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February 8, 1994

President Bill Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

We are writing to request your assistance and support in obtaining a waiver from the United States Department of Agriculture (USDA) to fully implement the State of Missouri's welfare reform initiative.

The State of Missouri has developed a comprehensive welfare reform initiative entitled, "Beyond Welfare." Two important elements of this strategy to reform welfare include using AFDC and food stamp benefits as wage supplements for private sector job creation, and Electronic Benefit Transfer (EBT) to eliminate fraud associated with food stamp coupons. The U.S. Department of Health and Human Services has been a willing and cooperative partner in allowing the states the flexibility needed to pursue these reforms. Unfortunately, the state has not been able to reach an agreement with the USDA.

The USDA has denied the state's waiver request to use food stamps as a wage supplement on the grounds that nutritional status cannot be maintained if benefits are obtained in the form of wages in lieu of food stamp coupons. We have strongly supported welfare reform and believe that states need flexibility to develop new ways of helping welfare recipients obtain productive jobs. In particular, the State of Missouri needs the waiver in order to enhance economic development and revitalization in its cities.

We believe that Missouri has one of the more innovative and progressive welfare reform proposals in the country, particularly because it links private sector job creation directly to welfare reform. Thus, it addresses one of the most common criticisms of various proposals to reform welfare: a lack of meaningful job opportunities for those who wish to leave the welfare rolls. We believe that this plan will indeed provide jobs, but it needs the waiver from USDA to go forward.

The Missouri delegation welcomes your input and any assistance you may be able to offer us in this endeavor.

Sincerely,


Rep. Alan Wheat


Rep. Richard Gephardt

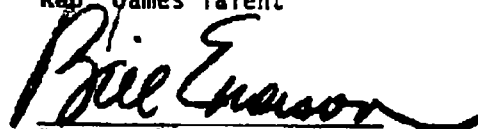
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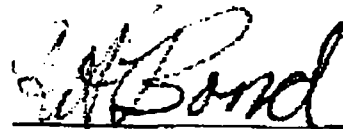
President Bill Clinton
February 8, 1994
Page Two


Sen. John Danforth

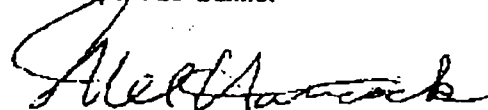

Rep. Ike Skelton

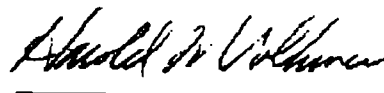

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DAVID P. RICHARDSON, JR., MEMBER

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January 7, 1994

The Honorable William Jefferson Clinton
President, United States of America
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D. C. 20500

Dear President Clinton:

As Majority Chairman of the Pennsylvania House Health and Welfare Committee and President Emeritus of the National Black Caucus of State Legislators, I am writing to urge that you proceed with caution in pursuit of passage of welfare reform legislation.

In the following comments on the White House Task Force on Welfare Reform's Draft Discussion Paper, released in December, I give numerous reasons to guard against political expediency and to proceed with compassion for those in need. Caution is necessary because so many members of the general public as well as those in positions of power believe in the myths surrounding welfare recipients and can even repeat anecdotal tales to support their prejudices against the people they believe make-up that population.

As you have pointed out many times in the past, people fear what they do not understand, and poverty strikes fear into most people's hearts. Because of that fear, even the most well meaning person can react emotionally rather than rationally when faced with problems as overwhelming as teen pregnancy, joblessness and homelessness. Some of these well intentioned but misguided individuals believe poor people should be subject to behavioral modification techniques, like circus animals or laboratory rats, in order to correct the circumstances that are the cause of poverty.

Much more dangerous than the misguided are the mean spirited individuals who would fan the flames of prejudice for political gain. These people see political advantage in the fears of the misguided and the uninformed. Then there are the decision makers that must act responsibly; those caught in the middle of this scenario that know what is needed and what is right.

I believe that you are one of those that would do the right thing. But, I fear that your administration may be subject to political pressures. There lies the reason for my words of caution to you. I urge you to make the hard choices and act in the best interest of the millions of powerless people, primarily children, living in poverty.

I have dedicated my political and personal life to the defense of people who have little or no political power; and to the tangent concepts that all people are created equal and that any act of government must be based on that principle. I am not an idealist and those that know me can tell you I am by no means naive. Having lived in and served a community subject to the whims of those in power, I am a pragmatist. These twin concepts, based in the day-to-day realities of the lives of my constituents, are at the heart of the following comments on, cautionary notes about and remarks in opposition to some of the provisions of the White House Task Force on Welfare Reform's Draft Discussion Paper, dated December 2, 1993.

The following comments on sections of the Draft are in the order they appear in the Table of Contents:

**PROMOTE PARENTAL RESPONSIBILITY
AND PREVENT TEEN PREGNANCY**

I agree that parental responsibility is fundamental. In fact, my "True Welfare Reform" proposal, presented to Pennsylvania Governor Casey's Task Force to Reduce Welfare Dependency in January 1993, includes the goal of changing the welfare and child support systems to ensure that families have an adequate and steady income from employment and/or child support, as well as access to health care and child care. However, requiring that minor parents live in a household with a responsible adult, even with certain exceptions, does nothing to reach the goal of parental responsibility. There is no evidence that the minor parent will be more responsible when living with their adult parent or that the adult parent will be able or willing to support or supervise the minor parent. And, more importantly, it places the minor parent at risk if the minor is unable to document the danger of abuse to the satisfaction of the welfare agency. In fact, in many of the cases my staff and I have seen, having grown up under and surrounded by abusive situations, the minor does not recognize the adult's behavior as abusive and copies those behaviors with their own child.

Additionally, including parental support in determining cash assistance eligibility drastically reduces the household income. Deeming existing household income to the young family either reduces the family AFDC grant amount or makes the minor parent and grandchild ineligible for public assistance. Any reduction in income increases the probability that the young family will not be able to contribute their fair share of household expenses and, thereby, further straining the sometimes limited income of other household members. Under such circumstances, it would be difficult at best to expect the adult parent/grandparent to welcome the minor parent into the household. It is well documented that one of the major causes of domestic violence is financial stress on the family. It is not reasonable to place minor parents in situations where they and/or their children could be harmed rather than helped. In conclusion, if minor parents are required to live in a household with a responsible adult, there must be a standard of proof that the adult is nurturing, capable of supervision and willing to accept that responsibility.

This section also contains an option which would limit benefit increases when additional children are conceived while on AFDC if the state ensures that parents have access to family planning services. I strongly oppose the federal government allowing states to punish women for their decisions to carry unplanned or planned pregnancies to term and keep their children. It is not the role of government to control the reproductive choices of women by imposing such severe constraints on them. In fact, in a recent federal court decision in a case involving Chinese asylum applicants fleeing their governments policy limiting its citizens to one child, U.S. District Judge Thomas S. Elis said, "The right to make procreational decisions is a basic liberty right protected under the Bill of Rights."

I do support educational programs which encourage young people to delay childbearing until they are ready to assume the responsibility of raising children. I also support efforts "to ensure that every potential parent is given the opportunity to avoid unintended births through responsible family planning." But, it is also well documented that no contraceptive method is 100% effective 100% of the time.

I do not believe that it is good policy to allow states the option to further reduce the already limited income (in Pennsylvania about 40% of the federal poverty level) available to meet the most basic needs of children born while their parents are receiving AFDC. For all of the above reasons, I will oppose any "welfare reform plan" which contains or allows as an option provisions, such as this one, which unduly restrict basic constitutional rights.

MAKE WORK PAY.

I fully support the goal of encouraging work and independence. In fact, almost two years ago, the Majority Chairman of the House Appropriations Committee and I urged the Pennsylvania Department of Public Welfare to pursue a study of welfare disincentives. We both strongly believed that meaningful changes to the welfare system can only occur when those charged with changing that system fully understand why it is difficult for Pennsylvanians to leave the welfare system. The requested study was recently completed by the Governor's Task Force To Reduce Welfare Dependency. My "True Welfare Reform" recommendations to that Task Force are contained in their final report and in the resulting application for a federal waiver request by the Department. These recommendations are similar to many of the provisions contained in this section of the Draft.

PROVIDE ACCESS TO EDUCATION AND TRAINING, IMPOSE TIME LIMITS, AND EXPECT WORK

I will actively and strenuously oppose any plan which contains an absolute two-year time limit on cash assistance or allows mandatory participation in the WORK program as a requirement for benefits as opposed to work for wages.

As the Draft points out, participants in the JOBS program face many and varying barriers to employment. An absolute two-year limit would not offer sufficient flexibility for the very people this plan proposes to assist in becoming gainfully employed to prepare for work; they are the long term unemployed and those that have never worked who are long-term recipients of public assistance.

I cannot imagine that the two year limit serves any function other than purporting to address state and federal budgetary concerns; and allowing the plan to remain within the language of your campaign promise to end welfare as we know it. Neither reason justifies a mandatory two year time limit. Such an arbitrary limit ignores the actually time needed to effectively confront the needs of an individual who faces serious barriers to employment for supportive services, education and training. In a flexible system which truly addresses individual needs, additional time may be necessary before a meaningful and permanent end to dependency can occur. Limits on the time during which a recipient can receive support services, education and training and the capping of funding needed to complete a plan to attain independence ignores the success of existing JOBS programs. Such programs have proven to be of financial and social benefit to the public, as well as the individuals served. Effective JOBS programs can actually save tax dollars.

I am also concerned about how your final plan will allow for identification of those who are unable to work. A 1992 study by the General Accounting Office concluded that, even after accounting for any perceived differences in qualification factors, African Americans have had a more difficult time obtaining federal benefits for people with severe disabilities. It is obvious that not only is there the potential for abuse in determinations of employability and of good faith efforts by the mentally and physically challenged to follow an employability plan; bias already exists in the system and must be corrected prior to any narrowing of eligibility and/or exemption criteria, as the Draft proposes.

I applaud the inclusion of substance abuse treatment in the Draft's proposed expanded definition of services necessary for satisfactory participation in the JOBS program. I also urge that language requiring that any period during which a State failed to provide services not be counted against the recipient remain in the final plan.

I am concerned that States receive funding sufficient to offer the services necessary to move recipients toward independence as envisioned in the Draft. The cost of alcohol, substance abuse and mental health services raises even more questions concerning the amount and ratio at which federal matching funds will be available to states and how the goals of any proposed reform plan may be hindered or obstructed by capping the federal entitlement. Pennsylvania's legislature is in bipartisan agreement on only one aspect of welfare reform; we will not enact any unfunded federal mandates.

WORK

The Draft requires each State "to operate a WORK program which would make paid work assignments available to recipients" once they have reached the two year limit. During the early eighties, Pennsylvania tried and rejected a transitional assistance program requirement "for able bodied adults" which had alarming similarities to the Draft plan's WORK program. The Pennsylvania requirement became known as THORNFARE, named after then Governor Thornburgh. The most alarming result of THORNFARE was a drastic increase in Pennsylvania's homeless population, particularly that part of the population with undiagnosed mental and physical illnesses. These individuals were determined to be able to work by their County Assistance Offices (CAO). Ultimately, their cash assistance was terminated and they were unable to find work or meet minimal standards of employability.

Work for wages is acceptable if the above concerns are addressed. But, the option which would permit a State to enroll recipients who had reached the two year limit in community work experience program positions in order to receive cash assistance is not. This option would have the effect of providing workers to employers who might otherwise create real jobs. This proposed government creation of a cheap labor pool, in my opinion, equates to government sanctioned slavery. I will oppose on every front any so-called "welfare reform" plan which requires people in need of real jobs to work for anything other than gainful employment. To do otherwise would remove any incentive for private and public employers to create real jobs for a living wage.

CHILD SUPPORT ENFORCEMENT

Again, I support many of the child support enforcement provisions contained in the Draft as they are similar to my "True Welfare Reform" proposal. I must, however, oppose the option to allow denial of benefits to persons who have not met cooperation requirements, unless those requirements are clearly defined in federal law and can be reasonably met by all applicants regardless of circumstances.

My staff and I have repeatedly had to assist constituents that were eventually granted good cause exceptions after appealing denials of benefits for failure to cooperate under child support establishment provisions of Pennsylvania's Public Welfare Code. In proving a good cause exception recipient must often resort to the "fair hearings" process which is costly, time consuming and it is difficult for recipients to prevail without legal assistance. Despite a State regulation which only requires applicants for assistance to supply information that is "known to, possessed by or reasonably obtainable" by them, applicants are routinely required to produce information that they do not possess and have no means of obtaining.

I hope that the following examples clearly illustrate for you the often insurmountable barriers this type of provision represent to recipients and people applying for assistance.

* When Ms. Y applied for AFDC for herself and her new baby she was living with the child's paternal grandmother, Ms. D. Both women told the investigator all they knew about the baby's father and that during the time Ms. Y was pregnant the baby's father had simply disappeared. They had not seen him, heard from him or of him since his disappearance. Investigators visited Ms. D.'s home several times during the month Ms. Y's application for assistance was pending, and asked numerous questions, including who Ms. Y. slept with. The investigators would not tell Ms. Y. what information she needed to provide that she hadn't provided. Regardless, Ms. Y. was told she was not cooperating.

* When Ms. B. asked her CAO caseworker to add her newborn baby to her cash assistance grant she was asked to identify her child's father. She told the Bureau of Child Support Enforcement investigator everything she knew: the man's name, the type of car he drove, the neighborhood where he lived, and that she met him in her neighborhood bar during a period in her life during which she was actively addicted to alcohol. She informed the investigator that she was, at the time of the Child Support interview, involved in a substance abuse treatment program. The investigator told Ms. B. that to receive welfare she would have to return to the bar to find the father of her child and obtain his social security number. Ms. B. told him if she went back to the bar she would risk relapsing back into substance abuse. Ms. B. was then told she was not cooperating.

I hope that all of the above problems with the Draft Discussion Paper can be corrected prior to the release of your Welfare Reform Plan. I have requested a meeting with your Task Force and with staff of the U.S. Department of Health and Human Service to discuss the points raised in this letter, as well as any additional concerns of the National Black Caucus of State Legislators. I look forward to your response and to further discussion of your Welfare Reform Plan. If you require any additional information or have any questions concerning this matter, do not hesitate in contacting me.

Sincerely,


Rep. David P. Richardson, Jr.
Chairman, House Health & Welfare Committee
201st Legislative District

DPR/NMW/nw

cc: The Honorable Donna Shalala, Secretary, HHS
The Honorable Kweisi Mfume, Chairman, Congressional Black Caucus
The Honorable Regis Grofi, President, NBCSL
Members of the Pennsylvania Congressional Delegation
The Honorable Robert Connor, President, NCSL

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U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20518-6348

CONGRESSIONAL

cc: Rasco
G. STEPH.
PAT GRIFFIN

FAX COVER SHEET

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Not Transmitted

DATE: 1/12
TO: Bruce Reed
FROM: Rich Hobbs
FAX NUMBER: 456-7028
NUMBER OF PAGES FOLLOWING THIS COVER PAGE: 3
REMARKS: Printed this morning in The Commercial Appeal, Memphis.

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STAY THE COURSE ON WELFARE REFORM

by Harold E. Ford

Recently, calculated leaks and commentary about President Clinton's welfare reform plan swept the country. Desperate to regain the "wedge issue" of welfare reform, Congressional Republicans introduced bills they claim fulfill President Clinton's promise to "end welfare as we know it." In response, an anxious Democratic leadership of the House of Representatives asked the President to delay welfare reform until health care reform passes. What should the President do? Should he forge ahead and risk derailing health care reform or should he delay and risk losing momentum? I say, forge ahead, Mr. President. We should do both.

Let me be blunt. The Republican plan is a harvest of sour grapes. Bill Clinton won the election in part because he stole what they thought was their issue. He proposed a welfare reform plan that hit a responsive chord with the American public -- work and responsibility. In contrast, they stood off stage while the music played and the audience sang along. Now Republicans have shrunk to mumbling among themselves that Clinton didn't really mean what he said and he isn't really a "new Democrat."

Congressional Democrats too were incredulous when the voters chose a former actor over an incumbent Democratic President because he promised not only to reform welfare, but also to increase defense spending, cut taxes, and balance the Federal budget. One might even say Ronald Reagan was a "new Republican." By many standards, he was successful. He succeeded in increasing defense spending and cutting taxes primarily for the rich, but his welfare reforms have failed. And, in the immortal words of his budget director, David Stockman, he left \$200 billion budget deficits "as far as the eye can see."

Now we must struggle not only with the Reagan budget legacy, but we must also deal with his welfare legacy. Remember, much like President Clinton, President Reagan knew something about welfare reform. In 1971, as Governor of California, he signed into law a welfare reform bill which he thought was a model for the Nation. It cut off those who were mixing work and welfare and required the remaining welfare parents to work off their benefits at the minimum wage in a community work experience program. Although his supporters claimed it was a success, respected outside analysts disagreed. They said few welfare recipients were enrolled in the work program and the ensuing decline in welfare caseloads was due to a booming California economy, not the new work program.

Ten years later, President Reagan proposed a similar plan for the Nation. It would have required nearly all able-bodied welfare parents to work for their benefits at the minimum wage in a national community work experience program or CWEP. To the disappointment of many conservatives, Congress rejected this approach as unproven and favored instead State experimentation not only with CWEP, but also with "work supplementation," an approach in which welfare is converted to a wage subsidy for a private sector job.

Although many States experimented with these approaches, it became more apparent that they led to a dead end. Long-term welfare recipients need more than a job at the minimum wage. They need to complete their education, to acquire marketable skills, and to gain worthwhile work experience. While working, they also need child care and health insurance, and, most of all, jobs that pay more than welfare.

The Family Support Act of 1988 responded to these complex needs. Even President Reagan recognized this in 1988 when he wholeheartedly endorsed the bill and signed it into law. It aimed resources at those likely to become long-term welfare recipients and offered them education, training, work experience, transitional child care and health insurance, and other supportive services. It emphasized a mutual responsibility between the state and the welfare recipient. The government would provide the requisite resources and the welfare recipient would strive toward self-sufficiency. But it too has failed.

Why has the Family Support Act failed? There is no simple answer. After its enactment, President Bush presided over a 28 percent increase in the caseload of the prime welfare program, Aid to Families with Dependent Children (AFDC). I don't think he intended to expand the caseload, but there is no denying that it happened on his watch. Instead, a poor economy, an inability of State governments to raise funds to match generous Federal matching rates for the Job Opportunities and Basic Skills (JOBS) program, and a startling rise in out-of-wedlock births seem to provide the clearest explanations.

So what should the President do? Should he provide more income to the poor? Some liberals might want to pursue that approach, but for now it is unpopular. Should he somehow promote "family values?" Conservatives like to talk about this, but nobody has a proven program. Instead, I believe he should fulfill his promise to "end welfare as we know it." To me, this means jobs -- real jobs providing valuable services and paying enough for welfare parents to move off welfare and become completely self-sufficient.

As President Clinton has said, we must make work pay; enforce child support; invest in education and training; and yes, time-limit cash assistance. This will promote work and responsibility, but it will fail unless we provide real jobs with health insurance. The evidence shows it is irrational for welfare parents to give up Medicaid for a job which pays less than welfare and has no health insurance. Universal health insurance is essential. This is why I say, stay the course, Mr. President. We should do both.

DAVID P. RICHARDSON, JR., MEMBER

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House of Representatives

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG
January 5, 1994

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John Monahan, Director
Intergovernmental Affairs
U.S. Department of Health and Human Services
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Washington, D.C. 20201

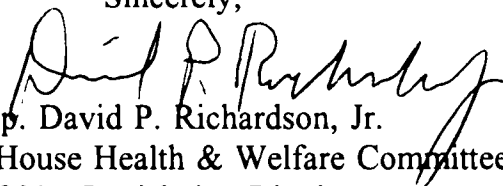
Dear Mr. Monahan:

Thank you for the opportunity to comment on the Draft Discussion Paper prepared by the President's Working Group on Welfare Reform. I have enclosed a copy of my letter to the President, dated January 7, 1994, containing my comments on behalf of the National Black Caucus of State Legislators and as Chairman of the Pennsylvania House Health and Welfare Committee.

I would like to meet with members of the White House Work Group, as well as HHS staff, to discuss the points raised in my letter as well as the concerns of other members of NBCSL. I would like to arrange to meet prior to any final policy decisions being made by the Administration. I feel that the Draft shows good intent on the part of the Administration. My personal confidence in Secretary Shalala, leads me to believe that with more input from those of us who live and work in the communities most effected by the policy decisions this issue embodies, the Clinton Welfare Plan can possibly achieve the goal I call "True Welfare Reform", that is a system which ensures that families have an adequate and steady income from employment.

I look forward to a positive and productive meeting on this matter which could mark significant change in the way we as a society respond to those in need.

Sincerely,


Rep. David P. Richardson, Jr.
Chairman, House Health & Welfare Committee
201st Legislative District

cc: Members White House Task Force

House of Representatives, U.S.

MEMORANDUM

Thought you
would be interested.

Sincerely,
Paey T. Mink

Congress of the United States

House of Representatives

Washington, DC 20515

November 24, 1993

Congressman

President William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

We applaud your efforts to improve the status of working families in this country. The children's initiative within the Budget Reconciliation bill, which included the earned income tax credit; expansion of the food stamp program; increased funding for family preservation and childhood immunization was a first step toward a real investment in human needs.

We are writing to encourage continued efforts along these lines through policy initiatives that provide thoughtful, practical solutions to the economic and social problems facing America, including real welfare reform. We believe that true reform of the welfare system can potentially move families toward self-sufficiency and control over their own lives and destinies.

We strongly endorse the principles agreed upon by the Coalition on Human Needs, an alliance of over 100 national organizations working together to promote public policies which address the needs of low-income Americans. We believe that to properly address human needs welfare reform must:

1) REDUCE THE NEED FOR WELFARE

- * **Reform of the Aid to Families with Dependent Children (AFDC) program cannot succeed in the absence of a broader anti-poverty strategy.** Families are often forced to rely on welfare because other social systems have failed. A meaningful anti-poverty strategy must include assured child support benefits for all children with an absent parent, improved unemployment insurance protection, a refundable children's tax credit, universal access to health care, an increased minimum wage, an expanded Earned Income Tax Credit, quality child care needed for employment and preparation for employment, improved access to federal nutrition programs, as well as other reforms and initiatives outside the AFDC system.

- * **Investing in education and training opportunities for welfare recipients is critically important.** Federal funding for the Job Opportunities and Basic Skills (JOBS) program -- or any successor program -- should be increased to expand education and training services that give participants the necessary skills to obtain a decent paying, stable job. The state matching funding requirement should be waived or substantially reduced. Job preparation activities for AFDC recipients should include the option to pursue higher education as well as nontraditional training.
- * **By enabling parents to get work and get off welfare we must face the realities of a labor market that is increasingly dominated by low-wage, part-time and temporary jobs that cannot support a family.** In many communities, jobs of any kind are scarce. Initiatives to provide job training and create jobs which pay a living wage must be pursued aggressively.

2) WORK FOR WAGES NOT FOR WELFARE

- * **Public sector employment created for people leaving the AFDC system must provide pay and benefits equal to other workers doing the same work, without displacing current workers and jobs.** Requiring work in exchange for welfare benefits would create a permanent underclass of impoverished parents who would not enjoy the basic rights to which all other American workers are entitled. Creating such a permanent working underclass would erode both wages and employment standards for all Americans.
- * **The AFDC system should allow working parents to receive benefits and not penalize them for their work effort.** Reforms should be made to make it easier to combine some paid employment with AFDC receipt by finding ways to allow recipients to retain more of their earnings and to save for future needs.

3) ASSURE AN ADEQUATE SAFETY NET FOR CHILDREN AND THEIR FAMILIES

- * **Curtailing access to welfare without reducing the need for income support will only increase poverty and hurt needy families.** Time limits on the receipt of AFDC benefits are unacceptably arbitrary because they fail to take into account individual circumstances, the needs of dependent children, and the failure of the economy to generate decent jobs.
- * **The welfare system should provide adequate support to families while they are preparing to succeed in the work force.** Adequate support for welfare recipients must include the income necessary to meet basic needs, as well as access to health care, housing, education or job training, child care, and other

President William J. Clinton
Page Three
November 1993

supportive services. Supportive services should be continued during periods of combining paid employment and AFDC receipt, as well as for a transitional period after receipt of AFDC ends.

- * While innovative strategies proposed by the states for addressing the needs of welfare recipients should be considered, state requests for waivers from federal law governing the AFDC program must be carefully reviewed by the Health and Human Services Department in a fair and public process. Some states have used the waiver process as a back-door method for cutting benefits and imposing punitive behavioral requirements on recipients. Care must be taken to prevent recipients from being worse off by waivers granted.
- * The welfare system must treat people with dignity. Family cap provisions, restrictions on migration and other measures that seek to punish certain behaviors hurt needy families and do nothing to help them escape poverty. A reformed welfare system should emphasize incentives over penalties.

Real welfare reform requires a solid commitment to these principles, reinforced by substantial financial and human resources. Anything less is not real reform.

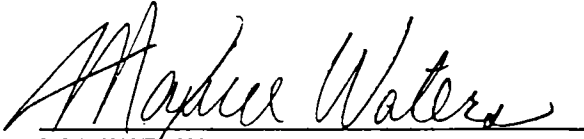
We look forward to working with you to improve the lives of low-income Americans.

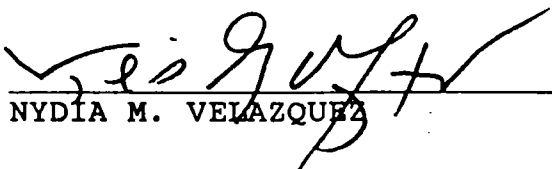
Sincerely,

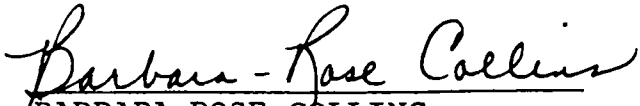

PATSY T. MINK


BERNARD SANDERS


LYNN C. WOOLSEY


MAXINE WATERS


NYDIA M. VELAZQUEZ


BARBARA-ROSE COLLINS

George Miller
GEORGE MILLER

Neil Abercrombie
NEIL ABERCROMBIE

Jolene Unsoeld
JOLENE UNSOELD

Ed Pastor
ED PASTOR

William D. Ford
WILLIAM D. FORD

Pat Williams
PAT WILLIAMS

Carrie P. Meek
CARRIE P. MEEK

Louis Stokes
LOUIS STOKES

Ron De Lugo
RON DE LUGO

Barney Frank
BARNEY FRANK

Ronald V. Dellums
RONALD V. DELLUMS

Leslie L. Byrne
LESLIE L. BYRNE

Maurice Hinchey
MAURICE HINCHEY

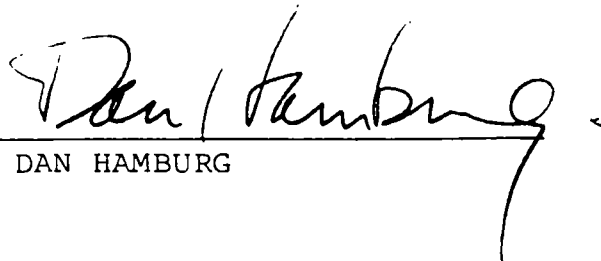
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HARRY JOHNSTON

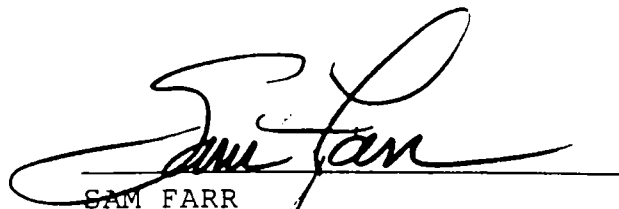
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PATRICIA SCHROEDER

Lane Evans
LANE EVANS

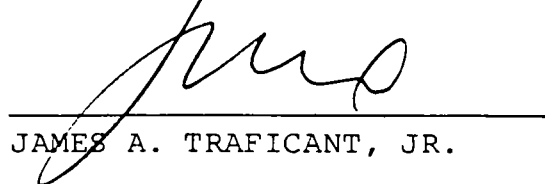
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JOHN W. OLVER

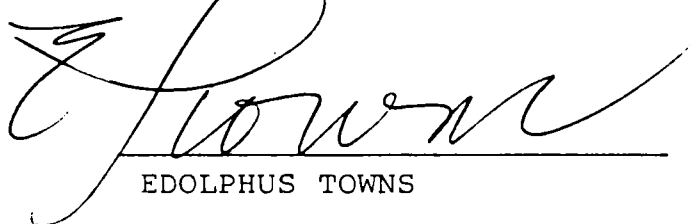
Nita M. Lowey
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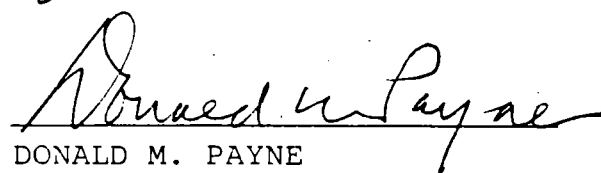

DAN HAMBURG

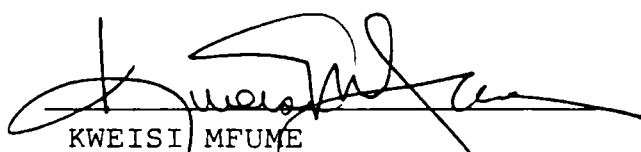

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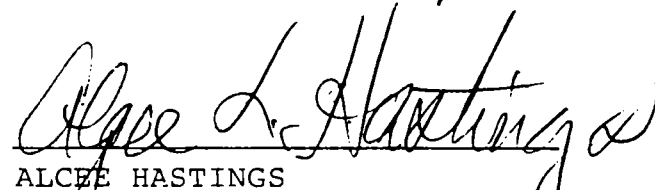

LUCILLE ROYBAL-ALLARD


JAMES A. TRAFICANT, JR.

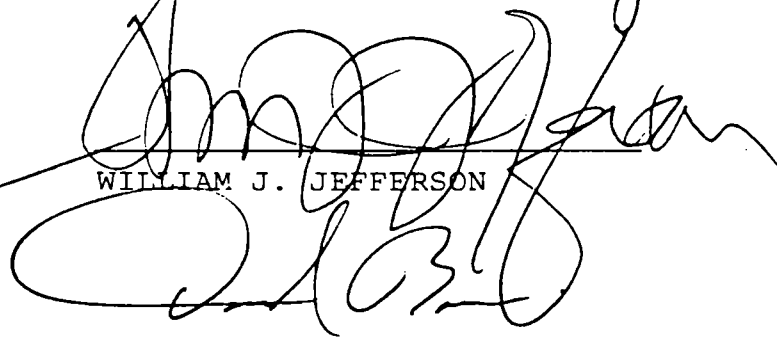

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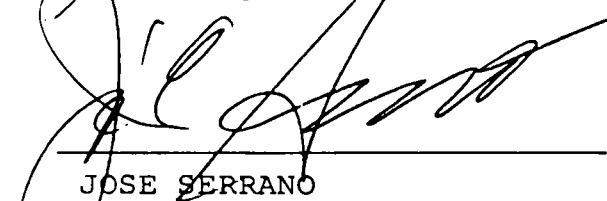

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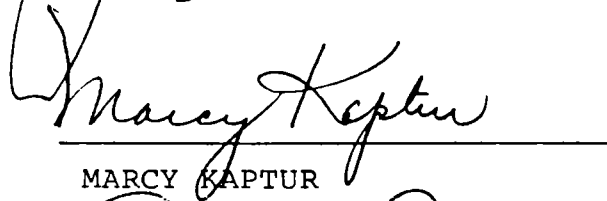

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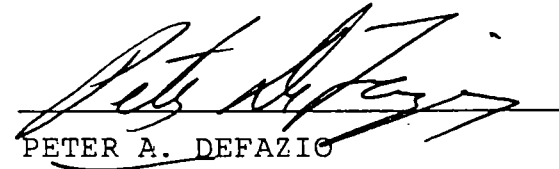

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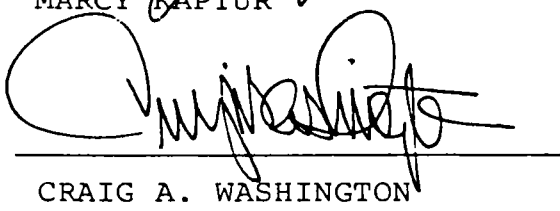

WILLIAM J. JEFFERSON


JOSE SERRANO

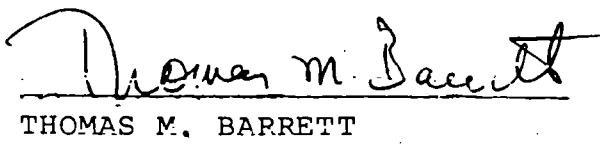

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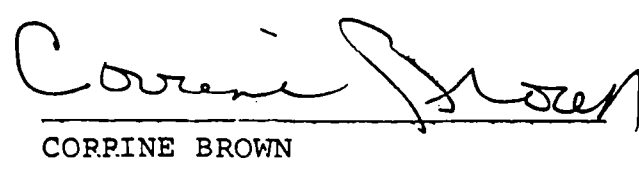

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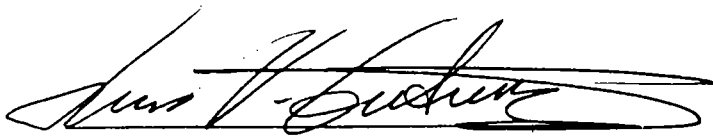

PETER A. DEFAZIO


CRAIG A. WASHINGTON

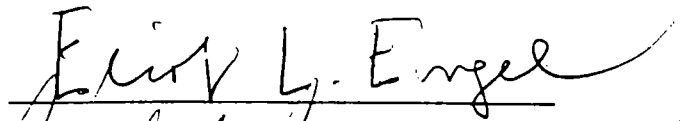

TOM LANTOS


THOMAS M. BARRETT


CORPINE BROWN



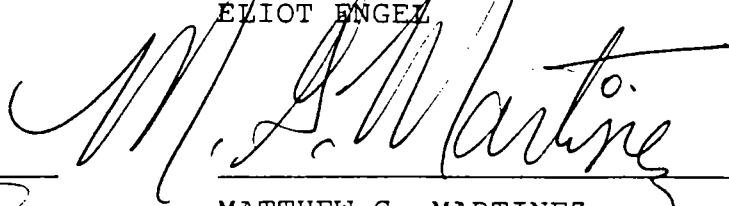
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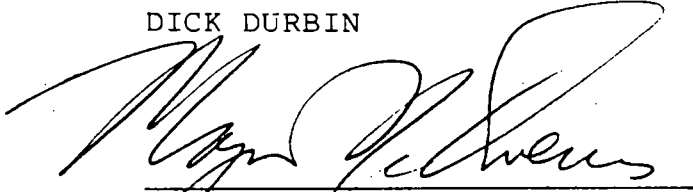
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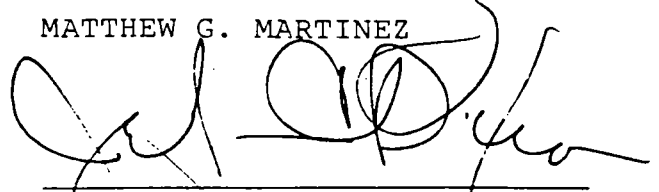
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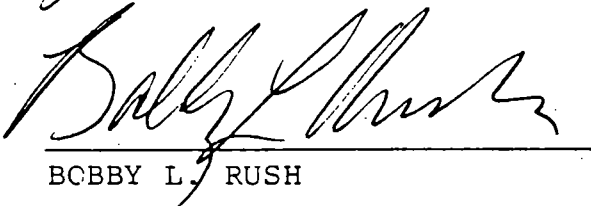
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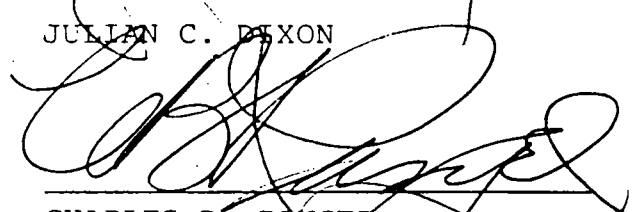
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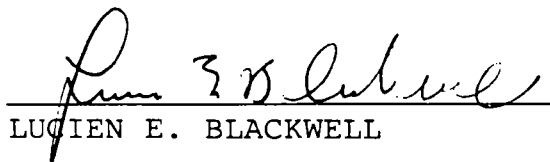
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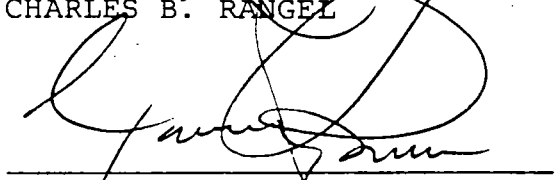
BOBBY L. RUSH



CHARLES B. RANGEL



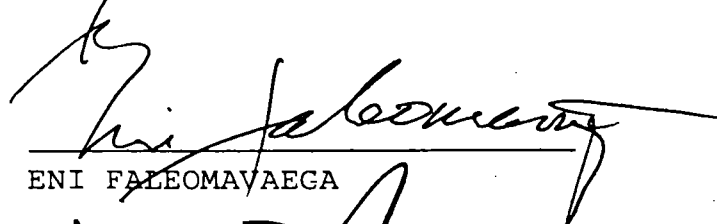
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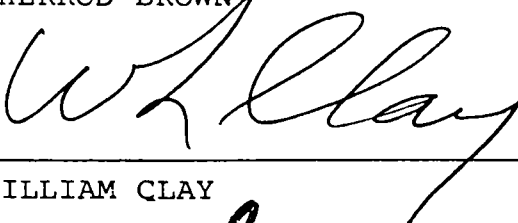
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SHERROD BROWN



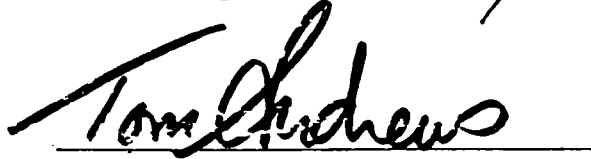
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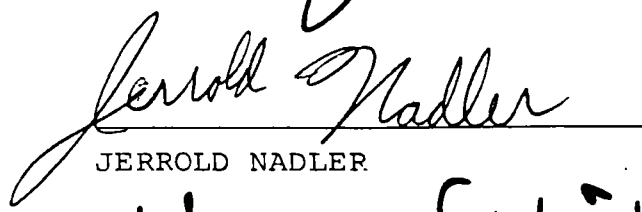
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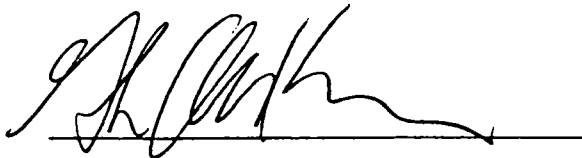
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THOMAS H. ANDREWS



JERROLD NADLER



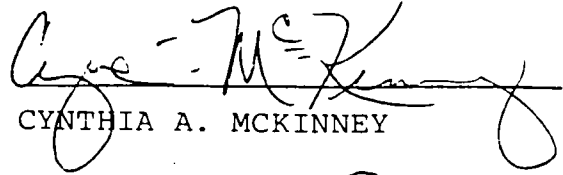
GARY L. ACKERMAN



THOMAS M. FOGLIETTA



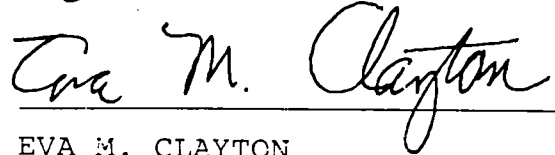
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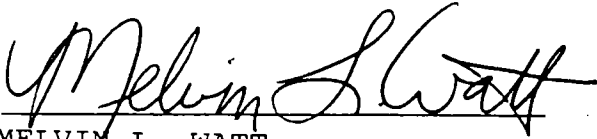
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NANCY PELOSI



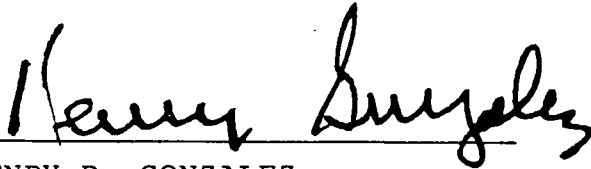
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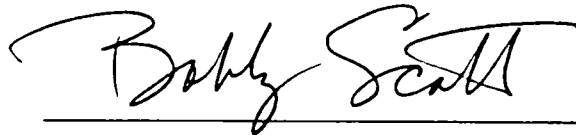
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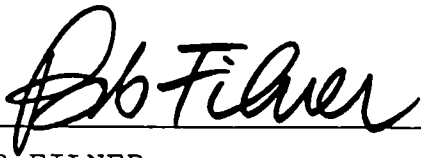
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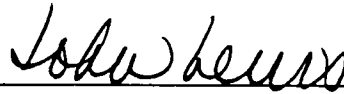
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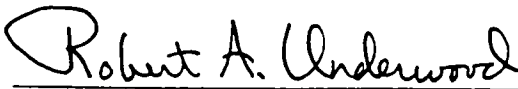
ROBERT C. SCOTT



BOB FILNER



JOHN LEWIS



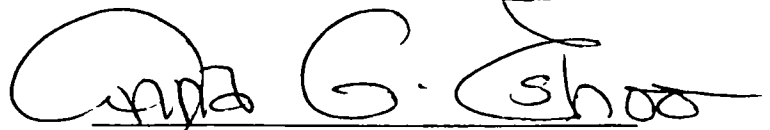
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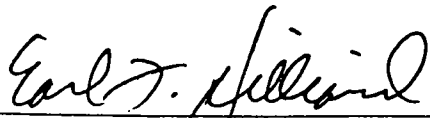
EDDIE BERNICE JOHNSON



DCN EDWARDS



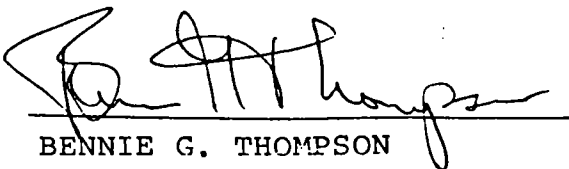
ANNA G. ESHOO



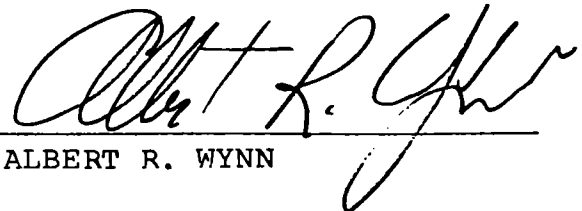
EARL F. HILLIARD



ELEANOR HOLMES NORTON



BENNIE G. THOMPSON



ALBERT R. WYNN


HENRY A. WAXMAN

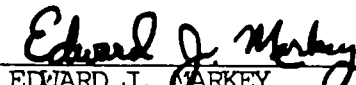

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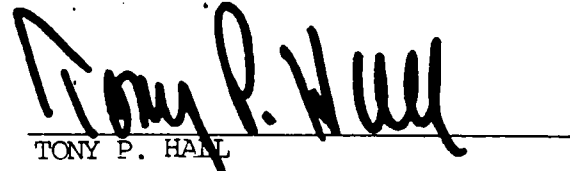

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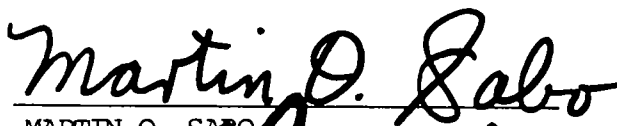

JOHN CONYERS, JR.


ESTEBAN E. TORRES

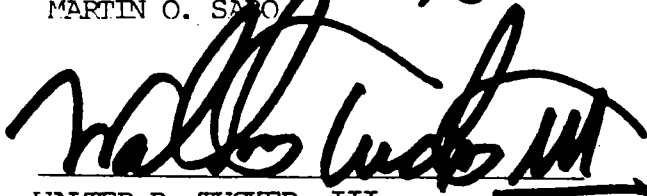

SAM GEJDENSON


EDWARD J. MARKEY


TONY P. HALL


MARTIN O. SABO


FLOYD H. FLAKE


WALTER R. TUCKER, III

Congressional

THE MAINSTREAM

Date: October 20, 1993
Contact: Suzanne Klinker, U.S. Rep. Jim Slattery, 225-6601
Jeff Fleming, U.S. Rep. John Tanner, 225-4714

MAINSTREAM FORMS TASK FORCE; CITES GOALS FOR WELFARE REFORM

The moderate Mainstream Forum announced on Wednesday it has formed a Task Force on Welfare Reform to work closely with the Administration as it crafts legislation to help the Clinton-Gore Administration successfully change "welfare as we know it."

The task force*includes 30 members of the Mainstream Forum and is chaired by U.S. Reps. Jim Slattery (D-KS), Karen Shepherd (D-UT), and Eric Fingerhut (D-OH).

In a letter released today, more than 75 members outlined the goals they want to achieve by reforming America's welfare system, and they praised the Administration's ongoing review of the current welfare system and its pledge "to end welfare as we know it."

"Our priority in reforming welfare must be to ensure access to job opportunities that move individuals from dependency to self-sufficiency," the members wrote.

In the letter, the members urge the Administration's Working Group on Welfare Reform to strongly consider streamlining the various welfare programs to improve efficiency. The members also believe child care issues for jobless parents must be examined to ensure that their children are safe while they seek employment.

"We also strongly endorse your call for community service employment for those welfare recipients who are not able to find jobs in the private sector."

More than 80 benefit programs provide both cash and non-cash aid to low-income Americans. These programs cost \$289.9 billion in fiscal year 1992. Broken down, that is \$207.6 billion in federal funds and roughly \$82 billion in state/local funds.

more >>>>>>>>

An unduplicated count of welfare beneficiaries is not available. But record numbers were served by the four most costly programs in 1992. Medicaid, the joint federal-state health care program for the poor, served 30.8 million people. Aid to Families with Dependent Children served an average of 13.8 million people in 4.8 million families per month. Supplemental Security Income provided benefits to roughly 5.6 million aged, blind, or disabled people each month. And food stamps served about 26.9 million people per month. (These numbers should not be added together as some receive benefits from more than one program.)

The Census Bureau classified 35.7 million people as poor based on pre-tax income in 1991, and it found that 73 percent of them were in households that received some income-tested aid other than through the Earned Income Tax Credit program, which is the largest.

Congress of the United States

House of Representatives

Washington, DC 20515

October 19, 1993

Dear Mr. President:

We of the Mainstream Forum are writing today to share with you our support for reform of this nation's welfare system. We are encouraged that your Working Group on Welfare Reform, Family Support and Independence is conducting a thorough review of the system and are hopeful that its findings will lead to greater efficiency. We support the key provisions in your campaign promises to "end welfare as we know it": making work pay and establishing a two-year transitional period to move recipients off of welfare into jobs.

We applaud the Administration's effort to reform this country's health care system so that access to affordable health care is available to all. Affordable health care is key to moving welfare recipients off of welfare into jobs. Your work on health care should eliminate the need to choose between staying on welfare and receiving Medicaid benefits or working at a low wage job that does not provide coverage.

Our priority in reforming welfare must be to ensure access to job opportunities that move individuals from dependency to self-sufficiency. In calling for such job access, we strongly endorse prioritization of job placement, and access to adequate education and training. We support the establishment of a two-year transitional period on benefits, during which welfare recipients remain active in either a job search and/or work, or, when necessary, training and education.

The business community should be encouraged to play an active role in reshaping job training, education, and employment factors. Serious consideration must be given to economic incentives for private sector job creation. We also strongly endorse your call for community service employment for those welfare recipients who are not able to find jobs in the private sector.

Enforcement of child support is also essential at the federal level to ensure that, along with the recent increase in the EITC, working parents have the funds available to pay for child care and other costs associated with raising a child while working. Further, child care issues must be addressed in order to allow parents to pursue employment while feeling secure that their children are being cared for in a safe and supportive environment.

Finally, we believe that the costs and frustrations caused by the fragmented administration of the various welfare programs can be reduced by streamlining and updating existing processes and procedures.

We look forward to working with you on this critical issue.

Sincerely,

James McHardy
The Hub

Mark Lant

Bob Clements

Raymond Condit
Phil Swett

Jim Bacchus

Wen Herson

W. E. Fil

Gene Browder

Edna

Jim Statter
Jimmy Hayes

Nathan Dear

W. C. Pate

Jim Moran
Buddy Larden

Greg Laughlin

Frank Pullen

W. L. Linder

Sam Agostoni

Love Lelerson

~~in Valtin~~

Louise M. Slaughter

Elle Oshard

Donna J. Smith

Prita for Louney

Chaplin Wilson

Rick Boucher

~~Concord~~

Numbered.

Cal Doolen

John J. Person

Barb Lusk

Paul Lomero

Jim Chapin

John Tanner

Lein J. J. J.

John J. J.

Barb J. J.

Blanche M. Lamborn

Karen Shepherd

Hutton Hutton

Bess Hutton

L. F. Payne

Kenyon Coffin

Paul J. J.

David Price

Tom J. J.

Marion F.

Samy Carlson

Bill Sarpalin

Pete Sun

Tom Holden

Bob Clearer

Willie Offord

Frank Igida

Phil Sharp

Paul D. Bishop

Gene Taylor

Wm G. Esker

John

Jane Harmon

Scott, Quake

Q. Minge

Karen J. Thurman

J. Long

Maty Muel

Sheleen

Tom Barber

Chet Edwards

Jim Barcio

Bob Fisher

Karen English

Paul Miller

Jane Mann

John

Signatories

Representative Jim Bacchus
Representative Scotty Baesler
Representative James Barcia
Representative Thomas Barlow
Representative Sanford Bishop
Representative Rick Boucher
Representative Glenn Browder
Representative Bob Carr
Representative Jim Chapman
Representative Bob Clement
Representative Ron Coleman
Representative Gary Condit
Representative Jim Cooper
Representative Sam Coppersmith
Representative Jerry Costello
Representative Bud Cramer
Representative Pat Danner
Representative Buddy Darden
Representative Nathan Deal
Representative Calvin Dooley
Representative Chet Edwards
Representative Glenn English
Representative Karan English
Representative Anna Eshoo
Representative Bob Filner
Representative Eric Fingerhut
Representative Martin Frost
Representative Pete Geren
Representative Dan Glickman
Representative Bart Gordon
Representative Gene Green
Representative Jane Harman
Representative Jimmy Hayes
Representative Bill Hefner
Representative Peter Hoagland
Representative Tim Holden
Representative Jay Inslee
Representative William Jefferson
Representative Don Johnson

Representative Tim Johnson
Representative Ron Klink
Representative Blanche Lambert
Representative Martin Lancaster
Representative Larry LaRocco
Representative Greg Laughlin
Representative Bill Lipinski
Representative Nita Lowey
Representative Dave McCurdy
Representative Paul McHale
Representative David Mann
Representative Martin Meehan
Representative David Minge
Representative Jim Moran
Representative Bill Orton
Representative Frank Pallone
Representative Lewis F. Payne
Representative Collin Peterson
Representative Pete Peterson
Representative Earl Pomeroy
Representative Glenn Poshard
Representative David Price
Representative J. Roy Rowland
Representative Bill Sarpalius
Representative Phil Sharp
Representative Karen Shepherd
Representative Ike Skelton
Representative Jim Slattery
Representative Louise Slaughter
Representative John Spratt
Representative Bart Stupak
Representative Dick Swett
Representative John Tanner
Representative Gene Taylor
Representative Frank Tejada
Representative Karen Thurman
Representative Tim Valentine
Representative Charlie Wilson

Congressional

October 19, 1993

MEMORANDUM FOR CIRCULATION

FROM: BRUCE REED

SUBJECT: Mainstream Forum Press Conference on Welfare Reform
Wednesday, October 20, 9:45 a.m.

Rep. Dave McCurdy (D-OK) and his House colleagues in the Mainstream Forum have scheduled a press conference tomorrow morning to release a letter to the President urging their support for welfare reform. The letter endorses the basic principles of the President's approach, including a two-year time limit, child support enforcement, training, child care, and access to affordable health care for all as a way to make work pay.

Around 80 House Democrats have signed onto the letter. Reps. Jim Slattery (D-KS), Eric Fingerhut (D-OH), and Karen Shepherd (D-UT) took the lead in drafting and circulating it. A copy of the letter and the list of signatories is attached.

We welcome their support for the President's approach, and will continue to work with them and others in both houses and both parties to develop a welfare reform plan that is consistent with the principles he has laid out. The Administration's Welfare Reform Working Group has already met on a bipartisan basis with dozens of members (including McCurdy) and Hill staff, as well as state and local officials, recipients, caseworkers, business leaders, and others. We have also held a series of field hearings around the country, which will conclude Nov. 8-9 in Memphis. We will be making recommendations to the President later this year, and the plan will be announced in early 1994.

House Republicans are working on their own welfare reform plan, which could be announced later this month. While we don't know all the details or costs of their plan, we welcome their efforts to make this a bipartisan issue and help the President pass a welfare reform plan.

If you have any questions or wish to send questions my way, you can reach me at 456-6515.

Congress of the United States
House of Representatives
Washington, DC 20515

October 19, 1993

Dear Mr. President:

We of the Mainstream Forum are writing today to share with you our support for reform of this nation's welfare system. We are encouraged that your Working Group on Welfare Reform, Family Support and Independence is conducting a thorough review of the system and are hopeful that its findings will lead to greater efficiency. We support the key provisions in your campaign promises to "end welfare as we know it": making work pay and establishing a two-year transitional period to move recipients off of welfare into jobs.

We applaud the Administration's effort to reform this country's health care system so that access to affordable health care is available to all. Affordable health care is key to moving welfare recipients off of welfare into jobs. Your work on health care should eliminate the need to choose between staying on welfare and receiving Medicaid benefits or working at a low wage job that does not provide coverage.

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Finally, we believe that the costs and frustrations caused by the fragmented administration of the various welfare programs can be reduced by streamlining and updating existing processes and procedures.

We look forward to working with you on this critical issue.

Sincerely,

Dave McQuade
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The Hub

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Ed

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Jimmy Hayes

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Forrester

Signatories

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Representative Rick Boucher
Representative Glenn Browder
Representative Bob Carr
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Representative Bob Clement
Representative Ron Coleman
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Representative Jim Cooper
Representative Sam Coppersmith
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THE WHITE HOUSE
WASHINGTON

OCT 4 1993

October 4, 1993

MEMORANDUM FOR CAROL RASCO

FROM: Howard Paster *HP*

SUBJECT: Welfare reform

As you make progress toward the launch of this major initiative in the new year, it probably makes sense to convene all the interested parties to discuss broad legislative strategy. My several conversations with Secretary Reich about the proper way to position ourselves in dislocated workers makes me wonder if we should not also consider how we are dealing with Capitol Hill on welfare reform, who is speaking for us (and to whom), where is the line between consultation and briefing, etc.

I'd be grateful if you would convene such a meeting in the next few weeks and include, in addition to White House legislative affairs, the legislative affairs people from the relevant departments along with the substantive people.

Thanks very much.

Compensating
Orig: CTR
X: Reed/Way

We need to discuss this for close of business
Tues. 10/12
CTR

The Prisoners of Charity

Congressional

WELFARE 'REFORMS' IN NEW YORK
HAVE DONE TOO LITTLE TO BREAK THE
CYCLE OF DEPENDENCY

WITH A FOREWORD BY U.S. SENATOR
DANIEL PATRICK MOYNIHAN

Welfare has, in effect, locked its recipients into a life of poverty. Work is the way out. But New York's efforts to help welfare recipients enter the workforce have taken some wrong turns.

In 1988, Congress enacted legislation intended to move recipients into the workforce. (CHAPTER 1)

But New York took an expensive detour in implementing that legislation. (CHAPTER 2)

As a result, the percentage of welfare recipients in the job market has actually dropped. (CHAPTER 3)

It was a questionable decision to emphasize schooling to the exclusion of job experience. (CHAPTER 4)

Even the hardest-to-place welfare recipients can be given real job experience. (CHAPTER 5)

Ultimately, any welfare-to-work strategy must also incorporate programs that make work pay. (CHAPTER 6)

The private sector can help expand the job market for recipients. (CHAPTER 7)

And it may be time to consider radical proposals to rebuild the welfare system from the ground up. (CHAPTER 8)

The Prisoners of Charity

Welfare "reforms" in New York have
done too little to break the cycle of dependency

May 1993

**The Public Policy Institute
of New York State, Inc.**
152 Washington Avenue
Albany, New York 12210
518/465-5263

The Public Policy Institute is a research and educational organization affiliated with, and sponsored by, The Business Council of New York State, Inc., the state's largest broad-based business group. The premise behind the Institute's creation in 1981 was that the solution of complex public-policy issues in New York State often requires in-depth analysis, and innovative approaches, from a private-sector perspective. The Institute is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954.

NOTE: Nothing written here is to be construed as an attempt to aid or hinder the passage of any specific bill before Congress or the New York State Legislature.

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Foreword

By U.S. Senator Daniel Patrick Moynihan

The Prisoners of Charity is one of the most important studies on welfare as it is to have appeared in New York since the crisis began here some thirty years ago. This is to say, about a generation ago when the proportion of out-of-wedlock births began to rise in a mode and at a rate which no modern society had ever experienced. (Mind, New York was not alone.)

There followed the problem of dependency, large numbers of mothers and children dependent on charity in order to live. Sort of live.

Any attempt to understand this problem must begin with the fact that it is *new*. The New York State Constitution provides that we shall take care of our needy. Specifically, Article XVII:

Section 1. The aid, care and support of the needy are public concerns and shall be provided by the state and by such of its subdivisions, and in such manner and by such means, as the legislature may from time to time determine.

This was adopted by the Constitutional Convention of 1938, towards the end of the Great Depression, but with a quite different problem in mind. Probably a quarter of New Yorkers were out of work at that time. That is to say adult males, who mostly made up the workforce. Farmers were scarcely making out; milk prices had plummeted. Bankruptcies and foreclosures were everywhere. As were the needy. And so "home relief" began, along with a variety of social services presided over by a Commissioner of Social Welfare.

Several decades passed, and prosperity returned with unimaginable force. New York in the 1950s had never been so prosperous; was never again to be. Or so I sometimes think. I was part of that great transformation, which to this day seems wondrous. Fifty years ago come June 24, I graduated from Benjamin Franklin High School in East Harlem and went off happily enough to work on the North River piers at 65 cents an hour for life. But then came the Navy and the G.I. Bill. (And New York's own "52-20 Club," which provided every returned veteran \$20 a week for 52 weeks, no questions asked.) By 1955 I was in Albany, working for Governor Averell Harriman, as was my wife, the

then Elizabeth Brennan. We married in the spring and in no time had children, a car, a house. Just like that; happening to everybody.

In the mid-1950s Governor Harriman decided to seek an increase in the salary of the heads of his departments of Health and of Mental Hygiene. These two areas were of great public interest at the time. There had been impressive scientific advances in the treatment of afflictions such as poliomyelitis and mental illness. Both incumbent commissioners were men of large achievement. A raise was in order. In the governor's office we were accordingly surprised to receive an almost bitter communication from the Commissioner of Social Welfare, Raymond Houston, who asserted, correctly, that the salary of the three "professional," nonpolitical commissioners had traditionally been equal. To raise the pay of the first and second, but not the third, would be a blow to the prestige of the Department of Social Welfare. He conceded that welfare was no longer an issue of comparable importance, certainly not of comparable public concern, but insisted that there was a principle involved and asked that it be adhered to. (Ray Houston won his point, but he had had to make it.)

Welfare: Over in the 50s?

For, indeed, by the 1950s, the issue of welfare had indeed all but disappeared from public life. All over now. Or so we thought; even as the present crisis commenced. The Constitution-makers in 1938 were concerned with state responsibilities and state programs.

It is not likely that many had noticed that in 1935, at the behest of our great New York Governor and President, Franklin D. Roosevelt, and his indomitable Secretary of Labor, Governor Alfred E. Smith's former confidante, Frances Perkins, the Social Security Act included a program called Aid to Dependent Children. (Later Aid to *Families* with Dependent Children.) This was to be a widow's pension to tide us over until Survivors Benefits were generally available under Social Security. (As they are today; it would take some 20 or so years before most of the workforce was fully insured.)

But starting in the 1960s this widow's pension, instead of fading away, became the source of support for women who had never married, or were separated from their husbands. What was then called the illegitimacy ratio (now "non-marital") was then about 3 percent for the State as a whole. To anticipate, it is now 33 percent. In New York City it is 44.5 percent. There are now some 1,148 million persons supported by Aid to Families with Dependent Children in New York State.

It took some time for it to sink in that something new and different and, well, ominous was going on. But not that long.

If anyone wants to put a date on the emergence of welfare as a national issue I would suggest February 8, 1971. The cover stories of all three national news magazines were devoted to this single subject. The *Newsweek* cover was entitled: "WELFARE: There Must Be A Better

Way." The cover story of *Time* was devoted to "The Welfare Maze." It began, "The U.S. welfare system is a living nightmare that has reached the point of involuntary scream and chill awakening." The cover story of *U.S. News and World Report* of the same date announced its main story: "Welfare Out of Control — Story of Financial Crisis Cities Face."

The next month, March 1971, Governor Nelson A. Rockefeller would declare that the existing welfare system "will ultimately overload and break down our society." It was not helping the recipients, rather it was promoting "permanent dependence on the government."

He was not wrong. I knew and loved Nelson Rockefeller. I can state unequivocally that no single problem baffled or troubled him more than this maze of welfare, as we had begun to call it. About which we seemed incapable of any progress; any change even. By the 1970s almost one child in three born in the U.S. would end up on "welfare" before reaching age 18. That is to say, they would live a pauper's life; entering adulthood with no resources and, too frequently, no prospects.

By the 1980s we had begun to realize that there truly was a welfare "trap." Once Medicaid became available in 1965, the specific, immediate, manifest benefits of being on welfare simply outweighed — for many — the risks and costs of leaving the system.

The 1988 reforms

In 1988, in a major, bipartisan effort, Congress decided that we must change these incentives — inherited, keep in mind, from a widow's pension where there was never any question of recipients leaving the system. In the Senate, I introduced the Family Support Act. Governor Mario Cuomo became an instant ally, as did Governor Bill Clinton, then head of the National Governors' Association. President Ronald Reagan was entirely supportive. The bill passed both houses of Congress by huge majorities, and was signed in a Rose Garden ceremony on October 13, 1988. (Which may have been the first time Clinton and Reagan had their picture taken together!)

The Act was based on the principle of mutual obligation — government had the responsibility of providing recipients with the training and other support services needed for them to become self-sufficient; they, in turn had to participate. No longer was the presumption that mothers must stay at home. The rapid movement of women, including mothers with young children, into the labor force had changed all that, making it possible to expect welfare mothers to find jobs *just as other mothers did*. In effect, the law was catching up with reality.

No one has evoked the spirit of the law better than our Governor Mario M. Cuomo:

The closest thing to a panacea for our social and economic challenges can be expressed in a single word — work. The opportunity for a good job at fair wages is an essential part of what it means to be an American and a New Yorker. Honest, productive work is the glue that holds together our families, our communities, and our sense of self-respect.

The Family Support Act included an automatic \$1 billion a year (and rising) to provide the Federal portion of the costs of the new JOBS Program designed to prepare young women for the job market.

There was a research foundation for all of this. The New York-based Manpower Development Research Corporation had established an essential fact. About half the adults who go "on" welfare go off within about two years. Quite on their own. A marriage has broken up; something like that. The people involved need income support for a relatively short period. That is what social insurance is all about. (Recall that the Social Security Act included Unemployment Insurance.) But the other half needs help. Absent genuine, mutual, reciprocal effort, these families become dependent and stay dependent. The Family Support Act directed the states to concentrate the JOBS program on these cases. Lives were at stake.

Most states leapt at the opportunity.

Not New York.

1989 went by. The Legislature did not act. Slowly, slowly — up against a deadline I had written into the legislation with us very much in mind — a half-measure made its way to the Executive Chamber. The alternatives were to enact something or lose all Federal funds. We enacted something. We would send welfare recipients back to school. As summarized in *The Prisoners of Charity*:

New York's current state policy is premised on the idea that entry-level jobs aren't good enough — because they aren't guaranteed to take recipients out of poverty status in a single bound. So instead of setting their feet on the lowest rung of the economic ladder and helping them begin a steady climb upward, New York has decided that welfare recipients should be sent back into classrooms in droves, to qualify them for better-than-entry-level jobs. And this was done despite clear evidence, from counties around the state, that programs focused directly on work experience can give more real help to more recipients, more cost effectively, than do endless rounds of schooling that is isolated from the workplace.

Our irresolute response

There is a history behind this painful, irresolute response. In part it involves the history of ideas in the social welfare profession, and a culture lag of sorts. For the most understandable of reasons, as social welfare strove to become an accepted profession, it began to stress the importance of non-coercive, therapeutic approaches to dysfunctional behavior. This produced an important, caring profession. But not one capable of caring for hundreds of thousands of cases at any one time, involving a million or more individuals.

In the place of individual casework, we got rule books. The rule books said clients were not to be sent into the labor market against their will, which was assumed to be otherwise.

There is an important institutional history.

(May I speak here for a moment to the business leaders who have sponsored this study. Unlike private enterprise, where organizations rise and decline, appear and disappear in the tumult and swirl of the marketplace, government organizations tend to be very long-lived — some scholars have suggested immortal! — and to develop institutional attitudes which go on generation after generation. This may seem inefficient, and it is in ways. Yet it is also the price of stability; or rather a concomitant of stability. You can't be the oldest republic on earth, the longest lived in history, without some of this. Recall that our New York State Constitution is older even than that of the national government.)

Shunning labor from the outset

When the Social Security Act was passed in 1935, it seemed only natural for the new administration to be placed in the Department of Labor. After all, this bill had been proposed by Frances Perkins, then Secretary of Labor. And, as noted, Unemployment Insurance was to be its most immediate provision. However, there were objections in Congress, notably in the Senate. Somehow this would give "the labor unions" too much power. Frances Perkins, who was at once the most practical of administrators and the most idealistic of social reformers, was not about to put her great new program — the President's great new program — in jeopardy. She later wrote:

It had been anticipated that the Social Security Board and its operation would be in the Department of Labor. That indeed would have been logical. But as soon as the matter got into Congress it became obvious that it was the same old story. Neither the Congress nor state legislators wanted money to go to the Labor Department. There is always the feeling that a Department of Labor will be soft on workers, that it will be too much influenced by working people and their point of view.

Rather than have any delay, I readily agreed to an independent agency. I talked it over with the President and we agreed that the matter was not a major one on which to make a fight. It would be better to give way and have an independent agency, even though in the long run that

*might be awkward, than to run the slightest risk of retarding the passage of the bill.*¹

She yielded gracefully to the creation of an independent Federal Security Agency. Now, had the AFDC program ended up in the Department of Labor, it would have been a work-oriented program from the outset. I was an Assistant Secretary of Labor under Presidents Kennedy and Johnson. I can attest that the tradition of the Labor Department taught that the finest thing you could do for another human being was to find him or her a job. Correspondingly, the worst fate that could befall a person was to be out of work. Alas, welfare went elsewhere. A Social Security Agency got going and in time became the basis of the Department of Health, Education and Welfare, now the Department of Health and Human Services.

(Note something interesting. As welfare became more controversial, the word began to disappear. New York led the way. In 1962 the name of the state Department of Social Welfare was changed to the Department of Social Services. In 1980 the U.S. Department of HEW became the Department of HHS. For what it may be worth, "welfare" is the 29th word in the preamble to the Constitution. But it lost out in the fashions of the 20th Century. Instead, we got Social Services, which translated means employment for professionals rather than the indigent.)

Something else happened which I dare to think is peculiar to New York. In the Fall of 1960, the city manager of Newburgh announced a 13-point plan for putting what would come to be known as "welfare chiselers" to work. The specifics of the situation of welfare in Newburgh were hopelessly confused by press reports, and do not appear to have been clear even to the principals. The basic confusion was between able-bodied males receiving "home relief," then as now a State program, Social Security recipients of Aid to the Blind and Aid to the Permanent and Totally Disabled (which has since become the Supplemental Security Income), and female recipients of AFDC benefits. It all got horribly mixed up. No distinctions were made. And one fatal gloss was put on the whole controversy. The city fathers, you could say, were white, the recipients for the most part were black. The controversy in Newburgh instantly became a national issue. My sometime colleague and dear friend, Barry Goldwater, sent a telegram to the city manager:

THIS TOOK COURAGE ON YOUR PART..., BUT IT IS THE
KIND OF COURAGE THAT MUST BE DISPLAYED ACROSS
THIS NATION IF WE ARE TO SURVIVE... MY THANKS TO
YOU AS AN AMERICAN...

1 Frances Perkins, *The Roosevelt I Knew*, New York: Viking Press, 1946, pp. 300-301.

In no time finding work for welfare recipients became identified as a conservative, even right-wing position in American politics. (How Frances Perkins would have wept!) Simultaneously, and in reaction, political liberals began to denounce such proposals as coercive and racist, or alternatively, often simultaneously, to deny that there was any welfare problem in the first place. Newburgh lives on, however little we may realize it.

Institutional interests

Lastly — this is sensitive, I realize — it is necessary to face the fact that the enormous increase in welfare dependency has created an interest in the part of those who look after the problem. A grown-up democracy ought to be able to face this fact.

Organizations in government seek to maintain themselves. Fifty years ago, the U.S.D.A. Agricultural Extension Service was of great help to potato farmers in Nassau County. Today the same service advises suburbanites on the problem of crabgrass. The Central Intelligence Agency, having lost most of its Cold War work now proposes to go into the field of economic intelligence. e.g., spiriting away the secrets of Soviet Agriculture. As *The Prisoners of Charity* notes: "New York's administrative cost per welfare recipient is 62 percent higher than the national average."

Put plain — I have said this before — there is money to be made in poverty.

Will we pursue any of the solid, progressive proposals that have emerged from this study by The Business Council and its Public Policy Institute? I do not know. But I know we had better.

The present welfare system is threatening our social system. *It does not work.*

How better to demonstrate this than the extraordinary experience of Barbara J. Sabol, the head of the New York City's Human Resources Administration. (Note again the disappearance of the word welfare.) Ms. Sabol is an able, experienced public administrator. She earns \$110,000 a year in her job, and is worth every penny. She supervises 28,500 employees and does her best. To try to do better, she decided to see how the system works from the point of view of a welfare recipient hoping to find a job. Here is the *New York Times* account:

Disguised in a sweatshirt, jeans, scarf or wig, Barbara J. Sabol, the head of the city's Human Resources Administration, posed as a welfare applicant over the course of last year to experience firsthand the huge bureaucracy she administers.

In her occasional journey, she said she suffered numerous indignities: She said she handed over a set of personal documents, only to have them lost. She was sent more than once to the wrong

office. She waited in long and sometimes fruitless lines. She sat in seedy waiting rooms with cockroaches, broken chairs and broken telephones.

She praised most of the workers. But she also described being scolded, misdirected, and made to feel, as she put it, "depersonalized..."

"I ceased to be," said Ms. Sabol, back to normal in a purple suit, jewelry and heels in her spacious office... "I mean, nobody saw my spark."

Despite her repeated pleas for work, Ms. Sabol said she remained on welfare, unable to progress from a mandatory work assignment as a clerk for the city to a full-time job.

"I'm showing up at my work station," she said. "I'm doing what they told me to do. But I still didn't have a real job. Nobody saw how terrific I was"....

Ms. Sabol said she learned that most public assistance recipients desperately want work, and she believes the city needed to help people search for jobs as soon as they come into welfare offices and before they get their first welfare checks, which usually takes 30 days....

She said she wanted to see greater computerization in the city welfare system and wants to find a way to give preference in the long welfare lines to people who are getting benefits but also working "so that we don't become an impediment to them keeping their job." And she said the city's welfare centers had to be redesigned to give recipients more privacy as they answer the questions of caseworkers.

To say again, our social system is in jeopardy. Consider the costs of Medicaid. (Which Meg Greenfield not long ago in *Newsweek* described as "the legislation that ate New York...") It is not out of the question that the day will come when this program, founded in 1965 principally to provide medical care to AFDC recipients, will use up a quarter of our state budget.

And why? In part because the breakdown of family in New York is creating an incredible problem of child health care. Overall 33 percent of the children born in New York now are "non-marital" — to use the Census Bureau's latest evasion. In New York City the rate is 44.5 percent. The age at which children bear children keeps declining. A nine-year-old gave birth not long ago. A new proposal for central Brooklyn calls for dealing with the problem of "pre-teen pregnancy." We have already normalized the problem of teen pregnancy. But are we determined to do something about eleven-year-olds?

This is a form of madness. *The Prisoners of Charity* is a welcome voice of sanity.

Introduction

Prisoners of Our Charity

"Most people who are on welfare are yearning for another alternative, aching for the chance to move from dependence to dignity. And we owe it to them to give them that chance."

— President Clinton

Born of our instinct to give help to those who need it, the welfare system today satisfies no one. It provides only an impoverished standard of living for those who depend upon it. Yet it undermines stable families, cuts the poor off from the world of work, and locks them in a cycle of dependency.

Welfare has, in effect, turned all too many of its "beneficiaries" into the prisoners of our charity — effectively denying them the opportunity to build a better life for themselves and their children.

There is only one welfare "reform" which will free the recipients — and that is to find ways to move them off of welfare, and into the workplace. Yet because of policy choices which now require a serious re-examination, New York's three-year-old effort to turn welfare recipients into workers has achieved far too little. It has not improved the number of recipients getting jobs — and it has cost at least three times as much as it has saved.

Getting welfare recipients into jobs requires that we change the systems' habits and assumptions. Most of all, it requires that we abandon the patronizing idea that welfare recipients are sort of oversized children, unable to bear the same kinds of responsibilities that other people do, unable to make the decisions which welfare bureaucrats are accustomed to making for them.

New York has flinched from giving the recipients their independence; in this state, the old system rolls on. New York's most recent, much-ballyhooed "reform" effort appears to have actually reversed, rather than advanced, programs through which a number of localities were moving recipients off welfare rolls and onto payrolls.

Less than one-quarter of the 670,000 adult welfare recipients in the state today are being asked to do anything; the rest have been left completely untouched by what work-oriented programs there are.

And the state has forbidden counties to require more than three job-search contacts a week, even by those welfare recipients deemed employable.

New York is not the only state that is having trouble turning the promise of federal welfare reform into real improvements in the lives of its poorest citizens. But, given its unsurpassed history of compassion for the needy, New York would prefer to be a model of success. The problems with New York's efforts, therefore, offer important lessons, as the nation considers the prospect of a new struggle to help our poorest citizens build a better life for themselves.

The promises of 1990

Our current failures have their roots in what was, initially, a highly promising reform initiative at the federal level. Pushed by a new federal law crafted largely by Senator Daniel Patrick Moynihan of New York, in 1990 this state proclaimed a welfare initiative that promised to put thousands of able-bodied recipients to work, reduce welfare rolls and break the destructive welfare cycle in poor communities.

It was an idea embraced by liberals and conservatives alike. In effect, the federal JOBS bill envisioned a new social contract: taxpayers would provide temporary assistance to the poor while they sought work or brushed up on skills. But recipients would assume an obligation to work or prepare for work.

Children growing up in welfare households were finally going to have role models — their own parents — who would go out the door every morning to a job or training. Parents were going to gain self-esteem, new skills, a work ethic, and renewed hope.

Unfortunately, things haven't turned out that way. Fewer recipients are looking for jobs today than two years ago — and not surprisingly, fewer recipients are finding them. (See Chapter 3.)

It's not that jobs cannot be found. Even in the depths of the recession, entry-level jobs were going begging.

But New York's current state policy is premised on the idea that entry-level jobs aren't good enough — because they aren't guaranteed to take recipients out of poverty status in a single bound.

So instead of setting their feet on the lowest rung of the economic ladder and helping them begin a steady climb upward, New York has decided that welfare recipients should be sent back into classrooms in droves, to qualify them for better-than-entry-level jobs. And as this report will demonstrate, this was done despite clear evidence, from counties around the state, that programs focused directly on work experience can give more real help to more recipients, more cost

**WELFARE IN NEW YORK STATE:
A Statistical Snapshot**

	1992	1991	Change
Statewide			
Total income maintenance:			
Cases	713,511	670,575	6.4%
Recipients	1,503,294	1,408,860	6.7%
Expenditures (millions)	\$3,781	\$3,530	7.1%
AFDC recipients	1,124,911	1,067,379	5.4%
Home Relief recipients	378,383	341,481	10.8%
Medicaid:			
Beneficiaries	1,523,341	1,428,316	6.7%
Expenditures (millions)	\$14,437	\$13,229	9.1%
New York City			
Total income maintenance:			
Cases	496,468	463,596	7.1%
Recipients	1,001,165	932,264	7.4%
Expenditures (millions)	\$2,445	\$2,252	8.6%
AFDC recipients	721,255	689,540	4.6%
Home Relief recipients	279,910	242,724	15.3%
Medicaid:			
Beneficiaries	953,424	904,669	5.4%
Expenditures (millions)	\$9,618	\$8,870	8.4%
Rest of State			
Total income maintenance:			
Cases	217,043	206,595	5.1%
Recipients	502,129	476,596	5.4%
Expenditures (millions)	\$1,336	\$1,278	4.5%
AFDC recipients	403,656	377,839	6.8%
Home Relief recipients	98,473	98,757	-0.3%
Medicaid:			
Beneficiaries	569,917	523,647	8.8%
Expenditures (millions)	\$4,819	\$4,359	10.6%

Source: New York State Department of Social Services, "Social Statistics," January 22, 1993. Annual cost figures are extrapolated from October 1992 and 1991.

effectively, than do endless rounds of schooling that is isolated from the workplace.

The fact that New York chose the most costly approach to the federally mandated reforms also meant that fewer recipients could be served. There are no solid numbers on what has been spent on this policy — but best estimates put the cost at almost \$200 million in the first year, and over \$300 million in the second year. That stretched only far enough to serve roughly 10 percent of eligible welfare mothers and 30 percent of employable Home Relief recipients.

Low-wage, entry-level jobs are disparaged as inadequate by those who planned New York's response to JOBS. But low-wage jobs are not nearly the trap that welfare itself is. Welfare benefits do not provide enough to escape poverty. As long as a family is on welfare, that family will remain poor. Prolong a family's stay on welfare by limiting work programs to high-end, high-cost, limited availability training programs, and you prolong that family's poverty.

Entry-level jobs are just that — an *entry* into the American system of upward mobility. And once in the system, a working family's odds are pretty good. A Treasury Department study of family income data, for example, has demonstrated that by 1986, fully 86 percent of the families which had been in the bottom one-fifth of income 10 years before had moved up by at least one quintile within a decade — and fully 40 percent of those formerly poor families had broken into the top two quintiles.¹

Thus, there is clear evidence that New York can do better for its welfare recipients and their communities. The most successful welfare-to-work programs offer a wide range of job preparation and job search programs to match the needs of different welfare populations. They require participation by large percentages of recipients. They see education and training as a vital component of employment efforts — rather than as something to be pursued to the exclusion of employment. And they pay as much attention to getting recipients out the door, into jobs, as to getting them *into* the program in the first place.

Recipients want to work

Repeated studies and experience have confirmed what President Clinton has said — that most recipients really do want to work. But they don't know how to go about getting a job; they are afraid of the unknown; and they are baffled by the paperwork of the welfare bureaucracy. More than anything, they need some guidance, and sometimes a push, with the assurance that they can do it — and that they have someplace to turn if problems arise.

Some fresh thinking also is called for on the employment end. A couple of private firms have had great success placing welfare recipients in jobs, even in the worst months of the recession, by aggressively selling the candidates and meeting employer needs.

Why not allow employers to "try out" recipients before placing them on the payroll? Why not reimburse firms that train welfare recipients only once a trainee gets a job? And why not apply welfare grants toward subsidizing apprenticeship periods for all public assistance recipients — not just recently unemployed workers?

1 "Economic Viewpoint," *Business Week*, July 13, 1992, p. 18.

New York also has the means, if it has the will, to give more welfare recipients direct, on-the-job experience in public service programs. To avoid discouragement and to maintain the social contract, even people who cannot find a conventional job can be given an opportunity to build good work habits, start a resume and know that they are pulling their own weight.

Such programs would cost money — but there is money to be had by cutting back the duplicative administrative superstructure of overlapping state and local welfare bureaucracies in New York. New York's administrative cost per welfare recipient is 62 percent higher than the national average; the state and its localities could save \$530 million a year by cutting back those costs to the average.

Mean-minded, work-or-else programs don't work. But New York is ignoring evidence, from this state and elsewhere, that strong, focused, work-oriented programs can help rescue welfare recipients from the dependency in which they are otherwise trapped.

Making work pay

Finally, we must ensure that going to work pays more than staying home. This will require further changes in tax policy, child support collection procedures and health insurance approaches — to remove many built-in penalties against the working poor.

Well-intentioned programs to help the poor have transformed entire communities into poverty traps over the past 30 years. The federal JOBS program represented a way out for this generation. But in New York today, that door is being closed. It is time to open it.

Chapter 1

Breaking the Cycle of Poverty

If Franklin D. Roosevelt were to reappear today, it is a fair bet he would not recognize the American welfare system he spawned during the Depression.

What started out as a tiny program to help widows and children — one that was expected to disappear as survivor benefit programs developed — has grown to a multi-headed behemoth serving 13 million Americans and costing almost \$200 billion annually.²

It was launched with the best of intentions, but in many cases has led to the worst of results: institutionalizing "the dole"; perpetuating poverty in whole neighborhoods; and denying fathers and a normal awareness of working life to millions of children.

Senator Moynihan, then serving in the Johnson administration, had prophesied in 1965, just as the welfare boom was gathering steam, that "A community that allows a large number of young men to grow up in broken families, dominated by women, never acquiring any stable relationship to male authority, never acquiring any set of rational expectations about the future, that community asks for and gets chaos."

Few others were as prescient at the time. But with the benefit of hindsight, it is easy to discern the elements in welfare which have done the damage. Money from Aid to Families with Dependent Children, or AFDC, the traditional welfare system, is available to women who don't work, who don't have a husband around, and who have children. Naturally enough, society is getting just what it is paying for.

² Vee Burke, "Cash and Non-cash Benefits for Persons with Limited Income: Eligibility Rules, Participant and Recipient Data, FY 1986-88," Congressional Research Service, The Library of Congress, October 1989. These numbers apply to the entire welfare "system," not just AFDC.

The poor, who were supposed to be the beneficiaries of this expanding government largesse, have instead become its victims. Over the past three decades, not working and collecting benefits has become an accepted alternative to working — trapping hundreds of thousands in poverty.

If the *cause* of the problem with welfare is obvious in hindsight, so, too, is the solution. Stable, intact families get that way because they have to work, and work together, to meet their needs. Welfare families are destroyed because they have to split up, and have to shun work, to meet their needs. Work is the way out — the only way out.

Common sense vs. the experts

Pressed to do something about the welfare cycle, administrators often seem to think it is best to get recipients on the job track later, rather than sooner, "for their own good." Yet to ordinary citizens, it is only common sense that a job, not a relief check, is the way out of poverty.

The facts are on the side of common sense. Only 4 percent of families headed by a man who works full-time are poor, and only 10 percent of families headed by a woman who works full-time are poor. Yet virtually *all* welfare households are classified as poor. Among households that were classified as poor in a 1984 survey, more than half did not work at all.³

Welfare benefits do not provide enough to escape poverty. Only working one's way up the job ladder can do that. Yet seemingly well-intentioned welfare laws and bureaucrats have repeatedly pulled the ladder away from the poor.

Between the 1960s "War on Poverty" years and the 1980s, the population on welfare almost quadrupled, even as the nation enjoyed an unparalleled economic boom. The growth in welfare rolls eventually slowed, but the damage was done: welfare policies discouraging work had laid waste entire urban neighborhoods.

Eligibility rules allowed — no, forced — fathers to leave their homes; the illegitimacy rate is now one out of every two children on welfare. Triple-generation welfare families became common.⁴ More and more teenage girls dropped out of school to start their own "families," and more and more single mothers fell into poverty. As working, male role models became increasingly rare in urban neighborhoods, crime became increasingly common.

3 Lawrence Mead, "Jobs for the Welfare Poor," Heritage Foundation Policy Review, Winter 1988, p. 61. As is detailed in Chapter 7, the question of how a *working* family can remain poor is also a problem which must be addressed.

4 David Ellwood, "Targeting Would-Be Long-Term Recipients of AFDC," Department of Health and Human Services, January 1986, p. 5.

The grip of dependency

By 1987, more than half of the female-headed households in the U.S. were receiving Aid to Families With Dependent Children, or AFDC, the main welfare program.⁵ Almost one-quarter of all teenagers by then also had been on AFDC for at least a year of their lives.

Nationwide, crime rates and teenage dropout rates in areas of high dependency were soaring — as were child abuse and foster care placements. Welfare children were failing in school twice as often as other children.⁶ Such disturbing trends turned out to be the real costs of dependency — far greater than the dollar amounts distributed in monthly assistance payments.

At the same time, society as a whole was moving away from one of the underlying premises of the existing welfare system — that women should stay home with their children. By the mid-1980s, half of all mothers of young children were working — and paying taxes.⁷ Did it make sense for society to insist that a waitress supporting two children should pay tax dollars for other mothers *not* to work?

Something had to be done.

Early experiments

During the 1970s, the federal government began dabbling with programs to put recipients to work. Early programs relied largely on volunteers, and stressed occupational training. One costly program, CETA, the federal Comprehensive Employment and Training Act, placed thousands of recipients in public jobs with little supervision. But the commitment wasn't really there, and opposition was high.

During the 1980s, the states were encouraged to experiment on their own with welfare-to-work programs, and a number of innovative approaches were tested, including some in New York. Results were carefully monitored in a number of trials, producing the first documentation of what worked and what didn't.

The most successful programs matched recipients with jobs, increased their annual income, and pared the welfare rolls. One California program produced \$3 in savings for every \$1 invested.

5 Robert Rector, "Reforming Welfare: The Promises and Limits of Workfare," Heritage Foundation Background, June 11, 1987, p. 1.

6 *Ibid.*

7 As of 1985, 50.5 percent of all mothers with children under three — and 49.4 percent of all those with a child one year or younger — were in the workforce. By 1991, these percentages had risen to 56.8 percent and 55.8 percent, respectively. Since these overall figures include the women on welfare, the percentages for non-welfare women were even higher. See Table 621, *Statistical Abstract of the United States: 1992*, Bureau of the Census, 1993.

A key finding was that an additional investment in tax dollars was necessary on the front end, to achieve the desired results. That investment covered such items as child care, transportation, training — but it turned out to be money well spent.

The 1988 law

The results of these initial experiments were encouraging enough for Congress, which was desperately seeking a palatable route out of the welfare trap. With the leadership of Senator Moynihan, in 1988 Washington enacted the Family Support Act, establishing the Job Opportunity Basic Skills program, or JOBS.

The act built on welfare-to-work programs already tried in many states (including, with considerable success, New York). It posited the notion that welfare was a two-way street — that by accepting support payments, recipients of Aid to Families with Dependent Children were entering into a kind of contract with society.

Under the contract, society would provide transitional assistance to families down on their luck, along with help in finding a job or preparing for one. A range of support services like day care and Medicaid would be guaranteed up to a year after recipients found a job.

But in return, recipients were expected to participate actively in searching for, or preparing for, a job — and eventually to work their way off the rolls.

Meanwhile, absent fathers were expected to help support their own children, and mothers were expected to do more to help track down “delinquent dads.” For the first time, wage withholding was authorized to collect child support payments.

States were given considerable leeway in fashioning their own JOBS programs, using a variety of pilot-tested approaches. The federal government offered 50 percent to 60 percent funding for JOBS programs (in New York, the state and local governments split the remaining cost).

States could choose to require participation by all mothers except those with children under the age of one. Under the federal rules, mothers in the program would be expected to participate in at least 20 hours of activity per week.

Every year, an expanding percentage of the eligible caseload would be required to participate. The goals were modest, starting at 7 percent in the first year, 11 percent in the second year and rising to 20 percent by 1995. States that failed to meet those goals stood to lose eligibility for JOBS program funding.

To assure the program would not just "skim" the easiest hires off the top, as previous programs often did, Congress insisted that to receive full funding, at least 55 percent of a state's effort would have to be directed at a "target" population. That population included those who had been on welfare for at least 36 of the past 60 months, families within two years of becoming ineligible for welfare because the youngest child would reach 18, and those under 24 who never completed high school.

In the 1990 state legislation setting up its program under JOBS, New York chose to limit the possible participants by exempting all mothers with children under the age of *three*. Even so, an estimated 170,000 parents collecting AFDC were deemed eligible for the JOBS program. That represents about half the adults on AFDC, all but 15,000 of whom are women.⁸

New York also chose to offer this same range of preparation and placement activities to its Home Relief population, although those costs are not reimbursable by the federal government, since Home Relief is purely a state and local program.

Home Relief covers those who need financial assistance but are ineligible for AFDC because they have no children under 18; 75 percent of recipients are individuals. In June 1991, there were almost 332,000 people on Home Relief, of whom 140,000 were deemed employable.⁹

By the time the Family Support Act passed Congress, New York already had a number of fairly well-developed programs to train or place welfare recipients already underway. In fact, New York's program was considered a model for the federal legislation. Each county ran its own program, with varying success rates.

Because of this head start, hopes were high that with the additional federal help, New York could make real headway in putting more welfare recipients to work. Those hopes, however, were not to be realized.

8 Social Statistics, New York State Department of Social Services, June 1991, p. 6.

9 "Social Statistics," *op. cit.*, p. 5.

Chapter 2

An Expensive Detour

In the 1980s, New York had been a national leader in back-to-work programs.

But the state had a rather odd reaction to the 1988 federal JOBS legislation, which was modeled on some of its own programs, and authored by one of its own senators. New York's 1990 implementing legislation took a detour, not the fast track. It undermined, rather than advanced, successful local initiatives. In New York, the JOBS program went from being a "back-to-work" program to a "back-to-school" program.

Successful models

Before JOBS and the 1990 state implementing legislation, the state Department of Social Services had helped (and in some cases nudged) most counties to adopt welfare-to-work programs. The counties had employed a number of different approaches, and had left it to social service workers to determine the optimum route to employment for each recipient. Most counties in New York had some variation of the following:

- **SKILLS ASSESSMENT AND EMPLOYABILITY PLAN.** Recipients' reading and technical skills are tested, and a plan is jointly developed to make the recipient more employable.
- **JOB SEARCH.** Recipients seek employment on their own or in a supervised setting such as a job club. Often this process includes some training in how to look for a job; usually, those in the program are given a quota of job contacts to make per week.
- **JOB READINESS TRAINING.** Performed in a classroom setting, this stressed such skills as personal appearance, job interview techniques, job seeking and job survival skills, life skills.
- **WORK EXPERIENCE.** Recipients usually work part-time in a municipal agency or nonprofit group in exchange for their benefits, allowing them to brush up on job skills while contributing something. This is the practice sometimes referred to as "workfare."

- **EDUCATION.** This ranges from remedial courses in basic reading, math and English, to preparation courses for high school dropouts to receive their General Equivalency Degree, to college-level courses aimed at attaining a specific career goal.
- **JOB SKILLS TRAINING,** where recipients receive vocational training in occupations for which there is a demand in the local labor market. This can range from private school courses in such careers as hairdressing or secretarial work, to industrial skills training programs.
- **ON-THE-JOB-TRAINING/TEAP,** in which participants are trained at worksites for particular jobs, while on the payroll of private employers. In some cases, part of the employee's welfare benefit goes to subsidize the training for a limited time.

Before 1990, therefore, education had been one component — but only *one* component — in counties' welfare-to-work programs. Under JOBS, the state started requiring instead that education become the *key* component.

New York's policy shift

This shift was pushed by policy-makers and legislators who argued that the only way welfare mothers can get off the rolls, and stay off permanently, is to get a job paying well above the minimum wage. The surest route to that goal, they said, is education and training.

Almost half of those on welfare have never graduated from high school and 8 percent have less than a 9th-grade education. In New York City, one in five recipients has less than a 9th-grade education. Among the HR population, one in five can't read or write.¹⁰

So the reigning orthodoxy in New York held that without a high-school diploma or equivalency degree — backed by some specific skills training — recipients stand little chance of getting a job that will pay enough to lift them permanently out of poverty.

This theory, though not implausible on the surface, turns out, on examination, to have overlooked some important facts.

Unquestionably, it is important that in time, former welfare recipients move into jobs paying well above the minimum wage; otherwise, as we will demonstrate in Chapter 7, they are merely exchanging one form of poverty for another. And unquestionably, education and training can help them move into better jobs.

¹⁰ State Communities Aid Association, "Beyond the Rhetoric," 1989.

But first things first. As long as recipients stay on welfare, they are absolutely guaranteed to stay poor — because welfare benefits provide only a poverty-level of existence. As soon as they are moved into the workplace, even at entry-level pay, they are on the path which leads to a better life. Every study has shown that for the population as a whole, there is steady movement up out of minimum-wage positions and into better-paying jobs — once a person enters the workforce.

So if training is conducted to the *exclusion* of on-the-job experience, it can actually slow down a person's progression up the economic ladder. And training and education programs seem to have more impact on those who are also working, than on those who are so isolated from the working world that they do not see the relevance or importance of the training which society is trying to offer them. The trick, it seems, is to *combine* education and skills development with work experience — rather than to hold off work experience until the fullest measure of education has been provided.

This basic premise — that work, not education isolated from work, is the objective — seems to have been confirmed by New York's successful pre-1990 programs. Those programs worked because what keeps most recipients from getting a job is not lack of education, but lack of pressure to obtain employment and uncertainty over just how to get a job and over how to act when you get one. These successful programs had demonstrated that if recipients are trained in how to seek work, then are pressured to actively search for a job, they could find employment and work their way up the job ladder. Once they start with entry-level jobs, they develop a real-world awareness of the value of further training, and often pursue it without welfare administrators forcing them to do so.

Reaching fewer people

But the lessons of these success stories were overlooked in New York's JOBS implementing legislation. Lawmakers adopted a program that focuses on intensive, training-oriented programs reaching fewer people, rather than larger-scale programs pushing many people into the workforce. New York's 1990 implementing legislation and follow-up regulations specifically forbade a number of practices counties had successfully been using to push large numbers of recipients to look for work.

Here's how the system in New York typically operates today.

When someone applies for public assistance, he or she fills out a job readiness form indicating education and work history, which goes to the employment office within the county social services office. In most counties, within a month after assistance payments begin, an applicant is called in for an interview with an employment caseworker, followed by skills and aptitude testing. Next, the recipient and case-

worker jointly draw up a plan to make the recipient employable and to find the right job.

Most recipients get this far. But a number of problems then must be addressed, and these slow progress considerably. If a recipient has children, provisions for child care must be agreed upon. If a recipient cannot find child care, the county must produce a couple of possibilities and arrange for payment. Likewise, transportation and other expense issues must be resolved, which could range from providing bus fare in more urban areas to paying car insurance or getting a car fixed in more remote locations. Once these "barriers" to employment are removed, a recipient can begin marching down the agreed-upon job path — as soon as there are openings in programs.

Most recipients who make it this far go through several JOBS components before they are considered "done." The whole process can take three months or three years, depending on the stage of readiness.

School, then training

Recipients who lack a high-school diploma are strongly advised to obtain an equivalency degree, regardless of how much remedial schooling is necessary first. They would be placed in a program operated by the state Education Department, possibly a local BOCES district.

Once an equivalency degree is obtained, a recipient might choose to undergo training in a specific vocational skill, like becoming a tool and die operator, or a beautician, or a day-care worker. So he or she would be enrolled in a training program operated by a private vocational school or possibly a Job Training Partnership Act agency.

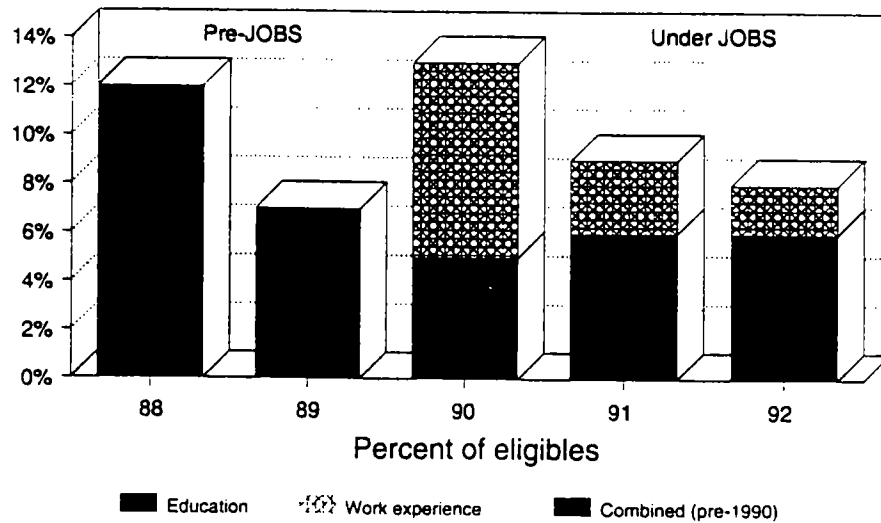
Alternatively, a recipient might select a career that required some post-secondary training, like nursing, and would enroll in a community college for a couple of years — a period that can stretch to three because of remedial courses.

After the career training is completed, a recipient might be placed in a job readiness training class to work up a resume and learn interview techniques. A job search would likely be the next step.

Those who complete their planned sequences are considered to have fulfilled their part of the social contract and are allowed to stay home, reporting to the employment office every month or so while they remain on assistance. Some choose to redo a program they found helpful; others might ask to enroll in a program not on their initial employability plan. Re-enrollment in a post-secondary or other training program is not an option.

Even if a recipient is offered a job, there is no obligation to take it, if this initial job would leave the recipient financially worse off than remaining on welfare; that excludes most jobs paying less than \$7 an

Job Placement Rates Pre- and Post-JOBS Program



Source: NYS Dept. of Social Services

hour for a mother. There's also no requirement to take a job if it would entail a move, or a commute that exceeds "community standards."

The sequence for Home Relief recipients tends to be a bit different. On the basis of a job readiness form, the recipient might be asked immediately to start a remedial education program or begin a job search, reporting back weekly for up to 90 days with the names of three job contacts made. Alternatively, he might be assigned to a life skills class or placed in a municipal or non-profit agency to gain some work experience.

Caseworkers have up to a year to do a full employment assessment on Home Relief recipients. But once recipients have completed their nine months of work search and work experience, they, too, are considered to have fulfilled their end of the social contract — whether they actually take a job or not.

For some recipients, the program offers an opportunity to "do it right" the second time around, and caseworkers testify glowingly about the difference it has made in those recipients' lives. For others, it presents just another system to be endured.

Restraining local initiatives

One clear aim of New York's JOBS implementing legislation — and of the ensuing 107 pages of state regulations — was to remove as much discretion as possible from caseworkers, to ensure equal treatment of recipients statewide. In the process, the state removed or severely curtailed some of the most effective tools which individual counties had developed for putting recipients to work.

For years, many counties had required that all public assistance applicants prove they had looked for work before applying for assistance. All new registrants were immediately ordered to sign up with the Department of Labor job exchange, which has computerized listings of available jobs in the area.

These requirements put applicants on notice that the county was serious about getting them back into the workforce quickly, and very often, it produced jobs before the first welfare check was issued.

But the state's JOBS implementing regulations forbade counties to follow this routine.

Pre-JOBS, it was not unusual for new Home Relief recipients to be placed immediately in a supervised job search program that required they make anywhere from 15 to 25 job contacts a week. The JOBS regulations limited the number of contacts that can be required to three a week — maybe 10 or 15 minutes on the telephone. And after three months of such efforts, a recipient need contact a potential employer *only* if referred by the local Social Services department for a specific job opening.

Workfare works

A continuing criticism of the idea of workfare is that it is more punitive than educational, and that it rarely leads to job offers.

In fact, however, the track record of pre-1990 programs in New York in producing job placements was roughly comparable to the education option over the past four years — at a much lower cost.¹¹

And what happens to recipients who reject all efforts to nudge them toward the workforce?

Recipients who refuse to cooperate with the employment office face the threat of a temporary loss of benefits, known as a sanction. AFDC

¹¹ Statistics compiled from Department of Social Services reports to the governor for the years 1988-1991 show the following:
1988: 12 percent placement rate for both education and work experience.
1989: 7 percent rate for both programs.
1990: 5 percent for work experience, 8 percent for education.
1991: 6 percent for work experience, 3 percent for education.
1992: 6 percent for work experience, 2 percent for education.

mothers, however, can only lose their own benefits — not the assistance nominally targeted for their children. And these sanctions are the only stick counties have to assure participation in JOBS activities.

Moreover, the sanctions process has been made so cumbersome under JOBS that it sometimes pays for caseworkers already buried under mounds of new paperwork to “look the other way.”

For example, if a recipient repeatedly does not show up for an interview or job preparation class, the county must determine her action was “willful” before threatening to withhold a portion of her welfare payment. The recipient has 14 days to respond to a complaint; if she requests mediation, it can take weeks to set up a hearing, then wait for the examiner’s report. At any point, if she takes steps to comply, the sanction action must be dropped.

Chapter 3

Disappointing Results

In the best of times, the JOBS program would have faced tall odds against making a large dent in New York, given the restrictive ground rules laid down by lawmakers and the level of funding available.

But the first two years of the program turned out to be the worst of times, coming in the midst of a recession that dumped thousands of well-qualified workers into the same tight job market that counties were trying to coax welfare recipients into.

The recession actually dealt a triple whammy, because it threw many more people onto public assistance rolls, adding to county and state spending burdens — even as tax revenues to pay for it all were falling flat.

Money we didn't have

To collect \$2 in federal aid and \$1 in state aid for JOBS placement and training programs, counties had to spend \$1 in new money of their own. They didn't have much new money — in part because they were having to pay for so many new welfare cases. So many counties were forced to trim their JOBS spending. During the program's first year, counties left about \$40 million in federal funds on the table — or about half that allocated to New York State.

With that as background, let's take a look at the results from the program's first two years.

By September 30, 1991, 17,485 AFDC recipients were participating in JOBS activities at least 20 hours a week. That amounted to 10.4 percent of those considered employable — and only about 5 percent of the total number of adults on AFDC. Another 9,000 were participating less than 20 hours a week.¹² Meanwhile, 36,722 HR recipients were enrolled in a JOBS program, though not necessarily for 20 hours per week. That would mean a participation rate among eligible HRs of about 25 percent.¹³

¹² JOBS First Annual Report, *op. cit.*, p. 10.

¹³ Department of Social Services, Departmental Memo on JOBS participation for fourth quarter, September 1992.

In the second year, those numbers rose to 22,710 AFDC mothers participating at least 20 hours, for a 13 percent rate. Almost 10,000 more women were enrolled for under 20 hours per week. The number of HRs active in JOBS rose to 41,794, for a 29.8 percent participation rate.¹⁴

Thus, New York did meet the federal participation guidelines for the first two years; only a handful of states did not. The 15 percent target for September of 1993, though, could be a stretch, given budget cutbacks.

The breakdown of participation by activity was as follows for AFDC recipients:¹⁵

	1st year	2nd year
Educational training	40%	39%
Post secondary education	9%	18%
Job skills training	28%	23%
Job readiness training	10%	8%
Job Search	7%	6%
Work Experience	6%	4%
On-the-job training/TEAP	1%	1%

Thus, in the first year, almost 50 percent were involved in classroom education and another 28 percent were enrolled in some form of skills training. Less than one-quarter were actually in the job market.

Given the fact that the JOBS legislation mandated more emphasis on the hardest-to-place cases, perhaps some dropoff in placement rates in the first year would have been inevitable.

But note that the percentage in the job market fell even further in the second year of the JOBS program in New York. In the second year, almost 60 percent were involved in classroom education and another 23 percent in skills training. That left 18 percent in the job market — less than one in five participants.

¹⁴ New York State Department of Social Services, Departmental memo on fourth quarter JOBS results, Table 5.

¹⁵ *Ibid.*, p. 10.

A look at the Home Relief breakdown shows something remarkably different:¹⁶

	1st year	2nd year
Educational training	18%	19%
Post secondary education	1%	5%
Job skills training	9%	11%
Job readiness training	5%	4%
Job Search	23%	21%
Work Experience	43%	38%
On-the-job training/TEAP	2%	1%

Thus, in the first year, almost 75 percent of the targeted Home Relief recipients were in the job market in some form, while slightly more than one-quarter were in some form of educational or skills training. In the second year, that dropped to 65 percent in the job market and 35 percent in training.

How many got out?

Now, let's look at the bottom line: how many participants entered jobs during the program's first two years?

In the first year, 36,325 recipients — 19,301 AFDC and 17,074 HR recipients — got jobs. In the second year, that rose to 39,354 recipients removed from the rolls through employment — 22,813 AFDC and 16,541 Home Relief. The result was a savings of almost \$41 million in welfare grants and another \$63 million in savings accomplished through sanctions. By the second year, those savings had risen to \$46 million in grants and \$73 million in sanctions.¹⁷

This record looks impressive until you compare it with the year before JOBS took effect, when 5,000 more recipients participating in employment-related programs entered the job market out of a much smaller pool of eligibles. Thus, the 11 percent placement rate of all eligibles achieved under JOBS in its first two years was down from 17 percent a year earlier, and from 25 percent the previous year, when fewer resources were available.¹⁸

Inter-year comparisons can be tricky because it is difficult to gauge the effects of the recession. On the one hand, fewer good jobs are available today. On the other hand, many new recipients are relatively

¹⁶ *Ibid.*, p. 7.

¹⁷ JOBS, First Annual Report, *op. cit.*, p. 15.

¹⁸ Figures are from the 1989 and 1990 state Social Services Department Report to the Governor and the Legislature on Employment Programs for Public Assistance Recipients, and the 1991 JOBS report cited earlier.

fresh from the job market and thus easier to place, boosting placement rates without necessarily measuring the success of JOBS for the harder-core cases it was designed to help.

And to be fully accurate, one must consider what would have happened had there been no employment program whatsoever. Half of all AFDC families leave the rolls within 29 months on their own; half of all HR cases are closed within 12 months.¹⁹ So among the participating JOBS population of 74,419 in 1992, one would expect a bare minimum of 18,500, or 25 percent, to have removed themselves from the rolls anyway.

The costs and the benefits

Let's look at some cost-benefit numbers. You'll recall that in studies of pre-JOBS programs, the most successful program showed a 3-1 return on dollars spent: for every \$1 invested in job training or job search activities, \$3 in welfare benefits was saved.

The state has no solid numbers on total costs. However, these costs are documented:

	1st year	2nd year
Administrative	\$59.5 million	70.1 million
Child care	53.0 million	78.0 million
JTPA training	53.0 million	114.1 million
Support services	21.0 million	33.6 million
Education	8.0 million	29.0 million
TOTALS	\$193.3 million	\$324.8 million

Administrative spending covers some education programs; the last item covers spending for the EDGE program. This listing is not all-inclusive. For example, it does not include the cost of the state's Tuition Assistance Program monies received by participants attending post-secondary schooling. Support services include trade-school tuitions, transportation, lunch, books, car repair or insurance.

The state did keep track of what was saved, between removals from the rolls due to entries to employment and from sanctions: \$104 million in the first year and \$120 million in the second.²⁰

¹⁹ Statistics are from the Department of Social Services statistical reporting unit. The average length of time a family or individual spends on welfare overall is typically longer than this, because many reapply for benefits later. The department does not tabulate cumulative stays on assistance.

²⁰ Savings for both years break down as follows: First year, \$40.9 million from entries to employment and \$63.3 million from sanctions. Second year, \$46.4 million from entries to employment and \$73.5 million from sanctions.

By the second year, this adds up to almost a 1-to-3 deficit in dollars spent — or for every \$3 invested in education or job search activities, \$1 in welfare benefits was saved. Framed another way, using the \$325 million computation, the per-placement cost comes to \$8,259. After welfare savings have been deducted, the cost still comes to \$5,209 per placement.

This kind of cost could be defended if it could be shown these recipients stayed in their jobs and ultimately worked their way off welfare altogether — and if it could be shown that there was no more cost-effective way of achieving those results. Unfortunately, those things cannot be demonstrated — a matter to be discussed in the next chapter.

It should be noted that the statewide rates obscure stellar performances by some upstate counties. For example, participation rates in Monroe County hit 45 percent in 1991, producing a placement rate three times higher than the state average. Albany County placed one out of every three JOBS participants, and Allegheny County involved 65 percent of its more rural population.²¹ And almost one out of every two HR recipients upstate was participating in some JOBS program by the end of 1992, although not necessarily for 20 hours per week. These successes demonstrate that however much counties may feel hamstrung by state regulations, it is possible to work around the restrictions and make real progress.

And it is possible that when the recession ends in New York, thousands of recipients who have undergone training and are now sitting home will quickly find a job, providing a delayed dividend to the first two years' investment. Also, many of those placed in education programs at the start of JOBS are still in training.

But for now, we have only the record. And the overall record is unimpressive.

21 Figures are drawn from interviews with county Social Service officials.

Chapter 4

A Second Look

One of the most curious aspects of New York's implementation of the JOBS program is that its heavy emphasis on schooling, to the exclusion of job experience, flies in the face of conclusions drawn in almost every study of welfare-to-work programs operating in the 1980s.

The most extensive research to date, conducted by the Manpower Development Research Corp., looked at 45 programs operated by the states before JOBS took effect. Not one produced evidence that education programs, operated to the exclusion of work experience, offer the best route off the welfare rolls.

One of the MDRC's key findings was that low-cost programs like job searches and work experience programs enjoyed as great a success as higher cost programs in placing people in employment, *and* in teaching many skills necessary in the work world.²²

Higher-cost programs like education have been most successful in raising earnings of people who have job experience or are already working, not necessarily in placing people in jobs to begin with. And they have provided the greatest help to recipients most likely to leave welfare on their own, the study concluded.²³

In fact, the scant evidence on education programs is that they may actually hike welfare costs in the short run by encouraging people to go on assistance or stay there longer than they would otherwise, to receive educational services and training.²⁴

In a 1991 compendium of its findings, "From Welfare to Work," the MDRC concluded, too, that different strategies work for different groups within the welfare population.

22 Judith Gueron, Edward Pauly, "From Welfare to Work," Russell Sage Foundation, p. 34.

23 Gueron and Pauly, *op. cit.*, p. 27.

24 June O'Neill, "Work and Welfare in Massachusetts: An Evaluation of the ET Program," Pioneer Institute for Public Policy Research, Boston, 1990, p. 100.

Thus, what works best for those most job-ready may help the most entrenched welfare recipients not at all. This argues for a multi-faceted approach that allows caseworkers to match recipients with the most effective programs for their history.

Remember the program with the 3-1 return? It was a mandatory work program operated in San Diego that involved fully 65 percent of eligible public assistance recipients.

Using a combination of job search, work experience, education and training programs, the program produced an average increase in earnings among participants of \$658 by the second year and an average drop in AFDC payments of 14 percent.²⁵

Notably, participants were only placed in the higher-cost training and education programs if several months in the less costly job search and work experience programs failed to produce employment. The average cost per participant was \$919. Compare that to the \$2,755 cost per training/schooling slot in New York's JOBS program.²⁶

The least effective program was a Cook County, Illinois, program that involved just a mandatory job search and unpaid work experience, with little supervision or guidance and high sanctioning of those who did not participate. At the end of a year, those in the program recorded only a 1 percent increase in earnings over a control group and a 1 percent reduction in welfare benefits.²⁷

The MDRC, a non-partisan group commissioned by the federal government to track these programs, concluded that:

- All programs — both low-end and high-end — produced sustained earnings gains.
- But low-cost job search and work experience programs produced larger earnings gains and welfare savings per dollar invested than high-cost programs.

²⁵ Gueron and Pauly, *op. cit.*, p. 17.

²⁶ Because the JOBS program does not keep track of the number of participants in a year — only the number of enrollments in various component programs and the number of participants in any month — it is impossible to compute a "per participant" figure for the year. However, it is possible to compute how much is spent on each training "slot," since the number of those tends to remain fairly constant, even though different people may fill them during the year. During the last quarter of the second year of the JOBS program, there were 32,625 AFDC participants and 41,794 HR participants. Applying these numbers to the \$325 million in JOBS spending in the second year, minus the \$120 million in savings from sanctions and placements, one gets a "per slot" cost of \$2,755 — three times that of the California program.

²⁷ *Ibid.*

- So there is actually a *negative* return — for both society and the recipients — from higher levels of expenditure, unless the extra spending is targeted at what has been proven to work.

Similar findings came in a 1990 Pioneer Institute for Public Policy Research study of Massachusetts' controversial Employment and Training Choices Program, more popularly known as ET. The study focused on results from the six-year period between 1983 and 1989.

The ET program is particularly instructive because it compares most closely to the structure of New York's JOBS program. It emphasized high-end interventions like education and training (accounting for about 50 percent of ET participants) and reimbursed contractors fully only for placements paying significantly above the minimum wage.

Contrary to much-publicized claims by former Gov. Michael Dukakis when he was seeking the presidency, the study concluded the ET program had produced no discernible reduction in welfare costs nor any notable increase in employment, despite its \$4,500 average per-placement cost.²⁸

The program's emphasis on placing workers in high-paying jobs largely helped those recipients who were most motivated and most likely to find employment on their own anyway, the study said.²⁹ It recommended targeting help to recipients least likely to get a job — a goal the study said would require dropping the obsession with high-paying jobs.

"What is required is a change in attitudes that will prevent young women from viewing welfare as a long-term option for support. A mandatory requirement to participate in a work-training program might help in this regard," it said, noting that only about 20 percent of AFDC recipients participated.

In April 1992, the MDRC released its latest findings, comparing the effectiveness of six JOBS programs in California. On average, the programs boosted earnings of participants by 17 percent and reduced welfare payments by 5 percent. Even though only a small percentage were removed from welfare rolls altogether, researchers concluded the programs had produced a noticeable effect.³⁰

The most successful of the six programs, operated in Riverside County, targeted its efforts at placing people in the job market quickly, even if their initial pay was low. Researchers are waiting to see if other

28 O'Neill, *op. cit.*, p. 91-92.

29 *Ibid.*, p. 98.

30 Jason DeParle, "A Law Meant to Shift People On Welfare to Jobs Pays Off," *New York Times*, April 23, 1992, p. 1.

counties that stressed education catch up with Riverside's achievements later.

Rethinking New York's strategy

Much of this research had not been completed when the New York JOBS program was fashioned. But the findings could be used now to refine New York's JOBS program to make it more effective.

A 1991 survey released by the National Association of Manufacturers further argues against an over-reliance on education as the JOBS panacea. In the midst of the recession, 30 percent of the businesses surveyed in the Great Lakes region reported shortages of skilled and semi-skilled craft workers.

These companies and many others nationwide reported having an ample supply of applicants for entry-level jobs, but were not comfortable hiring them for a variety of reasons. More than one-third of the executives cited poor reading and writing, calculation or verbal skills as the problem. But the factor most often cited, by 64 percent of respondents, was "poor adaptation."³¹

Poor adaptation encompassed such intangibles as interpersonal skills, teamwork, communication skills, attitude, and good work habits. It might show up in an applicant being late to his interview or in a reference check that indicates the person might have a hard time adapting to the work environment.

These are elements not developed in any classroom. They are skills addressed in many of the employment preparation classes, job clubs and work experience programs operated by counties but overlooked in the rush to schooling.

Ignoring the evidence

With two years of the JOBS program and several years of welfare-to-work efforts under its belt, New York should have enough statistical evidence to draw some of its own conclusions about what interventions work best with specific populations — and which are the most cost-effective. Unfortunately, that is not really so.

What evidence exists is largely ignored in determining priorities. In the two years before JOBS was inaugurated, the programs recording the highest levels of success were the supervised job search and the Training and Employment Assistance Program (TEAP). Although relatively few recipients participated in these programs, they enjoyed a 40-60 percent placement rate. State officials complain that businesses have been slow to participate in TEAP.

31 Bill Barnhard, "As Skills Gap Widens, Many Jobs Go Begging," *Albany Times Union*, Jan. 12, 1992, D1.

In the year preceding JOBS, employment-related activities like a job club, employment readiness training class and life skills classes enjoyed a 13 percent placement rate. Work experience programs showed a 5 percent placement rate, and registration with a Department of Labor job exchange produced a 9 percent success rate.³²

By contrast, education and training programs produced an 8 percent placement rate — except for welfare recipients in JTPA programs, who had a 35 percent success rate.³³

So it is clear not a lot of attention was paid to what *had* worked; instead, policy-makers and politicians fashioned a program around what they thought *ought* to work — and around what they thought would maximize matching funding. What has happened under JOBS? Here is a comparison of enrollments to job placements for the program's second year:³⁴

	% of Enrollments	Job placements From Specific Program
Assessment (group as a whole)	100.0%	4.7%
TEAP	0.5%	741.5%
On-the-job training	0.1%	87.5%
Job Search	29.4%	9.3%
Post-secondary education	4.1%	3.7%
Job skills training	14.4%	12.3%
Job readiness training	9.3%	15.3%
Educational training	23.6%	1.7%
Work experience	18.3%	6.0%

These figures can be somewhat misleading, because as noted earlier, most recipients go through more than one program. They do indicate, though, that a variety of approaches have produced success and that lower-cost programs have sometimes proven more effective.

32 Department of Social Services, "Report to the Governor and the Legislature on Employment Programs for Public Assistance Recipients, 1990," pp. 11-20.

33 *Ibid.*

34 New York State Department of Social Services, Division of Economic Security, "JOBS Program Enrollments," and "JOBS Program Entries to Employment," for period 10/90 and 10/91 to 9/92.

The personal touch

Two employment programs that have enjoyed considerable success, the Child Assistance Program (CAP) and Community Employment Opportunity Service Centers (CEOSC), have placed a lot of emphasis on close case management. Instead of keeping track of 200 recipients, a caseworker might only have 50, allowing her to do a lot more hand-holding, gentle prodding, counseling and coaching.

Those who run these programs swear the close attention is the key to their success. And recipients say this approach made the difference. "It was like a family that was standing behind you and pushing you, saying 'you can do it, you can do it,'" explained one CAP mother. This suggests that spending more on caseworkers and less on tuitions might be cost-effective.

The lack of reliable data on costs and outcomes is a continuing problem. As noted earlier, New York policymakers cannot give an accurate total cost for the program because it involves a number of different funding sources and agencies. There is no breakdown of average costs per participant, average cost for one intervention versus another, or average time spent in JOBS.

Similarly, there is no attempt to track JOBS "graduates" who are placed in jobs, to see how long they remain there, how much they earn, and whether they eventually return to welfare.

A key reason for this last shortcoming is that New York law bars the Tax Department from divulging income information about any taxpayer, even to another state agency. As a result, New York has turned down offers to be included in several national JOBS studies that would have provided many of these answers, at no extra cost to New York taxpayers.

Information needed

The state Department of Social Services has asked the Legislature to give it access to this information for statistical purposes only — a request that should be granted expeditiously.

Meanwhile, New York should take advantage of research from other states. The most universal finding seems to be that the greater the number of people you involve in job search and training activities, the greater the number who will get a job — and the greater the chance of changing attitudes about the nature of welfare.

Right now, more than 80 percent of employable AFDC recipients and 70 percent of employable Home Relief recipients in New York are not being asked to do anything. Some are between training or job searches, some have completed their whole sequences and still cannot find a job. Most haven't been in the door yet, except for an initial interview.

High spending, or high impact

If New York sticks to its insistence on big-dollar educational approaches, it will be hard to change these percentages. Educational services themselves are expensive, and they commit counties to major additional spending for transportation and day care. Day care itself can cost more than college tuition.

State leaders can either make the case for this investment to taxpayers — or they can acknowledge the limited scope of what is possible under the current set-up, so recipients and county social service workers are not blamed for its failure.

Or the state could consider a less-expensive approach that would open the JOBS door to more people.

Chapter 5

An Employment Program?

One way to jump-start New York's JOBS program, and to achieve the high participation rates needed for a real shift in attitudes, would be for the state and its localities to greatly expand the programs which give recipients work experience in public-service projects.

The idea is fraught with potential dangers — of turning into a punitive, work-or-else program on the one hand, or of creating a political patronage boondoggle on the other. And in a growing, healthy economy — something New York doesn't have — it would be completely unnecessary. But given the realities of New York, and *if* safeguards against abuse could be built in, the idea is worth serious consideration.

Participants already are getting work experience in jobs for municipal departments, say, or for non-profit groups fulfilling a variety of unmet needs. But given the slow pace of placement in the JOBS program overall, there is clearly room for a vast expansion of this activity.

Removing the stigma

Such an approach would accomplish several goals at once. First, it would help remove the stigma of welfare that robs recipients of their self-esteem and prevents them from seeing the possibilities.

Second, it would bring to fruition a goal politicians have bandied about for years but never delivered on: every able-bodied person receiving assistance should do something to contribute to society.

It would give the minority of recipients who are on the rolls to escape working a strong incentive to find themselves a job. Their choice would no longer be between staying home on welfare or going to work. Their choice would be between going to a public work site every day or going to another job.

It could help manage the cost of other aspects of the JOBS program. If recipients who are undergoing training or work experience need child care services, other recipients could work in providing those services.

It would provide a useful training ground for skills rarely mentioned or developed in educational settings. Those skills include the ability to get to work every day, on time, and to take orders and carry them out. These sound like simple things, but they are far more basic to keeping a job than knowing algebra.

This kind of work format also provides an opportunity for recipients to succeed at assigned tasks and build their confidence. It gives them an opportunity to observe a variety of work environments and possible career paths. And it gives them an opportunity to see the world of work, rather than non-work, as the norm.

They like the jobs

In studies conducted by the Manpower Development Research Corp., a surprising 90 percent of those in mandatory government work experience positions said they liked their jobs. More than two-thirds said they looked forward to coming to work, and a majority said they had learned something, even though the work involved fairly basic skills.³⁵

Perhaps most importantly, a mandatory work program would allow recipients' children to see them going out the door to work every day. Once this behavior and pattern of expectations becomes the norm in welfare households and neighborhoods, the danger of continued inter-generational dependence might be lessened substantially.

Those who would like assistance in finding private market jobs or wish to receive specific training or further education could be temporarily exempted from the public works program, as openings occurred in JOBS programs. Instead of a paycheck, they would receive a training stipend.

Many recipients now attending schooling programs have complained (as perhaps they did when they dropped out of school the first time) that they see little applicability to their day-to-day lives, and particularly to their ability to get a job. The most popular programs have been those that matched education and on-the-job experience. Such a format easily could be developed in conjunction with the public works program.

To keep costs within bounds, mothers with pre-school children could be exempted, unless their children were already being cared for in a government program like Head Start. Instead, they could pursue at-home studies, tutored by traveling instructors.

35 Lawrence Mead, "Kicking New York's Dependency Habit," *The City Journal*, Summer 1991, p. 45.

Hasn't this been tried?

It all sounds so reasonable, one must wonder why this hasn't been done long ago. The answer is, it has, but on a limited scale because of various political pressures.

Earlier versions were called work experience or workfare — and critics complained that they unfairly forced welfare recipients into menial jobs. But as long as counties valued the work at minimum wage or the prevailing wage for whatever tasks are assigned, this rhetoric rings hollow. If other taxpaying citizens are working at such jobs, it is unfair to those workers to exempt welfare recipients.

Unions have objected to work experience programs, on the grounds that welfare recipients will end up displacing their members. In fact, the state law implementing the JOBS program expressly bars use of recipients in government offices to perform work previously done by workers who have been laid off. But such turf-fights to one side, each county certainly has dozens of needs it can show have gone unmet — and would otherwise continue to go unmet.

Governor Cuomo last year created a model within state government for this kind of approach — a Working Toward Independence Program that places home relief recipients at worksites within state agencies. "State agencies are now identifying tasks — buildings and grounds improvements, office work, and public parks and beautification — to assign to WTI participants," says a brochure the state has sent to county social services agencies. "Since WTI participants work only part-time, they will have ample opportunity to search for paid work."

Punishment doesn't work

Critics generally have argued that workfare's true goal is punishing welfare recipients for their dependency and hoping they will refuse to comply so they can be thrown off the rolls. Where this approach has been taken, workfare has indeed been a disaster. But there is a world of difference in intent.

The initial objective would not be trimming welfare rolls. The point would be helping recipients acquire work experience of any kind, and develop skills like punctuality, reliability and cooperation. The point would be to build recipients' confidence as they master various tasks, and give them an opportunity to experience the dignity of work.

One key element of such a plan would be adequate supervision and monitoring. Critics typically have said work experience programs fail because workers receive little feedback, get little direction and learn few new skills. In many cases, this is a valid criticism. Agencies that use recipients should be required to provide strong supervision, or the counties themselves should.

If welfare agencies cannot adjust to the new kinds of thinking required to administer jobs programs successfully, perhaps responsibility for

the JOBS effort could be transferred to the Job Training Partnership Council, which, as noted above, has a demonstrated track record in this area.

Paying for it

How could such a program be paid for? True, the pay to recipients merely offsets existing welfare expense. But what about the cost of administering the programs?

Here is where a realignment of resources would be necessary — and possible. The lion's share of administrative costs per welfare case involve monitoring eligibility and confirming there is no outside income. In New York, a lot of money goes toward this end: \$960 per recipient per year in 1991; or 62 percent above the national average of \$592.³⁶ Much of the reason is a dual county-state social service bureaucracy. County workers deal directly with the clients and state workers monitor what the counties are doing.

If a work requirement were part of the welfare system, many of these resources could be shifted to more positive activities such as case management or workplace oversight.

And bringing New York's average administrative cost per welfare recipient down to the national average would save almost \$530 million a year — money which, if freed up, could be directed to programs that work.

Another major argument in favor of this type of plan is that it restores a sense of balance and equity among the working poor. Right now, these people must every day ignore evidence that if they chose to renounce their responsibility, they would be just as well off. This is no way to encourage people to go to work.

Setting jobs aside

A variation on this theme has been presented by a consortium of social activist groups headed by the State Communities Aid Association. Those groups have called for development of a public works program to employ welfare recipients deemed "work-ready" following training. They note that a number of economic development projects are now being planned and suggest that a percentage of all jobs created should be set aside for JOBS "graduates."³⁷

This notion has the defect of any "set-aside" or quota program, in that it frustrates free market choices and discriminates against job-seekers

36 "States in Profile: The State Policy Reference Book," December 1992, Table H-6.

37 State Communities Aid Association, "Confronting Our Economic Realities: Developing a Job Creation Program for New York State," February 1992.

not on welfare. But it recognizes the reality that thousands of job-ready welfare recipients want to work while multiple publicly beneficial tasks go begging. Some humane means of matching these needs ought to be devised.

In 1986 Mary Jo Bane, who later served as New York's commissioner of social services, co-authored a report that recommended creation of a "guaranteed work program" for public assistance recipients unable to find work on their own.³⁸ While that proposal would serve far fewer people — only those who had exhausted all other JOBS programs without success — it was premised on the notion that recipients would have an opportunity to earn their benefits in exchange for productive work and a chance to establish an employee-employer relationship and gain transferable work experience.

Not a lifetime solution

Does all of this mean that recipients should give up on the career idea fostered by the current JOBS program? Not at all. The assessment process should continue, and so should the employability planning and training. Having a plan is the first step to moving somewhere.

What this means is that public assistance would be replaced by self-assistance. Welfare checks would be replaced by paychecks and training stipends. Fear of the unknown would be replaced by job experience. And failure would be replaced by success.

³⁸ Task Force on Poverty and Welfare, "A New Social Contract: Rethinking the Nature and Purpose of Public Assistance," December 1986, p. 82.

Chapter 6

Expanding the Job Market for Recipients

New York's JOBS approach begins with the assumption that recipients are the problem. If they just had enough education or skills, they surely would be employable.

A couple of private enterprise models have gone at the problem from the other end — the job market — and have had significantly better luck.

Fast job placement

America Works, a private firm working under contract to the state Department of Social Services, is one such model. In sharp contrast to the JOBS program emphasis on time-consuming education programs, America Works aims at placing public assistance recipients in jobs four weeks after they walk in the door.

During a one-week orientation, in which perfect attendance is required, applicants' skills are assessed, goals are laid out, and what it takes to get and keep a job is discussed. Then comes a supervised job search, interviews, coaching in basic skills and business practices, and help in dealing with such issues as child care, transportation, and appropriate clothing.

There is nothing these folks do that county JOBS programs don't do. America Works just does it with more focus and less bureaucracy. They have no 107-page regulatory "bible" they must follow. And under terms of the contracts they offer to localities, they don't get paid unless they produce results.

They do have an aggressive and sizeable team of "salesmen" pitching the job service to skeptical employers — something counties have only through the services of the state Labor Department — and then in watered-down version. Fifty percent of the America Works staff is sales representatives.

A trial period for employers

The program also offers a four-month trial period to employers, giving them time to assess candidates' skills, attitudes and on-the-job performance. During that time, the worker is paid by America Works, which charges the employer a flat hourly rate. Under this arrangement, all paperwork is performed by America Works — an incentive to employers wearied by high turnover rates. Employers who decide to make the hire are eligible for a tax credit of \$1,500 to \$2,500.

During the trial months, America Works monitors candidates in the workplace and offers whatever support is needed to get them through their first difficult months on the job — dealing with problems ranging from personality conflicts to proper office attire to day care problems. This close tracking during the initial weeks is seen as crucial by the America Works folks — one "caseworker" follows 15 employees, showing up on job sites almost daily.

The results America Works has achieved are nothing short of remarkable. Sixty percent of all applicants who walk through the door are placed in a job, according to co-founder Lee Bowes. For each person who remained on the job at least seven months, America Works was paid \$5,000 by the state — and so far, the success rate has been almost 70 percent. The jobs pay an average of \$14,000 a year, plus benefits, according to Ms. Bowes.

Although \$5,000 sounds like a high placement fee, it represents a considerable savings from the \$12,000 in annual benefits paid to the average welfare mother of two in New York. And it compares favorably with the \$8,259 per placement cost of the JOBS program. Given the positive difference the programs makes in the lives of its participants, it appears to be a bargain.

Initially, America Works got its applicants through placing a small want ad in New York tabloids, asking for welfare recipients wishing to go to work. The company was inundated with calls — demonstrating, again, that welfare recipients *do* want to work. Today, 60 percent of applicants are sent over by New York City's Human Resource Administration, according to Ms. Bowes. These are the city's hardest-to-place recipients, having been on welfare rolls for more than five years. The remainder tend to be friends of recipients who got jobs through America Works.

The Herkimer model

A second model operating out of Herkimer County — again, a privately run program funded with government assistance — offers many similar features. The Bridge to Employment Program has placed 1,250 out-of-work New Yorkers into jobs since September 1987, and 203 of them were public assistance recipients. The average cost to the taxpayer per placement was \$1,000.

The premise of the Bridge to Employment is that the deterrent to hiring unseasoned — and particularly marginal — workers is the

expense of making a mistake. In making any hire, employers assume a batch of legal obligations like Social Security, unemployment insurance, taxes and workers' compensation, that can last two years, even if an employee lasts only two weeks.

The program, then, offers employers an opportunity to "test drive" an employee before putting him or her on the payroll and investing any training dollars. The employee remains on the payroll of a temporary service like "Kelly Girls" for the test period and the agency, not the employer, performs all bookkeeping, record-keeping and payroll functions.

For the first two weeks, employers pay nothing if they hire a public assistance recipient or disabled candidate. For the next four weeks, they pay 50 percent of the hourly wage plus costs to the temporary agency. For the remaining weeks, they pay full costs.

It should be noted that the trial marriage works both ways: workers get an opportunity to see what they're getting into, what is expected of them, and what their routines would be. They can choose not to take the job during the 12 weeks, as well. More than 300 companies have hired through this program during the past four years; employers who reject more than three employees after the tryout period are dropped from the plan.

The Bridge program operates in the seven Mohawk Valley counties.

Both of these programs succeed because they are results-oriented. They focus on marketing a product that employers want — and they really beat the bushes for buyers. They don't ask employers to "do the right thing" by hiring a public assistance recipient — they sell a needed product.

Working with the private sector

The state or individual counties might consider offering any private-sector job placement firm a flat fee for each public assistance recipient placed long term. Further, there are hundreds of companies that contract with counties to perform a variety of training functions; some receive thousands of dollars per trainee. None is paid based on whether a graduate is placed in a job; such a market-driven approach should be considered.

The counties are slowly moving in this direction. Leading the charge is Allegheny County.

Allegheny's Social Services Department has made a point of developing close ties with the labor and business sector. A Social Services representative sits on the county's Private Industry Council, which is responsible for approving job training programs for expected job openings. The Department of Labor, PIC and Social Services operate

a joint employment center and pool a number of separate program funds for maximum efficiency.

The employment center has two full-time job development representatives. They attempt to match employers with individuals in the county's "training pool." Welfare clients and the unemployed are all part of the training pool.

Similarly, the work experience program is marketed to non-profit groups not as a welfare program but as a work preparation program. Sponsors are expected to evaluate workers' skills, recommend any additional preparation if they feel the worker is not job-ready, provide references, and help train the workers.

Until the recession hit, the county was able to place the vast majority of those who completed all the steps in the JOBS process and were referred to the employment center. In the past year, about one-half of those who have undergone all the steps still cannot find jobs.

Parenthetically, Allegheny's high success rate also stems from its high participation rate — 60 percent of recipients are involved in a JOBS program. The county's caseload tends to be less "hard-core" than many urban counties — but its employer base is also significantly smaller.

A promising approach

Just before adjourning in 1992, the New York Legislature approved a program that would expand the market for Home Relief recipients by subsidizing their employment for a year while they learn the job and prove themselves. This program does not cost taxpayers anything — instead of paying a check to a recipient, a county would pay 90 percent of the HR check to the employer.

The approach, requested by the state Department of Social Services, mirrors that of the TEAP program mentioned earlier. But it applies to all jobs, not just on-the-job training slots. Counties have the option of participating — it is not a requirement. Employers who participate must make a good faith commitment to keep employees once their subsidies expire, and must show that subsidized jobs are not being used to replace other workers. If the employer offers health insurance and other benefits to its other workers, it must offer the same to the subsidized employee.

This plan achieves the same end as the two private sector models discussed above — it gives employers an opportunity to try out workers before putting them on the payroll at top dollar. If an employee is any good, the one-year time period should provide ample opportunity to plug him into a standard payroll position. There is also hope that if the economy improves, companies will use the HRs in their offices to fill new openings that arise.

Disappointingly, six months after the law was passed, only three counties had indicated they would take advantage of the program. The initial focus is on Home Relief recipients recently separated from the job market, on the premise they are the most job-ready. But ultimately, such a subsidy could form the basis of a state-assisted apprenticeship program for all newly trained public assistance recipients and all unemployed workers who have been retrained.

All of these models need to be looked at closely by state and local officials in charge of the JOBS program. Even though the recession has led many state and local officials to cut back "discretionary" programs, it is no time to retreat or mark time. If New York can fine-tune this program now, it will be well-positioned to train and place all eligible workers when the recession ends.

Chapter 7

Making Work Pay

For too many New Yorkers today, not working makes more economic sense than working. As long as this remains true, New York's welfare rolls will remain heavily loaded and the welfare cycle will roll on.

Making welfare-without-work somewhat *less* attractive and less common is one necessary way of attacking this problem. But it is also important to try to make work, even in entry-level jobs, *more* attractive.

A test case

Let's take the case of an AFDC mother with two children living in New York City. Here is a breakdown of assistance they would receive in a year:³⁹

Basic Grant	\$2,856
Home Energy Payments	636
Shelter Allowance	3,432
Food Stamps	<u>2,784</u>
TOTAL	\$9,708

This cash income places the family at only about 80 percent of the poverty level. But a ream of other programs adds to the total. For instance, being on welfare entitles recipients to a fully paid health insurance policy under Medicaid. In addition, welfare recipients qualify for a variety of other programs aimed at the poor, including school breakfast and lunch subsidies, special aid for pregnant women and young infants, subsidized housing programs, subsidized telephone rates, and tuition assistance programs.

Without even counting the extras, however, that family of three is clearly better off financially on welfare than if the mother takes a job working at the minimum wage of \$4.25.

³⁹ Figures for all three examples were supplied by the state Department of Social Services.

At the minimum wage, here is how her annual income and expenses would break down:

Salary	\$8,829
Food Stamps	2,880
Public Assistance	3,360
Earned Income Credit	<u>1,200</u>
INCOME	<u>\$16,269</u>
Day Care	\$4,200
Work-Related Costs	2,500
Social Security Taxes	<u>678</u>
EXPENSES	<u>\$7,378</u>
NET INCOME	\$8,891

This working family model assumes a modest \$50 in work-related expenses per week, such as transportation, lunch and clothing. It assumes the mother pays \$175 per month per child for day care.

It also assumes that the working mother applies for food stamps and public assistance — something roughly only half of eligible working families actually do. Without these two aids, it is easy to see how far in the hole this mother would be. As it is, she is \$817 worse off than if she had stayed home, except that she has taken her first step to lift her family out of poverty long-term.

That brings us to the issue of insurance. Because this mother is still eligible for public assistance, her family is still eligible for Medicaid. This is crucial because at many minimum-wage jobs, health insurance is not available.

Now, let's assume this mother works her way up to an \$8.50-an-hour job — or *twice* the minimum wage.

We would want to believe that at that point, she would have to be ahead of the game. Here's how income and expenses break down:

Salary	\$17,680
Food Stamps	NONE
Public Assistance	NONE
Earned income credit	<u>630</u>
INCOME	<u>\$18,310</u>
Day Care	\$4,200
Work-Related Costs	2,500
Social Security Taxes	1,352
State income tax	<u>100</u>
EXPENSES	<u>\$8,152</u>
NET INCOME	\$10,158

Her apparent income is higher — but because she's now off all public assistance and thus ineligible for Medicaid, she faces a hard choice. If her employer provides health insurance or if she chooses to go without it (and she has no health-care expenses), she's got a little bit more money than if she were on welfare or working at the minimum wage. Otherwise, it will cost her a bare minimum of \$1,250 to obtain insurance,⁴⁰ bringing her net income back down to under \$9,000.

The role of taxes is worth noting here. The minimum-wage family would have no federal or state income liability, and the \$1,200 federal earned income credit would more than offset the \$678 in Social Security taxes. That is not so for the \$8.50-an-hour family. The federal child care credit wipes out what would have been an \$800 federal income tax liability, but the earned income credits available for the mother don't fully offset the Social Security bite. Meanwhile, despite state child care and household credits, this impoverished family would still have to pay New York State income tax.

More incentives are needed

These rough computations show that more incentives are needed to help families off of welfare. Every mother on public assistance has some sense of these numbers. The wonder is not that the bulk conclude it pays to stay home, but that some choose work anyway.

To make these numbers look better, the JOBS program offers participants who take a job one year of continued free Medicaid and low-cost day care. At the end of 12 months, though, these mothers can face up to \$5,000 in new expenses, a heavy disincentive to keep working. There is no attempt being made in New York to track this group to see whether they make a mass return to welfare rolls at the end of 12 months on the job.

The situation is different for those on Home Relief. A single HR recipient in New York City would be eligible for \$352 per month in assistance plus \$107 per month in food stamps, for a total of \$5,508 per year. He also would be eligible for Medicaid, worth an additional \$1,200, and other emergency aid, bringing his effective income to just under \$7,000.

If this single HR recipient takes a minimum-wage job, his income jumps to \$8,840 per year. He would no longer be eligible for HR and thus would lose Medicaid eligibility, but even if he paid \$1,200 for basic insurance coverage, he would remain ahead of the game. Work-related expenses could drop his income back below HR levels.

⁴⁰ Insurance for the family would cost at least \$2,400 on the open market. However, about half of all employers help pay for health insurance for at least the worker, and state assistance is available to help pay for insurance for the children, so the cost could be as low as \$1,250.

These figures do show why Social Service departments look at HR and AFDC employables somewhat differently. A minimum-wage job will leave a single HR recipient in about the same shape as welfare, but that is not true for the mother of two. That's the reason for the focus on high-paying jobs for single mothers or other inducements.

Lower benefits

Unfortunately, virtually all of the proposals to make work more attractive carry their own baggage. The most popular solution to date has been to lower welfare benefits by not adjusting them to keep pace with inflation. The purchasing power of combined AFDC-Food Stamp benefits in New York dropped 21.8 percent between 1972 and 1991.⁴¹

Even though AFDC benefit levels in New York remain sixth highest in the country, relying further on this attrition strategy poses considerable risks. More than 70 percent of those on AFDC are children and already, one out of seven American children is living in poverty. Lowering benefits further could simply send more people into the shelter system — at an even greater cost financially and personally.

A favorite solution of liberals is to boost the minimum wage. But the effect of that can be to reduce the number of minimum-wage jobs available, particularly for first-time job holders and young workers.

One idea that seems to enjoy more bipartisan support is creating a state earned income tax credit much like the federal credit or expanding the already existing state household credit. Six states now offer an earned income tax credit, computed as a percentage of the federal credit. These benefits go directly to the working poor, requiring no infrastructure to administer or oversee.

If the earned income credit is made refundable, like the federal credit, it could cost the state a tidy bundle — no small consideration given budget problems. If the credit is not refundable, it would help only those who show a tax liability — a mother of two earning more than \$8 an hour or someone earning slightly less but with lower child care costs. As we have seen, though, this group can actually need more encouragement because of the loss of Medicaid benefits.

Another option is a fill-in-the-gap approach, allowing more wages to be kept before welfare benefits are reduced.

To the extent that New York State and its counties can reduce administrative expenses for welfare, as discussed earlier, the savings should be used exclusively for work-related help and tax incentives for the poor — rather than being transferred to other areas of expenditure.

41 "States in Profile," *op. cit.*, Table H-9.

Making health coverage affordable

Because the potential loss of health care coverage is one of the major disincentives of going to work, New York could heed earlier Public Policy Institute recommendations to make it easier for small employers to offer health coverage. In the alternative, permitting working families to "buy into" Medicaid, with fees based on a sliding income scale, would also do much to remove this impediment.

Increasing child support collections from absent fathers is another way to boost family income; just \$50 per week in child payments would boost our minimum wage mother's annual take by another \$2600 — enough to make a clear difference. States were supposed to beef up their collection efforts under provisions of the Family Support Act, but not enough has been accomplished.

New York, in particular, lags woefully behind in this area. Only one-third of single mothers have court orders for support nationwide, and only 6.4 percent of all support payments due are recovered in New York — putting the state in 43rd place among the states. The national average is 10.3 percent. Worse yet, for every dollar in child support recovered, New York spends \$1.09 in administrative costs.⁴²

The State Communities Aid Association has proposed turning many aspects of the child support system over to an administrative agency in place of the courts, a step it argues would simplify establishment of paternity and eliminate delays in collection.⁴³

Paternity records

New York might also take a leaf from Washington State's book, and attempt to get fathers to sign paternity statements when they come to the hospital at the time of birth and are most likely to be willing to admit paternity.

Non-support also should be made more costly for the errant parent by withholding state drivers licenses or professional licenses until arrears are paid, and by reporting the delinquency to credit agencies — moves the Legislature would have to approve.

One of the newest proposals under study to remove the disincentive to work is to replace the welfare grant with a child support grant. Whether the mother worked or not, she would receive a set child support payment every month. It would be up to the state and counties to recover as much of that money as possible from identified fathers.

⁴² Committee on Ways and Means, U.S. House of Representatives, "Overview of Entitlement Programs: 1991 Green Book," Washington, D.C. May 1991.

⁴³ State Communities Aid Association, "Necessary Changes: A Blueprint for Real Public Assistance Reform in New York State," December 1991, p. 46.

This scenario is a tidy one — but very expensive, given the support recovery rates cited above. It also could encourage even more fathers to walk away from their financial obligations to their children if they knew the mother would receive a child support payment regardless of whether they pay.

New York is now testing a variation on this theme in its Child Assistance Program, which has enrolled about 3,000 mothers who have jobs and court orders for child support. Under CAP, the state and county guarantee a child support payment regardless of whether they are able to collect what is due from the father.

As the mother's income increases, that payment is reduced by 10 cents for every extra dollar she earns, up to the poverty level. After that, it is reduced by 67 cents per dollar earned. Under AFDC, after a four-month grace period, every dollar in income results in a dollar loss in benefits — a fairly stiff disincentive to work harder.

Mothers in the CAP program are allowed to "cash out" their food stamp benefits to give greater control over their budgets, and they are allowed to begin accumulating assets, like a decent car or washer-dryer. They remain eligible for Medicaid because some benefits are being paid.

More than 3,000 recipients have registered voluntarily in the program. Of the 1,400 who have left, 40 percent graduated out of it through income or through marriage, 15 percent left for administrative reasons, and 45 percent returned to AFDC rolls. Not stellar figures, but higher than JOBS placement rates.

A detailed cost-benefit study is underway, and federal officials are as interested in the outcome as state administrators. Only seven counties are now authorized to offer the program, but the state is considering expanding eligibility to New York City and other jurisdictions. In September, the CAP program was one of ten recipients of the Ford Foundation's 1992 Innovations in State and Local Government Awards.

Chapter 8

Trade in the Whole System?

Among those who feel that work-not-welfare is the fundamental issue, there is an emerging feeling that perhaps the whole welfare system should be scrapped, and traded in for an employment system.

The idea is that work should be a fundamental, not an optional extra — that at least some form of part-time work should be an almost immediate prospect for people coming onto the welfare rolls, with a return to work and full independence as the goal within a few years.

Some such system has been advocated by, among others, President Clinton, who indicated in his campaign that he would support a requirement that all welfare recipients be working within two years of joining the welfare rolls.

The research on which this report has been based does not suggest that education and training should be eliminated, in favor of get-to-work programs.

Education is not enough

But it does suggest that education, by itself, is not enough — and perhaps not always the most important thing.

The record of the various programs which have attempted to put recipients to work is ambiguous, at best, on exactly what kinds of programs work best.

Education and training can help; so can work experience. We don't know exactly what kind of program will work best.

But we do know that almost any kind of program will be better than simply leaving people untouched, on welfare. No particular reform is absolutely guaranteed to move everybody off welfare — but it is absolutely guaranteed that leaving people idle and on welfare forever will mean leaving them poor, forever.

That fact, alone, argues for a program that involves many more recipients than New York's current efforts — even if, in broadening coverage, we cannot afford every educational bell and whistle.

That kind of program could be a bridge to an entirely new system in which there is no welfare as we have traditionally thought of it — only a transitional employment system.

A clear separation

Those who support the concept of a whole new system argue for clearly separating those who cannot support themselves because of age, infirmity or disabilities, from those who can but don't for a variety of reasons.

For those who cannot work, this would remove the stigma of welfare. Very, very few taxpayers begrudge providing support for an elderly or disabled individual unable to work.

Those who can work would no longer be "on welfare." They would enter an "employment security system" that covered all able-bodied people out of work or wishing to retrain themselves.

Everyone in that system would either receive a "training stipend" while proceeding through a range of JOBS-like activities or a pay-check for working on a public works project. Time-limited "parental leave" benefits would be available for single mothers with young children.

Bureaucracy could be streamlined by combining under one roof unemployment insurance and all government training programs. Now, almost a dozen state and federal agencies fund 61 training programs — many duplicating each other, provoking turf wars, and making coordination of funding a social service caseworker's nightmare.

More importantly, such a restructuring could produce a sea change in attitudes that is mandatory if long-term welfare dependency cycles are to be broken.

The change in attitude begins with acknowledging, at long last, that the poor want to, and can, take responsibility for their future.

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