

Major Issues in Time-Limited Welfare

by

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

Bill Clinton

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

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

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

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

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

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

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

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

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

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

Additional Services and Supports

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

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

If single parents choose full-time work, they must simultaneously meet the demands of work and the need for child care, the many daily crises involving doctor

visits, school holidays, sick children, to say nothing of maintaining a safe and happy household. Women from highly advantaged backgrounds find these demands very heavy. For mothers with a limited education, with little or no work experience, with young children, it can be an almost impossible task. Is it really realistic or fair to expect all single mothers to work more than more than 70% of married mothers do?

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

Worse still is the way welfare treats people who try to play by the rules, people who attempt to work their way off of welfare. Welfare benefits are reduced dollar for dollar with earnings. In a state like Pennsylvania, a woman working full-time at the minimum wage earns only \$2,400 extra. That is like working for \$1.20 per hour. And half of that \$2,400 comes from the Earned Income Tax Credit (EITC)--money she collects only at the end of the year if she bothers to submit a tax return. On a day to day basis, she seems to be working for 60 cents per hour. Even if she can work full-time at \$5.00 per hour, her income is only \$3,400 higher and she loses her Medicaid--

something worth several thousand dollars. No wonder administrators in states like California and Massachusetts find that unless a woman is placed in a full-time job which pays \$6 per hour or more, with full-medical benefits, and low day care costs, she is likely to come right back onto welfare.

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

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

The *make work pay* strategy has been developed in detail elsewhere. Ideally it uses a combination of tax credits, higher minimum wages, universal medical protection to ensure that a full-time worker can realistically support a family of four at least at the poverty line. The medical protection is particularly important, since a host of anecdotal evidence suggests that working poor families are most concerned about their lack of

medical protection. There is both statistical and anecdotal evidence that a fear of losing Medicaid is major deterrent for women considering leaving welfare for work. Making work pay and universal medical coverage were central elements in the Clinton proposals. One element that was talked about but not addressed with much specificity was increased support for child care. Though the current poverty line does not deduct child care costs from income, the cost of child care reduces the real income of families. And again both anecdotal and statistical evidence suggest that child care costs play a crucial role in the lives of many working or would-be working poor families.

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

These employment and training gains are useful and important, but we have yet to find a training program which alters the fundamental economics of single-parenthood and welfare. It still takes a full-time job at 50-100% above the minimum wage with good medical benefits and low day care costs to allow a single mother to support her family and be better off than welfare in most states. It is possible that the expansion of the

EITC, indexing of the minimum wage, and the expansion of medical coverage, will improve the effectiveness of training programs in getting women off of welfare. Still, it is hard to see how any program lasting only a few months can make a profound difference for a woman who has fared poorly in other educational systems. And it will still require full-time work for a woman to adequately support her family. Is that realistic for a young, never married mother without any previous work experience?

The third strategy is to provide some *additional income support* to single mothers in some form. One plan is to increase work incentives within the welfare system. Unfortunately, experience to date suggests that such plans have little impact on work and that women find mixing work and welfare to be the worst of all worlds, offering neither independence and control, nor much improvement in income. The other major strategy that has been proposed is child support enforcement and assurance. Clinton has endorsed dramatically improved enforcement, but not the assured benefit.

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

change the position of someone who goes to work, for that person can keep the assured benefit along with their earnings.

Ultimately I believe that we will have to use all three strategies together. Training programs will work much better if recipients don't need need to work full time at 50% above the minimum wage to escape welfare and poverty. Child support enforcement and assurance alone cannot do the trick. But together they could make real the principle that all healthy, employable single mothers really can support themselves and their children without welfare.

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

Consider also the impact on cost. If only a few women are able to move from welfare to work, then the number of people who will need to be put to work will be

massive. At least 3 million women have probably been on welfare for two years or more. If half of these are required to work, the cost and mechanics could be staggering. And recall, all these would still be in the public support system. At the same time, providing any services and non-welfare income supports costs money. No one has any clear idea of the tradeoffs between spending more on supports and the cost of creating jobs. But surely these tradeoffs deserve very close study. And a strategy that costs the same but puts people to work in private, non-subsidized jobs should surely be preferred to one which places people in long term government jobs.

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

Work In Exchange for Welfare or Work Instead of Welfare

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

Work-for-Welfare. This is often called workfare. Work-for-welfare is quite simple in theory, and endlessly complex in practice. Persons receiving public assistance must work in order to receive their benefits. The usual formula is that the expected hours of work is calculated by dividing the benefits received by the minimum wage. In principle, the person is "working off" or "working for" their welfare check. Thus depending on the welfare benefits paid in the state and on other income which the welfare recipient has, the mandatory work could range from a few hours to full-time work. Some work-for-welfare plans limit the number of mandatory weekly work hours to something less than 40 depending on circumstance. In general such plans limit not only the minimum number of hours, but also the maximum. These are not jobs that one can work at for 40 hours per week and earn extra money if the welfare payment is covered by working just 10 hours.

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

Work-Instead-of-Welfare. Work-instead-of-welfare suggests a fundamentally different sort of support system. For at least some group of people, welfare would no longer be

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

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

Adopting a work-for-welfare strategy offers several advantages. First, it clearly limits the cost of the program. If work hours are determined by dividing existing benefits by the minimum wage or some other formula, one can be certain that the cost of the program will not grow beyond the cost of creating, administering and supervising the jobs, since they are, in effect, paying out only what is paid out already in the form of welfare.

Second, because the jobs will be linked to welfare and subject to a variety of restrictions, it is unlikely that welfare recipients will regard them as more desirable than private sector jobs. This too helps limit the cost of such a program, since there are

strong incentives to get alternative employment.

Third, it is easy to make adjustments for individual circumstances. If it is deemed inappropriate for mothers with young children to work more than half-time, it is easy to set a maximum of 15 or 20 hours per week as the work obligation. If the parent has a sick child or some other crisis, one can simply excuse the person from their work obligation during that period. There is no danger of any interruption of benefits. Indeed, since any sort of mandatory work program will have to have elaborate due process protections, sanctions in the form of significant reductions in benefits will probably be rare and exercised only in the most extreme cases of non-compliance. Legitimate reasons for non-work are unlikely to be penalized.

Fourth, it is easy to protect clients from performance problems on the part of the administering agencies. If insufficient community work jobs have been created, recipients will have to be excused from work. If day care is unavailable, persons will have to be excused from work. The client need not fear loss of income in such cases.

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

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

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

Designing jobs that are so flexible that they can accommodate some people with a large number of mandatory work hours and others with very limited hours will severely influence the type of job and its administration. The jobs are unlikely to be ones of real content or import, for the employer or administering agency will not be able to predict how much work any particular employee will deliver. And the cost of creating and administering jobs with often small obligations could be very high relative to the benefits.

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

Third, precisely because the work is linked to welfare receipt and any sanctions will be subject to elaborate due-process protections, there is likely to be little of the rigor of a real work place. In the New York State workfare program for employable general

assistance recipients, court orders now require that the state demonstrate that the recipient intentionally sought to avoid work without good cause before any sanction can be applied. The closer the program is tied to welfare, with work a part of the obligation for receiving welfare, the less likely ordinary obligations associated with regular employment will be applied. And there will be a significant portion of the caseload that learns to game the system to avoid the obligation.

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

Fifth, major questions arise as to how the program interacts with other programs. Assume that the work-for-welfare program is for AFDC recipients. Do AFDC recipients who have food stamps have to work off that benefit also? If so, there are serious horizontal equity questions if other food stamp recipients are not required to do so. If not, states with low benefits are rewarded with a much smaller work program to administer, and recipients in low benefit states are partially advantaged since they get

more from food stamps (since food stamps are reduced as welfare benefits rise) and less in AFDC payments and thus must work off a smaller portion of their total government benefits. Similar questions arise with housing subsidies.

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

Finally, and very importantly, the public perception of welfare may be little affected. Since CWEP jobs may not really look or feel like real jobs, there is a high likelihood that the public will regard the program as something of a sham. Recipients are still on welfare, though some are working somewhat. Exemptions are likely to be legion. Stories will abound about people not really working, "leaning in shovels" and just putting in their time. This may be perceived as another form of welfare fraud. If workfare jobs are seen as different from "real" jobs, the workfare program will do little to reduce the sense of us versus them which is so damaging to the welfare system and its clients. Work-welfare recipients may not get the respect they deserve. They may not be counted among the working poor.

In sum, the advantages and disadvantages of a work off welfare program revolve largely around the fact that workfare jobs almost certainly will be very different from

traditional private sector jobs. Hours, obligations, protections, expectations will all be very different. These plans may be less expensive to mount, but they have severe limitations. They mainly appear to be a way to impose some additional obligations on welfare recipients. *What is being offered is not an alternative to welfare, but a additional rule for receiving it.*

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

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

A related advantage is that there will be no elaborate calculation about hours worked. Persons who have exhausted their welfare benefits must find a job or come to government subsidized private or public job. Work hours are set by the employer, not based on other sources of income or the welfare benefit level of the state.

Similarly the question of interaction with other programs is straightforward.

Earnings from the last resort jobs are treated the same as earnings from any job when calculating edibility and benefits for other programs.

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

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

I recommend a very different plan whereby people only qualify for the jobs after they have exhausted their time-limited welfare. Moreover, if there are sufficient non-welfare support, relatively few people might need last resort jobs. Properly administered, relatively few public sector jobs would be needed. But without non-welfare support or without tight rules for participation, the public sector jobs would be unworkable.

One way to limit costs is to limit the number of available jobs. The obvious problem then is that people who cannot find private jobs are left without a means of support. This problem is most serious when there are few non-welfare supports available

to a family.

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

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

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

This discussion highlights that there are severe limitations to any time-limited welfare/jobs system. The design issues are gargantuan. While the theory of work-instead-of-welfare has great appeal, in practice it has never really been tried, and many issues remain, especially if it were mounted on a large scale. Work-in-exchange-for-

welfare is easier to implement, but its appeal and impact are much more dubious.

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

Loose versus Tight Rules About Who is Time-Limited

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

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

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

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

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

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

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

It is not hard to determine the impact of relatively objective exemptions like the age of youngest child. But no one has a clear idea of how many people are in a poor position to work because of their physical, social, or mental status. Making rules too flexible will lead to easy possibilities for gaming the system. Making them too strict could significantly increase homelessness and stress for people living right at the margin. Indeed both outcomes are likely in any serious system.

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

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

Observers differ in their assessment on the fraction of the caseload which is employable. There are no good studies that we are aware of that are very helpful in

determining how realistic work is for various parts of the caseload. The morality and efficacy of a time-limited welfare program hinges critically on who is determined to be employable and how it is done.

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

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

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

that one can justify tough workfare.

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

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

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

In my view, a far stronger alternative would be to phase in Clinton's plan using much bolder welfare alternative plans in a modest number of states, and gradually add

more states over time. Participating states would get more federal support in exchange for radical reforms in their welfare system. In the first period, up to a dozen states would be allowed to create major welfare alternatives. Later more states would be expected to join and over an extended period, all states would be required to participate. States who choose to start early would get a much higher Federal match. They would have considerably more flexibility over funding and support strategies than they do now, but all plans would be required to have several key elements:

1. All participating states would be required to design a set of policies to reduce the fraction of recipients who reach receive welfare for greater than 2 or 3 years by at least 25% (or some other figure) without cutting welfare benefits. In other words, they are forced to come up with credible policies to move people from welfare to work in far larger numbers than have been done in the past. States will be given considerable latitude in redirecting existing funds for AFDC, food stamps, housing assistance and other aid, so long as the plan clearly will encourage work and independence without reducing the incomes of the bulk of recipients. Such policies could include alternative training programs, child care, integrated services, child support enforcement and assurance, altered work incentives, subsidized private employment, etc.
2. All participating states would be required to design some system for tracking welfare recipients participation in various employment and training activities and for setting up a system of determining who is employable after several years of welfare receipt. Some states would be allowed to adopt very strict definitions of employability while others would be given more latitude.
3. All participating states would be required to adopt some form of time-limited cash assistance for the employables. Some states would be allowed to adopt a CWEP type work for welfare plan, while others would be expected to implement true time limited welfare followed by public/private jobs program.
4. All states would be required to dramatically improve their child support enforcement system. Some would be allowed and encouraged to adopt a system of child support enforcement and assurance. But all would have to move rapidly to adopt a series of major reforms.
5. A comprehensive evaluation plan will have to accompany the state proposal.

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

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

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

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

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

There is some danger that a state by state phase in will appear to be backing off on the Clinton promises of the campaign. That would be an unfair perception. If the states involved really try dramatic changes, Clinton can rightfully point to the experimental states as the kind of transformation he envisions for the whole country. Given the budget deficit and the difficulty of adopting such a bold new program, a state by state phase in strategy is a natural way to move to full scale implementation. States can try even bolder strategies than was talked about in the campaign. And any Governor knows the limitations of having Washington dictate the details of a new welfare system and the importance of learning what work and does not work before we spend a fortune on welfare reforms. Clinton would not be backing off of major welfare changes. Quite the contrary, this is the only viable strategy for achieving them.

I think there is vastly more political danger from trying to go with a full-scale CWEP/workfare type program. The odds of success in 3-4 years is very low. It will be controversial in the Congress, the administration, and the press. In the end a watered down plan is likely to be adopted. No one will believe that welfare has been transformed if a tiny fraction of people are actually forced to work. Or a great deal of money may be spent with no noticeable effect on anything other than government payrolls. Governors and state officials will strongly prefer a state by state phase in. They want more, not less flexibility.



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES

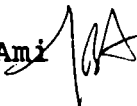
370 L'Enfant Promenade, S.W.

Washington, D.C. 20447

May 12, 1993

TO: Bruce Reed
Kathi Way

SUBJECT: Transitional Assistance Work Group

FROM: Jeremy Ben-Ami 

Attached is the next sound of work from the Transitional Assistance Work Group. We will be discussing this paper at the 11:00 meeting on Monday.

Also attached is the latest on the schedule!!

Attachment

To: howard rolston@ope.od@acf.wdc,mark e ragan@oas@acf.wdc
ann burek@ope.dpl@acf.wdc,mark j fucello@ope.dre@acf.wdc
maryann higgins@ofa.djp@acf.wdc,diann dawson@ofa.od@acf.wdc
ssw[osaspe.paul1]
ssw[osaspe.cantap]
ssw[osaspe.wendellp]
ssw[osaspe.annm]
ssw[osaspe.billp]
ssw[osaspe.naomig]
ssw[osaspe.marcyc]
toby herr@ofa.od@acf.wdc

Cc:
Bcc:
From: Jeremy Benami@OAS@ACF.WDC
Subject: daily meeting update
Date: Wednesday, May 12, 1993 11:18:51 EDT
Attach:
Certify: N
Forwarded by:

Just confirming the latest:

- 1) Today (Wednesday) 2:00 Absent Parents at ACF Auditorium
- 2) Thursday (5/13) three meetings: 9:30 Make Work Pay; 11:00 Post Transitional Work; 1:00 Modelling. All three meetings in 415F in the Humphrey building.
- 3) No meetings Friday
- 4) Monday (5/17) 9:30 Steering Committee; 11:00 Transitional Assistance and Education and Training to review T.A. paper. Both meetings at 4:15F in the Humphrey building.

A complete, up-to-the-minute schedule through the end of the month will follow later today or tomorrow.

Due Dates for written materials:

5/13	One pager from Child Care
5/14	Education and Training Paper #2
	Post Transitional Work One Pager
	Absent Parents One Pager
5/24	AFDC Simplification Paper #2
5/28	Child Care Paper #2
	Other Supports Paper #2 (NOTE: Extension of two weeks)

Please e-mail your papers to me and I can distribute them to the entire group through a centralized directory.

May 7, 1993

Note to Reviewers

FROM: Ann Burek

In the one-page outline we wrote summarizing the charge to the Transitional Welfare group (see Attachment 2), we agreed to do three 3-5 page papers further developing three options for a transitional welfare program. However, in drafting these papers, it became clear to us that some of the issues were common to more than one option. To avoid a lot of duplication, we consolidated the discussions of these joint issues at the front of the paper. Detailed discussion of the three options follows.

Attached at the end of the paper (as Attachment 1) is a page of very preliminary data on the AFDC caseload and JOBS participation. The numbers can provide a sense of the implications of different exemption and participation policies. Because of time constraints, they were pulled from existing printed materials. They need updating and more detailed explanation.

We have also done some preliminary work on estimating disability levels, but the information is not ready for sharing yet. We also understand that an analysis of welfare dynamics is proceeding.

If you give the go ahead on these basic options (hopefully with some guidance about how we should proceed on certain issues), the next step would be to: 1) work with the modeling group on a work plan; and 2) consider setting up some subgroups or new groups to work on the three new assistance systems which replace welfare for non-working families. (The replacing AFDC option, in particular, overlaps a great deal with the work of other groups.) We understand that decisions on how to proceed will depend in part upon the discussions at next week's steering committee meeting with respect to working papers that need development.

You may have concerns that the discussion strays across group lines into the jurisdictions of other groups. We have some of the same concerns, but had difficulty conceptualizing some transitional issues without addressing both the need for services while on assistance and the availability of post-transition employment opportunities. If some guidance could be provided on whether work for the non-job-ready should be treated as a transition issue or a post-transition issue, that would be helpful to a number of groups.

TRANSITIONAL WELFARE: THREE OPTIONS

This paper outlines three options for a transitional welfare program. In order of complexity, these options are:

A Two-Year Entitlement: Under this option, recipients would be unconditionally entitled to cash assistance for two years. They would face no participation requirements.

Immediate Employment: This option assumes that the current AFDC program would not be substantially changed, but would mandate participation in activities geared toward employment; and

Replacing Welfare: This option would replace AFDC with a series of four programs whose assistance is geared to the needs of their target populations.

There are some issues which transcend the individual options. These are discussed below.

Time Limit Issues

Start of the Clock

When does the two-year time limit begin?

One option would be to have the two-year period start at the same time for all participants, such as at the beginning of AFDC receipt. The obvious drawback to this approach is that the time limitation could run out for those with larger skill deficiencies before they became job ready.

Another option would be to begin the time-limited period at different points for different groups of recipients, based on their assessed needs.

A third option would be to begin the time period only when participants have reached some degree of job readiness. In this latter approach the individual would have two years after becoming job ready before cash assistance would be terminated, but could face requirements about finding a job during that two-year time frame. For example, the individual might be required to go to job interviews during this period. This last option could result in continued long spells of AFDC receipt. Further, it would not work well in a voluntary program because it would provide such strong disincentives to program participation. As an alternative, in a voluntary program, the start of the clock could be delayed for the most disadvantaged families based on a judgment of how much time would be sufficient for them to become job-ready--if they were to pursue that goal with some diligence.

Under this third option, a key question then is: at what point do individuals who participate in required activities possess the minimum amount of skills necessary to be considered "job ready?"

One possibility would be to use a standardized test of basic skills or literacy, as is used in the GAIN program.

A second possibility would be to use the subjective judgement of the caseworker.

Another possibility would be to base job readiness on the individual's work history. Those with work histories would be classified as job ready on the basis of prior work experience and skills. Those without any work experience could be placed in community work experience or on-the-job training to establish their job readiness.

All of these choices carry some risk because only the market can determine who is job ready. Also, the likelihood is high that all three of these approaches would result in classification of vast portions of the caseload as not job ready.

Another question is to what extent local economic conditions should or could create differences in "job readiness" determinations-- even when there are no objective differences in the ability of a recipient to work?

Both the second and third options would benefit those individuals who have greater obstacles (a high school dropout who needs ESL, for example) and who need more time to prepare for the work force.

Like other issues, this issue cannot be resolved in isolation. If services are available to meet the needs of the most disadvantaged, if extensions are available when individuals are cooperating and making reasonable progress, and if appropriate accommodations can be made in their work assignments, the rationale for delaying the start of the clock largely disappears. At the same time, it might be easier to administer a delay in the start of the clock than to accommodate clocks that are running at different speeds for different categories of recipients.

Suspension of the Clock

Within the two-year time limit, are there circumstances where the clock would be extended or suspended?

Except under the last option above, where the two-year time limit would begin only after recipients have reached some degree of job readiness, a strict two-year limit might not allow all recipients sufficient time to prepare for work. Therefore, it might be appropriate to extend the time limit for some recipients or "suspend" their time limit based upon participation in certain activities or for other reasons. Examples of circumstances where an extension or suspension of the time limit might be appropriate include: receipt of drug or alcohol treatment; attending English as a second language classes; caring for an infant; lack of available services; or a lengthy illness of the recipient or a family member. In these cases, recipients could be reassessed periodically to determine whether extensions or suspensions should continue. If someone were getting an extension because of participation, the clock would resume any time the individual was inactive or not participating in an activity.

Extensions for pregnant women present a special problem. One possible policy would be to give pregnant women a one-time-only exemption.

Extensions granted when individuals are participating would reward cooperation, but could also encourage individuals to prolong their program participation and thus run counter to the goal of getting people into the labor force quickly. Also, participants could delay participation until the expiration of their time limit was looming, knowing that benefits would be continued from that point.

One solution could be to offer extensions on a case-by-case basis only for approved activities. Activities might be approved only for individuals who were making satisfactory progress on an employability plan and needed additional time to complete an activity or reach job readiness.

A second solution would be to provide extensions to participants on less than a month-for-month basis. In this case, individuals receiving education and training would get less than two "free" years, and those postponing participation would be severely disadvantaged.

A third solution would impose a maximum limit on the number of months credit a recipient could earn.

A fourth solution would provide bigger credits for actual work or participation in "preferred" activities (i.e., those deemed more likely to be effective) and lesser or zero credits for activities of questionable value. This latter option, while appearing to be more prudent, would substantially complicate the program.

Extensions would permit an easier phase-in of the guaranteed jobs part of the proposal, spreading out entry into those jobs and reducing the overall number of recipients needing job placement in the first few months. However, they would also defer potential welfare savings. Furthermore, they could substantially increase the administrative burden and automation demands on the programs.

Getting a New Clock

Would recipients be allowed multiple time limits? The options here are numerous.

The most restrictive would allow one two-year period of receipt total over a lifetime. This option would contain Federal spending and perhaps provide an incentive for individuals to receive AFDC only when absolutely necessary.

A second option would allow a new two-year limit every four or five years. This approach would allow for the reality of some return spells, but be reasonably easy to administer. It would provide a safety net for the large number of individuals who may have difficulty maintaining employment. However, it would also create a disincentive for someone to keep a job, especially if it is low paying. One way to alleviate this latter problem would be to limit subsequent spells to shorter periods of time (e.g., six months or one year).

Under a third option, recipients could earn credit toward a new time period for work or time away from AFDC, much in the way that unemployment insurance works. For example, for every six months employed, an individual could return to AFDC for three months in order to stabilize their life and find another job. The advantage to this option is that, for any period beyond the two-year limit, it would clearly tie cash assistance to work. It would also help those individuals who are successful in getting jobs, but have not yet developed a stable work history. However, it would also require a more sophisticated tracking system.

Under each option, there may be a need to allow for unforeseen circumstances that prevent work and may require the need for cash assistance. An emergency assistance program could take care of short-term needs, but would be less helpful for situations like a lengthy illness.

Exemptions

How strict should exemption criteria be when excusing individuals from work or participation obligations? For the purpose of delaying the start of the clock or for providing extensions, who would be considered unable to work or participate?

For both purposes, the exempt population could consist of those with short-term obstacles to employment and participation, as well as permanent impairments. Those with permanent, or long-term problems (such as a disabled child) could be exempt from participation (although they could volunteer) and could receive indefinite cash assistance. Those with short-term impairments--such as substance abuse problems, pregnancy or housing difficulties--could also be included. Individuals in this group would not face a time limitation, but would be re-evaluated on a recurring basis (e.g., every six months) and could lose their exempt status on the basis of the re-evaluation.

Broad exemption criteria might result in a relatively small number of individuals participating in activities. They thus would help limit the need for greatly expanding education, training, and child care slots. However, with approximately 60 percent of AFDC recipients currently exempt from JOBS, large numbers of people could avoid the work requirement and time limits for many years. They would likely lead to criticism that the program failed to "change welfare as we know it."

A program with narrower exemption criteria could follow the Project Match model, of "everyone does something." Those individuals with short-term impairments might not face an immediate time limitation, but would be required to participate in activities tailored to their situation. One example would be substance abusers, who would be required to attend treatment programs. Women with very young children could be required to volunteer at Head Start or attend parenting skills classes. Although this approach would eliminate the problem of wholesale exemptions, it also would create increased demand for services that might already be in short supply in local communities. Further, it greatly increases the need for case managers and participant tracking.

At one extreme, the program could include all the existing exemptions, with more liberal exemptions for teen parents and others with very young children.

At the other extreme, it could include few, if any, exemptions. In this latter case, all recipients would be facing the clock.

Alternatively, it could build upon the current exemption system, but seriously consider modifications or more

structured policies for the following categories of recipients: teen parents and pregnant teens; other teens; remote individuals; individuals for whom services, activities, or work is unavailable; individuals with substance abuse problems; individuals requiring family support services.

Entitlement to Services

Should there be an entitlement to any specific services during the two-year period? If so, what would they be? What would be the consequence of their not being there?

It is assumed that child care would be provided or paid for individuals in required activities or work. Otherwise, it would seem that services (i.e., education, training, employment, child care and support services) could be provided on an entitlement or "as available" basis. As long as a guaranteed job and child care were there at the end, and the work was not too onerous, either approach might work.

However, certain policy options (such as extensions of time limits for those who participate in activities) could make it more difficult not to provide services on an entitlement basis. Recipients denied services could claim that they were also denied an equal opportunity to receive the cash assistance to which they are entitled.

If an entitlement to services were established, programs would be more vulnerable to legal challenge regarding: 1) their decisions about what services would be available as entitlements (in particular, with respect to how much education and training would be provided); 2) their policies governing who receives which services; and 3) any failure to deliver services to which families were entitled. As a result, entitlement programs might need a stronger basis for their service rules and more comprehensive case management and tracking systems.

Further, if there is an entitlement to services within the system that does not generally exist, the system might experience significant "entry effects" (see Moffitt, 1992). Incentives for participation might also cause entry effects.

Post Time-Limit Issues

What happens to recipients who do not successfully transition to work at the end of their two-year time period, including those who do not or cannot participate in public service employment or other post-welfare work programs?

The concept of a time limit implies a strict and enforceable "sanction" authority -- that is, some sure knowledge that the

government's financial support is temporary and will, at some point, be terminated. Without such authority, there may be little more incentive to move off of welfare than there is under the present system, and "time-limited" welfare will have no "teeth". However, any system that terminates financial support after some pre-determined (and, arguably, arbitrary) cut-off period, will raise concerns about increasing homelessness and destitution among families, forcing children into the foster care system because their parents can no longer meet their basic needs, and "visiting the sins of the parents upon their children."

It will be a challenge to create a transitional program that is stringent enough to provide a motivation to progress, yet flexible enough to deal with the exceptions that will necessarily have to be considered. The time limitation system (or the post-transitional system) must acknowledge that some individuals will fall through the cracks and reach the expiration of benefits without being in a position to sustain employment indefinitely.

This issue of benefit termination will need to be dealt with regardless of the specific structure of the program. Will new assistance programs be created for people with certain needs, such as people with disabilities? Will such things as infant care or drug treatment be allowable activities that qualify recipients for a stipend or some form of cash assistance? What happens to the children in the household?

TRANSITIONAL WELFARE
A TWO-YEAR ENTITLEMENT

THE BASIC APPROACH

Under this approach, the two-year time limit would be treated as an entitlement period. All persons eligible for assistance could draw benefits for that period unconditionally; they would not be required to participate in any education, training, or employment-related activities or to accept family support services.

While not required to participate in any programs, at their option, clients could take advantage of available programs and/or services which meet their needs and make them better prepared to support themselves. At the end of the two years, the clients' benefits would be terminated, and they would have to accept a job regardless of how ready they are to do so.

DISCUSSION

This basic concept is straightforward and would be fairly easy to administer. However, it raises a number of concerns.

- o First, it is not easily reconciled with the President's statements that individuals would get assistance for two years after they complete education and training.
- o Second, its laissez-faire approach towards work obligations seems politically vulnerable. If the public feels participation in education, training, or other activities is efficacious, it may not be willing to delay participation requirements. Similarly, if entry-level jobs are available (and work pays), the public may be unwilling to postpone the entry of employable recipients into the labor market.

At the same time, the public may find this model more acceptable for some groups than others. For example, it might not accept two-year deferrals for two-parent families with recent work histories, but find such deferrals appropriate for families in serious crisis.

- o Thirdly, this model seems biased towards welfare recipients who are most "on-the-ball." Resources might tend to flow to the most advantaged recipients, while highly disadvantaged recipients float in limbo for two years and then face a job market for which they are totally unprepared.
- o A two-year horizon might be too distant for some recipients.

- o Given our understanding of caseload dynamics and welfare-to-work programs, we fear this model could leave an enormous need for work slots in the post-transitional phase. Furthermore, those needing guaranteed jobs might include a disproportionate number of recipients who could not successfully perform in the work place. When they fail at their jobs, they might have no residual safety net.
- o If recipients opt to "use up" their two years, the cost-effectiveness of certain work programs might be reduced.
- o For the most job-ready recipients, this approach could increase dependency.
- o This voluntary approach might encourage more entry into the welfare system--especially if generous services are available.
- o Because of the voluntary nature of this approach, participation might be weighted towards more costly education and training activities rather than to work-oriented activities like job search. There is also some concern that it might necessitate making more program slots available than would be fully utilized--especially if program services are viewed as an entitlement.

Possible Refinements To address these concerns, refinements could be built into the basic structure to change the incentives facing recipients and to promote desired behaviors. The following refinements could be adopted individually or in combination:

- 1) Ensure that strong orientations and on-going counseling of applicants and recipients encourage participation and early entry into the labor force. Discussions would focus on the importance of reserving some safety net and the rewards of working;
- 2) Provide incentives to participate in appropriate activities or to enter work. These could take the form of:
 - a) credits which would extend the two-year time-limit;
 - b) vouchers for future education and training services;
 - c) stipends or other financial rewards; or
 - d) eligibility to progress to an alternative, more exalted assistance system (e.g., a work support system).

- 3) Reserve or target the "better" job opportunities at the end of the time-limit for those individuals who have earned them through participation and/or work; and
- 4) Be very clear and very strict about enforcing the two-year limits.

To reduce the need for guaranteed jobs, it would seem necessary to mandate job search near to or at the end of the time limit. If job search were mandated at the conclusion of the limit, cash assistance might need to be extended for at least two-to-three months to reduce the need for public jobs. If job search were mandated within the two-year limit, the assumption of a two-year unconditional program is violated. This problem could be mitigated, however, by allowing some limited extension of time on a month-for-month basis as an incentive to participate in voluntary job search (see item 2a above).

TRANSITIONAL WELFARE:
IMMEDIATE EMPLOYMENT

THE BASIC APPROACH

In this option the current AFDC system would not be substantially changed. However, recipients of cash assistance would be expected to move quickly toward work and supported self-sufficiency. This option would attempt to move people into employment, even low paying employment, as soon as possible. Time-limited cash assistance would be viewed as a last resort for those who are not able to become self-sufficient through employment. Participation in activities leading to job readiness would be mandatory, but appropriate exemptions would be available.

This option assumes a more restrictive Federal policy regarding the design of welfare-to-work programs and therefore implies less State flexibility than currently exists under JOBS.

DISCUSSION

The Immediate Employment option would emphasize getting AFDC recipients into jobs quickly and developing a work history for future employability. Unlike many JOBS programs, this option would not prioritize education as a first placement. It is supported by prior experience with welfare-to-work programs which suggests that an approach emphasizing employment might have more success in getting AFDC recipients off welfare. For example, in the Project Match program, recipients who chose GED as a first activity frequently dropped out, not seeing the link between education and work until they experienced low paying jobs. In the GAIN program, participants in basic education activities had low completion rates.

This approach would allow the job market to sort out which individuals are "employable." Non-exempt recipients would be placed first in a job search component even if, by some measure, they need skills training or basic education. For those not finding employment, work-oriented activities would be emphasized, such as job readiness and community work experience. In addition, extensive job development services would be available in order to locate jobs for participants. Supervised work experience activities would be available for those without previous work histories. Use of job placement standards for caseworkers would underscore the emphasis on quick job entry.

One advantage to this option is that it would move recipients into jobs quickly, so that they would not use up their time-limited cash assistance. Further, it would minimize the number of people who would reach the two-year time limit. It thus might minimize cost, as fewer people would need to be placed in either

public service jobs or subsidized employment in the private sector.

This option of transitional welfare was developed under the assumption that a combination of part-time work, the expanded EITC, health insurance, increased child support, and perhaps food stamps would make it easier for people to leave welfare. However, the Project Match experience indicates that many individuals will have difficulty maintaining even part-time employment and will return to AFDC.

Therefore, for the Immediate Employment option to be successful in helping people become self-sufficient, education and training activities, as well as child care and other support services, would have to be available for those who need additional skills to succeed in the job market. Enrollment in basic education or vocational skills training could be tied to simultaneous participation in job readiness workshops or job search. This connection would reflect the theory that education or training is more effective when an individual is participating in the labor market. Similarly, education and training activities could be reserved for individuals who had recent exposure to the world of work.

The following are several issues that would need to be resolved in this model of transitional welfare.

Issue 1 -- Exemptions from Job Search: In the Immediate Employment option, appropriate exemptions from participation requirements would be available. A key question is how an individual would be identified as exempt from job search.

It might be desirable to identify the exempt population as soon as possible in order to conserve services. Using this approach, all recipients might have an initial assessment, including a skills assessment, as soon as they receive cash assistance. Those who are evaluated and considered exempt would not face immediate time-limitation requirements. Those who are not exempt would then be required to participate in job search. A disadvantage to this approach is that using an interview to identify potential disabilities runs into the "self-reporting problem." According to the OIG study on functional impairments, many AFDC and JOBS managers thought that assessment was an incomplete tool to identify impairments; they believed that participation in a JOBS activity was more likely to reveal an impairment.

Another possibility would be for all recipients of cash assistance to go through an initial job search process before any kind of assessment is done. This process would identify those who have obstacles to immediate employment

and those who should be assessed for disabilities or other causes for exemption. Those who could not find a job after job search, but who are not exempt, would have a skills assessment.

Issue 2 -- Mandatory Participation: The Immediate Employment option would require that AFDC recipients participate in activities leading to job readiness. Since the program would be mandatory, recipients would be entitled to any supportive service that allows them to fulfil their participation requirement.

However, there are many ways that the mandatory requirement could be interpreted.

One possibility would be for all non-exempt individuals to be required to participate. This interpretation would greatly expand the number of people who would need services and would have serious cost and implementation implications.

Another alternative would be an interpretation similar to that of the JOBS program, where States would be subject to participation and target group requirements, but not all AFDC recipients would be served.

Another possibility would phase in the mandatory requirement only for new recipients of cash assistance.

In deciding which interpretation would be best, several factors would need to be considered--not the least of which would be the budgetary implications and how access to or receipt of services affects the ticking of the clock.

Issue 3 -- Sanctions and Incentives: Apart from the two-year limitation, the program could use other incentives or sanctions to motivate people toward employment.

One possibility would be to force individuals to "face the clock" when they refused to participate or failed to make progress in becoming "job ready." If the clock's start was tied to "job readiness," such individuals could merely be reclassified as "job ready."

A second possibility would be to reduce the assistance check by the caretaker's amount, similar to what occurs in the JOBS program. Such a sanction action would have no effect on the clock's movement.

A third possibility would be to provide financial incentives to people who participate in their required activities. An example would be awarding bonuses to those who made progress in their assigned activity.

TRANSITIONAL WELFARE:
REPLACING WELFARE

THE GENERAL APPROACH

The basic idea for this option would be to develop an appropriate set of time-limited policies for a new series of assistance programs created to replace AFDC. These assistance programs would include: 1) a work support system for working individuals; 2) a stipend system for those in education and training; 3) a categorical assistance program for individuals with disabilities; and 4) a categorical assistance program for teen parents. The cash assistance and services provided through these programs would be geared to the needs of their respective client populations. The goal would be to achieve full participation under each program, with all "adult" recipients involved in some activity as a condition of receipt of receiving assistance. While those in the work support and stipend systems would be doing JOBS-types activities (work, training, and education), those in the categorical programs might be doing something less demanding and less directly related to the world of work. For example, disabled recipients might be involved in rehabilitation activities and teen parents in a combination of parenting and basic skills activities.

Work Support System

The work support system would provide financial support, child care and other supportive services, case management, job search and job placement services which would enable recipients to keep their jobs or to get new jobs when they become unemployed. The goal would be to keep working and "work-capable" individuals out of the welfare system. Its financial support and other benefits would be generous enough that those who could work would aspire to be part of this system. There would be no time limits for the assistance to working families in this system. There would be time limits and/or dollar limits to any assistance provided during periods of job search or transition between jobs. There could also be time limits on job placements which were publicly supported or subsidized.

Under this system, no work expense or other disregards would be needed because even part-time employment would make the family better off than they would be on cash assistance. Its wages, EITC, food stamps, and its child support or child support assurance payment would be sufficient.

In the spirit of guaranteeing jobs, the work support system would be responsible for guaranteeing jobs or other types of work assignments for low-income families who could not find work and could not qualify for either of the two categorical programs.

There would be no specific sanction or exemption policy developed for this program; participation would be entirely voluntary. However, no assistance would be available to individuals (or their families) if they failed to work. If they failed to keep a "guaranteed" job, but were cooperating and performing as best they could, less demanding work opportunities (which might also pay less) would be offered.

This paper does not get into the nature and level of assistance or the administrative structure for providing it since both the Making Work Pay and the Other Support Services Groups are looking at those questions.

Stipend System

Individuals enrolled in education and training programs would qualify for stipends which would help cover their family's living expenses while they were in school. They would also be eligible for child care and case management services during that period. The assistance could be administered through a Work Support Administration, another non-welfare agency, or the education and training programs themselves. If eligibility was restricted to would-be welfare recipients, it might be appropriate to make a State agency responsible for an initial authorization of assistance. However, if the stipends were available on a general basis to low-income families, perhaps enrollees could work directly with their programs rather than a State agency.

Individuals would qualify for benefits as individuals. Multiple members of a family could therefore qualify, but to prevent fraud and duplication of benefits, individuals might have to provide proof that they had children living with them or had responsibility for their support (i.e., met the IRS test). Benefits could be tracked using something like a smart card.

Stipends would be time-limited and conditional upon the recipients' making satisfactory progress in their programs. The length of time that stipends would be authorized could be a fixed period of time or tailored to the skills deficiencies of the recipient. For example, all low-income individuals could qualify for two years of vouchers in any ten-year period; the more disadvantaged individuals could qualify for additional time; or the short baseline period could be shortened (e.g., to one year or less), but eligible for extension when individuals gain work experience or earn other credits.

The amount of the stipend would be adjusted for family size, but would not exceed the amount available to veterans. It would be computed based on the family's status at the time of enrollment; eligibility and stipend amounts would be redetermined at the beginning of each new term. Stipends would not be adjusted for modest changes in the family's income or resources. There would

be little, if any, administrative activity except at redeterminations.

Individuals who failed to make satisfactory progress would expect to have their stipends terminated or suspended. However, there could be a good cause appeal system set up that would allow reinstatement of eligibility in cases where the failure was due to something like illness. Also, consultations would be scheduled for individuals put on academic probation or otherwise determined to be at risk of failure, and case managers could authorize short-term interventions which might prevent such failures. Those who had payments suspended, but did not get reinstated, could use any remaining stipends after an interim period of work.

The stipends would be in addition to any educational assistance that is otherwise available through Federal, State, local, private or institutional sources. Stipends would not cover education or training costs (including tuition) unless alternative sources of support were not available.

To the extent that the education and training programs were responsible for administration of the stipend payments and the provision of counseling, case management, and related services, they could receive reimbursement for their administrative costs.

There would be no specific sanction or exemption policy specifically related to this option; participation would be entirely voluntary. However, no assistance would be available to individuals (or their families) if they failed to meet standards of progress.

Disability Assistance

The disability program would provide assistance to those who have emotional, physical, or mental problems which prevent their entry into the labor force or their successful participation in education and training activities. Those whose problems are short-term (e.g., expected to last less than three months) would not be brought into the system, but could qualify for cash assistance on an emergency basis. Individuals with a substance abuse problem that prevents them from working might be temporarily assigned to a disability program while receiving suitable treatment; however, they could be disbarred from receiving cash payments if and for so long as they failed to cooperate. Alternatively, they could be offered assistance for a limited, fixed period of time to give them an opportunity to address their problem (e.g., six months), but lose eligibility after that point. Similar policies could be adopted for other categories of recipients (such as the grossly obese).

In general, the disability program would have no time limits. Eligibility could be extended for so long as a qualifying disability existed. Also, individuals could requalify if they faced a recurrence in their condition or a new problem. However, in cases where a disability is treatable, and/or the individual could find employment if they cooperated in rehabilitation activities and/or education, training, and employment programs, assistance (at least to the adult) through this program could be terminated if they failed to cooperate. In addition, for any recipient in this system, it might be appropriate to require acceptance of certain types of family support services. At least the adult share of the assistance payment could be thought of as a stipend for doing the required activity; as long as satisfactory progress is made, the stipend would be paid.

Stipends for cooperating individuals would cover the needs of the disabled adult and other family members who lived with them. This approach would work like the current AFDC system of assistance to single parent cases and to two-parent incapacity cases. However, the system could be less rigorous than the current AFDC program in terms of budgeting and redeterminations, with greater tolerance for income fluctuations and accumulation of resources. However, in light of participation expectations, it might not be appropriate to make long-term commitments to assistance.

This paper does not attempt to develop detailed policies for a disability program (e.g., defining disability), with the expectation that another group would be assigned that responsibility if we decide to pursue this course further.

Assistance to Teen Parents

Cash assistance would be provided to pregnant and parenting teens conditioned upon their participation in appropriate employment, education, training, and family support activities (such as parenting). This assistance would be available until the teen finishes high school or reaches the age of 20. A system of sanctions and bonuses would be developed to encourage participation in appropriate activities. Intensive case management would also be available, and agencies would be encouraged to explore innovative ways of providing educational and support services--including alternative educational programs, on-site case management and payment issuances, two-parent parenting classes, home visits, tutoring, and joint parent-child programs. They could also explore alternatives to education.

The issues of teen pregnancy and pregnancy prevention will be coordinated with activities of the Surgeon General. Coordination is also needed with a number of other issue groups with respect to the provision of services.

DISCUSSION

If this multi-program proposal is to succeed, a number of serious problems need to be addressed. These include:

Basic Eligibility--How do you define the eligible programs and families so the system is not duplicative and covers the entire needy population which deserves cash assistance?

It is difficult to divide the welfare population into a discrete number of groups with discrete service needs. In this four-program, it seems that some needy families might be neglected, while others might qualify under a number of programs. For example:

Some might not be able to work or participate in education and training, but also not fit into either of the two categorical programs (e.g., a parent who is temporarily out of work because of a broken arm or a pregnant 20-year-old).

Some needy families might be covered by more than one system at a time (e.g., those who are disabled or working, but also in education or training; and two-parent families with one disabled and one working parent).

Some needy families might need transitional assistance while moving from one system through another (e.g., temporary assistance while looking for or securing a job).

Some might have temporary setbacks which the four systems are not designed to accommodate.

Administrative Structure--How can you design the administrative structures for these four programs so that can successfully serve their own target populations and, at the same time: 1) ensure that needy families do not fall through the cracks as they make transitions from one assistance system to the next; 2) prevent inappropriate duplication of services; 3) ensure that those whose needs cross program lines can still receive appropriate services; and 4) not be too cumbersome for families wanting to become self-sufficient.

A Work Support Administration might be an appropriate service structure for working individuals and those in education and training, but an alternative structure might be more appropriate for teen parents and the disabled if that agency is focused on the job ready. For teen parents, a school-based system might prove most-effective. However, we would need to take care that teen parents were not too removed physically or psychologically from the world of working individuals.

Benefit Levels--How do you set benefit levels so that families that are able to work have the appropriate incentives, but that other categories of needy families can have their basic needs met? Further, to what extent would the benefit levels in the proposed programs have to recognize the current variations in AFDC benefits?

Disability--Is the concept of disability concrete enough that a it makes sense to develop a separate system? Where would the line be drawn (given in part that the measure of employability would be different depending upon the mix of services available and how accommodating work sites are for disabled individuals)? Is the Administration prepared to require acceptance of medical treatment? In light of the mainstreaming movement and the Americans with Disabilities Act, is this an appropriate direction to go? How can such a system get set up without getting bogged down in a morass of medical determinations, appeals, and hearings? Do we know enough about diagnosis and treatment of substance abuse, mental illness, and behavioral problems that we could feel comfortable with making eligibility determinations, terminating eligibility, and designing a service system for these problems? Would we need to establish criteria for defining what "reasonable accommodation" this program should make in securing appropriate services and employment for recipients? How should the program be administered, including post-transition work opportunities? Do disabled individuals move to the other systems when they become job ready? Should benefits under this system be limited to families with children? What program assists families with disabled children served?

Education and Training Stipends--Should stipends be available for all levels of education and training? Should programs have to be credentialed? Should stipend recipients have discretion in choosing their education and training programs (both the type of program and the specific institution)? Which administrative structure would work best? If assistance is provided through the education and training programs, is there greater risk of individuals engaging in inappropriate or unproductive activities? Would such programs be capable of providing adequate child care assistance and case management? Should the concept of this stipend system be broadened to serve more disadvantaged individuals in need of family support services and job readiness activities? Should any stipends be available for non-adults? Where and how do you draw the line between work and training? Can additional time or funds for stipends be earned based on work?

Other Questions

Should non-parents be eligible for assistance (through the foster care program or otherwise) if they do not work or participate in education and training? At what level?

If AFDC as we know it is gone, do we still have guaranteed jobs?
For whom?

Which systems, if any, provide financial support to families
looking for work? On what terms?

Can flexibility be built into the system so that families with
short-term disruptions can receive emergency assistance rather
than being bounced to another system?

Preliminary Background Data

(In millions)	AFDC	UP
Ave. monthly caseload	4.375	.267
Ave. monthly recipients	12.596	1.148
Ave. adult recipients	4.081	

 New applications approved in 1991: 2.56 million

Cases approved where deprivation is due to incapacity: 3.6%

Percent of cases with prior welfare receipt: 41.2%
 (42.9% have no prior receipt and 15.9% are unknown)

270,000 cases with mothers aged 11-19*

459,000 families with no adult in the case

280,000 families with two or more adults

97.2% of the adult recipients are parents, .3% are stepparents, 1.5% are grandparents, .3 percent are siblings, .6 percent are other relatives, and .1 percent are non-relatives*

Percent of casesAge of Youngest Child

2.4	unborn
9.0	under one
29.9	1-2
21.1	3-5
23.0	6-11
9.4	12-15
3.4	16-18
1.9	unknown

*These figures reflect the status of adults vis-a-vis the youngest child in the unit. Of the teen mothers, 47.1% of are age 19; 31.9%, age 18; 10.5%, age 17; 3.9%, age 16

JOBS Data Reporting

For FY91 (4.5 million cases):

1.747 million recipients would be required to participate by Federal law (denominator) in an average month

501,000 participating at some level in average month

263,000 counted as participating for participation rate purposes

TIME-LIMITED WELFARE--GROUP CHARGE

On Friday, April 23, the group had a meeting with Mary Jo Bane to obtain further guidance about the direction of its efforts. The participants agreed that the group should pursue three alternative models in more detail.

1. The first would assume that AFDC as we know it has been replaced by a series of programs whose assistance was geared to the needs of its target population. Working individuals would have income support and a variety of other work supports available to them. Individuals seeking education and training would have stipends available on a time-limited basis. The disabled would have income supports and services appropriately tailored to their capabilities. Finally, there might be a group of cases (such as parents with very young children) who receive cash assistance, but have most, if not all, of their participation requirements deferred for a period of time.
2. The second would assume that the current AFDC system is not substantially changed. It would assume no entitlement to two years of AFDC, but attempt to move recipients quickly towards work and supported self-sufficiency. Participation in activities would be mandatory, but appropriate exemptions would be available.
3. The third would treat the two-year time limit as essentially an entitlement. While education, training, and support services would be available during this period, participation in them would be voluntary. Then, at the end of the two years, recipients would face work requirements.

Over the next two weeks, the work group will develop these options more fully and work with the modeling group to develop some preliminary numbers to associate with them. (Among other issues, the papers will explore how different populations would be treated and whether a no-exemption policy would be feasible.) The goal is to present a 3-5 page paper on each of the three alternative approaches for review by Friday, May 7.

In the meantime, Jeremy will assist in circulating a list identifying the various "clusters" and working groups that have been formed and listing the members of each group. Also, the initial set of issue papers and subsequent products from each group will be generally circulated to the team leaders. Due to this broad circulation, team leaders must exercise discretion in developing their materials.