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WELFARE TO WORK

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

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WELFARE TO WORK

MONDAY, MARCH 20, 1995

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to recess, at 10:02 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

Also present: Senators Grassley, Pressler, Moynihan, Rockefeller, Breaux, and Graham.

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The Committee will come to order.

This is one of a continuing series of hearings on the subject of welfare.

If we have heard anything from the witnesses to date, it is work, work, work. That work will work better than anything else we might consider to attempt to cure what we would regard as the failure of welfare in the United States.

And I do not say that critically of the Federal Government, or State governments. State governments have shown some good innovations. I will introduce in a moment, Mr. Minnich from Oregon. He has been our director since 1989, and basically responsible for the innovations in Oregon that have worked quite well.

But every witness we have had said that the longer you delay people getting into work, the lower rate of success your program will have.

So, with that, I would like to start. And we will start with Dr. Judith Gueron, the President of Manpower Demonstration Research Corporation.

Dr. Gueron.

STATEMENT OF JUDITH M. GUERON, Ph.D., PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORPORATION, NEW YORK, NY

Dr. GUERON. Good morning, Senator. I appreciate the opportunity to appear before this Committee to present what is known about the effect of efforts to get welfare recipients to work.

I will abbreviate my testimony and request that the full statement be put in the record.

The CHAIRMAN. Without objection.

[The prepared statement of Dr. Gueron appears in the appendix.]

Dr. GUERON. Why have work-directed mandates been the focus of welfare reform efforts for the past 30 years? And why do I think they will be critical to reform efforts in 1995?

As this Committee knows well, AFDC was created in 1935 to help a group of single mothers, primarily widows, stay out of the labor force so that they could stay home and take care of their children. The goal was to reduce child poverty. And the possibility of long-term support for that group was accepted.

But, since then, much has changed. Women have flooded into the labor force, and mothers on welfare are now mainly unmarried.

Providing long-term support is clearly less popular. The public wants change, but it also wants reform to satisfy two seemingly conflicting goals: Providing the safety net under children, and requiring that their parents work.

The problem is that parents and their children are a tied sale. They come together, and you cannot support one without supporting the other. Because of that, it is hard to get tough on parents, and yet continue to provide a safety net under children.

Starting in the late 1960's, and in 1988 with the passage of the Family Support Act and the JOBS Program, Congress and the States crafted a new basic compromise in an effort to reconcile these two goals.

Welfare should be transformed from a no-strings-attached entitlement—if you were poor, you got money—to a program where families could continue to get support, but parents would have to participate in some work-directed activity, or work for their benefits.

Now effecting this transformation has not been easy. Nonetheless, there is an unusually reliable record showing that change can be successfully implemented, and that JOBS can be a fourfold winner: helping society to meet the two goals of getting more money to children, and substituting work for welfare by their parents; generating budget savings; and making welfare more consistent with public values.

The best evidence comes from a recently completed study of California's JOBS program called GAIN. At its most successful, in Riverside County—and we will hear from the commissioner of that program shortly—the program set a benchmark for JOBS' potential. In Riverside, GAIN increased earnings 50 percent, reduced welfare outlays 15 percent and, thereby, returned to taxpayers about $3 for every dollar spent on the program.

Results elsewhere in California were about half that level.

Riverside's program was distinguished by a few things. There is a pervasive emphasis on getting people to work quickly, a strong reliance on job clubs, a tough enforcement of a participation requirement, close links to the private sector, and a cost-conscious and outcome-focused management style.

Studies suggest that different jobs approaches achieve different results. Job clubs can get people into work quickly, and save taxpayers money. But, alone, they do not seem to succeed with the most disadvantaged. Adding some skills training can cost taxpayers more, but might help some people get better jobs in the long run.

Programs that seem to favor quick employment, but use some human capital development tools for some people, may be able to combine the benefits of both strategies.

As for mandatory work-for-benefits, or workfare programs, in strictly budgetary terms, and in the small scale on which these have been implemented to date, they do not seem to save money. However, they are a way to maintain a safety net for children, and yet send a pro-work signal to their parents, and produce socially useful work.

State studies also suggest that maximizing participation rates, at the rates called for in some proposals under discussion, may be both unattainable and unaffordable. In work programs, time is money and participation is money. Saying that States must reach unprecedented participation rates, and get credit for people only if they are active for 35 hours a week, is in effect requiring States to substantially increase their child care outlays.

Research on work-directed mandates does not suggest that they offer miracle cures. But we do not have comparable evidence on alternative approaches that do better in changing the message of welfare, while protecting children.

But bringing the nationwide JOBS system up to the standard of high performance programs is also a vital prerequisite to thinking about time limits, either followed by work, or with support simply ending.

That is because, from a State perspective, the risk of time limits will be high unless more people leave welfare before reaching the time limit. If that does not happen, too many people will hit the cliff, with either a requirement for subsidized work that costs more than welfare, or with dramatic losses of income with unknown effects for families, children and, ultimately, public budgets.

But making a work strategy work takes more than business as usual. The need is for resources up front to make that mandate real. And that is why, if you care about expanding work requirements, you have to care about the financial incentives created by whatever Federal action you take now.

Over time, funding welfare benefits and work programs under a single block grant is likely—in low-grant States, and possibly others as well—to have the perverse effect of squeezing out work programs, the very thing you want to expand.

This is because, under fiscal pressure, and with short time horizons, States will hesitate to make the up-front investments that can both produce future savings and transform welfare into a work-directed system.

My final caution concerns the welfare reform debate itself. Reformers need to recognize that some welfare recipients are simply not employable. Also, there are limits to our ability to use public programs to change people's personal behavior, behavior driven at least in part by broad social trends.

As a result, it will be critical not to overpromise about the likely success of reform. Helping the public understand what level of change is attainable might break the cycle of cynicism that has resulted from past waves of reform.

Thank you.

The CHAIRMAN. Thank you doctor.

Our next witness is Stephen Minnich, who is the administrator of the Oregon Adult and Family Services Division, and has been since 1989. We stole him from Maryland, where he was previously in Maryland's welfare division, and attended the University of Maryland. He is regarded around the nation as an expert in welfare reform.

I worked with him to get the waiver for the Oregon Jobs Program. And I might say, in just the 2 years 1993 to 1995, we have had a 7 percent reduction in the welfare caseload. JOBS participants earn an average of $6 an hour. Over 30 percent of Oregon's AFDC caseload participates in the JOBS program. The average nationwide is 7 percent.

Mr. MINNICH. Thirty percent.

The CHAIRMAN. Thirty percent?

We use up all of the JOBS money that is allocated. Many States do not.

I would say that, in order to get this moving, Oregon had to have 47 individual waivers, which is one of the complaints all States have in terms of trying to innovate anything.

Mr. Minnich came in last night, did not enjoy any of our weather yesterday, and goes back this afternoon because the Legislature is meeting, and he has to testify before the Legislature on the budget the next day.

Mr. Minnich.

STATEMENT OF STEPHEN D. MINNICH, ADMINISTRATOR, ADULT AND FAMILY SERVICES DIVISION, OREGON DEPARTMENT OF HUMAN RESOURCES, SALEM, OR

Mr. MINNICH. Thank you, Mr. Chairman, Members of the Committee.

I have submitted written testimony, but let me briefly describe where Oregon is in JOBS and welfare reform, and what we think the Federal Government can do to help us further in this area.

As you indicated in your introduction, Mr. Chairman, we do have a declining caseload in Oregon. And that is with increasing intake. We are one of the high-growth States, in terms of population, and our intake in welfare is actually going up right now. But our caseload is going down. And I think it is a direct result of using what I would consider to be a modified work-attachment-type model in welfare.

We are very conscious of the research findings from MDRC, and from around the country as reported, that indicate that there is a regimen that can be a mixture of helping welfare recipients with some basic skills, but also using the labor market to determine true job readiness.

We start with a program of applicant work search. We believe that we must find out a few things in the first few days of welfare application. And that is testing each individual job market, whether it be in the metropolitan area around Portland, or our very rural areas.

The job markets are inconsistent, and they may open or close to an applicant within days. So continuous job search through the process is a very critical element for us, even if we are remediating education or if we are doing what we term "life skills" in Oregon, which is a 20-day crash course-if you will, an owner's manual to life—in terms of getting people who are on welfare to understand what is expected in the job market, how to deal with children in day care, how to deal with transportation problems.

To accomplish this, we did have to apply for many waivers, I think the 1115 waiver process is well known to Oregon. And we have taken the age of the youngest child down to age one, with a full-time work requirement at age one. We would actually favor that going to age zero, with the parental leave laws of Oregon applying to those young mothers, and letting case management decisions through case managers determine if there are any barriers that would exclude individuals from the labor market.

We also have a waiver that requires drug and alcohol treatment, mandatory as a JOBS component if it is identified, where we make referrals and can require mandatory participation in drug or alcohol counseling.

It is hard to imagine that needing a waiver, but we did get one from our partners in HHS. We do have the JOBS plus waiver, which the Senator referred to, which combines ADC and food stamp benefits into a reimbursement to a private employer, who actually pays the wage of that welfare recipient.

We have also received permission to pass child support through at the full level, not just the $50 pass- through to those participants, and have required an employment training fund to be established. For a dollar an hour of their participation, the employer contributes to a fund that is later turned into a scholarship for that individual.

We have the Oregon Health Plan also. And, as you mentioned, Senator, we are spending not only above the cap in JOBS, but also in our child care funds. We have found, as we have gotten more participation in this area, child care expenditures have tripled for Oregon. This is an absolutely critical area that we need Federal participation in.

We believe that defining our outcomes was the key. The Family Support Act provided participation requirements, but early on, Oregon said that outcomes were more important. And we decided that length of stays on welfare were critical to watch, averaging about 24 months in Oregon. We have actually tried to reduce that length of stay in Oregon, so that you can use some of the resources that you are paying out in month-to-month benefits to actually put them to the front end of the system, and apply them to your JOBS program.

I think there is some merit in consideration that there is enough resource, or there may be enough resources in the system already, if they were used differently. The transition will be the key here, how we transition to a new system. I do not think it can be mandated overnight, but I do believe you can set the leadership tone for us, and provide us some clear direction.

I do not think you can abandon the process entirely. I think you must ask the States to sign up for outcomes, and to work for those. And I do not believe mandates, such as cutting off teenagers completely from assistance, or family caps, or even time limits for that matter, are useful if you have an up front system that deals with people when they come in the front door.

Let the States reinvest the savings, and pay for the outcomes that you want the States to achieve, and I believe you will have a better system in the long run.

Thank you.

[The prepared statement of Mr. Minnich appears in the appendix.]

The CHAIRMAN. Thank you.

Mr. Lawrence Townsend, who is the director of the Department of Public Social Services in Riverside, one of the outstanding success examples in the country.

Mr. Townsend.

STATEMENT OF LAWRENCE E. TOWNSEND, DIRECTOR, DEPARTMENT OF PUBLIC SOCIAL SERVICES, RIVERSIDE, CA

Mr. TOWNSEND. Thank you, Chairman Packwood.

I do not think I will go into the normal material that I have done at other presentations. I have given that as an attachment, explaining the philosophy of our program, our absolute belief in the value of work for human beings.

Rather, I would like to concentrate on the guidelines you set forth for my comments, and I would like to work on two areas, primarily about measurement, and talking about how to make the program work from our viewpoint.

There is one thing that I would like to comment on. And that is, in California, currently the median time on AFDC is 26 months.

The CHAIRMAN. You say the median?

Mr. TOWNSEND. Yes, the median time. In Riverside County, it is 19 months. We have roughly one-third of our population exposed to the GAIN program for employment. Even so, we have modified the average length of time for the entire population by that difference.

Our program will not end welfare. There will always be need for temporary assistance, and people do make mistakes, or things happen to them.

One other thing I would like to point out is that 39 percent of our caseload has been on welfare longer than 2 years. The State average is 53 percent. So we believe we are going in the right direction. We do not have the ultimate answer, but it is important.

The other thing I wanted to point out is just getting people off welfare is not the whole answer. It is important also that, as many welfare recipients as possible start earning money.

We are on a current project trying to bring up our number of cases with earned income coming from employment being reported to the system. In January of 1994, it was 13.6 percent. We are now at 17.9 percent. And I have announced my goal of bringing that to 50 percent. And that is only a temporary goal.

So I want to talk about how you measure results. And it has to do with the way we run our program. I have concentrated since 1987 on one thing, otherwise I am likely to confuse my staff. They have tried to talk me out of it, and I do not change.

I am saying that I want AFDC recipients employed. And, if you go through the GAIN program, if you want to get good evaluations from me, you must get job placements for AFDC recipients, or show them how to get it on their own.

So, when you measure the program, I am talking about outputs, not meaningless process measurements that have made us content in this country for probably half a century.

What we need to talk about is how many people, the percentage of recipients who have obtained employment after enrollment in the work program, not those who get employment on their own; the number and percentage of welfare terminations, as a direct result of employment in the work program; the number and percentage of all AFDC recipients with earned income.

This is really important—the average cost for job placement. Private industry has been kind of corny in their management. They say you should keep your costs down, your quality up, and your production up, and you will be successful. Well, very frankly, that can be true in Government.

So, I pay attention to my costs, I try to deal in volume, and there is a beautiful thing that happens. You can be very kind to welfare recipients because you can help more of them, if you keep your costs down. This is a great secret, and I think it is time we start using it.

Job retention is important. We need to measure how many people have gotten off welfare, how long they have stayed off welfare. And, because of the 2-year welfare time limit debate, we have been tracking in Riverside County those people who got off AFDC and never ever came back on. And we are up to 23 months now; in one more month we will have 24 months. But we are at a 64 percent success rate in keeping them off. This chart covers the 23 month period.

So I found it very important to make my requirements known to the individual case managers. And that is, bottom line, you must get 12 job placements a month in order to have a successful performance appraisal.

They once tried to argue me out of it, but eventually they accepted it. And now we have individual staff that exceeds 40 job placements a month. Such individual counselors are getting more job placements than entire medium-size counties in California.

So it is very important to set expectations. It is something for governments to really pay attention to if you want results.

When you talk about participation requirements, maybe that should be based on the amount of funding you get. If you fund at a higher level, you should be able to expect us to process more clients but, also, if we keep our costs down.

I have a basic rule of thumb that, for every million dollars, you ought to get about 717 job placements, or 189 people off of welfare per million dollars. That is gross dollars, and not Federal dollars.

If you do that, you are automatically going to be in a cost-benefit level. In fact, you will make a net profit of around $1.60 for every dollar that you spend.

In terms of improving the program, we need a contract with clients. We should give temporary assistance conditioned upon their efforts. We should put a financial limit on how much we can spend on a client, if we care about the clients who are unserved.

I have seen job placement costs in a few counties in California hit $60,000 apiece. While the majority of the higher cost counties were $10,000, one was $60,000.

Probably 10 percent of our counties have spent more than $100,000 getting each person off of welfare. Now, very frankly, we need to set limits, because that money could have been used to help other people. So, when you talk about output, you should have some financial constraints.

We have been finding some loopholes in our system, and it has to do with minimum wage. Any excuses from the program, deferrals or exemptions based on the fact that you are working, must have a requirement that that work must be at minimum wage.

We have found cases, and we have had appeals, where sort of phony make-work jobs at 50 cents an hour were considered to be acceptable. You will not get somebody self-sufficient with those strategies.

We need to deal with clients with substance——

The CHAIRMAN. I will have to ask you to wrap up, Mr. Townsend.

Mr. TOWNSEND. Yes, sir.

We need to deal with substance abuse, and enable States to impose enrollment in drug abuse programs. That is a very serious issue in dealing with AFDC recipients.

In the end, I would just like to say that, if you really focus on work, if you really focus on employment, it is really surprising that the vast majority of welfare recipients do want to work. They do not want to be on AFDC. And most of them are capable of having a better future.

Thank you.

[The prepared statement of Mr. Townsend appears in the appendix.]

The CHAIRMAN. How big is Riverside County?

Mr. TOWNSEND. The population is 1.4 million, sir.

The CHAIRMAN. I realize that California is bigger than anything else in the world. But you said that one worker had placed 40 by themselves, which is more than some medium-sized counties have placed all together?

Mr. TOWNSEND. Yes, sir. Riverside County is considered one of the large counties, not like L.A. Los Angeles accounts for about 40 percent of the State, in terms of welfare recipients. But we have medium-sized counties, we have very small counties. A medium-sized county might be like 500,000 population.

The CHAIRMAN. All right.

I am trying to remember how Senator Moynihan said this. Pat, correct me if I am wrong. What was your word when you said, at some stage, quantity makes a difference? How did you phrase it?

Senator MOYNIHAN. That a quantitative change becomes a qualitative change. When you have 7 percent of the community on welfare, that is one thing. But, when it becomes 70 percent, it is a different issue altogether because of the resources available.

The CHAIRMAN. What I was wondering is if, in Riverside County, with a population of 1.5 million, and Oregon just short of 3 million, there is this quantitative difference that makes the problem manageable, which would make it almost unmanageable in New York City?

Mr. TOWNSEND. I have one thing to point out. Our neighbor, Los Angeles County, would probably compare closely to New York City. And they have decided now to focus on job placements. They made that decision about 2 years ago, and we have been mentoring with their staff. We have been sharing as many helpful hints with them as we could.

The results are up over 200 percent. And it irritated me because their job placements have now exceeded Riverside County. We used to be first in the State, in terms of job placements.

The CHAIRMAN. But they have what, 7 to 8 million people?

Mr. TOWNSEND. I am not sure, 7 or 8 million at least.

They have a serious inner-city problem, and they are discovering that job placements are possible for their clients.

The CHAIRMAN. Well, that is encouraging news, that even with that size of an AFDC population, and that size of a county, it is still doable.

Mr. TOWNSEND. Well, it is really exciting what is happening there, and we are continuing to watch their progress.

The CHAIRMAN. Let me ask Dr. Gueron a question. On pages 4 and 5 of your statement, I am reading the last paragraph. "I also raise a caution. Those of you who want to expand work mandates should pay close attention to the incentives created by changes in the Federal financing structure. Using a single block grant to fund welfare benefits and work programs is likely in low-grant States, and possibly others as well, to have the perverse effect of squeezing out innovative and demanding work programs."

If, indeed, the work programs work, and we went to block grants, why would States not use them?

Dr. GUERON. If you put States in the position where work programs have to compete with expenditures on grants—in a block grants environment where the last dollar spent is 100 percent a State tax levy dollar—I think there are States that will not have the time horizon required to make investments in work programs.

Some Governors say very clearly that they recognize that work programs involve an up-front investment for a future payoff. But the time horizon in many States—under the pressures of economic conditions, population mobility and population growth—will be such that I think they will be under great pressure to pay for grants. Work programs, which will seem like something with a distant payoff, are likely to suffer.

This would occur at a time when the public is saying very clearly that they want welfare reform to transform this system into one where work is the emphasis, rather than welfare. I see a risk that we could move in an opposite direction.

The CHAIRMAN. Mr. Minnich, what would happen in Oregon if you had a welfare block grant, with some requirement that you must help the poor—you cannot spend it on airports—but a reasonably broad definition of what you could use it for? Would the Legislature cherry pick that, and say that education is a higher priority, and we are going to shift some of this money?

Mr. MINNICH. I think in Oregon we are predisposed to the waiver process now, and probably we would utilize a block grant very effectively.

I do believe, though, that there would be a tendency for all legislators at the State level to try to recreate the current eligibility process in some fashion.

The CHAIRMAN. What do you mean by that?

Mr. MINNICH. Well, unless you have a grand design already of reinventing your welfare system—and most States are in the process of this—you probably do not get to a place of no strings from the Federal Government turning into a grand design at the State level instantly.

And I think you have to give some guidance to the States in terms of what you want the outcomes to be in your Federal overlay. Because, if not, we will tend to go back to our rules and regulations, and put them in State statute. And there will be a welfare system with an eligibility process.

What eats up your current welfare system fiscally, at the State level, is the eligibility system. We probably spend 70 percent of our resources verifying, reverifying and continuing to verify eligibility, holding hearings—fair hearings process about eligibility—doing investigations about eligibility, and just delivering the benefit.

The biggest thing that can go wrong in Oregon right now—and, I suspect, in any State—is if the benefits do not get out on time.

The CHAIRMAN. Senator Moynihan. And then Senator Breaux.

Senator MOYNIHAN. Well, just to say how welcome all three of you are, I would like to ask a question which is perhaps a little too abstract.

Mr. Minnich, you came right to it. There is a story in the Washington Post this morning, "Red Tape May Snarl Turnover to Welfare: State Paperwork Often Aimed at Fighting Fraud". And it describes Govan's Collington Square social services office in Baltimore, where 20 application forms await every poor person who applies.

The CHAIRMAN. Twenty different forms?

Senator MOYNIHAN. Twenty different forms, including one form saying that everything you said on the previous 19 is true.

And I think that, in most States, the concern would not be that your benefits do not get out on time, but that they go to people who are not entitled. It is the first rule of Government disbursing, that you have to get proof that you are entitled to it.

But there is also a mode of delivery. I wonder if I could ask a general question, perhaps too general, but I think both Mr. Townsend and Mr. Minnich described processes that are very clear. You are management-oriented, you are output-oriented, you are bottom line-oriented. You think like managers, you expect good results, and you speak about evaluation of the performance of your own employees, and how they are going to be judged.

At this social services office in Baltimore, the caseworkers are paid between $18,000 and $24,000 a year, which is not a vast amount of money. And the district manager said that the caseworkers do an excellent job, but there is not time to spend with the human being. We are dealing with eligibility standards for a particular program. We do not have time to discuss with the client that she should hang in there. We cannot impose our values on the client.

Now that is an old social work tradition, is it not? Judith Gueron may be better able to speak to it. But you came from Maryland. This is a professional position, which really is at organizational odds with what we are talking about in the JOBS program, and the program in Oregon. Is there something to this, that we cannot impose our values on the client, which is exactly what you are doing?

Dr. GUERON. I think one of the reasons that these two programs are effective is what Commissioner Townsend said earlier. Both programs communicate a clear message to staff, so they are not confused as to what they are about. Staff are not each figuring out what their goals are, or what their goals are for each client, but they know what the program is about.

That is one of the problems in many welfare offices. Staff have either a multiplicity of potentially conflicting goals, or no clear message——

Senator MOYNIHAN. Or an earlier ethos that says you do not do things like that.

Dr. GUERON. That is right.

Senator MOYNIHAN. Thirty years ago in this city, if we were talking about workfare in this Committee, there would have been a hall full of people out there protesting. They are not here. We have not seen them in 20 years. They have all gone away.

But there was a positive feeling that you should not do this. And it has to be residual in many places, is it not? Did you find it in Maryland?

Mr. TOWNSEND. I was very concerned about it. I went around to all my staff in the district offices, and I said, "Well, whose job is it to talk about the W word called work? And who talks about work ethics and values that I think helped found America?"

So they came up with 450 work ethic slogans. If you call Riverside County, and nobody answers the phone, you will get a work ethic message. We have posters in the waiting room. We have produced a compact disc with work ethic music. Yes, we are trying to impose our values with our clients.

And we found that our eligibility workers, who are not our GAIN workers identify very much——

The CHAIRMAN. Out of curiosity, what is work ethic music? [Laughter.]

Mr. TOWNSEND. Yes, we have gone commercial. We have produced a compact disc. And we started a new singing group called "The Ethics". A lot of people are reached by the medium of music or posters, or whatever, and we are trying to use all the different mediums.

The CHAIRMAN. Do you sing, "Hi ho, hi ho, it's off to work we go", or what? [Laughter.]

Mr. TOWNSEND. One of the pieces of music says that welfare is temporary, not a way of life. And it is beautiful piece of music.

Senator MOYNIHAN. I hope we are not violating any rules, but could you send us some?

Mr. TOWNSEND. You have got it.

Senator MOYNIHAN. I would like to see that.

The CHAIRMAN. I would too.

Mr. TOWNSEND. We have lapel buttons that our staff wears. We give them to clients. I have taxpayers coming in demanding our work ethic disc because they want their teenagers to have it, or whatever. It is very popular.

Senator MOYNIHAN. You, sir, are a Puritan.

Mr. TOWNSEND. I think that I believe in America, the foundation of and the importance of work. And I cannot help but think what our gross national product would be like if we had all of the welfare recipients joining the work force.

Senator MOYNIHAN. It is terrifying—but refreshing. [Laughter.]

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Thank you, Mr. Chairman. I would imagine the songs are produced by the group "Men at Work". [Laughter.] That would be appropriate.

I want to congratulate the Chair for having these hearings, because I think the subject of the hearings today is right on target.

I think that the House, quite frankly, has lost a lot of the focus of what this welfare reform should be about in two principal ways.

Number one, if you think about it, we are arguing about who gets the problem. I think we are fighting over whether the problem is going to be block granted to the States, or whether we are going to keep the problem here in Washington.

I think any reasonable review of this problem indicates that both sides ought to be involved in solving it. We are not going to solve it here on the Federal level by ourselves. And States are not going to do it by themselves back home. So we should quit arguing about who gets the problem, and realize that we are both going to have to participate in solving it.

The second point is that all of us have talked about the other issues that surround welfare problems, breakup of the family, teen pregnancy, and so on. I think that all these things will be solved to a large extent if we resolved the principal problem of welfare. At least they will be diminished.

I think the real question, and the focus of the debate, should be on how do we get people who are on welfare assistance back into the work force? And that is the subject of the hearing today.

Many of you may be familiar with a proposal that we are going to hear about from Will Marshall, today. One aspect of it is job placement vouchers, and essentially trying to privatize the placement portion of welfare.

I introduced legislation based on this component, and Hank Brown from Colorado is a cosponsor of it. Essentially, what we are suggesting is that we amend the JOBS program, and give States the flexibility to use job vouchers to be given to organizations that would be involved in placing welfare recipients in the job market. And they would only get paid if their welfare recipient client actually stays in that job for a set period of time.

It is another option to the States, and I think they should have the option to do that. And I would like you to comment on it, if you would. Mr. Townsend?

Mr. TOWNSEND. I think that Government should not have a monopoly on the employment programs for AFDC recipients. I think competition is good. If we could get an outside firm in to compete with my staff, I would enjoy the competition. I believe that my staff might win. Actually, our job placement costs are under $1,400 per job placement. And I have not heard of many at that level.

So I think, in terms of cost effectiveness, I would use private firms if, in fact, it resulted in increased job placements. And I think we have to consider that first and foremost.

Mr. MINNICH. I think the voucher idea would be fine if, again, it is part of a total approach to welfare reform. The tendency in the past has been that you can make money in these welfare offices if you take the so-called "cream of the crop", the motivated individuals, and charge those back to the Government.

Where I believe you have to get to ultimately is changing that outcome, that atmosphere.

We do not have a welfare system, even in Oregon, where you have 30 percent. That is a herculean task. You should have 70 percent participation. Then you will see a change in your atmosphere. I think, if vouchers can help that, if anything can supplement the process so that we get to more than 50 percent participation, we will then see a difference in welfare. But everything is on a pilot status until we get there.

Dr. GUERON. I think the right way to approach this is as an option, as you are describing it. Because we do not know whether private firms will be forthcoming to take this up, whether they will be able to work with more difficult welfare recipients, and how cost effective that will be.

And giving States an option to do this gives us a chance to learn that. I think it will be very important to track, if this goes through, how it is picked up in the field, and the relative effectiveness of different approaches.

Certainly, despite the enthusiasm for State competence that is out there right now, many States could use some competition in how to run these systems.

Senator BREAUX. We are going to explore it further. I really think we ought to make it available to the States as an option, and see how it works.

If we can get the private sector to participate, and only get paid for what they successfully accomplish, I think the incentive will really be there for them to go the extra mile.

Mr. TOWNSEND. I have one comment here that hit a very important point. I have been concentrating on job placements. And I believe employment is a socialization process. It is not going to be like the JTPA Program, or working with people who have always been employed.

Any job is a good job. And even having a failure, after having them out of the home and in a job placement, can be a learning experience, and very invaluable. So, if you set performance standards, do not throw away job placements, even if they do not last long. Because you put them right back in the program, and get them out in a new employment. You do not turn loose of them. It is very valuable to have any kind of job placement.

Senator BREAUX. Well, the best social program is a good job.

Senator MOYNIHAN. That is what it says here. It should say that.

Senator BREAUX. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman. Just to follow up on——

The CHAIRMAN. Senator Grassley. I misread the list. Senator Grassley, go ahead. I am sorry, Bob.

Senator GRASSLEY. I have to preside by 11:00 a.m.

The CHAIRMAN. You are also ahead of Senator Graham on the list. It was my mistake.

Senator GRAHAM. He is always ahead of everybody.

Senator BREAUX. That is the problem of being in the Majority. [Laughter.]

Senator GRASSLEY. Mr. Townsend, I think where you just left off with Senator Breaux is a place I would like to start.

Your statement, which you rarely hear today, at least from us policymakers, that any job is a worthy job. I think we have to get that attitude back into employment. As far as your work is concerned, getting people into employment, does that also include, if they could not get a private sector job, that they would have to work for their welfare check, and earn their welfare check?

Mr. TOWNSEND. When I helped to design the program in 1987, we developed a work experience program. And we went through a lot of negotiations with labor folks, and developed slots. I got a lot of expectations built up, and then my staff was too successful. Less than 4 percent needed to go to training or to work experience programs.

So I think the moral of the story is, do not presume failure. You can deal with all of your clients, not make a lot of exemptions, but if you keep your eye on getting job placements, you will be surprised at how few actually have to go to the work experience program.

But, in fairness, in California, we exempt every mother who has a child under 3. And so there is an area there where I believe we may have more difficulty with the experiences of the younger parents.

Senator GRASSLEY. Do either of the other two witnesses have any philosophical objections to people earning welfare, if you do not have a private sector job available? And that does not preclude what Mr. Townsend says is his major emphasis, that you have got to keep the caseworkers trying to find a private sector job.

Mr. MINNICH. Senator, I think work experience is good. We often use a voluntary work experience to begin the process of getting someone acclimated to work. Often, they turn into regular job placements, if someone is successful.

I do not think there is a fundamental philosophical difference with that, but I would emphasize what Mr. Townsend said, that I do not think we have tried the other approach, which is a saturation approach to work search and work placement.

I would not jump to the other end, and create a bureaucratic monitoring nightmare for us before you let us try the private sector first.

Senator GRASSLEY. Are you both saying then, that is really easier for your caseworkers to find somebody a public service type job to earn welfare, as opposed to getting a private sector job?

Mr. TOWNSEND. It is easier to get a private sector job. We even increased our job placements when our unemployment rate went up to 15.7 percent in Southern California.

Senator MOYNIHAN. What? Fifteen percent?

The CHAIRMAN. They increased it.

So then you were saying that we increased our goal at that time, and that we brought our placements up?

Senator GRASSLEY. Are we not saying then that there is a preference because it makes your caseworkers' job easier to find a workfare job, as opposed to a private sector job?

Mr. TOWNSEND. If you have high production in job placements, you keep your costs down, that can be so much better than supervising people in caseloads, and making sure they attend the public sector job, develop a reporting system, you could give me a great bureaucracy with the work experience program, and not get comparable results.

Dr. GUERON. I have no philosophical objection. And, moreover, I think that welfare recipients, when they have been asked if it is fair to require people to work, have answered that it is fair.

But I differ somewhat from the other two people here, in that I think many people will remain on welfare after the maximum efforts have been made to place people in jobs.

If there is an interest in having everybody working, there is going to have to be some residual effort to create work positions. And the question for you to ask is how much you want to spend on it, and how to minimize those costs, and still meet the public's demand that people be working.

Senator GRASSLEY. Mr. Minnich, could you have accomplished what you did in your State without the Federal waivers?

Mr. MINNICH. Senator, we could not. And, as Mr. Townsend said, California is exempting parents with children up to age 3. We took that down to age 1. And I think, again, you do not want to create an experience for people for 1 year or 3 years, where they are very comfortable with welfare. It becomes a security issue then.

Your design of the earned income tax credit has been very helpful. Food stamps is a transitional benefit. Day care in Oregon is a transitional benefit, as it is with most States under the Family Support Act.

And the extended medical makes work a positive experience. We can take a family from 75 percent of poverty, which is the combined food stamp-ADC benefit in Oregon, to 115 percent of poverty with a $4.75 an hour job, which is Oregon's minimum wage.

And, in fact, that is 40 percent above their current standard of living.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Mr. Chairman, I would like to join the others who have expressed our appreciation for your holding this series of hearings. These have moved issues which are often dealt with at a cliche level to a substance that is very important.

The CHAIRMAN. Thank you.

Senator GRAHAM. Let me ask a question about the job placement. We have invested for many years in a Federal-State program of State employment service, through the U.S. Department of Labor and the State's department of labor.

How effective has that system been in the States with which you are familiar, in providing placement services for this population?

Dr. GUERON. I have not seen any studies specifically focusing on the employment service's success with welfare recipients.

I would not at all assume that they are more successful than JOBS programs are.

In the past, prior to the JOBS program, when the WIN program was the work program in States, the labor departments were often required to operate the work part of the welfare system.

And I do not think we have any evidence that it was more successful, and somewhat less successful than the current situation where you have tied the implementation of the work program more closely to the people who are responsible for welfare checks, and tightened the link between the mandate and the work part of the program. But I have not seen specific studies on that issue.

Senator GRAHAM. I wonder what States you represent.

Mr. MINNICH. Senator, we use the employment department as one of our placement partners. But it is after a life skills class and G.E.D. or high school equivalency, and then some basic workplace orientation.

They do a fairly decent job in placement, once we get a person there.

The problem with welfare, as I see it, is that it is a compulsory issue, and many agencies are uncomfortable dealing with that compulsory nature of keeping people in mandatory track. So we still need our case management to help the people through that.

Once they get to placement, I think they do a good job.

Mr. TOWNSEND. I am very concerned about the prior experience of programs where they are able to pick and sort clients. That is bad for the clients, and it is bad for the employment folks. If you start picking, then you start to build up a belief that you cannot deal with every customer.

In our county, we deal with 100 percent, except those that are exempted.

And it is a great opportunity for the people that are involved with welfare administration to administer the entire program because, right now, I am trying to implement, as I mentioned, the work ethic program, the mentoring process. I am giving bed and breakfast tickets and dinner tickets to eligibility staff who help and are partners in talking clients into employment. I am looking at giving more credit for an earned income case than a non-earned income case.

Right now, it is a disadvantage to have an earned income case. Because of the increase in work, an eligibility worker is currently motivated to say, "Why are you bothering me with all these wage steps, and making me do these computations?"

So it is very important that you be able to work and orchestrate the whole program, all together, and to try to deal with all customers.

Compared to the other employment programs, this is a distinct advantage.

Senator GRAHAM. Each of you has talked about the importance of transitional items, whether it be child care, continuation of eligibility for Medicaid, and so forth.

That sounds as if we are talking about restructuring the cash flow that comes into a State for a potentially long-term welfare client, to whom we are trying to give the skills and assistance to move off at an earlier date.

If that is a correct assessment, what would you recommend in terms of how funds might be deployed, particularly in the earlier months immediately after a person becomes a welfare client, so that those services can be provided with the expectation that funds would be saved at the end of the system because the client would be employed, be self-sufficient, and no longer be a public charge?

Dr. GUERON. I think we have consistently learned from numerous studies that, if you get to people with work programs, you can speed their transition into jobs and save money.

We have seen that in study after study. Mr. Townsend may do the best job at it, or a very good job at it, compared to other places. But we know that this can be done.

So there are savings that can be achieved if a work message is communicated early. And, I guess my strongest message would be that you should see that the resources are out there so that message can be communicated to more people on the welfare caseload. States really are struggling with limited resources for work programs, despite the fact that this is exactly what the American public wants to see welfare reshaped into.

Senator GRAHAM. Let me restate my question, with some hypothetical numbers. Assume that the average welfare family has an annual cost of $10,000. And the potential is that they would become a permanent welfare recipient, defining permanent as being 5 years or more. That would be a $50,000 cost to the public.

How could you redeploy that $50,000 over the 5-year period in such a way as to up front the funds necessary in order to give these initial skills and transitional assistance, but with the expectation that you would save at the latter of the 5 years by virtue of the person not being a welfare recipient?

Mr. TOWNSEND. I think that we do not need to have block grants for JOBS or employment programs. We should not have a limitation on the child care while they are in the employment program, and during a transitional period of probably 2 to 3 years.

We do not get many of our clients into transitional child care once they get off of welfare. We probably have less than 100 clients in that. We are approaching 10,000 job placements a year. We have 100 that get transitional child care. That is because it is an application process. It should be automatic, and based on a presumed emancipation level, and increased income being expected.

But we need to be involved right from the day of the application. Governor Wilson has been supporting in a program in California where we deal with welfare recipients on a pilot basis. From the date of application before approval, start converting our welfare offices into employment offices, and start changing the face of our welfare system.

The CHAIRMAN. Senator Pressler.

Senator PRESSLER. I would like to ask Dr. Gueron about the impact of reform on small States. You caution in your statement against giving States a single block grant, which funds both welfare benefits and work programs.

You say the small States, who will receive comparatively low grant amounts, will be more unlikely to make the up front investments in work programs that can produce savings down the road.

I share your concern that small States, such as my State of South Dakota, will lack the economies of scale to set up some of the work programs and job training centers that States with large urban areas can.

If individual entitlements are eliminated, and States are given block grants, would you favor a minimum funding threshold for small States?

Dr. GUERON. Actually, the point I was making was about low-grant States. I think rural States face a different issue.

I am not sure that there are clear economies of scale in the operation of work programs. I can remember looking at a work program in one State where they were moving furniture from county to county in order to have phone equipment and the facilities to run job clubs. So that can be a real problem in a rural economy.

I think the challenge in rural States is more to the questions of, are the jobs there? It is very nice to talk about no alternative but work, or a major emphasis on private sector placements, but what do you do in communities where there are simply no jobs.

I think it is very hard to create a level playing field for States in this business. It is hard to think of standards that do that. Maybe someone smarter than me can do that. But I find that very difficult.

Unemployment rates measure part of the problem, but they do not measure the extent to which people are not even in the labor market in certain communities. So I would worry about that.

Our work has shown that programs are less effective—in terms of having an impact—in rural areas than in urban areas. That relationship is more consistent than the one with different unemployment rates.

So I think that if I were in South Dakota, I would be worried that standards would be put in place that will be much harder for your State to beat. This would be the case if, for example, outcomes standards are given great weight in rewarding States.

The CHAIRMAN. What kind of standards?

Dr. GUERON. Outcome standards.

Senator PRESSLER. It seems that most studies about the JOBS program and other welfare to work programs have been conducted in largely urban States, such as California, Florida, New York and New Jersey, where their welfare recipients are primarily located in close proximity to each other.

Have any large studies been conducted on the problems of job training programs in largely rural States, with sparsely populated recipients?

Dr. GUERON. Yes. We have done studies in 11 counties in Virginia, 7 of which are rural. We did a large study in West Virginia, which was primarily in rural counties. And the study of the GAIN program in California included rural as well as urban counties.

Generally, across those studies, programs have been less successful in increasing employment for people in rural areas. West Virginia might have been the extreme. When the study was conducted, the unemployment rate in West Virginia was over 20 percent.

They stressed work for benefits, workfare approaches, because they really thought they had no hope in increasing placements in private sector jobs.

So I think there are very varied conditions across the country, and that any system put in place has to consider that.

Senator PRESSLER. Now, Mr. Minnich, in Oregon you have a State which has a variety of geographic areas.

Do you feel that, if States are given block grants, you would favor a minimum funding threshold for small States? In Oregon you have both rural problems and urban ones. Do you have any views on a minimum threshold?

Mr. MINNICH. I think, again, the formulas that I have seen would basically take what the States are receiving now, and it would really depend on what outcomes were mandated.

I would favor a system of outcomes where the States would have much incentive to achieve better results, and to have more flexibility as you got the better results.

There are problems in Oregon with rural climates, where high double-digit unemployment exists. But, again, going back to something Mr. Townsend said, in those areas we favor jobs that do not necessarily end the welfare grant. They might be part-time in nature. Something that imparts the ethic of work, or the benefits of work, sometimes can still get you good results in your caseload.

Senator PRESSLER. In my State of South Dakota, there are 9 Indian reservations, some with extremely high unemployment rates of 70 percent or higher.

These areas are economically depressed. And, in this way, they are like some inner-city urban areas. In places like that, there simply are no jobs for welfare recipients. No matter how well they complete a job training program or get their G.E.D., they would have to move to another State or urban area. This has been a real problem.

I generally support time limiting benefits. But, if a time limit is imposed, there is a danger that many recipients in areas such as Indian reservations, will reach the end of their benefit period without having found a job in the private sector.

Have you any special comments regarding job placement on Indian reservations in the Midwest or nationwide? I am just back from Arizona, and they seem to have the same problems there.

Dr. GUERON. One thing to recognize is that nobody out there right now is running a time-limited program, where people are going to get to the end, and get no benefits, except in two rural counties in Wisconsin where it has just started.

So we do not know what is going to happen. This is a very new idea that is simply untested.

I think, in communities like that, you have to be thinking of some kind of fallback program, and it might be a work-based program. There the issue is going to be the feasibility of creating enough backup work for benefit positions.

And I think a very realistic lens should be cast on that question. The public would like people to be working. The question really is: how much do you want to spend on it? How much do you want to spend on child care and the creation of work slots? When you have answered this, then come up with some kind of work obligation that might be part-time, part-year, that you can really afford to impose, and to offer to everybody after a time limit.

That might end up, in the communities you are talking about, with 10 or 15 hours a week, structured so that people would work while their children are in school. This might turn the system into a more work-focused program without either breaking the bank or putting women and children in the street.

Senator PRESSLER. Thank you very much.

The CHAIRMAN. Mr. Townsend, tell me something about the demography of Riverside County.

Mr. TOWNSEND. We have a rapidly increasing Hispanic population. We have probably 26 to 28 percent Hispanics, probably 8 percent black population. We have probably 5 percent other, and Caucasians making up the balance.

The Caucasians on welfare represent slightly the minority. The Hispanic population has been a challenge, particularly with immigration problems. We have many individuals who do not speak English. We have learned that we do not have to put clients in English as a second language for a lifetime.

There are, in fact, employers with supervisors who do speak their language, and they are welcome as job placements. So we were able to start really placing our clients with appropriate employers.

So MDRC has found that, in our county, we have had surprisingly good results with Caucasians, blacks and Hispanics across the board.

The CHAIRMAN. Income level, average, for the county?

Mr. TOWNSEND. I am not going to submit that figure to you, because I might be in error. If I tell you something, I want it to be right.

The CHAIRMAN. Both Senator Moynihan and I were stunned when you said that, when the unemployment rate got up to 15 percent, you increased your placements.

Mr. TOWNSEND. Well, I did not want my staff to start making excuses, and doubt their abilities. I basically went around and marketed the idea that they need us more. We have to fight any increase in the caseload caused by unemployment. We have to perform at our best.

So I increased the goal by 10 percent, and they got about 8 percent of that 10 percent increase.

The CHAIRMAN. Dr. Gueron, I think that you are not quite as enthusiastic as the other two about the paramountcy of jobs. You have a fair amount in your testimony about training, and the necessity for training, but do not push people into jobs too quickly before training. Do I read it right?

Dr. GUERON. No. No you do not. I think that the system has got to be more mandatory and work-focused than it is now.

And for almost all people, except teenage mothers and some exceptions, the program should begin with job search, and let the labor market sort out who can work and who cannot work.

But what I am saying is that we have had studies of programs that only provide services directed to help people get a job. And those programs did not seem to succeed with the most disadvantaged people.

So I think you want to give States some flexibility to have education and training, so that the more disadvantaged may also be assisted.

Now some of those people will get off of welfare with only job search programs. But I think a mixed strategy, such as the one in Riverside, which put a great emphasis on job search, but also a heavy emphasis on basic education, but very work-focused education, is a good strategy.

I think where things have gone astray is where people have been placed in education and training, and folks forgot what the purpose was. And you could languish in education for an indefinite length of time, losing focus on the fact that goal of all this was work.

Strategies where people have to make progress, or they have to leave education and training and go to work, can keep staff directed at the goals of the program, but may also provide enough background and education so that some folks who really have very limited skills may be able to be placed.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I have very few comments, except how do we get another 10,000 Townsend's and Minnich's?

I worry a little bit. These are two rare executives, and they are not necessarily easily obtained. One of our problems is one on which the Times yesterday had an article, a big front page story about yet another Ford Foundation program, in which you took a million dollars and 10 Yale graduates, and put up $50,000 apiece for each individual in the program and, lo and behold, 40 percent went to college. Oh yes.

Now, let us say, instead of a hundred people, you say 50 million. Well, that is different. You got a lot of that business in the early years of education reform.

What is the possibility of getting a managerial level in our systems that would rise to some approximation of the standards of Mr. Townsend and Mr. Minnich.

Dr. GUERON. Well, you are onto a very good issue. As we have looked at JOBS programs across the country, the average program lags far behind the high performance programs, like the ones you are listening to here.

The real challenge is not passing laws here. The real challenge is out in the field, moving mediocre programs up to the standards of high performance programs.

I do not think there are magic bullets here. But I think there could be major improvements if there was centralized attention to a high quality training approach, like in the private sector, to bring the techniques of successful programs out there to the field.

Senator MOYNIHAN. Trainers?

Dr. GUERON. Yes. To train State and local administrators on what are the techniques that have worked in other programs? Keep looking for successful programs, keep identifying what works, and then move those systems out into the field, so you can establish benchmarks for performance that administrators should be able to follow.

Tell them what works, and encourage them. You could have financial incentives for high performance programs that adopt those strategies, but reward talent and try to bring those standards out into the field.

Senator MOYNIHAN. Could I ask our other two?

Mr. TOWNSEND. I would very much like to comment on that. It is not just a question of ability. And I believe administrators across the land could do much better.

You have a part to play. You have to tell us what you expect us to get you for the Federal dollars. Those expectations will put pressure on administrators like myself. Either we learn how, or we will have to step aside. It should be like the private sector.

But the other part has been by choice. The results have been by pure choice in the goals and objectives that were set. And that was lavishing education and training, without cost regard, on a limited number of clients.

So the objective is, are we talking about job placements and employment, or are we talking about running an education program for a long period of time?

So, with the attitude problem, you have to say what you want. Say we really want employment, we really want jobs, and we need a certain cost level for that.

There will be the incentive for administrators to learn techniques that work. That will be called necessity for them to continue in their jobs.

Thank you.

Senator MOYNIHAN. Do you have Civil Service in Riverside County? [Laughter.]

Mr. TOWNSEND. Yes, we do. We have a labor organization. I [illegible] written performance standards. If employees do not meet the [illegible]quirements, we do terminate employees. It is a very reason[illegible]le process. But we would rather save our staff, and coach them into a successful mode. That comes first.

The CHAIRMAN. Would you like to be president of U.S. Air?

Mr. TOWNSEND. I am not competent at flying an airplane, so that would probably be a long learning curve.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. No more questions. Thank you.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Mr. Chairman, I have not been at the hearing long enough.

I think I would express some frustration, as Senator Moynihan did. And that is the art of training people to do things and get a job is difficult and you cannot reject their effort if despite best efforts they do not end up somehow doing something.

In West Virginia, which has the highest unemployment rate in the country, we are particularly sensitive to that.

Why is it, Dr. Gueron, that we in this country, where we put such an emphasis on work, are so dreadful at training or retraining people to work?

I frankly agree with the Moynihan theory of foundations throwing money at this kind of thing.

I live in a State where we really cannot take any of this for granted, where we cannot laugh at it, and where we are not doing very much about it. It is traditional stuff, it does not work, our people know it before they ever get approached.

Maybe this has all been discussed, but not before me.

Dr. GUERON. It has not been discussed much here today.

There have been some examples of successful training programs. I am thinking particularly of the CET program in California. I forget what CET stands for. But there were two different careful studies that looked at a number of training programs, and CET was the winner in both of those studies.

What they tended to do was have relatively short term and intensive programs, staff who were very closely linked to the private sector, training that was very cutting edge, not a lot of separate educational activities, but education very integrated into the training. It was a very high quality training program.

And results from that study showed that there was a large increase in employment rates and very large earnings gains for people in that program. This program was for both young men and young women on AFDC.

Senator ROCKEFELLER. Can we come back to places more like West Virginia to answer my question?

Dr. GUERON. Well, I think you have very special problems in West Virginia. If you do not have enough jobs for people who are already trained and unemployed, why do you expect to train welfare recipients with very limited skills, simply bring them up to the level of folks who are unemployed out there now, and expect them to get jobs?

I think that is a real issue. And, in thinking about welfare reform, and trying to create some level playing field for States like West Virginia, you have to consider the realities of the labor markets, and labor markets as extreme as the one you are facing.

And I think that has implications for outcome standards, for talking about time limits, and for realizing that work is going to have to be a backup system for welfare recipients.

Senator ROCKEFELLER. Does that mean that eventually we make official what is our unofficial policy now in West Virginia? I guess a kid, by the time he or she is 12 or 13, have more of less made up his or her mind to leave the State already, assuming whatever their lot might be, it is not going to be the kind of work they want to do.

I am not asking this critically, but are you suggesting that that is West Virginia's lot? Can we do better than that?

Dr. GUERON. Well, welfare is not going to be the route to doing better than that.

Economic development activities, and a more trained labor force might have more potential, but I would not look for welfare reform as the vehicle to turn around the economy of West Virginia.

If the prevailing view in this country is that welfare recipients should not be able to receive welfare longer than a certain period of time without working, what I am suggesting is that, in places like West Virginia, somebody had better think about the backup work activities, about creating them, and paying for them.

The private sector is not going to be the solution there. Some people may be mobile, but women with young children do not have very high mobility.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. It was a very helpful panel. I appreciate it.

Now, if we might take Robert Friedman, Jeffrey Joseph, William Marshall, III, and Gerald Shea.

Welcome. We will start with Robert Friedman, who is the director and chairman of the board of the Corporation for Enterprise Development in San Francisco.

Mr. Friedman.

STATEMENT OF ROBERT E. FRIEDMAN, DIRECTOR AND CHAIRMAN OF THE BOARD, THE CORPORATION FOR ENTERPRISE DEVELOPMENT, SAN FRANCISCO, CA

Mr. FRIEDMAN. Thank you very much, Mr. Chairman and Members of the Committee. I very much appreciate the opportunity to testify before you today.

There are many pieces to a complete work program. My fellow panelists have mentioned several of them, with which I agree, leaving me the luxury of focusing on three strategies.

I think if welfare reform is to truly open a ladder of opportunity to welfare recipients, then it should remove the penalties that confront welfare recipients moving toward self-sufficiency through education, work and self employment.

Second, we should support enterprise—the ability of low-income folks to create jobs for themselves, as well as other innovative job creation strategies that have been incubating and the local level for 10 years.

And, third, I think we need to build assets to enable welfare recipients not only to get jobs, but to realize enduring economic independence.

I would argue that one of the chief problems with the current welfare system is not that it rewards indolence, but that it penalizes effort. As my colleague, Cicero Wilson, has put it, the nature of the current social contract is, "we will support you as long as you do not go to school, as long as you do not work, as long as, of all things, you do not try to create a job for yourself. Do any of those things, and you will lose benefits, often precipitously."

If you save for an education, or for a piece of equipment to start a business, and thereby exceed the $1,000 asset limitation, you become ineligible for benefits.

If you get a car that can reliably take you to your job, and thereby exceed the $1,500 car limitation, you become ineligible.

After 4 months, and often at various points in the move to self-sufficiency, you lose more than a dollar in benefits for every dollar you earn. In North Carolina, there are spots where the effective tax rate is 300 percent.

These penalties, it seems to me, serve no one well—neither the recipients trying the escape, nor the taxpayers who pay.

If welfare reform does nothing else, it seems to me it should remove some of these penalties at a State's option—but there I would urge to name the penalties that States can reduce. Asset and income waivers are among the popular sought by States. More than half of the States have already sought waivers to exactly these penalties.

But if there is ever an argument for making a uniform change, then it seems to me it is in these areas. The Federal Government, I believe, stands a chance to save money.

In Iowa, which 14 months ago removed virtually all these penalties and more, including the penalty against two-parent families, the total welfare payouts for the last 4 months have been at the lowest in 10 years, driven by a 65 percent increase in the percentage of the caseload reporting earned income.

Second, support enterprise. It should come as no surprise—and, indeed, it has been mentioned at these hearings already—that there are many communities in this country where the job opportunities we will need simply do not exist.

The very least, it seems to me, we owe people in poverty and unemployed is a reasonable chance to create a job for themselves.

The results of the 5-State Self Employment Investment Demonstration (SEID) for welfare recipients, which my organization sponsored, are in. We found that, among those welfare recipients who started businesses, there was a 65 percent reduction in primary dependence on AFDC as a source of income. Eighty percent of the businesses have survived at least 2 to 5 years. The average buildup of assets, personal and business, were around $5,000 each. The average firm that was started created 1.5 jobs.

Sixty-nine percent of the participants in SEID said they could not have done what they did, but for the waivers. There is a need for policy change. I believe that any welfare reform should make self-employment an option, and a supported option. In addition, if we are serious about job creation, it would be wise to set aside a fund to invest in developing and spreading a series of job creation and private enterprise development initiatives that have incubated over the last decade.

Third, build assets. We know that the largest portion of the welfare caseload cycles between public assistance and a labor market unable to support their families at self-sufficiency. The only way, it seems to me, to engender enduring escapes from poverty is to enable low-income Americans to make a down payment on the American dream.

Today, one third of American households have no or negative investable assets at a time where the price of entry to the economic mainstream has gone up. Yet, we subsidize assets accumulation for the non-poor to the tune of $160 billion a year in the Federal Tax Code, while we prohibit asset acquisition by the poor.

Welfare reform should include a national individual development account demonstration, where we offer to low-income Americans incentives comparable to those we offer the non-poor, to save for their own educations, businesses, homes, or those for their children.

We calculate that every dollar the Federal Government invests in IDA's will result in $4 of returns directly to the Federal Government, as well as even greater returns to States and individuals and society as a whole.

It seems to me that, especially in tight budget times, we cannot afford not to invest in creating a brighter economy and brighter futures for our people.

Thank you.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. Friedman appears in the appendix.]

Now Jeffrey Joseph, the vice president for domestic policy for the U.S. Chamber of Commerce.

STATEMENT OF JEFFREY H. JOSEPH, VICE PRESIDENT FOR DOMESTIC POLICY, U.S. CHAMBER OF COMMERCE, WASHINGTON, DC

Mr. JOSEPH. Thank you, Mr. Chairman. I appreciate the opportunity to be here. Members of the Committee.

The business community has long advocated welfare to work as a positive option for reforming the welfare system, and we are encouraged that this position has emerged as a consensus.

Structurally, current proposals focus on moving primary responsibility for welfare programs to the States, in the form of block grants.

The Chamber generally supports increased State and local flexibility in the delivery of Federal programs, and we are encouraged by this activity.

Welfare reform proposals under consideration also limit the amount and/or duration of benefits, and require set percentages of able-bodied recipients to obtain employment over time.

The Chamber also supports time limits and a work requirement for those on the welfare rolls. We have polled our members, and they are very strongly in support of that position.

Comprehensive welfare reform is, obviously, a very complex issue with many human and economic dimensions. We believe our piece of the puzzle is focused on selective and critical issues from the perspective of workplace employment.

Recently our board of directors approved the following broad policy guidelines:

Focus national attention on measures to ensure that welfare recipients will be equipped with the knowledge, skills and attitudes needed to obtain and retain jobs in the private or public sectors.

Second, we believe there is a need to design incentives—such as tax incentives, training grants, vouchers, perhaps enterprise zones, or establishments of realistic local marketplace training wages—for employers to move people from welfare to work. We think consideration should also be placed on temporarily waiving provisions of statutes that may serve as disincentives for employers to hire welfare recipients.

Third, we believe that provisions need to be included in this legislation to make sure welfare recipients will be drug and alcohol free, as a condition of receiving welfare benefits and other forms of Federal assistance.

And, fourth, we believe this whole welfare-to-work debate should be placed within the context of the elements of a locally driven workforce development system that contains reliable labor market information.

For example, from the employer's perspective, consider how placing welfare recipients in jobs balances with moving others into the workplace—young people from school to work, dislocated workers transitioning from career to career, and others, in a climate where employers are restructuring to compete in a global marketplace.

Now the complexities of the global marketplace, and the rapid progression of today's knowledge-based economy, realistically also means we should focus on advanced welfare-to-work strategies, including ladders to high-skill, high-wage jobs.

Whether being prepared for entry-level employment in a low-tech service industry, or as a high-tech toolmaker apprentice, consideration must be given on how best to prepare welfare recipients with the skills they need.

My testimony has a couple of interesting examples of two communities that had the demand, and could focus on high paying jobs for welfare recipients. And we think that those debates and those examples need to be put forward because I think that, realistically, these examples beg the question on local employment needs that really are going to drive the issue of how many people are going to be employed.

And I think that also calls for framing this debate from the perspective of "from the jobs backward." Every community needs to develop its own strategy, with the major emphasis on human capital capabilities for its own economic self-sufficiency, set against its own economic development activities.

The Chamber also believes that the business community nationwide will be better able to provide jobs for welfare recipients if employers do not face numerous disincentives created by laws.

Absent increased employer participation in welfare-to-work programs, it will be extremely difficult for the labor market to sustain the large influx of welfare recipients into the workplace.

Disincentives may include provisions within the Fair Labor Standards Act, the Davis-Bacon Act, the Americans with Disabilities Act, among others.

Now we are not trying to be coldhearted, but studies have consistently shown that large numbers of welfare recipients who go to work end up on welfare again after short periods of time.

If, in fact, legislation goes forward and cuts these people off somewhere down the road, they stand out there as a class, we believe, in this litigious society, for perhaps unscrupulous employment lawyers to try and bring cases on behalf of these people who need revenue from some place or another.

We believe there are plenty of statutes on the books that provide the opportunity to seek jury trials and large monetary awards against employers, which in fact becomes a disincentive.

Given the fact that there are young people from school to work, dislocated workers, and others, who will all be competing for the same jobs, local lawyers may suggest that perhaps you should hire the people who have the least likelihood of bouncing out of the job and, therefore, being subject as a class to sue you.

Accordingly, we urge you to consider the implications of these Federal disincentives to hiring welfare workers. And we also believe, as I said up front, that welfare recipients, as do other potential employees, must have a drug-free status as a condition of employment, and be familiar with the responsibilities associated with drug-free workplace policies and programs.

The bottom line is, Mr. Chairman and Members of the Committee, that the Chamber stands ready to assist Congress and the States and communities in this most critical endeavor.

We believe the time has long since passed to address welfare reform. We believe, from the jobs backward, it must also be addressed within the context of local labor markets, restructuring the job training programs, one-stop shops, the whole notion that this thing is looked at holistically, systemically from a community standpoint.

Thank you very much.

[The prepared statement of Mr. Joseph appears in the appendix.]

The CHAIRMAN. Thank you very much.

And Mr. William Marshall, III, the president of the Progressive Policy Institute.

STATEMENT OF WILLIAM MARSHALL, III, PRESIDENT, PROGRESSIVE POLICY INSTITUTE, WASHINGTON, DC

Mr. MARSHALL. Thank you very much, Mr. Chairman.

We at the PPI believe that it is crucial that the Senate take this opportunity to refocus the welfare reform debate on the overriding mission of helping welfare recipients achieve self-sufficiency through work.

Work is what the public overwhelmingly wants, and work is the only lasting solution that we can see to both the problems of welfare dependency and poverty.

It is striking that what is missing in this debate is a practical means for moving large numbers of welfare recipients into private sector, unsubsidized jobs.

President Clinton's proposal was a significant step towards work-based reform, but supplies too few bridges between welfare recipients and the labor markets, and too many detours into income maintenance or ineffective education and training programs.

The House Ways and Means bill, frankly, strikes us as being all over the map. It embraces multiple and even conflicting goals, reducing illegitimacy by denying benefits to children of unmarried teenage mothers, devolving responsibilities to the States through block grants—although with lots of Federal strings attached—and requiring that 50 percent of the welfare caseload be put to work by the year 2003.

There is a fundamental problem here, in our view. And that is that the welfare system simply does not do a very good job of connecting welfare recipients to the world of work. That is not its job. AFDC is organized around income maintenance, and JOBS is organized primarily around the mission of education and training.

The GAO report of last December confirmed, and I think reaffirmed, what MDRC and other studies have shown, which is that the JOBS program is not well focused on employment. It suffers from weak links to employers, and holds States accountable for process, not outcomes, for meeting participation rates, not actually moving people off the rolls and onto payrolls.

In fairness, however, I think it is doubtful that any bureaucratic system by itself is going to take on the entire job of moving 5 million families from welfare into the private labor markets.

To succeed in that task, requires that we enlist the resources of the private sector, private employers as well as civic institutions, and that we harness the power of market competition.

So our proposal, what we call a Work First proposal, for converting welfare into a true employment system has two key steps.

The first is to replace AFDC and JOBS with a performance-based grant, a single flexible grant—and we would argue that additional Federal money should be added to this—that offers financial awards to States that succeed in placing and keeping welfare recipients in full-time unsubsidized private sector jobs.

We would keep the current entitlement funding formula, but tie it to a single match rate of 60 percent, or the Medicaid match rate, whichever is higher.

This change, in our view, would make time limits less necessary and, in fact, perhaps redundant. In a true employment system, the time limit would be zero. Everyone would be expected to do some work from the start. And the ultimate goal for everyone would be placement in a private sector job.

The second step is to give States financial incentives to convert a portion of their employment system dollars into job placement vouchers that welfare recipients could use to buy job placement and support services.

Putting purchasing power directly in the hands of welfare recipients, vouchers would empower them to make their choices about the services they need. And, most importantly from our point of view, vouchers would help break the bureaucratic monopoly on assisting poor families, and would help us begin to stimulate a competitive market for job placement services.

Who would come into this market? Private nonprofit groups that specialize in finding welfare recipients jobs, like Cleveland Works, or the Goodwill Job Connection in Florida. So would for-profit ventures that are already there, like America Works, which is successfully placing and keeping welfare recipients in private jobs in New York, Indiana and elsewhere.

There is no reason that State employment offices could not compete with private outfits in providing welfare to work services. Larry Townsend in Riverside offers a rare, but outstanding, example of a State JOBS program that is organized, focused strongly on the mission of job development, placement and support.

And the point is to use the public resources to build not one but many bridges that link people now trapped in the welfare economy to the real economy of unsubsidized work.

Such a system, in our view, would pay only for results. No agency, public or private, would be fully paid unless it succeeded not only in placing welfare recipients in private jobs, but also keeping them there for some specified length of time.

Job placement vouchers would be purely voluntary. No State would have to use them if it thought it could do a better job by other means.

But, to encourage the growth of a competitive market, and welfare to work services, we would propose that States get a higher Federal match rate whenever they use vouchers to move people onto private payrolls.

Finally, vouchers for job placement services in a growing marketplace would help us meet an enormous challenge that is often overlooked in this debate, and that is getting the men working.

There is no reason that fathers of children on welfare could not use vouchers to get jobs that would help them contribute to the support of their children.

I think these steps I have outlined would spur a more serious devolution of power than any block grant proposal that we have heard thus far, allowing us to leapfrog both Federal and State bu-

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reaucracies to place resources in the hands of the actual recipients of welfare, and urge them to use them in a competitive placement market.

Mr. Chairman, our approach to welfare reform has many other elements that I do not have time to go into now. I just would like to strongly endorse Mr. Friedman's sentiments. We strongly believe that a work-based approach goes hand in hand with asset building strategies, self-employment, microenterprise, and individual development accounts.

But the main point I would like to leave you with is simply this. The current proposals for welfare need to think in terms of creating a pluralistic delivery system, not one that simply improves the managerial capacities or the incentives within the existing welfare structure, but tests the proposition of whether we can bring in private sector actors and get them in that task.

Thank you.

[The prepared statement of Mr. Marshall appears in the appendix.]

The CHAIRMAN. Thank you. And we will conclude with Gerald Shea, the executive assistant to the secretary-treasurer of the AFL–CIO.

Mr. Shea.

STATEMENT OF GERALD M. SHEA, EXECUTIVE ASSISTANT TO THE SECRETARY-TREASURER, AFL–CIO, WASHINGTON, DC

Mr. SHEA. Good morning. Thank you, Mr. Chairman and Members of the Committee, for this opportunity to join the present panel, and to participate in this hearing.

The AFL–CIO has long supported welfare reform measures that were aimed at and based on the promotion or work, and the substitution of work for welfare.

I want to start my brief remarks by noting that, for our members and for all working families, their frame of reference for the question of welfare reform—whether it is the public discussion, their own opinion on it, or their own experience of the use of work programs to substitute for welfare—is their own job.

And their orientation here is similar, I would submit, to some other important issues that are within the jurisdiction of this Committee, health care for one. And, in the context of retirement income security, the question about the Social Security system itself.

And that frame of reference is very much what guides our presentation today. And I think it is worth bearing in mind generally as we discuss this problem.

So we appreciate the work focus of this hearing. You have my written submission, but I wanted to make just a few points about that situation that we consider to be sort of general points for inclusion.

First, it is difficult to see how we could make much progress in this whole area of welfare reform unless we look at the other work-related issues that are of such importance in this country today. And I speak specifically of the issues of economic security for workers and their families in general.

We need health care reform which preserves existing coverage by dealing with the wage-consuming issue of health care costs, while protecting quality and choice. And we need action to address the problem of the deteriorating retirement income security for average-wage Americans.

One important piece is the point of Social Security, which I mentioned a minute ago.

A common example of the application of this principle is the off-sided problem of people who have health coverage. Take the single parent, with children, who has health coverage on welfare. When considering going to work, they would of course consider the availability of health coverage, or the affordability of health coverage in the work situation.

Often, looking at low-wage, entry-level positions, that health coverage simply is not there, or is not affordable for them if it is there.

I would just suggest to you that removing the problem by simply saying we will solve that, by saying you cannot stay on welfare, that is looking at the wrong end of the problem in the long-term view of the situation here, and what needs to be addressed.

I would like to share a couple of our opinions on specific points, or some of the lessons from the experience of recent years around the country, in regard to trying to substitute work for welfare.

And I would just note that I believe the Committee would benefit from the opinions, if they have not already sought them, of those unions that represent workers on the front lines of our welfare systems, as well as the excellent presentations we heard in the last panel from the managers.

First, I would suggest to the Committee that the experience of the last few years argues against the rush to reform that seems to be so popular these days, in favor of some measured steps which build on the successful work of this and other committees over the past few years.

And I would point out the Family Support Act in that regard. It is perhaps not the success that it had hoped to be, but then it has not been working for all that long, and it has, I believe, shown us some steps we can take along the path, and could be built on.

It ought not to simply be thrown out, and a new theory substituted wholesale because that one was not the success we had hoped it would be.

The widely shared goal of moving people off welfare and onto work is likely to get worse if the economic downturn that is widely predicted does indeed occur over the next year or so.

But experience has shown, in fact, that it is not easy in the best of circumstances. It is possible, but it is not easy, and it entails considerable expense. And that is the second point I would make. As some others have said already this morning, I believe this is going to cost money. But that is an investment in the long term which is worth making.

However, it obviously conflicts with other goals when savings for some major expenditures that are proposed is such a high priority.

And I make these two points not be a nay-sayer in this debate, but rather to caution that we would be much better off in general by building on what we know than searching for a quick fix.

Third, let me say that the jobs issue at the core of this question is one that requires basic standards. To be fair, the jobs cannot be sub-minimum-wage jobs. In fact, we believe very strongly, as you well know, that the current minimum wage is not sufficient. And we hope that Members of this Committee would join others in supporting the improvement that has been proposed.

To be real gains, these jobs should be genuine private sector jobs. And they should not be displacing existing workers. And, to be a real step forward, they should not make worse the serious problems our economy now has in generating jobs that provide a living family wage, which includes the ability to pay for health coverage.

In this context, we would differ significantly from some others you have heard this morning, who would essentially propose a deregulation of work standards as a route to enrolling more people in jobs.

And, lastly, I would just conclude by saying that our members are very concerned about the equity issues in welfare. Their own position, as people who work to pay the family bills, versus those people they see who are not working.

I think this concern is borne partly because of a general mistrust of what Government can and cannot do these days, but largely because of the economic insecurity they feel in their own situation, and when they look at the prospects facing their children.

I just would repeat that I believe those concerns are not borne by new meanspiritedness among the American working population and that, over time, that will be borne out in the public debate.

And, again, I think we are best served by trying to building on what we know, as frustrating as that may seem at times, rather than rushing forward for a solution which may turn out to be quite illusory.

Thank you.

[The prepared statement of Mr. Shea appears in the appendix.]

The CHAIRMAN. Thank you.

Mr. Friedman, let me ask you a question. On page 11 of your statement, you say, "A more conservative and rigorous examination of the probable returns from a national investment in individual development accounts suggests that, over 10 years, for every one dollar invested by the Federal Government in individual development accounts, Government will accrue more than $4 in direct increased tax revenues and savings for an internal rate of return well over 30 percent."

We hear that so often from educators, from penologists, from everybody. I am curious. What are your studies? What are your mathematics? How do you conclude that?

Mr. FRIEDMAN. What we did is look at the best evidence we could find—actual field experience with home ownership, the self-employment programs and what their results have been, also the returns to increasing education. And we projected what we thought would be the incremental changes induced by an individual development account scheme whose provisions we modeled. And then we cut those benefits in half.

The CHAIRMAN. You base this on your experience with your IDA's.

Mr. FRIEDMAN. There is limited experience with IDA's. So we looked at the best evidence we could find. In some cases it was studies of the effects of home ownership, using big data sets, over a generation, in terms of increased schooling, decreased crime, decreased school dropouts, decreased teen pregnancy.

In other cases, we looked at actual home ownership programs in Ohio and over the country. And then we looked at the experience of self-employment programs across the country as well.

It is a projection. I think the only way we will know is to try it.

The CHAIRMAN. The reason I asked is that Senator Moynihan is caused me over the years to be very careful about statistics. The one he referred in the editorial in the New York Times today, the Ford Foundation took 100 people, and spent $50,000 a person, or something like that. Well, it was 100 people and, spending a lot of money, you could probably get some reasonable results. Whether you could do the same with 100,000 people or 870,000 people is another matter.

That is why I am curious as to how you came up with this conclusion.

Mr. FRIEDMAN. We did the best we could. And we will publish that, with all the caveats and all the assumptions.

And I would caution anyone that it is a projection. I have invested in too many business plans projecting high rates of return to know that you can ever rely 100 percent on those. It does seem to me that we need to invest. And we need to look at costs and returns over a longer period of time.

It seems to me that, especially in welfare reform, it is easy to be penny-wise and pound-foolish.

I believe that all the recommendations I made will pay for themselves. I think there is some evidence of that. But I do think it will entail an up front investment.

The CHAIRMAN. What do you think would be the effect on your particular program and interest, if we were to block grant this to the States?

Mr. FRIEDMAN. I guess I share the same fear that Judy Gueron voiced, which is, with States under as much pressure as the Federal Government is on budgets, there is a tremendous tendency to do what you have always done. And, particularly if you fear that benefits are already meager, and administrative expenses tight, the price of innovation becomes unacceptably high.

So I think, if you want to continue the innovation, if you want to learn, if you start as I do with the conclusion that, although we have learned a lot, we have not learned nearly enough about how to do this right, then it seems to me that you ought to encourage these kind of things.

I am a great believer in States. We have worked with States and localities. They will innovate. Some States will take the risks, for instance, that Iowa did, accepting the full risk of any additional costs in the changes they made, while promising to share any savings 50-50 with the Federal Government. But I am not sure every State will be that courageous.

The CHAIRMAN. Mr. Marshall, let me ask you a question. I am intrigued with your idea. Do you hold the States to some performance basis?

Mr. MARSHALL. No, we do not. In fact, we are worried that, by setting very ambitious targets, as the House would do with the 50 percent work requirement by 2003, it is like commanding the tides.

You can set these goals, but how do you actually create a system that can move large numbers of people off the rolls?

At this stage of our thinking, we would like to apply carrots rather than sticks. In the end, that may not bring about the desired result, but we would certainly like to start there because there is not a system in place that can meet that sort of ambitious targets.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman.

And thank you for this panel, as for the previous one. These are all positive and fact-oriented, serious folks.

I would like to observe, Mr. Friedman, you once worked with ABT Associates, did you not?

Mr. FRIEDMAN. No, I did not. I have worked along with them.

Senator MOYNIHAN. You get a little extra credit for that on your data.

Mr. FRIEDMAN. I will accept it.

Senator MOYNIHAN. Mr. Chairman, I think the basic question facing this Committee is whether we should scrap the Family Support Act, which passed the Senate in 1988 with a vote of 96 to 1.

And I will ask anybody to comment who wishes to. We did not say it would be easy. We did not say, just pass this bill and you will be surprised. We said, pass this bill and you might be pleased.

I have sometimes—though it is not quite fair to say this in public—referred to Dr. Gueron as "Our Lady of Modest but Positive Results." We said that we would not pick the easy half of the welfare population. We picked the hard half. And you do a little something, you work hard, and every so often you save a life.

We were under no illusion that it was going to be easy or automatic, for the simple reason that a problem that first appeared 30 years ago has become, at some levels, indescribably more difficult to handle. And it keeps getting more difficult.

On that basis, should we not add to the Family Support Act what we have learned? We have learned things. You know, vouchers are available under current law. With the discovery that the current program was not sufficiently focused on employment, we asked for the GAO study of last December.

And it is no surprise, when you get a State like New York, and you get them a JOBS program, and they go out and hire people who already have jobs, or have college degrees. It is an easy thing to do, and seems to be a politically rewarding thing to do. And the other thing is much harder. But press on, and say do not do that, we know what you are doing. It is a form of what we used to call feeding the sparrows by feeding the horses.

But, have we such a lamentable performance in the Family Support Act? Mr. Marshall, you are at Progressive Policy Institute. Do you want to scrap it altogether?

Mr. MARSHALL. No. The question, Senator, I think is what you put your finger on, how to focus it unrelentingly on the mission of work, job placement, job development, and support.

And I worry that simply ordering the system to change from the top will be insufficient in the first instance because, as you pointed out, Larry Townsend and the gentleman he is sitting with are the rarities in the system. They are taking work very seriously, but they are lamentably few.

If welfare reform at the Federal level creates a change and an incentive so that they can reward their employees and give their employees bonuses if they do successful job placement, and make their jobs contingent on how well they do that job, that will be better than what we have today.

But I would still raise the question of whether any bureaucratic system, even one that has a much higher level of managerial competence, is going to be able to create sufficient links to job markets and employers, is going to work sufficiently closely with the private employers, to bring about the broad scale movement of people out of the economy of dependency into the private economy.

My suspicion is that it would not be sufficient, even under the best circumstances. So I would only raise the question of what devices——

Senator MOYNIHAN. The problem is, sir, that it is not an economy, it is a culture. And cultures change very slowly.

Mr. Joseph, I know that the three witnesses are very leery of a State block grant, period, eliminating the entitlement status of AFDC. Would the Chamber have a view on that?

Mr. JOSEPH. We support the block grant notion. Quite simply, Senator, in the long run, what we have got to do is get rid of the redundancies in bureaucratic administration.

The hope for streamlining Government, the reason American industry was allowed to downsize and be more successful globally, is because they put information networks in place, and got rid of too many people in the middle who were pushing the same information around to each other.

With these redundancies at the Federal, State and local level, and especially with the fraud angle of the electronic piece in terms of the food stamps, if we put a real strong electronic component in this, you could actually take the total number of dollars we are dealing with, and have the potential to put more dollars into the hands of real people, going through fewer bureaucrats.

Senator MOYNIHAN. That is a fair comment, and I do not disagree. I think that Title 4A of the Social Security Act should remain, even so.

Thank you, Mr. Joseph.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Thank you very much, Mr. Chairman. I would like to thank the panel. They have all had excellent thoughts and suggestions.

Will, your suggestion is somewhat radical. It reflects a major departure from some of the current thinking that we have been dealing with.

And, you know, it is almost heresy to suggest that education and training, which we have been emphasizing so much, does not work in the way we would like it to work.

But the Manpower Demonstration Research Corporation and the General Accounting Office indicate that programs that have focused on increasing earnings and getting people into the work force by more education and training, more training and more education, are really not always the best way of getting the job done.

Therefore, are you suggesting that we should put less emphasis on education and training, and more emphasis on getting a job?

Mr. MARSHALL. Yes, Senator. I think that we would like to see a recasting of the system so that everybody who comes into the system, and everybody who works in the system, knows that the overriding mission is to ultimately connect someone to a private sector job.

However, not everyone who comes in will move at the same pace toward that goal. Lots of people will need remedial education and training. But we think, for the vast bulk of people coming into the system, the primary emphasis ought to be on private sector placement.

And, even in cases where education and training are prescribed as part of a personal responsibility contract, we think, with Toby here, and other people who work in this area, that some work makes sense as part of an overall package of activities that lead toward the ultimate goal.

Part time or volunteer work in community service, work at your child's Headstart Center, is a good way to get people on a ladder that will eventually lead to an unsubsidized private job.

So it is not that education and training do not work; it is the matter of emphasis. And we think that, unfortunately, most programs in the country today emphasize, as they must under Federal legislation, education and training, because they have to meet participation rates. And that is what they do.

Senator BREAUX. All right. There is criticism of the proposal to give vouchers to welfare recipients and let them take the voucher to the private sector, or to a State agency if they have that type of program, and essentially redeem it after they have found a job.

One criticism of that is that those vouchers are going to be wasted. You are giving vouchers to people who cannot find a job, have not found a job, are not capable of handling financial funds, and it is going to be wasted.

What is your response?

Mr. MARSHALL. I think that my primary response is that these vouchers will not be redeemable until they have been successful. The intermediaries who place people will not be able to receive and cash out a voucher until they have shown the ability not only to place somebody into a private sector job, but to keep them in that job.

In our case, it is 6 months. But that is the test that America Works in New York has to meet. They have to keep people on the job and, in fact, placement is really the service that they offer that is most needed.

I am struck when I look at other organizations like Cleveland Works in Cleveland. They are finding lots of people jobs. I think there were 2,000 placements, enabling 7,000 people last year to escape the rolls. And these were families that had averaged about 3 years on the rolls. So I think that, not only is it possible to find work when that is the overriding mission and all the incentives work that way.

Senator BREAUX. Well, Mr. Townsend said they were finding people jobs when the unemployment rate went up, because of an aggressive program to do that.

A final point. You have to have a lot of courage to come before this Committee and suggest that the JOBs program be abolished. [Laughter.]

On the back page of your testimony, you summarize the changes in Federal law that would be needed for a work force employment system. The first thing is that the existing AFDC and JOBS programs would be abolished, and replaced by a single performance-based grant. Can you comment on what you are suggesting here? Would we not be able to do any more education and training by doing that?

Mr. MARSHALL. Not at all. The fundamental point is this. We have an unwieldy marriage of two notions. One is AFDC, a system that begins its life as an income maintenance system, at a time when the country has made up its mind that what we want to be doing is trying to find work for welfare recipients.

And we have the JOBS program. It is with great trepidation that I come here and suggest that it be abolished. But, as I think someone besides me suggested, we have not created a bridge between private labor markets and independence through private work.

So the question is whether we want to retain this kind of bifurcated structure, or whether we want to recast the whole enterprise as an employment system.

So we are simply saying, if we fold the two funding streams into a performance-based block grant that establishes national policy—work as a goal—that would give States the flexibility to use the money to meet these goals.

That would not mean that States could not continue to do what they are doing today. And, as the Chairman noted, we have not added any hard work requirement numbers, so it means that we continue to keep them on after 2 years, or whatever time limit.

Senator BREAUX. So you are really not jumping one way or other on this debate which we have engaged in— which I think is the wrong debate—whether everything goes to the States, or whether everything stays here in the Federal Government.

I think this is the wrong argument. We should both be working together to solve the problem, instead of fighting over who gets the problem.

Mr. MARSHALL. Yes, Senator. I quite agree. I am skeptical of block grants. I do not think that is even a true devolution of authority, because it comes with all sorts of Federal mandates. So I quite agree that there need to be broad performance goals and standards set by the Federal Government.

Senator BREAUX. Thank you, Mr. Marshall.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Mr. Friedman, just for my own edification, when you talked about self-employment and targeted enterprise development, you indicated that these things tended to last from 2 to 5 years. Now that could be good news or bad news, depending on the way you look at it. But it is the time length I am interested in. Give me some examples of this for 1.5 self-employed enterprise. And try to make them as non-urban as you can.

Mr. FRIEDMAN. Actually, some of the best experience comes from rural microenterprise programs. There are now somewhere between 500 and 800 of them across the country that have been set up, usually at the community level, to help low-income folks start businesses.

We usually provide them entrepreneurial training, the development of a business plan, and then access to small loans, in cooperation with banks, or through an independent loan fund.

What we found is that, in our 5-State welfare self-employment demonstration, 80 percent of the businesses were still operating 2 to 5 years after they had been started.

Senator ROCKEFELLER. What I was really interested in was the specific kinds and examples of self-employment jobs.

Mr. FRIEDMAN. They are overwhelmingly service businesses. They can range from janitorial and child care to bakeries, or provision of food. About 14 or 15 percent are manufacturing businesses. Only about 24 percent of the businesses create additional jobs. Forty-one percent of the firms actually trade out-of-State.

Senator ROCKEFELLER. One of the things in the PPI testimony that interests me is the statement they have at one point where they actually say that, "Immediate work experience, not participation in education and training programs, is the best preparation for permanent employment for the vast majority of welfare recipients."

And that is a very provocative statement, and terrific if it is true. I am just trying to think of welfare people I have known over the years. And I have a hard time reconciling that statement.

First of all, you have a matter of self-perception, self-confidence. Secondly, you have the matter of literacy, verbal literacy, the ability to speak properly, which often does not get you through the job interview.

Being a baker or a manufacturer takes some training, does it not? Those were two of the three examples. They take some kind of training, do they not?

Mr. FRIEDMAN. Sometimes. And often people have skills. I guess I should make two qualifications here. I do not want anyone to understand me as saying that self-employment is the answer or the route out for a large number of welfare recipients. We are talking of 1, 2, 3 or 4 percent, maybe 7 percent, which is the national average. But each 1 percent is 50,000 families.

What we have found in the demonstrations thus far under waivers, is that there are some welfare recipients who will choose that out. And, apparently, they can make progress in so doing. It seems to me that we lose nothing by opening the option.

And, I guess, the one other point I would like to make is that I believe people get poor for different reasons, and they will escape through different routes. I have lost faith in the 50 percent solutions. I look for 1 and 2 and 5 percent solutions. And it seems to me that does not cost us much.

Senator ROCKEFELLER. Thank you very much.

Let me ask a couple of questions to Mr. Marshall. The Childrens' Commission said that there would be between $25 and $30 billion that could be collected in child support and combined with a minimum assured benefit, where you had a sliding scale relationship between support that came in from the absent father where, for every $2 that came in from the absent father, you lost $1 from

AFDC. So you gradually transitioned off of AFDC onto child support.

The average missing parent, usually the father, makes $25,000 a year. So this is a financially feasible scenario for most.

I have often wondered what actually would happen with that $30 billion, based on the experience that any of you might have. It is not designated, obviously. It simply comes from the absent parent to the child, via the mother. What happens to most of it? Do you know? Or, if it were coming in in greater amounts, do you have any sense of what might happen to it?

Mr. MARSHALL. I cannot speak about that very knowledgeably, Senator. I can only say that all of the welfare reform proposals I have seen that make sense are predicated on dramatically improving child support collection.

Senator ROCKEFELLER. Yes. It is just an interesting thought. We keep talking about it, but then we do not say what might happen to it.

Let me just end with a kind word for PPI because I do notice that they talk about making work pay, about the importance of the earned income tax credit, expansion of that. I really believe in that. I wrote an article about it last week. I think it is terribly important.

You also talk about the importance of child care. And you also talk about the importance of providing health care during this time of transition. I think those are very very important.

Thank you, Mr. Chairman.

The CHAIRMAN. One thing I noticed. At our retreat this weekend, we all thought we knew a lot about taxes, and we had lots to say.

But, when we got to this subject, that first article you had about humility, we are not so sure what works. We have seen lots of people make suggestions, and we have tried things that have not worked. And we knew they were going to work when we tried them. They did not.

What Senator Moynihan got us to try in 1988 has worked as well as anything we have tried.

But I think we go into this much more conscious of our lack of knowledge than we do in taxes. There is no guarantee that what we are going to try in taxes will work any better. We are just more confident that it will.

Senator ROCKEFELLER. Mr. Chairman, I do not think that condemns us.

The CHAIRMAN. Oh, I do not either.

Senator ROCKEFELLER. I do not think you do either.

The CHAIRMAN. Oh, no. I did not mean that in any sense at all.

Senator ROCKEFELLER. It just means that we have to proceed with clear realism and great caution.

The CHAIRMAN. And realizing that what we try may not work. But we know that, with a few exceptions, what we have tried has not worked. So we will see what can do. No, I did not mean to be critical in any way. It is just that we seem to know taxes better. And, as I said, often we have tried things in taxes that have not worked that we were positive would work.

Gentlemen, thank you very much.

Senator MOYNIHAN. Thank you all.

[Whereupon, at 12:15, the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF ROBERT E. FRIEDMAN * AND CICERO WILSON ** CORPORATION FOR ENTERPRISE DEVELOPMENT ***

Mr. Chairman and Members of the Committee:

Thank you very much for the opportunity to testify before you today. Much of the welfare reform debate is depressing and negative -- an attempt to root out irresponsibility, misbehavior, fraud, waste and expense. We want to discuss the other side of welfare reform: the opportunity to use this reform to create hope and jobs and enterprises; to build families, communities and economies; to develop assets and enduring escapes from poverty.

For the past fifteen years the Corporation for Enterprise Development (CFED), a national, non-profit economic development policy organization, have been working largely at the state and community level to develop and test effective strategies for creating enterprises, jobs and viable economies in low income communities. To that end, we sponsored the five-state Self Employment Investment Demonstration for welfare recipients, and helped create the national microenterprise movement. We have helped a number of states craft overall economic development strategies and welfare reform initiatives, including Iowa's Family Investment Program which has already resulted in a 70% increase in employment and a 7% reduction in average grant levels. Finally, we have been leading advocates for asset-building anti-poverty strategies, and have worked to launch Individual Development Account demonstrations at the community, state and Federal levels.

Ever since the New Deal, which set the framework for the United States transfer payment systems, US antipoverty efforts have focused on income maintenance and social service provision. The limits of this approach are becoming clear: as William Raspberry put it, the income maintenance system has become a sort of economic methadone which eases the pain of poverty and unemployment but does not address the underlying causes. Worse, if unintentionally, the current system actually penalizes poor families who attempt to move forward through education, work or self employment.

This welfare reform at the Federal level offers the possibility, for the first time in this century, to add a substantial development component -- one designed to encourage, enable and support low income people moving into the mainstream economy as skilled employees and entrepreneurs.

While there are certainly vast unmet needs for food, shelter, clothes and the other necessities of life, we are convinced that the economic, social, and political frontier of efforts to combat poverty in this country lies not so much in zero-sum income maintenance and income redistribution, as in positive-sum efforts to increase the ability of poor Americans to compete with success in the world

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* Robert E. Friedman is Chairman and Founder of the Corporation for Enterprise Development, author of the book <u>The Safety Net as Ladder: Transfer Payments and Economic Development</u>, and has spent the last two decades researching, developing, demonstrating and disseminating economic development strategies.

** Cicero Wilson, Project Director with the Corporation for Enterprise Development, formerly headed the Neighborhood Revitalization Program at the American Enterprise Institute, and has run youth programs, small businesses, and evaluated and researched program and policies for Abt Associates.

*** The Corporation for Enterprise Development is a national non-profit economic development policy research and consulting organization founded in 1979.

labor market. We must devote our attention to encouraging and enabling low income Americans to move forward as they see fit -- through education, employment, self employment -- to build their economic future and ours. Only by creating viable paths out of poverty for those ready and able to move can we shrink the number of families dependent on public support and increase the adequacy of that support.

This strategy offers to expand the economic pie while including in that greater prosperity people and communities confined to the margins of the mainstream economy. It an investment strategy designed to yield returns substantially in excess of the initial investment. It coheres with the values of most Americans who believe fundamentally with the proposition that all people deserve a reasonable opportunity to support themselves and their children. It can breed social respect, trust, cohesion. Perhaps that is why provisions like these are included in most of the proposed reform bills being considered in the Congress, reflecting the broad, bipartisan support they command.

If we are to reduce the size (and expense) of the welfare caseload, and at the same time, reduce the need for welfare (that is, reduce poverty), then we will have create paths to sustaining private sector jobs. We know that a large -- perhaps the largest group of welfare recipients -- are not people who rely on welfare briefly and then leave permanently, nor those who remain dependent on welfare for long and continuous spells (<15%), but folks who cycle between welfare and low-wage temporary jobs or training programs which do not lift them out of poverty.[1] Even the most successful welfare reform programs, like the GAIN program in Riverside, California, find that at the end of three years, more than half of recipients are still on welfare and without work, and 80% of program participants are still poor.[2] In many American communities, the jobs needed to lift recipients out of poverty are simply not available in sufficient numbers.

There are three key strategies for opening the doors to economic independence to welfare recipients and their families:

- **Reduce the penalties** confronting welfare recipients who try to escape poverty through education, work, self employment or saving.
- **Encourage enterprise** by including self-employment and targeted enterprise development as eligible and supported activities in any work program.
- **Build Assets** by matching the savings of poor and working poor Americans in Individual Development Accounts used for education, training, home ownership or business capitalization.

Devolution and Empowerment

Before reviewing these recommendations, let us comment briefly on devolution and empowerment. As economic development professionals, most of our work over the last two decades has been at the state and community level. That was due, in no small part, to the fact that states and localities were the most willing to move and innovate; for them, business as usual was riskier that the possible failure at trying something new. So innovate they did -- pragmatically, conscientiously, within the bounds permitted by the Federal government and their own resources.

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1 See Mark Greenberg, Beyond Stereotypes: What State AFDC Studies on Length of Stay Tell Us About Welfare as a "Way of Life," Washington, D.C.: Center for Law and Social Policy, July 1993.

2 James Riccio, Daniel Friedlander, and Stephen Freedman, GAIN: Benefits, Costs and Three-Year Impacts of a Welfare-to-Work Program, New York: Manpower Demonstration Research Corporation, c. 1994; also Testimony of John W. Wallace before the Subcommittee on Human Resources of the House Ways and Means Committee, August 9, 1994.

We therefore come before you with enormous respect for the capacity of states and localities to govern themselves, and a very practical understanding of the harm done by undue restrictions and fragmentation in Federal programs. We believe in devolution of authority and responsibility to the state and local level.

But we also believe that the real devolution and empowerment must accrue to individuals -- even low income people themselves -- and their community associations and institutions. How do communities (and the individuals within them) develop? We think John McKnight provides the most succinct and accurate answer:

> [E]ven the poorest neighborhood is a place where individuals and organizations represent resources upon which to build. The key to neighborhood regeneration...is to locate all of the available local assets, to begin connecting them with one another in ways that multiply their power and effectiveness, and to begin harnessing those local institutions that are not yet available for local development purposes.[3]

The beginning of development lies with people aspiring to a better life:

> "All the historic evidence indicates that significant community development only takes place when local community people are committed to investing themselves and their resources in the effort. This is why you can't develop communities from the top down, or the outside in. You can, however, provide valuable outside assistance to communities that are actively developing their own assets...Communities have never been built upon their deficiencies. Building community has always depended upon mobilizing the capacities and assets of a people and a place."[4]
>
> "Every single person has capabilities, abilities and gifts. Living a good life depends on whether those capacities can be used, abilities expressed and gifts given. If they are, the person will be valued, feel powerful and well-connected to the people around them. And the community around the person will be more powerful because of the contribution the person is making.
>
> "Each time a person uses his or her capacity, the community is stronger and the person is more powerful. That is why strong communities are basically places where the capacities of local residents are identified, valued and used."[5]

"Community development," McKnight notes, is "asset-based, internally-focused and relationship driven:"

- Asset-based: Community development "starts with what is present in the community, the capacities of its residents and workers, the associational and institutional base of the area."[6]
- Internally-focused: "The development strategy focuses first of all upon the agenda building and problem-solving capacities of local residents, local associations and local institutions ... [T]his ... internal focus is not intended to minimize either the role external forces have played

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[3] John L. McKnight and John P.Kretzmann, ***Building Communities from the Inside Out: A Path Toward Finding and Mobilizing a Community's Assets***, Chicago,IL: Northwestern University Center for Urban Affairs, c1994. p. 5

[4] John L. McKnight and John Kretzman, "Mapping Community Capacity. Evanston, IL: Center for Urban Affairs and Policy Research, unpublished paper. c1992.

[5] Ibid. p. 13

[6] Ibid. p. 9.

... not the need to attract additional resources to these communities ... Rather this strong internal focus is intended simply to stress the primacy of local definition, investment, creativity, hope and control."[7]

- Relationship driven: One "of the central challenges for asset-based community developers is to constantly build and rebuild the relationships between and among local residents, local associations, and local institutions."[8]

That is why we believe that welfare reform must empower welfare recipients, their families and communities, even as it imposes the full responsibilities of citizenship upon them.

Recommendation One: Reduce the Penalties

Perhaps the greatest problem with the current welfare system is not so much that it rewards indolence as that it penalizes effort. Under current law, welfare mothers who save for their (or their children's) college education, purchase (or are loaned) business equipment, or simply save for a rainy day, and thereby exceed the $1,000 asset imitation lose both AFDC and Medicaid eligibility. The effective tax rate on earned income can reach 100% or more, making work uneconomic. And the only kind of car allowed is one virtually sure to break down, making steady employment impossible. Medicaid and child care are often denied people pursuing employment and self employment, and withdrawn too soon to allow for the transition to self-sufficiency.

Welfare reform must address and reduce these sorts of penalties if the energies of recipients are to be unleashed. We must at least allow welfare recipients to move toward full participation in the mainstream economy -- as skilled employees, entrepreneurs, savers and investors. That is, we must make work pay.

Section 605 of H.R. 4, The Personal Responsibility Act (PRA) wisely recognized the counter-productivity of such penalties, and would disregard resources and income designated for education, training, employability and self-employment. More specifically, Section 605 would allow the accumulation of up to $10,000 in a qualified savings account or a microenterprise, and treat as income only the net profits taken out of a microenterprise. These provisions are important, crucial and commendable. We strongly support them.

There are a few other barriers to pursuing economic independence that should also be reduced:

- **The Automobile Asset Limit:** AFDC recipients are currently only allowed to own a car worth $1,500, that is, one virtually assured to break down. Especially in rural areas where there is little public transportation, this limit means that AFDC recipients cannot reliably reach the job or training program that offers an escape from poverty. At the very least, we should increase the automobile limit in the AFDC program to conform to the Food Stamp Program's $4,500 market value. As of July of last year, 25 states had requested or been granted waivers to the AFDC automobile asset limits.[9]

- **The Treatment of Earned Income:** After four months, welfare recipients who work find their grant reduced a dollar for every dollar earned (after a work expense disregard). This translates into an implicit tax rate of 100%. When one examines the

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[7] Ibid.
[8] Ibid.
[9] Julie Strawn, Sheila Dacey, and Linda McCart, Final Report: The National Governor's Association Survey of State Welfare Reforms, Washington, D.C.: National Governors' Association, July 1994.

interaction of AFDC, Food Stamps, Medicaid, and Housing subsidies, the effective tax rate can rise to 300%. It is not difficult to understand that such penalties discourage work. It should not be surprising then that a majority of the states (28 as of the middle of last year) had requested or received waivers to disregard a greater share of earned income. Nor should it be surprising that states which have reduced these penalties have experienced substantial increases in the percentage of welfare recipients working and reporting earned income along with significant decreases in average grant levels. Indeed, a number of states which have begun to reduce the penalties for employment and self employment in many of the ways outlined below have indeed experienced just these effects. Michigan's increase in the work disregard to $200 and 20% of earnings resulted in a increase in the percentage of the caseload employed from 15.7% in September 1992 to 23.3% by December 1993; Utah's $100 and 45% disregard increased employment from 18% to 24%; Illinois 2/3 disregard increased percentages by 33%; and Iowa's earnings, assets, and family provisions increased the percentage 69% while reducing grant levels 7% in nine months. While the experience is too young to derive a full cost-benefit for these changes, this early experience at least suggests changes in the expected direction. We strongly recommend that welfare reform legislation reduce the effective tax (the benefit reduction ratio) on earned income by fully disregarding work-related expenses and reducing the welfare grant by no more than 50 cents for each dollar earned.

- **Earnings of Children:** Twelve states have requested or received waivers to disregard the earnings of minor children to encourage enterprise and work. We believe that such an exemption would pay for itself in both behavioral and economic terms.

- **Public Housing Rents:** Public housing rents rise as income does, often rising above the fair value of the housing and making working uneconomic. Such rents should be capped at some level to increase work motivation.

The question arises of whether such reductions in the penalties confronting welfare recipients who try to escape the bonds of poverty should be at the option of states, or made uniform across the nation. At the very least, they should be made optional: by their actions, a majority of states have asked for the ability to reduce such barriers through waiver requests. We do not yet have final cost-benefit figures for these changes, nor do we know the optimal level of the disregards (for example, state increases in earnings disregards range from disregarding the first $30 and 1/6 of additional income in Wisconsin to disregarding 100% of earnings in Massachusetts), so allowing experimentation makes sense.

On the other hand, there is more demand from states and more evidence of the effectiveness of these sorts of changes than for many of the provisions (like family caps and denial of benefits to children born out of wedlock) which would be imposed on all states by H.R. 4. Moreover, since these sorts of changes require easing eligibility standards and thus risking short term increases in costs in return for longer term savings -- half of which would accrue to the Federal Government -- there is a strong Federal interest in reducing the impediments to state action. Finally, given the overwhelming, bipartisan desire to reorient the welfare system toward promoting work, removing these work disincentives become central to transmitting the changed message. Finally, this is one area where we perhaps need to draw the line between empowering states and empowering people: the opportunity to confront the economic and social challenges of moving into the mainstream economy without undue interference from the welfare system is one that we may want to reserve to people themselves, not the government.

Welfare reform legislation should at least allow and preferably direct states to raise general and automobile asset limits, allow the accumulation of up to $10,000 in a qualified asset account restricted to use for education, home ownership and business capitalization, increase the earned income disregard, reduce grants only for net self employment income taken out of a business, limit rent increases in public housing, and permit retention of earnings by children.

Recommendation 2: Encourage enterprise

We know that at least in some communities, there are simply not enough jobs available to welfare recipients seeking work, and especially of full-time jobs offering wages capable of sustaining a family. While we can debate the extent of this jobs shortfall among welfare recipients and in poor communities, there is little disagreement with the proposition that it makes no sense to deny unemployed welfare recipients a reasonable opportunity to create jobs for themselves (and their neighbors). Indeed, the key to a more competitive and inclusive economy lies in encouraging all our citizens, including welfare recipients to become economically active. While most businesses created by welfare recipients would likely be quite small -- generally employing 4 or fewer employees and thus termed microenterprises -- it should be noted that between 1989 and 1991 (the most recent period for which this data is available), these smallest of firms created virtually all of the net new jobs in the country (some 2.6 million jobs net).[10]

In 1986, the Corporation for Enterprise Development (CFED) launched the Self Employment Investment Demonstration (SEID), a multi-state[11] demonstration project designed to test the extent to which self employment might offer a feasible and promising route out of poverty for AFDC recipients. While the final evaluations of SEID are not yet complete,[12] SEID has already yielded important lessons about the role self employment can play in reducing welfare receipt -- and the need for welfare. Among SEID's lessons for welfare reform:

- **A small but significant number of welfare recipients will choose to start businesses and can do so successfully.** As of September 30, 1991, 371 businesses were started by welfare recipients.[13] Seventy-nine percent of SEID businesses are still operating 2-5 years later.[14] Overall, 57% of participants in SEID had positive outcomes including business operation, employment or education.[15]

- **Self-employment offers the potential for substantial welfare savings.** The Manpower Demonstration Research Corporation (MDRC) found that 61% of SEID participants were long term recipients,[16] suggesting that if self-employment indeed

10 "New Data Show Smallest Firms Are Nation's Greatest Job Creators," Washington, D.C.: Small Business Administration, Press Release, September 30, 1994.

11 Five states -- Iowa, Michigan, Minnesota, Mississippi, and Maryland -- participated in SEID.

12 The results of a survey of [120] SEID Business Owners conducted by the School of Social Work of the University of Iowa will be released in a month, and the results of cost benefit studies and CFED's own assessment of the lessons should follow closely upon the heals of that release.

13 Data from program records. See "Lessons from the Self Employment Demonstration," Washington, D.C.: Corporation for Enterprise Development, October 1991.

14 Salame Raheim and Catherine Foster Alter, Self-Employment Investment Demonstration Final Evaluation Report, Part I: Participant Survey, Iowa City, IA: School of Social Work, University of Iowa, forthcoming.

15 See "Lessons..." op. cit.

16 Cynthia A. Guy, Fred Doolittle, and Barbara L. Fink, Self-Employment for Welfare Recipients: Implementation of the SEID Program, New York: Manpower Demonstration Research Corporation, August 1991, p. 88. MDRC did note that since SEID participants were significantly different from other long term recipients

offered an escape from welfare, substantial savings could accrue. A subsequent survey of SEID business owners found that the percentage reporting primary dependence on AFDC as a source of income declined from 74.2% of the sample at entry into SEID to 25.8% now -- a 65% decrease.[17] Reliance on Food Stamps as a secondary source of income decreased by 62%, from 42% to 16%.[18] Collection of child support increased by 13%.[19]

- **Self-employment increases incomes and assets of welfare recipients, as well as producing significant intangible effects on family welfare, self esteem and education levels.**[20] Fifty-five percent of SEID business owners surveyed were producing their own primary source of income through their businesses, more than 6 times the number that could rely on income from their business before enrolling in SEID.[21] But even those businesses that were currently unable to produce rising incomes were well positioned to do so in the future, as SEID recipients reinvested earnings in building their businesses, averaging a net asset gain of $4,859 per business. Personal assets increased as well, as did housing quality, self esteem, respect of the community, and relationships with children and spouses/partners.[22]

- **Microenterprises started by welfare recipients can create additional jobs and become a source of enterprise growth in low income communities.** Minorities and women participated in SEID in proportion to their presence in the population, suggesting that self-employment might provide a means of equalizing business participation rates for groups and communities traditionally underrepresented in business.[23] One quarter of the businesses created jobs in addition to that of the business owner, so that overall, SEID businesses created 1.53 jobs per business.[24]

- **Welfare recipients are a varied group who entered poverty for different reasons and will escape through different routes. Among the poor are people of considerable talent and energy whose futures are limited by lack of opportunity, not lack of capacity.** Most SEID participants were long term welfare recipients with larger than average families and stronger educational backgrounds and work histories than most recipients -- a group no one previously identified.[25] This should remind us that welfare recipients are not a homogeneous group of irresponsible and untalented people, and that any one-size-fits-all welfare reform is likely to fail.

- **Policy must change if self-employment is to become a viable option for welfare recipients.** Sixty-nine percent of SEID business owners in the survey

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(having higher-than-average educational and work experience backgrounds as well as larger families) it is unknown whether their prospects are similar to other long term recipients.

17 Raheim, op. cit., p. xi

18 Ibid.

19 Ibid.

20 Ibid.

21 Ibid.

22 Ibid.

23 "Lessons..." op. cit.

24 Ibid.

25 Guy, loc. cit.

reported that they could not have started their business without the Federal waiver of current AFDC policies.[26]

It should be noted that self-employment is not an option for most welfare recipients, but each 1% of welfare recipients choosing self-employment means nearly 50,000 businesses and 75,000 jobs. Moreover, while MDRC concluded that self-employment programs were so difficult to run that any significant program would be impossible, the fact is that however difficult they are to mount, hundreds of self employment/ microenterprise programs have grown up around the country in the years since SEID designed to help low income and unemployed people start businesses. Though still young and maturing, 195 of these programs in 44 states have already served more than 200,000 disadvantaged Americans, started 22,000 businesses, expand 34,000 and lent $44 million.[27] Most (at least two-thirds) of these programs already attempt to serve welfare recipients, although the barriers noted above make it difficult. In addition, promising models of training enterprises, sectoral initiatives, cooperatives, wage subsidies and placement bonuses are emerging around the country.[28] Though these initiatives are not sufficient to fill the need, if developed and supported, they offer to create jobs targeted to welfare recipients in an increasingly cost-effective manner.

Based on this experience, we recommend that any Federal welfare reform legislation not only remove the asset and income barriers to self-employment noted above, but also **make self employment and other targeted job creation initiatives an option in any work program, and render them the same support afforded to recipients who chose education or wage employment.**

Self employment is not the only job creation or enterprise development strategy which shows promise for welfare recipients and low income urban and rural communities. Training enterprises, cooperatives, sectoral development strategies, and innovative job placement strategies -- all are showing increasing sophistication and effectiveness.[29] Most poor communities evidence unemployment (and underemployment) rates several times the general average, and can use all the job creation and enterprise development initiatives we know how to mount. It is unlikely that a general block grant welfare reform bill, even if it allows states to mount such efforts, will take advantage of the opportunities now at hand, or support the kind of learning, maturation, and spread of job creation/enterprise development efforts that is now possible. Given the pressure on state budgets **any Federal welfare reform bill that is serious about job placement, job creation, job upgrading or enterprise development, must include a specific fund for innovation in job creation and placement that is available to states on a competitive, performance basis. Such a fund should not be less than $100 million, and it should require monitoring of results in terms of long term placement, job creation and wage rates and should include a mechanism for sharing successful innovations.**

Recommendation 3: Build Assets

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26 Raheim, et. al.

27 Margaret Clark, Tracy Huston and Barbara Meister, 1994 Directory of U.S. Microenterprise Programs, Washington, D.C.: Self Employment Learning Project of the Aspen Institute, c1994.

28 For a review of model programs see William Schweke, Jobs for the Poor, by the Poor, Washington, D. C.: Corporation for Enterprise Development, forthcoming.

29 Ibid.

As Michael Sherraden argued in his seminal book, Assets and the Poor: A New American Welfare Policy[30], people escape poverty and achieve wealth through asset acquisition, not simply income. One of the clearest failures of current welfare-to-work policy is that we raise people only to the poverty line, leaving them without a cushion, and therefore one sickness, one accident or one divorce, away from poverty. Indeed, we now know that the key employment challenge is not connecting welfare recipients with their first job, but developing long term employment in jobs capable of sustaining a family above the poverty level. Owning assets give people a stake in the future -- a reason to save, to dream, to invest time, effort, resources in creating a future for themselves and their children. As Sherraden notes, "Income may feed people's stomachs, but assets change their heads."

In the earliest stages of this republic, Thomas Jefferson recognized that property-holding lay at the heart of full participation in American political, social and economic life. In Assets and the Poor, Sherraden notes that people escape poverty the same way they achieve wealth: through asset acquisition. Accumulating even a small pool of savings buffers a family from the illnesses and accidents that otherwise become crises; they give the luxury of imagining a future brighter than the present; they enable people to plan and prepare for that future, and ultimately to invest in themselves and their children. People are often surprised at the suggestion that welfare recipients who scarcely have adequate resources to eat or find shelter might be willing to save money. But in public housing complexes and poor communities around the country families choose to forgo current consumption and put a few dollars away... because that is the price of family stability, the price of hope. It is people without hope that have children they can't care for and trifle with their own lives and those of others; "Assets," notes Sherraden, "are hope in concrete form."

One third of American households are asset-poor, in that they have no or negligible investable assets.[31] Twice that -- some 67% of African Americans -- are asset-poor. And asset poverty has been increasing for at least two decades.[32] This comes at a time when the price of entry to the American economic mainstream -- measured in terms of the cost of an adequate education, business capitalization or home ownership -- has increased. Asset owning has become a sort of economic grandfather clause, every bit as insidious as the voting clauses of days passed that said you could only vote if your grandfather did.

This pattern of asset-holding is abetted by a bifurcated national policy: we subsidize asset acquisition for the non-poor to the tune of $160 billion annually at the Federal level in the form of the home mortgage deduction, preferential capital gains, and pension fund exclusions. Meanwhile, we actually penalize asset acquisition by the poor by denying eligibility to welfare recipients who exceed the $1000 asset limitation by acquiring the piece of business machinery that could enable them to create their own job, or saving for their or their children's college education, or acquire a car capable of reliable transportation to work.

It is possible to create asset building policies that do not discriminate against the poor. In the Homestead Act, we provided 160 acres and a mule to Americans willing to work the land. Through the GI Bill we bought college education's for a generation of people who served their country in time of war; they in turn drove our post-war economic expansion.

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30 Michael Sherraden, Assets and the Poor: A New American Welfare Policy, Armonk, N.Y.: M.E. Sharpe, Inc., c1991.

31 M.L. Oliver and T.M. Shapiro, "Wealth of a Nation: At Least One Third of Households are Asset-Poor," *The American Journal of Economics and Sociology*, vol. 49, No. 2, April 1990. pp 129-150.

32 Ibid.

We need to develop policies which will help all Americans, including welfare recipients willing to work and save, build the assets which they need to achieve self sufficiency for themselves and growth for the economy.

Individual Development Accounts (IDAs) are leveraged saving accounts which permit savers to withdraw funds only for select purposes such as higher education, capitalizing a small business or a down payment on a home. IDAs are an effective vehicle to assist low income individuals accumulate assets and invest in their own personal development. Deposits by low income savers in an IDA can be matched by other individuals, church congregations, employers and government.

There are several IDA pilot projects currently being operated by churches, corporations and community based organizations around the country -- in places as far flung as Tupelo, Mississippi, Indianapolis, Indiana and Bozeman, Montana. "I Have A Dream" Programs in 44 cities promise college tuition's to students who stay in school; savings clubs proliferate in public housing complexes where women match each others savings to provide an emergency fund all can tap; banks and churches are developing home ownership programs wherein savings for down payments on houses are matched; and low income entrepreneurs build up assets in their businesses. Six states have sought or been granted waivers which allow AFDC recipients to build up savings in qualified asset accounts. Iowa has authorized a pilot program of Individual Development Accounts under which the state will provide refundable tax credits to Iowans below 200% poverty. Oregon's Jobs Plus program provides that employers who hire welfare recipients with a hiring subsidy paid for by cashing out AFDC and Food Stamp benefits deposit $1 for each hour worked into an IDA earmarked for future education and advancement. More states, organizations as diverse as the National Congress of Black Churches, the National Federation of Community Development Credit Unions, banks, and thousands of microenterprise programs and neighborhood development corporations stand eager to launch IDA programs if only the Federal government will become a partner.

We recommend that as part of welfare reform, Congress authorize a five year, $500 million IDA Demonstration which would leverage the development of 100,000 IDA accounts for low income Americans (not just AFDC recipients, but also working poor households making less than $25,000 annually). Bills with such provisions have been introduced in previous sessions of the Congress by bipartisan sponsors including Tony Hall, Bill Emerson, Bill Bradley and Orrin Hatch. A more modest version of a national IDA demonstration was introduced as part of the Administration's proposal last year.

Building assets for the poor ought to be considered in another context as well. After all, our argument here is not that asset-building is important for the poor, but that it is important for all Americans; unfortunately, policy to date has subsidized asset development only for the non-poor. Later this session, this Committee and this Congress will consider expanding Individual Retirement Accounts so that this asset-building tool can be used by middle income and wealthier Americans for education, home ownership and medical care as well as retirement. Included in the Contract With America, this proposal has also been endorsed by the President. For all the reasons cited above, this effort to reaffirm the American Dream makes sense. But as currently proposed, as for example, in S. 12 introduced by Senators Roth, Breaux, Pryor and Murkowski, the "Savings and Investment Incentive Act of 1995" would continue the discriminatory bifurcated policy that offers tens of billions of tax incentives to the non-poor while leaving most poor and working poor out. To the credit of the sponsors of this legislation, it does address the issue of assets for the poor -- it contains provisions that would lift the asset penalties for AFDC savers noted above. But while it would allow the poor to accumulate assets in a demonstration under rigorous evaluation requirements, it would provide tens of billions of dollars in tax incentives to the non-poor as an entitlement and without any evaluation. We would argue that what is good for the non-poor is good for the poor. **We recommend that "American Dream Savings**

Account" proposals, like that just passed by the House Ways and Means Committee be amended in two ways:

- **Expand the allowable uses to include verifiable business investments;**
- **Add a refundable tax credit equal in value to the benefit conferred on higher income savers for American households with less than $25,000 a year in household income. These tax credits should match all savings in a qualifying account up to a maximum of $480 per year or $1,000 per account.** This would encourage private, state and local matches. The refundable tax credit could be deferred until withdrawal from the account.

Costs and Returns: It may well strike you as unrealistic for us to come before you with proposals to invest $500 million to several billion over 5 years in asset development for the poor at a time when the search for cuts to even proven spending programs proceeds in earnest. But just as poor Americans who can ill afford less food and shelter choose to save for the possibility of a better future, so must the country.

Individual Development Accounts represent the center of a new investment policy in contrast to the current income/consumption maintenance policies. We use investment in the old-fashioned and precise sense of an application of resources today that creates greater returns tomorrow. We at CFED have recently estimated the likely outputs of an investment in IDAs, and will soon release a return on investment analysis based on the best available data. We estimate that 100,000 accounts with an average personal saving of $10 a month by low income Americans, matched 1:1 by private individuals and state and local governments, with the Federal government matching those contributions will produce in just 5 years:

- 10,000 businesses
- 30,000 first homes
- 30,000 post-secondary educations
- 63,000 job-years
- $450 million in business revenues
- $500 million in personal income increases
- $190 million in savings in community institutions[33]

A more conservative and rigorous examination of the probable returns from a national investment in Individual Development Accounts suggests that over 10 years:

- For every $1 invested by Federal government in IDA's, government will accrue more than $4 in direct increased tax revenues and savings for a internal rate of return well over 30%
- The investment by the Federal government matching savings up to $1,000 per IDA holder results in an additional $18,000 in benefits to each IDA holder, more than $2,000 to states, and $3,000 to society at large in the form of new jobs and improved economies.

These figures assume that one-half of the outputs noted above would have occurred otherwise; that is, we cut the estimated returns in half. They do not quantify expected changes in hope, initiative taking, family stability, civic participation, and involvement in children's' education's. In a larger sense, of course, these projections are like the returns included in the business plans of proposed ventures: we will never know the true returns unless we risk the investment.

We hope this Committee will embrace the full promise of welfare reform, attempting not only to curb the wrongs, but seizing also the opportunity to build families and communities and economies.

33 Robert E. Friedman, "Assets in the 21st Century American City," Washington, DC: Corporation for Enterprise Development, 1994.

PREPARED STATEMENT OF JUDITH M. GUERON

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I appreciate the opportunity to appear before this Committee today to present what is known about the success of welfare-to-work programs.

BACKGROUND: ADDING A PARTICIPATION REQUIREMENT TO AN ENTITLEMENT

As background, it is critical to recall why a work strategy has been at the forefront of welfare reform efforts for the past 30 years, and why current proposals make the success of this approach even more vital.

The welfare reform debate in this country reflects a dilemma identified as long ago as the Seventeenth-Century English Poor Laws: Is it possible to assist poor people without, by that very act, giving them incentives for behavior that perpetuates poverty and dependency? In particular, is it possible to provide support for employable people without discouraging work?

This reform dilemma arises because, as a nation, we have two conflicting goals for welfare. First, Americans do not want children to be poor, and thus our first goal is to reduce child poverty. The most direct way to do this is to provide the parents of poor children with money. But, second, Americans also think that parents should be working and supporting their children. One way to encourage this is to reduce welfare benefits so that work is the only reliable alternative to starvation.

However, children and their parents are a tied sale: You cannot help one without helping the other. Thus, it is hard to get tough on parents and yet continue to provide a safety net to support their children. When the federal government began providing income assistance to poor families, as part of the Social Security Act of 1935, times were different and, for single mothers, the public placed primary emphasis on the first objective. Thus, the Aid to Families with Dependent Children (AFDC) Program was explicitly created to help single mothers stay out of the labor force and take care of their children. One researcher, Gilbert Steiner of the Brookings Institution, has called AFDC's enactment a national commitment to the idea that a woman's place is in the home. The public thought this was fair because, at that time, fewer middle-class women were working and because AFDC supported a popular group (primarily widows or the wives of disabled workers). People did not care if welfare reduced this group's work effort (they intended it to) or remarriage rate. Contrary to what you hear, individual welfare entitlements were not meant to be temporary.

However, with the extraordinary tripling of labor force participation by women over the last 40 years, the public no longer thinks it is fair to support poor single mothers, when other women are working for little money and often not by choice. That welfare mothers are now more likely to have had children outside of marriage adds to their unpopularity.

Beyond equity issues, the public is concerned that welfare creates perverse incentives and worries that if you pay for something, you will get more of it. The fear is that a welfare system that provides funds mainly to women who are single mothers promotes illegitimacy by enabling women to support their children without depending on men. While the research record is not clear on how much welfare has promoted single and unwed motherhood, the concern persists.

These developments undermined support for the original idea that welfare should provide an alternative to paid work. Instead, a new basic compromise was forged: A mandatory welfare-to-work strategy was added, and the notion of welfare as temporary and transitional was introduced. Under this approach, Congress has maintained the basic AFDC safety net, but added work-related mandates in an effort to mitigate the unintended consequences that might flow from providing assistance. In effect, AFDC was changed from a no-strings-attached entitlement—if you were poor, you got money—into a reciprocal obligation, under which, to get full income support, people would have to participate in some work-directed activity or work itself.

The attractiveness of the work strategy was its promise to reconcile society's two goals. Yes, families (and thus children) would continue to get income, but that income would be reduced unless the parents took steps toward work. The hope was that new requirements would simultaneously change the values conveyed by the welfare system, make welfare less attractive, and provide services that would speed the transition to self-support.

The general approach was that welfare recipients would have to participate in activities designed to help them get an unsubsidized job—activities such as job search, education, skills training, or unpaid work—or risk losing some share of their welfare benefits. Since 1967, there have been several visions of how to make this mandate real. Under the Work Incentive (WIN) Program during the 1980s, the emphasis was on getting women with school-aged children to look for work. Research showed that the resulting relatively low-cost job search programs could be cost-effective, but that many people remained on welfare and those who went to work got low-paying jobs. This led to a more ambitious focus in the Family Support Act of 1988 and the Job Opportunities and Basic Skills Training (JOBS) Program it established: extending the mandate to women with younger children and providing a mix of services—with an emphasis on education and training—in an effort to further promote work, reduce poverty, and decrease long-term dependency. While some people emphasized that WIN and JOBS involved participation in employment-enhancing activities, others argued that those who were not successful in finding regular jobs would have to work in government-created community service positions in order to receive continued income support. Most recently, advocates of the latter approach propose setting a firm limit on the length of time people could receive employment services, after which the only option for continued public support would be some form of work.

Over the past 25 years, states have struggled to make a conditional entitlement real. This has proven difficult. Where successfully implemented, such programs have increased work and reduced reliance on welfare but, alone, these programs do not appear to work miracles. Does this mixed experience suggest that it is time to abandon the basic compromise of the welfare-to-work strategy?

In this testimony, I argue that the answer is a compelling "no," and that, quite to the contrary, our nation should now redouble its efforts to make this transformation succeed. This is because work strategies still offer the best hope for reconciling society's dual goals and containing costs. Moreover, if we care about protecting children, successful welfare-to-work programs will be even more urgent if Congress or some states decide to place time limits on welfare (followed either by work or a cutoff in all income support). However, making a work strategy succeed does not mean continuing business as usual. The average welfare-to-work program falls far short of the potential. There are some clear steps that the federal government and the states can take to improve program effectiveness.

In this testimony, I also raise a caution. Those of you who want to expand work mandates should pay close attention to the incentives created by changes in the federal financing structure. Using a single block grant to fund welfare benefits and work programs is likely—in low-grant states and possibly others as well—to have the perverse effect of squeezing out innovative and demanding work programs. Under fiscal pressure and with short time horizons, states will hesitate to make the up-front investments that can both produce future savings and transform welfare into the work-directed program favored by most Americans.

WHAT CHALLENGES DO WELFARE ADMINISTRATORS FACE IN TRANSFORMING AFDC?

Administrators face four challenges in transforming AFDC into a work-focused mandate that moves people permanently from welfare to work. The first is resources. Enforcing participation requires an up-front investment in staff (to connect people to services, monitor their participation, review reasons for nonparticipation, and cut grants if people do not play by the rules); in providing activities (job clubs, training, work slots, etc.) that are sufficiently plentiful to give teeth to the mandate; and in child care, transportation, and other support services so that AFDC mothers can participate.

The second is changing the culture of JOBS program offices, and possibly welfare payment offices as well. Laws are made in Washington and state capitals, but policy becomes real in the exchange between welfare staff and recipients. The past focus on rooting out fraud and abuse has put the accurate determination of people's eligibility for benefits at the top of the agenda in most welfare offices; getting them into jobs has been something of an afterthought. Moreover, efforts to change this have often left staff overwhelmed and confused: They are told to provide in-depth support and to closely monitor recipients, but have caseloads of several hundred; they are given contradictory goals of simultaneously transforming people's earning capacity and getting them jobs quickly; they are told to get jobs for potential long-term recipients, but not how they might accomplish this. Changing the culture in JOBS offices will require clear priorities, adequate staff, and sufficient resources.

The third challenge concerns the women themselves. AFDC recipients are an extremely diverse group, with some being highly employable and others being close to disabled, although not eligible for Supplement Security Income (SSI) benefits. A recent survey of people who were targeted for the JOBS program in selected sites shows that between a quarter and half lacked prior work experience, at least a third had extremely low literacy skills, and more than a quarter said they could not participate at that point in time because they or their child had a health or emotional problem. (The share unable to participate would have been larger if the survey had covered all AFDC recipients, i.e., including those not currently subject to the JOBS mandate.) But, somewhat surprisingly, the same survey shows that welfare recipients support the idea of participation mandates. Furthermore, the vast majority say that it is fair to make people on welfare get a job, even if they do not want to.

The final challenge, which affects the ability of any work-focused mandate to succeed, comes from the job market and economic incentives facing welfare recipients. In pushing recipients to work, and equipping them for it, states have been swimming upstream against the strong current of declining wages for the low-skilled. The combination of the low wages they command and the perverse rules of the welfare, Medicaid, and child care systems—where people can be worse off working than on welfare—means that welfare recipients have little economic incentive to work.

The last two challenges—low skills and little economic incentive to work—help explain why welfare recipients who take jobs often leave or lose them quickly. The first two challenges—adequate resources and a new message—are areas where federal structural and financing policies will be critical.

WAS JOBS IMPLEMENTED? HAS JOBS FAILED?

Reports from the General Accounting Office, the Rockefeller Institute of Government at the State University of New York, and MDRC show huge variability in the success of states in implementing a work-focused mandate. JOBS was supposed to provide both carrots and sticks: offering employment-directed services, but requiring that people participate and take steps toward self-sufficiency. In 1988, the public was led to expect that the new legislation would fundamentally change the message and character of welfare and reduce the rolls. In some places, as a result of JOBS, welfare is now very different; but in many places, it is not. The reasons are clear: States had little knowledge of how to implement high-performance programs; there was no consensus on goals and the means to reach these goals; and, most importantly, JOBS programs did not have the resources to make the mandate real for most of the AFDC caseload, especially since the program was implemented during a recession that drove up the rolls and limited states' ability to provide the match to draw down available federal funds. As a result, JOBS has provided some new education and training services for welfare recipients, and states have largely met the participation targets set by Congress. But in many places it operates as a voluntary program, which clearly was not the intent of the Family Support Act.

While the national experience is mixed, studies have identified clear examples of excellence: JOBS programs that have successfully implemented a participation mandate, changed the nature of welfare, and gotten many welfare recipients to substitute earnings for AFDC payments. I will turn to the findings in a minute, but the larger lesson I want to stress now is that we know that JOBS can do much more than it has so far accomplished. In this area, we act on knowledge, not hope. The challenge is to learn from and build upon the more successful programs.

WOULD JOBS MATTER IN A WORLD OF TIME-LIMITED WELFARE?

Is this worth doing? Does JOBS have a role in an era of time limits and cut-offs? Making JOBS-type programs work better can not only respond to the public's dissatisfaction with no-strings-attached assistance, but is also vital to making a time limit—either with some form of mandatory work at the end or with all support simply ending—feasible and affordable, and reducing the misery involved in such a transformation.

I say this because, from a state perspective, it seems that the risk of a time limit will be too high unless more people than is now the case leave welfare before reaching the limit. If not, too many people will "hit the cliff" and either require subsidized work, which will cost the public more than cash welfare, or face a dramatic loss of income, with unknown effects on families and children and, ultimately, public budgets.

Thus, building high-performance JOBS programs is not an alternative to, but a prerequisite for, any form of time-limited welfare. The challenge in Washington is to assure that the resources, incentives, and knowledge are there to make this investment feasible; the challenge in the states is to make a reality out of JOBS' potential.

IF JOBS REMAINS CRITICAL, WHAT IS ITS POTENTIAL?

Successful JOBS programs can impose a real participation mandate, increase employment, and reduce welfare costs.

1. What Is the Maximum Feasible Participation Rate?

It is easy, sitting in Washington, to assume that anything less than 100 percent participation means that administrators are not taking the JOBS mandate seriously. But if legislation is to reflect reality, it is critical to understand why this is not a reasonable goal, even for the toughest administrators (those committed to getting everyone to participate) or those with the resources to reach all eligible people. Evidence from two highly mandatory special demonstration programs that had substantially expanded funding points to two key lessons. First, it will cost more money to increase program participation rates. Second, in a typical month and by working with all people subject to the mandate (a subset of the full welfare caseload), administrators could get 50 to 60 percent of them either to be active in the program or to hold an unsubsidized job (usually part time) while remaining on welfare. The reasons for nonparticipation varied: Some people were waiting to begin participation, some were excused because of temporary illness or to care for a disabled child, some were considered unemployable, some had grants too low to warrant work-for-benefits assignments, and others were having their grants reduced (i.e., they were being sanctioned) for noncooperation.

Current proposals risk undermining public confidence in successful programs (including the Riverside program described below) by demanding rates that are unattainable and unaffordable, such as monthly rates of up to 50 percent that cover everyone on welfare (including, e.g., people with health problems) and count as participants only people who are active for 35 hours a week (requiring states to come up with funds to pay for both lengthened work activities and extended child care).

2. How Much Can JOBS Change Behavior and Save Money?

MDRC has recently completed an eight-year, six-county study of 37,000 people in California's GAIN program, the nation's largest JOBS program, which shows several models of success. While, on average, GAIN succeeded in increasing earnings and reducing welfare benefits, impacts were at least twice the average—and, indeed, the most impressive measured to date—in Riverside County. There, GAIN led to a 26 percent increase in the share of AFDC recipients working, a 49 percent increase in average earnings, and a 15 percent decline in welfare outlays, all of which helped the program return to taxpayers almost $3 for every $1 spent to run the program. Riverside produced dramatic results for all groups in the caseload, including very long-term recipients (who were on welfare continuously for at least six years), people with poor educational skills, and people with preschool-age children.

Riverside's program and the GAIN programs in San Diego and Butte counties proved to be triple winners. In terms of society's two goals for reform, which I mentioned earlier, they increased both the income of welfare families (getting more money to children) and people's self-sufficiency (by getting parents to substitute earnings for welfare). In the process, they also saved money for taxpayers by generating measured budget savings that actually exceeded (or, in the case of Butte, equaled) the up-front investment in operating the program. Not many social programs can match these accomplishments.

While these findings are impressive, Riverside's GAIN program has not eliminated welfare or transformed the earnings potential of welfare recipients. More people got jobs than would have gotten them without the program, and got them sooner, but they were usually not "better" jobs and families were rarely boosted out of poverty. Three years after enrolling in Riverside GAIN, 41 percent of people were still receiving welfare benefits, although some of these were working and receiving reduced grants.

WHAT EXPLAINS RIVERSIDE'S SUCCESS?

Real-world JOBS programs are complex amalgams of work-directed services, management style, operational decisions, available resources, and local environments. Success hinges to a large degree on what activities are provided (job search, work experience, education, or training), how they are targeted (serving a few people versus requiring that all must participate), and the manner in which they are provided (the message, the management, and the mandate).

Riverside provides one version of a high-performance JOBS program. In testimony last year, I characterized their tough and conservative version of the JOBS program as follows:

More than any other place I know of, this program communicates a message of high expectations. When you walk into a GAIN office in Riverside, you are there for one purpose: to get a job. At orientation, job developers announce job openings; throughout, program staff convey an upbeat message about the value of work and people's potential to succeed. If you are in an education program—and about half of Riverside GAIN participants are—you are not marking time, as you can in some locations. You know that if you do not complete the program, or at least make progress in it, staff who are closely monitoring your progress will insist that you look for a job.

The Riverside program simultaneously included a number of features:

- Priority on the JOBS program by the most senior officials in the agency.
- A strong commitment and adequate resources to serve the full mandatory population (not just those who volunteer or appear to be more job-ready).
- A pervasive emphasis on getting a job quickly, even a job that is relatively low-paying and even for people placed in education and training activities.
- A mixed strategy, emphasizing structured job search ("job clubs"), but also making substantial use of basic education.
- The active use of job developers to establish a close link to private sector employers and to help recipients locate work.
- A willingness to use sanctions (i.e., grant cuts) to enforce the participation mandate.
- A cost-conscious management style, reflecting a recognition that time is money and that moving people quickly toward the goal of employment will increase the program's cost-effectiveness.
- An outcome-focused management style, including job placement standards for case managers.

HOW MUCH SHOULD PROGRAMS EMPHASIZE EDUCATION AND TRAINING VERSUS QUICK JOB PLACEMENT?

One's judgment about the success or failure of any particular JOBS strategy depends in large part on one's goals for welfare reform. The available findings suggest that there are trade-offs along the continuum from an essentially job search/job club program, to one that emphasizes quick employment but also includes some education and training, to one that includes some job search but emphasizes education and training, with a goal of getting people into higher-wage jobs.

Job clubs get people into employment quickly and save taxpayers money, but do not get people into jobs with higher wages than those they would have found on their own, or succeed with the more disadvantaged. Programs focused on getting people higher-wage jobs cost taxpayers money, but can increase job quality and may make a greater long-term difference in the earnings of some recipients. Programs that favor quick employment but also include some human capital development services can combine the benefits of both strategies: They can make welfare recipients somewhat better off, save taxpayers money, and change the employment behavior of some of the more disadvantaged recipients.

The extent to which a program succeeds and is cost-effective, however, depends not only on the mix of services, but also on the quality of implementation. Spending a lot is not enough to assure success; spending a little is not enough to assure savings. Managing resources (recognizing that time is money) is central, no matter what the program's goals. In Riverside, managing for success meant providing a range of services but having one clear goal, controlling costs, and stressing performance in all activities.

While cost-conscious management can pay off, the research also provides a clear warning against spreading program resources very thin, as can happen, for example, in environments where hard-pressed administrators have to stretch limited resources over increasing numbers of welfare recipients. For example, our recent final report on Florida's JOBS program (Project Independence) shows that its success in increasing earnings was sharply reduced (particularly for women with young children) when resources (including child care funds) fell below a threshold level. The program continued to produce small welfare savings, but was less successful in increasing people's employment and earnings.

WHAT DO WE KNOW ABOUT THE FEASIBILITY AND EFFECTIVENESS OF WORK-FOR-BENEFITS ("WORKFARE") PROGRAMS?

Some of the current reform proposals call for large-scale, work-for-benefits programs (usually referred to as "workfare"), either as a substitute for JOBS' other activities or for people who have not found work despite two years of access to work-directed services. Hard knowledge about workfare programs is limited and comes mostly from studies of small-scale programs implemented during the 1980s. These show a mixed record.

On the positive side, the studies suggest that it is feasible to get people to work for their grants, that they view work assignments as fair, and that they do real work. Furthermore, the value of the work produced offsets the cost (approximately

$2000 to $4000 annual cost per filled slot, excluding the cost of child care). Thus, such programs provided an alternative way to support children. On the other hand, repeatedly, states have had trouble developing large numbers of work sites and have found that some welfare recipients were unable to work, with the result that programs were almost always much smaller than anticipated. The very limited evidence that is available suggests that, under these conditions, mandatory unpaid work did not develop people's skills and did not prompt people to move more rapidly into unsubsidized employment or deter them from applying for welfare. It is possible that large-scale, universal, ongoing work requirements before or after a time limit might have a much larger effect on the rolls, but since this model has never been rigorously tested—with the exception of a program for men in West Virginia—its effectiveness remains unknown.

Since the workfare programs that were tested did not appear to reduce the welfare rolls, studies concluded that, in strictly budgetary terms—i.e., ignoring the value of the work performed—sending people a small check was probably cheaper than providing them with a non-market way to earn it. This is because free labor is not really free: It costs money to develop, manage, and monitor work sites, and to provide child care to people while they are working. Because of the high potential costs, some states structured the work obligation to limit the demand for child care by imposing only a three-month work obligation, setting the number of required hours of work per week to fit around the school schedule, or exempting mothers of preschool children.

While work-for-benefits programs may not save money, if they could be implemented at scale, they would be a means to deliver on the welfare-to-work strategy's potential for maintaining a safety net of funded support for children while sending a more socially acceptable, pro-work signal to parents. A recent Kaiser Family Foundation/Harvard University poll shows the public's strong support for such an outcome.

CAN YOU REPLICATE OR IMPROVE ON RIVERSIDE'S RESULTS?

At this time, it is unclear whether Riverside's success can be replicated in diverse communities around the country, particularly in inner-city areas. The average JOBS program lags far behind and will have to change considerably to deliver on the program's potential. However, it is clear that the techniques used—and the economic conditions—were not so exotic as to suggest that other localities could not adapt them to strengthen their own programs. Indeed, other programs that have been or are being evaluated—SWIM in San Diego, the Center for Employment Training (CET) in San Jose, several of the sites in the National JOBS Evaluation—appear to make successful use of some of the same techniques.

If the rest of the nation's JOBS programs could attain similar results—an objective that the nation's governors appear eager to pursue—the welfare-to-work bargain that has been the cornerstone of the new welfare compromise would indeed achieve a transformation of welfare. Moreover, a number of factors might further improve JOBS' effectiveness: if the financial incentives facing welfare recipients were more pro-work or if there were more assistance to people once they began work in order to reduce the high rate at which they quit or lose their jobs and return to welfare.

WHAT FEDERAL ACTIONS CAN INCREASE THE EFFECTIVENESS OF WELFARE-TO-WORK PROGRAMS?

Are major structural changes needed to effect this transformation? I do not think so, beyond provisions to allow states greater flexibility. But there is a major federal role in addressing the first two challenges I outlined early in this testimony: changing the message and practice of the JOBS program and providing adequate resources for the up-front investment in welfare-to-work programs.

1. Structural Reform

The difference between high-performance and average JOBS programs is not structural. The key is what staff do and how they do it. Any fundamental structural change would take years to put into place—years in which changes in federal law filter down through new regulations to changes in state law, to changes in local government, to the development of new procedures in local welfare offices, and, finally, to the interaction between line staff and welfare recipients in those offices. At its best, "structural change" could provide a new environment in which welfare programs would have the potential to work better, but there is no guarantee that this would occur. Changing the structure of the system is in some sense the easy part. At its worst, structural change could divert administrators from confronting the tough part: the day-to-day tasks that would still remain after making any major structural change. These tasks—articulating a clear mission, explaining to staff how this message affects what should happen between welfare recipients and staff, getting people into quality services, monitoring their participation, addressing problems quickly when they arise, sanctioning nonparticipants, and putting in place systems, services, and practices that are cost-effective and put large numbers of welfare recipients to work—are the keys to success.

The history of reform in the nation's employment and training system is one in which the structure is changed, but the real action—the interaction between welfare recipients and staff and the quality of employment services—is neglected. This is where administrators need to focus in order to improve program effectiveness. But for administrators to tackle these tough issues with zeal requires that they identify with the program's mission. Visions for welfare reform spring from different values and goals. Promoting program ownership requires giving states flexibility in the design of their work strategy.

2. Performance Standards, Technical Assistance, and Knowledge-Building

What can the federal government do to increase program effectiveness? Some of the cross-state variation in the design and nature of welfare-to-work programs reflects different values and goals for welfare reform, or differences in resources. But some of it reflects differences in competence, know-how, and knowledge.

In addition to providing funding, there are three ways the federal government could promote change. The first would be to tie funding to the achievement of performance standards intended to promote JOBS' different goals: imposing a work-focused obligation (participation standards) or increasing employment and reducing welfare receipt (outcome standards). People who envision work programs primarily as a means to impose a quid pro quo for welfare receipt, favor participation standards, the current approach. These standards seem to have been effective in moving the system in the direction of imposing a participation mandate on a larger share of the caseload. People who see JOBS programs as a means to increase employment and reduce welfare receipt view participation standards as a diversion and advocate a shift to outcome standards, i.e., measures such as the rate at which welfare recipients get jobs or leave the rolls. The attraction of either outcome or participation standards is clear: There is evidence that the system would respond to such incentives, i.e., that you get what you measure. Congress or the states could identify the goals, and individual administrators could then be unleashed to be creative in achieving them. While there is a clear logic to outcome standards, there are also some warning flags. Studies show that:

- The easiest way to get more job placements is to change whom you serve, not how you serve people. This has led to the phenomenon of "creaming."
- There is no clear correlation between programs that produced good outcomes (e.g., high numbers of job placements) and programs that actually change people's behavior (i.e., get jobs for people who would not have gotten them anyway).
- The nation's major performance-driven system, the Job Training Partnership Act (JTPA) program, was not more successful with welfare recipients than welfare-to-work programs that did not operate under outcome standards. JTPA programs produced comparable earnings gains, but did not generate welfare savings, a clear goal of welfare reform programs.
- It is very difficult to create a level playing field across states facing varied economic conditions and with diverse welfare populations.

This does not mean that some combination of outcome and participation standards might not be an effective tool to motivate program staff, but it does suggest caution in over-reliance on this approach at the federal level.

A second way the federal government can bring about wider application and use of effective strategies is to take advantage of the growing body of research evidence about what works and what does not work. This could be done by an aggressive, hands-on, federally sponsored technical assistance and training effort—possibly combined with financial incentives—designed to provide states with concrete evidence on the services and management practices and strategies that have been used by the most successful welfare-to-work programs. While this is not a guarantee of success—and states' responses will vary, depending on their particular priorities and goals for reform—it could short-cut the learning process and promote change.

Such an effort could champion the techniques shared by welfare-to-work programs of proven effectiveness:

- *Saturation services.* The resources and commitment to work with everyone required to participate.

- *Adequate staff and systems.* Reasonable staff caseloads and reliable automated systems so that JOBS workers can monitor and report on participation and outcomes.
- *A strong employment focus.* JOBS staff who promote the value of work and the capabilities of welfare recipients, while providing a range of services.
- *Private sector connections.* The active use of expert job development staff who link participants to real jobs.
- *Committed management.* Leadership that conveys a clear message about the program's employment goals and the means to attain them.
- *Outcome and process standards.* Management that tracks staff success in getting people into jobs and in enforcing the participation mandate.

Finally, there is also a continuing federal role in identifying effective practices, evaluating new innovations, and determining the replicability of successful approaches. Twenty years ago, we knew almost nothing about the effectiveness of different welfare-to-work approaches. I can discuss the findings presented in this testimony today because of the large body of studies that now exists. If, with new flexibility, states increasingly become the laboratories for innovation and the locus of control for work strategies, the urgency of capturing the lessons will be even greater. The need for a federal role in knowledge-building and technical assistance will be more urgent, since states will have limited incentive to increase and share knowledge.

WOULD BLOCK GRANTS ENCOURAGE OR INHIBIT THE EXPANSION OF WORK-FOCUSED PROGRAMS?

The goal of welfare-to-work programs is to change AFDC from an income transfer program to a system promoting and requiring work. This involves an up-front investment in creating enough work-directed activities to make the obligation real. While the payoff can be substantial, it is in the future. (For example, it appears that the Riverside program took close to two years to pay taxpayers back for the initial investment. Less effective programs—or those working with more difficult populations in inner-city areas—can take longer.) If JOBS funds are included in a block grant, the marginal, or last, dollar spent will come 100 percent from state tax-levy funds. Under these conditions, will work programs thrive?

1. If AFDC and JOBS Are Included in One Block Grant

It is hard to predict how states will respond if they receive one block grant to cover AFDC benefits and work programs, but the likelihood—in low-grant states and possibly others as well—is that fiscal pressures will squeeze out innovative and demanding work programs. Adding a federal requirement that states meet high participation standards (but including no additional funding for work programs) may lead some states to direct more funds toward work programs, but this is not certain. When there are no federal matching funds for the last dollar spent on a work program, states will have shorter time horizons. If applications for welfare increase and states come under pressure to meet grant payments, work programs will be at risk. They will seem more discretionary and, therefore, easier to cut. Also, states may resist investing in these programs, since some of the returns (in reduced Medicaid and Food Stamp outlays, or increased tax payments) will go to the federal treasury. For both reasons, work programs risk being scaled back or funded at levels that have been shown to produce very little.

2. If JOBS and Employment and Training Programs Are Included in One Block Grant

The main issue to consider in answering this question concerns program goals. The objectives of mandatory welfare-to-work programs may, in part, overlap with those of voluntary employment and training programs, but they also diverge in fundamental respects. JOBS programs seek not only to help people find jobs and increase their skills—the goals of the employment and training system—but also to impose a participation requirement and reduce welfare receipt. Welfare-to-work programs are thus distinctly different from the typical job training program: They do not serve motivated volunteers but, rather, mandate participation; they cannot screen applicants and select those who can be placed in jobs, but must seek to reach everyone on welfare.

From an operational perspective as well, this divergence in goals means that the JOBS program has to be tightly linked to the income maintenance system, i.e., those who pay the welfare checks. As we learned in the 1970s, having responsibility for welfare employment programs in one state agency and responsibility for the welfare payment system in a different state agency is a complex structure for reforming welfare through work-focused mandates. Whatever emerges should facilitate, not complicate, the necessarily close link between welfare and work.

A real innovation in welfare-to-work programs occurred in the 1980s, when governors obtained new flexibility and assumed ownership of the program, ending the bifurcated structure where welfare-to-work programs were jointly managed by the federal and state labor and welfare departments. JOBS takes on new relevance when it is a tool for reducing welfare costs, wielded by the agency responsible for paying grants.

HOW MANY WELFARE RECIPIENTS CANNOT REASONABLY BE EXPECTED TO WORK?

Finally, an inevitable question in discussions of welfare reform concerns the work potential of welfare recipients. Contrary to the stereotype, many recipients want to work and, in fact, do work. Some work while they are receiving AFDC, and many take jobs and leave AFDC. In the California evaluation, the majority (57 percent) of people in GAIN worked at some point during the three years after entering the program, and about two-thirds of them worked at least 30 hours per week in their most recent job. Moreover, the overwhelming majority of GAIN survey respondents who said that they were not employed but were looking for work reported that they were seeking a full-time job, a preference that was also noted in a recent report from the National JOBS Evaluation.

Even for those who are employable, however, studies also show that the road to self-sufficiency can have many detours and that "employability" is not a static condition. Setbacks are common. The GAIN study found that less than a third of people in the program were working at any given time, indicating a high rate of job turnover. Jobs ended when people quit (e.g., because of family crises) or because of layoffs, conflicts at the worksite, or a variety of other reasons typical in the low-wage employment sector.

But there is also a group on welfare who simply cannot work in unsubsidized jobs, either because of their very low skills, their lack of any experience with work, or their own or their children's chronic health or severe emotional problems (problems that, nonetheless, do not qualify the family for SSI). One study, the National Supported Work Demonstration, targeted very long-term recipients and showed that, with special assistance and in unusual settings, some people who would normally have been considered unemployable could in fact work. But creating the close supervision and somewhat protected work settings proved very expensive. Moreover, when the 12 or 18 months of transitional paid work ended, a substantial group of women who could get by in the sheltered program environment were not able to get or keep an unsubsidized job. The number of people who cannot work, or who could work only with special support, is probably less than the quarter of JOBS eligibles who said in a survey that they could not participate at a particular point in time. But the group in question will constrain efforts to obtain very high rates of participation in work-related activities or workfare positions and will challenge administrators implementing time-limited welfare approaches.

CONCLUSION

For 30 years, Congress has responded to the public's clear desire to change welfare from a no-strings-attached entitlement to a transitional program that requires that many people on welfare participate in work-focused activities. This has proven difficult to do and, as a result, some are arguing that JOBS has not worked and should be discarded. This would be a serious mistake. Across the country, states and localities have moved along the road toward changing welfare and have put in place many of the building blocks of reform. Research on JOBS programs does not suggest that they offer miracle cures. But we do not have comparably reliable evidence of alternative approaches that work better than the nation's most promising JOBS programs in substituting earnings for welfare while saving money for taxpayers and continuing to provide a safety net for children whose parents cannot or will not work.

We now know that JOBS can succeed in changing welfare so that it feels more temporary and communicates different values. If welfare offices throughout the country were communicating the same new message and having the same results, the public might have a very different view of legislators, administrators, and welfare recipients. They might think that reformers were finally getting serious.

But can communities throughout the country achieve this level of performance? The answer is not clear. Currently, average performers lag far behind and will have to change considerably for JOBS to deliver on its potential. But what is clear is that most communities have only begun to try, and that bridging this gap will not happen by putting JOBS on autopilot. There need to be more resources (to make the mandate real), stronger management, and commitment to a program that is more work-focused and mandatory.

There is clearly both a federal and state role in making this happen. There is a severe risk that we will not realize the potential of a welfare-to-work strategy because sufficient funds are not available. One way this might occur is if states have to make trade-offs on the use of a single pool of funds: i.e., spend them on maintaining welfare benefits, or on up-front investments in programs to get people off the rolls, or on mandated programs to keep them working while on. Thus, the federal funding structure will be key to promoting JOBS' expansion. But, beyond this, the federal government has a clear role in building state capacity. Doing this involves steps to identify models of excellence, to understand whether success can be replicated under diverse conditions, and to provide a decentralized welfare system with reliable evidence on how to improve program performance.

Finally, the federal government and the states both have a role in trying to alter the economic conditions—the combination of stagnant or declining wages and anti-work incentives built into the welfare system—that constrain the potential for success of current efforts to get welfare recipients to work.

While improvement is clearly possible, in providing leadership in welfare reform, the federal government and Congress face the challenge of avoiding overpromising on the success of the next round of reform. There are simply no easy solutions for poverty or welfare. Helping the public understand what level of change is attainable, and taking all the steps needed to make that occur, might break the cycle of cynicism that has resulted from past waves of reform. Instead of setting unrealistic goals and denouncing modest success as failure, setting realistic goals might help the public gain greater confidence in, rather than find a new reason to discredit, government.

Prepared Statement of Jeffrey H. Joseph

The U.S. Chamber of Commerce is the world's largest federation of businesses and associations and is the principal spokesman for the American business community. It represents more than 220,000 businesses and organizations, including 3,000 local and state chambers of commerce, 1,200 trade and professional associations, 72 American Chambers of Commerce abroad, and six bilateral international business councils.

More than 96 percent of the Chamber's members are small businesses with fewer than 100 employees, 71 percent of which have fewer than 10 employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business—manufacturing, retailing, services, construction, wholesaling, and finance—numbers more than 10,000 members. Yet no one group constitutes as much as 32 percent of the total membership. Further, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the 72 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. Currently, some 1,800 business people participate in this process.

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The U.S. Chamber of Commerce, representing 220,000 businesses, 3,000 state and local chambers of commerce, 1,200 trade and professional associations, and 72 American Chambers of Commerce abroad, commends the Senate Committee on Finance for recognizing the importance of welfare reform and its implications for our nation's economic and social well-being. The Chamber also appreciates this opportunity to present the business community's views on this critical issue. We are deeply committed to working with members of Congress to promote meaningful welfare reform during the 104th Congress.

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The nation's welfare system is in dire need of restructuring. Welfare has become a system that today creates dependence rather than self-sufficiency. The business community has long advocated "welfare-to-work" as a positive option for reforming this system. We are encouraged that this position has emerged as a consensus.

Structurally, current proposals focus on moving primary responsibility for welfare programs to the states in the form of block grants. The Chamber supports increased state and local flexibility in the delivery of federal programs.

Welfare reform proposals under consideration also limit the amount and/or duration of benefits and require set percentages of able-bodied recipients to obtain employment over time. The Chamber supports time limits and a work requirement for those on the welfare roles. We anticipate that the business community will be called upon to provide that employment. Therefore, it is essential that business be involved in the design, development, operation, and evaluation of any changes in America's welfare system.

Chamber members place a high priority on reforming welfare in 1995. In a recent survey to construct the Chamber's 1995–1996 *National Business Agenda*, welfare reform was second (behind unfunded mandates) on a list of 64 issues ranked by importance to members.

Last fall, the Chamber surveyed 1,200 of its members to determine their specific interests in welfare reform. Ninety-nine percent of the survey respondents advocate an overhaul of the current welfare system. While 76 percent say that welfare recipients should be eligible for federally funded education and training, 98 percent believe that those who receive such services should be required to work. An overwhelming percentage—94 percent—support placing a limit on the amount of time that one can receive welfare benefits.

Comprehensive welfare reform is a complex issue with many human and economic dimensions. Our piece of the puzzle is focused on selective and critical issues from the perspective of workplace employment: (1) workers must have the knowledge, skills, and attitudes to enter and be succeed in the workplace; and (2) some employers may need incentives to hire such workers, while others may require the removal of disincentives that may make job creation prohibitively expensive or expose employers to unnecessary legal risk.

For these reasons, the Chamber is deeply committed to working with Congress to enact sound welfare reform policy in the upcoming year. Specifically, the U.S. Chamber Board of Directors recently approved the following as broad policy guidelines:

1. Focus national attention on measures to ensure that welfare recipients will be equipped with the knowledge, skills, and attitudes needed to obtain and retain jobs in the private or public sectors.
2. Devise incentives—such as tax incentives, training grants, or establishments of realistic local marketplace training wages—for employers to move people from welfare to work. Consider also temporarily waiving provisions of statutes that may serve as a disincentive for employers to hire welfare recipients.
3. Include provisions to ensure that welfare recipients will be drug- and alcohol-free as a condition of receiving welfare benefits and other forms of federal assistance.
4. Consider welfare-to-work reform in the context of the elements of a locally driven workforce development system and reliable labor market information.

For example, from the employers' perspective, consider how placing welfare recipients in jobs balances with moving others into the workplace—young people from school-to-work, dislocated workers transitioning from career to career, and others—in a climate where employers are restructuring to compete in a global environment.

The complexities of the global marketplace and the rapid progression of today's knowledge-based economy realistically should focus on welfare-to-work strategies, including ladders to high-skill, high-wage jobs. Whether being prepared for entry-level employment in the low-tech service industry or as a high-tech toolmaker apprentice, consideration must be given to how best to prepare welfare recipients with basic skills, attitudes, and work ethics that employers demand.

Two interesting community models have shown encouraging results with the added dimension of creating net new jobs in their respective communities and moving people from welfare-to-work.

One example is in Tulsa, Oklahoma. The Tulsa Chamber of Commerce was approached by one of its members, which is a major supplier to WalMart. WalMart's desire to market products made in America resulted in its assertion that additional product lines would in fact be carried by WalMart, if its supplier could find U.S. workers to produce this particular product fishing rods—which were not being made in America.

First, the Tulsa Chamber established the Industrial Exchange, Inc. (IndEx) program. Then, key Chamber officials tackled regulatory impediments and built on their significant experience in designing successful school-to-work and other job placement programs. Establishment was predicated on relaxing the regulatory work environment. The partnership program for Aid for Families with Dependent Children (AFDC) mothers operates as a 501(c)(3) non-profit corporation. Five days a week, the program provides welfare recipients with pre-employment skills training and basic skills education as well as work experience in manufacturing fishing rods.

All training is designed to help AFDC mothers develop the competencies which local employers need for entry into the workforce. Employees are paid $9–$10 per hour. Since IndEx was created two years ago, the program has outperformed most programs in placing and retaining welfare recipients in full-time private-sector employment. In addition, other employers have joined WalMart in employing IndEx workers to produce marketable American products.

In Michigan, Focus: Hope has established a number of intensive workplace training experiences for young adults to gain industry standards of discipline, productivity, and personal conduct as they improve academic and communications skills, learn computer applications, and develop technical career options in manufacturing. To qualify for the program, applicants must perform math and reading at a minimum eighth-grade level and be drug-free. There are no other prerequisites. Thousands of people have moved through this program and have been placed in jobs paying $7 to $12 per hour. Achieving staring income levels in this range may provide adequate financial incentives for participants to move off of welfare.

The Oklahoma and Michigan examples reflect real local employment needs which begs the notion that this debate might most productively be framed "from the jobs backwards." Every community needs to develop a strategy with a major emphasis on its human capital capabilities for its own economic self-sufficiency. Governors and trade delegations are travelling the globe every day trying to lure world-class employers to their states and communities. For this reason, the welfare-to-work strategy must be incorporated into a community's comprehensive human capital strategy.

The Chamber believes that businesses nationwide will be better able to provide jobs to welfare recipients if employers do not face numerous disincentives created by law. Absent employer participation in welfare-to-work programs, it will be extremely difficult for the labor market to sustain such a large influx of welfare recipients into the workforce. Disincentives may include provisions within the Fair Labor Standards Act, the Davis-Bacon Act, and the Americans with Disabilities Act, among others.

Studies have consistently shown that large numbers of welfare recipients who go to work end up on welfare again over short periods of time. As applicants, employees, or even former employees, former welfare recipients may be an irresistible market for unscrupulous employment lawyers who could encourage them to file administrative charges and lawsuits seeking thousands of dollars in damages under the employment-related statutes identified above, which provide jury trials and permit large monetary awards. These statutes, while intended to establish fair and reasonable workplace relationships, carry disproportionate risks if extended to a large class of individuals who are unaccustomed to the workplace and do not find success in employment. Accordingly, we urge you to consider the implications of waiving some, if not all, Federal disincentives to hiring welfare workers. These individuals, who may have marginal skills may be less successful in employment advancement, and do not, per se, need to be set aside as a protected class.

The Chamber firmly believes that welfare recipients—as other potential employees—must have drug-free status as a condition of employment and be familiar with the responsibilities associated with drug-free workplace policies and programs.

It is estimated that substance abuse and its consequences cost the economy an estimated $180 to $250 billion annually. Surveys show that substance abuse is viewed as a major problem by 88 percent of all U.S. companies. A drug-free workforce is essential to successful enterprise.

If American Industry is to be competitive, and if our national economy is to become stronger, we absolutely must have a competitive workforce. The Chamber believes that welfare recipients can effectively contribute to American productivity.

By considering the issues I have outlined today, the nation can move closer to achieving what has been attempted for many decades—reforming America's welfare system and providing opportunities for recipients to enter and sustain a lifetime of independence and earning. The U.S. Chamber of Commerce stands ready to assist Congress, states, and communities In this most critical endeavor.

PREPARED STATEMENT OF WILL MARSHALL

Work First: Replacing Welfare With an Employment System

Mr. Chairman and members of the committee, I appreciate the opportunity to testify here today. The topic of today's hearing -- reforming this nation's welfare system -- is truly vital.

Today, I would like to discuss the Progressive Policy Institute's view that the goal of reform should be helping welfare recipients achieve self-sufficiency through work. Work is what the public wants, and work is the only lasting solution to the problems of welfare dependency and poverty.

Yet neither party has yet to produce a practical means for moving large numbers of welfare recipients into private sector jobs.

President Clinton's 1994 welfare reform proposal set the right goal but did not chart a clear path to reach it. By imposing a two-year limit on unconditional cash assistance, the plan ended welfare's status as a permanent entitlement and created a powerful incentive for its recipients to work. But the White House blueprint did not include a practical means for moving welfare recipients into jobs: Instead, it maintained and even expanded the existing welfare bureaucracy, pumping more money into education and training programs that have largely failed to connect welfare recipients to the world of work and responsibility. While the Clinton plan offered states significant new latitude to pursue previously tested reforms without going through the cumbersome waiver process, it did not go far enough in empowering the states, the private sector, and welfare recipients themselves to find imaginative new solutions to welfare dependence.

Unfortunately, the leadership-sponsored welfare bill pending before the House is equally unsatisfactory, and is in several crucial respects a retreat from welfare reform altogether. The bill embraces multiple and even conflicting goals. It sacrifices a national commitment to welfare reform to the theoretical objective of

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maximum state flexibility, but then imposes a whole new series of negative prescriptions on the states. Like the President's proposal, the House bill fails to offer a structure for moving welfare recipients into private sector work. Even worse, it denies states the resources necessary to make work pay.

If genuine welfare reform is to occur this year, the Senate Finance Committee must identify a clearly focused alternative that builds on public support for work-based welfare reform, that supplies the necessary resources and incentives, and that gives states flexibility within the framework of a continuing national commitment. The Progressive Policy Institute (PPI) believes its Work First proposal offers that alternative--a work-based approach that is radical but responsible.

Refocusing Welfare Reform on Work

The Work First plan aims to convert welfare into an employment system through three main steps:

(1) Abolish both Job Opportunities and Basic Skills (JOBS)—the primary federal education and training program for welfare recipients, created by the 1988 Family Support Act—and Aid to Families with Dependent Children (AFDC), and substitute a Work First employment system that would establish as national policy that: (a) unsubsidized private sector work is the goal for public assistance recipients; (b) immediate work experience, not participation in education and training programs, is the best preparation for permanent employment for the vast majority of welfare recipients; and (c) all recipients of public assistance should perform some work, with community service as a fallback. In effect, the time limit for income maintenance would be zero.

(2) Pool AFDC and JOBS funding, calculated by the current formula but with a single match rate, to create a performance-based grant that offers financial rewards to states that succeed in placing and keeping welfare recipients in full-time, unsubsidized private sector jobs.

(3) Give states financial incentives to convert a portion of their employment system dollars into job placement vouchers that welfare recipients—as well as fathers of children on welfare who might contribute to family support through work—may use to purchase welfare-to-work services. Such services would comprise job placement and support, rather than education and training. By putting purchasing power directly in the hands of welfare recipients, vouchers would help stimulate a competitive market for job placement and draw private as well as public investment.

The PPI proposal promotes real devolution of decision-making on welfare reform, not phony devolution by block grants. Our more radical alternative transforms income maintenance and education and training programs into a single flexible, performance-based grant that allows states to design individual benefit packages targeted to what each recipient needs to quickly enter the workforce. It also strongly encourages the use of job placement vouchers to bypass federal and state bureaucracies and place resources directly in the hands of welfare recipients. This approach supplies unprecedented flexibility to respond to local economic conditions and program characteristics; moreover, it also gives the federal government a potent lever for reinventing social policy in ways consistent with the broad public consensus for programs based on work and reciprocal responsibility.

By abolishing the existing AFDC and JOBS programs, this proposal also simplifies the task of work-based welfare reform. Able-bodied recipients would no longer be entitled to cash assistance or specific education and training services *for any length of time*. By requiring recipients to pursue private sector job opportunities—and where necessary, community service work—as soon as possible, the new system renders such action-forcing devices as time limits less significant, and perhaps even redundant. The presumption would be that the proper time limit for income maintenance or education and training prior to job placement is not two years or five years but *zero*. In addition, the proposal would allow states to begin addressing the "missing link" in welfare reform—absent fathers—by offering job placement services to noncustodial parents as part of an overall effort to create non-welfare streams of family income.

The "Work First" Architecture

The first step in work-based welfare reform is to ***put work first***, changing the current system's incentives to make permanent employment in private sector jobs the paramount and immediate goal for every able-bodied recipient of public assistance, with serious community service work as a fallback option when necessary.

Many existing reform plans would expand education and training by increasing funding for JOBS. Yet careful, intensive studies conducted by the Manpower Demonstration Research Corp. and other reputable research groups have concluded that education and training programs produce only marginal results, at best modestly increasing earnings and decreasing welfare costs. A recent General Accounting Office report on JOBS also concluded that it is not well focused on employment instead concentrating more on participation requirements than on getting recipients jobs. The research also shows that programs that stress work and maintain strong ties with the private sector produce better results. For example, Riverside, California's work-focused Greater Avenues For Independence (GAIN) program accounts for 19 percent of all job placements while serving only 4 percent of the state's caseload.

Private organizations are reinforcing the case for emphasizing job placement over education and training. Examples include nonprofit organizations such as

Project Match in Chicago, as well as America Works, a for-profit company that has placed more than 5,000 welfare recipients in private jobs at various sites around the country. The Work First system envisions a healthy competition in welfare-to-work services among public as well as private entities. Other options might include temporarily subsidizing private and public sector jobs with cash and food stamp benefits paid out as a wage as Oregon has done in its JOBS Plus program, and converting job training funds to loans for microbusinesses.

The Work First Employment System is based on the premise that the vast majority of those receiving welfare are capable of working if given the opportunity. Too many welfare recipients are shunted through ineffective education and training programs, or, worse, given nothing but a check and the option to sit at home. The system must change. The Work First system requires that everyone who can work, will work.

The Work First philosophy assumes that labor markets can absorb welfare recipients if the right supports and links to employers are in place. According to Gary Burtless, a prominent labor market economist with the Brookings Institution:

> With roughly 7 million jobless workers, even at full employment, is it plausible to expect employers could offer an additional 2-3 million jobs for AFDC recipients forced to leave the welfare rolls? Surprisingly, most labor economists probably believe the answer to this question is "Yes."

Employers can accommodate a new supply of low-skill, low-cost labor. But we need an employment system that builds a bridge between this potential demand and the welfare recipients that can supply it.

The following elements make up a Work First Employment System:

- The new employment system would replace the AFDC and JOBS programs, converting funding for those programs—with additional federal money allocated by Congress—into a single flexible, performance-based grant that allows states to design individual benefit packages targeted to what each recipient needs to quickly enter the workforce.

- The new system would give states flexibility to design systems that put maximum pressure on welfare recipients to seek employment, but it would bar them from preemptively disqualifying any category of recipients currently eligible for aid, including teen mothers and immigrants. However, states would have the latitude to make receipt of assistance conditioned on compliance with its rules (e.g. sanctions for nonwork, time limits, etc.).

The pool of money to be used for the employment system would be allocated to states using a new, single match rate set at 60 percent or the Medicaid match rate, whichever is higher. The federal match rate for implementing job placement voucher programs would be set at a higher level to encourage states to pursue vouchers over other strategies, thus increasing the match rate *for dollars put into vouchers*. States would receive a cash bonus equivalent to six months of federal funding (i.e., savings) for each welfare recipient placed in an *unsubsidized* full-time, private sector job for six months. They could reinvest this pool of savings in job placement vouchers or other incentives such as cash bonuses to recipients who find and stay in private jobs and to caseworkers who excel in job placement.

Applicants for aid would apply at a government office and be evaluated by a caseworker or case team to determine individual needs. A screening process would divert those deemed immediately employable from the Work First system. No unconditional aid would be granted. At any point, a recipient who turns down a private sector or community service job would be denied access to further employment services. Severely disabled applicants deemed unemployable would be moved to the Supplemental Security Income program.

(1) Those with short-term, one-time emergencies *and* immediate employment prospects would receive Temporary Emergency Aid (also called "grant diversion"). Applicants would receive a one-time cash grant to cope with an emergency such as car trouble or overdue rent. If these recipients are determined to be in need of further assistance, they will enter the Work First Employment System at a reduced or zero benefit rate for a number of months determined by the state as adequate to repay the emergency grant. Modeled after Utah's grant diversion program, this approach aims to prevent people from unnecessarily entering the new employment system.

(2) Those not diverted would enter the employment system. States could require those entering the Work First system to engage in intensive job search before taking advantage of placement and support services. Recipients would sign an "employability contract" charting their individual paths to self-sufficiency through private sector work. A relatively small percentage of recipients will not be job-ready: people who can't read, those with serious drug or alcohol problems or a temporary disability, and mothers with children aged 16 weeks or younger. All but the last category may be referred to programs that offer counseling, training, or other services. But everyone, even if they are not ready for private job placement, should perform some community service work.

(3) The Work First employment system would offer job placement services, but not cash assistance, to the fathers of AFDC children (on the condition that, once employed, the fathers meet their child support obligations). In addition, mothers could agree to give their place in the system to fathers, in a step that may encourage families to stay together or reunite.

- A state could choose to refer recipients to either private intermediaries offering job placement and support services or to state employment offices offering similar services.

- Private nonprofit and for-profit intermediaries and state offices would offer subsidized private sector work experience, job placement, and support services as needed, always with the goal of moving a recipient into full-time private sector work. Placement and support organizations would receive payment in full *for performance only*; for example, once a recipient has been *placed and retained* in a full-time, unsubsidized job for six months, one-third might be paid to the intermediary upon three months of job retention, with the remaining two-thirds paid upon six months of job retention. State employment agencies could provide job placement and support services in competition with private intermediaries. Job placement organizations, whether private or public, would have a strong job development component as well as follow-up support services to help people stay in their jobs.

Job Placement Vouchers

By giving job placement vouchers directly to recipients, states could tap into and build a growing market for public and private agencies providing placement and support services.

Job placement vouchers can reduce costs, improve service delivery, shrink bureaucracy, and most importantly, empower low-income and unemployed Americans by giving them the resources to choose their own providers where and when they need a particular service. The job placement voucher proposal is aimed at significantly cutting long-term public costs by moving those on public assistance into productive private sector jobs. A strong federal commitment to a feasible job placement strategy is much more cost-effective than any short-term block-and-cut approach that abandons federal responsibility for welfare reform without supplying incentives to work.

States would individually set their voucher rates and develop a list of service providers eligible to redeem the vouchers—including placement agencies and private employers. The list would be made available to welfare recipients who enter the employment system and have completed intensive job search. Recipients would use the lists to make their service choices. A voucher would offer recipients quick access to placement and support agencies such as: America Works in New York; the Good Will Job Connection in Sarasota, Florida; high performance, state-run job placement programs such as the GAIN initiative in Riverside, California; temporary private sector work experience supplied by employers and subsidized with income assistance and a cashed-out food stamp benefit; microenterprise training programs; and other employment-based services.

In a full-fledged application of the voucher approach, state welfare bureaucracies could be transformed into agents for job placement in two ways: by performance incentives accompanying federal funds, and by direct competition with private providers for voucher benefits.

Additional Elements of a Work First Strategy for Welfare Reform

Aside from changing the incentives of the system from income maintenance and education and training to job placement, several other steps are necessary to an overall Work First strategy. First, we must ***make work pay*** more than welfare, and recognize that any work-based reform of welfare is inconsistent with "on the cheap" approaches that make public assistance more attractive than private sector jobs.

The current system offers most recipients a package of welfare benefits worth thousands of dollars more than a full-time minimum wage job. Asset limits and welfare reductions for earned income penalize work and savings. To ensure that work, not welfare, is the rational choice for men and women alike, even entry level jobs must always pay more than the package of available welfare benefits. Raising the minimum wage, however, is the wrong answer, since most minimum wage earners do not live in poor families. The Clinton Administration in 1993 adopted the right approach: a $21 billion expansion of the earned income tax credit, a direct subsidy to low-wage workers. Other changes necessary to make work pay include toughening child support enforcement, expanding child care support for the working poor, and providing health care subsidies to low-wage workers.

Second, we must develop an ***empowerment strategy*** to encourage the poor to build personal capacities and assets, replacing the paternalistic welfare bureaucracy as the primary source of income in impoverished communities. To encourage asset-based policies, we must promote saving and remove barriers to asset building, such as welfare's limits on how much people can earn or save, and housing rules that raise rents as incomes rise. Individual Development Accounts (IDAs) for low-income families are a particularly promising device. Like Individual Retirement Accounts for the middle class, IDAs would be tax-favored, annual contributions used only for college, home ownership, retirement, and small business start-up. Individual contributions could be matched by government, churches, community groups, businesses, and unions.

With adequate asset levels in place, we can pursue policies such as microenterprise that promote self-employment by making loans for small business. Based on successful lending projects in developing countries, U.S. microenterprise ventures tap the latent entrepreneurial talents of poor people, especially women, who face limited options in formal labor markets.

Third, we must improve ***child support enforcement,*** both to supply non-welfare streams of income to children on public assistance and to reinforce the responsibilities and benefits of parenthood, especially among fathers of children on welfare.

America's poor children deserve the support of both parents. Yet government estimates show that families actually collect less than one-third of the court-ordered payments to which they are entitled. Toughening child support enforcement and allowing mothers to keep a larger share of child support payments should dramatically increase collections. This will reduce public welfare costs and give mothers another source of income, so that even part-time work may be enough to lift them out of poverty. PPI's Work First strategy would require mothers to establish paternity at birth as a condition for receiving public assistance, improve collection and enforcement of child support orders, and offer access to the employment system (but not cash benefits) for those non-working fathers who are delinquent in their child support payments.

Fourth, we must adopt a ***comprehensive strategy to prevent teen pregnancy***—combining unambiguous condemnation of irresponsible child-bearing with community-based solutions that strengthen and support families and reinforce community values.

PPI urges leaders in public and civic life, as well as in the media, to launch a national campaign to spread the message that it is morally wrong for teenagers to have children they cannot support financially or emotionally. We would reinforce that message with policy changes that end unconditional public assistance for unmarried teen mothers, hold fathers accountable to their children, and ensure more swift and certain punishment for sexual predators. At the same time, we should replace welfare's perverse rewards with a new set of positive incentives for young men and women to avoid premature parenting and finish high school.

Most importantly, PPI envisions a shift in the primary responsibility for reducing teen pregnancy from government to community institutions. For example, we propose creating a network of community-based *second chance homes* that would allow teen welfare mothers and their children to live in safe and supportive environments and provide the structure and discipline they need to finish school and raise their children. This would provide an alternative to teen mothers' setting up separate households or remaining in their parents' homes if those homes are unsafe or unstable. But it would stop short of punishing teen mothers by denying them public supports altogether, as House Republicans have proposed.

Conclusion

Genuine welfare reform can occur in this Congress, but only if the debate is refocused on work-based reform and practical ways to link welfare recipients with real-life work options. The Work First Employment System is designed to turn the incentives of the current system inside out. It would make private sector work the primary objective for both recipients and states, giving states accountable performance standards but great flexibility in achieving them. If implemented in the context of an overall Work First strategy, the new system could help deconstruct welfare and build a new empowerment strategy for poor communities and their citizens.

Changes in Federal Law Needed for a Work First Employment System

- **Existing AFDC and JOBS programs would be abolished and replaced by a single performance-based grant offering financial rewards to states that succeed in placing and keeping recipients in private sector jobs.**

- **All who would be eligible for the AFDC system under current rules would remain eligible, including teen mothers and legal immigrants; states could offer noncustodial fathers job placement and support services but *not* cash benefits.**

- **States would receive funds previously available through AFDC and JOBS under a new match rate of 60 percent or the state Medicaid match rate, whichever is higher, as long as a Work First system is designed.**

- **Those deemed eligible for help would enter and remain in the employment system until they are placed in a private sector job; states would be given an option to adopt a "grant diversion" program of a one-time emergency payment to those with immediate employment opportunities needing only temporary assistance to see them through their emergency. States could require a job search before offering placement opportunities to recipients who are not "diverted" from the system.**

- **Any funds used by states to endow job placement vouchers would be matched at a higher rate, plus states would receive six months worth of foregone federal payments (i.e., savings) for each full-time unsubsidized job placement, as long as each recipient is placed and retained in the job for six months.**

- **States could at any point require community service work from recipients enrolled in the Work First Employment System.**

PREPARED STATEMENT OF STEPHEN D. MINNICH

Oregon is nationally recognized as a model in "reinventing" welfare because of its innovative and successful welfare reform program and the far-reaching changes it has made in its philosophy and operations.

The state contains approximately one percent of the nation's population. But it encompasses the range of environments and populations found throughout the country, and must therefore deal with challenges faced by other welfare agencies, though usually on a smaller scale.

The extent of the state's success is shown in JOBS Program statistics. The Oregon program places an average of 1,200 clients per month in employment at an average wage of $6.00 an hour. These clients spent an average of six to nine months in program activities before finding work. At the 18-month follow-up, 80 percent of the people placed are off welfare (55 percent had never returned to the system). And AFS officials are aware of no other state that exceeds Oregon's teen parent participation rate.

The state's approach to reinventing public assistance is based in a firm belief that work is better than welfare. While a family is on welfare in Oregon, its living standard is 75 percent of the poverty level. With a $4.75-an-hour job and other supports such as day care assistance, Earned Income Tax Credit and Food Stamps, the family's income rises to 105 percent of poverty. Employment at $6.00 an hour (the average starting wage of Oregon JOBS placements) brings the family to 115 percent of the poverty level, and the addition of child support means they are at 127 percent of poverty. Non-economic benefits such as improved self-esteem and positive modeling for children add to the value that a job provides.

Oregon's success in welfare reform stems from its willingness to formulate and test new ideas and use the results it gathers—both positive and negative—to again try new ways of reaching its goals. The following are highlights of the innovative ideas which Oregon's welfare agency, Adult and Family Services (AFS), has put into action over the past four years:

AFS has adopted and embraced a new "self-sufficiency" strategy:

AFS has a commitment to helping people on public assistance attain self-sufficiency as quickly as possible, both through finding and keeping employment, and identifying and using resources other than welfare. The agency's new strategy also conveys high expectations that our clients can and will be successful.

In making this change, the agency did not simply write a new slate of mission, goals and values. After completing that initial step, AFS used many other methods to revamp itself so its focus shifted toward helping clients attain self-sufficiency.

Through meetings, publications and ongoing training, AFS management communicated to staff at all levels that the agency's primary job is no longer primarily determining eligibility and distributing benefits, but instead is to help clients avoid or move off of public assistance.

The agency's self-sufficiency strategy is based on a number of basic premises: The first, that work is better than welfare, is discussed in the introduction. In addition, Oregon views welfare as a short-term support for families in crisis. During a family's stay on welfare, employment preparation and work search must be stressed, and clients have a responsibility to work toward self-sufficiency.

The second tenet of the agency's strategy is that the sooner clients move from welfare to employment, the greater their chances of success. Studies by the Manpower Development Research Corporation of quick-attachment models such as Riverside, California, point to the validity of this premise. Because AFS believes that the labor market is the best and fastest determiner of a client's job readiness, most applicants for welfare begin with job search activities, and return to work search regularly during JOBS activities.

Also reflective of this premise is the pioneering JOBS Plus Program, in which welfare recipients are placed in private-sector training positions. Employers are reimbursed for the client's pay at the minimum wage level, using funds from Food Stamp and ADC benefits. By being in a "real world" work environment, recipients are more likely to be find permanent work more quickly, and avoid welfare dependency.

Thirdly, our experience has shown that Life Skills classes and basic education are prerequisites to successful work placements for clients. Life Skills, in particular, is fulfilling a number of roles within the self-sufficiency framework beyond its core purpose of providing a "basic training" course for the workplace and home.

The four-week course provides an extended period for assessment of a student's need for services such as mental health counseling or substance abuse treatment.

These assessments point out to case managers who will require the most extensive intervention to address barriers.

In addition to assessment, Life Skills plays a key role in making the client an equal participant in creating an employment plan and then taking responsibility for adhering to it. The classes are also a forum in which to convey the high expectations which AFS now has for its clients and to reinforce the self-sufficiency message. At the same time, students are gaining the ability to set goals for themselves and learning to meet expectations of others, both valuable lifetime lessons.

AFS has begun devising new ways of doing business that support its new self-sufficiency strategy and goals, by encouraging front-line workers to form teams and giving those teams the ability to design their work. Innovations range from shortening a 20-plus page application to redesigning the intake process for new clients and offering special workshops to support long-time job seekers. New methods are continuously devised and existing ones evaluated and improved to help ensure they are contributing to better outcomes.

The agency is now "outcome-driven," measuring itself by its results for clients rather than the efficiency of its processes.

The most important measures of the division's success center on how quickly clients gain employment and how long they remain employed without the need for welfare benefits. This represents a major change from prior systems of measurement which primarily gauged procedural tasks such as the speed and accuracy of determining eligibility.

In this outcome-based environment, decisions are, as often as possible, based on whether they further the agency's goals for its clients, and the division's practices are evaluated to determine their potential to improve results.

As an example, the agency determined that a key factor in improving self-sufficiency results was to include as many people as possible in the JOBS Program. To accomplish that, AFS applied for, and in 1992 was granted, waivers to JOBS regulations that enable it to enroll more people at an earlier time by allowing fewer exemptions and lowering the age limits for mandatory participation. This ability has contributed to AFS's success in moving people to employment and reducing welfare caseloads.

Under the outcome-based philosophy, the ability to constantly monitor performance is critical. AFS has set parameters that allow it to track its effectiveness in the areas which are now of paramount importance. These include the number of placements, wages at placement, the number of teens in school and number of families receiving child support.

The performance measures have been carefully chosen and crafted so that the workforce can realistically accomplish the goals in a reasonable time frame. The measures are monitored on a monthly basis and are distributed to staff in branches and the central office, to be used as a tool in evaluating methods.

As an example, the goals relating to the wages earned by graduates of the JOBS program are drawn from the belief that it is unrealistic to expect welfare clients to be able to exceed the average wage earned by Oregonians, which falls between $8 and $10 an hour. Also factored in is the belief that entry-level employment brings many benefits over a life on welfare, and is therefore a worthwhile first step for most clients. This reasoning has resulted in a rational goal which sets expectations that pragmatically can be met.

AFS has become a high-performance organization.

The agency continues to strive to create an atmosphere in which experimentation is encouraged at all levels and employees are empowered to make decisions about their work. Such flexibility is required for a successful self-sufficiency strategy because workers must be able to customize the help and services they provide clients, based on the client's needs and local resources.

The AFS organization has been flattened, with 50 percent of its managers and one layer within its organizational chart having been eliminated. The role of remaining managers has shifted to acting as facilitators in decision-making processes rather than directing and controlling operations.

High-performance teams have been set up in branches, made up of workers at all levels. Using self-sufficiency outcomes as their focus, these teams have dramatically changed client services at the local level and have implemented ideas leading to greater efficiency and effectiveness.

The team-based approach has provided the flexibility needed to better serve the diverse environments and populations in the state. Because of the "local control" nature of the team system, operations and structures vary between branches and address the unique nature of local communities and partnerships.

The agency is taking full advantage of partnerships with communities and private sector.

Partnerships with local social service, employment, training and educational organizations are the foundation of Oregon's successful JOBS Program. At the local level, partners plan how best to design and deliver JOBS services in light of local needs and resources, as well as state and federal guidelines. This collaborative process has resulted in significant changes in many of the involved organizations. Rather than "fitting" welfare clients into existing services, the services are being examined to see how they might be changed to produce better outcomes for welfare clients. In addition, this local planning has made the utmost use of available resources and encouraged creative problem solving.

The private sector is a crucial resource in moving welfare recipients to self-sufficiency, and Oregon is increasingly bringing the business community into its welfare reform program. The newly implemented JOBS Plus component is a unique public-private partnership, under which JOBS participants are placed in six-to-nine-month on-the-job training positions in private businesses. Participants are paid at least the minimum wage and are mentored in the workplace by another employee of the firm. The goal is that participants will be hired into permanent, unsubsidized positions with their JOBS Plus employer or that their JOBS Plus experience will enable them to find work at another place.

JOBS Plus is still in its early stages in six pilot counties, but employers and clients are enthusiastic and discussions about expanding the program statewide are underway in the current legislative session.

Oregon teens on welfare receive optimum attention.

From the beginning of its implementation, the Family Support Act targeted teens as a high priority. Under the original federal legislation that allowed states the option to concentrate services on teen parents, Oregon emphasized teens as its highest priority, and the additional waivers obtained in 1992 permitted the state to reach even higher numbers of teens.

Oregon believes it currently has the nation's best teen parent participation rate. Nearly 90 percent of the state's teenagers on welfare are either in an educational program or have received a high school equivalency degree.

One contributing factor is the state's tradition of stressing educational involvement for teen parents. Under state law, local school districts receive twice the usual amount of money from the state for each teen parent they are serving.

Perhaps most importantly, Oregon's outstanding record is the product of concentrated efforts aimed at the teen welfare population. AFS branch staff contact every teen on their caseload to discuss his or her situation and find ways to engage the teens in either education or employment preparation activities. Assessment of the teens pinpoints their needs and local planning efforts have ensured there are a range of programs available to provide the supports they require. Because of these efforts, virtually every high school in Oregon now has appropriate education and support services for teen parents, many including on-site day care.

AFS actively supports clients who are leaving welfare for employment, through financial and other supports.

After a welfare recipient has found work and begins making the transition to life off of public assistance, a number of difficulties can arise that serve to drive them back onto the system. A key to controlling this return to welfare is arming clients with all possible resources to solve the challenges they will face. AFS does this by emphasizing the availability of support programs and helping clients obtain services and benefits through them.

Child care is seen as such a critical support to newly employed parents that the state of Oregon has offered a day care subsidy program Employment-Related Day Care or ERDC primarily at its expense since 1980. Under the present system, at the end of a family's one-year stay on federally supported Transitional Day Care it can be served by the state ERDC program as long as it qualifies. Because child care is so crucial to a parent's ability to remain employed, Oregon believes the federal government should adequately fund programs which serve to keep people in the workforce.

The Earned Income Tax Credit can provide an important financial gain to families, however it has, in the past, been an under-used resource. Recognizing its importance, AFS has trained its field workers about the program and explains the program to clients involved in Life Skills and work search components. The agency also assists employers in learning about the credit and how to handle the necessary paperwork. Our recent statistics show that use of the Earned Income Tax Credit in

Oregon has risen to nearly 75 percent from approximately 55 percent of those eligible over the past five years.

Oregon continues to expand and improve its child support enforcement program, as a way to move clients off of welfare and prevent families from requiring assistance. Collections under Oregon's program have increased 114 percent over the past five years and the number of families served rose by 92 percent. The state has shown its commitment to child support collection by passing a "new employee reporting" law requiring some employers to report new hires to the child support program, as well as a law allowing the state to withdraw certain kinds of occupational licenses for failure to pay child support.

Oregon is recognized as a leader in accomplishing most child support enforcement actions without the time and expense of going through the court system and using attorney's services. The "expedited processes" used in this state save money for taxpayers and provide faster service to Oregon families in need of child support assistance.

In working with its clients, AFS is placing added emphasis on the importance of child support, as a way to provide income and to ensure legal rights for children in the future. The value of establishing paternity and cooperating in locating an absent parent are stressed in worker discussions with clients. A number of branches have specialists who can spend extra time with mothers to discuss the advantages of child support, and help obtain information needed for establishment and enforcement of child support orders.

The Oregon Health Plan, which provides medical coverage for all Oregonians under the poverty level, has proved to be a valuable resource in preventing clients' return to welfare. The plan takes over when a family's extended medical coverage expires at the end of a year, and provides a safety net that averts the need for them to quit a job in order to obtain medical care for themselves or their children.

Looking into the future:

The Oregon experience has shown that the current expansion and enhancement of JOBS under its 1992 waivers has brought improved outcomes for clients. Under these waivers, AFS can require continuous job search for JOBS graduates, require participation in mental health or substance abuse programs and require younger teens to participate in education services. Because of its success, the state wants to maintain these exemptions from federal policy.

Looking to the future, the Oregon Option is the next logical step along the state's reinvention path. This proposal, now being negotiated with federal regulators, would grant large exemptions from policy requirements in exchange for the state's commitment to achieve agreed-upon results. This request for far-reaching federal waivers would allow AFS to recreate the welfare system and free itself of many burdensome federal requirements that do little to promote self-sufficiency.

Specifically, under the Oregon Option, AFS could:

- Require at least 70 percent of its caseload to participate in JOBS or JOBS Plus by removing most exemption criteria (such as the age of the parent's youngest child or distance from service providers);
- Expand the JOBS Plus pilot to the entire state. Require all teen parents to complete basic education and live in a safe, suitable setting;
- Further change the focus of its work from eligibility to outcomes;
- Expand post-placement follow-up to help ensure job retention;
- Receive full federal participation for services that prepare clients for employment, and help them find and maintain work;
- Be exempted from federal quality control requirements;
- Raise the limits for assets and resources a client can have;
- Eliminate the "marriage penalty" under which two-parent families face stricter requirements regarding eligibility and the amount of time they can work.

A major advantage of the Oregon Option as it is currently envisioned is the absence of the necessity for controlled experimentation methods. Historically, the requirement for control groups and long-term evaluations is, in some cases, warranted and valuable. However, an outcome-based, high-performance system must be dynamic in adapting to the needs of clients, local labor markets and changing resources, something which is not possible under the constrictions of control group settings.

IN CONCLUSION

Oregon, through the success of its JOBS Program and overall welfare reform efforts, has demonstrated a commitment to moving people from welfare to self-sufficiency. The state believes there are adequate resources in the present system to move people forward, rather than simply maintaining them at steadily declining levels of public assistance.

But until the rewards and consequences within the welfare system support a commitment to moving people off welfare, resources will continue to be tied up in complicated eligibility systems, where quality control will concern itself with what happens to people who are on welfare and neglects what is happening to get them off the system.

Redirecting the focus of resources will take courage and creativity at every level. Policy will need to support innovation and customization of services for clients. It must be driven by outcomes, rather than used to define and control processes. There must be continuous redesign and re-evaluation of services, reflecting an urgency in obtaining results. Federal resources should support people getting off welfare and remaining employed rather than maintaining people within a life of poverty.

PREPARED STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN

The basic question facing this Committee is whether we should scrap the Family Support Act, which passed the Senate in 1988 on a vote of 96–1, and embark on a new, untested, course to reform welfare. In my view, that would be a serious mistake.

To begin with, such evidence as we have suggests JOBS is working. The results from California and Florida show that it has increased earnings and reduced caseloads. The effects are not large, but then we didn't expect them to be large. Indeed, the research evidence presented to this Committee seven years ago by the Manpower Demonstration Research Corporation and others made it clear that the effects would be modest. Furthermore, Larry head's recent findings suggest that JOBS, where seriously implemented, can have a significant impact in holding down caseload growth.

Second, we don't have any evidence to support new approaches to welfare reform. Indeed, says James Q. Wilson, the current welfare reform proposals are "in large measure based on untested assumptions, ideological posturing, and perverse priorities. Some may feel that the priorities are not perverse, but they would have to agree that the assumptions are untested.

Finally, as one of today's witnesses, Judy Gueron, said recently, "unless JOBS works better, most of the next-stage activities now being discussed will have high risks." Unless more welfare mothers get the training they need and find jobs, many of them will come to the end of the time limits, at which point we will either have to create government jobs for them, which is expensive, or we will simply have to cut them off public support entirely. That too is no answer—although it seems to be the current enthusiasm among some on the House side.

The better way, it seems to me, is to build on the JOBS program so that it works better. That's not as dramatic as denying benefits to millions of families and saving billions of dollars, but in the long run, it will serve us better.

PREPARED STATEMENT OF SENATOR JOHN D. ROCKEFELLER IV

Mr. Chairman: Promoting work for families on welfare is the key to genuine reform. I am delighted that you are holding this hearing today with a range of experts on this central point of how to move parents from welfare to work.

I look forward to the testimony, and appreciate how these hearing have provided a real opportunity to focus on the major issues and real facts rather than rhetoric.

I believe in work—and I want as many welfare parents as possible working in private sector jobs. But because my state of West Virginia facing chronic unemployment problems, I also want to explore the issue of community work when private sector jobs just are not available. As Governor, I supported the Community Work Experience Program (CWEP) because I personally believe that it is good for adults to get up and go to work, and good for their children to watch their parents get ready for work.

My view is that our welfare system hasn't kept pace with fundamental changes in our society. As is well known, when our welfare system was first created, its goal was to allow widows to stay at home with children instead of working. But at that time, mothers were not expected to work in general. In just a few generations our world has changed dramatically and women have joined the workforce in record numbers. According to the 1990 Census, over seventy percent of mothers with children six year old or older, are working mothers. If most mothers are working to support their children, it is understandable that the American public expects mothers on welfare to work as well.

I hope today's hearings gives us the information and ideas we need to develop a bipartisan welfare reform bill that truly promotes work, and gives states incentives to find jobs for adults, and not just force families off the welfare rolls to meet unrealistic participation rates.

Families need support to move from welfare to work. States deserve broad flexibility *and* incentives to promote work. The business community must be tapped to help produce the private sector jobs and transition we need. Today's hearing is a great opportunity to discuss how we can achieve such goals.

Prepared Statement of Gerald M. Shea

Mr. Chairman and members of the committee, on behalf of the AFL–CIO, I thank you for the opportunity to share our views with the Committee. The testimony is primarily devoted to the focus of today's hearing—the process and prospects of moving people from welfare to work. The testimony concludes with some observations on other aspects of welfare reform.

While the AFL–CIO agrees with the bi-partisan view that the present welfare system must be reformed, we are strong in our position that reform must include a comprehensive job creation and workforce development strategy. In that way, unemployed and under-employed Americans will be prepared to end their dependence on welfare and secure real jobs with decent wages and benefits. We believe it is the responsibility of all local institutions, under the strong and clear direction of the federal government, to collaborate in addressing the needs of low-skilled and displaced workers, including those on welfare.

We recognize the task will be difficult, following a decade when many workers have been forced from good paying jobs to minimum wage employment with no benefits and few opportunities for advancement. The downgrading of both the supply and quality of jobs continues to hamper the traditional progression of some welfare recipients into entry-level jobs, as many of those jobs are now held by displaced workers.

JOBS AND THE ECONOMY

Despite the modest improvement in the U.S. economy, over the past several years eight million Americans have lost their jobs. More than seven million others are not counted on the unemployment rolls because their earlier job searches proved fruitless, or they are working part-time jobs in the absence of any available full-time jobs.

U.S. employers continue to downsize. During December, they eliminated an average of 20,000 jobs per week. And while the recovery has brought some rebound in job creation across all sectors of the economy, over a third of displaced workers are now working at substantially lower wages and reduced benefits, and another third are unemployed or have dropped out of the labor force.

Along with the millions of workers who have been forced into part-time jobs because they are unable to find full-time work, more than 30 million other workers, over 25 percent of the entire workforce, are "contingent" workers who have only temporary jobs. These workers go from one employer to another for short irregular periods of time. A measure of the growth in the contingent work-force is found in the remarkable fact that Manpower Inc. is the single largest employer in the United States today.

The lack of decent job opportunities today is very real. New York City lost 500,000 jobs between 1987 and 1992. From January 1993 to April 1994 only 35,000 jobs were added to the city. The labor market was so constricted during 1992 and 1993 that 26 percent of those who exhausted their unemployment benefits (both regular and emergency) received public assistance within a year, according to a survey of unemployment insurance claimants by the New York State Department of Labor. Furthermore, according to a survey by Philip Harvey, a visiting scholar at the Russell Sage Foundation, the number of people looking for jobs in New York City exceeds the number of jobs by at least 7 to 1.

WORKER PROTECTIONS AND PARTICIPATION

The central goal of welfare reform should be on locating and creating unsubsidized private and public sector jobs so that welfare recipients can become self-sufficient. Rigidly high work requirements ignore local labor market conditions and recipient skill levels and needs. They would undercut the objective of developing private and public sector job opportunities because they would force states to concentrate on large-scale unpaid public workfare programs. They also could lead to large numbers of subsidized welfare recipients flooding into the low-wage labor market.

The potential for large scale displacement of current workers from both public and private sector jobs is enormous. The result will be a far worse situation than we have today if we take the permanent jobs of one group of workers and turn them into unpaid workfare assignments or subsidized welfare jobs.

It would compound the problem if crucial anti-displacement protections, which have been part of federal work programs for over 20 years, were omitted. These anti-displacement protections are essential in order to avoid increased job loss by those already at work.

Even the strongest anti-displacement language, however, will not head off considerable dislocation of workers and jobs unless the number of people to be absorbed in the workforce is kept to a manageable size.

Forcing large numbers of people into subsidized work would further depress the plummeting wages of low-skilled workers. At the very least, welfare reform should maintain basic labor standards, including adherence to the Fair Labor Standards Act. Ideally welfare reform should establish clear requirements for equal pay and benefits for equal work.

One of the most troubling trends in the American economy is the increase in the percentage of workers who work full-time, but cannot lift their families out of poverty. The minimum wage is overdue for an increase. We certainly hope that this Congress can find the same bi-partisan spirit that moved the Congress in 1989 to pass, and President Bush to sign, a ninety-cent increase in the minimum wage—such as has been proposed in this Congress. The minimum wage has lost much of its purchasing power in the last six years. An increase would certainly ease the transition from welfare to work.

Additionally, federal welfare reform can help to avoid the destructive by-products of displacement and wage depression through requirements for the involvement of local unions representing effected workers in the design and operation of local work programs. We strongly believe that if you encourage the positive participation of local unions, they can become an important asset in developing constructive ideas for local work activities.

There are a number of ways to achieve this goal. One is by establishing community boards with broad-based representation, including labor, to develop local work projects. This will ensure that decisions about work assignments are not made exclusively by employers who may see holding down and shifting their labor costs as their primary objective. Another way is to require prior notification and union agreement to placements in bargaining unit work. This will ensure that displacement is avoided and local collective bargaining arrangements are not adversely affected by welfare work programs.

COORDINATION WITH OTHER JOB & TRAINING PROGRAMS

An expanded and strengthened jobs program must be available to all Aid to Families with Dependent Children (AFDC) recipients and applicants. In today's competitive global economy, it is clear that a well-educated, well-trained workforce is essential to the nation's economic security. It is vitally important that we continue to develop a national training system where the federal government sets high standards of performance and accountability in a program aimed at local labor market needs. Any attempt to scale back these kinds of employment and training programs would be counter-productive.

Welfare recipients should have the same opportunities to improve their economic prospects as other workers. They should not be prejudiced by their welfare status in looking for work.

To this end, federal welfare-to-work programs should be coordinated with other existing labor exchange and job training systems through such mechanisms as one-stop career centers which serve all job seekers equally. Greater coordination with local Employment Service offices with their labor market information, job development and referral services should be required. In many communities, especially more rural areas, these offices are the main labor exchange services.

WORK ASSIGNMENTS

Work advisory boards consisting of representatives from business, labor, non-profit organizations, elected officials and community leaders, should be established in each local area to provide advice and guidance in the administration of the program. The program requires the establishment of cooperative arrangements, strong linkages and active participation with the Employment Service, other employment programs, housing programs, business, labor and all other appropriate entities.

We support a goal of implementing a process to identify and create temporary subsidized work positions. However, we believe the program's priority must be directed toward locating and creating unsubsidized jobs that enable recipients to become self-sufficient and free of welfare dependency.

TIME LIMITS

Although we support the goal of enabling welfare recipients to become self-sufficient, we assert the necessity of providing the necessary support services, the availability of jobs, and the adequacy of education and training programs. Without any of these, an arbitrary time limit is likely to create a lot of hardship for innocent victims.

A lifetime limit on assistance is especially troubling for a number of reasons. First, it completely ignores the lack of real job opportunities in many poor communities. Second, it unfairly ignores the very real work effort made by many low-wage women workers who have to resort to welfare during jobless periods. Third, it penalizes the children of individuals who, for a variety of reasons, may have great difficulty in holding down a steady full-time job. Finally, it will shift an increasing burden onto to local communities which do not have broad enough tax bases to finance assistance for their destitute residents.

We strongly urge you to require states to set timetables and goals for individual recipients. These goals should be realistic and reasonable. What is important is for the local welfare offices to focus on moving people into jobs, not that each and every recipient be subject to a fixed and limited amount of time.

CHILD CARE

AFDC is a benefit being received by approximately 14 million of the nation's poorest individuals—over 9 million of whom are children. By and large their parents are single, low-skilled individuals whose primary job prospects are in the low-wage labor market which pays poverty wages and no benefits. These families do not have the advantage of two parents working together to earn a living and raise the children.

Child care costs can be $4,000 to $5,000 a year per child, and a minimum wage job pays $8,840—a clear indication of the need to subsidize the cost. If a parent has to pay medical costs also, there is virtually nothing left on which to live.

Medical care and child care should be equally available to welfare recipients and all low-wage workers based on a sliding fee schedule instead of a defined period of time after a woman leaves welfare. This strategy would eliminate a troubling inequity in which someone leaving welfare is perceived as receiving preferential treatment over a similarly placed worker who is not a former welfare recipient.

FOOD STAMPS

The AFL–CIO is opposed to measures that would return the food stamp program to its pre-1990 status as a capped entitlement. Under current law, food stamps are an entitlement—anybody who meets eligibility requirements receives them. Under a cap, food stamps allocations would be fixed. If an economic downturn occurs, workers who are eligible would receive proportionately fewer benefits or none at all because of the possibility of funding depletion unless Congress approves a supplemental appropriations bill.

FINANCING

Block Grants

The House welfare bill converts the AFDC program into a block grant and freezes the funds for five years. The grant would not grow from one year to the next to accommodate economic fluctuations, changes in wealth, or population. If the next five years look anything like the last five years, states' need for federal aid to mitigate the effects of economic slowdowns will recur, but the amount of federal aid would remain unchanged from the 1994 level.

States that experience economic slowdowns relative to their 1994 performance would be particularly hard hit by this proposal. This is because they would be tied to a grant level awarded during an economic recovery which would not be adequate to provide sufficient assistance during a recession. If the size of the grant does not grow, it will never meet the needs of future recessions.

The block grant proposal would abandon a 30-year-old effort to create an efficient and highly sensitive method for sharing resources between rich and poor people and states. States that become poorer relative to other states through recessions and other cyclical changes would be hurt the most.

For example, many southern states historically have been poorer than the national average, and the federal government has played an important role in providing them extra federal payments to help them progress. The AFDC program has been an important part of this strategy.

Additionally, in any given year, individual states may experience difficult times. The current AFDC program effectively addresses this problem by adjusting annually for changes in a state's relative wealth. When the Texas economy hit hard times, its federal match rate increased (from 54 percent in 1985 to 64 percent in 1992). If AFDC were to become a block grant, the unique ability of the federal government to perform this function will be lost.

If AFDC becomes a block grant, recessions will be deeper, last longer, and do more long-lasting damage to their victims. Providing increased federal aid to states during recessions is an efficient, effective, and appropriate role for the federal government. Automatically linking the aid to AFDC caseload sizes that result from relative economic conditions assures that the aid goes to the states and individuals that need it most at any given time.

Legal Immigrants

The AFL–CIO is concerned that efforts to reform the welfare system could include the restriction of benefits to immigrants who are legally in the United States. We believe it is unacceptable to finance a program aimed at reducing poverty by creating and exacerbating poverty in our ethnic communities.

Immigrants generate almost $300 billion in income and pay more than $70 billion in taxes. Only 2.3 percent of immigrants who come to the U.S. to join their families use public benefits, compared to 3.3 percent of the native born. Citizens who legally bring their family members to the U.S. pay billions in taxes to support other Americans, but their own families will have nowhere to turn when they get laid off or face hard times.

The AFL–CIO has consistently opposed all government action which stigmatizes and penalizes immigrant workers and their families. Scapegoating immigrant workers will be counterproductive and divisive to our society. Historically, the general deterioration of employment opportunities and wages is brought on, not by immigrants, but by faulty and discredited economic and social policies that affect all Americans.

CONCLUSION

As we move in the direction of changing America's welfare system into a structure that helps people move into the workforce and off the welfare rolls, we must remember that tens of millions of Americans at one time or another need, and qualify for help. Simple slogans and poorly conceived and rigid rules will not reshape welfare.

Adults want to work and the children and their parents would be better off if decent jobs with living wages were available. That is the key to helping families become self-sufficient.

PREPARED STATEMENT OF LAWRENCE E. TOWNSEND, JR.

GENERAL COMMENTS

Good morning, Honorable Chairman Packwood and Members of the Senate Committee on Finance. In California, the jobs program is called GAIN, which stands for greater avenues for independence. Riverside is one of the counties included in the Manpower Demonstration Research Corporation (MDRC) study of California's GAIN program. The September 1994 MDRC report includes the statement that Riverside County's GAIN Program "produced the most impressive results ever found for a large-scale welfare-to-work program."

Before sharing with you what is unique about Riverside's GAIN Program and how our success can be translated to the jobs program, I would like to speak briefly about the September 1994 MDRC report and the importance of the jobs program as part of welfare reform.

One important result discussed in the report is that over the three year period of the study, MDRC found that single parent families receiving GAIN services in Riverside County had 49% more earned income than those in the control group who did not receive GAIN services and that they had also received 15% less in AFDC payments. Additional detail is available by reviewing the MDRC tables which follow my written comments.

Another important result in the report is a benefit-cost analysis which shows what MDRC called an "exceptionally large" return on investment in Riverside's GAIN program from the perspective of the government budget. This return was $2.84 for each net dollar invested for single parent families, which make up over 80% of the AFDC population, and $1.61 for each net dollar invested for two parent families.

As important as the results just described are the lessons which we can learn about welfare-to-work programs by examining the success of Riverside's employment-focused GAIN program. These include:

- an employment-focused program can be cost effective
- a lower caseload does not necessarily lead to better results
- long-term welfare recipients do not require lengthy and costly programs to enter employment
- an employment-focused program can be successful for AFDC recipients without targeting any client groups
- success of an employment-focused program is not inhibited by a high local unemployment rate
- an employment-focused program can be successful across ethnic groups
- success in an employment-focused program is greater and more cost effective with single parent families on AFDC than with two parent families on AFDC
- a successful employment-focused program does not eliminate the need for AFDC

As successful as Riverside's program is, it is likely that it would be even more successful if AFDC recipients had not had the employment disincentive of a 4-month limit on the AFDC earnings exemption and if GAIN participants had not had the option, as a result of state statute, to defer their participation by working as little as 15 hours a week.

Since the end of the study period, California has eliminated the 4-month limit and made other changes to reduce the work disincentive in the AFDC program. In addition, the GAIN advisory council, convened by Governor Pete Wilson and consisting of Representatives from county welfare departments and various state organizations concerned with California's GAIN program, recently developed 27 recommendations for improving California's GAIN program. I understand the Governor's staff is preparing a proposal for consideration by the state legislature which would implement many of these recommendations, including the elimination of the 15-hour work deferral.

WELFARE REFORM AND THE JOBS PROGRAM

While for some families, AFDC is a necessary way station on the road to self sufficiency, for others it is a step toward long term welfare dependency. In some cases, that welfare dependency lasts for generations.

While I am prepared to share with you whatever detail you desire regarding Riverside County's perspective on welfare reform, I will limit my comments to the importance of the existence of a federally mandated, properly focused, and adequately funded jobs program. If designed properly, the jobs program can be one of the best vehicles for assisting those who are AFDC-dependent to successfully traverse the road to self sufficiency.

A well designed jobs program should:

- require the participation of all able adult AFDC recipients,
- set clear performance standards, based on outcomes rather than process, and perhaps most importantly,
- be focused on AFDC recipients securing paid employment as quickly as possible.

such a system can be cost effective as demonstrated in Riverside county's GAIN program.

RIVERSIDE COUNTY'S GAIN PROGRAM

While I do not profess that Riverside County has a final solution to welfare dependency, I do believe the design and implementation of GAIN in Riverside County incorporates approaches which can be duplicated at other sites and which may lead to the kind of success documented by the MDRC study.

Because implementing legislation for California's GAIN program gave considerable discretion to individual counties regarding how to operate GAIN, Riverside County's program was relatively distinct at its inception from other GAIN programs in California.

I believe several things have contributed to Riverside's success. First, is the underlying philosophy and ideology. Second, is a set of three key program elements which can be duplicated elsewhere. Third, is a brief listing of leadership techniques which can be used to empower staff.

PHILOSOPHY AND IDEOLOGY

There is a foundation of beliefs upon which the employment focused program in Riverside County is based. These include the following.

- Work is inherently good for individuals and each day in employment is a good day
  Employment provides individuals with: pride in earning all or part of their support; an opportunity to discover unsuspected abilities and skills; a chance to be a better role model for their children; and, hope for a better future.
- There is no magic bullet or ultimate job for each client
  Earnings from the starting wage level of a job should not be compared with the welfare payment level to determine whether the job should be accepted. The initial hourly wage on the first day of employment is just the beginning of opportunity. The important story is that the new employee has a chance to learn, develop, discover abilities, prove his or her worth to an employer, earn pay increases and promotions, or move on to another job.
  In America's past there was a belief that if you worked hard, did good work, and were reliable, you would eventually prosper. This belief is still valid today. Proof of this is evident in the success of our GAIN clients.
- Employment is a gradual socialization process
  Employment, however modest, teaches and reinforces very basic, yet essential, skills necessary for acquiring and retaining employment that many people take for granted but not all of us have, such as: setting the alarm clock; getting to work on time; accepting supervision; learning to complete tasks reliably; getting along with coworkers; and, dressing appropriately for work.

If an initial job placement is not successful, it is not viewed as a failure in our GAIN program, but, rather, is examined as an opportunity rich with lessons regarding how the GAIN participant might be successful in the next job.

- All individuals have promise, abilities, and potential for a new future
  Most AFDC clients do not want to be on AFDC. Rather than be labelled and placed in categories or target groups, all AFDC clients should be equally served by the jobs program and efforts should be made to move all AFDC clients into employment and out of welfare dependency as soon as possible.
- More AFDC clients can be served if each can be served less expensively.
  The "pareto principle," espoused by nineteenth century economist Vilfredo Pareto, is that, in any human activity, people spend only 20% of their time doing work which yields 80% of the results. In Riverside County, we apply this concept by focusing our efforts on the activities which are most likely to result in our clients obtaining paid employment.
  By combining the "pareto principle" with the philosophy of achieving the greatest good for the greatest number, we are limiting our expenditures per individual by moving clients through our system more quickly thereby enabling us to assist a far greater number of clients in achieving a future of paid employment.
- Some clients need more encouragement than others to participate
  Some AFDC clients resist participation in GAIN. For some of these AFDC clients, once they understand their participation is mandated, they dive into the process wholeheartedly. Some of our most interesting success stories are individuals who were initially hesitant about participating.
  A small proportion of able-bodied AFDC clients believe society should support them. For this small number, sanctions may be necessary. If, after extensive counselling, pleading, offers of assistance in person, by letter, and by phone, we continue to be met with noncooperation, we sanction the recalcitrant clients. While sanctions are applied to only a small proportion of the caseload, the existence of sanctions is important to the success of our approach.

THREE KEY PROGRAM ELEMENTS

There are three major program elements which are instrumental to the success of our program.

Employment focus:

All GAIN staff receive a strong and unequivocal message that the purpose of the GAIN program is to assist clients in becoming employed. GAIN counsellors are expected to each make 12 job placements per month.

Our work with GAIN clients is focused on helping them learn to understand the benefits of working, to recognize their own values and abilities, and to market themselves. In addition, they are taught how to locate and secure employment independent of our GAIN staff in the future.

Participation:

GAIN clients are approached by staff with the objective of securing the client's enthusiastic participation. We sell the clients on the benefits of participation and the seriousness of their responsibility to their families.

We do consider their participation to be mandatory and, if necessary, we do enforce participation.

Job development:

We have specialized job developers aggressively involved in locating job vacancies and recruiting employers. The job developers view both the potential employers and the GAIN participants as their customers. we do extensive screening of GAIN participants prior to referral in order to ensure the employers will continue to perceive GAIN participants as a valuable resource.

As an augmentation to the job developers, all staff, from the clerical level to the department director, act as volunteer job developers by identifying available jobs in the community. In addition, at one stage of the GAIN process, all participants are working to identify jobs available in the community. If the jobs they identify are not suitable for them, they make the information available to other GAIN participants.

SELECTED LEADERSHIP STRATEGIES

- Leading by example

  From the earliest stages of planning for the GAIN program through today, I visibly demonstrated to staff my belief in the value of employment, in the GAIN program as a means to help AFDC clients become employed and reduce their dependency on welfare, and in the crucial value of the GAIN program to the community.

Some actions taken to accomplish this objective include attending staff training sessions, making regular visits to the district offices, and chairing large group discussions on the GAIN program where we discuss the value of the program to the participants, taxpayers, society, and future generations.

- Leading by expectations

  While the GAIN program has many components and processes, we recognize them as the means and not the end. In order to keep staff focused on the end goal, job placements for GAIN participants, I established written performance standards in which job placements are the primary measure of success. While I set the goal higher than any of the staff thought reasonable, 12 job placements per month, the vast majority of GAIN counsellors regularly exceed the standard. In addition to individual standards, the GAIN program as a whole is required to make 9,000 job placements per year.

  I also established an expectation that staff hired in GAIN would have several important characteristics. They must be top performers from other programs; they should not have had failures in their own employment history; they should be well groomed; they should have a positive and enthusiastic disposition. Extensive training is provided for GAIN staff to increase the likelihood they can meet the performance expectations.

- Leading by getting out of the way

  While GAIN staff have been given certain parameters within which they must operate, they have been encouraged to experiment to determine what works best for them and to share the results with others. They have been told that the bottom line expectation is job placements and have been held accountable for productivity and acknowledged for their success. Recognition awards for high productivity are used extensively.

Attachments:

I. Summary Tables—September 1994 MDRC Report

II. Job Placements and Grant Terminations in Riverside County

TABLE 1

GAIN's THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-FGs (SINGLE PARENTS)

County	Average Total Earnings: Experimentals ($)	Controls ($)	Difference ($)	Percentage Change	Average Total AFDC Payments: Experimentals ($)	Controls ($)	Difference ($)	Percentage Change
Alameda								
Year 1	1421	1212	209	17%	6916	7066	-150	-2%
Year 2	2132	1624	508 *	31%	5816	6077	-261	-4%
Year 3	2880	2105	774 **	37%	4861	5232	-371 **	-7%
Total	6432	4941	1492 **	30%	17593	18375	-782 *	-4%
Butte								
Year 1	2001	1729	272	16%	5132	5486	-353 *	-6%
Year 2	2998	2442	556	23%	3715	4048	-333	-8%
Year 3	3638	2992	647	22%	2812	3101	-290	-9%
Total	8637	7163	1474	21%	11659	12635	-976	-8%
Los Angeles								
Year 1	1304	1308	-4	-0%	6874	7202	-328 ***	-5%
Year 2	1699	1589	110	7%	5711	5111	-401 ***	-7%
Year 3	1939	1786	153	9%	[illegible]	5008	-277 **	-6%
Total	4943	4683	260	6%	17314	18319	-1005 ***	-5%
Riverside								
Year 1	2470	1550	920 ***	59%	4962	5658	-695 ***	-12%
Year 2	3416	2233	1183 ***	53%	3458	4161	-703 ***	-17%
Year 3	3562	2552	1010 ***	40%	2864	3448	-584 ***	-17%
Total	9448	6335	3113 ***	49%	11284	13267	-1983 ***	-15%
San Diego								
Year 1	2482	2133	349 **	17%	5529	5832	-302 ***	-5%
Year 2	[illegible]	2794	709 ***	25%	4199	4679	-480 ***	-10%
Year 3	3821	3108	713 ***	23%	3555	3908	-353 ***	-9%
Total	9786	8014	1772 ***	22%	13283	14419	-1136 ***	-8%
Tulare								
Year 1	1792	1941	-149	-8%	6363	6231	132	2%
Year 2	2536	2531	5	0%	5118	5023	95	2%
Year 3	3111	2594	518 **	20%	4171	4284	-113	-3%
Total	7480	7066	374	5%	15653	15538	114	1%
All counties (a)								
Year 1	1908	1642	266 ***	16%	5963	6246	-283 ***	-5%
Year 2	2714	2202	512 ***	23%	4669	5017	-347 ***	-7%
Year 3	3159	2523	636 ***	25%	3832	4163	-331 ***	-8%
Total	7781	6367	1414 ***	22%	14464	15426	-961 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year
Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.
(a) In the all-county averages, the results for each county are weighted equally.

ATTACHMENT I

TABLE 8

GAIN's THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-Us (HEADS OF TWO-PARENT FAMILIES)

County	Average Total Earnings: Experimentals ($)	Controls ($)	Difference ($)	Percentage Change	Average Total AFDC Payments: Experimentals ($)	Controls ($)	Difference ($)	Percentage Change
Alameda (a)								
Year 1	--	--	--	--	--	--	--	--
Year 2	--	--	--	--	--	--	--	--
Year 3	--	--	--	--	--	--	--	--
Total	--	--	--	--	--	--	--	--
Butte								
Year 1	3026	2393	633 *	26%	6523	6749	-226	-3%
Year 2	4033	2776	1257 ***	45%	5246	5775	-529	-9%
Year 3	4752	3346	1406 **	42%	4555	5071	-516	-10%
Total	11811	8515	3296 ***	39%	16324	17595	-1271	-7%
Los Angeles								
Year 1	1480	1221	259 **	21%	9440	9871	-431 ***	-4%
Year 2	1787	1468	319 *	22%	8333	8826	-493 ***	-6%
Year 3	1726	1417	309	22%	7417	7739	-323 *	-4%
Total	4995	4108	887 **	22%	25190	26436	-1246 ***	-5%
Riverside								
Year 1	3691	2930	761 ***	26%	4840	5807	-967 ***	-17%
Year 2	4039	3628	411	11%	3892	4640	-748 ***	-16%
Year 3	3812	3478	334	10%	3614	3964	-350 *	-9%
Total	11542	10036	1506 **	15%	12346	14411	-2064 ***	-14%
San Diego								
Year 1	3331	3089	242	8%	6790	7301	-510 ***	-7%
Year 2	4128	3978	150	4%	5565	6197	-632 ***	-10%
Year 3	4144	4402	-258	-6%	5155	5339	-184	-3%
Total	11603	11469	134	1%	17510	18837	-1327 ***	-7%
Tulare								
Year 1	2987	2961	26	1%	7545	7523	23	0%
Year 2	3721	3998	-277	-7%	6316	6261	54	1%
Year 3	4121	4138	-17	-0%	5588	5600	-12	-0%
Total	10829	11097	-268	-2%	19449	19384	66	0%
All counties (b)								
Year 1	2903	2519	384 ***	15%	7028	7450	-422 ***	-6%
Year 2	3542	3170	372 **	12%	5871	6340	-469 ***	-7%
Year 3	3711	3356	355 **	11%	5266	5543	-277 ***	-5%
Total	10156	9045	1111 ***	12%	18154	19332	-1168 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year.
Statistical significance levels are indicated as *** = 1 percent (the highest level); ** = 5 percent; * = 10 percent.
(a) Because of Alameda's small sample size for AFDC-Us, the estimates of its earnings impacts ($782 for the three-year period, or a 24 percent increase over the control group average) and AFDC payments impacts (-$103, or less than a 1 percent decrease) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.
(b) In the all-county averages, the results for each county are weighted equally.

ATTACHMENT II

AN OVERVIEW OF RIVERSIDE COUNTY GAIN JOB PLACEMENTS AND GRANT TERMINATIONS

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DURING THE PERIOD JULY 1993 THROUGH JUNE 1994, RIVERSIDE COUNTY'S GAIN EXPENDITURES WERE $10,217,849. DURING THIS PERIOD, THERE WERE

7,084 GAIN JOB PLACEMENTS AT A COST OF $1,442 PER PLACEMENT

1,929 GAIN AFDC GRANT TERMINATIONS AT A COST OF $5,297 PER TERMINATION

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AS A RESULT OF AN IN-DEPTH REVIEW OF ALL GAIN JOB PLACEMENTS IN TWO CONSECUTIVE MONTHS THOUGHT TO BE TYPICAL DURING THIS PERIOD, IT WAS FOUND THAT:

AFDC TERMINATION OCCURRED WITHIN THREE MONTHS OF JOB PLACEMENT FOR 27% OF THE CASES

AFDC TERMINATION OCCURRED WITHIN TWELVE MONTHS OF JOB PLACEMENT FOR 58% OF THE CASES

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BY USING RIVERSIDE COUNTY'S GAIN IMPACT TRACKING SYSTEM, IT WAS FOUND THAT:

TWELVE MONTHS AFTER AFDC TERMINATION, 68% OF THE TERMINATED CASES REMAINED OFF AID

****

COMMUNICATIONS

STATEMENT OF THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

The American Federation of State, County and Municipal Employees (AFSCME) submits the following statement for the hearing record on welfare reform.

AFSCME represents approximately 1.3 million members who work in state and local governments and private non-profit agencies. Our membership ranges from highly trained professionals and technicians to lower skilled low-wage and part-time employees. For some of our members, joining AFSCME offered a way off welfare because they earned so little they qualified for food stamps.

Among our members are approximately 75,000 social service workers nationwide. Many are intake workers and caseworkers in the Aid to Families with Dependent Children program (AFDC), job counselors in the employment service offices, and food stamp and medicaid eligibility workers. They sit at the center of the current debate, trying their best to carry out policies made in Washington, D.C. and state capitols and to help the people who enter their offices. Yet the public leaders who talk about welfare reform give them little, if any, support or worse yet, attack them—even as they face an increasingly difficult job with fewer resources and dwindling support.

The welfare system has changed dramatically since the late 1970s when caseworkers could coordinate services for and help their clients. Caseloads climbed dramatically during the 1980s because of recession, dramatic increases in the contingent workforce, and constricting eligibility rules under state unemployment programs. Simultaneously, federal policies changed to require local welfare offices to make eligibility verification and detection of fraud and abuse priorities over case management.

Budget cuts through the last decade compounded these problems by leaving welfare offices with reduced capacity to provide the services. For example, in urban areas in Ohio, caseworkers routinely handle 450 cases or households. When the entire household is considered, the number of persons for whom a caseworker is responsible doubles or triples.

Real welfare reform requires a commitment to reinvest in local welfare offices and simplify complex, confusing, often conflicting, requirements. Front-line workers must be empowered to help welfare recipients who can work to find jobs that pay living wages. Securing the active and meaningful involvement of front-line workers is a critical component of reinventing and changing the culture of local welfare offices.

Real welfare reform also cannot simply focus on changing the AFDC program. In particular, we do not think that significant changes in behavior can be achieved by using negative incentives which deprive children of a minimum level of cash assistance because of the actions of their parents. Among such proposals are those that would deny assistance to any child who is born while the family is on welfare, whose mother was under 18 at the child's birth, or for whom paternity is not established. There is little evidence to support the effectiveness of such a strategy, and much harm than can come to young children.

AFSCME does not take issue with expectations for responsible behavior by welfare recipients, and indeed, by every member of our national community. But real welfare reform is about children and jobs, and hope and opportunity must go hand-in-hand with responsibility.

That is why we believe that real welfare reform must include a comprehensive job creation and workforce development strategy leading to real jobs with decent wages, health care, and child care for all unemployed persons, including those on welfare who can work. Low income and poor women must have health coverage and good quality child care for their children in order to work. A safety net of last resort cash assistance must be preserved for children whose mothers cannot find jobs.

WORK REQUIREMENTS AND TIME LIMITS

A welfare system centered on work is fully consistent with AFSCME members' values, but a work program which devalues workers and destroys jobs is not.

The vision of work in the House bill is at once too limited and too extreme. On the one hand, it fails to recognize the complex factors which cause many families to seek last resort cash assistance and lacks any real job creation strategies. On the other hand, it forces states to implement a full-time public sector workfare program of unprecedented magnitude.

Low income and poor women seek cash assistance for their families for many reasons. A very small percentage enter the welfare system and remain continuously for five years or more. Many of them live unstable lives in communities with very high unemployment. Some mothers function at marginal levels which are not severe enough to qualify them for disability benefits. They may not be able to meet a full-time requirement because of personal handicaps, grinding poverty which deprives the mother and her family of the stability to support sustained full-time work, or a lack of child care. As a result, a full-time work requirement will simply force these families off of welfare, but not necessarily into employment.

The vast majority of welfare recipients, however, leave welfare within two years, but half of those return within two years. The reasons include low educational and skill levels; declining wages at the bottom of the economic ladder; a shift from higher paying, more stable manufacturing jobs to lower paying, less stable service sector jobs; a lack of job opportunities in areas of chronically high unemployment; and, more recently, the transfer of government functions to private contractors who pay their workers minimum wages and no benefits.

These economic forces, combined with constricting state eligibility rules in the unemployment insurance (UI) program, have substantially reduced jobless protection through the unemployment program in ways that disproportionately hurt women in unstable, low paying jobs and single mothers. As a result, many low wage women workers appear to use AFDC as a substitute for the unemployment insurance program.

A March, 1994 report entitled *Income Insecurity: The Failure of Unemployment Insurance to Reach Working AFDC Mothers*, issued by the Institute for Women's Policy Research (IWPR), documented the relationship between welfare, work and unemployment insurance. It found that women on AFDC during the two-year study period who did not receive UI benefits exhibited just as much work effort as AFDC mothers who did receive UI. In addition, those who received UI benefits were more likely to live in states where the UI system covered more of the unemployed and had fewer months on AFDC.

In view of these facts, a lifetime limit on AFDC payments and a 35-hour-per-week workfare requirement do not reflect the real-life experiences of many welfare recipients. They unfairly ignore the substantial work effort of these women and the instability and inadequacy of the low wage labor market.

A policy which favors work at the expense of education and training and which requires 35 hours a week in workfare assignments in exchange for welfare benefits also ignores the needs of these women workers. Running workfare programs for them would be a wasteful way to allocate limited program funds when they really need jobless protection during periods of unemployment, education and training for better jobs, and work supplements to help them remain employed in low wage private sector jobs.

Clearly, we must make every effort to help welfare recipients get private sector jobs, but what happens if they can't get jobs because they lack skills, they don't get effective job search assistance, or no suitable jobs exist?

The lack of decent job opportunities is very real. For example:

- New York City lost 500,000 jobs between 1987 and 1992 while generating only about 35,000 between the beginning of 1993 and April, 1994. The labor market was so constricted during 1992 and 1993 that 26 percent of those who exhausted their unemployment benefits (both regular and emergency) received public assistance within a year, according to a survey of unemployment insurance claimants by the New York State Department of Labor. Furthermore, according to a survey by Philip Harvey, a visiting scholar at the Russell Sage Foundation, the number of people looking for a job in New York City exceeds the number of jobs by at least 7 to 1. (Newsday, December 11, 1994)

- In New York City's Parks Department the rate of full-time, permanent job placements in a selective program for 236 people was only 16 percent. (Newsday, December 11, 1994)
- According to the Employment and Training Institute and Social Science Research Facility, University of Wisconsin-Milwaukee, in the week of May 23, 1994:
  —the 16,790 full-time job openings available in the Milwaukee metropolitan area represented about one-third of the jobs required for the 54,400 to 56,500 persons seeking or expected to work, including unemployed workers and AFDC and food stamp recipients considered able to work. Full- and part-time job openings totaled 30,635 openings or 56 percent of the jobs needed for the Milwaukee metropolitan population expected to work.
  —in the Community Development Block Grant neighborhoods of Milwaukee, there were approximately 8 unemployed workers for every job opening, while the number of job seekers and job openings was much more balanced in the rest of the metro area.

Instead of real jobs and an improved and integrated workforce development strategy, the House bill will lead states to set up and run a massive public sector workfare program for 1.5 million welfare recipients.

These workfare assignments are not real jobs. Under workfare, women receiving welfare benefits would have to work 35 hours a week without any employment rights in order to receive an AFDC grant which in the typical state is equivalent to about $2.42 an hour for a family of three and in Mississippi, the lowest benefit state, would be $.79 per hour.

We have no recent experience with creating such a large work program. The largest public sector work program was the Comprehensive Employment and Training Act (CETA), which enrolled 739,000 people at its peak. At the time, approximately one out of every 20 state and local government workers was supported by CETA, and in some jurisdictions the ratio was as high as 1 to 6. CETA built on existing government personnel structures and employed people with a wide variety of skills in a wide variety of jobs. In contrast, the House bill could cause states to have to place twice as many people, mostly in low-skilled work.

It will be impossible to operate a massive workfare program without destroying decent paying, lower skilled jobs in the public sector and contributing to a further decline in wages and benefits. Over time, local government officials can be expected to replace good paying jobs with "workfare" workers, thereby reducing the number of good jobs available to lower skilled workers. Studies of CETA documented the substitution effects of running a work program over an extended period of time. In addition, the presence of a large pool of virtually unpaid labor will depress wages and benefits for other workers.

AFSCME has extensive experience with displacement problems presented by local work programs. For example, in 1985, the union won an arbitration case in which it claimed that the state of Pennsylvania had assigned approximately 1,000 workfare participants to perform such necessary functions as filling potholes, opening mail, and processing AFDC case files, functions that would have been performed by state employees in the absence of the workfare participants.

However, employers often have prevailed in displacement challenges. For example, in a 1986 court case in Lackawanna, New York involving 26 laid-off employees, the judge rejected the union's claims of substitution even though one of the employees could not find work, eventually went on welfare, and was assigned to work off his grant doing the same work he had performed as a city worker for three years.

The House bill fails to include the Family Support Act provisions which prohibit displacement of workers and jobs. As a result, employers will be able to layoff working people and convert their jobs into unpaid work. They also will be able to fill unfilled vacancies with women working off their welfare benefits. City agencies in New York estimate job openings due to turnover to be between 100,000 to 150,00 a year. In theory, every one of those real jobs could be transformed in workfare assignments (although the reality is that many may not be low skilled jobs).

The absence of any anti-displacement protections means that state and local governments will be able to shift the cost of government services to the federal government by assigning workfare participants to existing job vacancies instead of hiring unemployed workers and expanding employment. Employers are more likely to rely on mothers working off their welfare benefits than hiring other low-skilled workers because there are virtually no labor costs for them. Jobs would be destroyed, and working people would have to go on welfare. This is a totally self-defeating approach which will deepen the poverty of the working poor and intensify resentment against the welfare system.

AFSCME'S WELFARE WORK PRINCIPLES

A real welfare reform strategy should support and reward work by providing both training and job opportunities so that unskilled workers can move up the economic ladder. In our vision, a real welfare-to-work strategy must be a more comprehensive one which can deter participation in welfare by reversing declining wages and benefits, providing education and training opportunities, protecting and expanding real job opportunities, and rewarding work with a decent standard of living.

Federal welfare reform should build on—rather than replace—the Job Opportunities and Skills (JOBS) program. It's central goal should be locating and creating private sector jobs so that welfare recipients can become self-sufficient. Rigidly high participation requirements, such as those in H.R. 4, ignore local labor market conditions and recipient skill levels and needs. They will undercut the objective of developing private sector job opportunities because they will divert states into developing large-scale unpaid public workfare positions. They also will lead to large numbers of subsidized welfare recipients flooding into the low-wage labor market.

Specifically we recommend:

1. States should have the flexibility and resources to implement programs and policies which make work more rewarding than welfare.

Welfare reform must include strategies to address the weaknesses of the low wage labor market in order to enable welfare recipients to take and keep low-wage jobs and minimize welfare dependency.

Designing a fair welfare prevention strategy requires a recognition that low wage workers need the same child care and health care as women leaving welfare for work. Government policies should ensure that child care and health care is available to all low income families in training or work on the basis of a sliding fee schedule.

In addition, states should modify their welfare programs to permit mothers to earn their way off welfare and out of poverty by keeping a declining portion of their cash assistance as their earnings increase.

2. Federal participation rules should be reasonable, and states should have flexibility to establish a variety of work and non-work activities.

Instead of rigid and unrealistically high participation rules, the number and type of such work activities should be based on the needs of individuals, the condition of local labor markets, and the capacity of employers to absorb additional workers without displacing real jobs. Aggressive job creation efforts must accompany work participation goals in communities with high unemployment.

Given the diverse skill levels and work experience of individuals on welfare, states should have a variety of work options including short-term internships or training positions of no more than three months, wage subsidies, and sheltered workshops. In addition, non-work activities which promote work skills and responsibility should be counted in participation rates.

All individuals should have the same education and training opportunities. Federal education, training and labor market services should be reorganized into an integrated system of job development, job placement, and education and training to provide high quality services to unemployed and low-skilled workers without regard to what program of income support they receive. Welfare recipients should not be segregated into separate education and training programs and restricted to training for low-wage jobs, low-skilled jobs. An integrated system serving all job seekers will help remove the welfare stigma which puts recipients at a disadvantage when they look for work.

3. Jobs for working people should not be converted into unpaid welfare work activities, locally established wages, benefits, and labor-management relationships should not be undermined, and a minimum wage floor for all work must be required.

Federal policy should be very clear in establishing the responsibility of employers not to displace working people and their jobs and should establish effective procedures to enforce them. At a minimum, current law protections must be retained in any welfare reform legislation adopted by Congress.

Welfare recipients who work like any other workers should enjoy the same wages, rights and benefits. Simple fairness calls for parity with other workers if there is virtually no difference in the work they do. In addition, to the extent that displacement occurs, equal pay and benefit protections will help ensure that the federal program will not replace paying jobs with unpaid workers.

Any welfare work program must have a minimum wage floor. Otherwise, welfare reform will contribute to a further weakening of wages in the low-wage labor market.

4. Local unions should be regarded as positive partners in local work programs.

Welfare work programs will affect the economic security and future of existing workers. They should have a voice in how these programs are structured. Local unions can help organize local work projects and activities which will not displace real jobs and which provide training and upward mobility for welfare recipients. AFSCME has developed effective working relationships with local administrators in various jurisdictions around the country.

The principle of involving local unions in designing, approving and implementing local work programs is recognized by administrators of successful programs as an important element in their success. For example, in testimony to the New York State Senate in 1992, Mary Glass, then Commissioner of the Westchester County Department of Social Services, said:

> "Another important concern is the local labor unions. We have found that the unions are more likely to accept a workfare program if they are assured right from the beginning that welfare recipients will not be used to replace any paid union workers and if they or their members are involved in designing, or at least agreeing to, the assignments for the recipients. With that kind of involvement, union workers are more likely to see workfare recipients as a help to them with their work, rather than a threat to take their jobs."

5. Local welfare offices must be "reinvented" to focus more on work-oriented goals.

Federal and state policies which require an almost exclusive focus on functions related to paying benefit checks must be modified to put more emphasis and resources on intensive case management, education, training and work. The issue is not whether government or the private sector can do a better job. In fact, local welfare offices did exactly what government policymakers wanted them to do in the early 1980s. They reoriented their efforts away from their historical social work mission and concentrated on verifying eligibility and finding fraud. Now federal policy must mandate a better balance between these two missions.

In reinventing the welfare system to emphasize work and employment opportunities, welfare reform should require the real participation of frontline workers. Frontline workers should need retraining and reduced caseload to implement an effective work-based welfare system.

6. All workers should earn a living wage.

The current minimum wage is $3,000 less than the poverty level for a family of three. Increasing the minimum wage will reduce the need for government to supplement low wages through cash assistance, housing, medical and nutrition programs and the Earned Income Tax Credit. The minimum wage should be raised to a living wage.

7. Individuals who lose their jobs should be able to receive income support while they look or train for a new job or career.

Many women cycle between welfare and low wage jobs. Lifetime limits under AFDC should be rejected so that these women can earn credit and income protection from the welfare system during jobless periods if they do not receive unemployment insurance.

State unemployment insurance laws should be modified to reduce minimum earnings requirements and disqualification rules which deny unemployment benefits to women who leave work for a variety of work/family-related reasons or who cannot find stable decent-paying jobs.

BLOCK GRANTS

The House welfare bill converts the AFDC program into a block grant and freezes the funds for five years. The grant would not grow from one year to the next to accommodate economic fluctuations, changes in wealth, or population. If the next five years look anything like the last five years, states' need for federal aid to mitigate the effects of economic slowdowns will recur, but the amount of federal aid would remain unchanged from the 1994 level.

Even with the current AFDC program in place over the last five years, states had to raise taxes by some $36.2 billion just to deal with the recession-related problems they faced. If they had received no increases in federal AFDC payments, those tax increases might have been an additional $10.4 billion.

States will need more federal aid for AFDC in upcoming years, since most state economies were extremely strong in 1994. The unemployment rate, inflation, and population are likely to increase over the next few years. Freezing AFDC at 1994 levels ignores the likelihood that most state economies will not be doing as well in the future as they are doing today.

States that experience economic slowdowns relative to their 1994 performance would be particularly hard hit by this proposal. This is because they would be tied to a grant level awarded during an economic recovery which would not be adequate to provide sufficient assistance during a recession. If the size of the grant does not grow, it will never meet the needs of future recessions.

The block grant proposal would abandon a 30 year-old effort to create an efficient and highly sensitive method for sharing resources between rich and poor people and states. States that become poorer relative to other states through recessions and other cyclical changes would be hurt the most.

For example, many southern states historically have been poorer than the national average, and the federal government has played an important role in providing them extra federal payments to help them progress. The AFDC program has been an important part of this strategy. Thus, Mississippi receives a federal match of nearly 80 cents on the dollar and Georgia receives more than 60 cents. In contrast, Massachusetts, a wealthy state, receives the minimum amount of 50 cents.

In any given year, individual states may experience difficult times. For example, in the mid-1980s, Texas and other energy-rich states faced severe fiscal distress. More recently, the northeastern U.S. and California remained in an economic downturn long after the rest of the country emerged from the 1991 recession.

The current AFDC program effectively addresses this problem by adjusting annually for changes in a state's relative wealth. When the Texas economy hit hard times, its federal match rate increased (from 54 percent in 1985 to 64 percent in 1992). If AFDC were to become a block grant, the unique ability of the federal government to perform this function will be lost.

If AFDC becomes a block grant, recessions will be deeper, last longer, and do more long-lasting damage to their victims. As the number of poor people grow, as workers lose jobs, and employment opportunities disappear, states will face three choices: seek more funds from the federal government, raise taxes, or reduce benefits.

Of these three options, only the last seems likely. Given the fact that many block-granting proponents view AFDC as a key component in their strategy to cut federal spending, the first choice seems highly problematic. The second is likely to be unpopular and may even be bad fiscal policy at the state level since the states cannot run budget deficits which have a countercyclical effect in the same manner as the federal government.

The easiest option would be to reduce benefits or create waiting lists in which newly unemployed workers may very well be at the end of the line. Thus, the program would lose its crucial ability to act as an economic stabilizer, and working people would be left without protection.

Providing increased federal aid to states during recessions is an efficient, effective, and appropriate role for the federal government. Automatically linking the aid to AFDC caseload sizes that result from relative economic conditions assures that the aid goes to the states and individuals that need it most at any given time.

CONCLUSION

The AFDC program is based on several important principles. First, as a society, it is in our national interest, economically and morally, to protect children from the ravages of poverty and ensure them the opportunity to grow and thrive. Second, in a large and wealthy nation, the federal government is the most appropriate instrument for more fortunate states and individuals to help out less well-off states and individuals, recognizing that over time their relative positions will change. Third, the federal government plays a unique fiscal role in managing the national economy with programs such as AFDC acting as important economic stabilizers nationwide and within individual states and regions.

Clearly the welfare system needs reform through greater simplification and flexibility with more emphasis placed on moving recipients into jobs, but AFSCME believes that these basic principles are still valid. Abandoning them by moving to block grants, turning our backs on certain classes of children, or creating "welfare work" which can destroy real jobs is not real welfare reform. It will not make any of the problems go away.

If the federal and state governments look the other way and hope for the best from the private market place, the costs to society will be high: declining tax revenue, deeper poverty, inadequate medical care, inadequate time for parents to supervise and care for children properly, and ultimately, increased hunger and hopelessness for poor women and their children.

STATEMENT OF THE AMERICAN REHABILITATION ASSOCIATION
(BY SY SCHLOSSMAN, INTERIM PRESIDENT)

SUMMARY OF TESTIMONY

Mr. Chairman: The American Rehabilitation Association appreciates your holding hearings on welfare to work.

The American Rehabilitation Association is a national association representing more than 900 vocational, medical and residential rehabilitation facilities, who serve approximately three million people annually. During the last 25 years, the American Rehabilitation Association has been the primary voice for providers of rehabilitation throughout the United States. The Association represents a broad range of rehabilitation providers, however, it serves a common purpose which is to secure a future in which every person with a disability needing rehabilitation can readily obtain high-quality services to ensure their ultimate participation in society.

One of the ways in which the Association's membership has been successful in this endeavor is in helping people move from dependence to independence through a variety of professional services, including job training and placement. The American Rehabilitation Association asserts that more individuals would cease their dependence on welfare and obtain jobs if job skills training and placement were contracted to private rehabilitation providers who have expertise in job skills training and placement for individuals with a wide array of serious employment difficulties, including welfare recipients.

What we call welfare spending is now nine times greater than in the mid-1960s. Present spending includes more than 70 programs, including cash aid programs, food programs, medical aid programs, housing aid programs, energy aid programs, jobs and training programs, social service programs, and urban community development programs at a cost exceeding $324 billion each year. Toward that end, the Congress has undertaken a tremendous task in overhauling the entire welfare system as we know it today.

The major proposals before the House and Senate give authority to states to administer the welfare program through block grants from the federal government. This approach will place a responsibility on state and municipal governments, many of whom, at present, do not have appropriate resources to undertake such a task. The American Rehabilitation Association seeks to lessen the burden by providing proven methods of helping people to move from welfare to work. Over the past 30 years, rehabilitation programs have proven to be highly successful in assisting individuals with and without disabilities and special needs to achieve and retain a higher level of functional capacity and independence. According to a Northwest National Life Insurance study, for each dollar spent on rehabilitation, $30 is generated in long-term disability reserve savings.

Rehabilitation providers have a long and successful history of training people to be productive, tax paying members of our society and are ideally suited to train welfare recipients to work and obtain jobs. By serving those in need of jobs through vocational evaluation, job skills training and placement, community rehabilitation providers offer proven professional methods for moving people from welfare to work. In fact, some rehabilitation providers are already successfully training and finding employment for welfare recipients. Forty percent (40%) of the vocational providers responding to a recent American Rehabilitation Association survey serve welfare recipients. And, 23% of those respondents served welfare clients who did not have disabilities.

Rehabilitation providers offer a unique combination of services which could be of tremendous value in welfare reform. First, rehabilitation providers use rehabilitation technology. That technology, unlike social work methodology, provides a systemic approach to getting people employed. That technology includes procedures for evaluation of skills, on-site job training, matching an applicant's strengths with an employer's needs, facilitating job accommodations, and providing client coaching and back-up support to employers. Furthermore, for individuals needing more intensive supports, rehabilitation providers may use a supported employment approach which includes intensive initial on-site instruction followed by a gradual decrease in support over an eight week period of time and later periodic follow-up and monitoring. A variation of the supported employment approach is the use of employer and co-worker mentoring. Rehabilitation literature has articulated a highly specific curriculum of procedures for mentoring 1) (Mason & Jaskulski, 1991; Nisbet & Hagner, 1988). Rehabilitation providers have experience in negotiating and facilitating such on-the-job mentoring. Such technology reduces employer's risk in hiring and contributes to a decrease in employee turnover.

Second, rehabilitation providers seek to meet employer needs through developing long-term relationships with employers. Rehabilitation providers survey and task-analyze potential jobs, identify requisite skills, asses and observe vocational skills, and reassess the client's maintenance of skills 2) (Rusch, Trach, Winking, Tines, & Johnson, 1989). Through these efforts, programs assure that clients are well matched with jobs, and thereby increase employers' trust in their services. Third, rehabilitation providers are accustomed to providing job training and placement services for individuals with severe mental, physical, psychological, and other disabilities.

Fourth, rehabilitation providers have a history of working with both businesses and labor, and networking within their local communities. Rehabilitation providers understand employer labor concerns and have developed an ability to facilitate job accommodations and modifications at the work site to assure the best fit between employer's needs and employee skills. Rehabilitation providers also understand how to problem solve and work with community agencies to overcome transportation, child care, and other concerns which inhibit employment.

SUMMARY AND RECOMMENDATIONS

It is clear that welfare reform will be a major undertaking for both states and localities. Under present legislation, states will develop individualized programs which will meet their respective needs; however, many states have neither the resources nor the understanding of the tremendous task that overhauling the welfare system will require. Moreover, present legislation is inadequate in the area of job training. The House passed version proposes the repeal of the JOBS program has been eliminated and touted, by some, as a failure. But solutions to combat future waste, abuse and/or mismanagement have not been recognized. It is not necessary, however, to create new, untested methods of jobs training and placement. Rather than creating new programs, the American Rehabilitation Association believes it is best to utilize proven methods of vocational evaluation, job training, job readiness, job development, job placement, and other employment related services. Therefore, the Association urges the Committee to recognize private community rehabilitation providers as qualified providers of employment and training skills to welfare recipients in any final legislation it considers and reports.

Your favorable response to these recommendations will add to the quality of life for former welfare recipients who will contribute, in taxes alone, millions of dollars to the nation's economy. We thank you for your consideration of this request.

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STATEMENT OF THE INDIAN AND NATIVE AMERICAN EMPLOYMENT AND TRAINING COALITION

(SUBMITTED BY NORM DE WEAVER, WASHINGTON REPRESENTATIVE)

OVERVIEW

Congress is now writing legislation which would completely restructure the federal program of Aid to Families with Dependent Children (AFDC). Any legislation of this type will have a major impact on the quality of life and on poverty conditions in Indian reservation areas and Alaska Native communities. There are an estimated 150,000 to 175,000 Native people in these areas who now receive AFDC benefits.

Welfare reform can succeed in Indian Country only if it reduces, not reinforces dependency. This means that it must contribute to the creation of new job opportunities in areas with the highest rates of unemployment in the country. It also means that it must assist potential adult wage earners in qualifying for, obtaining and retaining employment through a program equivalent to the tribal component of the Job Opportunities and Basic Skills (JOBS) program.

Welfare-to-work services in reservation and Alaska Native communities must be provided by tribal governments, with federal financial assistance. Tribal governments, not state agencies, are the primary providers of services to Native people in Native communities. Tribal governments have a direct government-to-government relationship with the federal government, established in the United States Constitution.

TRIBAL JOBS: A PROGRAM THAT WORKS

Indian tribes and Alaska Native organizations have made major strides in reducing welfare dependency through services provided under the Job Opportunities and Basic Skills (JOBS) program authorized by the Family Support Act of 1988.

This program provides direct funding to tribal governments from the US Department of Health and Human Services. The money is not channeled through the states. There is no matching share.

Currently:

- 77 tribal governments, intertribal consortia and Alaska Native organizations are funded to provide JOBS services. Others would like to participate, but participation in the program was frozen, by law, in the spring of 1989.
- 5,000 employable adult Indian and Alaska Native people on AFDC were served by tribal JOBS programs in an average quarter in Fiscal Year 1993, the most recent year for which data are available.
- Over 2,000 job placements resulted from tribal JOBS services in Fiscal 1993. These placements were achieved despite joblessness rates which averages over 50% across Indian Country.

Tribal JOBS programs work. They reduce welfare dependency.

HOUSE BILL

The House of Representatives has passed a welfare reform bill, HR 4. That bill would end all current efforts to reduce welfare dependency in Indian reservation areas and Alaska Native communities.

The bill:

- Abolishes all funding for the JOBS program, including its tribal component.
- Turns the JOBS money now going directly to tribal governments over to state welfare agencies as part of the bill's cash benefits block grant. No money would go to tribes even though tribes have received support from the JOBS program for over five years.
- Provides no assurance that services to reduce welfare dependency will be available in reservation areas. States would have the freedom to choose what services to provide and which communities to provide them in. Most reservation areas would be denied services because of their geographic remoteness, their lack of employment opportunities and the fact that states consider services to Indian people primarily a federal responsibility.
- Ends cash benefits regardless of whether recipients want to go to work, but are in areas where no job opportunities are available to them. Needy families would be denied benefits if they have received assistance for two years and are not working or if they have received assistance for five years in their lifetime.
- Eliminates any assurance of child care services for those in education, training or work programs or as needed to help them retain employment.

The House bill would do nothing to reduce welfare dependency in reservation areas or Alaska Native communities. It would deepen poverty by ending cash benefits for many and by terminating the services necessary to help Native people attain self-sufficiency.

A CONSTRUCTIVE SOLUTION

In order for welfare reform to work in Indian Country, it must support programs to reduce dependency by increasing employability.

Specifically:

1. Federal law should continue to authorize special employment and training services for welfare recipients in reservation areas and Alaska Native communities.
2. This program should be directly funded by the federal government to tribal governments and Alaska Native organizations and be controlled by them.
3. Allowable activities under this program should include:
   a. The full range of employment and training services.
   b. All related child care services.
   c. Work experience opportunities which are available while a person is receiving any form of cash benefits, and afterwards for those who cannot find other jobs.
4. The program should provide each tribe with the flexibility to design and deliver services under this program in ways which the tribe considers most effective in its circumstances.

5. The program should provide support for economic development to help create new jobs for employable people now dependent on welfare.

If the welfare reform bill developed in the Senate authorizes continued funding specifically for welfare-to-work services, it should:

- Provide for direct federal funding, without matching share requirements, to enable Indian tribal governments, consortia of such governments and Alaska Native organizations to provide such services within their service areas.
- Authorize not less than 3% of the overall funding for such a welfare-to-work program for the tribal component and extend the coverage for services to adult Native recipients of all forms of means-tested income transfer programs.
- Authorize an equal amount of funding for child care services for the participants in such tribal programs as well as such participants who have found employment but continue to need child care.
- Provide for support for the development of subsidized work opportunities for those who cannot find unsubsidized employment.

If the welfare reform bill does not include such an authorization, then authorization for such services should be contained in any job training program consolidation bill approved by the Congress.

SEPARATING A CASH BENEFITS BLOCK GRANT FROM WELFARE-TO-WORK SERVICES

In order to enable Indian tribal governments to provide for the needs of their members, it has been proposed to set aside 3% of the funding in any of the block grants in a welfare reform bill, including the combined cash benefits/welfare-to-work block grant in HR 4, for tribal governments.

The Coalition supports such an approach, including provisions which would allow those tribes and Alaska Native organizations that elect to do so the opportunity to administer their own cash benefits program for needy families. A number of tribes have said they are interested in assuming the responsibility for what is now the state-administered AFDC program. In addition, under any new block grant arrangement states will have a much freer hand to decide who gets cash benefits and under what terms. Native AFDC clients in reservation and Alaska Native communities are likely to suffer. Tribes will do a much more sensitive job of administering a cash assistance program in their areas of jurisdiction.

However, even if a welfare reform bill were to authorize direct funding to tribes under a cash benefits block grant, this does not insure that the kinds of services now offered by tribal JOBS programs would continue.

In order to accept such a block grant under the terms in the House bill, tribes would generally have to agree to the same kinds of requirements applicable to states. This includes a number of restrictions on who can receive benefits. An extensive tracking mechanism would be necessary to enforce restrictions on benefits, including a tracking mechanism that shares information between tribes and states.

If tribes were to receive direct funding under the cash benefits block grant in HR 4, they would also have to insure that a specified percentage of their welfare case load works. After receiving benefits for two years, recipients would have to work or lose their benefits. The bill has no special money to support worksites for the persons on assistance.

If tribes were to receive direct funding under the cash benefits block grant in HR 4, they would also have to agree to provide child support enforcement services.

In addition to all these considerations, the net effect of a welfare reform bill would be not to provide benefits to needy families, but to restrict them. Funding is "capped" with little room to deal with any increase in the number of families needing cash assistance. If tribes were to handle these funds, it would be up to the tribe to say "no" to tribal members in obvious need.

How many tribes could or would agree to accept a cash benefits block grant under all these conditions isn't known. For this reason, it is essential to enable tribes to provide welfare-to-work services without having to assume the responsibility for all aspects of the administration of a cash benefits program.

Welfare reform can work in Indian Country, but it will only work if it includes the services necessary to reduce, not reinforce dependency. Employment and training services are an essential part of this process. Tribal welfare-to-work services must be continued.

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STATEMENT FOR SENATE COMMITTEE ON INDIAN AFFAIRS

SUBMITTED BY

THE NATIONAL CONGRESS OF AMERICAN INDIANS

REGARDING WELFARE REFORM AND BLOCK GRANTS

April 6, 1995

Introduction

The National Congress of American Indians (NCAI), is the oldest, largest, and most representative Indian advocacy organization in the nation with tribal membership of 182 Indian nations and communities. Of all proposals contained in the "Contract with America" and taken up by the 104th Congress, welfare reform will have the most significant and long-lasting consequences for the nation and for Indian tribes. As Congress is now debating various proposals to fundamentally restructure the manner in which welfare programs, social services, and related services are provided, NCAI submits this statement to lay out the probable consequences of these reform efforts and their impacts on Indian nations and Indian people. We are troubled by the current rush to reform the welfare system and reorganize government and the pace with which Congress is speeding ahead with legislation to implement proposals such as block grants to the states in areas concerning welfare, social services and related programs.

The putative purpose for Congress undertaking welfare reform efforts is to enhance and strengthen local government control in the administration of these programs. Indian tribal governments are "local governments" and are best suited to address local problems, while fully accounting for the many and unique local nuances in terms geography, demography, and economic variations. Unfortunately, up to now Indian tribal input has been sorely lacking in the welfare reform effort, and NCAI welcomes and appreciates the opportunity to begin our participation in this historical debate. In keeping with the Federal Indian policy of self-determination that had it's beginnings with the Nixon Administration and has been the hallmark of Federal-Indian policy for 25 years, we urge that any welfare effort rest upon the foundation of the government-to-government relationship the tribes maintain with the United States. At bottom, if Indian tribes and their members are to benefit in the same fashion that residents of the several states benefit, any proposal to block grant Federal funds must include a direct Federal-tribal funding mechanism. Requiring tribes to work with and through the several states and the states' own mini-bureaucracies would render the idea that authority should be delegated to the lowest practicable level moot when applied to tribes.

Welfare Reform and Block Grants

Of particular concern to tribes across the nation is the proposed "block granting" of Federal welfare programs, social services, and related services, and the precise funding and administrative mechanisms that may prevail if enacted, and the likelihood that Indian nations and people will continue to remain under served by these much-needed programs. We laud S.285, introduced by Chairman McCain early in the 104th Congress, to grant authority to provide social services block grants directly to Indian tribes and support this measure especially as it would provide a 3% tribal set-aside for grants and contracts entered into with tribes, tribal organizations, and/or tribal consortia to administer these critical programs. With the exception of the "Child Care Block Grant" in the House bill (H.R. 1214) which provides for the tribes to receive up to a 3% allocation, none of the other major funding proposals currently being considered as part of that legislation include tribal governments as eligible participants in a manner similar to the states. If tribal governments are not made eligible participants, and all the programs are block granted to the states, the effect will be to make the tribes and their service populations "clients" or "customers" of the states. This is problematic is two senses. First, the history of state provision of services to Indians leaves much to be desired in terms of equitable treatment and effective delivery of services. Second, it would be an undesirable and unacceptable undermining of the sovereign status of tribal governments and an abrogation of the special government-to-government relationship between the Federal government and the tribes. In particular areas such as education, health services, and others it would be an unlawful violation of the federal government's trust responsibility to Indian people. To avoid both the practical and legal negative consequences stemming from such an arrangement, tribal governments must be made eligible for direct funding of block grants.

Furthermore, in establishing criteria for the grants, consideration should be given and allowances made for the unique status of and special needs of tribes. The following minimum factors must be included in legislation implementing any block grant system:

1) Tribal governments must be eligible for direct funding or block grants in every category for which states are eligible and programs must be funded at a level adequate to insure the provision of services at a level and of a quality at least comparable to the services provided by the states. There should be a minimum tribal allocation of 3%-5% in each program.

2) Formulas for distribution of funds to tribes and program guidelines should be developed in consultation with the tribes so as to take into account unique tribal economic, cultural, and other conditions. Consideration should be given to such additional factors as are determined appropriate to insure optimum delivery of services, including unique geographic and demographic conditions of the reservations and service areas.

3) Funds not distributed during a fiscal year should be made available for reallocation in subsequent years.

4) Special provisions should be made for grants to tribal and intertribal organizations serving more than one tribe where this is found to be more desirable, practical and efficient and the impacted tribes desire to work in such a consortium or cooperative.

5) Eligibility for or receipt of tribally or Federally administered services, for example the Indian Health Services, should not exclude individuals from eligibility for state administered services where tribal or Federal services are unavailable or inadequate.

6) Where practical or necessary, state and tribal programs and program planning should be coordinated.

7) There should be an option for tribes who do not want or who are not able to administer these programs to enter into cooperative agreements with states or others for the administration of the programs.

8) Tribes should have the flexibility to access the block grants if they have the necessary capacity and wish to access others in the future.

9) Planning funds and technical assistance should be available to the tribes for planning and development of programs, and the funding and technical expertise to build and improve tribal administrative capacity to administer these programs. If there are to be limitations on the use of funds for administrative purposes as applied to tribes, any such constraints must take into allow for limited tribal resources.

10) Tribes must have the same flexibility as the states to move funds from one block grant to another as well, as the ability to reallocate such funds to other programs serving similar needs but funded from other sources.

Employment Training and Employment Availability

To be successful in the long run, efforts to reform the welfare system must reduce dependency and arm those people now receiving assistance with the necessary skills to enter the labor force. Job and skills training programs, such as the "Job Opportunities and Basic Skills" program (JOBS) are invaluable in providing welfare recipients with the wherewithal to get and retain employment. These programs, however, presuppose that there are in fact job opportunities available. Unfortunately for much of Indian America these opportunities are sorely lacking. Unemployment rates in Indian country average 50%. The JOBS program has been successful in weaning welfare recipients from Federal assistance and has resulted in over 2,000 private job placements in FY1993 alone. These programs should be encouraged, not curtailed, if welfare dependency is to be reduced in Indian country.

The rationale set forth by congressional proponents for overhauling the nation's welfare system is that it is not working as well or as efficiently as it should be. Consistent with the philosophy behind these efforts, tribal governments should be afforded the same opportunity as the states to receive Federal funds and administer welfare and social services programs to their own members. Proposals to re-work the system can be effective in Indian country but must have as their aim reducing the reliance on the very system we are reforming. Perhaps more importantly from the tribal perspective these efforts, and any resultant enactment, must remain in accord with and serve to strengthen tribal sovereignty and the unique Federal-Indian relationship.

* * *

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Resolution # 95-DC-EX-009

TITLE: SUPPORT FOR FEDERAL BLOCK GRANTS

WHEREAS, we, the members of the National Congress of American Indians of the United States, invoking the divine blessing of the Creator upon our efforts and purposes, in order to preserve for ourselves and our descendants rights secured under Indian treaties and agreements with the United States, and all other rights and benefits to which we are entitled under the laws and Constitution of the United States to enlighten the public toward a better understanding of the Indian people, to preserve Indian cultural values, and otherwise promote the welfare of the Indian people, do hereby establish and submit the following resolution; and

WHEREAS, the National Congress of American Indians (NCAI) is the oldest and largest national organization established in 1944 and comprised of representatives of and advocates for national, regional, and local Tribal concerns; and

WHEREAS, the health, safety, welfare, education, economic and employment opportunity, and preservation of cultural and natural resources are primary goals and objectives of NCAI; and

WHEREAS, tribal governments pre-date state governments as established sovereign nations responsible for providing all governmental services and support for their peoples; and

WHEREAS, tribal governments, as sovereign nations, possess a sovereign status superior to state governments; and

WHEREAS, the NCAI does oppose any federal funding proposal or block grant proposal that does not include tribal governments as eligible recipients/participants or which would have the effect of making the tribes or their direct service populations "clients or customers" of the states.

THEREFORE BE IT RESOLVED, that the National Congress of American Indians does hereby demand the U.S. government, in recognition of the government-to-government relationship between the United States and Indian Tribes, to award and distribute federal block grant dollars designated to serve Indian populations directly to the tribes and not channeled through the states.

BE IT FURTHER RESOLVED, that the National Congress of American Indians demands that tribal governments be made eligible for direct funding or block grants in every category for which states are eligible on a status equal to and no less than that of the states.

CERTIFICATION

The foregoing resolution was adopted at the 1995 Executive Council Winter Session of the National Congress of American Indians, held at the Hyatt Regency on Capitol Hill in Washington, D.C. on February 13-14, 1995 with a quorum present.

gaiashkibos, President

ATTEST:

S. Diane Kelley, Recording Secretary

Adopted by the General Assembly during the 1995 Executive Council Winter Session held at the Hyatt Regency on Capitol Hill in Washington, D.C., February 13-14, 1995.

900 Pennsylvania Avenue S.E. Washington, D.C. 20003 (202) 546-9404 Fax (202) 546-3741

Resolution # 95-DC-EX-010

TITLE: OPPOSITION TO SPECIFIC WELFARE REFORM ISSUES

WHEREAS, we, the members of the National Congress of American Indians of the United States, invoking the divine blessing of the Creator upon our efforts and purposes, in order to preserve for ourselves and our descendants rights secured under Indian treaties and agreements with the United States, and all other rights and benefits to which we are entitled under the laws and Constitution of the United States to enlighten the public toward a better understanding of the Indian people, to preserve Indian cultural values, and otherwise promote the welfare of the Indian people, do hereby establish and submit the following resolution; and

WHEREAS, the National Congress of American Indians (NCAI) is the oldest and largest national organization established in 1944 and comprised of representatives of and advocates for national, regional, and local Tribal concerns; and

WHEREAS, the health, safety, welfare, education, economic and employment opportunity, and preservation of cultural and natural resources are primary goals and objectives of NCAI; and

WHEREAS, the Republican leadership in its "Contract with America" proposed to "reform" welfare legislation; and

WHEREAS, Congress has begun the debate on this legislation; and

WHEREAS, on many reservations jobs are not available, therefore requiring Indian families to rely on welfare; and

WHEREAS, the seasonal nature of many jobs on some reservations requires Indian families to rely on welfare during parts of the year; and

WHEREAS, low education levels, discrimination, and health conditions may require many Indian families to rely on welfare for their survival; and

WHEREAS, changes in welfare legislation may have an enormous impact on Indian people, and particularly children, who are the largest numbers of those who must depend on welfare; and

WHEREAS, the United States Government, through treaties, Executive Orders, legislation, regulation and policies, has recognized the sovereignty of American Indian tribal governments and has dealt with tribal governments on a government-to-government basis; and

WHEREAS, tribal governments have a responsibility for the welfare of their members and must be considered in any welfare reform legislation which impacts tribal communities; and

WHEREAS, Indian tribes have unique cultural traditions and mores which do not necessarily reflect those of the non-Indian majority population; and

WHEREAS, tribal governments support the idea of "local control" being advocated by the current majority of Congress; and

WHEREAS, believing in local control, Indian tribes firmly believe it is tribal governments who can, with adequate resources, best determine how welfare programs should operate in their communities; now

THEREFORE BE IT RESOLVED, that the National Congress of American Indians is firmly opposed to any welfare reform legislation that does not address the specific needs of Indian reservations and communities; and

BE IT FURTHER RESOLVED, that NCAI is adamantly opposed to any welfare reform legislation which does not recognize:

1. the sovereign status of tribal governments to determine the welfare needs of their individual communities;
2. the cultural differences that exist between Indian communities and the majority of non-Indian communities;
3. that by forcing rules and regulations on tribal communities which are not reflective of tribal community values, and which place welfare programs entirely in the hands of state governments, tribal governments are not given the authority and resources necessary to exercise tribal control over welfare programs in Indian communities.

CERTIFICATION

The foregoing resolution was adopted at the 1995 Executive Council Winter Session of the National Congress of American Indians, held at the Hyatt Regency on Capitol Hill in Washington, D.C., on February 13-14, 1995 with a quorum present.

gaiashkibos, President

ATTEST:

S. Diane Kelley, Recording Secretary

Adopted by the General Assembly during the 1995 Executive Council Winter Session held at the Hyatt Regency on Capitol Hill in Washington, D.C., February 13-14, 1995.

Statement of the Red Lake Band of Chippewa Indians

Chairman and distinguished members of this Committee, thank you for the opportunity to submit written testimony for the record of the Committee Hearing on Welfare to Work. I am Bobby Whitefeather, Chairman of the Red Lake Band of Chippewa Indians, a federally recognized Tribe in Minnesota. Approximately 5,500 tribal members live on the Reservation; some 2,200 members now live off the Reservation.

Initially, I would like to take this opportunity to commend this Committee for conducting these hearings on the important issues of welfare reform. The issue of reforming the welfare system in this country will touch the lives of many people, whether they receive welfare assistance or not. There is no denying that the system needs reform.

In addition to supporting the bipartisan goal of reforming the welfare assistance system, Red Lake also supports the broad policy of helping welfare recipients move from dependence to independence through employment. Welfare should primarily be a temporary, transitional service which assists those in a position of need in getting back on their feet, obtaining employment, improving their education and building their job skills.

HISTORY OF RED LAKE WELFARE SYSTEM

To provide you with some context for the rest of my testimony, I would like to share with the Committee a brief description of the history of Red Lake's welfare system.

The Red Lake Band has a unique and long history of working with federal, state and county governments to provide social services to its members. In 1965 the Beltrami County Welfare Department opened a Branch office in the Bureau of Indian Affairs Red Lake Agency building. This was a monumental step forward in providing services to Red Lake residents. Since that time, the Red Lake Band, Beltrami County and the BIA have worked together to establish guidelines and outline responsibilities for the delivery of Human services to residents of the Reservation.

The Red Lake Band is in a unique position among Tribes interested in reforming welfare because it has already initiated discussions with County and State officials in efforts to reform the current methods of Human Services administration. In 1993, discussions began between Red Lake and Beltrami County about ways to change the administrative structure of social service programs affecting members of the Red Lake Band living on the reservation. Under current law, the County is responsible for administering many of the social welfare programs benefiting members of the Band. The County has expressed a sincere desire to be relieved of the responsibility of providing services to Band members for financial and other reasons. We have, therefore, engaged in dialogue to explore other options of administering the services needed on the Reservation.

FAILURES IN THE CURRENT WELFARE SYSTEM

The current welfare system has been an abject failure at the Red Lake Reservation as well as across all of Indian country. Poverty, unemployment, alcohol and substance abuse, juvenile delinquency, and out-of-home placement of children occur at rates among Native Americans that are well above that of the general population. One half of all Indian children under the age of 6 live in poverty. 50% of the female headed families in Indian country live in poverty. The national rate is 31.1%, significantly lower than the figures in Indian country. These statistics evidence a broad failure of the current system in addressing the welfare needs of Indians. These rates are estimated to be even higher on the Red Lake Indian Reservation. In 1989, about 70% of female headed families were living in poverty. The unemployment rate is estimated to be about 50% on the Reservation. Change is needed in order to address these unacceptably high rates of poverty and unemployment. Tribes are in the best position to determine what change is needed and to devise strategies to address the overwhelming needs of their people.

UNIQUE SOLUTIONS FOR INDIAN COUNTRY

Welfare reform in Indian Country should be aimed at creating a system of opportunity through which the lives of Indian people and the stability of Indian communities are improved. Unfortunately, most current welfare programs and ideas for reform do not consider the unique character, status and problems of Reservation communities. Any proposals for reform must consider the fundamentally different issues that are raised by welfare when applied in an Indian Reservation context.

The typical large-scale, bureaucratic welfare program designed to help the urban poor is rarely effective in Indian Country for many reasons. Indian Tribes and institutions represent a unique level of government within the American inter-governmental system and have a unique government-to-government relationship with the federal government. If welfare reform ignores this uniqueness, it will not succeed.

Reservation communities, although very diverse, are frequently characterized by severely underdeveloped economies, lack of basic infrastructure, and geographic isolation. Therefore there are few private sector jobs to use to obtain economic self-sufficiency for persons otherwise eligible for Aid to Families with Dependent Children (AFDC). Also, Tribal programs typically operate on a totally different scale than do state government-based programs. Tribal programs relate most effectively to economically disadvantaged clients on a flexible, person-to-person, face-to-face basis, not through the several levels of administrative structure that characterize state-administered programs. Finally, many Indian people have a much stronger relationship to their own communities and institutions (Tribe) than do non-Indians, because theirs is a tightly-knit mix of political, cultural, family and social affiliations bonded by common hardship and adversity.

S. 285, introduced by Chairman McCain, provides the authority necessary for Tribal governments to contract for or receive title XX grants to operate their own welfare programs. The current Title XX makes grants available to States but not to Tribal governments. Under these conditions, Tribal governments often are squeezed out and provided no funds at all. This is evidenced by the recent report issued by the Office of the Inspector General which revealed that 15 of the 24 states with the largest Native American populations failed to provide Title XX funds to Indian Tribes between 1989 and 1993. The report concluded that Tribes did not receive funding because Title XX currently does not provide funds directly to Tribes and because states are not required or encouraged to share the funds they receive with Tribes. With S. 285, Tribes will be eligible to receive Title XX funds directly from the federal government, thereby alleviating one of the biggest hurdles toward addressing the need for welfare assistance in Indian country. It is, therefore, critical that provisions in the final welfare legislation include authority for Tribes to receive direct funding from the federal government to operate social service programs. Otherwise Tribes will be left with little or no funding to provide social services to an already under-served population.

It is vitally important, however, that flexibility and choice for Tribal governments be built into the system. Tribes should be given the option to manage their own programs. Each Tribe is thereby empowered to make the decision best for its people. Some Tribes may contract with the State or County to provide services. Other Tribes may pay non-profit organizations to manage and administer their program. Many Tribes, such as Red Lake, will run the programs themselves. This flexibility allows Tribal governments to determine what is best for their members. Each Tribe is different, with varying needs, priorities and conditions. Each Tribe must decide for itself how the services are to be provided.

Red Lake also supports the fundamental goal of Tribal control of resources. Control by Tribal governments over welfare programs offers the best hope that Tribal members' reliance on those benefits will be transitional and of maximum value, because Tribal governments can tailor the welfare program and enhance incentives that are culturally and socially appropriate as well as target social services directly at the need in an efficient manner. Tribal control allows for the adaption of programs as needs on the reservation change. Finally, Tribal governments are in the best position to determine what the needs of their members are and how to design programs best suited to meet those needs. Federal, state, and even county governments are too far removed from the realities of life in Indian country to be capable of designing programs which would meet the unique needs of each Tribe.

By affirming and supporting the authority of Tribes to design their own social service systems Tribal family values will be fostered and Tribes will be allowed to take the maximum advantage of local and regional resources. Empowering Tribes to create workable solutions to the welfare problems they face is the best hope of solving the overwhelming problems of poverty and unemployment in Indian country.

RED LAKE OPPOSITION TO NEGATIVE RESTRICTIONS ON USE OF GRANT FUNDS

Several proposals have been discussed in the debate over how best to reform welfare assistance. While, as I stated earlier, Red Lake does support the policy goals of helping those receiving welfare assistance obtain employment and independence, Red Lake does not support time limits for meeting that goal and punishments such as limiting or restricting AFDC assistance for families that fail to obtain the goals set for them. Each State, locality and Tribe must be given the flexibility to develop solutions to their problems in ways that are most suitable to their local economic environment. The unemployment rate at Red Lake is so high, and due to the rural nature of the Reservation, it would be impossible for welfare recipients living on the Reservation to meet such unrealistic goals. Red Lake will need more time to make the transition and flexibility to develop programs to increase employment availability on the Reservation. In addition, if recipients of welfare assistance were required to meet those goals within a specified time limit, it is likely that numerous families would be forced to move off the Reservation, many recipients would flood the low wage labor market and a great deal of dislocation of workers would occur within the market. Not only would many adults fall victim to such a policy, but the children would suffer most. There are better solutions to this problem.

Give Tribes the authority to receive grants directly from the federal government without negative restrictions regarding the use of those funds. Allow Red Lake to utilize those funds in a way which works toward the same goal, but is adapted to the unique employment, economic and rural conditions of the Reservation. Allow members of the Tribe to continue residing on the Reservation, rather than forcing them to move to urban areas to attempt to find employment due to specific time limits.

Red Lake also opposes lifetime limits for welfare assistance recipients. These limits ignore the lack of job opportunity which exists in many poor communities. Often in such communities, welfare recipients want to work, but because of the lack of job opportunities, they are at times unable to and therefore must rely on welfare assistance to provide for their families. The victims again, while including adults, will primarily be children who have no control over the employment status of their parent and the economic conditions of their environment.

It is important to note also that it is not only Indian Tribes that will be unable to meet these high work activity requirements. The Congressional Budget Office concluded that all 50 states would fail the meet the job requirements outlined in H.R. 4. Specifically, the CBO criticized the 90% participation requirement for two parent families. The CBO concluded that from our recent experience with the JOBS program as well as past efforts with welfare-to-work programs, it is highly unlikely that states would be able to obtain such high rates of participation in work activities.

There are numerous benefits to a policy which allows for and encourages flexibility. Local communities can craft unique solutions to problems which work. They can experiment without being tied to national requirements which do not make allowances for the different conditions in different parts of the country. Welfare assistance could be administered more efficiently by identifying the specific need in a community and could be managed in such a way that individual success can be encouraged, measured and achieved.

Thank you for the opportunity to provide written testimony for the record of this hearing. Red Lake looks forward to working with this Committee to craft working solutions to the welfare crisis.

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