

SOCIAL SECURITY AMENDMENTS OF 1967

PART VII.—WORK INCENTIVE PROGRAM

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*



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I.—WORK INCENTIVE PROGRAM

The program would be administered by the Department of Labor, rather than by the Department of Health, Education, and Welfare, as in the House bill and under present law.

The Department of Health, Education, and Welfare agencies would be responsible for providing the maintenance payments and health care, making the child care arrangements, and providing supportive social services to families involved. In addition, the welfare agencies would refer appropriate individuals to the Department of Labor. In determining who was appropriate the following rules, set forth in the statute, would apply. Each member of the family over the age of 16 (if not going to school) would be considered appropriate for referral except (1) any person with illness, incapacity, advanced age, or remoteness from a project that precludes effective participation in work or training, (2) persons whose substantially continuous presence in the home is required because of the illness or incapacity of another member of the household, or (3) a mother who is in fact caring for one or more children of preschool age, if such mother's presence in the home is necessary and in the best interest of the children. Notwithstanding these and such other criteria consistent with these provisions which the Secretary may establish, an individual receiving aid under AFDC who desires to participate in work or training shall be considered for assignment and, unless the State welfare agency specifically disapproves the request, would be referred to the program.

A refusal to accept work or undertake training without good cause by a person who has been referred would be reported back to the State agency by the Labor Department; and, unless such person returns to the program within 60 days (during which he would receive counseling), his welfare payment would be terminated. Protective and vendor payments would be provided to protect dependent children from the faults of others. Under the House bill, such payments would be optional with the States but under the suggested proposal the children must be given this protection.

Work and training programs under this suggestion must be established in each State and in each political subdivision in which the Secretary of Labor determines that there is a significant number of AFDC recipients age 16 or over. While this is similar to a requirement in the House bill, the suggestion goes further by requiring the Secretary of Labor to use his best efforts to establish programs in all political subdivisions and by requiring that appropriate individuals who live in an area where there is no program in operation be transported to a neighboring area where there is a program.

The costs of the total program (exclusive of grant payment) would be on a 90-percent Federal basis with the State 10-percent matching either in cash or in kind. When computing the State share, employer funds under phase three—the subsidized work program—would not be counted.

People referred to the Department of Labor by HEW would be handled under three phases of operations.

Phase I.—Regular Employment

Under the first phase the employment office would inventory the work history of each person, using aptitude and skill testing where appropriate in order to get a good picture of the employment potential of each person. Those who had work skills needed in the locality would be referred to potential employers. As many of such individuals as possible would be moved immediately into regular employment. Others might be moved into on-the-job training slots under existing Federal training programs (where the employer may be reimbursed for extra costs for training these people.) The earnings exemption will apply to the earnings of these people; if their earnings are high enough the family would leave the AFDC rolls.

Phase II.—Training

Under the second phase, those individuals for whom some form of training, classroom, or work experience is desirable would be assigned to the training suitable for them and for which jobs were available in the area. During the training period these individuals would receive their public assistance grant plus up to \$20 a week as a training incentive. The type of training available would include basic education, teaching of skills in a classroom setting, employment skills, work experience, and any other training found useful. Only public employers or private nonprofit employers could be used in work experience projects in order to avoid any possible abuse.

Phase III.—Work Projects

Under the third phase, the employment office would set up special work projects to employ those who are found to be unsuitable for additional training and those for whom no jobs in the regular economy can be found at the time. These special projects would be set up by agreement between the employment office and employers. Public employers would have first priority, then private nonprofit employers, with private-for-profit employers last in priority. The committee report would indicate, however, that some private-for-profit employers should be used in order to gain experience with such employers in this type of project. Such employers would have to be engaged in a trade or business. This limitation is designed to prevent subsidization of domestic help.

It would be required that workers receive at least the Federal minimum wage (but not necessarily the prevailing wage) if the work they perform is covered under a minimum wage statute.

Moreover, the work performed under such projects must not result in the displacement of regularly employed workers and would have to be of a type which, under the circumstances in the local situation, would not otherwise be performed by regular employees. Each State could set up a review panel or panels to approve individual projects in private, profit and nonprofit, employment. These boards would be composed of not more than five members—one from labor, one from industry, and the remainder from the general public.

The special work projects would work like this: The State welfare agency would turn over to the employment office the grants of those recipients in the special projects as follows:

(1) The welfare benefit the family would have been entitled to for each individual who works in the project, or, if smaller, (2) Eighty percent of the wages (including the subsidy) paid to the worker by the employer involved in the special project.

During fiscal year 1969, the first full fiscal year of operations, and for public agencies only the Secretary of Labor would be authorized to pay into the fund from general revenues the difference between the amount paid in by the welfare agency and the wages each participant would get—in effect the Government would pay the employer's share for the first year in special projects set up through a public agency. (The cost of this provision would be about \$8 million.)

The Secretary of Labor would contract for work for the participants in the project on the best terms he can negotiate and the amount of the funds paid by him to an employer would depend on those negotiations. The amount of funds sent to employers could not be larger than the funds sent to the Secretary of Labor by the State welfare agency.

The extent to which the State welfare expenditures might be reduced would depend largely upon the negotiating efforts of the Secretary of Labor. If he is successful in placing these workers in job slots where the pay is relatively good, the contribution the State must make into the employment pool would be less.

Employees who work under these agreements would have their situations reevaluated by the employment office at regular intervals (at least every 6 months) for the purpose of moving as many such employees as possible into regular employment.

An important facet of this suggested work program is that in most instances the recipient would no longer receive a welfare check. Instead, he would receive a payment from an employer for services performed by him. The entire check would be subject to income, social security, and unemployment compensation taxes. In those cases where an employee receives wages (including the subsidy) which are insufficient to raise his income to a level equal to his grant plus 20 percent of his wages, a welfare check equal to the difference would be paid. In these instances the supplemental check would be issued by the welfare agency and sent to the worker. The earnings exemption would not apply to this employment.

Costs

The tables below indicate the relative costs and savings and the numbers of people involved under the House bill and the proposed program. The net costs to the program over a 5-year period are somewhat less under the proposal—\$1.18 billion as compared to \$1.25 billion under the House bill—even though during the period, 310,000 more persons are trained under the proposal. Moreover, 230,000 more persons will be placed in full-time employment (not including employment in the special projects under phase three) under the proposal than under the House bill. Also, it should be noted that by the end of fiscal year 1972, savings through welfare roll reductions would total \$710 million in Federal funds as opposed to only \$195 million under

the House-passed bill. (See also State and local savings in footnote 1 of table I.) The increased first-year costs under the program are due largely to the Labor Department's assumption that it can get the program operational in a very short period of time and serve a larger number of persons.

The figures presented here have been supplied by the Department of Labor and the Department of Health, Education, and Welfare. The estimates of greater full-time job placement and AFDC savings result from the increased utilization of the manpower training expense and resources of the Department of Labor.

Increased taxes these people would pay are not reflected in the table. Neither, of course, are the intangible benefits to society, such as the fact that the children in these homes will have the example of a working parent to emulate, and the fact that the working parent will have a more positive attitude toward society in general.

TABLE I.—WORK-TRAINING IMPACT UNDER HOUSE BILL AND PROPOSAL

Fiscal year	Work-training expenses (millions)		Federal AFDC reduction due to training (millions)		Trainees (thousands) ¹		Full-time job placements	
	House bill	Proposal	House bill	Proposal	House	Proposal	House	Proposal
1968	445	\$130	---	---	50	100	---	---
1969	90	180	-\$10	-\$41	148	148	---	50
1970	135	165	---	---	100	150	410	70
1971	225	247	-\$5	-\$15	180	180	20	95
1972	---	364	-\$30	-\$40	230	280	30	75
Total	495	1,126	-\$95	-\$710	550	860	60	230

¹ State-local costs will also be reduced as follows: Fiscal year 1969, \$31,900,000; fiscal year 1970, \$90,200,000; fiscal year 1971, \$168,300,000; fiscal year 1972, \$267,300,000.

² Does not include equipment on phase III work projects.

³ Includes \$8,000,000 1-year cost for phase III work projects (for public agencies).

⁴ Based on 20-percent placement assumption used by HEW in preparing figures.

TABLE II.—NUMBER OF CHILDREN RECEIVING FEDERALLY SUPPORTED DAY CARE AND FEDERAL SHARE OF THE COST

Year	Children of mothers in training		Children of employed mothers		Total Federal cost	
	Cost	Children	Cost	Children	House	Proposal
1968	---	---	---	---	---	---
1969	50,000	55	25,000	---	\$75	\$55
1970	100,000	100	70,000	---	155	115
1971	160,000	160	30	---	250	190
1972	340,000	340	120,000	---	470	400
Total	---	655	---	105	950	760

(Dollar amounts in millions)

II.—ILLUSTRATIONS OF HOW WORK INCENTIVE PROGRAM MIGHT OPERATE

Phase I.—Regular Employment

A local public welfare agency screens all of its AFDC cases and finds after furnishing various social and medical services that 45 women and six men are appropriate for referral to the local employment office for work or training. The welfare agency works out child-care arrangements for the mothers, using relatives in some cases and purchasing the care in others.

The local employment office provides employment testing, interviewing, and counseling to these people. The office determines that seven of the women have skills that are wanted in the locality, and finds regular jobs for them. (In several cases it was the lack of day-care facilities which previously had kept the women from taking regular work.) The earnings of some of these women was enough that they need no more assistance and go off the welfare rolls. In some other cases they earn enough to reduce their assistance payments, in varying degrees, in accordance with the earnings exemption.

The employment office arranges for one of the men to go into an on-the-job training slot where an employer pays him regular wages and the office pays the employer for his costs in furnishing training to him. (Such on-the-job training programs exist now; the suggested program would follow the same pattern.)

Phase II.—Training

The employment office finds that 20 of the women referred to them show manual dexterity skills which offer good promise that they can be trained for jobs in the area. The office enrolls the women in a training course established under the manpower development and training program and pays them \$20 a week as a training incentive. This \$20 is in addition to their grant. The women are actually enrolled in a classroom type course learning how to be nurses aides.

Eight of the women were placed in a work-training project with a department of the city government because it was determined that they needed several weeks of actual work experience to get accustomed to a pattern of employment and to gain self-confidence. Several of these were later trained in a specific skill and placed in regular employment. These women also were given \$20 a week as a training incentive. Four of the five remaining men were placed in an electronics course to learn how to be TV repairmen. Their families continued to receive the AFDC grant (increased to take into account any increased needs arising from the training) while they were in training plus the \$20 a week incentive. When the training is over the men would be placed in regular jobs and, if their earnings were high enough, would go off the AFDC rolls.

Phase III.—Work Projects

The employment office found that ten of the women and one man had no skills which were then in demand in the area and very low aptitude for learning skills which were or were likely to become in demand. The employment office enters into an agreement with a local school board under which the ten women will act as playground assistants in various schools and the man will act as hall guard in a school with severe discipline problems. The agreement further specifies that these people will work for 35 hours a week at \$1 an hour and that the \$1 will be evenly divided between the school board and the employment office. (If the agreement were with a private employer, it would have been subject to approval by the State Work Incentive Review Board.)

Thus, each person—working 35 hours a week at \$1 an hour—will get about \$150 a month in wages. In this case the welfare office would have paid the following amounts of public assistance to these workers if they were not in the program:

4 women, grant of \$80	-----	\$320
4 women, grant of \$100	-----	400
2 women, grant of \$110	-----	220
1 man, grant of \$200	-----	200

Total----- 1, 140

Since the amount which the employment office owes the school board is \$825, the welfare office sends \$825 to the employment office—retaining \$315 it would otherwise have paid to the recipients.

The four women whose grant would have been \$80 are \$70 better off; the women getting \$100 are \$50 better off, the women receiving \$110 are \$40 better off, and the man whose grant would have been \$200 would get his wages of \$150 plus \$80—taken from the grant funds of \$315 not sent to the employment office—for a total of \$230. (The latter computation is made under the provision which would guarantee that a worker will receive at least 20 percent of his wages plus the family grant for his work.) The welfare department has thus retained a total of \$235—a saving to be shared by the State and Federal government.

The employment office keeps in close touch with the school board about the performance and work habits of the people and furnishes counseling where needed. In one case, the employment office arranges for the welfare agency to furnish social services to help with a family problem which is influencing behavior at work. After several weeks the employment office receives a request from a private day care center for a classroom aide and one of the women, who has learned good work habits, is referred to and gets the job. There she becomes self supporting and leaves the welfare rolls.