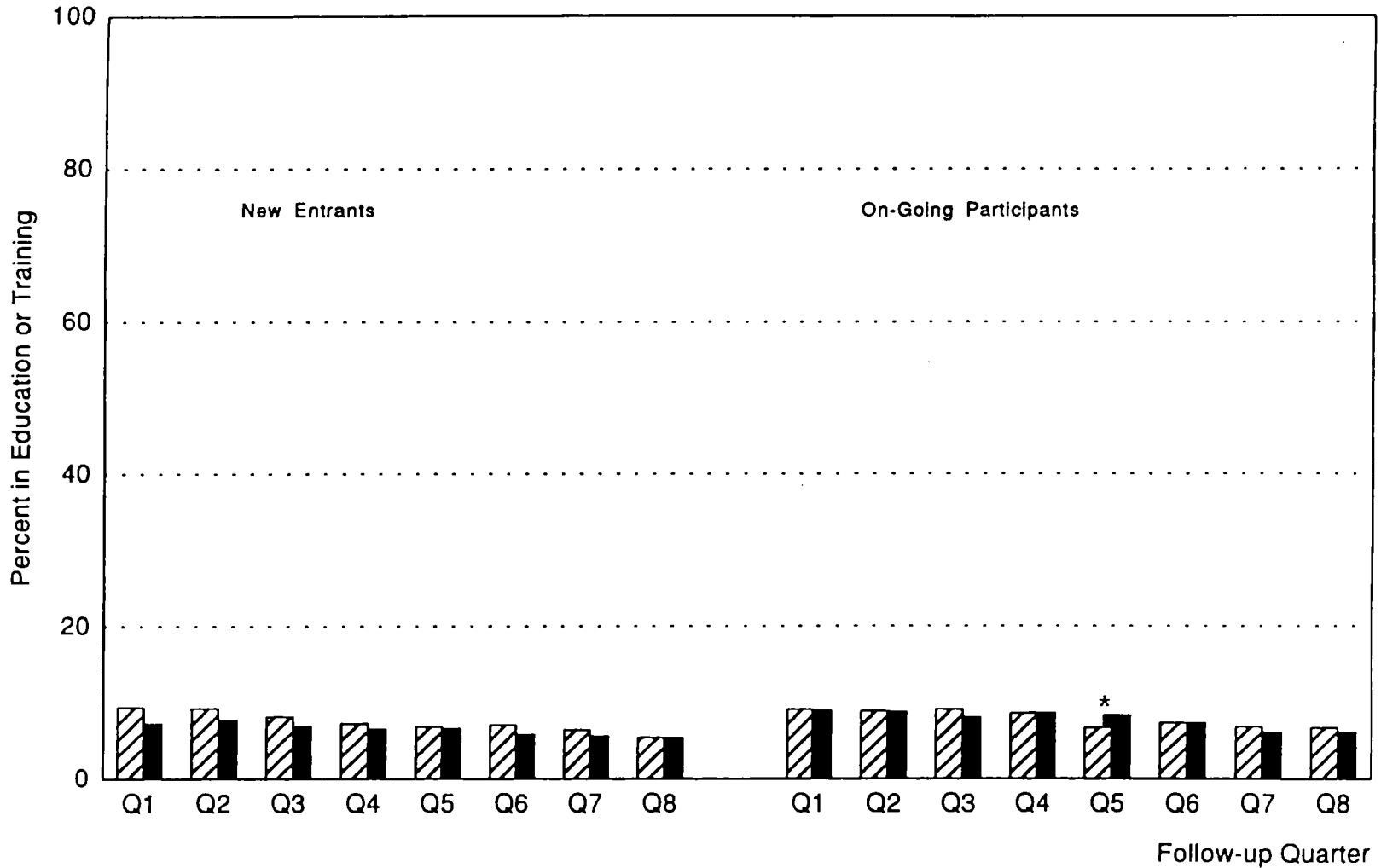
Given this program design, it was expected that FIP participants would increase their job skills (as a result of education and training activities) and face fewer barriers to employment (as a result of child care and transportation subsidies), so that, in the long run, employment and earnings would be increased and welfare participation reduced relative to what would have occurred under the AFDC program. The remainder of this section summarizes our findings on the net impact of FIP on participation in education and training activities, and employment and welfare behavior for the twelve quarters of the follow-up period.

Participation in Education and Training Activities. The analysis of education and training participation in the treatment and comparison sites considers three types of activities: job search, education, and training. Because of limited data on job search referrals, we focus here on participation in education and training activities.

Relative to the AFDC program, FIP has little or no impact on the level of participation in education and training activities for adults in one-parent cases and men in two-parent cases. FIP women in two-parent cases are significantly less likely to participate in education or training activities than are their counterparts in the comparison sites.

Among the one-parent caseload, new entrants to welfare are more likely to participate in some education or training activities under FIP than are their counterparts in the comparison sites, as shown in Figure I.1. Although these estimates of FIP net impacts are often quite large relative to the level of participation in the comparison sites, in no quarter are

Net Impact of FIP on Participation in Education or Training for Adults in One-Parent Cases



FIP
 Comparison Sites

* Estimate of FIP impact is significant at the .10 level, two-tailed test

they statistically significant. For the on-going welfare participants, who make up the majority of the one-parent caseload, the estimates of the net impact of FIP on education and training behavior are small and of mixed direction: education or training participation is sometimes higher and sometimes lower under FIP over the follow-up period. In only one quarter is the estimate statistically significant.

Men in two-parent cases also generally increase participation in education and training activities, although only the estimate for quarter eight is statistically significant. In contrast, women in two-parent cases are significantly less likely to participate in education or training activities in four of the eight follow-up quarters. However, the estimates of the impact of FIP on education and training participation for the two-parent cases are particularly sensitive to the method used to adjust for pre-FIP differences between the treatment and comparison sites and, therefore, should be interpreted with caution.⁵

Although it appears that FIP did not increase the level of participation in education and training activities relative to the AFDC program, several factors suggest that we may be understating FIP net impacts. First, the data sources used to measure participation in education and training activities fail to capture a share of those activities. Second, for outcomes that occur infrequently in the sample, like participation in education and training, the sample sizes available to this study can detect only large treatment-comparison site differences. Finally, the adjustment for treatment-comparison site differences that exist independent of FIP, which is based on limited data for the education and training analysis,

⁵Because of the sensitivity of the two-parent results, we have not included a figure illustrating those findings.

has a large effect on the FIP net impact estimates for these outcomes. Even so, estimates under alternative models and assumptions suggest that the "true" net impact of FIP on participation education and training activities is unlikely to differ greatly from the estimates reported here.

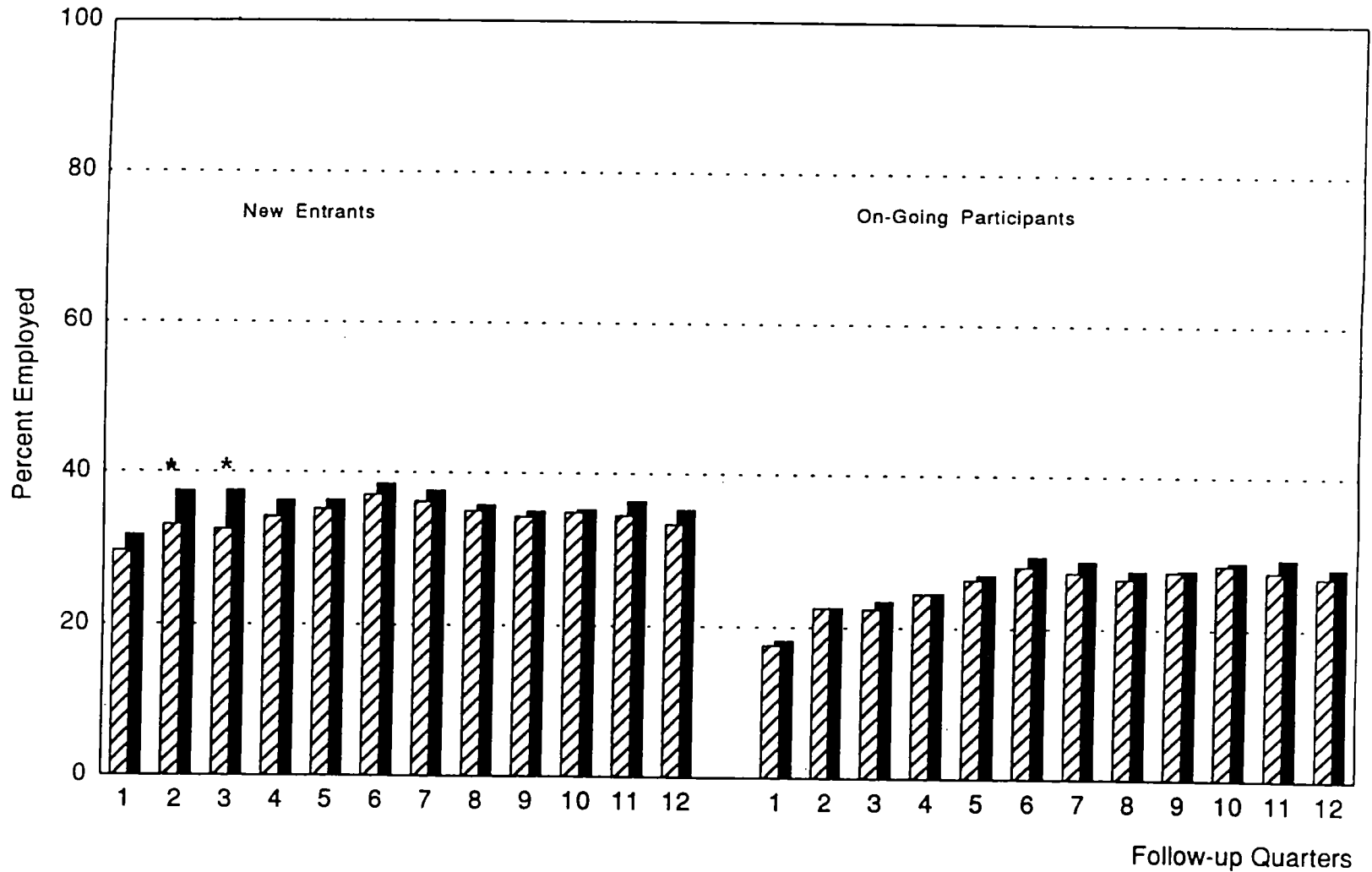
Employment and Welfare Outcomes. The net impact of FIP on welfare recipient's employment and welfare behavior is estimated using six outcome measures: average earnings, whether employed, average welfare grant, whether a welfare grant is received, rate of exit from welfare, and, for those who exit, rate of return to welfare. We focus here on employment, welfare receipt, and program exit and re-entry.

Relative to the AFDC program, FIP has little or no impact on employment for adults in one-parent cases or women in two-parent cases. Employment is lower under FIP for men in two-parent cases.

As a result of FIP, new entrants and on-going participants in one-parent cases are less likely to be employed over the follow-up period than similar individuals in the comparison sites, as shown in Figure I.2. However, the net impact estimates are only statistically significant for the new entrants and only for quarters early in the follow-up period.

For women in two-parent cases, employment is sometimes higher and sometimes lower under FIP -- the estimates are never statistically significant (Figure I.3). In contrast, men in two-parent cases are significantly less likely to be employed under FIP relative to the AFDC program in all twelve of the follow-up quarters.

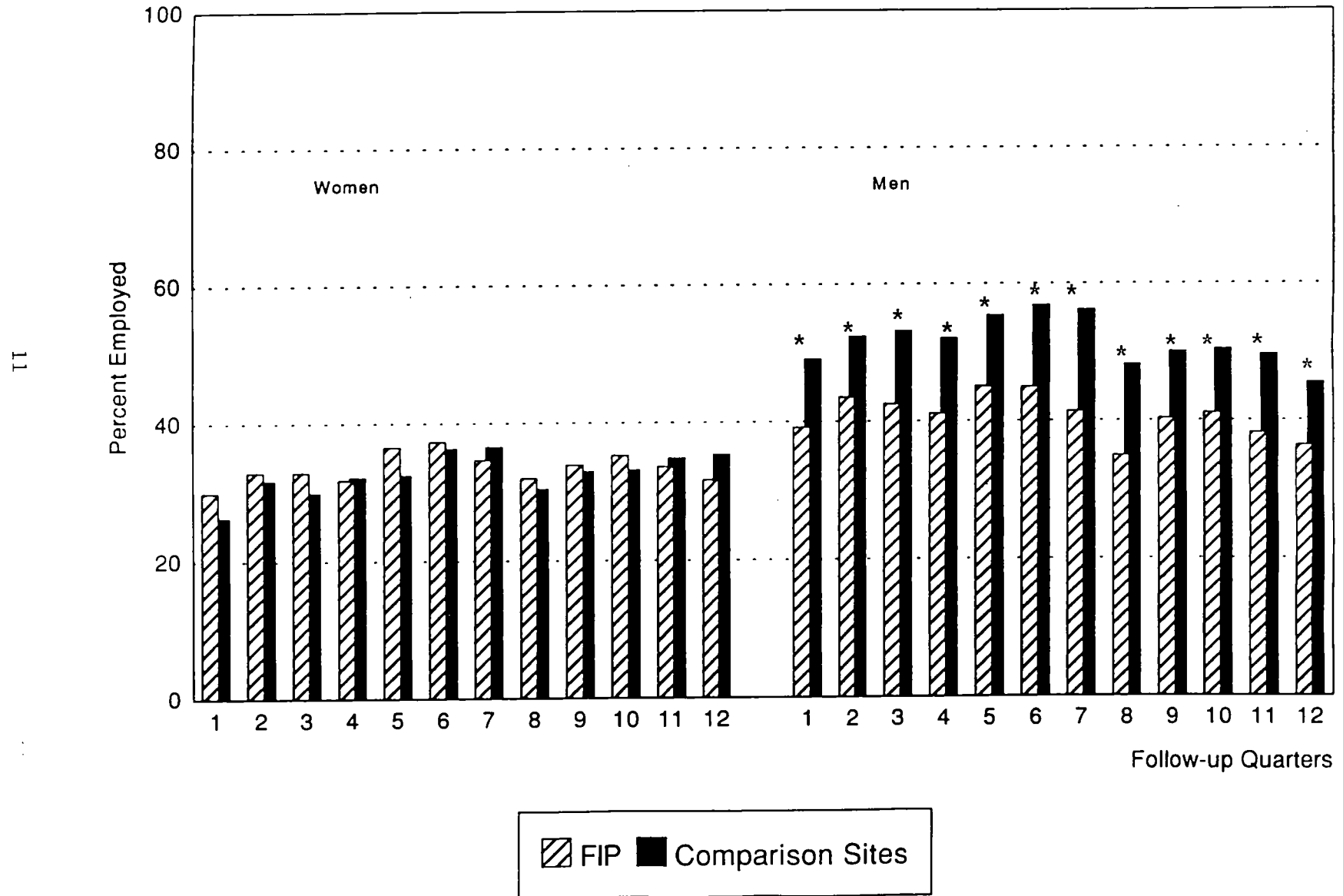
Figure 1.2
 Net Impact of FIP on Employment
 for Adults in One-Parent Cases



FIP
 Comparison Sites

* Estimate of FIP impact significant at the .10 level, two-tailed test.

Figure 1.0
 Net Impact of FIP on Employment
 for Adults in Two-Parent Cases



* Estimate of FIP impact significant at the 10 level, two-tailed test

Since there is little difference in participation in education and training activities as a result of FIP, the lower levels of employment are unlikely to be reflecting changes in participation in those activities.

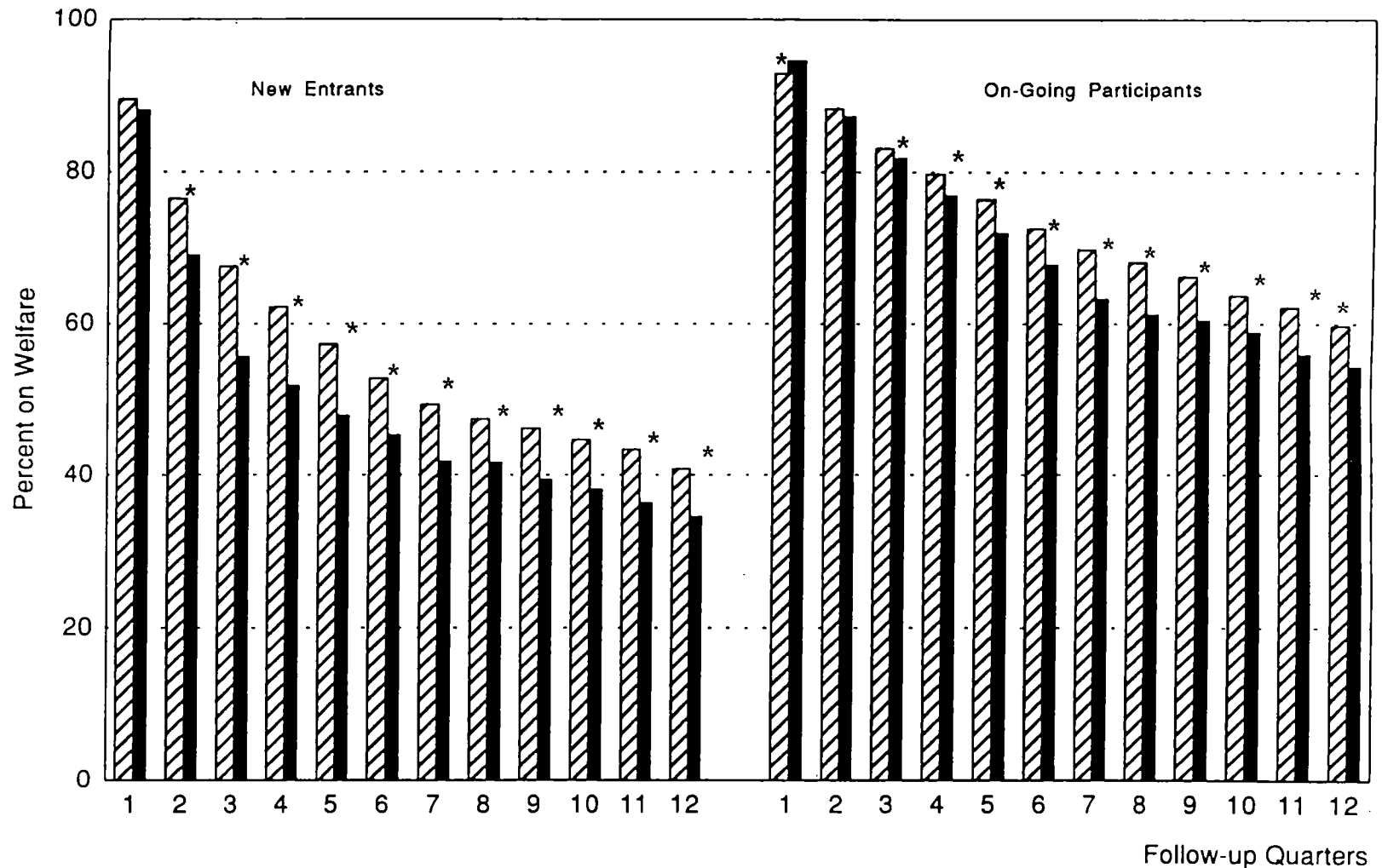
As with the analysis of participation in education and training activities, these estimates may understate the net impacts of FIP on employment because of missing data. We estimate that missing data leads us to underestimate the magnitude of the net impacts of FIP by 10 to 20 percent. Adjustments for the missing data produce slightly larger reductions in employment under FIP, but do not change our overall conclusions.

Welfare participation is higher under FIP than the AFDC program for adults in both one- and two-parent cases.

Although FIP appears to lead to, at most, small reductions in employment for most of the welfare caseload, with some partially offsetting increases in participation in education and training activities, the net FIP impacts on participation in welfare are relatively large and highly significant for both the one- and two-parent caseloads, as shown in Figures I.4 and I.5. Participation in welfare is up to 12 percentage points higher for adults in one-parent cases and 18 percentage points higher for adults in two-parent cases as a result of FIP. Welfare participation remains significantly higher under FIP through the end of the evaluation follow-up period.

Recipients of welfare tend to stay on longer under FIP and, for those who do leave, return more quickly than under AFDC.

Figure 11
**Net Impact of FIP on Welfare Participation
 for Adults in One-Parent Cases**

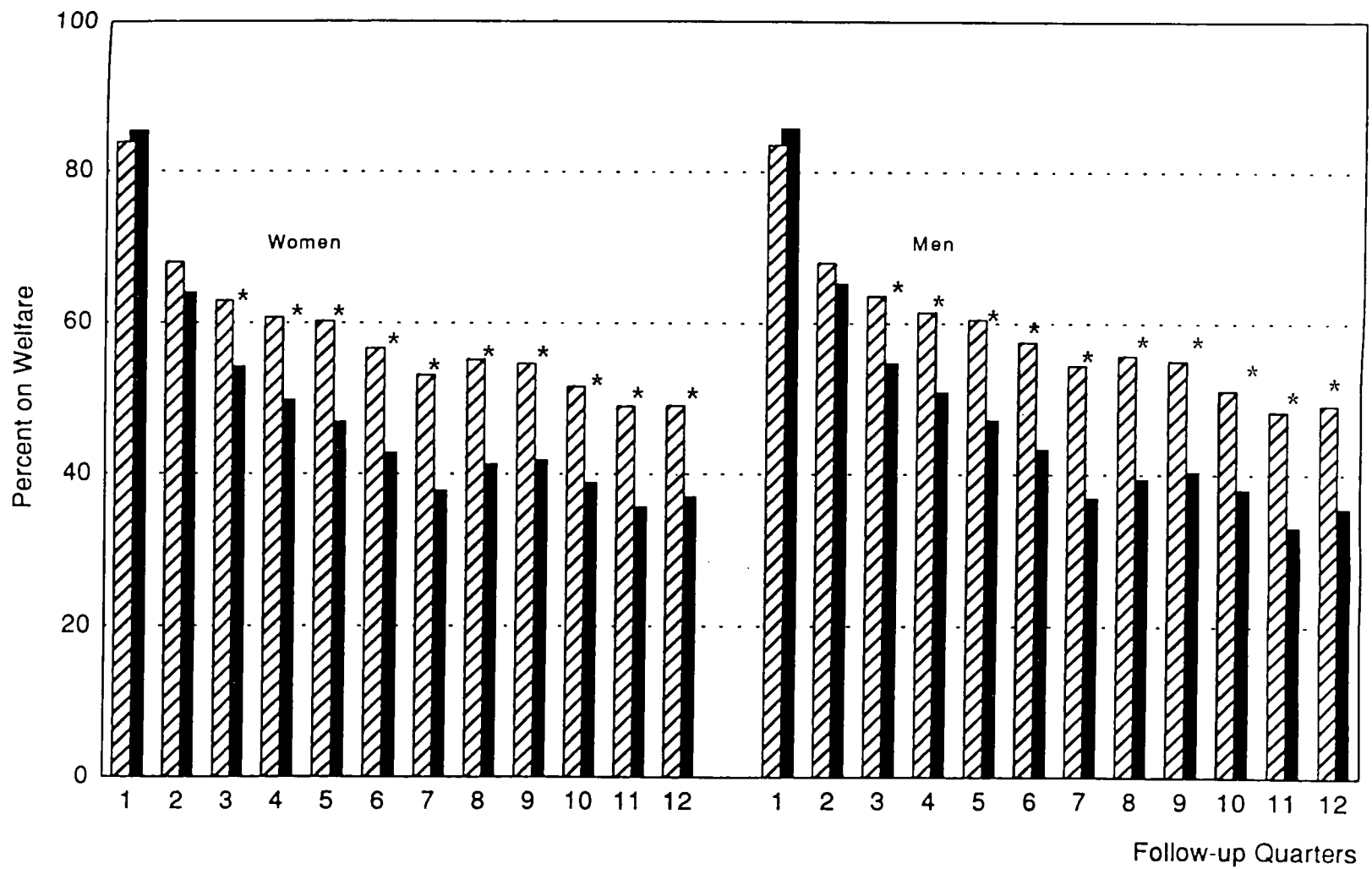


 FIP
  Comparison Sites

* Estimate of FIP impact significant at the .10 level, two-tailed test.

Not Impact of FIP on Welfare Participation for Adults in Two-Parent Cases

17



FIP
 Comparison Sites

* Estimate of FIP impact significant at the 10 level two-tailed test

Increases in the share of individuals who are on welfare under FIP could result from treatment-comparison site differences in the rate of leaving welfare and/or from differences in the rate of returning to welfare for those who have left. Our evidence suggests that FIP reduces the rate of exit from welfare, adding 3 months to the median duration of welfare spells for both new entrants and on-going participants in the one-parent caseload (although only the estimate for new entrants is statistically significant) and women and men in the two-parent caseload.

The re-entry rate is also higher for both one- and two-parent cases, although the limited data available for the analysis suggests the results should be interpreted with caution.

C. ASSESSMENT OF THE RESULTS

Over the three-year period following enrollment in FIP, we estimate that, relative to AFDC, FIP reduces initial employment probabilities and average earnings, while increasing the probability of being on welfare and raising the average grant amount. The impacts on the welfare outcomes, in particular, remain large and statistically significant throughout the follow-up period. The employment and welfare patterns can be explained in part, but only in part, by increased participation in education and training activities.

These estimates of the net impacts of FIP are not consistent with the expected impacts of the program and are difficult to explain. We divide the potential explanations for these unanticipated findings into issues related to data, program design, program operations, and evaluation design.

Data Issues. Although there is some evidence that the estimates reported here may understate the magnitude of the net impacts of FIP on education and training participation

and employment because of missing data problems, an assessment of the sensitivity of our estimates to alternative assumptions about the scope of missing data suggest that the "true" net impacts are unlikely to be substantially larger than those reported here. However, it is likely that education and training participation increased and employment decreased somewhat more under FIP than is reported here. Furthermore, it is possible that if we were not missing data the estimates for a greater share of the follow-up quarters would be statistically different from zero. (It should be noted that there is no evidence that the magnitude of the impacts of FIP on welfare participation have been understated.)

Program Design Issues. Under the program design changes implemented under FIP, the breakeven level -- the level of earnings at which welfare benefits drop to zero -- is higher under FIP than under AFDC. As a result, workers could continue to receive benefits under FIP with levels of earnings at which they would have to leave the AFDC program. It is likely that this program feature explains at least part of the higher levels of welfare participation under FIP; however, it does not explain a reduction in employment under FIP.

Program Operation Issues. Interpretation of the FIP net impact estimates requires consideration of the "black box" of program circumstances that produced them. Available evidence suggests that the treatment sites were successful at implementing the FIP design, with particular emphasis on the key features of FIP -- the change in the welfare culture, child care subsidies, financial incentives, and transitional benefits. In particular, evidence from staff and client interviews indicate that FIP was successful in changing the welfare "climate" in Washington State by increasing and improving client and staff interactions. However, staff report that increased responsibilities, expanded services to clients, and growing

caseloads under FIP prevented them from providing the degree and frequency of staff interaction that was needed to operate the program as intended.

There is also some evidence that information on the benefits available under FIP may not have been communicated effectively to the welfare participants. In a survey of households that left welfare with earnings, 24 percent of the FIP participants did not feel that the program had been explained when they applied to welfare in such a way that they could understand it. When asked specifically about different components of the program, even larger shares reported not knowing about such program features as financial incentives, extended Medicaid coverage, and transitional child care assistance. If, as these figures suggest, a substantial share of participants were unaware of the benefits available under FIP, it should not be surprising that those benefits had no impact on behavior.

Evaluation Design Issues. The matched treatment-comparison site design used for the FIP evaluation allows for site-wide program impacts that cannot be captured by the random assignment of individuals to treatment and control status within a site. While we use a difference-in-differences approach and regression analysis to remove site differences that are not due to FIP, we can never be completely sure that the comparison sites provide an appropriate control group.

In exploring the quality of the treatment-comparison site matches for this study, we estimated the net impact of FIP within each matched pair of sites. The pattern of net impacts that we observe for the pairs of sites are roughly consistent with our overall findings. With the exception of one pair of sites in one year, welfare participation is higher under FIP in each pair of sites in each year of the follow-up period. Employment either does not change

or is reduced under FIP for all of the site pairs in the first year of the follow-up period. The net impacts of FIP on employment in the final two years of the follow-up period and the net impacts on education and training participation for all three follow-up years are of mixed signs. The latter is consistent with our finding that the overall net impacts are not statistically different from zero for those outcomes over those periods.

A second issue that arises with respect to the evaluation design concerns the focus on welfare participants rather than eligibles. By focusing on welfare participants, the observed treatment-comparison site differences in outcomes may reflect differences in who chooses to participate in welfare across the sites. The available evidence suggests that FIP-induced program entry was not an issue for the one-parent cases, but was a substantial issue for the two-parent caseload. Given the possibility that the two-parent cases in the comparison sites may not provide a good match for the two-parent cases in the treatment sites, the estimates for the two-parent cases are potentially subject to biases of unknown direction and magnitude.

In addition to the problem of FIP-induced program entry in the treatment sites, there is also evidence that individuals in the comparison sites moved to treatment sites and received FIP benefits. By receiving FIP benefits, these "crossover" individuals reduced the differences in services between the treatment and comparison sites and, consequently, the estimates of the impacts of FIP relative to the AFDC program. Given the relatively low level of crossovers (about 9 percent of the cohort by the end of the third follow-up year), alternative adjustments for this contamination of the matched comparison site design do not change the net impact estimates by substantial amounts.

Under the framework for the FIP evaluation, the net impact analysis cannot provide guidance as to whether parts of FIP are effective and should be incorporated in future employment and training initiatives. However, the process analysis does suggest that FIP, and particularly the education and training component of FIP, was not very different from the existing AFDC program. Furthermore, there is evidence that budgetary difficulties, caseload growth, and the implementation of JOBS in the comparison sites eroded many of the differences that exist at the start.

The final report of the FIP evaluation provides a synthesis of the findings from the process, net impacts, and cost-benefit components of the evaluation.

D. ORGANIZATION OF THE REPORT

The remainder of this report is organized as follows. Chapter II provides a background summary of the changes associated with FIP and the welfare reform developments in non-FIP sites. Chapter III contains an overview of the FIP net impact analysis design. Chapter IV presents the findings regarding participation in education and training activities. Chapter V estimates the net impacts of FIP on the employment and welfare outcomes for adults in one-parent households. Chapter VI discusses how the findings should be assessed.