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ABSTRACT

Four papers are included, the first being an April 12, 1973 interview with U. S. Representative Martha W. Griffiths regarding a study authorized by Congress on welfare programs. Seymour L. Wolfbein and Karl T. Schlotterbeck present a statement on H. R. 1, a proposed solution to the welfare problem, before the Senate Finance Committee on January 27, 1972. They discuss the welfare problem and their views regarding the purported causes of the problem, including the migration thesis, the work disincentive thesis, and the family break-up thesis. They analyze the proposed new policies and give their own recommendations for action. The third paper concerns manpower potential of AFDC families and estimated job vacancies. Thomas P. Walsh authored the fourth paper, a statement on public service employment and manpower programs given on April 28, 1972. (SC)

Chamber of Commerce of the United States of America

Washington

GUARANTEEING INCOME AND EMPLOYMENT

A Compendium of Papers

for the

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September 1973

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Chamber of Commerce of the United States

Public Service Radio Program, MBS

"WELFARE STUDY"

April 12, 1973

Arch N. Booth, Executive Vice President
Chamber of Commerce of the United States

U.S. Representative Martha W. Griffiths (D-Mich.)

Craig Palmer, Washington Correspondent
United Press International

MR. BOOTH: Without a doubt, the most controversial issue before the Congress during the last session and the current one is the welfare issue. It is generally agreed that the present welfare programs are in a tangled mess, and that corrective steps must be taken to straighten them out. Two years ago, the Congress authorized a far-reaching study, to be conducted in cooperation with the General Accounting Office, to find out what is really happening in the field of welfare. We have with us today Representative Martha Griffiths of Michigan, Chairman of the Subcommittee on Fiscal Policy of the Joint Economic Committee of Congress. Mrs. Griffiths is also a member of the House Ways and Means Committee. Our reporter is Craig Palmer, Washington correspondent with United Press International, covering the Department of Health, Education and Welfare. Mrs. Griffiths, let's start with an easy question. What was involved in conducting the study of welfare programs; how did your Committee go about its fact-finding mission?

MRS. GRIFFITHS: Well, one of the things I wanted to know was who gets welfare and how much do they get. I, for a long time, have realized as a woman that there are women drawing more on welfare than they could possibly earn, and drawing more than women who work do earn. So we brought the GAO into the study; that is, the General Accounting Office, which is an arm of Congress. And we asked them if they would find out for us exactly what was happening. They had first gone to the census takers and they had found an area that was impoverished by the census standards. They then went to the welfare office and had them check it, and they agreed. They opened the files, the federal files, on 100 different programs to discover if people within a pre-selected tract were drawing any money from those programs. They never interviewed the people at all. All of the federal program officials were tremendously cooperative as were all of the welfare officials in the area. And the things that we found, I think, were really quite astonishing. This is information that we should have had long, long ago.

MR. BOOTH: And that we would agree with. Craig Palmer, let's go ahead with your questions and see what we can learn.

MR. PALMER: Did you find, for instance, that any of the various federal programs knew what the other ones were doing?

MRS. GRIFFITHS: No, of course they don't. Not only do the programs not know what the other programs are doing, but the sad thing is that the committees in Congress don't know what the other committees in Congress are doing, and HEW knows the least of all.

MR. PALMER: Does this create a system that allows families to beat the system, in fact, by piling up numerous different benefits?

MRS. GRIFFITHS: Well, it creates a situation in which they can milk the system. They don't actually beat it. What they were doing was legal, but the point of it is we shouldn't have set a system up like that.

MR. PALMER: That is interesting because if they can milk the system, then perhaps we are creating some sophisticated welfare families who know how to get around the situation. Is this, in fact, true?

MRS. GRIFFITHS: Well, I think in fact there is some truth to that. The thing that must have been realized for a long time is that we are rewarding a woman to get rid of her low-wage-earning husband. And, then we are now in the remarkable position of saying that if she marries her best friend's husband after she has gotten on welfare, she can keep the welfare and the husband too.

MR. BOOTH: This must be a very rich hunting ground really, isn't it? You have identified more than 100 different welfare programs. To what extent, in a general way, is there a great deal of overlap among the recipients?

MRS. GRIFFITHS: Oh, one percent of these people were connected with more than 11 programs.

MR. BOOTH: More than 11!

MRS. GRIFFITHS: Nineteen percent, almost 20 percent, of those that were connected with any program were connected with five programs. And, we found that when you were connected with five programs, you had already passed the poverty level.

MR. PALMER: Isn't this indeed a way to come up with more than what a so-called guaranteed annual income would have allowed?

MRS. GRIFFITHS: Yes. This was true in the South too.

MR. PALMER: Doesn't this speak for the need for some, regardless of what we call it - skip the rhetoric - don't we need some kind of annual income guarantee for families that would consolidate or, as the bureaucrats like to say, "cash out" some of these programs, put them togeter, and just guarantee a minimum level of income?

MRS. GRIFFITHS: What we really have is 100 or more guaranteed incomes now. What we ought to do is toss out a lot of these programs and combine many of the others so that we see that all people are treated equitably.

MR. BOOTH: If we are going to do some guaranteeing, we ought to guarantee the taxpayer that we'll untangle some of these hundred or more overlapping programs and make some sense out it - both for the taxpayer as well as the disadvantaged person who needs help.

MRS. GRIFFITHS: That is quite correct because we are spending billions on the administration of these programs.

MR. PALMER: Well, aren't there some families who aren't sophisticated enough, or don't know what's happening and are falling through the cracks?

MRS. GRIFFITHS: Yes. It's not only that they are not sophisticated enough, they don't fit the category. For instance, we found that in the state of New Jersey, a woman with three children who had gotten herself first on welfare could draw an income as high as $900 a month from work and still get $19 of welfare. And that $19 of welfare entitles her automatically to Medicaid, to food stamps (now she would not get many), and to free milk for the children in school and free lunches. On the other hand, in New Jersey you could have a father and mother with two children, the same number of people to support, and the man, if he had an income of $300 a month, isn't entitled to go on welfare and he gets no additional aid.

MR. PALMER: Mrs. Griffiths, has the Administration responded either officially or unofficially to this study?

MRS. GRIFFITHS: I have heard unofficially that the Secretary of HEW has instructed all top-level people that they have to read everything we put out.

MR. BOOTH: I notice you have included such payments as veteran's benefits and Social Security. These are not technically welfare, of course, so why did you include them along with such things as direct welfare payments?

MRS. GRIFFITHS: Because if you don't really do that, then you can't actually tell what the things that are considered welfare, how it compares with those that have paid for their support. You know, I realized long ago on the Ways and Means Committee that if we hadn't connected Old-Age Assistance in the same bill with Social Security, we would right now be paying far more to people on Old-Age Assistance than we are paying as a minimum to Social Security - and those people already paid for what they get. Now we found two elderly families in rural areas: one old gentleman, 85, was drawing Social Security. Since it was not enough money, he was also drawing Old-Age Assistance. Under Social Security, he was entitled to Medicare. Old-Age Assistance entitled him to commodities and to Medicaid, which is the best program that we have. The net result was that he was getting far more than the old couple right beside of him that was getting Social Security and Medicare.

MR. PALMER: Mrs. Griffiths, what does this all mean? What are the implications of it? What should be done? Obviously, we need some consolidation of these programs. What is the next step?

MRS. GRIFFITHS: Well, I think the next step is to reform Congress in the way it hands out welfare. I think what we should do right now is to set up a committee with a really well-trained staff that looks at every one of these programs. Now, some of these, you know, we don't call welfare. We don't say that food stamps are welfare. The committee that hands that out is getting rid of surpluses.

MR. PALMER: Or Veterans' Benefits. I think that was covered.

MRS. GRIFFITHS: That is right. What you ought to do is to look at how all of these programs interconnect with others. For instance, when we raised Social Security 20 percent, from some people we gave them $20 and took away $80 in veteran's benefits. Or, if you raise the Social Security too much, some people who have been getting Old-Age Assistance would lose that.

MR. PALMER: You certainly take away from taxpayers when you raise Social Security levels too.

MRS. GRIFFITHS: Right, but we need somebody to look at each one of these amendments and each program that is offered and show Congress at least the facts on how they all work together.

MR. PALMER: An oversight committee?

MRS. GRIFFITHS: An oversight committee.

MR. BOOTH: Could we clarify just one more point? You've identified these glaring inconsistencies from state to state. Are the inconsistencies caused by faulty administration in the main or built into the various laws that control the distribution of welfare costs?

MRS. GRIFFITHS: They are built into the laws.

MR. BOOTH: Today we are talking with Rep. Martha Griffiths of Michigan about a staff study on welfare authorized by the Congress two years ago and recently completed. Our reporter is Craig Palmer, Washington correspondent with United Press International. For the first time in many years, we have a chance to curb deficit spending by the Federal Government -- to lessen inflationary pressure -- to set up machinery that will provide better Congressional control over the federal budget. Those who would spend more are extremely vocal in their demands for new federal programs and expansion of present programs. But the Congress needs to hear from those who like to see less federal spending. Unless Congressmen start hearing from their constituents who want spending curbed, then none of us will have a right to complain about the higher taxes that will be needed to pay the bills. The choice is clearly yours: reduce federal spending or face more taxes or more inflation. Which way do you want the Congress to go? Now back to Craig Palmer.

MR. PALMER: Mrs. Griffiths, it appears, and I will stand corrected on this, that the Administration is in the driver's seat on this welfare issue right now. President Nixon has abandoned his welfare reform because as he says "Congress isn't ripe for it right now." Is Congress "ripe" to do anything on its own?

MRS. GRIFFITHS: Well, Congress is sitting right now in a better position to do something because they have more facts. If the President had had the facts that I found when he offered his welfare program, he would have had a much better chance of passing it.

MR. PALMER: And you think he would have offered his welfare program had he had these facts?

MRS. GRIFFITHS: Very possibly. You know, one of the objections that was made to his welfare program was that it would put so many people in the South on welfare that have never drawn it. The truth is that the South already found the welfare office. Most of those people that we found in the South were connected with some program.

MR. BOOTH: It seems to me you are in the driver's chair also with this excellent information you have accumulated. What do you propose to do about it?

MRS. GRIFFITHS: Well, I propose to ask the Congress immediately to set up a program that reviews each amendment offered. I really think we should stop offering amendments on the floor until we know exactly what they are doing. For instance, one of the amendments that was offered some years ago to the housing program on the floor, which sounded good, is one of the most inequitable things ever done. It said that you could not pay more than 20 or 25 percent for your housing if you lived in public housing. What the Congress didn't understand is that they put some "disregards" in the regulations, in the guidelines, so that a family in public housing could be drawing as high as $12,000 and paying $300 a year rent.

MR. PALMER: You mentioned in your study that one southern family, I believe, had 11 different benefits. How does a family do this? Do they go around shopping? Is there a welfare agent who guides them to different places? How does a family work up this many benefits?

MRS. GRIFFITHS: Well, they may hear about them from their friends. Now, frankly, I think if you are going to have the programs, then everybody ought to have a fair shot at them. We have a study that has been put out which shows you, as far as we can, what you are really entitled to. And it is the first time anything like that has ever been done. They may find a welfare agent that is especially kind to them and tells them "go inquire from this office or that office." We found a young girl in one city, 17 years of age, with two children. She had one of the children at 12 years of age. I believe she was connected with eight different programs an her income came to something like $6,000 or a little more per year.

MR. PALMER: You mentioned something you prepared that shows what people are entitled to. My goodness, what are people entitled to according to this study?

MRS. GRIFFITHS: We could not actually list everything in every state. But, you see, one of the additions is that all of these states add things.

MR. BOOTH: Is any one individual entitled to something from each of the 100 different welfare programs?

MRS. GRIFFITHS: No, we haven't found that. The most we found was a family that was entitled to 12. You see, maybe a child in the family is entitled to two or three benefits; maybe one of the children is ill or gets special shoes out of a program, or special assistance. They may be employed by a youth program. The father and mother, or the mother particularly, gets additional benefits.

MR. BOOTH: Craig Palmer, if you or I drop further below the poverty level, we will need a catalog to find our way through all of these various programs - don't you think?

MR. PALMER: Well, government puts out enough catalogs. Maybe Congress ought to put out a catalog on this.

MR. BOOTH: Mrs. Griffiths, your study was limited to a few states. From what you have learned, would you say that the results are typical of the entire country?

MRS. GRIFFITHS: It was typical only of poverty areas perhaps. And we did not check the greatest poverty of all, the greatest welfare area of all. What we really need is better statistics from the census. The census isn't checking on these programs. They don't tell you exactly what these people are getting.

MR. PALMER: Why weren't these areas identified, Mrs. Griffiths?

MRS. GRIFFITHS: Because we are protecting the people. The GAO wouldn't do it for us.

MR. PALMER: I thought the people themselves were not involved.

MRS. GRIFFITHS: No, they were not; but the GAO says the study is absolutely confidential. We wanted the census to go back and check on exactly the same families to find out why they didn't find the information, but the GAO said they could not. They would not release the names.

MR. BOOTH: Mrs. Griffiths, as you know, we at the National Chamber are very much concerned about incentives in welfare and incentives for all people. Now, certain work incentives are built into some of the welfare programs. How effective are they?

MRS. GRIFFITHS: Those incentives are merely theoretical. The real incentive is not to work. For 70 percent of these people who were getting five benefits, we discovered that if they earned a dollar, they would either earn nothing - they would realize nothing from it - or as little as 32 cents. This would have meant if they had worked at a $1.00 an hour for eight hours, they would have gotten at most only $2.46.

MR. BOOTH: Isn't that rather a tragic thing for our society to have the incentive be in favor of not working?

MRS. GRIFFITHS: Yes, it is. You see, we talk that, but when we put all of these programs together, it doesn't work that way.

MR. PALMER: But were these people able to work and capable of being trained for work?

MRS. GRIFFITHS: A good many of them would have been.

MR. PALMER: Were they women with children at home, for instance?

MRS. GRIFFITHS: Not necessarily. They could have been women with children, but the children not at home.

MR. PALMER: There were many of them, for instance, who were drawing multi-benefits who could have been trained for jobs through work incentives, or something like that?

MRS. GRIFFITHS: Yes; in fact, that was part of the training. The training was one one of the benefits in many cases.

MR. BOOTH: You did come across the manpower training programs many time in the study, of course. Would you say a word about their effectiveness?

MRS. GRIFFITHS: We have done another study which shows that they have not been very effective. One of our big problems is that you cannot trace these people afterwards. You see, for a long time, I have wanted everybody to have a Social Security number. We have finally gotten it, so if you do get money from one of these programs, you do have to have a Social Security number. But, it would be vastly helpful to the government to understand which programs work well, if we knew positively that you use only one Social Security number.

MR. PALMER: I realize this is probably a rhetorical question, but does this kind of study give you any evidence of how much money we are merely throwing away that is totally useless in welfare - the training money?

MRS. GRIFFITHS: No, we can't say that exactly. We can't tell you that exactly, yet.

MR. BOOTH: But obviously from your comments, you think it is a considerable percentage.

MRS. GRIFFITHS: Yes, I do think we are throwing money away.

MR. PALMER: And, obviously, some of it could be redirected.

MRS. GRIFFITHS: Yes, some of it should be spent. We should terminate the programs that don't do well and use the funds on the programs that do a good job. That would be the way to do it.

MR. BOOTH: Perhaps in the fraction of a moment we have left, you could say something about the present programs for the aged. Are they adequate to care for senior citizens after their working years, in your opinion?

MRS. GRIFFITHS: No, not necessarily; but we are approaching the moment when the aged really are going to be taken care of pretty well.

MR. BOOTH: I take it this indicates, then, that the Ways and Means Committee is going to do some study on this and bring some legislation before us. Is that correct?

MRS. GRIFFITHS: They certainly are.

MR. BOOTH: We have been talking with Rep. Martha Griffiths of Michigan, Chairman of the Subcommittee on Fiscal Policy, Joint Economic Committee, Congress of the United States about a study of welfare programs made by the committee staff in cooperation with the General Accounting Office. Our reporter is Craig Palmer, Washington correspondent with United Press International. We thank you both for being with us today. Each week this program brings you a discussion of the choices facing free Americans. This is Arch Booth, speaking for the business community, inviting you to listen each week to these discussions.

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STATEMENT
on
H.R. 1
SOCIAL SECURITY AMENDMENTS OF 1971
before the
SENATE FINANCE COMMITTEE
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
SEYMOUR L. WOLFBEIN AND KARL T. SCHLOTTERBECK
January 27, 1972

My name is Seymour Wolfbein. I am Dean of the School of Business at Temple University. Currently, I am a member of the National Chamber's Special Committee on Welfare Programs and Income Maintenance and its Committee on Manpower Development.

Before joining Temple University, I worked for 25 years in the U. S. Department of Labor in various assignments. From 1962 to 1965 I was the Director of Manpower Development and Training. After that I served as Economic Advisor to Secretary of Labor Willard Wirtz.

My associate is Karl T. Schlotterbeck, who for several years was Economic Security Manager for the National Chamber. He is serving today as a consultant to the Chamber.

We are speaking today on behalf of the National Chamber, the world's largest federation of business enterprises and organizations. Its membership embraces 40,000 business enterprises, 3,600 trade and professional associations, and local and state chambers of commerce, with an underlying membership of approximately 5 million individuals and firms.

SUMMARY OF RECOMMENDATIONS

We urge rejection of those provisions in H.R. 1 which are proposed as a solution to the welfare problem. This proposal, billed as welfare reform, offers no solution to the welfare problem. Hence, much of the proposed additional spending would increase prospective deficits and would be futile.

We do recommend alternative actions which will make a start in solving the AFDC problem.

Training and job placement should be focused on those AFDC adults whose welfare payments are <u>not</u> competitive with job earnings.

Public service employment should be provided for AFDC adults when private jobs are not available.

Part-time public service employment for able-bodied AFDC adults with larger families should be available so they can earn a part, at least, of their welfare.

Free child care services should be made available to children in AFDC families when the adult family members participate in job training or employment programs.

Upgrading programs for the heads of working poor families should be initiated. This will assist them to rise to higher levels of income and also open up jobs for AFDC adults.

AFDC costs should continue to be shared between the federal and state governments. Federal regulations should be adjusted to enable every state to develop constructive innovations.

The 66 2/3 percent "tax rate" in the present AFDC program should be rescinded if Congress wishes to provide incentives for employment.

Congress should establish its own research advisory council. Only then can Congress be assured of needed basic knowledge, such as the real causes of family dependency on welfare, the overlapping of various programs, and the characteristics and manpower potential of AFDC family members.

BASIS FOR CHAMBER COMMENTS

Over the last several years, the Chamber has become increasingly concerned about the welfare problem, and about poverty. It has devoted progressively more of its resources to the study of these problems and a program of membership information.

In the course of this study, we have learned much about these programs. We have also learned how relatively little is actually known about the people on AFDC.

In considering this bill, this Committee will be shaping welfare policies which may well prevail for the next third of a century, as was the case when the Social Security Act of 1935 was written. Today, you have some advantage over your predecessors. Although today's knowledge about welfare dependency is admittedly meagre -- in 1935, it was non-existent.

H.R. 1 is virtually a retread of last year's bill, H.R. 16311. The Secretary of Health, Education, and Welfare told this Committee last July 27 that H.R. 1 embodies the basic principles of welfare reform in the original proposal. We urged this Committee to reject that bill -- and we repeat that recommendation about the welfare provisions in H.R. 1. They add up to a non-solution program.

Last Spring, the President said, "We need an entirely new approach that will reach the reasons for soaring welfare costs and not simply deal with the results as we are now doing." 1/ This statement about welfare reform has been amplified by Administration spokesmen, by the Ways and Means Committee, and by supporters in the House.

In this presentation, we will be concerned with the broad structure of the proposed reform program -- not with the minutiae in the many provisions in H.R. 1.

First, we will present briefly the broad structure -- a statement of the welfare problem, the purported causes, the objectives and proposals to be achieved and how -- and finally, the projected results.

Second, we will analyze the validity of the stated causes, examine the relevance of the objectives to the causes, test the reasonableness of the means devised to help achieve them, and appraise the reliability of the promised success.

Third, we will offer some recommendations that would make a beginning in solving the welfare problem. Moreover, we will suggest some further investigation that could lay the basis for additional constructive action.

THE WELFARE REFORM PROPOSAL

Unless there is broad agreement on what is the welfare problem, various objectives could be proposed, and programs devised to achieve them -- objectives

1/ See, Welfare Reform, A Fundamental Change of Direction, Excerpts of Remarks at the Republican Governors' Conference, April 19, 1971.

and programs that could be incompatible and self-defeating.

The Problem

When H.R. 16311 was under consideration, the startling rise during the 1960's in the number of families dependent on welfare, and in costs, was the problem. Since then the much greater growth by the Spring of 1971 made welfare reform the number one domestic priority.

Referring to the sharp growth in the preceding 18 months, the Secretary of HEW told this Committee last July that "this exponential increase alone makes an overwhelming case for the replacement of the current welfare non-system." That is, growth in AFDC family caseload is the problem.

The public is concerned not just with the consequent rise in costs, but especially with the increase in the number of families not self-supporting. As this Committee well knows, these families are for the most part headed by mothers. Thus, an underlying concern is -- what in our society are the causes for this sharp and continuing growth in the number of dependent families headed by mothers?

The Causes

Four explanations are advanced for this growth in family dependency on welfare.

First, the Administration contends that high welfare payments in some northern and western states have caused a great number of poor families to migrate from rural areas, especially from southern states, to these more liberal states just to get on welfare.

Second, they assert that the large welfare payments in these states have encouraged male-heads of working poor families to quit their jobs (or reduce their weekly earnings) to go on welfare for families with unemployed breadwinners (AFDC for Unemployed Parents).

Third, they state that these high welfare payments are a strong incentive to many a working-poor father to desert his wife and children when AFDC would provide them with more income than he can earn.

Fourth, certain detailed provisions in H.R. 1 identify another cause -- fraud and other abuses.

These purported causes of AFDC growth provide the basis for several welfare reform proposals in H.R. 1.

<u>Objectives and Proposals</u>

In his statement before this Committee, the HEW Secretary has specified several objectives which this bill was intended to achieve. Naturally, the major objectives are to eliminate these causes of growth.

The first proposal is to establish a national minimum income floor for families with children, whose incomes are below a specified level. This level varies depending on family size.

These minimum income levels are very much greater than the AFDC payments now prevailing in several southern states. The objective is to eliminate the "strong incentive for poor families to migrate to higher welfare states."

The second proposal is to establish work requirements for those family adults able to work. Every family adult applying for and found eligible for welfare must register and, if found employable, must take a job or training for a job. This work requirement would apply not only to mothers heading families (with certain exceptions), but especially to unemployed fathers heading poor families. The objective is to eliminate the second purported cause of AFDC growth -- fathers quitting jobs or reducing work effort to get welfare.

The third proposal is to provide a strong work incentive. The bill provides that the first $60 of monthly earnings and one-third of the remaining pay will be disregarded in determining eligibility for, and amount of, welfare benefits. For example, an eligible mother with three children would be entitled to $200 a month in welfare. If employable and placed in a job paying, say, $240 a month, she would have only $120 of this counted and her welfare benefit would be $80. Thus, her total monthly income would be $320. The objective is to encourage these mothers to take a job -- and, hopefully, to become self-supporting in the future.

Implementing the second and third proposals in relation to mothers on AFDC would deal not with a <u>cause</u> of welfare growth, but with reducing the current caseload.

A fourth proposal is to extend welfare eligibility to every family headed by a regularly employed father with relatively low income. Such fathers would be subject to the requirement to take a job. Since they are regularly employed, this requirement is irrelevant. But more importantly, it is contended they would benefit from the work incentive provisions whereby their earnings would be supplemented by a welfare payment. Under present law, such fathers are not eligible for AFDC in any state.

The objective of paying welfare supplements to such families is to eliminate the third alleged cause of AFDC growth -- father desertion.

Another proposal is to raise incomes of working poor families headed by either a male or female, up toward, or even above, the poverty income level. In fact, families already above the poverty level could receive welfare supplements.

Promised Results

With these proposals, and with specific provisions in H.R. 1 to implement them, there would, of course, be an immediate increase in the family welfare caseload and in costs. There remains one question -- would the growth in caseload be reversed? In the foreseeable future, would the aggregate costs be less than those of continued AFDC?

Spokesmen for H.R. 1 give firm assurances that within five years there would be a turn-down in costs -- and in caseload, almost immediately -- since the purported causes of AFDC growth would be eliminated. The work incentives would be of a kind and amount to encourage working poor family heads and employable AFDC adults to put out greater work effort and thus earn their way off welfare through their own efforts.

According to advocates of H.R. 1, "What you have in this bill, even though it may be an increase now, is the assurance that over the years welfare rolls will decrease . . . It holds the hope and the assurance that over the years the costs will decrease and the rolls will decrease . . ." 2/

2/ Congressional Record, June 22, 1971, p. H 5604.

ANALYSIS OF FAMILY WELFARE REFORM

The provisions in H.R. 1 to achieve a solution to the welfare problem are many, very detailed, and very complex. Taken as a whole, if they offered real promise of solving the problem, they should be supported. With unfolding experience, necessary adjustments could be adopted to strengthen the overall program.

We are mindful, however, of a candid appraisal of changes in public welfare in the past. One of the leading scholars and thought leaders in public welfare in this country observed in 1967 that:

> "When contemplating the policies that have been applied in the past, and considering those which might be applied in the future, it is impossible not to be both impressed and depressed by the extent to which policy decisions are made and perpetuated on the basis of beliefs about facts rather than tested knowledge, even in areas where it would not seem impossible or even difficult, to secure hard data . . . the sum total of our knowledge is meagre." 3/

The proposed changes in public welfare policies are drastic and radical. Millions of people will be affected directly or indirectly. Government costs will be escalated. Consequently, the candor of this scholar is also an admonition -- giving rise to several questions.

Is there agreement about the identification of the problem? Does available evidence verify the purported causes? Are all of the objectives in the bill clearly and directly related to eliminating these causes? Are the policy changes and other innovations for achieving these objectives reasonable? Does experience, or inductive research, validate these provisions? Are the projections of future experience reliable? In other words -- will this reform proposal solve the welfare problem? What does "tested knowledge" reveal?

THE WELFARE PROBLEM

There would appear to be a consensus on the nature of the problem -- growth of family dependence on welfare. When H.R. 1 was debated in the House, the Chairman of the Ways and Means Committee said:

3/ Eveline M. Burns, The Future Course of Public Welfare, a paper presented to the 1967 Arden House Conference on Public Welfare. (Underscoring supplied)

> "From the beginning of 1960 to the end of 1969, the AFDC rolls were increased by 4.4 million people, a 147% increase. The total cost of the program more than tripled, from $1 billion in 1960 to about $3.5 billion at the close of the decade of the 1960's. If the situation in welfare was alarming and in a state of crisis at the beginning of January 1970, the AFDC program is now completely, totally, out of control. The January 1971 expenditures for AFDC were $482,423,000. That represents a 40.5% increase from January 1970, just one year. The number of AFDC recipients rose from 7.5 million in January 1970 to 9.8 million in January 1971 -- two and one quarter million people on AFDC in just one year." 4/

Since most of these people are in families headed by mothers, there is equal concern about this. "The exploding number of broken families which are becoming increasingly dependent on welfare for all their needs poses serious social problems." 5/

Thus -- growth in family dependence on welfare, and in public costs for support are obverse sides of the same problem. And the facts do support this identification of the welfare problem.

VALIDITY OF THE PURPORTED CAUSES

Migration Thesis

Migration of poor families from rural areas, especially from southern states to northern states, and to one west coast state, in order to get their large welfare payments is believed to be a major cause of the problem. " . . . there is a great disparity of payments between the several states, which great difference has resulted in an influx of people into the northern industrial states from the southern states and Puerto Rico . . . In the legislation of H.R. 1, efforts were made to try to narrow the gap in this broad differential in order to discourage this migration and to even encourage some of the people to return home." 6/

4/ Congressional Record, June 21, 1971, p. H 5538

5/ Social Security Amendments of 1971, House Report No. 92-231, Committee on Ways and Means, 92nd Cong., 1st Sess., p. 2.

6/ Congressional Record, June 22, 1971, p. H 5608

The repeated assertion that high welfare payments have caused a large migration of poor people to get on welfare is only a belief about facts -- and is refuted by available evidence. The special study of AFDC in New York City, requested by the Chairman of the Ways and Means Committee, found that "The current rise in the AFDC caseload (between the years 1966 and 1968) cannot be attributed to a recent increase in recipients who have migrated for calculated reasons." 7/ This finding was verified by the monitoring team from the General Accounting Office.

Cook County, Illinois, had experienced a similar sharp and extensive growth in its AFDC caseload in the early 1960's. A study conducted in 1964 to determine the causes concluded that in-migration to get on welfare was not a significant factor in that growth. 8/

After the Supreme Court decision invalidating state residence requirements, Pennsylvania (with such a requirement) expected a subsequent influx of families from poorer states to get on welfare. According to a high official in its Department of Welfare, a continuing monthly check of new applications approved for those with less than one year residency in the state showed that the vast majority of such families came from four states, all of which made higher welfare payments. Virtually none came from the southern states.

We are not aware of any other studies with facts about this purported cause. But the evidence is clear that there has been a large movement of families from southern to northern states and to the west coast during the past two decades. If the high welfare payments did not cause this large movement, then why did hundreds of thousands of families leave their homes to go north or west?

7/ Committee on Ways and Means, Report of Findings of Special Review of Aid to Families with Dependent Children in New York City, a study conducted jointly by the Dept. of HEW and the New York State Dept. of Social Services, 91st Cong., 1st Sess., p. 35.

8/ See, A Study to Determine the Employment Potential of Mothers Receiving Aid to Families with Dependent Children, (1964), p. 16; Parents of School Drop-outs in Public Aid Families, (1967), p. 30. These two studies were prepared by the Cook County Department of Public Aid in cooperation with The Loyola University School of Social Work.

Since 1950, there has been a technological revolution in agriculture. Greatly increased mechanization on the farm, vastly greater use of chemical fertilizers and insecticides, improved hybrid seeds, and, to some extent, soil bank programs, have all served greatly to increase agricultural production and to eliminate farm jobs. From 1950 through 1970, agricultural jobs declined from 7.2 million to 3.5 million, a large part of this in the south.

Naturally, these workers and families left the farms and moved to the cities. Where else could they have gone? And they moved to those cities where they believed jobs existed. Necessity and job opportunity -- not high welfare payments -- caused this migration.

Work Disincentive Thesis

Supporters of H.R. 1 contend that AFDC offers an incentive to male-heads of working poor families to quit their jobs and go on welfare. This is claimed to be a second cause of the problem. Some say that " . . . Any time the benefits paid in a state are greater than a man can earn in the way of income after taxes, he is going to quit work and go on welfare, or at least most of them . . . there is nothing fair about creating a situation where there is greater inducement for a person to be on welfare than having him continue to work." 9/

Others contend that " . . . in view of the substantial economic incentives the present program provides for welfare over work, the father of a low-income family is virtually required to choose welfare . . . The incentive to choose welfare over work is even greater in higher benefit states." 10/

The facts do not indicate that many fathers have responded to this "incentive" of AFDC to quit their jobs and go on welfare. There are 24 states paying AFDC to families with unemployed fathers. These 24 include 7 of the 10 highly industrialized states, each of which makes relatively large AFDC welfare payments. Despite such attractive incentives to quit, there were only 129,041 such families on AFDC as recently as September, 1971 -- or less than 5 percent of the total caseload of 2.8 million. 11/

9/ See, Congressional Record, June 21, 1971, p. H 5544

10/ The same, June 22, 1971, p. H 5595

11/ See, U.S. Department of HEW, Public Assistance Statistics, NCSS Report A-2, December 20, 1971, Tables 7 and 8.

Available data indicate that such unemployment and being on welfare were not a matter of free choice. The welfare amendments of 1961, establishing AFDC for a family in need when the father was unemployed, required that the father first register with the Employment Service and be available for work. The Employment Service was to make special effort to place him in a job. Thus, the Service knew which unemployed were on welfare and most needing jobs.

The most recent monthly data available (through December 1968) 12/ show that, for every unemployed father on AFDC placed in a job by the Employment Service (and then immediately dropped from the AFDC rolls), at least 18 others (also registered with the Employment Service) successfully found regular employment through their own efforts and other resources. Had fathers in the latter group truly preferred being on AFDC, they could easily have remained on welfare for as much as two years longer merely by waiting for the Employment Service to find them jobs. Clearly, the choice of the great majority of such fathers was not to quit their jobs and to remain on welfare as long as they could.

Family Break-up Thesis

A third cause of the problem is said to be that AFDC is an incentive to family break-up. This is another belief about facts refuted by available evidence. HEW contends that any father with low job-earnings (or a father with modest earnings but a larger family) is encouraged to desert his family if they would be better off on AFDC. This they say, explains the tremendous growth in AFDC. Others express similar beliefs:

> ". . . the most serious thing of all we found was that there is a very definite incentive for family disintegration." 13/

> "In most states, a family cannot receive welfare if there is a man living in the house, thereby forcing many fathers to desert just to give their families a chance to survive." 14/

12/ These data are no longer collected and compiled by the National Center for Social Statistics in HEW.

13/ Congressional Record, June 21, 1971, p. H 5538

14/ The same, June 22, 1971, p. H 5641

A father with low income is faced with "severe economic pressures to leave his family. He finds himself in the untenable position of being able to assure that his wife and children are properly fed and clothed only if he leaves them." 15/

What are the facts? Comparable, detailed surveys of AFDC show that father-desertions accounted for 20.2% of the families (with living fathers) on AFDC in 1953 -- the low-point in the caseload since 1950. And it declined to 19.3% in 1967 -- and to 16.8% in 1969, then the caseload high-point since 1950. This decline has occurred while the aggregate AFDC caseload was growing prodigiously.

Moreover, the President's former Counsellor, Daniel P. Moynihan, completely disagrees with these assertions. He has stated that " . . . there are not five cents worth of research findings that the availability of AFDC payments does lead to family break-up." 16/

Curiously, however, in a separate memorandum, HEW subsequently admitted to the Ways and Means Committee that desertion is not triggered by the single factor of low income. (In fact, low income may be of minor significance.) HEW states that " . . . The factors that lead to desertion are complex." 17/

And, indeed, the factors must be complex. To illustrate, in New York City, families with unemployed fathers can get AFDC for the entire family -- and those with working fathers, but "poor," can have their incomes supplemented by a state welfare program, so that they will be as well-off as they would be on AFDC. If the employed father receiving a state welfare supplement becomes unemployed, or deserts, the family is automatically shifted from the state-local welfare program to the federal-state-local AFDC program. Obviously, the "powerful economic incentive" for fathers to desert because their families would then be better off on AFDC -- or to quit their jobs -- has been removed. In essence,

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15/ Committee on Ways and Means, Social Security Amendments of 1971, House Report No. 92-231, 92nd Cong., 1st Sess., p. 160.

16/ Daniel P. Moynihan, "The Crisis in Welfare - The View from New York", a paper prepared for the 1967 Arden House Conference on Public Welfare.

17/ Hearings, Social Security and Welfare Proposals, Committee on Ways and Means, 91st Cong., 1st Sess., p. 530.

New York City has a modified family assistance program. It is, in a very real sense, an experimental program, and on a much vaster scale than the widely publicized experiment in New Jersey, financed by the Office of Economic Opportunity.

Thus, New York City experience with AFDC gives us a preview of what the national experience might be with a national program paying welfare supplements to working poor families headed by fathers.

From 1961 to 1967, the AFDC caseload increased 41 percent nationally -- but 160 percent in New York City. In fact, New York City alone accounted for 86 percent of the national increase.

Father-deserted families on AFDC increased 138 percent nationally, but 337 percent in New York City. The city actually contributed more than 60 percent of the increase for the entire country. 18/

A 1966 study of the AFDC problem in New York interviewed AFDC mothers who had been deserted. Most of these mothers reported that the desertions occurred after the families got on welfare -- not before, as a means to qualify the family for welfare. 19/

We can only conclude from this New York experiment with a modified family assistance program that removal of this "powerful economic incentive" of AFDC for fathers to desert their families did not result in preventing father-desertions, but "desertion" actually was the largest single cause of the large AFDC growth in the city. Why should we expect different results if a welfare supplement program were adopted nationally?

18/ Committee on Ways and Means, Report of Findings of Special Review of Aid to Families with Dependent Children in New York City, a report conducted jointly by the U.S. Department of HEW and the New York State Department of Social Services. This study was monitored by GAO. Table 6, on page 64, shows that the New York City AFDC caseload increased from 51,205 in 1961, to 133,001 in 1967 -- by 160 percent. Meanwhile, the deserted families on the AFDC caseload increased from 12,138 to 52,855 -- or by 337 percent. (Table 7, on page 65, gives similar data for the U.S.)

19/ U.S. Department of HEW, Welfare in Review, March - April 1968, for a report on a research study by Professor Podell, financed by a HEW grant.

The social tragedy of father-desertion has been grossly misrepresented as a major factor in the AFDC growth. Nevertheless, H.R. 1 proposes to initiate a new national program, chiefly to remove this so-called "powerful economic incentive" in AFDC for family break-up.

The national "risk" for fathers in working poor families to desert is infinistesimal. Between 1961 and 1967, there was a net increase of 65,000 father-deserted families on AFDC in the entire country. In 1961, there were 4,900,000 working poor families headed by males under 65 exposed to this "powerful economic incentive" to desert. By 1967, there were 2,700,000 such working poor families. Thus, between 1961 and 1967 -- when nearly 5,000,000 families might be regarded as subject to the risk of father-desertion -- 2,200,000 of these families rose above the poverty level. Meanwhile, only 65,000 families (net) were deserted by fathers and went on AFDC. And 40,000 of these 65,000 deserted families were in New York City alone, which had a modified family assistance program.

The facts clearly show that father-desertion has not been a major cause in the growth of the AFDC caseload. Moreover, the experience of New York City reveals clearly that supplementing low earnings of the father does not necessarily hold families together.

In summary, the advocates of the welfare reform in H.R. 1 have only speculated about the major causes of the problem -- they have provided only beliefs about facts, but absolutely no supporting evidence. Actually, the available facts refute the validity of their contentions that these are the causes. Clearly, the welfare problem was not caused by:

1. Migration of poor families from southern rural areas to the north and the west coast just to get on welfare;

2. Fathers on AFDC-UP preferring welfare to jobs; and

3. AFDC being a powerful incentive to family break-up.

ANALYSIS OF OBJECTIVES AND PROPOSALS

Although these presumed causes are refuted by the facts, nevertheless the objectives of this proposal and the means proposed for achieving them should be examined. Specifically, are all the objectives directed to a solution of the problem? Are the means for achieving them reasonable? Does experience, or inductive research, give us confidence that the proposed new policies would solve the problem?

Minimum Income Floor

A national minimum income floor is proposed. This new policy is intended to minimize or eliminate the purported incentive for poor families to migrate. "A standard federal level would tend to inhibit whatever motivation people might have to move from an area with low welfare payments to an urban center with seemingly higher payment levels." 20/

Since AFDC-induced migration has been shown to be a very minor factor in this growth problem, a national income floor to attack it is of no moment. However, some would support such a floor -- and at the proposed $200 monthly level or higher -- because they contend that anything less is totally inadequate for family needs in this, the most affluent country in the world. And prevailing four-person family AFDC payments are lower in 22 states -- much lower in 7 of them. 21/

But what would be the effect of a $200 monthly income floor -- even with the $67 monthly penalty for refusal to take training and/or a job? Such a family of four with $133 welfare payment would be much better off in 5 states than under the present AFDC program. Here, the proposed national minimum floor would be a strong work disincentive. In 4 other states, such a family would be no worse off than now. The national minimum would thus serve as a work disincentive in those 4 states.

20/ Committee on Ways and Means, Social Security Amendments of 1971, House Report No. 92-231, 92nd Cong., 1st Sess., p. 174.

21/ Committee on Finance, Welfare Programs for Families, Material Related to H.R. 1, 92nd Cong., 1st Sess., Table 11, pp. 44-45.

Training and Work Requirement

The objective of the requirement that family adults who are eligible and employable must take training and/or a job to receive a welfare supplement can best be considered with a third objective. This is the work incentive device of a welfare supplement to earnings, adjusted downward in amount with progressively higher earning levels.

The work requirement and the work incentive taken together are obviously designed to attack both the second purported cause of the problem -- AFDC-induced unemployment -- and also to reduce the existing caseload of employable AFDC mothers.

Although AFDC-induced unemployment has been shown to be insignificant, the work requirement is at least relevant to such unemployment. The work incentive of a graduated welfare supplement is another matter, and will be analyzed separately.

Working Poor and Work Incentives

A further provision of H.R. 1 -- making working poor families eligible for welfare -- is intended to attack the third purported cause of welfare growth. This is the claimed incentive of AFDC for father-desertion. Here again, the work-incentive device is relied on to "hold families together."

This "work incentive" is the heart of the welfare reform proposals in H.R. 1 -- as it was in last year's bill, H.R. 16311. Under the present bill, a family with "counted" earnings, and other income below a specific level, will receive a welfare payment. The specified level varies with family size. The welfare supplement is progressively smaller if earnings are higher, or increase. For example, a family head with three dependents and with no income would receive a federal welfare payment of $200 a month ($2,400 a year). If he, or she, takes a job, or has a job, and earns $240 a month, the family would still receive a welfare payment. In determining the amount, the first $60 of earnings, plus one-third of the remaining $180 -- or $60 -- would be disregarded, and only the remaining $120 would be "counted." The difference between this and the $200 welfare floor -- or $80 -- would be the welfare supplement.

As can be seen from the above, the head of a four-person family earning only \$60 in a month (say, one 40 hour week of work at \$1.50 an hour), would get \$200 in welfare, and his total income would be \$260. If he worked the other 3 weeks in the month (120 hours at the same rate of pay), he would get \$80 in welfare. And his total income would be \$320.

Should such family-head earn more, his welfare supplement is reduced accordingly. Finally, with earnings of \$360 a month, he would receive no supplement.

This device is ingenious -- and crucial. The following statement is typical of many supporting this provision:

> "The number one change we must make is to encourage work, and to remove the disincentives to work. We must accomplish this objective if we are going to find a solution to our present problems . . . I think what we start here is an attempt to restructure the program on the basis of a new philosophy . . . that no one will be better off on welfare than working . . . the incentive is to keep moving up the income scale, to maintain efforts to improve earnings . . . if he is successful in making additional money, he is going to be economically better off, his total income will increase." 22/

There in a nutshell is the belief in the efficacy of this device as a work incentive. A belief in how other people are motivated and would react!

The importance of this device cannot be over-emphasized. Once deeply imbedded in a national program directly affecting about 5 million family heads the first year, it would be difficult -- if at all possible -- to rescind the device at a later date, should it prove to be ineffectual, or should it prove to be a disincentive. Clearly, we need more than a sincere belief that it will encourage family heads to work harder, to work more, to improve their capabilities -- and thus to work their way off welfare. We need proof -- from experience, from inductive research.

22/ Congressional Record, June 22, 1971, p. H 5599

Results of Chamber Research

For this reason, the National Chamber commissioned some research and analysis of very detailed family and income data for 1966. These data are from the Survey of Economic Opportunity carried out by the Bureau of the Census for the Office of Economic Opportunity. The results of this research and analysis by two well-known economists, Alfred and Dorothy Tella, have been published by the National Chamber as "The Effect of Three Income Maintenance Programs on Work Effort" -- and they were made a part of the record of these hearings late in July, 1971.

A major purpose of this study was to determine the effect non-work income (in this case, a welfare supplement) has on the work incentive of a regularly employed working poor family head. As the Secretary of HEW told this Committee:

> "To reward work is integral to the vitality of our national economy, to prevent erosion of the work incentive, we must do everything we can to ensure that a person is always better off working than non-working."

In this research, the Tellas concluded that welfare supplement plans with high "tax rates" on earnings of, say, 50 percent, or 66 2/3 percent (as in H.R. 1), would result in reductions of 13 percent to 15 percent, and of 17 percent to 24 percent in work effort by regularly-employed working poor male family heads.

"Work reductions would occur primarily as the result of the high marginal tax rate on earnings imposed by the plans (50 percent or greater), although income supplementation alone would also lead to some decline in work effort." 23/

In other words, the high "tax rate" on earnings of a welfare supplement, as well as the supplement itself, would erode the work effort of working poor families. And for AFDC mothers who take jobs, the reduction of welfare benefits by $2 for every $3 of added earnings (a "tax rate" of 66 2/3 percent) would effectively discourage greater work effort. They couldn't be expected to try to work their way off welfare.

23/ See, Alfred and Dorothy Tella, The Effect of Three Income Maintenance Programs on Work Effort, p. 29.

Similar research on the effect of a 50 percent "tax rate" was completed by Rand Corporation for OEO. This analysis was specifically related to the provisions of the 1970 version of welfare reform (H.R. 16311). The analysis showed there would be a 19 percent reduction in work effort of male family heads. 24/

The recent interim report on the New Jersey Experiment verifies these inductive analyses. It reported a 12 percent reduction in work effort by families in the experimental group. 25/

Experience with the Social Security work test further validates the erosion of the work incentive resulting from a high "tax rate" on earnings. A study of beneficiaries aged 63-72 showed a sharp reduction in work effort when earnings reached the $1200 earnings ceiling "taxed" at a zero rate, and additional earnings up to $1700 were "taxed" at a rate of 50 percent. 26/

These inductive analyses, and experience in the New Jersey experiment and with the Social Security work test, show conclusively that a work incentive device with a tax rate of 67 percent, as in H.R. 1, or of 50 percent in H.R. 16311, would defeat its objective.

A moderate "tax rate" on earnings of say 20 percent would result in a far greater number of working families receiving welfare supplements, at a prohibitively larger cost to government.

Clearly, a declining welfare supplement with progressively higher earnings would not be an effective work incentive device to help solve the welfare problem.

Income Strategy

Turning once again to objectives in this bill, there is another. This is to attack the poverty problem. The HEW Secretary described the income strategy in H.R. 1 to this Committee as "designed to provide the poor with what they

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24/ See, David H. Greenberg and Marvin Kosters, Income Guarantees and the Working Poor: The Effect of Income Maintenance Programs on the Hours of Work of Male Family Heads, a report prepared for the Office of Economic Opportunity, December 1970.

25/ See, Further Preliminary Results of the New Jersey Graduated Work Incentive Experiment, May 1971, Office of Economic Opportunity, pp. 20-21.

26/ See, Kenneth G. Sander, "The Retirement Test: Its Effect on Older Workers' Earnings", Social Security Bulletin, June 1968.

need most to get out of poverty: money . . . For the first time, we have a real opportunity to draw together every practical means of assisting the poor to work their way out of poverty . . ."

This objective is totally extraneous to causes of the welfare problem and its solution. It would be true that any family lifting its income above the poverty level would, by the same token, not be on welfare. However, many a family could get off the welfare rolls by working, and still be below the poverty level.

Injecting the elimination of poverty as an objective of welfare reform introduces a new and needless dimension, and can only confuse the issue. The most pressing problem requiring a solution is growth of the family welfare program -- AFDC.

Reliability of Projected Results

According to HEW, there would be an immediate initial rise in the family welfare caseload by virtue of adding the working poor. The caseload and costs would be much greater. However, the caseload would decline each year as families worked their way off welfare. And by 1976, the costs would decline to less than we would be paying for AFDC were it to continue its present growth pattern. These are the predictions by HEW -- provided some later Congress does not raise the national minimum level or lower the "tax rate."

Now, how did HEW project a continuing decline in the caseload? And a cross-over in costs by 1976? Are the projections based on assumptions as to the effectiveness of the work incentive device?

Actually, the decline in caseload and in costs is based solely on an assumption by HEW that wage and salary income will increase 6.3 percent annually. 27/ Thus, the work incentive was not a factor in projecting the results.

The Social Security Actuary in HEW has projected a rise in average wages in covered employment of 5.2 percent in 1973, decreasing to 4.5 percent by 1977. The average yearly increase works out to 4.7 percent. 28/ This projection is

27/ Committee on Ways and Means, Social Security Amendments of 1971, House Report No. 92-231, 92nd Cong., 1st Sess., Table 8, p. 221.

28/ The same, Table B, p. 141.

obviously subject to professional discipline, for it is the basis for establishing tax rates for Medicare. Consequently, no credence can be given to the 6.3 percent assumption, or to the promised success in turning around the family welfare caseload and costs.

Conclusions

The causes of the welfare problem identified by HEW are beliefs about facts. The available evidence refute these beliefs. At this juncture, we really don't know what are the underlying causes of the problem.

Proposals in H.R. 1 -- especially the work incentive device -- to attack those beliefs about causes -- could, if enacted, lay the basis for a vastly greater welfare problem in the years ahead. The work incentive device with a high "tax rate" would defeat its purpose.

Injecting the poverty problem into the welfare problem serves merely to confuse the public and accentuate the controversy in an already emotional issue.

HEW's projected results of the welfare reform are totally suspect. We do not need this political response to a real human problem with critical fiscal and economic overtones. We need to begin on a viable solution -- even if we must begin with a relatively limited program.

RECOMMENDATIONS FOR ACTION

There are few domestic problems about which so great a consensus exists. It is a high priority issue, along with inflation -- and ways and means must be found to solve it. The Administration has made clear its great concern. Congressional leaders have expressed their firm and sincere intent to find a solution. Admittedly, the problem is vast, but they have indicated a willingness to commit many billions of dollars to programs intended to slow the welfare growth and, then, to reverse the upward trend in caseload. Guaranteeing availability of jobs on a vast scale in the public sector to supplement job openings in the private sector has received much Congressional support.

Such generous and sincere interest has created a new expectation by the public -- that the AFDC welfare problem is susceptible of fairly quick solution, if sufficient government effort and public funds are committed. Many have come to have great faith in the omnipotence of the public purse for solving most any kind of problem, foreign or domestic -- if only that purse is opened wide enough.

The welfare problem may not be one of these. Certainly, with our present lack of knowledge about many aspects of AFDC, no sound and acceptable solution on the grand scale has yet been advanced. But, we can make a start in a more limited manner, basing a program on what we <u>do</u> know, and recognizing what we can <u>reasonably</u> expect.

And what do we know? What can we reasonably expect?

For example, efforts to mechanize the production of tobacco may initiate a new wave of workers and their families from the farms to urban centers. Experience indicates they will not necessarily migrate to the nearest cities, but rather to those centers where they believe job opportunities are most promising.

We must expect the break-up of families in the future -- some of whom will ultimately turn to welfare for help. Consequently, we will need a <u>long-continuing program</u> to help them become self-supporting.

Families will continually leave the AFDC rolls. Four out of ten now on AFDC will leave -- and come back. But six out of ten will leave permanently.

Welfare payments for <u>larger families</u> in most states are more than competitive with pay in most entry jobs such as AFDC mothers might hold. But welfare for the smaller families -- say, mothers with one or two children -- is not competitive with entry-job pay in various occupations in many cities. In 1967, about 70 percent of all AFDC families received less than $200 monthly in welfare.

The recent development of innovations in AFDC by two state governments reveals the distinct advantage of every state having a direct financial stake in family welfare.

With economic recovery, there will be improvement in job opportunities in the private sector. There is a vast amount of needed community betterment work undone.

Both inductive research and experience clearly reveal that a welfare supplement with a high "tax rate" would be ineffective as a work incentive. A welfare supplement with a "tax rate" small enough to make the device a work incentive involves a cost this country cannot afford -- certainly, not now.

We do not know now the major causes of the growth of family dependence on welfare.

However, we can make a beginning. We recommend:

First, concentrate training and job placement efforts on AFDC families whose welfare payments are substantially less than regular earnings in entry-jobs in the local labor market area. For the most part, this will mean focusing such efforts on mothers with one or two children. Most of these mothers will be young -- but some will be in their middle years. But AFDC families with only one or two children account for about half the total caseload.

To implement this recommendation, an "inventory," or profile, of the manpower potential of AFDC recipients and dependents should be developed in every sizable community. This profile would provide essential information for efficient programming of job training, and for job placement. Data should be compiled on such things as age and sex of the adults, their education and prior work experience, number of children and their ages, and the amount of the monthly grant paid to each family. The basic data are there in every community's welfare offices, and could readily be collected. Such data merely need to be organized for this purpose. An effective Job Bank operation would be an indispensable component for success in this proposed occupational rehabilitation program.

Second, provide public service employment for AFDC adults when private jobs are not available.

Third, open up part-time public service employment -- especially community betterment jobs -- for mothers of larger families, so they can earn part of their welfare. Such part-time work will renew job-discipline for them -- give them more recent work experience. For the time will come, when the size of their families and of their welfare payments has shrunk, and they could be placed in private employment.

Fourth, child care services should be made available to children in AFDC families. These services should be provided without charge when the adult family members participate in a job training or employment program. To facilitate the tranistion from welfare dependency to self-supporting employment, family contributions for the costs of child care during employment should be adjusted in accordance with ability to pay.

Fifth, initiate after-work training programs to upgrade the skills not only of heads of working poor families, but also of other adults with low earning power. Participation should be wholly voluntary. The skill-training offered should be directly related to local needs.

Sixth, AFDC costs should continue to be shared between federal and state governments. Not all innovative ideas originate in the executive bureaucracy in Washington. And experience shows that innovation still arises out of necessity -- the necessity of controlling and reducing the squeeze of rising costs. How much better to have that squeeze occurring in more places than the National Capitol.

Seventh, because the present AFDC program contains a 66 2/3 percent "tax rate," we suggest that this provision be rescinded -- if Congress wishes to provide incentives, not disincentives.

Finally, we can no longer afford the whimsy of fashioning a multi-billion dollar program based on belief about facts -- random speculations about causes, about motivations of other people.

We need carefully structured research about the people on AFDC. For example, HEW says that 4 out of 10 families on AFDC will be back on the rolls a second time -- or more. But this means 6 out of 10 families -- once they get off AFDC -- do not come back. How do they do it? There may be useful lessons to be learned from the successes of these 60 percent of AFDC families.

A high-level research council should be established to be responsible to, and report to Congress on the kinds of research needed. It should have the authority, for example, to make needed case record information available to reputable scholars and organizations for research directed toward solving the tragic human problems reflected by the vast growth of the AFDC population in the past decade. And, it should have the funds to finance such research. Then Congress would no longer be dependent on an information source which decides what knowledge will be acquired -- and not acquired.

We can no longer afford to make and perpetuate new policies based on beliefs about facts -- when such policies would directly affect so many Americans -- and would cost so much.

MANPOWER POTENTIAL OF AFDC FAMILIES AND ESTIMATED JOB VACANCIES

Once it is recognized that the welfare problem is increased family dependence on public assistance, and that our goal is to make these adults self-supporting, it follows that real reform can be accomplished only through the employment market.

During the past few years, there has been much debate on the possibility of placing welfare recipients in jobs. Some feel that any adult who is capable of working should be required to work, or lose his welfare payment. Others contend that welfare is a right, and that no one should be compelled to work in order to obtain benefits. This view is, in part, based on a belief that if work is required, it should be "meaningful" and pay at levels higher than the "poverty level."

Three questions come to mind in considering this issue:

1. What is the manpower potential of adults in the Aid to Families with Dependent Children (AFDC) Program?

2. What is the current number of job opportunities suitable for AFDC recipients?

3. How can additional jobs be provided?

MANPOWER POTENTIAL

Over 2.7 million families were on AFDC as of April 1971. Of this number, 126,000 were headed by able-bodied fathers and 2.5 million were headed by mothers. In a publication scheduled for release in November, titled "Welfare Myths vs. Facts," HEW gives the following information relating to the employability of mothers:

Needed at home to care for small children and have disability	40 percent
Need extensive medical care	4 percent
Already employed full or part time	14 percent
In work training programs or waiting to be accepted	7 percent
Employable if job training and day care were made available	35 percent

Converting the above percentages to figures, we find that about 350,000 mothers are already employed full or part time, 175,000 are in work training programs or waiting to be accepted, and 875,000 mothers would be employable if job training and day care were made available.

These figures have tremendous significance for reducing welfare roles, especially when we consider that the average AFDC family consists of 4 persons. If jobs and child care could be provided the employable mothers and able-bodied fathers not now working, <u>then the AFDC welfare roles could be reduced by 1,176,000 cases, or by 4,704,000 persons</u>.

The training required to place welfare employables in jobs depends, of course, on the types of jobs they take. Jobs paying $2.50 and less generally require minimum training. A day or two's orientation may be all that is needed. For retail trade, which accounts for a large portion of the 20 million jobs in this category, a basic knowledge of arithmetic and reading and writing is necessary. Fifty percent of welfare mothers have one year or more of high school. Most of these women would probably have these basic skills, or could improve their proficiency to an acceptable level in a reasonable period.

That welfare persons have marketable services is demonstrated by the fact that many thousands regularly get jobs and leave the rolls. In January-March 1971, 20,000 fathers and 10,000 mothers obtained employment that paid an amount sufficient to no longer be eligible for welfare. This situation highlights the fact that the majority of families on welfare are headed by persons with past work experience. They are not an isolated group unfamiliar with the world of work.

THE JOB INVENTORY

Public Employment

Estimates of potential job vacancies in public employment range up to 5 million for the entire nation -- a figure that some observers consider unrealistically high. It apparently stems from an assumption that a job "need" would become an actual job opening if additional funding were available. Since financial resources -- even if vastly expanded -- would still be in short supply relative to total demands, many potential job vacancies would never materialize as public officials give priority to other expenditures.

Another consideration is the extent to which public employment needs can be filled by the disadvantaged unemployed. Mayor Carl Stokes of Cleveland has estimated that only 40 percent of the existing job vacancies in his city could be filled, with training, by the disadvantaged. Sixty percent of the jobs would require more highly skilled workers. However, if existing jobs were expanded to improve trash collection or park maintenance -- and similar low-skill jobs -- this ratio would undoubtedly rise substantially.

Regardless of the actual number, it seems apparent that a great number of disadvantaged persons could be absorbed in useful, full-time public employment. If the estimate of 5 million potential job opportunities is too high by even 100 percent, and if only 40 percent of the remaining 2.5 million jobs could be filled by the disadvantaged, <u>there would still be, with appropriate federal funding, public jobs for 1 million disadvantaged persons</u>. The actual number may be academic since, in any case, it is doubtless much higher than can be filled with available public funds in the foreseeable future.

Three states have already begun experimenting with demonstration projects to require recipients to work in expanded public service job openings: New York, California, and Illinois.

Since July 1, employable relief recipients in New York have been required to pick up their checks in person at state employment offices instead of receiving them by mail. For the fourtn successive semi-monthly cycle, more than a fifth of relief recipients classified as employables have failed to pick up their checks.

If a person is employable and if there is an available job opening, he is required to fill it. If a person refuses, he runs the risk of being dropped from the relief rolls.

New York City agencies have listed 13,000 jobs, such as cleaning up city streets, raking and mowing parks, and filing papers. During the month of July, 1,537 of the 12,648 welfare recipients referred to jobs actually took them. We do not have information on the current welfare status of the remainder.

The above project affects only those persons on New York State's General Assistance program, which enables some persons not eligible for federal welfare to obtain assistance from the state. Many are persons without dependents.

A similar program has been proposed for the federal welfare program (AFDC), but has not yet been approved by HEW.

Private Employment

The number of job vacancies in private industry is equally uncertain. Figures are available only for manufacturing, with recent BLS estimates indicating a job vacancy rate of 0.5 percent. However, the job vacancy rate for the lowest-paid job category in manufacturing is about 3 times higher than for manufacturing in general. This category is "apparel and other textile products." In July, 1971, it paid an average hourly wage of $2.47, and its job vacancy rate was 1.4 percent.

It seems logical to assume that the vacancy rate for non-manufacturing jobs paying from less than $1.60 an hour to $2.50 an hour would be higher because of the lower pay scale and the more intermittent and seasonal nature of much non-manufacturing employment, and because some persons who fill these jobs have competing options, such as welfare and unemployment insurance. Jobs at this level of pay are important in considering welfare reform proposals, since their skill requirements would be more compatible with the current and potential abilities of disadvantaged applicants than would be the case with higher paying jobs.

Unpublished BLS data indicate that over 20 million persons have jobs paying from less than $1.60 an hour to $2.50 an hour, excluding jobs in farming and domestic services. More than half of these persons work full time -- over 35 hours a week. A vacancy rate of just 2 percent would mean that there are 400,000 vacant jobs in this pay range in the private sector.

RELATING NUMBER OF EMPLOYABLES TO NUMBER OF JOB OPENINGS

It was noted earlier that there is a reliable basis for estimating the availability of 400,000 existing jobs in the private sector and, with increased public funding, 1 million potential jobs in the public sector for a total of 1,400,000 current and potential jobs paying up to $2.50 an hour.

It was also noted that there are an estimated 1,050,000 employable mothers (assuming adequate child care) and 126,000 fathers, for a total of 1,176,000 employable persons.

The number of estimated jobs exceeds the number of estimated employables by 224,000. Many job vacancies may be too distant for reasonable commuting time, or involve night work, or otherwise be inappropriate. Nevertheless, the availability of jobs may be nearly in balance with the availability of employables.

The facts developed thus far raise these questions:

1. Is it reasonable to require employable welfare recipients to take low-pay, minimum-skill jobs offering little future?

2. Should funding be provided to establish a national program of lower-pay public service jobs?

3. Should training be provided to upgrade an employables' earning potential? If so, should this training come after he is hired, or should emphasis be on first getting the person working, then offering training for those with greatest potential?

4. Should employables, by virtue of their being offered an appropriate job, be considered no longer eligible for welfare and dropped from the roles irrespective of whether they take the job?

5. What should constitute an "appropriate" job?

6. If employables should be allowed to turn down jobs and continue to be eligible for all or most of their welfare payment, what incentive can be provided to induce them to take work?

7. Should the 20 million persons now working for $2.50 an hour or less be eligible for welfare if they quit their jobs?

8. Should public jobs be created if there are unfilled local jobs with private employers?

EXPANDING JOB OPPORTUNITIES

The limitations of relying on the open labor market to provide income for disadvantaged employables have prompted proposals to ensure an income floor through wage subsidies, tax credits, and public service employment.

Wage Subsidy

A wage subsidy is intended to ensure that a low-wage worker receives a more adequate income, and to induce the private-sector employment of unemployed labor. The subsidy can fill all or part of the gap between a "target wage" and the worker's value on the open labor market. The federal government may pay it to the employer who passes it on to his worker by giving him a wage exceeding his market value, or the government may pay the subsidy directly to the worker.

The President's Commission on Income Maintenance Programs estimated that a wage subsidy set at 50 percent of the difference between a "target wage" of $2.00 and actual wage rates would require payments of $7 billion to nearly 15 million persons. About $1.3 billion would be returned in taxes. Savings in welfare payments would further reduce net costs.

A problem inherent in any wage subsidy program is that it offers the possibility of undue financial gain by employers. Most proposals provide for a sliding subsidy scale, beginning at around 60 percent of the worker's wages the first year and dropping to 20 percent in three years. This arrangement provides maximum incentive to an employer to hire a person with less than competitive skills. As the new hire becomes more productive, the subsidy is reduced and then phased out. However, this arrangement also gives some employers an incentive to dismiss a worker following the employment period of maximum subsidy, and to replace him with a new hire eligible for this subsidy.

A proposed solution is to increase the subsidy each year, rather than to decrease it. The employer might then get 25 percent of the wage he pays the worker the first year, with this rate rising to 75 percent in the third year. This gives the employer an incentive to establish an attractive working environment -- including training and avenues of promotion -- that will make the wage-subsidized worker want to stay with him for the period of the subsidy -- and longer.

Another basic question is the type of work to be performed by subsidized workers in the private sector. During a period of economic downturn and slackening business, private employers may have relatively few "necessary" jobs that are not already being done by existing staff. When business is slow, regular skilled employees may be retained to do routine plant maintenance and similar tasks the unskilled might perform. And when business is good, the wage subsidy becomes less attractive, although it may offer incentive for employing and training marginal workers during a tight labor market.

Tax Credit

Legislation has been introduced by Congressman Bennett (D-Fla.) to provide a tax credit for employers who hire certified members of the hardcore unemployed. The credit would begin at 75 percent of the employee's wages and fringe benefits for the first 6 months, and scale down to 50 percent the next six months and to 25 percent the second year. No credit would be allowed for any person who was not retained for six months, nor would an employer be permitted to substitute tax-credit employees for current employees.

The Secretary of Labor would publish standards for determining which segment of the labor force constitutes the hard-core unemployed. Local state employment service offices and community action agencies would then issue a "blue card" or other identifying document to each person who is a member of the hard-core unemployed within the meaning of these standards. The Secretary of Labor would also prescribe regulations to ensure that no blue-card holder could use such a card for periods of employment totaling more than 2 years.

Bennett's bill was introduced in 1970 and again in 1971. It has 37 co-sponsors but no hearings have been held. The Nixon Administration reportedly dropped a preliminary tax credit proposal after deciding it would be too difficult to administer.

Public Service Employment

When there are not enough jobs in the private sector to keep unemployment within acceptable levels, attention turns to increasing the number of jobs in the public sector.

Public sector employment involves the provision of federal funds to state and local governments for hiring unemployed and underemployed persons in such fields as health care, education, public safety, and street maintenance.

Many advocates regard public service employment as a necessary adjunct to manpower training programs, pointing out that the latter serve little purpose if no employment opportunity awaits the newly trained worker. Some supporters see public service jobs as a transitional and temporary measure, closely coordinated with manpower development activites, while others view these jobs as a long-range necessity -- dormant in times of low unemployment, but triggered automatically when unemployment rises above a specified level.

Opponents generally take the view that a program of public service jobs is a return to the depression-era philosophy of "make-work," characterized in the public mind by such programs as the WPA. This was the basis of President Nixon's veto of the Employment and Manpower Act in December 1970:

> "The Conference bill provides that as much as 44 percent of the total funding in the bill go for dead-end jobs in the public sector. Moreover, there is no requirement that these public sector jobs be linked to training or the prospects of other employment opportunities. WPA-type jobs are not the answer for the men and women who have them, for government which is less efficient as a result, or for the taxpayers who must foot the bill. Such a program represents a reversion to the remedies that were tried 35 years ago. Surely it is an inappropriate and ineffective response to the problems of the Seventies."

But climbing unemployment rates changed the President's mind. Seven months later he signed into law the Emergency Employment Act of 1971. Though this legislation referred to public service jobs as a "transitional" measure, the program is transitional only in the sense that its initial authorization is for two years. Regular Congressional renewal would make it permanent.

EEA authorizes the expenditure of $2.25 billion over 2 years. Funds may be obligated so long as the national unemployment rate remains above 4.5 percent. When unemployment drops below this level for 3 consecutive months, new funds cannot be obligated, but existing commitments will remain in effect.

$12,000 is the maximum amount of federal funds that can be used for any single job. This does not limit the total amount a person can receive -- only the amount of the federal contribution.

The average job was scheduled to cost $7,000, including fringe benefits, but this cost has been creeping up to $8,000, which will reduce the total number of jobs to about 125,000.

Persons eligible for employment are those without jobs for a period of one week and those who are working part-time or full-time, but receiving wages below the official poverty level -- $3,920 for a family of four.

Many conceptual and administrative problems remain unanswered in connection with public service employment:

- Should these jobs be established when there are unfilled jobs in the private sector? If so, will they pose additional competition for private employers?

- Should their purpose be primarily to reduce unemployment or to provide unmet public needs?

- Should these job holders be part of the regular civil service or remain a separate group? If separate, is it possible to avoid having a stigma attached to this group?

- Should the jobs be permanent or financed only in times of high unemployment?

- Should the jobs be restricted to those of low wage and skill requirement or include high-salary professional positions?

- Should training and upgrading be an important part of any public service jobs program?

STATEMENT
on
S. 3311, S. 3346, and S. 3421
PUBLIC SERVICE EMPLOYMENT
and
REFORM OF MANPOWER PROGRAMS
for submission to the
SUBCOMMITTEE ON EMPLOYMENT, MANPOWER AND POVERTY
of the
SENATE LABOR AND PUBLIC WELFARE COMMITTEE
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
Thomas P. Walsh*
April 28, 1972

The Chamber of Commerce of the United States appreciates this opportunity to present its views on public service employment, especially as proposed in S. 3311, and on proposals for comprehensive manpower reform, as contained in S. 3346 and S. 3421.

PUBLIC SERVICE EMPLOYMENT

Public service employment serves a useful purpose when persons need work that is not available in the conventional public and private sectors. In our testimony last February before the House Select Labor Subcommittee, we supported a larger public service employment program and reform of manpower programs, as generally provided in the Esch-Steiger bill (H.R. 11688).

We are convinced, however, that a 1,000 percent increase in the number of public service jobs now funded under the Emergency Employment Act of 1971 -- as proposed in S. 3311 -- is neither justified by labor market conditions nor acceptable by any reasonable standard of fiscal responsibility.

We recommend that any public service employment program -- whether funded separately as a single-purpose program (as in S. 3311) or under a form of manpower revenue sharing -- contain safeguards and priorities that ensure funds expended provide jobs for families most in need of assistance.

For S. 3311 to have maximum impact on lowering unemployment and easing family hardship, this bill should:

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-- Include a family income ceiling as a condition of eligibility. A person with a spouse making $20,000 or more a year would be eligible for a public service job under this bill.

We recommend that eligibility be limited to job applicants who have no other full-time adult wage earner in the family, so that these jobs would be reserved for those families in greatest need of work.

-- Stipulate a period of unemployment as a condition of eligibility. A person could quit his (or her) job one day and be eligible for a higher-paying public service job the next. This arrangement might simply pirate workers from existing jobs in private industry to the newly created subsidized jobs.

We recommend that eligibility be limited to those who cannot readily obtain regular employment. The number of persons without a job less than 5 weeks has increased 27 percent since 1969, but the number unemployed 5-14 weeks has jumped 84 percent, and the number unemployed over 14 weeks has jumped 194 percent.

Clearly, the longer a person is unemployed, the more difficult it is for him to find a job in the open labor market. Public service funds can, therefore, add more jobs to total employment if priority is given to those workers who have been out of a job for an extended period.

-- Require that jobs be transitional, leading to regular employment. If these jobs are permanent, only one person can be placed for each job slot funded. But if the jobs provide an opportunity to get training and work experience and to have time to seek regular employment, they then can have a "multiplier" effect and benefit a much larger number of persons without incurring exorbitant cost.

We recommend that S. 3311 limit to 2 years the period that a person can hold a public service job -- except for those persons who were formerly on welfare. Since they are least able to compete in the open labor market, we believe their subsidized employment should continue so long as other jobs are not available to them.

-- Relate the authorization of funds to the level of unemployment. The jobless rate could drop to the all-time low of 1.9 percent -- achieved at the peak of World War II in 1943 -- and this proposed legislation would still authorize $10 billion for more jobs.

We recommend that funding be contingent on at least a regional unemployment rate of 4.5 percent.

-- Fix a minimum population cut-off for units of general government applying for funds. Without such a cut-off, applications could flow to Washington from all political jurisdictions, including more than 16,000 from towns of less than 25,000 population. With the Secretary of Labor monitoring each contract, this arrangement would reverse the trend toward decentralization espoused by most students of manpower, as well as by most of the recent legislation for reforming manpower programs -- and would be virtually impossible to administer.

We recommend that any public service employment program use the "prime sponsor" concept, with eligibility generally limited to communities that have demonstrated the ability to plan and administer comprehensive manpower programs -- not merely single-purpose manpower projects. Other communities would be included in the plans of their state governments.

Any public service jobs program -- regardless of its size -- should incorporate the above guidelines to avoid the dissipation of funds, to ensure that these jobs will not become an element of political patronage, and to achieve maximum impact on total employment.

We now discuss considerations that should influence the size of a public service jobs program as part of a total manpower effort.

An examination of the labor market reveals that although there are more than 5 million persons unemployed, there are also an estimated 40 million jobs that will become vacant or will be created this year. At any given time, job vacancies probably equal or exceed the number of persons seeking work. Location and skill mismatches obviously prevent any one-for-one pairing of workers and jobs. Nevertheless, these figures make clear that a public service jobs program need not become very large before it begins to compete with jobs in the private sector.

Another consideration in establishing the number of public service jobs is the growing evidence that many persons are "voluntarily" unemployed. This may be particularly true among young people. A recent study published by the Brookings Institution found that high unemployment among youth and some other groups is caused "not by a shortage of jobs, but a shortage of good jobs." In another study the Urban Institute concluded that much unemployment is caused by high turnover -- workers walking off the job.

Experiences of the Job Opportunities in the Business Sector (JOBS) program confirm these findings. Local chambers of commerce and business firms report that the low retention rate of many JOBS contracts is caused by workers withdrawing from the program. In this connection it is worthwhile to note that Department of Labor statistics show that more than 600,000 of the unemployed "left their last job" -- a number 4 times as great as will be hired under the Emergency Employment Act of 1971 at a cost of more than $1 billion a year.

We cite the foregoing not to "explain away" unemployment, but to indicate that persons classified as unemployed represent a wide range of experiences and circumstances. Some are heads of families whose jobs suddenly vanish when their employers retrench or go out of business; others are housewives who decide to return to work but cannot find jobs they want convenient to their homes; others are students looking for part-time work; others are drawing unemployment checks while awaiting call-back to their regular jobs; and others have savings or for a variety of reasons decline jobs -- especially the lower-pay, less attractive jobs -- that are available to them.

This profile of the unemployed makes clear the need to establish a set of priorities for determining eligibility of public service job holders. Such priorities become imperative when we consider competing demands for scarce financial resources -- at any time, but especially now with the Federal government probably going an additional $39 billion in debt this year.

Virtually "open ended" job creation with no provision for increasing revenues to cover additional costs -- as in S. 3311 -- is bad policy. Good policy focuses on individual need, giving special attention to heads of families unemployed over an extended period, and then considers the relative usefulness of subsidized jobs against other programs that serve our citizens -- including other manpower efforts to improve employment opportunities.

COMPREHENSIVE REFORM OF MANPOWER PROGRAMS

We now turn to the broader issue of manpower program reform, as proposed in such bills as The Comprehensive Manpower and Employment Act of 1972 (S. 3346, the Governors' Conference bill introduced by Senator Dominick), and the Community Manpower Training and Employment Act of 1972 (S. 3421, introduced by Senator Javits).

S. 3421 would center manpower planning in prime sponsors among cities having a population of 75,000 or more, counties with a population of 100,000 or more, and combinations of local governments with a population of 100,000. The Secretary of Labor would release funds directly to these prime sponsors, after approving a program statement evidencing capability for manpower planning and implementation. The state would prepare and submit a plan to the Secretary for those areas not under the jurisdiction of a local prime sponsor.

S. 3346, on the other hand, designates the governor as the "state manpower agent," who in turn designates, with the agreement of local officials, manpower planning areas throughout the state, with such areas generally encompassing a cohesive labor market.

The local prime sponsors would appoint manpower planning councils, which would prepare plans for submittal, following the local prime sponsors' approval, to a state manpower planning council appointed by the governor. The state council would integrate the local plans in a state-wide manpower plan.

If in their review of the state plan, local prime sponsors find any part of it unacceptable, they may appeal to the governor, then to a regional intergovernmental advisory committee composed of governors and local representatives appointed by the Secretary of Labor, and finally to a national intergovernmental advisory council, whose ruling would be conclusive.

This arrangement could offer advantages regarding the troublesome issue of state and local responsibilities. The regional and national appeal bodies could provide a useful procedure for settling the inevitable conflicts that will arise between state and local governments without involving the Secretary as the final arbiter, as is the case with most decentralization proposals. Also, by having the Secretary review and approve only the state plan -- not the local plan -- S. 3346 achieves greater decentralization than S. 3421 and other proposals that require the Secretary to pass on both the state and local plans.

This arrangement, of course, could also be a matter of concern to the local prime sponsors -- mayors and county executives -- who will generally prefer to by-pass the state and deal directly with the Department of Labor. This concern should be eased, however, by the requirement in S. 3346 that 90 percent of the funds flowing to the state manpower agent must be passed through to the local prime sponsor, according to prescribed formula.

If, nevertheless, local chief executives believe S. 3346 would jeopardize their influence over local manpower planning and administration, the appeal mechanism could be revised by establishing an appeal body within the state instead of at the regional and national levels. A three member manpower review board, for example, could be set up, with one person selected by the governor and one by the mayor or county executive, and the two of them selecting a third person to serve as chairman. The board's findings would be binding on both parties. Such a board could also serve as arbiter if a local chief executive is dissatisfied with the governor's allocation of manpower funds.

As for public service employment, both bills would bring this program within the jurisdiction of the prime sponsor, with the requirement that such jobs lead transitionally to non-subsidized employment. That these jobs would be temporary for individual workers is a desirable feature. With government employment already expanding at a rate much faster than private employment, we should avoid establishing any program that would unnecessarily accelerate an increase in the number of employees premanently on the public payroll.

S. 3346 would go further than any proposal except the Administration's Manpower Revenue Sharing bill (S. 1243) in decategorizing programs. Only the Job Corps would continue to be directly funded on an individual project basis by the Secretary.

In S. 3421 the Secretary would directly fund the Job Corps, as well as several other existing programs, such as Mainstream, New Careers, and the Neighborhood Youth Corps -- programs intended to help persons with particularly severe employment problems. Funds for these programs would account for 35 percent of total appropriations for the first year, 25 percent the second year, and 15 percent the third year. Allocations for prime sponsors would increase correspondingly each year. This procedure provides a three-year period for local officials to gain experience to plan and administer the full range of manpower programs.

S. 3346, on the other hand, would immediately shift to the state and local level complete responsibility for all programs but the Job Corps. This feature is similar to the Administration's bill, and in our view, suffers from the same weakness. Though the time has long passed when manpower programs could be effectively run from Washington, the answer is not to suddenly drop these programs in the laps of states and cities -- many of which have just made a beginning in developing their capabilities.

SUMMARY

The comprehensive reform of manpower programs should involve the eventual establishment of a single authorization for all manpower and manpower-related programs. Initial consolidations should include, as a minimum, all major programs authorized under the Manpower Development and Training Act. Decentralization should proceed as rapidly as states and local communities demonstrate the necessary competence. State-wide plans based on local labor markets, while ensuring full participation and protection of local interests, should be encouraged. Federal guidelines should continue to ensure that groups with special problems receive appropriate attention, and that state and local plans complement national priorities. Guidelines for public service jobs should include such safeguards and priorities as those listed earlier, but the proportion of manpower funds spent on these jobs should be local decisions based on local needs.

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