THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

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cc EK CJ
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CR

FYI -
Mostly stuff we're already doing.
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TO THE HONORABLE BRUCE REED, WH

This is the White Paper on Working Families we discussed. We think a Domestic Policy led working group could pull together an exciting new Presidential initiative for next year.

Donna E. Shalala

Enclosure

Working Families Initiative
White Paper

Since 1993, the Clinton Administration has made working families a priority through increases in the minimum wage and the Earned Income Tax Credit (EITC), through the Children's Health Insurance Program, and through expansion of child care funding. Additional important accomplishments include enactment of the HOPE Scholarship and Lifetime Learning tax credits, the Family and Medical Leave Act, welfare-to-work housing vouchers and the Job Access program. In addition, the strong economy has contributed to an increase in the number of working families. Between January 1993 and June 1998, non-farm employment grew by more than 16 million net new jobs, an increase of almost 15 percent. Unemployment has fallen from 7.3 percent to 4.5 percent, while millions of new workers have joined the labor force.

Working parents in America should not have to worry about being unable to feed, house, clothe, or access medical care for their children. Yet 5.3 million children under the age of 13 were poor in 1996 even though their families included an adult who was in the labor force for more than half the year. Over 10.5 million children lacked health insurance coverage. This paper lays out an agenda to move these families out of poverty through work and through strengthening the critical supports to work, an agenda that builds on the considerable progress this Administration has already made in supporting working families and preventing parents from having to choose, in the President's words, "between the job they need and the child they love." The agenda proposed is a broad one, not located in any single Federal Department or state agency, because there is no single magic bullet that will ensure that low-income workers get jobs, keep them, succeed in them, and are able to meet their families' basic needs. Rather, it will take the whole Administration working together, joined by a wide range of public and private partners.

Our basic goal for working families should be that **every working parent can provide for his or her children's basic needs and for the family's health.** This goal means that working parents should be able to support their families at incomes above the poverty line. It also means, for example, that they and their children should have enough to eat, that they should be able to find and afford the child care and transportation that they need in order to work, that the care children receive should promote their healthy development and safety, and that no working family should be forced onto welfare because of a temporary interruption in work, or because earnings are so low or so unstable that welfare seems the only way to provide for the family.

The Administration has made important progress toward this goal. For example, the Administration's expansion of the EITC effectively gave a pay raise to about 18.5 million low-income working families in 1996. Yet much is left to be done:

- The Administration's successful efforts to increase the minimum wage and improve the EITC have had a major combined effect on low-income families -- but families still struggle to pay for child care, transportation, health insurance, rent, and food. For example, in 1992, prior to the new policies of the Clinton Administration, a single mother with two children working full-time at the minimum wage would have earned just $8,840 a year. After subtracting federal taxes and adding the EITC and food stamps, her net income would have been just $12,596. In 1997, after the Clinton Administration's changes, the same mother would be earning $10,712 annually as a result of the minimum wage increase, and her EITC payment would more than double, to $3,656. Including food stamps, her net after-tax income would increase to $16,777. (See Attachment A.)

Yet while her family's total income is now above poverty, this mother still is at considerable risk of failing to meet her children's needs and perhaps having to leave her job if something goes wrong. For example, even with the major increase in child care assistance enacted as part of the welfare reform legislation, her chances of getting a child care subsidy would be very uncertain, depending on the state in which she lives or her place on a waiting list. If she couldn't get help with child care, or had to pay a substantial co-payment, she would be juggling rent, food, utilities, transportation, and child care costs out of her income just above the official poverty line -- and probably skimping on food, doctor visits, or utility bills in order to pay the rent.

To make a difference for these working families who fall through the cracks in today's programs and supports, we need to understand why these gaps exist.

Far too often, working families do not receive program benefits or supports that could make a difference to their lives and their children's lives -- and perhaps even make the difference in their ability to hold onto a job rather than give up and seek welfare or other assistance -- even though they are eligible. Sometimes, the benefits are only available at a location (such as the welfare office) or time that is inconvenient for parents who work; sometimes, no one has told them about their eligibility; sometimes, they are discouraged by long waiting lists; and sometimes, detailed policy or verification rules create unintended barriers. HHS estimates that more than four million children are eligible for Medicaid but not enrolled. The Administration has worked with States to begin to attack this problem through efforts such as outreach to families eligible for Medicaid and CHIP, the promotion of child care consumer education, and technical assistance to States provided through the Child Care Bureau and the Office of Family Assistance.

Sometimes, critical programs or supports are targeted in ways that do not reach all the working families who need them. For instance, the EITC, while a critical source of support for many low-income working families, does not provide enough support to lift families from poverty if they work only part-time or face extended periods of unemployment. Large families are also likely to remain poor in spite of the EITC, because payments do not increase for families with more than two children. Similarly, unemployment insurance is often not available to low-wage workers who experience unemployment after a period of part-time or seasonal work.

In other cases, critical programs or supports, like child care and housing assistance, have eligibility criteria that include working families but are underfunded and don't reach all eligible families. In the case of child care, we estimate that only a little more than 1 in 10 of the families eligible under Federal law actually receive assistance.

Therefore, to close these gaps, build on the Administration's accomplishments to date, and take the next steps toward a legacy where every parent who works is able to meet his or her children's needs, we propose a range of strategies that fit under five key themes:

- **Removing bureaucratic barriers to work and maximizing the effectiveness of existing programs**

- **Building secure, reliable supports for work**, such as Food Stamps, child care, health care, housing;

- **Helping families earn a living wage**, through improvements in the minimum wage, education and skill development among low-wage workers, and job creation;

- **Helping families weather temporary breaks in employment** without being forced to rely on welfare, through improved access to unemployment insurance for low-wage workers and possibly through improved availability of parental leave for low-income families; and

- **Meeting the particular needs of families who are especially likely to work and still be poor**, such as families with a disabled member and immigrant families. According to the Urban Institute, families with a foreign-born parent represent 16 percent of all working families, but 25 percent of working families with incomes below 150 percent of the poverty line.

Families Who Work and Are Poor

In 1996, more than one-third of the poor, or about 13 million people, were working adults or children under 13 living with a working adult. In these families, an adult spent more than half the year in the labor force but family income was below the poverty level (approximately $12,600 for a family of three).

Working poor families live close to the edge of disaster. Even minor problems -- illness, school vacations that leave children without care, a broken-down car -- too often result in job loss and financial crisis. Every day, working poor parents may face wrenching questions: Do I send my sick child to school, or risk losing my job? Is it worth taking six buses every day in order to bring my child to that day care center? Do I tell my boss that I can't work evenings, because I'd have to leave my teenager at home alone? If I pay the rent instead of the electric bill, will they turn off the heat?

Living this close to the edge, low-income working families also suffer consequences that are not directly reflected in the poverty statistics, such as hunger and housing instability. In 1995, according to the USDA, 4 million American households, many of whom included an employed family member, experienced moderate or severe hunger. The National Center on Homeless and Poverty reports that 25 to 40 percent of the homeless population work. And almost half of working poor adults lack health insurance.

Working families may be poor for three major reasons (See Attachment B):

1. **Because they earn low wages, which are often closely related to low levels of education**. People who go to college, on average, earn more than those who do not. In 1996, the poverty rate was 16.2 percent for working adults (in the labor force at least half the year) with less than a high school diploma, 6.3 percent for working adults with just a high school diploma, 3.2 percent for working adults with an Associate degree, and 1.5 percent for those with a four-year degree. Unemployment is also much higher for those with less education. In recent decades, wages have fallen for workers with high school degrees or less, but have risen for those with more education.
2. **Because they experience frequent periods of unemployment and part-time work.** With the help of the EITC, workers who are employed full-time year-round, even at the minimum wage, can escape poverty. However, many low-wage jobs are part-time, temporary, or contingent. In 1996, workers who usually worked part-time were three times as likely to be poor as workers who usually worked full-time.
3. **Because they have only one wage earner in the household.** In 1996, the poverty rate for families with one member in the labor force was more than seven times that of families with two or more members.

Because families headed by a single mother are often affected by more than one of these factors, they are disproportionately likely to be among the working poor. Nearly half of working poor families were headed by a woman in 1996. In addition, immigrant families, families with a disabled member and those facing other barriers to work are particularly likely to be poor.

A final reason why families who work at low wages and intermittent hours may have great difficulty meeting their children's basic needs is the high cost of work. One recent study found that formal child care for a single child would take 38% of the income of a parent employed full-time at the minimum wage. Transportation is also a major expense. A 1992 study found that average transportation costs for low-income working mothers ranged from $100 to $200 a month, depending on the availability of public transportation. At the same time, even relatively low levels of earnings may result in reductions in other family income, including welfare, food stamps, medical assistance, and housing subsidies.

What the Administration Has Already Accomplished

The Administration has taken important steps to help working families -- through increases in the minimum wage, expansions in the Earned Income Tax Credit (EITC) and in child care funding, and the dramatic expansion in children's health insurance coverage through the Children's Health Insurance Program (CHIP). These steps have had an important impact on at least some of these key goals (See Attachment C):

- The 1996 and 1997 minimum wage increases raised the wages of workers in 1.4 million poor families and 649,000 near-poor families.
- The EITC, which provides targeted tax relief to low-income working individuals and families, was greatly expanded during the Clinton Administration. In 1993, the EITC just offset the negative impact of federal income and payroll taxes on poverty; by 1996, it offset the impact of taxes for 1.2 million children and lifted an additional 1.2 million children out of poverty.

- Congress has enacted several Clinton Administration proposals to make college more affordable to low-income and middle-class students. The new "HOPE Scholarship" tax credit provides up to a $1,500 tax credit for students in the first two years of college or vocational school. The Lifetime Learning tax credit is targeted to adults who want to go back to school, change careers, or upgrade their skills, and to students in the later years of college and graduate education. The maximum Pell Grant was also just increased to $4,500, a 50 percent increase.
- The new Children's Health Insurance Program (CHIP) allocates $24 billion over the next five years to help states expand health insurance coverage to the children of working poor families. Forty-five plans have been approved; these plans estimate that they will provide health insurance for nearly 2.5 million currently uninsured children within the next three years.
- The additional child care funds that the President insisted on in the welfare reform legislation have enabled hundreds of thousands of families to receive affordable child care while they work.
- Child support collections have increased by 68 percent since 1992, to a record $13.4 billion in 1997. Paternity establishments are also at record levels.
- The new housing law will create 50,000 new Section 8 housing vouchers this year for families moving from welfare to work, and will make an additional 40,000 vouchers available by eliminating a mandatory three-month waiting period to reissue vouchers. The law will also allow communities to reward work and fight concentrations of extreme poverty by allowing moderate-income working families to live in public housing where the poorest residents on welfare are now concentrated, while reserving most Section 8 vouchers for the neediest families.
- The Family and Medical Leave Act has enabled millions of workers to take unpaid leave to care for a young child or other family member, without risking their jobs.
- The Clinton Administration, through welfare reform legislation and earlier waivers, has supported changes that allow families who work at a low wage and receive welfare to keep more of the money they earn.
- The Access to Jobs program represents an investment in transportation for families leaving welfare to work; for the first time, the Department of Health and Human Services, the Department of Transportation, and the Department of Labor are working together to leverage resources from all three agencies to improve transportation availability and affordability for low-income workers.

Yet, extraordinary as these accomplishments are, they leave millions of working parents still unable to meet the needs of their children. For example:

- While the increase in the minimum wage has been enormously important to families, it has not yet returned to its 1979 value when adjusted for inflation. The real value of the minimum wage (in 1997 dollars) fell from $6.29 in 1979 to about $4.30 in 1989 before being increased to $5.15 in 1997.
- While CHIP should have a very important impact on the proportion of children who lack health insurance, there continue to be reasons for concern about working poor families. Almost half of working poor adults lack health insurance, and even where children and adults are guaranteed coverage (for example, through transitional Medicaid provisions), some families may be lost in the system. In 1995, just 38 percent of children under age 11 who were eligible for Medicaid but did not receive cash assistance were enrolled in the Medicaid program. More recent evidence points to a much higher incidence of families who are eligible for but not receiving Medicaid.

The continuation of health insurance is an especially critical concern for families with disabled members, because they visit the doctor and are hospitalized more often than the non-disabled population; as noted above, these families are also especially likely to be found among the working poor. (See Attachment D.)

- Even with the additional child care resources in the welfare reform legislation, only about 1 in 10 children eligible under the Federal law are now receiving child care subsidies. Because of resource limitations, some states set eligibility far below what is allowed in the law: in as many as 37 states, a family of three with $28,000 of income is not eligible for any child care subsidy at all. In addition, most states aren't able to reach even all the families that meet their eligibility requirements. Availability of infant care and care during non-standard hours also remains a serious problem. For these reasons, the President has proposed a historic Child Care Initiative to ensure quality, affordable child care for working families.

What We Propose

To build on this record of promise and ensure that families who work are able to meet their children's basic needs, we must put together a range of strategies, because there is no one solution that will help every family make a secure living from work. Instead, we need to look at everything we do that touches working families to make sure that we are supporting rather than discouraging work. Departments throughout the government have numerous opportunities to make a difference in the lives of low-income working families by maximizing the effectiveness of their existing programs and finding new ways of serving working families.

Based on the evidence about why working families are poor and what strategies show the most promise of supporting families effectively, we propose that the Administration should commit to five steps that together will make sure that parents who work can meet their children's basic needs:

1. Remove Bureaucratic Barriers to Work and Maximize the Effectiveness of Existing Programs

Low-income working parents face an incredible challenge to hold down a job, raise their children, and manage relations with multiple bureaucracies to obtain all the supports that the family needs. Families' attempts to support themselves through work should not be hampered by bureaucratic processes nor through the unintended consequences of well-meaning policies. We must mount a major campaign to ensure that families gain access to these supports by using Federal leadership not only to streamline national rules, but to change service delivery at the State and local levels.

Examine programs for low-income families throughout the government to find ways to change program hours and operations, strengthen outreach efforts, eliminate barriers of language and culture, and modify eligibility rules to make them fit the needs of working families.

HHS and other Departments can take on critical leadership in finding and eliminating barriers to work scattered throughout government programs serving low-income people. Efforts to root out bureaucratic barriers have proved fruitful recently. The Federal and state governments eliminated the old AFDC rules which curbed families' incentives to work while they were receiving cash assistance. In addition, HHS eliminated Medicaid's "100 hour rule," which limited states' ability to serve two-parent families. We should also explore innovations in programs' designs to reach working families. For instance, the EITC is an example of a program that is easily accessible to busy working families; instead of having to visit a welfare office, or fill out a separate application form, workers get the EITC simply by filling out their tax return.

More powerful examples are included in proposals that the Food and Nutrition Service is considering for the FY 2000 budget. Some proposals would affect eligibility criteria, such as proposals in past budgets to ease the consideration of vehicles as resources to help assure that low-income workers have access to reliable transportation, or to restore eligibility for more legal immigrants who work hard and contribute to American society. Other proposals would affect food stamp administrative requirements in ways that simplify working households' participation in the Food Stamp Program and improve their access to the program. Similarly, States are experimenting with ways to make the WIC program more accessible to working parents through adjustment of service hours to accommodate job schedules.

Actively engage state leadership in outreach to working families through incentives, targets, mandates, and technical assistance.

Policymakers and administrators at the state and local level are necessary allies in ensuring that programs meet the needs of working families through the flexibility that is provided to them in Federal law.. Many state and local officials are already implementing these strategies. For instance, in the transportation field, some states and communities have removed eligibility restrictions to allow narrowly targeted transportation systems (e.g., for senior citizens and people with disabilities) to help low-income workers to get to their jobs. We should explore ways to build on these efforts by offering technical assistance that helps state and local governments use the flexibility they have to serve working families and by finding ways to create incentives and rewards for states that choose to serve more working families.

State and local outreach is critical in programs like the Food Stamp program; estimates show that less than half of those individuals in households with earnings who were eligible for food stamps actually received them in August of 1995. Some of these individuals may not realize that they are eligible for benefits, while others may not be connected to the right systems to receive benefits or find the receipt of Food Stamps too stigmatizing to apply. State and local administrators are positioned to make adjustments in how they implement the program to meet the needs of working families.

Encourage states to provide earnings disregards or other supplements to working families receiving TANF assistance.

Almost all states have increased earnings disregards in TANF compared to AFDC, which means that working families who are in low-wage jobs can get a direct monthly supplement to earnings through their welfare check. However, because of time limits, this risks having the effect of using up a family's eligibility. Illinois has dealt with this problem by paying individuals who work more than a minimum threshold in a month with state dollars so that they don't accumulate that month toward the time limit. We could encourage states to consider using MOE dollars to enhance earnings without triggering the TANF rules. A more systematic approach would be to propose legislation that would allow a family to receive assistance funded by TANF without triggering the federal 60-month time limit if they were only receiving work supports or if they were receiving limited assistance to supplement a paycheck.

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NO, there's no evidence that people will or should stay on rolls for 5 years to get this help. Time limits are only a problem for people who aren't working

2. Build Secure, Reliable Supports for Work

Parents who work in low-wage jobs with uncertain hours need to be able to count on reliable and affordable supports in order to keep their jobs and meet family needs. Child care, health insurance, food assistance, housing and transportation all have important potential to help families. Regular, reliable child support payments are also key for low-income families.

Ensure that Food Stamps and other food programs provide sufficient support for children and adults in low-income working families.

Food stamps provide a critical support for low-income working families. For a family with two children and one adult working at the minimum wage, food stamps would provide about one third of family income (considerably more than the EITC) if the parent worked 20 hours a week. Food stamps would provide just under one fifth of family income (slightly less than the EITC) if the parent worked 40 hours a week.

The Department of Agriculture is exploring ways to strengthen the supports that food stamps and other Food and Nutrition Service (FNS) programs offer to working families. For example, the Department of Agriculture is considering review of the Thrifty Food Plan (the basis of food stamp benefits) to understand if it appropriately reflects the reduced food preparation time that working households have available.

The Department of Agriculture is also looking to its Child Nutrition programs to support working families. The pending reauthorization bills for the Child Nutrition programs propose to expand eligibility for subsidized after-school snacks for children up to age 18 and to do demonstrations to expand eligibility for school breakfasts, which not only subsidize the cost of the family's food, but also assure working parents that children are receiving a nutritious breakfast before school.

Didn't these pass?

Continue to improve the availability of health insurance through Medicaid/ CHIP.

Much of the work that needs to be done here is about outreach and removal of bureaucratic barriers such as burdensome processes and excessive eligibility documentation.

In addition, for low-income working parents, we should consider strategies which modestly expand Medicaid eligibility, such as simplification of transitional benefits for persons moving from welfare to work, or extension of Medicaid to all adults receiving benefits under TANF. Many of these would require legislation or Medicaid spending increases.

Pass the President's Child Care Initiative.

Because child care is so critical to the ability of parents to work and the ability of children to develop and learn, and because the cost and availability of child care are central to the ability of low-income working parents to succeed at work, it is essential to pass the President's Child Care Initiative. This initiative focuses on both quality and affordability; in particular, it closes a critical gap by expanding child care subsidies to reach low-income working families who are currently not being reached but who earn too little to take advantage of the Child and Dependent Care Tax Credit.

Encourage workplaces to provide employee and family assistance programs to assist low-wage earners in meeting personal and family demands, including substance abuse early intervention and treatment.

We can work to promote the use of employee and family assistance programs (EFAP) and ensure that their design and operation include special assistance to those entering the workplace from welfare. These EFAPs, working jointly with human resources departments and health care plans, should provide prevention, early intervention and treatment for substance abuse and mental health problems, parenting programs for employees and assistance for employees in finding appropriate child and elder care. In addition, we can perform outreach to small businesses to help them identify and access sources of support for their employees, since they are unlikely to have the internal capacity of large corporations with human resource departments and EFAPs.

Ensure that the subsidized housing system is designed to help families connect to employment and employment support services.

Housing assistance has an important role to play in helping families obtain and maintain employment and affects families' ability to work in multiple ways. The recently passed housing bill is an important step in increasing the availability of affordable housing. The Department of Housing and Urban Development could explore their legislation and regulations to avoid and eliminate situations in which a family's earned income gains are subsumed by a reduction in their housing subsidy. Early discussions between HHS and HUD indicate that there is great potential in collaborations that help convene local housing, welfare, and job development agencies, which separately serve the same families, to begin a dialogue about how they can work together to support working families. Other collaborative projects might include exploring ways to promote affordable housing options closer to available jobs, to explore transportation solutions to connect public housing to high-density employment areas, to examine how the system serves immigrant families which are, on average, larger families, and to promote the location of supportive services (e.g. child care) in and around subsidized housing.

Revamp the transportation system to fit new commuting patterns and better serve low-income workers.

The next step beyond the Access to Jobs program is to focus at the federal, state, and local levels on using the entire transportation system to meet the needs of low-income workers. There may be some interest in additional budget investments in order to leverage changes in the existing transportation infrastructure.

Continue to strengthen Child Support Enforcement, with a focus on working families.

Regular, reliable, sufficient child support payments are a critical support for low-income working families with single parents, because they make it possible to count on a stream of income to supplement earnings and pay the bills even with uncertain work hours. In addition, of course, children deserve and have a right to the financial and emotional support of both parents. Under the Clinton Administration's leadership, child support collections and paternity establishment rates have reached record levels. The Administration and Congress worked together to pass the toughest child support laws in our Nation's history, as part of the 1996 welfare reform law, and we must build on these efforts. It is also important to learn from and expand upon the HHS demonstrations that promote employment and parental involvement opportunities for low-income non-custodial parents.

3. Help Families Earn a Living Wage

Preserve the value of the minimum wage.

We should increase the minimum wage to improve the earnings both of parents at the very bottom of the labor market and those who are in jobs just above those entry levels, whose wages often rise with the minimum wage as employers seek to preserve a spread in the wages of their more skilled or experienced workers. We also need to continue increasing the minimum wage over time, in order to keep up with the rising costs imposed by inflation.

Expand the EITC, support state EITC's, or identify other opportunities to support family income through the tax system.

The Administration could consider the possibility of further expansion of the EITC at the Federal level, but it is also critical to avoid any risk to the progress already made. Another possibility is to seek opportunities for encouraging more states to provide additional support through state EITC's. Nine states currently provide a supplement modeled on the Federal EITC (five refundable, four non-refundable).

Stimulate job creation in areas that still suffer from high unemployment.

While nationwide unemployment is at historically low levels, many pockets of high unemployment remain, particularly in remote rural areas and in inner cities. In these areas, job creation strategies may be appropriate, especially when aimed at populations who are particularly disadvantaged in the labor market, such as young workers, immigrant workers, workers without high school diplomas, or women who are returning to the workforce after years on welfare. The $3 billion Welfare to Work grants program, proposed and championed by the Administration, is an important step at delivering extra assistance toward areas with many challenges in moving people into jobs.

Experience suggests that community-based projects are more likely to be tailored to local needs and to respond to local labor market conditions than large national programs. We should continue to utilize a network of community-based organizations, specifically community development corporations, that create public-private ventures to stimulate employment at the local level. Empowerment Zones and Enterprise Communities provide a powerful example of leveraging resources for job creation and a vehicle for testing models tailored to local needs.

There are several local programs that may provide appropriate models for local job creation strategies. The New Hope project in Milwaukee, Wisconsin, places individuals in paid community service jobs with non-profit agencies for up to six months, if they are unable to find full-time work in an eight-week job search. YouthBuild gives disadvantaged teenagers and young adults an opportunity to do meaningful work in their communities while continuing to develop academic and leadership skills. Participants spend half their time learning basic construction skills while building and renovating affordable housing, and half of the time in YouthBuild alternative schools. The AFDC Homemaker-Home Health Aide demonstrations, operated in seven states in the 1980's, provided AFDC recipients with four to eight weeks of formal training in homemaker and home health aide services, followed by up to a year of full-time, subsidized employment.

Make college more accessible for low-income families

Nearly half of low-income students are unqualified or marginally qualified for college when they graduate high school. Moreover, among those low-income high school graduates who were qualified for college, less than 80 percent had attended any post-secondary institution within two years -- compared to almost 90 percent of qualified middle-income graduates and more than 95 percent of qualified high-income graduates. Implementation of the new GEAR UP program represents an essential first step by ensuring that students receive financial aid information, rigorous courses, tutoring, mentoring, and scholarships for college through competitive grants to states and local partnerships of colleges and middle schools in high-poverty areas. In addition, we can take steps to take into account the needs of dependent children in determining financial aid eligibility. For instance, we can increase the Pell Grants' dependent care allowance.

Enhance skills and support career development among low-income workers.

Low wages that don't rise even after a period of time in the labor force are a big reason that families are trapped in poverty. Lack of education and job skills are the primary reasons for persistently low wages. Our success in this area will be increasingly depend on our ability to reach workers whose first language is not English. By 2000, 22 percent of workers entering the labor force will be workers whose primary language is not English.

Among the ways to combat this problem is to work with colleges to make continuing education more accessible to working adults, particularly low-income adults and those who have previously failed in school settings. Adults without high school degrees and those who are unemployed or not in the labor force are actually less likely to participate in adult education than those who have more education and those who are employed. In addition, more needs to be done to ensure that students who combine school and work complete their studies. Of part-time students enrolled in post-secondary education in 1989-90, just 25 percent had earned a degree or were still enrolled four years later, compared to 73 percent of students who attended school full-time at least part of the year.

States and communities across the country are experimenting with a wide variety of strategies and partnerships to enhance the learning and skill development of entry-level workers and to help them use those skills in a next job. While many of these efforts are still in the preliminary stages, some general principles can be drawn from them: in a strong economy, low-wage earners should seize the opportunity to look for a job with advancement potential. Education and training must be work-focused, and linked to employers' needs with cooperation between employers and training providers. Training must be accessible for all workers, including those with learning disabilities or limited English proficiency.

We should consider a variety of investments in these areas, and we expect that both the Department of Labor and the Department of Education are interested in making investments. In addition to supporting programs directly, it is important to use incentive strategies -- such as the High Performance Bonus and Welfare-to-Work grants performance bonus -- and to invest in technical assistance and evaluation, in order to stimulate, identify, and disseminate new approaches that are successful.

4. Help Families Weather Temporary Breaks in Employment

Improve access to Unemployment Insurance (UI) for low-income working families.

Right now, low-income workers who lose jobs through no fault of their own have **less** chance than middle income workers to get unemployment insurance to help them through periods of unemployment. We need to change that if we are to help working parents count on work, meet their children's needs, and avoid having to rely on welfare in a time of temporary job loss.

Under current rules, most low-wage workers who become unemployed will not qualify for UI benefits. Low wage earners often work seasonal or part-time jobs and most will not accumulate enough earnings to meet eligibility criteria. In addition, workers who leave their jobs for family responsibilities or who are available only for part-time work will not qualify in many states. This affects low-wage mothers in particular. Recent estimates indicate that among women who leave welfare to work, only about 10 percent would qualify for UI if they became unemployed. The proportion of unemployed workers receiving UI benefits is low among the general population as well, falling from about one-half in 1970 to about one-third in 1996. A significant reason for this decline is state eligibility restrictions, with over three-quarters of states adopting tighter eligibility criteria since 1981.

There are at least two possible strategies that could make more low wage workers qualify for UI. We could expand UI by making changes at the Federal level, or we could encourage state investments to expand UI eligibility, either through the regular UI system or through investment of other resources (such as TANF MOE funds). At the Federal level, the Department of Labor is currently gathering a variety of opinions on what eligibility changes the Administration should propose for the FY 2000 legislative package. For example, one proposal would change the calculation of prior earnings in determining whether a worker is qualified, counting the most recent quarter of earnings whereas currently the calculation is usually based on an earlier period. This change would increase the number of workers qualified for unemployment insurance benefits by about 8 percent.

Improve the availability of parental leave for low-income working families.

To help low-income working parents keep the stability of their work lives through the birth and infancy of a child, we could build on the important step that the Administration took by enacting the Family and Medical Leave Act (FMLA). Unfortunately, for low-income parents, there are two important gaps in this protection:

First, while FMLA guaranteed to many workers that they could take unpaid leave without losing their jobs, many others are not covered, either because they work for a small employer, or because they did not work enough hours in order to qualify. In addition, unpaid leave may not be a real option for these families, forcing parents either to choose work over the needs of an infant or to suffer a sharp decrease in family income. In a recent survey on leave usage, 3.4 percent of workers reported needing FMLA leave in the previous eighteen months, but not taking it. The most common reason (63.9 percent) for not taking leave was that they couldn't afford it.

To address these problems, we could consider expansion of unpaid leave or the introduction of paid leave strategies for either the Federal or the state level. We know that at least two states have chosen to use Federal or state child care money to support low-income families at home with children, and we could explore whether others are interested in experimenting with approaches to paid leave for low-income families. A few states have also raised the possibility of using the UI system to provide paid parental leave.

5. Meet the needs of families with particular barriers to work, such as families with a disabled member or immigrant families.

There is an important overlap between the immigrant and disability agendas on which HHS has been providing such leadership and the working families agenda, because these are families who are especially likely to work and still be poor. Families may need supports that address their particular needs - such as a job coach so a disabled adult can succeed on the job or English classes at night for a working parent. They also need full access to the basic supports described earlier: for example, child care to meet the needs of children with disabilities and skill development opportunities need to be accessible to parents with limited English.

In families with a child or children with a disability, there are enormous needs related to child care, personal care assistance, and health care and other home care needs that must be addressed to enable the parent(s) to continue, or begin, employment. For adults who have a disability, whether mental illness, mental retardation/developmental disability, or a physical disability, there may be a need for additional assistance to allow the family to remain together and promote the fullest independence of all the family members in the most integrated setting possible. Support for workers with disabilities is also an important part of the welfare-to-work agenda, as survey data indicate that as many as 40 percent of welfare recipients have a disability of some type.

Ensure that immigrant working families have access to the English and citizenship instruction and that legal, language, and cultural barriers do not keep them from receiving the work supports and training that they need to succeed at work.

The President has welcomed all immigrant families, with a charge to "honor laws, embrace our culture, learn our language, know our history, and when the time comes, [to] become citizens." Working poor immigrant families will face a tougher challenge in fulfilling the President's charge due to the demands of simply feeding and housing their children. In order to end poverty among immigrant working families and speed their process in becoming Americans, there are a number of specific strategies to implement. First, working immigrant parents must have access to English classes and employers should be encouraged to offer worksite English classes before, during, or after work. Second, we should ensure that barriers of language and culture do not preclude working immigrants from getting the training that they need to succeed at work and move up career ladders. Families should also have access to bilingual and bicultural child care for their children while parents are working. Third, we should partner with employers to ensure that working families have assistance in preparing for citizenship.

Finally, we should consider whether there are further next steps in increasing access of working immigrant families to Medicaid, CHIP, TANF and Food Stamps, regardless of when they entered the U.S.. For instance, the Health Care Finance Administration (HCFA) is developing specific outreach strategies for Latino/Hispanic groups across the country. These safety net programs can assist immigrant working families in reaching and sustaining economic self-sufficiency.

Ensure that both public and private health coverage systems are designed to meet the needs of workers with disabilities.

The Administration has been active in developing options for states to offer for people with disabilities opportunities to retain access to their health coverage when they go or return to work. Last year's Balanced Budget Act contained a new option for states to continue Medicaid coverage for SSI-eligible individuals with incomes up to 250 percent of poverty. Currently, HHS is considering proposing legislation that would extend and improve on this recently adopted option, extending Medicaid to disabled people with higher incomes and assets and also permitting certain disabled Medicare beneficiaries to remain permanently on the program even if they return to work.

The Health Care Financing Administration is responsible for administering the Mental Health Parity Act of 1996, which is designed to make sure that private sector health coverage does not have different, lower limits for mental health services compared to general medical/surgical services. The Substance Abuse and Mental Health Services Administration (SAMHSA) is currently involved in gathering information through various studies on the costs and benefits of parity, which will help employers and consumers make informed decisions about purchasing health plans where mental health benefits are included. In plans where mental health benefits do not have parity with medical/surgical benefits, this information could be used to improve mental health benefit coverage, which is crucial to helping people who struggle with mental disorders to stay employed.

Integrate employment and supportive services for workers with disabilities into a one-stop system.

HHS is participating in an inter-agency effort to eliminate barriers and support employment for people with disabilities. This effort, led by the Department of Labor, is developing a program of competitive grants to states entitled the BRIDGE (Building Resources for Individuals with Disabilities to Gain Employment) program. The BRIDGE program will emphasize a single point-of-entry or "one-stop" service for adults with disabilities seeking to find and keep a job. Each adult with a disability should be able to learn about, receive advice about, and gain access to all of the services needed to succeed in competitive employment with the least effort possible, preferably with a single call or office visit. Each of the services should be sufficiently integrated with all of the other services so that they accomplish the goal of supporting long-term employment. The BRIDGE program exemplifies new workforce system infrastructure approaches at the state and local level that promote universal access through One-Stop Centers, integrated service delivery, enhanced customer information, and choice to improve employment potential and opportunity.

Attached are additional charts and examples.

DISPOSABLE INCOME FOR A SINGLE MOTHER AND TWO CHILDREN

By Hours Worked each Week

(in current dollars)

	1992 Prior to Clinton Administration Policies		
	20 hours at $4.25	40 hours at $4.25	40 hours at $5.10
Annual Earnings	$4,420	$8,840	$10,608
FICA	-338	-676	-812
EITC	813	1,384	1,384
Food Stamps	3,504	3,048	2,724
Net Income	$8,399	$12,596	$13,904

	1997 After Clinton Administration Policies		
	20 hours at $5.15	40 hours at $5.15	40 hours at $6.18
Earnings	$5,356	$10,712	$12,854
FICA	-410	-819	-983
EITC	2,142	3,656	3,461
Food Stamps	3,780	3,228	2,844
Net Income	$10,869	$16,777	$18,176

	Change (Clinton - Pre-Clinton)		
Earnings	$936	$1,872	$2,246
FICA	-72	-143	-172
EITC	1,329	2,272	2,077
Food Stamps	276	180	120
Change in Net Income			
in current dollars	$2,469	$4,181	$4,272
in constant 1997 dollars	$1,260	$2,367	$2,270

This analysis reflects the following:

- The minimum wage increased to $5.15 from $4.25 ($4.86 in 1997 dollars).
- The maximum EITC subsidy increased from 18.4% of the first $7,520 to 40% of the first $9,140.
- Child Care expenses are assumed to be 20% of earnings.
- Food Stamp benefit calculations assume an excess shelter cost deduction of 100% of the allowable maximum.

DISPOSABLE INCOME FOR A SINGLE MOTHER AND TWO CHILDREN

Living in a Moderate Benefit State - By Hours Worked each Week

(In current dollars)

1992 Prior to Clinton Administration Policies & Welfare Reform

	20 hours at $4.25	40 hours at $4.25	40 hours at $5.10
Annual Earnings	$4,420	$8,840	$10,608
FICA	-338	-676	-812
EITC	813	1,384	1,384
Cash Assistance	2,592	0	0
Food Stamps	3,060	3,048	2,724
Net Income	$10,547	$12,596	$13,904

1997 After Clinton Administration Policies & Welfare Reform Were Enacted

	20 hours at $5.15	40 hours at $5.15	40 hours at $6.18
Earnings	$5,356	$10,712	$12,854
FICA	-410	-819	-983
EITC	2,142	3,656	3,461
Cash Assistance	3,444	1,836	1,188
Food Stamps	3,156	2,676	2,484
Net Income	$13,689	$18,061	$19,004

Change (Clinton - Pre-Clinton)

Earnings	$936	$1,872	$2,246
FICA	-72	-143	-172
EITC	1,329	2,272	2,077
Cash Assistance	852	1,836	1,188
Food Stamps	96	-372	-240
Change in Net Income			
in current dollars	$3,141	$5,465	$5,100
in constant 1997 dollars	$1,623	$3,651	$3,098

This analysis reflects the following:

- The minimum wage increased to $5.15 from $4.25 ($4.86 in 1997 dollars).
- The maximum EITC subsidy increased from 18.4% of the first $7,520 to 40% of the first $9,140.
- Child Care expenses are assumed to be 20% of earnings.
- Food Stamp benefit calculations assume an excess shelter cost deduction of 100% of the allowable maximum.

Attachment B
Causes of Poverty among Working Families

Several factors contribute to the extent of poverty among working families:

- Low wages: The working poor are concentrated in certain low-wage jobs. In 1996, nearly three-fourths of the working poor were employed in one of the following three occupational groups: service; technical, sales, and administrative support; and operators, fabricators and laborers. Low wages are often closely related to low levels of education. Workers without a high school diploma were more than twice as likely to be poor as workers who had completed high school, and 10 times more likely to be poor than workers who had graduated college.

- Unemployment and part-time work: With the help of the EITC, workers who are employed full-time year-round, even at the minimum wage, can escape poverty. However, many low-wage jobs are part-time, temporary, or contingent. In 1996, workers who usually worked part-time were three times as likely to be poor as workers who usually worked full-time (12.4 percent versus 4.1 percent), and those who worked part-time because they could not find full-time employment were even more likely to be poor (24.9 percent). Many poor workers who usually worked full-time experienced unemployment (28.4 percent) or involuntary part-time work (15.8 percent) at some point during the year. In addition, a recent report based on monthly data suggests that a significant number of non-poor families (based on annual income) may be poor for one or more months due to fluctuations in income.

- Family structure: Families with only one wage-earner are much more likely to be poor than families with two or more working members. In 1996, the poverty rate for families with one member in the labor force was more than seven times that of families with two or more members in the labor force (14.6 versus 1.9 percent). Also, because the poverty threshold increases with family size, given the same income, families with more children are poor more often than families with less.

Because families headed by a single mother are often affected by more than one of these factors, they are disproportionately likely to be among the working poor. Nearly half of working poor families were headed by a woman in 1996. The poverty rate for families with children that were maintained by a woman who was the sole supporter of the family was 26.6 percent.

Source: BLS: *A Profile of the Working Poor, 1996.* December 1997

Attachment C
Impact of Transfers and Taxes on Poverty

The official poverty rate calculations include cash benefits, such as AFDC/TANF and Social Security, but do not include near-cash benefits, such as Food Stamps and housing assistance. They also do not include payroll and income taxes, which reduce families' take-home pay, or the Earned Income Tax Credit, a refundable credit which adds to family income. However, by recalculating the poverty rate, first excluding all transfers, and then adding both cash and near-cash benefits, as well as taxes, we can estimate the impact of these programs on poverty.

In 1995, the pre-transfer poverty rate for individuals in families with children under 18 was 20 percent. Transfers from the federal government reduced that rate to 13 percent, a decline of more than 35 percent.

The fraction of individuals in poor families lifted from poverty has grown consistently since 1983. Most of this growth has come from increases in the Earned Income Tax Credit (EITC). Before 1993, the net impact of federal taxes was to take money away from poor families, primarily through Social Security payroll taxes. (The EITC is only available to families and individuals with earned income.)

Unemployment Insurance has a relatively small impact on the poverty rate because most poor workers do not have enough earnings or consistent labor market participation to qualify for UI benefits.

Anti-Poverty Effectiveness of Cash and Near-Cash Transfers for All Persons in Families with Related Children Under 18, 1995

Percent of Otherwise Poor Persons Removed from Poverty Due to:	
Social Insurance (other than Social Security)	3.5
Social Security	6.1
Means-Tested Cash Benefits	6.6
Food and Housing Benefits	12.5
EITC and Federal Payroll and Income Taxes	6.6
Total	**35.2**

Source: DHHS, Indicators of Welfare Dependence, October 1997

Attachment D
Health Care Coverage of Poor and Near-Poor Adults and Children

Health care coverage is a fundamental aspect of well-being. Individuals without health insurance are less likely to seek preventive care and early treatment, and could be more likely to develop serious illnesses as a result.

In 1997, 43.4 million people, or 16.1 percent of the population, did not have any health insurance coverage, an increase of 1.7 million from 1996 in spite of the robust economy. Among poor people, 11.2 million (31.6 percent) were not covered. Almost half of working poor adults lack health insurance. Because many low-wage jobs do not provide health insurance, working poor and near-poor adults are actually less likely to have health insurance coverage than their non-working counterparts, who are more likely to be covered by Medicaid.

Percent Lacking Health Insurance Coverage

	Total	Poor
Total	16.1	31.6
Adults who worked during year	18.1	47.6
Working-age adults who did not work	26.2	38.5
Children	15.0	23.8

Source: U.S. Census Bureau, March supplement to the 1998 Current Population Survey (data from calendar year 1997)

By law, families leaving the TANF rolls maintain their eligibility for Medicaid for up to one year. Nonetheless, there is evidence, from a 1997 GAO study of three states and from several states' own studies of welfare "leavers", that among families whose welfare benefits are terminated or who leave welfare for work, participation in Medicaid declines significantly and is not offset by a corresponding increase in private insurance coverage.

The continuation of health insurance is an especially critical concern for individuals with disabilities, as they visit the doctor and are hospitalized more often than the non-disabled population, and have higher average medical expenses. One study showed that annual per capital health care spending for adults with moderate disabilities was six times, and for adults with significant disabilities was twelve times, that for non-disabled working age adults.