Summoning the Will to Do What's Right

At this point, it's clear that the Clean Air Act needs fundamental repair. But neither party is prepared to move first. Clearly, the administration and congressional Democrats fear that if they open the act to major surgery, they will be unable to control what happens next. Republicans, who are still smarting from the failure of their frontal assault on the EPA in the last Congress, are skirting basic questions about the legislation. Instead, they have been picking away at the weak points in the technical analysis. Neither party is anxious to seem unsympathetic to children and asthma patients.

But evading realities is never good public policy. In its present form, the Clean Air Act cannot take the country where it wants to go.

The EPA is doing a disservice by tying the regulations for ozone and particulate matter tightly together. The findings on particles are sufficiently troubling to justify action now, despite all the obvious uncertainties. The ozone standard, in contrast, raises all of the awful issues of diminishing returns. It requires a reconsideration of the Clean Air Act's promise of absolute protection for everybody. That's not attainable, and to pretend otherwise is fraud. ♦

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END OF THE BEGINNING

The Curtain Is Rising on Act II of Welfare Reform

BY ANTONIO R. RILEY

Ten months after President Clinton signed legislation ending the federal guarantee of cash assistance for welfare recipients, the war over welfare reform rages on. It is a debate rarely informed by knowledge of what is happening in the states, other than ideologically preconditioned reactions to the sharp drop in welfare caseloads, most dramatically in my own state of Wisconsin.

On the left, Peter Edelman, a Clinton appointee at the Department of Health and Human Services who resigned over the law's enactment, wrote a cover story for the March issue of *The Atlantic Monthly* entitled "The Worst Thing Bill Clinton Has Ever Done." Edelman trots out old arguments about our economy's inability to generate jobs for welfare recipients, and asserts that falling caseloads must represent falling incomes and aspirations for poor people cast into a twilight zone of homelessness and despair.

On the right, the Heritage Foundation's Robert Rector, in the April issue of the group's magazine *Policy Review*, celebrates declining caseloads as proof that we have reduced dependency by ending the federal entitlement. Reflecting the conservatives' lack of interest in true work-based reform, Rector argues that caseload levels are the only true measure of welfare reform's success.

In reacting to the left's belief that welfare reform is inherently doomed, and the right's belief that it has already succeeded, I just have to say: I know better.

My state was the first to opt out of the AFDC program in 1993. This happened because Democratic legislators forced a Republican governor to make welfare reform not just a cosmetic effort to discourage dependency, but a radical decision to make employment possible for every welfare recipient. Beginning this year, Wisconsin will also become the first state to implement a fully formed program replacing AFDC with a work-based model (called "W-2", for Wisconsin Works) that conforms to the new federal welfare policies. And Wisconsin is also the first state to demonstrate the real choices all states face in moving from the old system to the new.

Five Steps to a Better Welfare System

As it stands today, W-2 is not "there" as an employment system. But could get "there" through the following steps.

♦ *Wages for work.* W-2's centerpiece is its job ladder, which encourages people to climb to its top rung, unsubsidized employment. The three lowest rungs—trial jobs, community service jobs, and transitional placements—help people with varying degrees of job-readiness. As people move toward paid work, they get more money and benefits, at least theoretically.

That's a good idea. But under W-2, instead of paying every participant wages for hours of work done, 75 percent of participants will receive a flat grant.

Holding off the payment of wages until participants become truly job-ready preserves the incentive to keep climbing the job ladder. On the other hand, W-2 participants getting grants don't experience life the way that real workers do—which ought to be a major aim of a work-based system. In addition, they don't pay payroll or income taxes as real workers must, and they are ineligible for the federal Earned Income Tax Credit, which deprives the state economy of millions of dollars.

The key to making the job ladder effective lies in the incentive of real wages for work. Without it, W-2 participants will never learn what it's like to work for pay like everyone else.

♦ *Work for everyone who wants it.* Like the AFDC system it replaced, W-2 is offered only to parents. It ignores all the poor single and married men and women who are not legally responsible for dependent children. Extending W-2's job opportunities to those without children would end the perverse incentive to have children to get state help. More importantly, this move would expand the pool of marriageable young men and women, particularly in our central cities, and reduce the number of homeless people on our streets.

♦ *Educational opportunities tied to real jobs.* As many as 13,175 Wisconsin students making the transition off welfare may have to postpone or discontinue education under W-2. That wasn't a mistake or an oversight; it was an intentional policy decision. W-2 is premised on the belief that work, not education or training, is the shortest path to employment. For many, getting a real job—even a low-paying entry-level position—will be the best way to begin escaping poverty.

However, for others who have worked before and have demonstrated their value as employees, a career-oriented education at a technical college may be the surest ticket to the middle class. Today, W-2 does not offer these workers a serious chance to truly improve their earnings. They deserve to pursue educational opportunities that are tied to real job prospects.

♦ *Child care that's affordable—and available.* Under W-2, working parents must make co-payments for child care and health care. That's good, because it helps people learn to build those expenses into their budgets. But W-2's original co-payment schedules actually would have punished people for working harder and making more pay. Under the original plan, for every 1 percent increase in income, child care co-payments would have risen 1.3 percent. Thankfully, we've largely corrected this problem, in part, by restructuring the co-payment schedule and by adding money to the child care line item in the governor's budget.

Other states should recognize that child care is key to making work pay. Moreover, child care assistance should be made available on an income-tested basis to *all* working parents on the lower end of the wage scale, not just those with a previous connection to the welfare system.

Then there's the problem of simply finding child care. It's estimated that when W-2 is fully implemented, Milwaukee County alone will be short 8,000 full-time slots for kids under the age of six. Providing child care spaces for increasing numbers of welfare recipients who are working, as well as subsidies for low-wage workers, will require new investments—more spaces for children, and more providers with the flexibility to serve children of part-time and midnight-shift workers and those whose work schedules change frequently. Employers need to be encouraged to create on-site child care facilities, and microenterprise loans should be made available to help low-income individuals take advantage of this new business opportunity.

W-2 is premised on the belief that work, not education or training, is the shortest path to employment. For many, getting a real job—even a low-paying entry-level position—will be the best way to begin escaping poverty.

Under the new federal law, states may exempt the parents of children up to age one from work requirements. Wisconsin has unwisely chosen to exempt parents only until their children are 12 weeks old. This increases child care costs significantly because (1) infant care costs more by its very nature and (2) not a lot of it exists. Also, this policy separates infants from their parents during that very crucial developmental year. That being said, however, parents should have the option of volunteering for work at any time.

♦ *Keeping up the state's end of the bargain.* Under W-2, even if you follow all the rules and try to get a job, there's no guarantee that you will get help even if you're eligible. The state has given itself the authority to be arbitrary about who it helps. This must change. Wisconsin must promise to help all those who play by the rules—and stand by that promise.

It's Jobs, Not Just Caseload Reductions

Policymakers in other states considering W-2 as a possible model ought to bear our program's "fixable" flaws in mind. They should also remember that the object of a work-based system is not just to reduce caseloads, but to increase self-sufficiency and reduce poverty. Lower caseloads, after all, do not necessarily prove that everyone no longer receiving help is no longer in need.

After nearly a year of requiring "performance for pay," no one knows what has happened to those Wisconsin families that have left the program. Many probably are working, others are relying on family, friends, and charities, and still others have turned to emergency shelters and food pantries. Unfortunately, the lack of monitoring means that we have no idea what's really happening. Instead we have arguments—which no one can win—about what the statistics might mean. Monitoring and evaluation to determine what happens to people who leave the welfare rolls is critical.

We have probably lost the opportunity in Wisconsin to develop baseline data that would have enabled us to adjust the program based on academic evaluations. Other states should build in evaluation and monitoring from the beginning.

I hope other states will follow the trail Wisconsin's program has helped to blaze while avoiding the misstep we have taken. Shifting to a work-based system isn't easy. But low-income Americans deserve our best and most honest efforts to do so. Simply reinventing welfare by another name is not good enough. ♦

State Rep. Antonio R. Riley of Wisconsin last wrote for The New Democrat *on why Democrats should stop reflexively defending bureaucracy ("Stay Focused on People, Not Programs," TND, September/October 1996).*

LABOR PAINS

Can Unions Appeal to Software Engineers as well as to Strawberry Pickers?

BY JIM GROSSFELD

When asked if I knew anyone who could write a piece for *The New Democrat* about the AFL-CIO's new commitment to organizing, I couldn't help but volunteer. The reason is the way the assignment was framed: Has the AFL-CIO given up on organizing high-wage, high-skilled workers in the "new economy" in favor of farm workers, service workers, and others trapped in low-wage, low-skill jobs?

It's an interesting question if you define the new economy to include not only Intel's 49,000 workers—or the tens of thousands more employed as contingent workers by Intel and other "high tech" firms—but also workers at Federal Express, whose frontline employees, being organized by the Teamsters, routinely use computers and their own judgment to make critical business decisions each day.

Similarly, any definition of the new economy must include workers using advanced technologies in "old" industries, such as the

even less relevance and influence in the new economy than it has today. But if unions were to ignore low-wage workers, the counter argument goes, they would not only fail the one group most open to their message, they would also be turning their backs on their mission to restore the middle class.

For organized labor, there's only one choice: build a labor movement that appeals to workers in both economies. And it presents AFL-CIO President John Sweeney with his toughest challenge yet.

The Roots of Labor's Decline

In the year and a half since they moved into the AFL-CIO's mausoleum-like Washington headquarters, Sweeney, Richard Trumka, and Linda Chavez-Thompson have clearly re-energized the labor movement. Even Sweeney's detractors agree he is a far more creative and engaged leader than the enigmatic Lane Kirkland. But while cotton gins, from agriculture companies.

Under the new law, there would be an incentive for such sales, because agriculture companies would be able to defer their capital gains taxes.

But the provision, a long-sought goal of farm groups, has hit a snag because critics charge it would reward Mr. Simmons with a multimillion-dollar windfall. The provision was intended to give farmers a shot at reaping profits from lucrative crop-processing as their federal subsidies are phased out.

Critics said Mr. Simmons would benefit through the sale earlier this year of Amalgamated Sugar Co. of Ogden, Utah, the nation's second-largest processor of sugar beets. In a highly complex transaction, Mr. Simmons sold Amalgamated through Valhi to the Snake River Sugar Co., a cooperative of about 2,000 farmers based in Oregon.

"This is exactly the kind of special-interest tax break the line-item veto was intended to eliminate," Rep. Charles Schumer, D-N.Y., wrote in a letter to Mr. Clinton on Wednesday.

But spokesmen for Mr. Simmons said the original transaction with Snake River was constructed so that Mr. Simmons would not have to pay any capital gains taxes for at least 30 years. Under the terms of the deal, Mr. Simmons entered into a partnership with Snake River and retains an interest in Amalgamated and shares in its profits.

In other words, the deal was structured as a partnership, eliminating capital gains tax liability.

The provision in the tax bill signed Tuesday by Mr. Clinton would defer capital gains without requiring agriculture companies and co-operatives to go through the same financial gymnastics. It does so by extending an existing provision to co-operatives that allows companies to defer capital gains taxes when they are sold to Employee Stock Ownership Plans.

"We did not have a keen interest in selling the business and paying a big tax," said Mr. Watson, explaining the original transaction.

Mr. Watson said Valhi would not benefit from the new provision because Mr. Simmons already has deferred his capital gains taxes. But he acknowledged the provision would allow Valhi and Snake River to revisit their deal to see if they could arrange a less cumbersome transaction without having to pay capital gains taxes.

"If we could figure out some way to restructure our joint venture, it may fit under this provision," Mr. Watson said.

Mr. Watson declined to place a dollar value on the capital gains taxes Valhi has deferred. Various news reports, however, have carried estimates ranging from $20 million to $63 million.

In his letter to the president, Mr. Schumer charged that Mr. Simmons would reap a $104 million windfall. But that is an estimate of how much the provision would cost the Treasury Department over 10 years and would include all other capital gains taxes deferred by various agriculture companies selling assets to farmer co-operatives.

Kenneth Kies, the Joint Tax Committee's chief of staff, was reported to be out of the country and unable to explain the rationale for putting the tax provision on the veto list.

Rep. Bill Archer, R-Houston, does double duty as chairman of the committee and of the House Ways and Means Committee. A spokesman for Mr. Archer, James Wilcox, said the congressman did not consider Mr. Simmons' interests when he supervised the drafting of the tax bill.

The new provision was sponsored in the House by Mr. Stenholm, the ranking Democrat on the House Agriculture Committee, and Rep. Kenny Hulshof of Missouri, a GOP freshman and a member of the Ways and Means Committee.

News Corp. Gets OK from Justice Department to Buy Heritage Media of Dallas By John Kirkpatrick, The Dallas Morning News

Aug. 9--The Department of Justice has approved News Corp.'s acquisition of Dallas-based Heritage Media, dropping its investigation into the deal, the two companies said Friday.

"We are obviously quite happy about the department's decision," said News Corp. spokesman James Platt. "We look forward to having Heritage join us."

News Corp. has agreed to pay $1.3 billion for Heritage.

Doubts about the deal were raised two weeks ago by the San Francisco field office of the Justice Department's antitrust division, which was investigating the transaction. The San Francisco office told the companies that it would recommend to Washington that the deal be challenged on violation of antitrust laws.

In response, News Corp. and Heritage agreed to extend the period in which the antitrust division had to OK or allow the acquisition, allowing more time for an investigation.

Late Thursday, the deal was approved, Mr. Platt said.

"They sent a letter saying they had no objections. They didn't get into detail," he said. "We don't know what they were looking at."

News Corp. is controlled by media magnate Rupert Murdoch, who first built his fortune in Australian newspapers and then extended his reach around the globe. Among News Corp.'s premier holdings are the Fox television network and 20th Century Fox studios.

Heritage is a diversified company, with properties in two key areas: TV and radio stations and marketing and promotions operations.

News Corp.'s interest is in Heritage's marketing and promotions side, including a division that dominates the business of electronic coupon-dispensing machines inside stores. Currently, Heritage has such machines in more than 40,000 stores.

News Corp. also has a division in the same business, and that is believed to have been the antitrust division's principal concern.

Justice Department officials confirmed Friday that the Heritage acquisition had been approved but refused to discuss the investigation or any details.

The government's approval allows News Corp. to stick to its plan to sell Heritage's six TV stations and 24 radio stations. Baltimore-b Sinclair Broadcast Group has agreed to pay $630 million for the broadcasting properties. None of the stations is in Texas.

Heritage shareholders are scheduled to meet Monday to formally consider the company's sale to News Corp.

"If approved, a closing of the transaction is expected shortly thereafter," Heritage said a written statement issued Friday.

Two Accused of Exploiting Deaf Mexicans Are Fo Locked Up in Mexico City By Tracey Eaton, The Dallas Morning News

MEXICO CITY--Aug. 9--Two men accused of leading a gang that allegedly smuggled and exploited deaf Mexicans are deaf themselves and were found locked up Thursday, virtual captives, raising questions about who was exploiting whom.

Mexican authorities couldn't -- or wouldn't -- explain it Friday.

All officials would say is that they have arrested four people "who are heads of a gang that specialized in smuggling disabled people."

Two of those arrested -- Jose Rustrian Paoletti and Ezdra Suri Dahab Kassin -- on Thursday reportedly tried to cash a letter of credit worth $220,779. Workers at the Banamex bank in Mexico City detected what looked like a forged signature and alerted security guards.

Federal police arrived and arrested the suspects. The suspects then led police to a home in Mexico City's Narvarte neighborhood, where the two additional suspects were found.

Jose Paoletti Moreda and his son, Renato Paoletti Lemus, were in a room on the roof of the home and the door was secured with chains from the outside, Mexico's attorney general's office said in a statement.

The letter of credit was in the name of Jose Paoletti Moreda, and the other suspects tried to cash it while Paoletti Moreda was locked in the house, authorities said.

Given the sketchy information released by Mexican authorities, activists for disabled people in Mexico City said they are having trouble figuring out what's going on. Poor communications between those who can hear and those who can't only complicates matters, they said.

"Maybe the two suspects in the house did nothing wrong. Or maybe they were doing something wrong, abusing other deaf people, but they might not have realized it was wrong," said Guadalupe Montes, an advocate for the deaf in Mexico City.

"You can't fully understand what might be going on until you get inside the world of the deaf. It's a very different world," said Ms. Montes, whose brother, Victor Manuel, heads the Mexican Association of the Deaf.

Mexican authorities said the four arrested on Thursday are connected to the ring in New York that allegedly smuggled deaf Mexicans into the United States and forced them to sell key chains and other trinkets on the subway.

The New York case began after police found dozens of deaf Mexicans crammed into two apartments. Since then, U.S. prosecutors have charged seven people in the case. Three others have been arrested and charged by New York state authorities.

"A lot of people have misunderstood this case, at least here in Mexico," Ms. Montes said. "When some of those arrested in New York were shown on TV doing the hand signal for love and peace, people in Mexico thought they were trying to insult someone. That's because that sign (done by raising the thumb, forefinger and pinky)

Clinton wants b inesses to view w fare recipients as untapped resources By Jodi Enda Knight Ridder Newspapers (KRT)

WASHINGTON - Working against a history littered with failure, President Clinton is campaigning to erase the stigma of the ``welfare queen" and goad businesses to hire workers off the public-assistance rolls.

Experience would indicate he's tilting at windmills. In years past, many private companies have been reluctant to pull people from the bottom rungs of the economic ladder.

But the president knows that if he bows to history, welfare reform one of the hallmarks of his administration will flop.

So Tuesday morning in St. Louis, nearly one year after he signed a law intended to ``end welfare as we know it," Clinton will attempt to change the national image of welfare recipients, to encourage employers to view them not as public burdens, but as untapped resources.

With the help of new radio and newspaper public-service announcements he will try to debunk the notion of the lazy ``queen" who chooses to live on the dole, replacing her with someone who is temporarily down on her luck, but eager ~~and able to work~~.

``This is an emerging new workforce," said Eli Segal, president of the Welfare to Work Partnership, a private organization created by businesses to help move welfare recipients into jobs. The group is sponsoring the new public-service ads. Removing the stigma of welfare, Segal hopes, ``will have the effect of actually changing the entry-level hiring practices of many companies in the United States."

That hasn't happened in the past. Despite a number of reform efforts, despite job-training programs and tax incentives for employers, companies never signed on to a full-scale effort to put welfare recipients to work.

But even skeptics of the welfare-to-work effort and opponents of the new law say if ever the time is ripe for progress, it is now.

``There are a couple of things that are different this time. One is that the economy is so good," said Demetra Smith Nightingale, director of the Welfare and Training Research Program at the Urban Institute, a Washington think tank. ``The other thing that is different is that the president has taken it upon himself to use the bully pulpit to call the country forward to help on this. That political leadership, I think, is important because it's being combined with business leadership. The priority is clear."

So is the need to work, said Elena Kagan, deputy assistant to the president for domestic policy. Unlike efforts of the past three decades, she said the new law offers a ``carrot and a stick" opportunities for recipients to find and learn new jobs combined with a very real threat that benefits will be cut off if they don't.

Furthermore, unemployment is so low in some parts of the country that employers have nowhere else to turn but the welfare rolls, experts said.

``Firms are having trouble finding the kind of employees that they really want, so they are willing to hire people that they otherwise would not," said Harry Holzer, an economics professor at Michigan State University. But, he added, ``Nobody expects that to last very long."

The St. Louis event will be the first of several challenges to individual cities and regions to link their businesses with their job-training facilities, child-care centers and transportation systems to help welfare recipients find, get to and keep jobs, Segal said. About 500 businesses nationwide have pledged to participate since his nonprofit group organized in May, he said, though they have not specified how many welfare recipients they will hire.

First in St. Louis and then across the country, a computer database will be created so that companies that want to hire welfare recipients can locate assistance in the form of training programs, day-care facilities or mentors other businesses that have transcended the problems that often come with inexperienced workers.

Still, few expect the effort to be a panacea.

``Even if business leaders say, 'Yes, we're going to do this,' when it gets down to the nitty gritty, whether they actually will do it is debatable," said Kent Weaver of the Brookings Institution, another Washington think tank.

The Clinton administration is looking to the private sector to hire 2 million welfare recipients by 2000, enough to move more than half the nearly 4 million adults on welfare this spring. So far, companies pledging to participate represent only a drop in the bucket.

While the new balanced-budget agreement signed by Clinton last week offers employers tax credits to hire and retain long-term welfare recipients, neither business leaders nor welfare experts think that will make a difference.

Welfare to work

``Most companies will say we do not that as part of our hiring criteria," said Jim Van Erden of the National Alliance of Business, a nonprofit group that represents 4,000 large, medium and small companies nationwide.

And no matter how many businesses agree to hire welfare recipients, no one sees a place in the job market for as many as one-third of the recipients who are considered virtually unemployable.

``We're at a stage where we're getting the people most capable of going to work getting a job. When we work down the list and drug dependency, illiteracy, domestic violence become issues, it will get harder and harder," said Gary Stangler, director of the Missouri Department of Social Services.

``We will find out what we've never known in this country: what part of the population is more accurately described as disabled, people who are never going to make it in America."

Stangler and many of his counterparts across the nation remain optimistic, though, that most of less problem-plagued welfare recipients will benefit from the year-old law, which forces them to find jobs within two years and limits life on welfare to five.

``The time limits and work requirements put more of a sense of urgency behind it," said Stangler, who has been involved with welfare for much of two decades. Combined with the booming economy, he said, ``I think it's an environment unlike anything I've seen." ``There's been a lot of success with welfare-to-work programs in the last five years," said Gordon Berlin, senior vice president of the Manpower Demonstration Research Corp., which evaluates social programs. ``But there's been a lot of recidivism. Welfare was a safety net, an unemployment-insurance system, because unemployment didn't cover the low-income jobs they got."

Even with the most successful programs today, Stangler noted that half the welfare recipients who get jobs lose them within two months.

The new law, and tighter restrictions in some states, will prevent many people from going on and off welfare at will. The question is whether that will force them to try to stay in their jobs longer or will land them on the streets.

Another concern is that by focusing attention on welfare recipients, the government may actually be harming the working poor vying for the same jobs, said Mark Alan Hughes of Public/Private Ventures, a nonprofit research organization in Philadelphia.

``If all we're doing is really changing the order in the hiring line," he said, ``are we really doing any good? I'd be afraid that that is what we're doing."

Farm Provision in Tax Bill May Be on List for Clinton's Line-Item Veto By Robert Dodge, The Dallas Morning News

WASHINGTON--Aug. 9--Dallas investor Harold C. Simmons and thousands of farmers are anxiously waiting to see if President Clinton vetoes a small but controversial provision in the new tax bill.

The provision is reported to be on a short list culled from 79 items the president could choose for his first line-item veto. And as White House advisers mull over the list, lawmakers and lobbyists are waging a furious battle over the issue.

``It is on the short list because of all the attention that has been given to it," said Democratic Rep. Charles Stenholm, who was frantically trying to reach White House Chief of Staff Erskine Bowles from his Stamford, Texas, farm Friday.

Steve Watson, a vice president of Mr. Simmons' Dallas-based Valhi Inc., added, ``We have all kinds of reports that this is still being considered as a line-item veto."

A senior administration official, who requested anonymity, confirmed the farm provision is one of those being reviewed closely.

The president indicated at a news conference Wednesday that he might use his new line-item veto authority on provisions in the tax bill he signed Tuesday. White House Press Secretary Mike McCurry said Friday that Mr. Clinton has not decided whether to wield his veto pen.

``He has indicated to some people here he wants to get this right," said Mr. McCurry, adding ``the president has asked for some follow-up work on two or three particular questions."

Under the line-item veto that became effective this year, the congressional Joint Committee on Taxation provides a list of provisions that could be subject to a line-item veto. A provision can be vetoed if it unfairly rewards a special interest, defined as a group of less than 100 taxpayers.

Congress can override the president's veto with a two-thirds vote in the House and Senate.

The farming provision in question would make it easier for farmers' co-operatives to buy processing facilities, such as sugar refiners and

FASB Rejects Fed Chairman's Request To Soften Proposed Rule on Derivatives

By ELIZABETH MACDONALD
And STEPHEN E. FRANK
Staff Reporters of THE WALL STREET JOURNAL

The Financial Accounting Standards Board rejected Federal Reserve Chairman Alan Greenspan's recent request that it soften a proposed derivatives accounting rule that many business leaders strongly oppose.

The FASB said it will forge ahead with its plans to require publicly held companies to adjust their earnings to reflect changes in the market value of their derivatives contracts.

Mr. Greenspan last week urged the FASB to eliminate the proposal for the required earnings adjustment and to instead require only large companies to disclose the fair market value of their derivatives in supplements to their financial statements. The FASB's proposal would require all publicly held companies to make this disclosure.

Many businesses fear that the proposed rule could cause earnings volatility as the market value of derivatives contracts fluctuated. Mr. Greenspan, also citing concerns over volatility, had said the FASB's "piecemeal" proposal "may discourage prudent risk-management activities."

Derivatives – such as options or swaps – are financial contracts whose values are linked to, or derived from, those of underlying assets such as bonds, stocks or commodities.

Letter to Greenspan

The FASB's proposal would, for the first time, force corporations to report the fair market value of their derivatives on their balance sheets so that investors can better appreciate their impact. In a letter to Mr. Greenspan, Edmund Jenkins, chairman of the FASB, contended that the Fed chairman's suggestion that the FASB scrap its proposed rule "would reduce the information available to investors and creditors."

Mr. Jenkins further argued that present accounting rules for derivatives "which are similar to your suggested alternative, also are a piecemeal approach." Relegating disclosure of derivatives to financial-statement supplements, as Mr. Greenspan urges, "actually may make it easier to conceal imprudent risk management strategies," Mr. Jenkins said. "The time has come to give investors improved information."

At times in the past, the FASB has backed down on proposed rules under pressure from the business community. Three years ago, for instance, it scrapped a proposed rule that would have forced companies to treat the value of stock options as an expense.

In an interview, Mr. Jenkins said the FASB opted to stick to its guns on derivatives because the proposed rule "is in the best interest of investors." He added, "We've gone to extraordinary lengths to make sure we consider all comments about the derivatives proposal."

Mr. Greenspan, who rarely intercedes in accounting debates, has no authority over the FASB, which is overseen by the Securities and Exchange Commission. The SEC has, in fact, strongly endorsed the FASB's proposed derivatives rule.

Business Group's Concerns

Michael H. Sutton, the SEC's chief accountant, said, "The current accounting model for derivatives — which often means no accounting at all—is unacceptable."

A Federal Reserve spokesman in Washington said the Fed had received Mr.

Please Turn to Page A9, Column 1

Continued From Page A2

Jenkins's letter, but added, "We have no immediate response."

On July 31, a group of executives from 22 major corporations, including the 10 largest banks in the U.S., wrote to the FASB asking for more public comment on the proposal. Some members of the group said that senior Fed staffers had asked for their reactions to a draft of Mr. Greenspan's letter before he sent it to the FASB.

The FASB said it has already addressed the business group's concerns in amendments to its original proposal. Some accounting experts criticized Mr. Greenspan's position. Jack Ciesielski, a Baltimore consultant on accounting, said Mr. Greenspan's concerns were "misguided." For instance, he said, "volatility has always existed in a company's financial workings; it just hasn't been reported accurately." Furthermore, Mr. Ciesielski said Mr. Greenspan offered no details on what constitutes a "large" company.

Mr. Greenspan has repeatedly made it clear that the central bank had reservations about the FASB's proposed derivatives rule. The Fed has warned that the FASB's rule could produce volatility in reported bank-capital levels and give an inaccurate picture of banks' financial conditions.

• The FASB plans to have its proposed derivatives rule, which has changed significantly from its original June 1996 version, take effect for fiscal years starting after Dec. 15, 1998. Corporations and other interested parties can comment on its proposal during a 45-day period beginning later this month.

POLITICS & POLICY

Campaign Buffs Image of Welfare Recipient as Worker

By Rochelle Sharpe

Staff Reporter of The Wall Street Journal

Welfare recipients start getting a political makeover today.

Often vilified as lazy and incompetent, they may soon be perceived as the undiscovered gems of the labor market, if former Clinton adviser Eli Segal has his way. His nonprofit Welfare to Work Partnership will hold its first community event in St. Louis today, giving a boost to the welfare-to-work push of President Clinton, who also will be on hand. "Welfare recipients are going to become companies' most dedicated employees," Mr. Segal declares.

Eli Segal

Mr. Segal insists his effort isn't just political hyperbole. He says many businesses already are finding a higher retention rate among workers hired from welfare rolls. But he won't have an easy sell. In a poll of senior executives conducted last month by Wirthlin Worldwide, more than one-third of those highly interested in participating in the Welfare to Work Partnership conceded they were worried about welfare recipients' motivation and willingness to work. Of those who had little interest in the program, 57% believed recipients would be of poor quality or have poor skills.

In practice, moving welfare recipients into quality jobs has proved more difficult than expected at some companies. In his State of the Union speech in February, President Clinton ballyhooed a major effort by **Sprint Corp.** in Kansas City, Mo., but as of last month the company employed only six workers hired under its program. **Marriott International** Inc., a leader in welfare-to-work efforts, recently curtailed a separate program targeted at more-disadvantaged welfare recipients after achieving a lower success rate with the harder cases.

But Mr. Segal and President Clinton plan to emphasize success stories. And some companies that have hired former welfare recipients are enthusiastic about results so far. Though the numbers of people hired are small, some businesses report these workers' retention rates are almost double those of other employees.

Smith Barney's Experience

"This is not charity. It's very good for business," says Michael Schlein, a senior vice president at Smith Barney Inc. in New York, where the securities company has hired 27 former welfare recipients since February 1996 and only two have left. That's less than half the normal turnover rate.

More important than low turnover, he says, is the gung-ho attitude of the new work force. "It's very hard for a firm to find enthusiastic and well trained employees. Their job means more to them than most peoples' jobs means to them." They hold white-collar jobs, doing tasks like research, and most earn between $24,000 and $28,000 annually.

Like many businesses with welfare success stories, Smith Barney, a unit of **Travelers Group**, works with an intermediary company that gives recipients extensive training. **Wildcat Service Corp.** in New York teaches recipients job-readiness skills for 16 weeks and then the company hires them for a 16-week internship. "By the time that's over, they've got great skills," Mr. Schlein says.

Different Views

Borg-Warner Security Corp., a Chicago-based company, figures that the former welfare recipients it has hired as security guards stay longer because they view their jobs as permanent, unlike many workers who see security-guard work as a temporary position. "For people coming off public assistance, this is a real opportunity," says Jack Donohue, president of the company's Northeast Business unit. "They put more into developing their skills, and they end up staying."

Since early 1995, 952 former welfare recipients have become security guards in New York City and 571 of them are still on the job, Mr. Donohue says. That's a retention rate of 60%, much higher than the firm's regular retention rate of 25%.

Marriott, which has a six-week in-house training program, also finds dedication among its former welfare recipients. Of 100 former recipients who joined Marriott since 1995, 78% are still with the company, says Janet Tully, who runs the firm's Pathways to Independence training program. "Because we've done this for them, they've been very loyal to us," Ms. Tully says.

Not all companies find lower turnover among welfare recipients. At **General Converters & Assemblers Inc.**, a minority-owned manufacturing company in Racine, Wis., where about half the work force has been on welfare, the retention rate about 60% among former recipients, compared with 75% to 80% among regular employees.

But George Stinson, the company's president, thinks that is just fine, noting that many of the former recipients left the factory jobs to go back to school so they could seek higher-skilled work.

In fact, some analysts say that staying in a job for a long time may be undesirable from a welfare recipient's point of view, especially if the wages are low. The success of welfare overhaul won't be measured by job turnover, but by a recipient's ability to sustain employment, says Robert Ivry, senior vice president of Manpower Demonstration Research Corp.

Segal's Role

Still, showing companies that welfare recipients can become dedicated, skilled workers is key for Mr. Segal, who oversaw President Clinton's national service initiative before he turned his attention to welfare overhaul.

At today's St. Louis event, the partnership will release its Blueprint for Business, which outlines a five-step process on how companies can successfully hire welfare recipients. The group is compiling a database, listing companies that have hired welfare recipients and service providers that can help businesses get involved. It will have a Web site and quarterly newsletters.

The partnership also uses flattery to motivate businesses. In a public service announcement being unveiled today, it praises welfare recipients for having the courage to land real jobs, and then proclaims: "It also takes guts for companies to hire off welfare — to discover workers determined to prove themselves."

THE WALL STREET JOURNAL TUESDAY, AUGUST 12, 1997

..a couple of the Democrats

..adership at odds on several issues

By Susan Page
USA TODAY

ST. LOUIS — The photo opportunity in a stifling former warehouse Tuesday was remarkable not for the topic, but for the rare joint appearance on the small makeshift stage: President Clinton and House Minority Leader Dick Gephardt.

Neither seemed all that delighted to see the other.

Maybe it was the heat.

As Gephardt, D-Mo., addressed the crowd of several hundred local officials, small-business owners and former welfare clients, Clinton seemed preoccupied, with last-minute revisions to his own prepared remarks.

And when Clinton stood to hail the bipartisan balanced-budget bill he signed last week, Gephardt kept his hands in his lap rather than join the general applause of those around him.

These men have become the Democrats' odd couple, national leaders of the same party, yet estranged on many of the major legislative issues that go up Pennsylvania Avenue from the White House to the Capitol.

When Clinton brags about his administration's achievements, from last year's welfare law to this year's tax cuts, more often than not Gephardt has been a foe. He denounced the White House for extending China's favorable trading status earlier this year, and he opposes one of Clinton's fall priorities: "fast-track" authority to expedite trade agreements with Latin American countries.

Political pundits are struck dumb trying to remember the last time the legislative leader of the president's party was so regularly at odds with the White House on so many major issues. The closest example: Newt Gingrich's open opposition to President Bush's budget deal in 1990, when Gingrich, R-Ga., was minority whip in the House of Representatives. The clash fed the deep divisions in the GOP that contributed to Bush's election defeat.

"It's pretty unique," says Al From, president of the centrist Democratic Leadership Council, which Gephardt and Clinton co-founded. "I can't remember another time."

Washington irony: These days, Clinton is more likely to get the backing of Republicans Gingrich and Senate Majority Leader Trent Lott, R-Miss., than he is to earn Gephardt's support on big issues.

Of course, Clinton isn't just president, or just head of Gephardt's party. He is the leader of Clinton-Gore — increasing emphasis on Gore — the team that will be trying to extend its White House run when Vice President Gore seeks the Democratic nomination for president in 2000.

By Ruth Fremson, AP

Friendly in public: President Clinton and House Minority Leader Dick Gephardt, D-Mo., a frequent critic of the president, disembark from Air Force One upon returning to Washington from St. Louis.

And that can make these joint appearances somewhat conflicted for likely candidate Gephardt.

His consistent opposition to the developing budget-and-tax deal may be one reason the White House bypassed him and other congressional Democrats in the final stage of budget talks to deal directly with Republicans. Gephardt ended up voting against the deal, blasting it for a "deficit of principle" and "deficit of fairness." He boycotted last week's signing ceremony at the White House.

Still, White House Press Secretary Mike McCurry says, there are no hard feelings. Clinton and Gephardt had "good chemistry" as they rode together in the presidential limo Tuesday. McCurry says they discussed plans to recruit and elect Democratic House candidates in 1998. Gephardt even caught a ride back from his hometown to Washington aboard Air Force One.

"The president probably has more personal affection for those who agree with him on some of these key issues," McCurry acknowledges. "But that doesn't mean he can't have respect and affection for people with contrary views."

They shared the dais at a $10,000-a-couple lunch that raised $250,000 for the Democratic National Committee.

Gephardt said he was "honored . . . to be helping this president." Earlier, Clinton called Gephardt "my friend" — a positive but tepid embrace in the hyperbolic language of politics.

Intentionally or not, the event at the former warehouse, now a welfare-to-work training center, highlighted one of their most bitter divisions. Gephardt had denounced the welfare-reform law: "Too tough on the innocent children who will end up paying the price when their parents cannot find jobs."

> "The president probably has more personal affection for those who agree with him on some of these key issues. But that doesn't mean he can't have respect and affection for people with contrary views."
>
> — White House press secretary Mike McCurry

Clinton all but said I-told-you-so Tuesday when he touted a decline of 1.4 million people from the welfare rolls in the year since the law passed. "I heard all the reasons that people said it wouldn't work," he said. "But a year later, I think it's fair to say the debate is over."

Maybe, maybe not.

Gephardt told reporters afterward that he didn't regret his vote and would oppose the bill again if given the chance, although he supports welfare-to-work programs.

Tuesday's travel notwithstanding, Gephardt is not likely to get many more rides from Clinton. Gephardt's itinerary has had several stops in Iowa and New Hampshire, states that host early contests in the presidential race.

"The president obviously has made his choice for the year 2000," says Mark Siegel, a Democratic consultant. "And it's not Dick Gephardt."

In his St. Louis remarks, Clinton twice mentioned Gore, who will head a new initiative to bring civic and business groups together to mentor new workers. The vice president is also leading efforts to place former welfare recipients in federal jobs, he noted.

In his seat across the stage, Gephardt sat stone-faced.

N.Y. may be first to challenge Clinton veto

By Judi Hasson
USA TODAY

WASHINGTON — New York is expected to be first in line to file a lawsuit challenging President Clinton's line-item veto power.

"We are evaluating all our options," Eileen Long, a spokeswoman for Gov. George Pataki, said Tuesday. "We are considering legal action."

Clinton used the line-item veto Monday to eliminate from a law he signed last week a Medicaid provision affecting only New York state. He also struck down two narrow tax breaks.

It was the first use of the new line-item veto. Last year Congress passed a law giving the president authority to strike specific items from tax and spending bills.

"One of the three that got their ox gored will sue," predicted Stanley Brand, former counsel to the House.

New York officials estimate that the veto will cost their state at least $200 million next year.

The provision that Clinton deleted would have let New York continue to levy a special tax on hospitals to help finance the state's share of Medicaid payments for poor people's health care. Clinton called it special treatment other states don't get.

A court challenge could also come from Congress members who oppose giving the president the line-item veto. In June, the Supreme Court dismissed a lawsuit brought by members of Congress, including Sens. Robert Byrd, D-W.Va., and Daniel Patrick Moynihan, D-N.Y.

The court said the lawmakers couldn't challenge the law because they hadn't been hurt by it. Now that Clinton has used his veto against action taken by Congress, those members are expected to try again.

Clinton said he used the veto to eliminate special-interest breaks tucked into the tax and budget bills he signed last week.

But Pataki said it was "shocking that President Clinton has used this power against children and poor families" who receive Medicaid benefits.

Clinton also vetoed a tax provision that would have let some food processors defer capital-gains taxes when they sell facilities to farmer-owned co-ops.

"We are consulting all of our agriculture groups" about whether to sue, said John Lemke of the Snake River Sugar Cooperative in Ogden, Utah.

Dan Zielinski, spokesman for the American Insurance Association, said the group is reviewing Clinton's veto of a tax provision that would have let certain financial services companies shelter overseas income from taxes.

"We'd hardly call this a rifle shot on behalf of a narrow special interest. It would have affected a whole broad array of financial industries and leveled the playing field for them," he said.

WASHINGTON

Clinton applauds drop in number on welfare rolls

Declaring that "welfare reform works," President Clinton said Tuesday that there are 1.4 million fewer welfare recipients since he signed a welfare reform bill a year ago. And administration officials said a lower percentage of the population is on welfare than at any time since 1970.

Officials said both the strong economy and tightened rules fueled the record drop. But it's not known how many former welfare recipients got jobs. The number getting Aid to Families with Dependent Children, the main welfare program, declined by 3.4 million or 24% since 1993, shortly after states began experimenting with welfare reform.

Wyoming had the biggest decline, 68%. Ten other states had declines of at least 40%: Kansas, Indiana, Massachusetts, Mississippi, North Dakota, Oklahoma, Oregon, South Carolina, Tennessee and Wisconsin. The only states with increased caseloads were Alaska, up 5%, and Hawaii, up 36%.

For companies interested in hiring workers from welfare rolls, the nonprofit Welfare to Work Partnership ~~has established~~ a Web site at www.welfaretowork.org and a toll-free hot line at 1-888-USA-JOB1.

— Susan Page

AP

Babbitt: 'Un-American' comment cited

BABBITT CRITICIZED: Interior Secretary Bruce Babbitt is under fire for using the term "un-American" to criticize energy companies that he said are engaged in "a conspiracy to hire pseudo-scientists" to investigate claims of global warming. "The term 'un-American' has a very evocative meaning in our country and it must not be used cavalierly against those who dare to express and defend another viewpoint," Sen. Mike Enzi, R-Wyo., told Babbitt in a letter.

Babbitt, meanwhile, told ecologists gathered in Albuquerque that the Clinton administration needs their help educating the public on environmental issues. "These are times that simply cry out for scientific involvement," Babbitt said. He cited issues such as global warming, the condition of the Florida Everglades and protection of endangered species.

TOBACCO MONEY: Tobacco companies gave $2 million to political parties in the first half of this year, nearly five times what they gave in the same post presidential-election period of 1993. Republicans got nearly $1.6 million; Democrats got $324,461. The figures were compiled by Common Cause, a private watchdog group whose issues include campaign finance reform. The donations came as the federal government increasingly turned anti-tobacco. Also, Congress must decide whether to approve a settlement of state lawsuits that would be dropped in exchange for $368 billion in payments by tobacco companies.

PAULA JONES LAWSUIT: Lawyers for former Arkansas state employee Paula Corbin Jones have subpoenaed state police and state economic development office records the lawyers say might help Jones in her federal sexual harassment lawsuit against President Clinton. Among the items sought are information on any women who claimed Clinton "engaged in any sexual or personal inappropriate conduct," and state police documents relating to Gennifer Flowers, who claims to have had a 12-year relationship with Clinton. Jones contends Clinton exposed himself to her in a Little Rock hotel room in 1991 when he was governor. Clinton has denied the accusation.

FUND-RAISING HEARINGS: Four weeks of Senate hearings into campaign finance abuses have led one committee member, Sen. Joseph Lieberman, D-Conn., to conclude that the Clinton administration was at the heart of a breakdown of the political finance system. Lieberman said the system of donation limits and full disclosure collapsed. "That was true of both parties," he said, but the administration "was at the center of that breakdown." Lieberman also said the failure of the White House and the Democratic National Committee to produce documents relevant to the investigation in a timely manner "raises our suspicions."

WELD IN SCHOOL: William Weld attended State Department Spanish language refresher classes and was briefed on Mexican-U.S. relations as he continues to fight to be confirmed as ambassador to Mexico. Senate Foreign Relations Chairman Jesse Helms, R-N.C., views fellow Republican Weld as too liberal and is refusing to hold a hearing.

Written by Paul Leavitt with staff and wire reports

Galactic junk nearly collides with satellite

By Steve Marshall
USA TODAY

A 500-pound piece of space junk came within a mile of clobbering a satellite dropped into orbit by the shuttle Discovery on Monday.

Mission officials, alerted by the U.S. Space Command that the junk was in the vicinity, couldn't maneuver the satellite because it doesn't have an on-board power source, NASA's John Lawrence said Tuesday.

"It was pretty clear it was going to miss it," said Lawrence.

The junk was a discarded rocket motor that dates to a 1984 shuttle Challenger mission. Had it hit the ozone-monitoring satellite, it would have likely ruined the multimillion dollar orb.

Discovery and its crew of six were 51 miles ahead of the satellite at the time Monday night and were in no danger, German mission manager Konrad Moritz said.

Close encounters with galactic junk are rare, said Cmdr. Dave Knox of the Space Command, which monitors about 8,500 pieces of orbiting jetsam. Space shuttles have maneuvered around the junk just seven times since 1981, when the missions began.

The Space Command, based in Colorado Springs, tracks junk that's softball-size or larger. The number of objects tracked changes, Knox said, because "their orbit decays and they re-enter the Earth's atmosphere and new things are launched."

The motor won't come close to the satellite again, NASA said.

Discovery's astronauts plan to retrieve the satellite Saturday and bring it home Monday. They dropped it off into orbit last week at the start of their mission.

Today, the crew is to finish testing a Japanese robot arm that will be used to help build the international space station.

The appearance of welfare success.

Welfare

ABOUT FACE

By Hanna Rosin

This time Kisha does not dare say one word. She does not cock her head or roll her eyes or suck her teeth or give any sign of her trademark defiance. She knows what the fifteen other suddenly tense students in her employment training class know: someone among them is in trouble, serious trouble, and the last time Kisha stepped in to help him she got burned, too.

Instructor David Sykes drags his chair so he is inches from the face of the troublemaker, a skinny, ponytailed kid named Tyciris. Even seated, the bulky, tetchy Sykes is menacing. The badly ventilated, claustrophobic basement suddenly seems hotter. Sykes lets loose a bully laugh, before laying down the full force of his, and society's, judgment: "You think you'll ever get a job looking like that, punk?"

The punk has come voluntarily, believe it or not, to STRIVE, a program that aims to make the poor in cities like Boston, New York, Philadelphia and Chicago employable. Only a few years ago, STRIVE would have been shunned by social workers. Now, one year into the welfare-to-work experiment, even liberals have come to accept the value of blunt threats. Unforgiving deadlines have done more to push people off the rolls than decades of nurturing and cajoling. In the new no-excuses atmosphere, programs like STRIVE—gruff and pitiless to the point of being abusive—are thriving, because they seem to work. Of the 319 clients who have graduated over the past two years from the Boston program where Sykes teaches, 259 found jobs and 170 are still working—a phenomenal 81 percent placement rate. The average salary of graduates is $7.45 an hour, and they're not all sweeping floors. One of the program's goals is to avoid dead-end jobs, so STRIVE will only send someone to a sweeping job if there is some promise that one day they can get beyond it. The program's proud list of graduate positions includes customer service representatives, clerks, nursing assistants and sales associates, to pick some of the most promising. All that, for only $1,500 a client, paid for by local foundations and businesses.

Started twelve years ago in a basement in East Harlem, STRIVE was supposed to be just another employment skills program for anyone interested, not a vehicle for moving people off the dole. But welfare reform's instinct to experiment has turned it into a reluctant model. Of all the many welfare-to-work efforts underway, STRIVE has emerged as one of the anointed. After "60 Minutes" aired a glowing segment on the New York program in May, President Clinton praised STRIVE in a radio address. These days, almost each week, a mayor calls the New York office to inquire (last month it was Los Angeles, Atlanta, St. Petersburg), and a new infusion of cash might make its mushrooming possible: Congress is encouraging states to use the $3 billion in the new budget for localized job training. And they've chosen STRIVE as one of six model programs.

STRIVE may fit the country's mood, but it doesn't particularly fit most welfare recipients' moods. STRIVE mostly does attitude training: no hard skills, like word processing; only soft skills, like general appearance and behavior. A General Accounting Office report praises STRIVE for its brutal honesty, for ridding clients of a "victim mentality," the feeling that their fate is out of their hands. In practice, that means kicking out of class anyone who is three minutes late with a lame excuse. Or anyone who rolls her eyes or sucks her teeth or stares sullenly at the floor one time too many.

In three weeks, Sykes means to transform his students from the sort of people who employers turn away without a glance to the sort they hire. This means beating out the habits of the street and replacing them with the habits of work. It means stripping them of all their defensive tics and fashion statements—the men of their Snoop Doggy Dogg braids and ponytails, the woman in the far back of the room of her mean expression and her defiantly crossed arms. It means teaching them that all of the affectations and artifacts of style they have adopted to mark themselves as special are worth nothing, paper armor.

It also means not everyone will make it. The unreasonable strictness is a built-in weeding process, and, in a way, it guarantees the program's success. This is the unpleasant secret of STRIVE's success rate: the program, by the very fact of its toughness, rejects the sure losers early on. In a typical class, thirty to thirty-five people will sign up for orientation, twenty-five will show up on the first day, and the twelve to fifteen with the most patience will graduate. STRIVE takes students at all levels, from women on welfare who have been kicked out of every other government training program, to men fresh out of jail, to men and women temporarily out of work who just need some polishing. While there's no way to measure, it's probably the hardest cases who get kicked out or fed up, and rejoin the ranks of the unemployable. But, as Sykes might say, that doesn't mean the ones who stick it out are any picnic. Even among the good ones, there are those who will show up for interviews in spike heels and a hoochie dress. Then, when they get the job, they'll come in three days in a row at 9:00 sharp, then feel so proud they'll take a vacation. It's Sykes's job to rip them apart, bad habit by bad habit.

"You think that looks good?" Sykes says mockingly to Tyciris, the loose-lipped punk with the stiff ponytail.

"Yeah."

"Well, you need to cut it."

"You think I can't do my job with my hair like this?"

"No. That whole I-almost-was-a-pimp-but-I-couldn't-afford-the-perm look ain't working. The employer will put you in the corner next to Loquita with the big ole braids and forty pairs of earrings and the dude with the happy Afro with the gold streak down the middle and say, 'NEXT!'" Sykes says, picking up speed. "What's wrong with the orange fingernails and the nose ring and the 'Oh-my-God' [in a mock female pout]? Nobody's gonna hire that," he says, pointing to the ponytail. "Nobody. Now are you gonna cut it?"

"My hair is like my trademark. It's like a part of me."

"I see your hair, and it makes me want to start rapping. You live in your mama's house / She says jump you say how high / She says daddy you say yeah / You're 22 and you live in your mama's house with no job." The rap sours and turns mirthless. "If you didn't have your mama's house you wouldn't be sitting there with this fucked up hair and this fucked up attitude. Be a man. You're gonna make a decision right now. Are you gonna cut it?"

"I'll cut it."

"When? 10-9-8-7-6-5-4-3—"

"Lunch. Tomorrow."

"No. You come in here tomorrow morning with your hair cut or don't come back. Are you gonna cut it?"

"I'm gonna cut it—sometime this week."

"You can leave then. Now." Tyciris picks up his ragged binder and walks out the door, leaving the class in a state of drowsy shock. Sykes waits a moment before he pounds in the lesson. "Do y'all understand what's going on?" Agitated and sweaty, he takes out his anger on what's left of his class. "You say you want to do this and that, to improve yourself, just get a chance, yet you can't even get past the simple cosmetics. It doesn't matter if you can do the job if you don't fit in. WAKE UP! We're fighting a battle here."

Tyciris walks out of the clean white house, and when he disappears to some street corner in Roxbury, he rejoins the hard-core unemployable, unreachable by any job training program so far. During the first week of the session, Sykes will kick out five more, for yapping during class, for not trying, for being stubbornly uncooperative; one will beg to be let back in, and then disappear again. Not one of the departures comes as a surprise to the staff. Terry Parham, the executive director, guessed the day before it happened that two cousins would get kicked out: showing up with a girlfriend is usually a telltale sign that you're not ready.

Those left over are considerably more manageable, although far from ready. There's Kisha, insolent in a sly and promising way, but marked with all the signs of failure: high-school dropout, teenage mother, never had a job. Shauna, sweet, willing, but otherwise ditto. Aaron and Christopher—both with spotty but hopeful work records, well-spoken and professional. Elsie, Tarisha, Joanne, a threesome stocked with evasive excuses who will wind up driving Sykes crazy. And Holly, the rare white person in the program, a former exotic dancer who can't stop biting her lime-green nails. Only a small percentage of the class is on public assistance (usually only about a third of STRIVE's graduates are) and everyone seems open enough to change their ways. But don't underestimate the transformation STRIVE accomplishes. To be overqualified here is not to be a neurosurgeon: one fast-talking woman was asked not to come back after orientation because she already had a job as a part-time cashier at Dunkin' Donuts. The rest are in a position to envy her.

Sykes dismisses the class for a break to let the shame of Tyciris sink in. When they return, it's time for a makeover. "Leave your problems at home," Sykes says. In an Oprah age, he's unusual for not being interested in your hopes and fears, the real you. He is interested in the self you can be made to become, or at least to appear. This is the essential part of stripping the victim mentality, tearing the focus of pride away from one narrow identity and moving it to a more universal one. What you should be proud of is your public role, the face you put up to the world, even if it's an innocent deception. If you want to get a job on Fenway Street, where the gay ad firms are, wear a yellow shirt, he advises. If you're after Newbury Street, where Chip and Muffy work, try a blue suit and penny loafers. He's more concerned with what you look like than what you *are* like. Perhaps because he knows that, to a real degree, the former dictates the latter.

Which is why he spends over an hour on handshakes. Sykes orders his students to line up outside in the narrow hallway. Each person has to smile, introduce themselves, shake Sykes's hand and explain why they should be let back into the room. All but one are exiled to the back of the line for at least a second try. "Hi. I'm Kisha," she says, and breaks out in giggles. Sykes glares at her. "What?" she asks childishly. "I smiled." The next time she is more sober. Aaron gets sent back again and again. It's only on the fourth try that he figures out it's because he's giving a homeboy shake, a wide-arc swoop down into a greedy grab, not a civilized, linear handshake. Holly jitters and shakes inside her loose pants and pulls at her hair nervously.

Until she stands still, she won't get through.

Kim, one of the cousins, is the worst. Kim just won't smile, and by the sixth round she is deadly surly. "Look, my feet is hurtin'," she complains. Sykes is impassive. No smile, no pass. Two more times and she's had it. Her face hardened, she cries and storms out of the room. "People try to put you down," she yells back, as her cousin Renee storms out behind her. "I don't kick people out," Sykes says curtly after her. "They kick themselves out."

His class is nowhere near presentable yet. Sykes tries another tack. "Tell me about yourself," he asks, beginning a practice interview session. "I'm 19, I got two kids, I..." offers Kisha eagerly. "Not relevant," Sykes cuts her off. He does not want to know about her kids, because that's not really what the employer wants when he asks that deceptively friendly question. "I'm 27, and I got four kids and my papa lives down Dudley, and Ray-Ray just got out of jail and Bo-Bo's got to go to the doctor," Sykes says, mocking. "What does the employer care?" For the boss, Kisha needs to take on a new identity, so what's she got? "Well, I worked at McDonald's, and I like to do hair." "Okay," Sykes says, "that's a start." From this thin gruel the pro cooks up a convincing story. Here is who Kisha is: "I have experience working with food, with sales. I'm eager, hard-working. What kind of person are you looking for?"

Among the many facts not relevant about Kisha are that she's half Indian and that her 2-year-old twin daughters are named N'atavia and N'atasia (at the suggestion of the Russian lady who lived next door). That she gave up custody of the girls, grudgingly, to her mother, who now gets the welfare check. ("I feel like they're not gonna know me, except on weekends.") That she is technically homeless, and that she can't get a house or her girls back until she makes some money, which is why she tries to behave in class. That she's filled out applications at Toys-R-Us, Marshall's, K-Mart and McDonald's and gotten no response. That she did work at a McDonald's register one day but she was too slow, and when the "customers started rushin' up in my face, I got nervous." That her boss accused her of stealing $10 from the register, but "that's stupid. I don't steal."

To Sykes, this personal résumé adds up to one big Excuse. "I understand, but I got no understanding," he likes to say. "There are single mothers with six kids who get up and go to work every day with no excuses." He knows all the excuses before you even say them: (1) My boss is a racist. ("He's still a racist, and you're out of a job. Who wins?") (2) I have no money for the bus. ("But you got money to buy some weed and meet your boys downtown.") (3) I'm on welfare. I don't need to work. ("And you slip off all your gold rings and jewelry in the parking lot before you go to the welfare office.")

The class is now in its last week. Sykes's goading is more affectionate than mean now. The surviving students think they have him figured out, although they don't know him at all. He doesn't tell the class that only three years ago he was in jail, finishing off a six-year sentence for assault. (He reformed himself at STRIVE.) He has the class read Kisha the riot act and tell her how obnoxious she is, instead of doing it himself. Now she's decided "to pay attention and learn some things," Sykes announces proudly. The threesome—Elsie, Joanne and Tarisha—are "holding on by a thread," he says angrily. "They all got that same mentality, that 'I'm on welfare so I don't really have to be on time' thing." One day they show up, the next day they don't. Meanwhile, Aaron and Chris have turned out to be gems. Tomorrow they're leading the class on a field trip to two hotels and a health center, all desperate for workers. Sykes sums up how it is: "I'll stick my neck out for anyone," he says. "As long as they help themselves. But if they give me that you-supposed-to-help-me look I won't even look at them."

But the sudden peace is disruptive. As Sykes becomes more comprehensible, the program he is part of suddenly seems less so. It now seems like an accident of chemistry unlikely to be repeated by the dozens of cities desperate for a panacea. Few people could be so violently off-kilter, yet perfectly stable, the way Sykes is, or maintain a veneer of efficiency amid anarchy, the way Parham does. There aren't many trainers like Therese Fitzgerald, who has patience for the umpteenth domestic violence call, or Chris Carpenter, who relentlessly hunts down employers. And they all patiently follow up with their clients, for years. The depressing truth is, alchemy can rarely be replicated; programs that thrive in one neighborhood wilt in another. What if Massachusetts were not going through an economic boom? What if STRIVE didn't have such good contacts with local employers? What works here is much more elusive than low tolerance for a "victim mentality." Someone may dip into STRIVE and find it intolerable. His brother may be transformed. If welfare reform succeeds, it may only be by a series of happy accidents. •

welfare

A bold welfare experiment fails.

UNDER THE UNDERCLASS

By Dana Milbank

The PR guy couldn't have hoped for more. As reporters scribbled, the CBS News camera zoomed in on a figure in incandescent orange, a radiant poster girl for Marriott hotels' lauded welfare-to-work program. The woman, a welfare mother named Charlene who would soon join the working world, was leading a ballroom full of Marriott executives and welfare caseworkers in a defiant chant. "I AM SOMEBODY!" she shouted. "RESPECT ME!" Fellow program participants erupted in a standing ovation. The CBS cameraman liked it so much he asked everybody to stage the whole thing again.

Marriott's program, Pathways to Independence, has been hailed as the country's greatest hope of a private-sector solution to the welfare problem: 77 percent of the program's participants are still in steady jobs a year after they graduate, earning paychecks and providing for their families without government handouts. President Clinton has publicly praised Marriott's program, and his welfare adviser, Bruce Reed, has called Marriott's effort "the best program I've heard of at a major company." In October 1996, I wrote a favorable story about the program in *The Wall Street Journal*; dozens of reports followed—on ABC, CBS and CNN and in papers from *The St. Petersburg Times* to the *Times* of London. The praise was well-deserved.

But on that day when Charlene posed for the cameras, Marriott's program was attempting something much more bold and difficult than before. Until that point, Pathways to Independence had carefully restricted its efforts to the easier cases—relatively well-functioning welfare recipients who were eager to find work. Now, with this graduating class of twelve, Marriott was hoping to demonstrate that it could take even some hard-core welfare cases, many of them homeless and recent drug addicts, and bring them into the workforce in an efficient, affordable way. The effort seemed to represent the best hope of coping with the question that still haunts welfare reform—what about the truly unemployable?

Eight months later, however, all Charlene's class has demonstrated is that welfare reform as we know it isn't going to work as we'd like it. Charlene's experience in the workplace is typical. She got a job with Marriott, and lost it for poor attendance; she was given a second chance, and lost that job, too. She has returned to the man whose blows had landed her in a battered-women's shelter. Another group member resumed his drug addiction and flunked a drug test after Marriott offered him a job. One participant dropped out and got pregnant, while yet another quit her job interviews and now works a few hours a week in fast food, still using her welfare check to support five children. Even some of those who kept their jobs are causing Marriott great aggravation. "Abominable," concludes Julia Gonzales of the D.C. Private Industry Council in Washington, which supplies the participants to Marriott. Late last year, the Marriott program called off the hard-case experiment and returned to its focus on the more likely successes, "balancing the program," a Marriott spokesman says, to include only a few tough cases in each class. "We bit off more than we could chew," confesses Kenneth Tully, one of the coordinators of Marriott's program. Affirms Janet Tully, the head of Marriott's program and Kenneth's mother, "There's no way we're going to go any deeper into the well. You're not going to find any company going that far down."

What is at stake in the Marriott experiment is immense. If welfare reform is to work, the private sector must make it work. A reform that shifts welfare recipients from one government check, in the form of an open dole, to another, in the form of a salary for make-work or for attending training classes, will be regarded as a failure. As Clinton has said, "only the private sector in America can prove that I was right to sign that bill." But Marriott's experience shows that even the best welfare-to-work effort in corporate America can't put the toughest welfare cases to work.

So far, the problem evident in Marriott's failure has been masked by the euphoria over figures that show the nation's welfare caseload has dropped by 24 percent over the last three years. The decline has made welfare-to-work efforts look easy—misleadingly so. Those reductions, like Marriott's earlier efforts, have come from skimming the most capable recipients off the rolls. Deeper in the pool of 4 million adults who remain on welfare, beyond those suffering temporary reversals, are the hard-core recipients: the homeless, the addicted, the

DANA MILBANK writes about welfare and social policy.

battered, the disturbed, the illiterate and the criminal. Nobody knows exactly how many of these people there are, but most experts put the number at one-third of the total caseload, and Marriott's experience suggests that figure might be even higher.

The 1996 federal welfare law requires that, by 2002, the states must subject all but 20 percent of welfare recipients to the new five-year limit for public assistance. But what will happen to the people left behind by the private sector? What will happen to the most disadvantaged among the poor?

Charlene's group, which I tracked over eight months, was a tough challenge by any standards. All sixteen participants were black residents of Washington, D.C., who lived in shelters or with relatives. None had a credit card or a checking account. One had done time for manslaughter. Another said she had worked as a prostitute to raise drug money. But, for all their problems, they had strong motivation. Theirs was the first to begin training after enactment of the welfare overhaul in August—the first participants to know they'd be kicked off of welfare if they didn't find jobs soon. Several of them told me of the pressure they felt to find work.

Placed in charge of employing this crew was Christa Richardson, a 28-year-old newcomer to Marriott. A fiercely determined spirit, she was called a benefits specialist, but her main qualification as a trainer, oddly enough, came from her love of animals. As a child she took in stray cats and wounded birds; later, she worked on a farm for rejected horses. "I don't have the ability to walk away from them," she says. Nor would she abandon her trainees, even if it meant breaking the rules. She bought them slacks and shoes, found one woman a free dentist, loaned them cash, arranged and rearranged their day care and contacted her charges daily through messages on shelter bulletin boards. She guaranteed a job to any candidate willing to show up for interviews. "I'm their only chance of survival," she said one afternoon while driving through Washington slums after visiting a trainee. "If I fail them, they may go back on drugs."

At first, there were signs of hope. On the morning of October 16, early in the training, a heavyset woman, Felicia, sat with her fellow trainees, listening intently to the day's speaker, a welfare-mom-turned-Marriott-manager. Felicia was full of questions. "How is it to get up every single day and go to work?" she wondered. Then later: "I want to be a general manager. Is that something I could ever even think of?"

The manager said, "There is nothing you can't be," and that got Felicia fired up. "I really needed to hear that," she told the woman. "I've never gotten in a program and stuck with it. I have dreams and goals also, and when I see you I know I can do it." It sounded like a big step for Felicia, 28, who had been off drugs only a short time and had been in a violent relationship. For the next two weeks, she was the teacher's pet, on time for every session, dominating the discussion and working with Christa on her résumé after class. She talked of the new car, a '97 Nissan, she planned to buy after she got a job. "I see a future for myself," she told me. "Four weeks ago, I didn't see anything."

But, two weeks after Felicia's epiphany, she confided to some classmates that she had left the shelter and returned to her husband. A few days later she found out that a job she was hoping for had been filled. In a mock job interview in class, her confidence cracked and she stopped. "I'm blowing it," she said. Felicia missed the next three days. Finally, Christa reached her at home, and Felicia, sobbing, told Christa she couldn't talk. Concerned for her safety, Christa invited Felicia to sleep at her apartment. The next night, Felicia called Christa at home after 10 p.m. to tell her the police had just left after she and her husband fought. She promised to return to class. "I want to do it," Felicia said. "I'm just feeling really suicidal right now."

Christa said she would overlook the missed time, but the next morning, a Friday, found no Felicia. Returning to her office after class, Christa played a heartbreaking message on her answering machine. "Hello, Christa, this is Felicia. I don't want you to be mad at me and put me out, but I can't come to class and let you all see my face like this." She was crying softly as she spoke. "I don't want you to put me out. That's the last thing I want. It seems I have nothing left. Y'all have to keep me in your prayers. Tell the class I love them all." A few days later, Felicia, her face bruised, came to Christa's office, and they agreed to part ways. Today, Felicia says she's taking a word-processing course. There is no more violence, she says, but things are "still rocky."

Of the sixteen trainees in Christa's group, only twelve survived six weeks to see their names in green icing on the graduation cake that November day. Of those, only seven are working today—and sometimes more because of Marriott's mercy than their own merits. The only other Marriott training group from last fall with a large number of hardship cases had similar results; it's down to six still employed. A success rate of just under 50 percent might not seem all that bad, but the rate is well below the level Marriott requires to justify the expense of training. For the run-of-the-mill welfare recipients who came through the Washington program in 1995, by contrast, Marriott had a retention rate of 78 percent after one year and 71 percent after two years.

Also, even the trainees in Christa's group, though tough by Marriott's standards, didn't come from the very bottom of the rolls. Requiring a certain amount of education and gumption, Christa accepted only twenty-one of the sixty-five who were coerced by their caseworkers to go for interviews. They had to prove strong interpersonal skills, be able to read, pass a drug test (five of the twenty-one failed) and demonstrate eagerness to work—all of which seemed to make them relatively strong candidates for job training and placement.

Yet Tamara, whose two children were in foster care, dropped out after two weeks. She told me she couldn't afford the subway fare. When I pointed out that the subway fare was paid for her, she replied, "I didn't like housekeeping anyway." A social worker at the shelter she recently left says Tamara's third child is due in October. The nonchalance of Tamara and some others irked Christa, but she didn't show it, perhaps because she was thinking less of the recalcitrant mothers than of their blameless children. Once, when handing a trainee a subway pass before the trainee started her new job, Christa told her: "This is not just your ticket, it's your kid's ticket." There were easily three dozen young children dependent on their parents' success in the program.

Some participants, inexplicably, disappeared just at the moment success was at hand. Early in the training, Sheron, who at age 21 already had a 5-year-old and two other kids, taped to her door at the shelter a warning written on a torn piece of paper: "Do not knock on my door for any reason. I have to get up real early." Indeed she did, rising at 5 a.m. to bring one of her children to day care and get herself to work, taking three buses and three subways to cover the distance. Sheron, petite and shy with a bomber jacket invariably covering her housekeeper's uniform, struggled throughout the training with child-care troubles. On graduation day, she gave Christa a card. "Thank you for not giving up on me," it said. "I won't let you down."

Within a month, Christa had landed her a Marriott housekeeping job—and within two weeks, Sheron had lost the job after a string of what Marriott calls "no-call no-shows." When I spoke with her later, she said her new apartment had been burglarized, but it was more than that, really. "It's hard to keep doing it, each room, over and over again." The next day, Sheron walked back in to resume her job. "I'm coming back," she told her supervisor. "No," he replied, "you're not."

Christa, who had been keeping a diary of her group's progress, recorded a dejected entry in January after Sheron's dismissal. "Spent last night wondering if there was something I should have done differently," she wrote. "Clearly, some people weren't ready for this." Yet what more could Christa have done? She worked days, nights and weekends, often not reporting her hours for overtime pay. "I'm doing what I need to do to make it happen," she said one afternoon in her basement office, running her hands through her red hair in exasperation. "If I didn't get more involved, I would've lost several more people."

Christa's efforts undoubtedly improved—maybe saved—the lives of the seven who are still working. One of them, Tiny, triumphantly moved her family into a new home in May, after four months on the job. She joined the credit union, opened checking and savings accounts and left welfare. A fellow trainee, Denise, is markedly more confident now that she earns $300 a week as a restaurant hostess. "I feel really good getting up every day," she says. She sent a note to Christa saying, "I can now close the books on the welfare system forever." Christa nursed another student to a job even though the woman's boyfriend had been shot to death in the middle of training; she's still working. "You can't save the whole world," she says. "If one person makes it, it's a whole big different life for that person."

But, as a business proposition, Marriott's experiment with tough welfare cases was a failure. The up-and-down case of Cynthia, who works at the same hotel as Tiny and Denise, shows why. She started full of confidence, taping to her bedroom wall a motivational note titled "Key to Success"; when I sat in on her job interview in December, she delivered a flawless performance despite a nasty cold. But then the scattered Cynthia returned. She missed several days when her teenage son got caught carrying a gun. The lateness and absences continued, and coworkers remarked on how lenient her supervisors had been. Said one supervisor, "If she were a regular new worker, she'd be fired."

Marriott has gone way out of its way to keep Cynthia working. Her supervisors gave her three informal warnings about absenteeism before issuing a formal one, and the company agreed to change her hours because she worried about going home late at night. "It's been bumpy, no question," says Lonnel Moore, who hired Cynthia and knows she may run out of second chances. It's a bottom-line decision: if Cynthia's productivity doesn't justify her wage, Marriott loses money keeping her. And while Lonnel says "it does my heart good" to provide a little private charity, ultimately the special treatment will help neither Marriott's bottom line nor Cynthia's work ethic. Already, she's beginning to believe she's protected by a double standard.

Cynthia isn't the only one of the success stories who turns out to be a source of trouble. One man from the group is prone to outbursts, and a woman in the group just missed a promotion because of her absenteeism, but both get by. More troubling is Charlotte, a member of the group who turned out to be a solid housekeeper but still leaves reason to question Marriott's investment, which presumes long-term retention. Charlotte is getting impatient with her $7.50 an hour. "I work hard, and I should get more money for it," she says. "I'm going Monday to fill out some job applications." Where? Why, at Marriott's arch-rival, "The Grand Hyatt." Even Denise, fiercely loyal to Marriott, is disillusioned. She said in February she expected to save $100 a week, but in five months has put away only $220. And her thirty-two hours at $9 an hour isn't enough to pay the rent. "I feel if I'm not progressing, then I'm in trouble," she says during a break in the Marriott employee cafeteria. "I want to live a normal life like everyone else."

That the group members' problems continue on the job eight months later, despite Christa's efforts, is not surprising, considering where they came from. Poverty experts generally split the welfare caseload into thirds. The top third is easy, those for whom a simple job search will yield lasting employment. A middle third has some barriers to employment, but many of them can be helped by a program like Marriott's. The bottom third is where the greatest problem is; though only a few are utterly hopeless, the others in this category, though capable of work, have so many obstacles in their path that getting them to meet even the most minimal of employment standards requires far more effort than most industry supervisors or government social workers would consider worth the trouble. Those in the bottom third usually have a combination of physical or mental problems, troubles with their child's health or behavior, histories of substance abuse or domestic violence and so on. An Urban Institute study found that half of the welfare population needs more assistance than most welfare-to-work programs provide, and a quarter of the caseload is so troubled that even the more extensive programs won't help.

But the distinction between levels of difficulty is a murky one, and what's relevant is not how social scientists view the caseload but how employers do. In this regard, the news of Marriott's failure is even more depressing than it might seem on first sight. Although most, if not all, of the group members were capable of work, their problems—drug abuse, domestic violence, troubled children, health problems, unstable housing and transportation—eventually surfaced to bring them down, despite Christa's intensive coaching. And the only reason more didn't fail, most likely, is because Marriott tried to avoid the hardest of the hard cases.

Clearly, from the private sector's position, a work exemption of only 20 percent of the caseload just won't do it. The question is becoming more pressing because state employment efforts, as they leave the top third of recipients and push for the second third, are already meeting resistance. A June 23 report in *The Hartford Courant*, for example, reported that job placements in 1997 are running at only one-quarter the 1996 rate. "You're hearing from most states that they're realizing it's a lot harder than they anticipated," says LaDonna Pavetti, co-author of the Urban Institute study.

Granted, some states, particularly those with low unemployment, will have less trouble moving hard-core cases: Wisconsin will come out much better than West Virginia. But the 20 percent figure is based on current caseloads, so, as the rolls shrink, states will find themselves with fewer exemptions because the proportion of tough cases rises; in other words, states may become victims of their own success. The Department of Health and Human Services will clarify the regulation this summer, but it's unlikely to change. "That's why we're encouraging them not to do only the easy cases first," says an HHS spokesman. A recession, meanwhile, would make the 20 percent completely inadequate. In a high-unemployment environment even the easiest cases will have trouble finding jobs. The bottom half, much less the bottom third, won't even be worth an effort.

Theoretically, Marriott could run a program that would put hard-core welfare cases to work and keep them working. But the cost, already at $5,000 per participant, would become prohibitive. Regardless, Marriott seems reluctant to do it at any price. Working with the worst cases would require Marriott to run a social-service agency that delivers child care, transportation and housing assistance, plus counseling and daily hand-holding. "It's not something we can do; it's not something we will do; it's not something we should do," Janet Tully says. The private sector, for practical purposes, is out of the game when it comes to the lower half of the caseload.

But government shirks these cases, too: President Clinton insists welfare reform must be a "private-sector show." In truth, the government *can* provide help with such problems as domestic violence, depression, health problems and life-skills training. Yet such efforts require labor-intensive, small-group counseling for some twenty hours a week over two to three years before the participants can even contemplate work. Also, these programs are much more expensive than simply sending out checks—hardly the right recipe when welfare reform is still an excuse for budget cutting in Congress.

A few states have made small efforts in this direction. Michigan's Project Zero, an experimental program on which I've reported, offers extra help with child care, transportation and mentoring to see if the welfare roll can be brought to zero. Oregon and Utah now offer mental-health and substance-abuse assistance through the welfare office. Done right, these ideas could eventually raise the toughest cases to the point where they could succeed in a program like Marriott's. But none of these state efforts, nor any that has yet been contemplated, comes close to what it would take to make the toughest cases viable in the private sector. "It took ten years to get where they were," Janet Tully says of the hard-core cases. "If you think you're going to kiss them off in three months or six months, you're wrong." And while the booming economy has now given states unexpected surpluses, it won't be enough to engineer these transitions—particularly since the states are unlikely to use all of the money for welfare reform.

The latest effort by Congress and the Clinton administration to fix the problem at the bottom of the rolls isn't going to do much good, either. The $3 billion in additional block grants Congress now contemplates for assisting states in welfare-to-work transitions would be wasted if states and cities use it, as the legislation intends, for providing the wage subsidies, on-the-job training and job placement that are useful for the middle tier but of no use to the bottom. Though some of the money could be spent on support services, which could help the worst cases, two versions of the legislation now in conference exclude child-care spending. Tax breaks, similarly, offer companies a marginal incentive for marginal welfare cases, but no incentive to work with the tough ones. Says Clifford Johnson, a senior fellow at the Center on Budget and Policy Priorities, "the tax credits and wage incentives and subsidy schemes that are so much in vogue are dangled by the administration, but the message from the business community is if people don't have the skill and work readiness, no amount of incentive is going to get us to hire them."

If neither government nor industry can put the hard cases to work, it's possible the states would simply dump them from the rolls—which, according to at least some evidence, wouldn't be as cruel as it sounds. A study of those dropped from the rolls in Iowa, one of the first states to drop large numbers of recipients, found that, while 47 percent had no job after losing benefits and 49 percent saw their incomes fall, there was "little systematic evidence of extreme deprivation," in part because many people sought and received help from family and friends. Then again, that period without benefits was limited to six months, and the state was dealing only with an "able-bodied" population. Also, the Iowa economy is booming. In a downturn, the options for those dropped from the rolls would be far fewer—many of the toughest cases could wind up hungry. Federal welfare funding is now fixed at $16.5 billion a year, or about 60 percent of the total bill, and won't rise with the caseload. Even well-intentioned states could find, in the depths of a new recession, that they simply can't pay to keep the tough cases on the rolls indefinitely.

Of course, the law would probably change before Americans went hungry. States could get around federal time limits without an increase in spending by transferring the tough cases to programs that are exclusively state-funded while keeping the easy cases in the federal program. States could also loosen rules to make the toughest cases eligible for other programs that don't have time limits. The states could even give recipients public-service jobs in exchange for their benefits: such make-work jobs would certainly be preferable to unconditional checks. But they wouldn't be real jobs in the sense that workers' productivity would be justifying their wages—it would be just another form of welfare. "The rhetoric is we're really going to eliminate dependency," says Rebecca Blank, an economist who directs the University of Chicago/Northwestern University Joint Center for Poverty Research. "But it's not going to happen for the most disadvantaged."

That is unfortunate for people like Charlene, the star of the graduation. A tough woman with bleached orange hair, big hoop earrings and a street-fighter's demeanor, Charlene said she'd been beaten by her boyfriend for years before entering a battered-women's shelter. She was doubtful of her chances from the start. "I've been through so many programs," she said one afternoon while cleaning hotel rooms. In late October, when the class members were compiling "Value of Me" lists, a confidence builder, she burst into tears. "I'm a failure because I'm afraid to go back and face this guy," she told the group.

Charlene missed the next couple of days, then returned with some shocking news. Her violent boyfriend from New York had tracked her down at the shelter. The street fighter was quiet through that day's lesson; four days later, Charlene was openly sobbing in class. Looking through the workbooks after class, Christa found Charlene had written her a note: "It was nice knowing you. I'll see you some other time in life." Another page in the book said, simply, "I'm ugly."

Christa resolved to make Charlene her priority, and saw her through to graduation day. But, to Christa's amazement, Charlene's abuser was in the audience. Things were patched up, Charlene said. In December, Christa arranged a job interview for Charlene at a Marriott in Bethesda, Maryland; afterward, Charlene called excitedly from the subway station to say she expected to be hired, and she was. But it didn't last. In January, she stopped going to work, giving no explanation or warning and leaving baffled supervisors to complain to Christa. Charlene said later that her daughter had chicken pox.

After Charlene walked off the job, Christa still persisted and, in March, found her a new job at a Marriott in Virginia. Charlene didn't show; she called to say her daughter's babysitter couldn't make it. The hotel gave her a second chance, a week later. This time Charlene worked the day, only to announce to her new boss that she could only work weekends. She did some part-time work during the week, she explained. "See you next Saturday," she told her stunned boss. He told her not to bother.

"I went way past the line for her," a sadder but wiser Christa wrote in the diary. Still, Christa doesn't regret the effort, and she hopes Marriott—or somebody else—will spend the extra money to rescue people like Charlene. "If you're going to reach this population, you need a lot more involvement," she said. "But you need to do it. If they sell out on this, it'll go the way of a million other programs." She's right, of course. But try telling that to the accountants. •

F A X C O V E R S H E E T

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DATE :	Tuesday, October 6, 1998 01:05 pm
PAGES :	1 (including cover sheet) ATTEMPTS : 3

Welfare
to
Work

The Welfare to Work Partnership *CityLink* Update

10/6/98

We are interested to know if any of your businesses offer English classes, substance abuse workshops or support groups as part of the company's welfare to work program. If your business has found a successful way of overcoming these challenges please contact the team leader of your city (listed below) or **Rachel Andre**, WTWP, (202) 955-3005, ext. 329.

The Welfare to Work Partnership *CityLink* Updates will be sent out every other Friday.

Note: Cities in **BOLD** have status update.

ATLANTA

Overview: In April of this year, UPS Chairman and CEO Jim Kelly hosted an event to announce the CityLink campaign with U.S. Transportation Secretary Rodney Slater, Atlanta Mayor Bill Campbell and The Enterprise Foundation. Local community leaders, businesses and service providers were invited to attend the half-day event. Currently, The Partnership is working with Enterprise to help build the capacity of the service provider community with input and support of many local employers. At the same time, UPS has played an instrumental role in securing a relationship with the local chamber of commerce.

Status:

- In August, the local EF has launched its "I Can Academy", a 3-week "pilot" soft-skills training program. They are working closely with local businesses to place the graduates.
- The Partnership is working with UPS to coordinate a distribution strategy for the Service Provider Directory that will be complete later this month.

Partnership Deliverables: Service Provider Directory

Contact: **Tiffany Westover** or **Diana Warner**, WTWP, (202) 955-3005

BALTIMORE

Overview: Currently, The Partnership is working with the governor's office, Goodwill Industries and The Enterprise Foundation to complete a thorough assessment of the city's workforce needs, growth industries and the service provider community. The Partnership plans to complete the assessment in early 1999.

Status:

- The Enterprise Foundation is planning to sponsor training for area service providers in the coming weeks.
- Enterprise has also sponsored screening of the PBS documentary, "Ending Welfare as We Know It".

Next Steps: If any BPs have any insight to offer on the welfare to work progress, challenges, successes or barriers in Baltimore please call Marco.

Partnership Deliverables: Service Provider Directory

Contact: **Marco Argentieri** or **Tiffany Westover**, WTWP, (202) 955-3005

BOSTON

Overview: Working with TJX and the Massachusetts Business and welfare planning group, The Partnership joined local businesses and service providers on May 13 at an employer forum on how to implement a welfare to work program within an organization. Over 50 large

Boston are companies participated in the forum called "Welfare Dollars and Business Sense: Let's Get Started."

Status:

- Eli addressed delegation from San Francisco Chamber of Commerce during their site visit to Boston on September 25th. Participants included business leaders, representatives from the Mayor's Office, County Supervisors and Labor unions.
- The purpose of the visit was for San Francisco to learn from the Boston municipalities' handling of workforce development issues, as well as parks restoration and biotech.
- This is a great opportunity for cities/regions to learn from each other and share strategies for community engagement
- Attendees included Business Partners: Bank of America, The Gap, Pacific Bell.

Partnership Deliverables: May 1998 Employer Conference

Contact: **Courtney Gerber** or **Tiffany Westover,** WTWP, (202) 955-3005

CHICAGO

Overview: The Partnership has been working with the Chicago Welfare Reform Task Force and has participated in two Employer Forums this year as well as a Train the Trainers Conference to build capacity within the service provider community. In March 1998, The Partnership released the Chicagoland Service Provider Directory produced with the assistance of Sears, Roebuck and Co. and Bain Consulting. Currently, The Partnership is working with Chicagoland Business Partners, a new organization that has been created to work in conjunction with the Chicago Welfare Reform Task Force. Georgina Heard, an executive on loan from United, will be heading the Chicagoland Business partners for the next two years.

Status:

- Adrian Dorris, Associate Director of Business Outreach at The Partnership and coordinator of The Partnership's newly developed SMART team, has been working with Georgina Heard to directly assist Chicagoland Businesses in finding job-ready workers.
- Bill McCloud, on loan from the Illinois Department of Human Services, has joined the Chicagoland Business Partners to assist Georgina Heard with the organization's outreach efforts.

Next Steps: Adrian will be in Chicago from October 7th to 9th, to further coordinate efforts with Chicagoland Business Partners as well as to meet with businesses and service providers.

Partnership Deliverables: Service Provider Directory, two Employer Summits and a Train the Trainers Conference

Contact: **Courtney Gerber, or Adrian Dorris,** WTWP, (202) 955-3005.

DALLAS

Overview: Since April, The Partnership and The Enterprise Foundation have been working to assess the workforce need in the Dallas area. To finalize the assessment, The Partnership organized a Business Roundtable on August 13 for 45 businesses representing all sizes and a broad range of sectors including business services, hospitality, food service, airline/travel, staffing/training, banking and construction. Employers emphasized the need for a better connection to service providers and expressed general dissatisfaction with the current system. To address the needs of the employers, The Partnership and Enterprise, with the support of many local employers, will host service provider "Resource Room" event, which will allow employers and service providers to discuss new and better systems.

Next Steps: **To address the needs of the employers, The Partnership and Enterprise will host an Employer/Service Provider Forum, to enable employers and service providers to discuss new and better systems on Friday, October 9, 1998 at the DFW Hilton,**

Grapevine, Texas. For information or to register, please call Courtney at (202) 955-3005, ext. 326.

Partnership Deliverables: Resource Room event on October 9th

Contact: **Courtney Gerber**, WTWP, (202) 955-3005

DENVER

Overview: In March, The Partnership started working with the Governor's office, Mayor Webb, county workforce development agencies, the service provider community and Denver Business Partners to discuss how to better meet employers workforce needs. As a result of several collaborative meetings, a coalition was formed with representatives from private and public sectors including The Partnership, the Mayor's office, The Piton Foundation, Denver Metro Chamber of Commerce and local employers. The coalition will sponsor a Denver Metro Workforce Development Summit in October. The Partnership is also working with the Denver Urban Redevelopment Authority (DURA) to find job-ready workers for a new urban mall opening in downtown Denver that will create 1,000 new jobs.

Status:

- **The Partnership is continuing to work with the coalition of Denver organizations including the Mayor's office, The Piton Foundation, Denver Metro Chamber of Commerce and local employers on the Denver Workforce Summit taking place on October 28 at the Adam's Mark** Hotel **in downtown Denver.**
- The Partnership and Enterprise are also continuing to support the efforts of the Denver Employment Alliance and the coalition of Denver Metro Workforce Development agencies to build capacity to support workforce need.

Next steps: The Partnership will continue to assist in the planning of the Denver Workforce Summit. For more information on the conference, please call Courtney Gerber at (202) 955-3005, ext. 326

Partnership Deliverables: Workforce Development Summit – How-to Conference on October 28th, Colorado Workforce Coordinating Council's Consumer Directory

Contact: **Courtney Gerber**, WTWP, (202) 955-3005

LOS ANGELES

Overview: The Partnership held its first national conference in Los Angeles on December 3, 1997. In January, it began working with a newly formed Welfare to Work Leadership group (with leadership support from ARCO, Los Angeles Business Advisors, LA Chamber of Commerce, the James Irvine Foundation and Community Partners). Led by former executives David Rattray & Nancy Hoisman, this group has cemented collaborative relationships among *all* public stakeholders through a Memorandum of Understanding (MOU). The Partnership and the Leadership group have also signed an MOU and work closely on a day-to-day basis. **Currently, The Partnership is working in an advisory role to plan and organize a business conference for January 1999.**

Status:

- On Oct. 7th, The Partnership staff will be in Los Angeles to attend LAOIC dinner honoring Board of Directors member Ken Derr of Chevron. This trip will also provide opportunity to establish additional contacts for conference outreach to businesses, business associations and to strengthen relationships with media contacts.
- **A regional How-to Business Conference will be held during the third week of January 1999.** WTWP is working to advise the local Welfare to Work Leadership group on conference format and outreach.

Partnership Deliverables: Memorandum of Understanding between The Partnership and the Welfare to Work Leadership, a How-to Conference to recruit 400+ business partners in January 1999

Contact: **Lisa Dawe** or **Tiffany Westover**, WTWP, (202) 955-3005
Nancy Hoisman, Executive Director, Welfare to Work Leadership, (213) 580-7570
Julia Gardner, Legislative Manager, LA Area Chamber of Commerce, (213) 580-7520

MIAMI

Overview: In July, The Partnership, together with Mayor AlexPenelas and the local Work and Gain Economic Self-Sufficiency (WAGES) board agreed to organize and sponsor a conference in February 1999. The objective of the conference is **torecruit** large, medium and small business to participate in hiring former welfare recipients. More than 500 businesses will be targeted in this effort. This will be an opportunity to highlight the Mayor's efforts, engage businesses and provide them with the tools to help them hire. A service provider Directory also will be released to employers at the conference.

Status:

- The Partnership will be in Miami October 5 and 6 to meet with representatives from Burger King and American Airlines to discuss their involvement with local the WAGES Coalition efforts. The Partnership will also participate in a strategy-planning meeting with the WAGES board members.
- The Partnership is also working with national association chapters including the Florida Restaurant Association, Greater Miami & the Beaches Hotel Association, National Association of Women Business Owners, Greater Miami Convention and Visitors Bureau, Roofing Contractors Association, Building Industry Association, Health Care Association, Association Executives and the Society for Human Resource Management

Next Steps: **Coordinate a city welfare to work conference for Miami businesses at the Miami Beach Loews Hotel in mid- February 1999**

Partnership Deliverables: Service Provider Directory, How-to Conference to recruit 500+ business partners

Contact: **Tiffany Westover**, WTWP, (202) 955-3005

NEWARK

Status: In assessment phase; contacts being developed

Next Steps: If any BPs have any insight to offer on the welfare to work progress, challenges, successes or barriers in Newark please call Lyn.

Contact: **Lyn Hogan** or **Tiffany Westover**, WTWP, (202) 955-3005

NEW ORLEANS

Overview: In March, The Partnership started working the Orleans Business Roundtable Committee, a group of local employers committed to helping former recipients find jobs, to plan and execute a local welfare to work forum. On April 27th, the Business Roundtable Committee (The Committee) hosted 250 local businesses, service providers and government officials in a half-day Employer Conference at Lockheed Martin. The Mayor, Secretary of Social Service and Secretary of Labor all participated. At the conference, The Committee announced a local Employee Finder for the eight Parish areas. **Currently The Partnership is working with The Committee to develop local transportation solutions between the eight Parish regions and will again play an advisory role in a statewide conference in 1999.**

Status:

- The Partnership is working with the Employers Task Force to develop a strategy to release the service provider guide. It will be complete later this month.

- Thankfully New Orleans survived George, but the task force did have to cancel the 10/30 Mayor's Employer Roundtable meeting. The Partnership is working with Charles Alexandria and will hopefully have a new date scheduled soon.

Next Steps: **The Partnership is working with the State Secretary of Labor to organize a luncheon for local Chamber leaders and the governor. The objective is to form a state business advisory group that will help recruit businesses. The lunch is scheduled for October 20th from 12 to 2 p.m. The Partnership is also helping to plan a statewide conference for sometime in early 1999.**

Partnership Deliverables: Service Provider Directory, How-to Conference, Governor Foster joined the Advisory Council, Advisory role to the Assistant Secretary of Labor

Contact: **Tiffany Westover** or **Diana Warner**, WTWP, (202) 955-3005

NEW YORK

Overview: In May 1998, The Partnership started working with its New York City-based Board members, key local city officials, representatives from Mayor's office and local service providers to explore ways to engage the wider New York City business community in welfare to work. **With tremendous support from key New York City business partners, The Partnership is in the process of planning a breakfast for CEOs and a How-to conference for December 3, 1998 in New York City.** From this conference, The Partnership expects to engage 1,000 new business partners and put in place systems—through the Mayor's office and a consortium of service providers—which will help businesses fulfill their hiring needs.

Status: WTWP met with key Business Partners to plan the New York City Welfare to Work Conference. **The conference is scheduled for December 3, 1998 from 9 a.m.-4 p.m. for businesses only.** Goal is to recruit 800 to 1,000 new business partners to hire in the NY area. Open to businesses in NYC, CT, and NJ. Also holding CEO breakfast earlier in the morning with a small group of Fortune 50 CEOs in the New York area.

Next Steps: Invitations to be mailed next week. Follow-up underway; scheduling key government and service provider meetings to set up system for follow-up with the businesses.

Partnership Deliverables: CEO Breakfast, How-to Conference to recruit 1,000 business partners, IBM database announcement, Citicorp/HUD Service Provider Directory

Contact: **Lyn Hogan** or **Tiffany Westover**, WTWP, (202) 955-3005

PHILADELPHIA

Status: The Partnership is assisting the Mayor's office and the Philadelphia Private Industry Council with their outreach efforts to the Business community as well as sharing lessons learned from other cities. The PIC recently underwent staff changes at the top, with former PIC Chair Rosemarie Greco moving to the PIC board and Ernest Jones, taking over as the new chair of the PIC.

Next Steps: If any BPs have any insight to offer on the welfare to work progress, challenges, successes or barriers in Philadelphia please call Courtney.

Partnership Deliverables: Developing a Memorandum of Understanding with PIC, Service Provider Directory

Contact: **Courtney Gerber** or **Tiffany Westover**, WTWP, (202) 955-3005

ST. LOUIS

Overview: The first CityLink event was held on August 12, 1997, with President Clinton at theMid.Tec manufacturing training facility. Since then, The Partnership has been working with Monsanto, the Regional Commerce & Growth Association, Enterprise Foundation, East-West Gateway Coordinating Council and the St. Louis Community Partnership to improve coordination among and facilitate communication between these key community stakeholders. Follow-up activities have included a Job Fair in October 1997, a How-to Conference in December 1997 and training for service providers in August 1998. Currently, The Partnership is working withWhelan Security and other businesses to organize a second job fair for mid-October.

Status:

- **Job Fair for (and by) employers to be held October 27th. For more information contact: Joe Wieczorek at Whelan Security, (314) 962-9191.**
- Community stakeholders continue to work to meet the needs of businesses.
- East-West Gateway Coordinating Council has begun work on an Employer Council, one of whose issues will be welfare to work.
- St. Louis Community Partnership has hired a staff member dedicated to welfare to work.
- The Enterprise Foundation convenes a service provider group who has agreed to a self-assessment of each other's work. Businesses can receive a guide to these service providers.

Partnership Deliverables: CityLink event on August 12, 1997, with President Clinton, Service Provider Directory, Coordinating mechanism for community players and a Job Fair with leading service providers in mid-October

Contact: **Lisa Dawe** or **Tiffany Westover**, WTWP, (202) 955-3005

SAN ANTONIO

Overview: In June, The Partnership participated in a welfare to work town hall meeting moderated by Vice President Al Gore in San Antonio. Since that meeting, The Partnership, in collaboration with The Enterprise Foundation, has formed a vital relationship with theAlamo Workforce Development Board (AWDB)- the city's key provider of welfare to work services - and the San Antonio Human Resource Management Association. These groups have agreed to sponsor a working group of San Antonio business professionals who will shape an outreach strategy to area businesses. The group will meet at the end of September **In spring of 1999, The Partnership will play an advisory role in a business How-to Conference sponsored by the AWDB.**

Status:

- The Partnership and the Enterprise Foundation joined forces with the Alamo Workforce Development and the San Antonio Human Resource Management Association (SAHRMA) to host an employer roundtable on 10/29. Area employers discussed their experiences hiring welfare recipients and made a commitment to help guide The Partnership's business outreach strategy. A working group was formed with the charge of creating work-readiness standards that providers can use as a guideline in preparing welfare recipients for the workforce. The group decided to reconvene next month to discuss the creation of a service provider directory and the possibility of a welfare to work conference later in the year.
- The Partnership has also formed a relationship with CitiCorp and is excited to help them create a comprehensive call center training program. Call centers represent a major source of jobs in San Antonio and face serious entry-level workforce needs.

Next Steps:

- Disseminate findings from the employer roundtable to participants and other key employees.
- Set date for next meeting

- Coordinate meeting of area call center representatives and potential service providers to help them create a call center welfare to work program.

Partnership Deliverables: Citicorp and HUD Service Provider Directory and 1999 How-to Conference to recruit 300+ businesses

Contact: **Marco Argentieri** or **Tiffany Westover**, WTWP, (202) 955-3005

SAN FRANCISCO

Overview: The Partnership has been working very closely with San Francisco Works, a collaborative effort of the Committee on Jobs sponsored by the San Francisco Chamber of Commerce and the United Way, and Job Network, a collaborative effort of Small Business Network, JumaVentures and Jewish Vocational Services since October 1997. In May, The Partnership helped facilitate a Memorandum of Understanding between SF Works and Job Network. The Partnership is working with both organizations to explore opportunities with the Commonwealth Club to present the welfare to work issue to key CEOs and local business leaders. **In addition, at the request of local community leaders, The Partnership is reviewing the possibility of an employer How-to Conference in late November/early December.**

Status:

- SF Works graduated its first class of trainees on July 23rd. Job Network (small business program) graduated its first class on September 10th. Both programs have begun recruiting for their second classes. Job Network received major grant from Haas Foundation to continue work.
- Groundwork laid for wider business outreach effort in Oakland, South Bay,San Jose.
- Eli addressed the SF Chamber delegation during the workforce development portion of their site-visit to Boston September 25th.

Next Steps: Convene stakeholders for Bay Area-wide conference planning meeting.

Partnership Deliverables: Memorandum of Understanding between SF Works and Job Network, How-to Conference to recruit 400+ business partners

Contact: **Lisa Dawe** or **Tiffany Westover** WTWP, (202) 955-3005

SEATTLE

Overview: In late 1997, The Partnership began collaborating with Washington Works, a local welfare to work service provider and the local Puget Sound planning committee to develop a strategy to engage the Seattle business community in welfare to work. In the beginning of 1998, The Boeing Company agreed to host a CEO breakfast for Puget Sound business leaders and a half-day conference for middle management and human resource managers. The planning group of local corporations, small businesses, government agencies, labor representatives and community-based organizations and The Partnership convened a conference of 400 businesses at The Boeing Company Auditorium on June 12th. Prior to the conference, 150 business leaders, Governor Locke, Seattle Mayor Schell and King County Executive Ron Sims gathered at the Museum of Flight to learn about welfare to work. CurrentlyThe Partnership is working with Washington Works to set up a distribution system for the service provider Directory, funded by HUD, which will be completed in late November.

Status: A Welfare to Work Leadership Breakfast and Welfare to Work Forum were held on June 12th, sponsored by Boeing and Washington Works. Both events were highly successful and filled to capacity.

Next Steps: Service Provider Guide to be released in December. Follow up underway to June 12th events. To engage in follow-up events or receive the Puget Sound Blueprint for Business, please call Karen Furia at (888) 296-7011, or visit the Web site:www.wa.gov/esd/eforum

Partnership Deliverables: How-to Conference, Service Provider Directory, Web site

Contact: Sarah McGinley or Tiffany Westover, WTWP, (202) 955-3005

WASHINGTON, DC

Status:

- Hyatt/CIC Service Provider Guide: Hyatt, in collaboration with CIC Enterprises and The Welfare to Work Partnership, is developing a Service Provider Guide for distribution to Washington Metropolitan businesses. This guide will be released at the Employers' Forum in DC.
- **Welfare to Work Employers' Forum: to be held on November 18 at the MCI Center, from 8:00 a.m. to 2:00 p.m. We expect 400 Metropolitan Washington, DC-Area businesses at the event. A resource room will be set-up to help businesses make the connection with area service providers.**
- **Enterprise Foundation will provide WorkNet training for service providers on October 13 and 14.**
- The Enterprise Foundation, The Partnership, and four District service providers have developed a Memorandum of Understanding (MOU) that will create a "one-stop" for The Partnership's Business Partners to access work-ready welfare recipients. Metropolitan DC-area businesses will be able to call Enterprise Foundation to place job orders and the service providers will fulfill the orders. This group of service providers called DC Works received funding from the U.S. Department of Labor's Welfare to Work Competitive Grants and The Enterprise Foundation is creating and funding the job developer position. The MOU will be signed on October 1, and the program is expected to be running by mid-November.

Next Steps:

- **Business Partners and Partnership staff will begin to outreach to Metropolitan Washington, DC.-area businesses to attend the Employers' Forum on November 18, and to pledge to hire and retain one welfare recipient without displacing other workers.**
- If any BPs are interested in joining the task force, or have any insight to offer on the welfare to work progress, challenges, successes or barriers in Washington, please call Elisa.

Contact: Elisa Johnson or Tiffany Westover, WTWP, (202) 955-3005

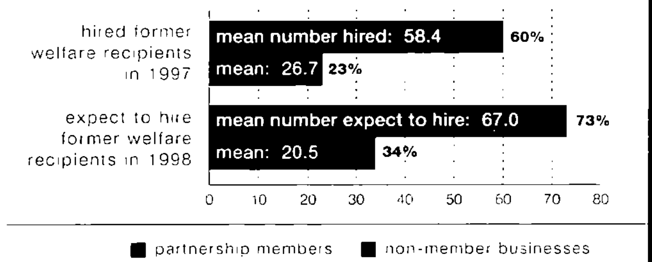
(continued from page 3)

WELFARE TO WORK MEMBERSHIP HAS A LOT TO OFFER

COMPANIES WHO HAVE JOINED The Welfare to Work Partnership are more successful in hiring former welfare recipients and are better prepared for what to expect than are companies of the same size who have hired but who are not members. However, the findings from this research demonstrate there are also a large number of companies outside of The Partnership successfully hiring off welfare.

In fact, one in four (23%) non-member businesses surveyed say they hired someone off welfare in 1997 and a third (34%) expect to do so this year. These companies can benefit from the association with The Partnership and the experience of its members.

WELFARE-TO-WORK HIRING EXPECTATIONS



Most important, membership can impact the bottom line realities of becoming involved. The survey proves that Partnership businesses have learned how to structure welfare-to-work programs that are efficient and cost effective.

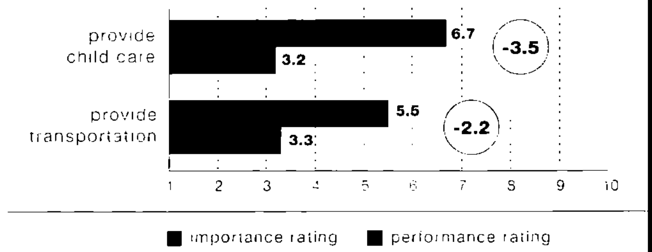
In fact, 63% of Partnership companies have seen no change in their overall costs as a result of hiring former welfare recipients. This goes against the common perception that welfare-to-work costs more than standard hiring: the reality is that costs are no different.

Finally, non-member companies may be unprepared to deal with the unique circumstances facing those moving from welfare to work. When asked to name barriers to employment among their entry-level applicants, not one non-member executive mentions any of the top three cited by Partnership executives: transportation, child care, and attitude/work ethic.

In addressing these barriers, experience counts. Membership in The Welfare to Work Partnership allows businesses to share valuable lessons. ■

farthest from actual company performance ratings.

CHILD CARE AND TRANSPORTATION SERVICES GAP



Throughout the survey, executives acknowledge the barriers represented by transportation and child care needs, but do not provide the services on a wide scale.

The reasons for not implementing such programs hint at issues we believe will become increasingly important. The first is cost (which 42% cite as the top reason for not offering child care). The second is fairness. Specifically, 16% of companies find it hard or impossible to provide special programs for welfare hires that are not available to all employees.

As more companies become involved, these issues will have to be addressed. In short, executives hiring people off welfare recognize these barriers, but do not see their companies as responsible for or able to provide such benefits without community involvement. ■

ABOUT THE MEMBER SURVEY

The Welfare to Work Partnership is a nonpartisan, nationwide effort designed to encourage and assist businesses with hiring people on public assistance.

The membership survey is an ongoing study designed to track attitudes and practices of Partnership companies.

A total of 600 business executives (CEOs, owners, vice presidents, managers, directors, and HR executives) were interviewed. Of these, 300 were members of the Welfare to Work Partnership, and 300 were from non-member companies. Both samples were stratified to be representative of current Partnership membership by company size.

Interviews were gathered from across the United States and collected August 6-26, 1998.

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The Welfare to Work PARTNERSHIP

MEMBER SURVEY: SUCCESS AND REALITY

TRENDS IN EXECUTIVE OPINIONS MEASURED BY WIRTHLIN WORLDWIDE

1998 SERIES NO 2

WELFARE TO WORK HIRES LANDING GOOD JOBS AT GOOD PAY

FORMER WELFARE RECIPIENTS across the country are landing full-time jobs with full medical benefits and excellent average pay rates, according to the results of the second wave of The Welfare to Work Partnership Member Survey.

In fact, welfare recipients hired by Partnership businesses over the past year, on average, are being promoted at a faster rate than are normal entry-level employees, and eight out of ten (79%) are seen as good, productive employees by their new employers.

Most important, this study provides clear evidence of career path opportunities being afforded those hired off welfare.

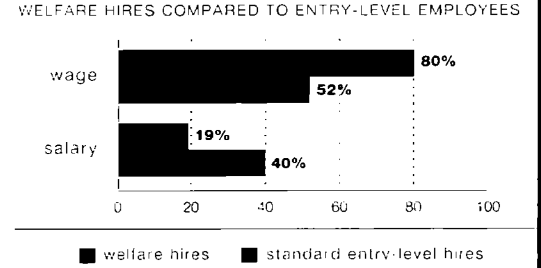
The research, conducted by Wirthlin Worldwide, reflects the results of a national telephone survey of 300 randomly selected Welfare to Work Partnership member businesses and 300 randomly selected businesses of the same company size who are not members of The Partnership. In the study, Partnership executives were asked to evaluate benefits offered to those they hire off welfare, the success of their hiring efforts thus far, and perspectives into the future. Executives from companies outside The Partnership were asked similar questions about their standard entry-level employees.

BUILDING CAREER PATHS

New hires off welfare are just as likely to be hired for full-time positions in Partnership businesses as are standard entry-level applicants in other companies of equal size. Specifically, three-quarters (76%) of Partnership businesses hiring welfare recipients are doing so to fill full-time positions and 74% of executives outside of The Partnership say the same about their typical new hires.

Additionally, 80% of Partnership companies are hiring welfare recipients for hourly wage positions at an average pay rate significantly higher than the $5.50 minimum wage (average starting wage of $7.20 per hour). And 19% of member businesses typically hire former welfare recipients for salaried positions—with an average starting annual salary of nearly $17,000.

TYPE OF EARNINGS
WELFARE HIRES COMPARED TO ENTRY-LEVEL EMPLOYEES



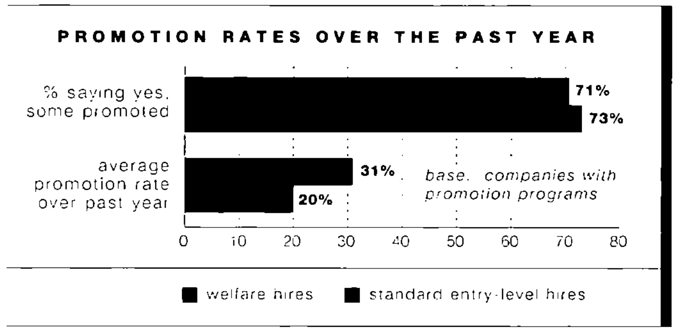
It is important to note that both the average hourly wage and the starting annual salaries being paid to those hired off welfare are statistically the same as those figures reported by non-member companies regarding their standard entry-level employees.

In general, the positions offered to welfare recipients are most likely to be general labor (49%), clerical (37%), service work (32%), or custodial/janitorial (13%) jobs. This compares with normal entry-level jobs which are primarily clerical (58%), general labor (29%), service work (17%), technical/computer (14%), retail sales (13%), and sales (12%) positions.

Moving beyond position and pay, almost all (93%) Partnership companies

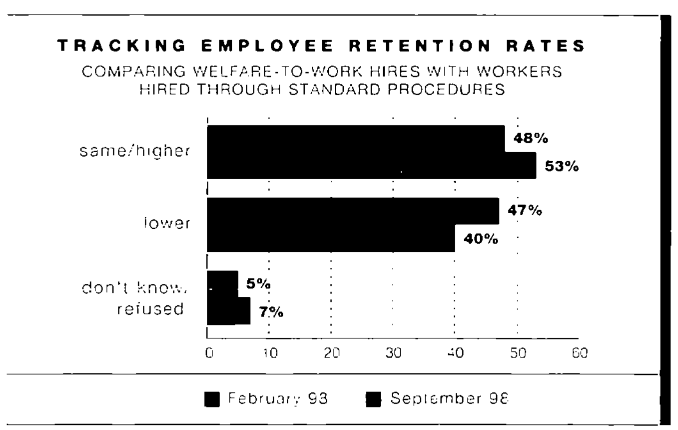
HIGHLIGHTS

hiring people off welfare either have a promotion track in place or offer specific training that could lead to promotion. As a result, most (71%) of these companies have already promoted the employees they have hired off welfare over the past year. In fact, among all companies which offer promotion tracks or training programs, the average promotion rate in Partnership companies is roughly one in every three (31%) welfare recipients hired over the past year, significantly higher than the 20% promotion rate of standard entry-level new hires in companies outside The Partnership.



In short, Partnership companies are bringing new hires off welfare into positions in which they are able to readily grow.

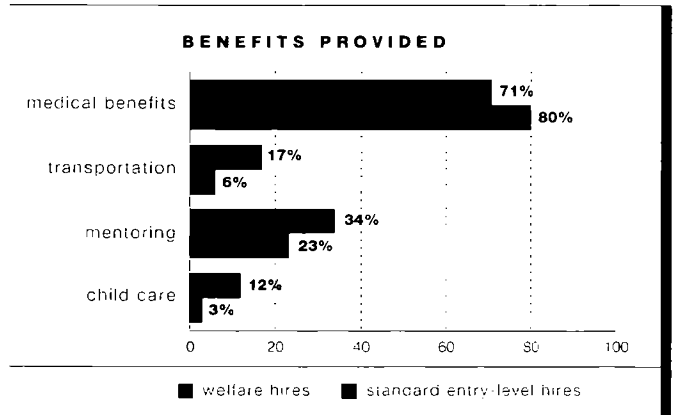
While there is no national mechanism for tracking job retention rates among former welfare recipients, most (63%) Partnership members who are hiring or expect to hire welfare recipients track employee retention rates. And the majority (53%) say welfare hires show the same (39%) or higher (14%) retention rates than do employees hired through standard procedures. This finding is up from 48% measured in February. Likewise, the percent showing a lower retention rate has decreased from 47% in February to 40% currently.



The success stories are real. But, what is behind the success? And, what barriers do companies still face?

RETENTION PRACTICES THAT WORK

To achieve high retention rates, Partnership businesses recognize the need to provide basic benefits to new hires, particularly those moving from welfare to work. As a result, these companies are offering welfare hires standard medical benefits at the same rate as other companies offer their new hires, and they are more likely to provide other key services.



Specifically, most (73%) Partnership businesses give full health coverage after 3 to 6 months on the job and 61% cover at least half of the premium. More than one fourth (28%) fully subsidize the health benefits they offer. Such coverage mirrors that offered to standard entry-level hires among the non-member sample.

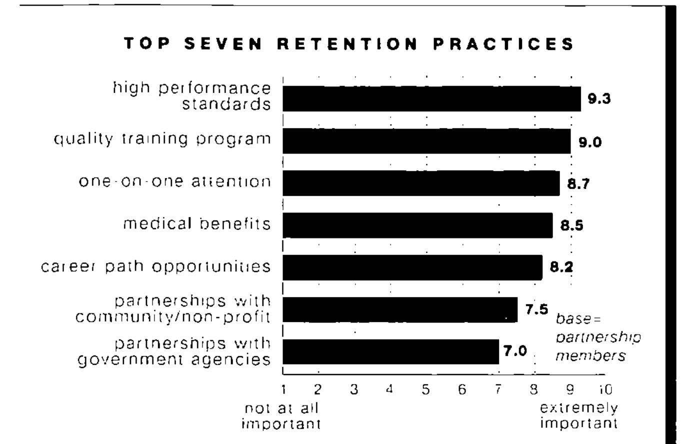
With respect to mentoring, most (69%) Partnership businesses who offer mentoring have a formal program where new welfare hires are assigned a mentor for a period of time. Mentors primarily address issues such as job skills (42%), personal issues (19%), and work ethic (18%). Most (67%) non-member companies have only informal mentoring programs.

Mentoring has a significant impact: 68% report improved work performance, 65% show higher job retention, 53% see reduced absenteeism, and 45% report monetary savings for the company.

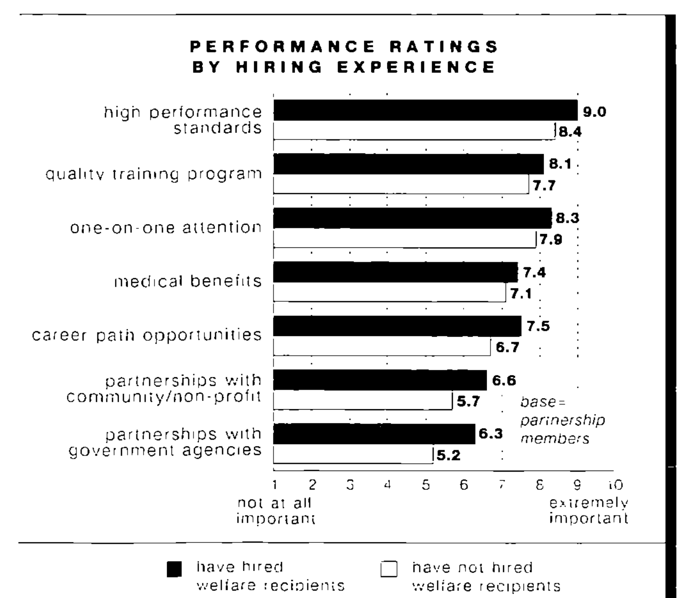
While child care services are not as prevalent, those with successful programs offer a variety of options: 29% provide subsidies, 29% offer referrals to centers which can help, 24% provide access to an in-house child care center, and 24% offer subsidized in-house child care. In contrast, non-member companies who offer child care rely primarily on providing financial subsidies for outside care.

The impact of offering child care, however, is real: 67% report higher job retention, 62% see reduced absenteeism and improved work performance, and 43% say their efforts have saved the company money in the long run.

To understand what drives successful retention, we asked Partnership companies to tell us how important each of a series of company practices is in helping to retain someone hired off of welfare. Using a 10-point scale for the ratings, there is general consensus among Partnership executives (regardless of their hiring experience) as to which practices are the most important. (See chart below.)



There is real variation when executives evaluate how effectively they have implemented these various practices. That is, Partnership companies who have actually hired former welfare recipients are more likely to have implemented each of these top practices. This can be seen in the higher performance ratings among businesses with hiring experience.



Importantly, a few practices which receive lower importance and performance scores actually prove to be the driving factors of higher retention. Specifically, statistical analysis demonstrates that the practices most predictive of whether a company will have the same/higher or lower retention rates among welfare hires are: 1) transportation assistance, 2) partnerships with government agencies, and 3) providing medical benefits. While utilized less often, such practices correlate with higher retention.

COMMUNITY-BASED ORGANIZATIONS: A KEY TO SUCCESS

One of the widest gaps between companies who have hired welfare recipients and those who have not is found in the utilization of partnerships with community-based organizations. As seen in the previous chart, those who have successfully hired welfare recipients are much more likely to have formed such partnerships.

Many Partnership companies have recognized the benefits of turning to community-based organizations to provide key services that are too difficult or costly to offer on their own. For instance, Partnership companies overall report a 6.6 performance rating in forming community-based partnerships. But those which offer child care and transportation assistance rate their performance in this area much higher at 7.8 and 7.9, respectively. They have seen how it can work and, as a result, have formed partnerships.

Additionally, those companies that have saved money through their welfare-to-work efforts are much more likely to report having formed partnerships with community-based and non-profit agencies than are those who find their involvement has cost more money.

These efforts may prove to be the key to successfully overcoming the obstacles to long-term welfare-to-work success.

THE REMAINING BARRIERS ARE REAL

Despite significant progress, sizeable barriers remain. There is wide agreement among Partnership businesses that the top barriers to employment for welfare recipients are transportation (33%) and child care (30%).

However, only half (47%) of Partnership companies consider child care assistance a very important retention practice (8, 9, or 10 rating), and even fewer (28%) think the same about transportation assistance. In addition, child care and transportation are the two practices for which the reported importance is the

(continued on page 4, column 2)

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Eli J. Segal

Fax

To:	Tom Freedman	**From:**	EJS/amrb
Fax:	456 7431	**Pages:**	Six inc cover
Phone:	456 5587	**Date:**	08/19/99
Re:	Attached op-ed and article		

☐ **Urgent** ☐ **For Review** ☐ **Please Comment** ☐ **Please Reply** ☐ **Please Recycle**

Tom:

A good piece for you and your colleagues to think about. At least in part it prompted the enclosed op-ed.

Regards,

Eli Segal

Tom -
I took the liberty of making a copy.
Arc

Eric Plum

THE NATIONAL INTEREST MICHAEL TOMASKY

Welfare Roles

Welfare reform chopped a key plank from the GOP platform and put Democrats on equal footing in the debate over spending vs. tax cuts for the first time in a generation.

COULD IT REALLY BE—THE 1996 welfare bill hasn't produced cataclysm? This is the finding of no less an authority than the Urban Institute, the Washington-based officially nonpartisan (but basically kinda liberal) think tank. The report found that most mothers who've left the rolls since the act was passed are working, and they're working, on average, for an hourly wage of $6.61, which for the period studied was higher than the minimum wage by almost $2. President Clinton pounced on the report's release to make the obligatory appearance with former welfare recipients in Chicago and declare the law a triumph.

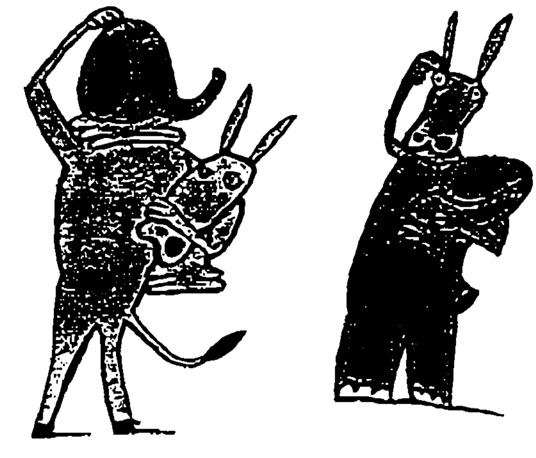
Substantively, it's still too early to say that. The report also details the various problems former recipients face and suggests that nearly a quarter of the people who've moved off the rolls since the bill became law have, as the phrase goes, fallen through the cracks. The bill was merely the first stage of a gut renovation of federal policy on poverty that won't be finished for years.

The political ramifications of the bill, though, are clear enough: Welfare reform has been bad news for Republicans and good news for Democrats. This may sound odd, since the bill sprang up from the wells of the conservative think tanks in the first place and since most Democrats had seizures when Clinton announced he was signing it. But there's no question that (1) the bill has taken a huge club out of the hands of the right, and (2)—and this is the really interesting part—it's started moving the debate about poverty in America to a place where the Democrats, who've been losing that argument for the better part of 30 years, can now actually win it.

"There's no question that it's taken an easy applause line away from the Republicans," says Robert Borosage of the Campaign for America's Future, a leading liberal policy group in Washington. Borosage, I'm certain, would very much like it noted that he thinks the bill was an outrage, and praising anything emanating from it didn't come easily to him.

But the point is irrefutable. Look at the recent tax-cut debate. House majority leader Dick Armey insists that Americans will rally to his side en masse over the next month and demand passage of the GOP tax package with the fervor of *les citoyens* storming the Bastille. He may know something we don't, but it sure seems unlikely. A majority of Americans recognizes that the choice here is really between a tax cut that, to most people, won't amount to much actual cash, and investing in Social Security and Medicare—the historic and still-popular entitlement programs that most people insist the government spend money on. This means that government spending, all of a sudden, is a good thing, which means in turn that the right can no longer carry on about the guv'ment taking your hard-earned money and throwing it at people who don't work. That has been, at least since Ronald Reagan's time, probably the most effective rhetorical anti-tax missile in the GOP silo. It has been disarmed.

We still haven't seen all the ramifications of this, but to name one: The South will no longer be solidly Republican. Clinton carried five southern states in 1992. By 1996, after the GOP triumph of 1994 and the 200 or more state and local officials (many of them southern) who changed their party affiliation from Democratic to Republican, Clinton was in danger of doing worse there. But he won five states again. He did so mainly because Bob Dole was weak and the economy was strong, but I suspect that if Clinton had vetoed the welfare bill, the Dole campaign would have pounded him on it and he'd have lost two or three of those states. American politics' most poisonous regional divide—the South went and stayed Republican over race, and welfare is at bottom about race—has narrowed considerably. One doubts George W. Bush, a son of the South, would be using "compassionate conservatism" as his mantra if this wheel hadn't been set a-spin, and the welfare bill is a large part of what did it.



Democrats seem Republicanish (*kill welfare*). Republicans sort of Democratic (*kinder, gentler, compassionate conservatism*).

Welfare reform, in other words, has put the GOP on the defensive. "The burden shifts to the Republicans," says George Stephanopoulos, who was against Clinton's signing the bill at the time, "to say what they are going to do for the poor."

It's simple: There was no public support for spending more money on welfare, small though the amount always was in reality. But there is public support for helping people who are trying to work. So providing health care and child care for poor people, and transportation subsidies for people who have to make long commutes to their jobs, as poor people often do, now has a political life that it just didn't have before. Borosage: "We have a much stronger argument about poor people on child-care and living-wage agreements and things like that than we did on welfare payments."

Specific legislation toward those ends hasn't made much progress yet. It's coming—Clinton's announcement two Saturdays ago that he'll press governors to get more poor children enrolled in health-

Illustration by Scott Menchin.

care programs is an example—but it will be a fight: round two of welfare reform, if you will. Ed Kilgore of the centrist Democratic Leadership Council argues that even though the 1996 bill represented a centrist consensus, the coming welfare debates will be intense. "I think a partisan divide is opening back up on it," he says, "because now that welfare is gone, the debate is about the overall economic status of poor people. And that's a pretty sharp partisan difference."

Kilgore points to an effort by Minnesota's Paul Wellstone—when the DLC is pumping Wellstone, you know the Democrats are feeling pretty flush—to pass legislation under which states would get bonus payments from the federal government not only for reducing the rolls but for providing former recipients with food stamps and Medicaid and child-care subsidies. After years of trying to get this through the Senate and failing, Wellstone finally succeeded in tacking it onto a Treasury-and-postal-appropriations bill that passed. It still must survive final negotiations to become law, but even if it fails this time, it represents the kind of argument around which Democrats can build support. "The end goal was not just to remove people from the rolls," says Wellstone spokesman Andy McDonald. "The end goal was to reduce poverty." Democrats have a better opportunity to sell this idea than they have in 35 years.

"Welfare reform has put the GOP on the defensive. 'The burden shifts to the Republicans,' says George Stephanopoulos, who was against Clinton's signing the bill, 'to say what they are going to do for the poor.'"

Correction: LAST WEEK, I WROTE THAT Charles Gargano, head of the state's Department of Economic Development, had been on the outs lately with the governor and had been kept in the dark about Pataki aide Brad Race's appointment to a state commission. Both Gargano and Race say that was wrong. I apologize for the error.

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Welfare Reform Op-ed by Mr. Eli Segal
President and CEO of The Welfare to Work Partnership
August 1999

This week marks the three-year anniversary since Congress passed and President Clinton signed the Personal Responsibility and Work Opportunity Act to "end welfare as we know it." We have much to be proud of since the signing of the landmark law. The rolls are down almost 50% from over 14 million to less than 7.5 million. That's over two million moms and over four million children.

And the evidence continues to mount that a large majority of these heads of households are moving off the rolls for the right reasons – they're finding jobs. Over 1.5 million heads of households according to the U.S. Census Bureau.

At the core of this quiet revolution is a strategy which emphasizes the importance of work and emphasizes partnerships over partisanship. Two and a half years after five businesses -- United Airlines, UPS, Burger King, Sprint and Monsanto -- joined to form The Welfare to Work Partnership, it is clear that companies are hiring and retaining former welfare recipients. The Partnership has grown to more than 12,000 Business Partners who have collectively hired more than 410,000 former welfare recipients to good jobs, most with full health care benefits. In fact, 65% of The Partnership's Business Partners report that welfare to work hires have the same or higher retention rates than standard-hire employees.

We've shattered the early myth that welfare reform wouldn't work and that thousands of people would be thrown into the streets. Now we're facing a new set of myths.

<u>Myth 1: Welfare to work will fail when the economy slides.</u> While the strong economy has no doubt enhanced the early success of welfare to work, it is important to note that former welfare recipients are taking advantage of a strong economy to gain valuable experience and marketable skills that can lead to future jobs. Furthermore, there is no evidence that when the economy stumbles, former welfare recipients will shoulder an undue burden. But even if former welfare recipients are laid-off, these good productive employees will become part of our unemployment system that helps take care of people until they find new jobs – not the discredited welfare system.

<u>Myth 2: Many welfare recipients are unhireable.</u> Ask Chris Wilcox, a recovering

substance abuser who received training and encouragement from Cessna Aircraft Company's 21st Street Program, if people should be categorized as "unemployable." Chris has already been promoted, is trusted with building Cessna's most advanced aircraft and now has custody of his three children. Thousands of former welfare recipients have proven that they can overcome serious personal problems, and when given the tools, they become dedicated employees. We need to make sure that others have the opportunity to do the same.

MYTH 3: Welfare jobs are dead-end jobs. Of all the misguided critiques of welfare to work, this is the most paternalistic. It is also dead wrong. Former welfare recipients are learning skills and gaining experience, and they are moving up the ladder of work. Felicia Booker struggled on welfare for five years before finding an entry-level job in data entry at the investment company A.G. Edwards in St. Louis. After one year, she was promoted. After two years, she was promoted again and now makes enough money to comfortably support her family. But while Felicia Booker is special, she is not unique. Wirthlin Worldwide found that 79 percent of The Partnership's Business Partners hire welfare recipients for "promotion track" positions, and 87 percent offer training that can lead to a promotion. What's more, one-third have already promoted at least one welfare recipient.

But there are still those who continue to doubt the effectiveness of welfare reform. They don't see welfare to work for what it truly is: a long-term solution to ending poverty in our country. They don't acknowledge that under the new welfare law, former welfare recipients whose wages are still too low are eligible for food stamps and Medicaid; that a parent who struggles to pay the bills with a paycheck is a more powerful example to a child than a parent who struggles to pay the bills with a welfare check; and that moving from welfare to work breaks a cycle of dependency that will eventually benefit our children and grandchildren.

After three years, we don't need to debate the effectiveness of welfare to work. We know it is working. We've seen it work in small towns and larger cities. We've seen it in the retail industry, in financial services, in high tech. We've seen it in Fortune 100 companies and in small businesses. It's time to shift the debate from is welfare reform working to how do we help those still on the rolls and how do we make sure that those who are now working do not slide backwards. In short, how do we help move people out of poverty?

Let's be clear: there is much work to be done. That some of our greatest fears associated with welfare reform have not come to pass does not mean that we can be complacent. Or that the job is completed. Not when over two million heads of households are still on the welfare rolls, not when millions of noncustodial dads live on the margins of life unwilling or unable to support their families, not when many of those who are working are still far from escaping the ravages of poverty, not when the decline in the welfare rolls in our cities lags behind the overall national decline.

We know that getting a job is the critical first step to ending a dysfunctional welfare system that lasted more than 60 years. Welfare to work is still just a work in progress. As state deadlines and time-limits approach and people transition off the rolls, we need to continue our efforts to energize our nation around welfare to work.

In just three years, our country has come a long way. But creating a system that promotes lives of independence and self-sufficiency will take time, and we cannot afford to be impatient. Just look to the last 60 years for the alternative.

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Eli Segal is the President and CEO of The Welfare to Work Partnership, an independent, nonpartisan national effort of the American business community to help move those on welfare into jobs in the private sector. It was created after the signing of the 1996 welfare reform legislation. Its founding members are United Airlines, UPS, Burger King Corporation, Sprint and Monsanto. Currently, The Partnership has more than 12,000 members nationwide committed to hiring and retaining former welfare recipients. Anyone interested in learning more information about The Partnership can call 1-888-USA-JOB1 or visit The Partnership's web site at www.welfaretowork.org.