

# SOCIAL SECURITY AMENDMENTS OF 1971

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## HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE NINETY-SECOND CONGRESS

FIRST SESSION

ON

### H.R. 1

TO AMEND THE SOCIAL SECURITY ACT TO INCREASE BENEFITS AND IMPROVE ELIGIBILITY AND COMPUTATION METHODS UNDER THE OASDI PROGRAM, TO MAKE IMPROVEMENTS IN THE MEDICARE, MEDICAID, AND MATERNAL AND CHILD HEALTH PROGRAMS WITH EMPHASIS ON IMPROVEMENTS IN THEIR OPERATING EFFECTIVENESS, TO REPLACE THE EXISTING FEDERAL-STATE PUBLIC ASSISTANCE PROGRAMS WITH A FEDERAL PROGRAM OF ADULT ASSISTANCE AND A FEDERAL PROGRAM OF BENEFITS TO LOW-INCOME FAMILIES WITH CHILDREN WITH INCENTIVES AND REQUIREMENTS FOR EMPLOYMENT AND TRAINING TO IMPROVE THE CAPACITY FOR EMPLOYMENT OF MEMBERS OF SUCH FAMILIES, AND FOR OTHER PURPOSES

JULY 27, 29, AUGUST 2 AND 3, 1971

Administration Witnesses

Printed for the use of the Committee on Finance



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# SOCIAL SECURITY AMENDMENTS OF 1971

TUESDAY, JULY 27, 1971

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The committee met, pursuant to call, at 10:30 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long (presiding), Anderson, Talmadge, Ribicoff, Harris, Byrd, Jr., of Virginia; Nelson, Bennett, Curtis, Miller, Jordan of Idaho, and Griffin.

The CHAIRMAN. This hearing will come to order.

## OPENING STATEMENT OF THE CHAIRMAN

Today the Committee on Finance commences hearings on H.R. 1, the Social Security Amendments of 1971. The bill contains important provisions relating to the social security cash benefit program and the medicare program. Many of these provisions were included in last year's Senate-passed social security bill.

Approximately two-thirds of the language in this 457-page bill contains proposals that the Senate passed unanimously last year, but which failed to become law because senior members of the House Ways and Means Committee declined to meet with us in a Senate-House conference.

Therefore, in terms of language, the Committee on Finance recognizes the great majority of proposals in this mammoth bill as old friends we have previously approved and unanimously recommended.

Frankly, I would not expect that the committee would want to spend much time with these provisions. It is unfortunate that badly needed increases in the social security cash program and reforms in the medicare and medicaid programs, on which there is virtual unanimous agreement in both the House and the Senate, must await the outcome of a thorough evaluation of the welfare features of H.R. 1. Yet, that seems to be what the House of Representatives intends.

The House has modified a number of controversial provisions in the welfare portion of the bill in an effort to overcome shortcomings pointed out by this committee. We appreciate the desire of the House to place a greater emphasis on the work ethic, but we still look upon H.R. 1 as a measure which leaves much to be desired if it is to serve, rather than to disserve, the public interest.

The most controversial part of H.R. 1, of course, is the administration's welfare proposals as modified by the House of Representatives.



These proposals represent the most extensive, expensive, and expansive welfare legislation ever handled by the Committee on Finance. Under these recommendations, 26 million persons would be eligible for federally aided welfare—double the number on the rolls today. The additional cost estimated by the administration starts at \$5 billion-plus in the first year.

This bill has inspired some of the most overblown rhetoric in my experience as a U.S. Senator. It has been hailed as a “work incentive” bill. Our preliminary analysis, however, shows that, like its predecessor, the bill does not provide economic incentives to work. Quite the contrary, in many cases which we shall be exploring in depth during the course of these hearings, a family’s total income would be reduced as the family’s earnings rose. The bill is full of this type of work disincentive.

It is my experience that whenever any administration wants to expand welfare, it wraps its expansionist proposals with promises of eventual reductions in welfare costs and caseloads due to work and training programs.

When this bill was debated on the House floor, statements were made that the bill would make welfare “less costly in the long run,” that “in future years we can be assured that it will result in reductions in spending and reductions in the rolls.”

Either with or without the help of the Department of Health, Education, and Welfare we shall explore the myth that H.R. 1 will reduce the welfare rolls.

We can all agree that the bill would start by doubling the number of persons on welfare. Our work will be to assess the real impact of this bill which seems to be one of building a permanent welfare subculture, eventually numbering as much as twice, or even four times, as many welfare clients as the 26 million with which this bill would present us.

We have all been treated to examples of problems with the present welfare system. Parenthetically, may I say most of those problems have been created by the Supreme Court of the United States and Congress is in no respect responsible for them. Yet, as bad as the system is, the mind of man is still capable of making it worse. In my view, the administration welfare proposal is an example of one approach to making it a lot worse.

It is possible for us to come up with legislation that makes good sense and good public policy. Last year, the Secretary of Health, Education, and Welfare said that it was difficult to provide a work incentive for families on welfare because benefits for doing nothing were already so high. Those of us on the committee have had months to analyze the problem and the possible answers. This year, we will be in position to suggest better solutions.

The majority of the committee is ready to vote for a work-fare program rather than a welfare expansion program, a program that provides a guaranteed work opportunity rather than the guaranteed income that the administration bill would provide for doing nothing at all. The committee is willing to support legislation to help the working poor—provided that they are working, as well as poor.

We are not willing to provide a guaranteed income to an able-bodied individual who is unwilling to do anything useful for that income.

We are willing to provide the most adequate support we can afford for those whom we do not expect to work, such as the aged, the blind, and the disabled. In fact, as the Finance Committee bill of last year demonstrates, we support a Federal takeover of a substantial portion of the burden of welfare programs for the aged, blind, and disabled from the States.

Last year, we were willing to help a mother who helps us in identifying the father of her illegitimate child, but we were against paying anything to that mother if she refused to identify the father so he could be made to contribute to the support of his own children.

I for one want to support legislation to help the hardworking father who owns up to his family's responsibilities, but I will not support legislation to make it profitable for the father to deny the paternity of his own children and refuse to marry the mother—as the administration welfare proposal would do.

I have introduced a bill to make child care much more broadly available for working mothers. This is a key element in any true welfare reform proposal, and I must say that the showing of the Department of Health, Education, and Welfare in the past few years makes me seriously doubt that they have the desire to help mothers become employed by making child care available.

I will support a tremendous increase in Federal funds for public service jobs and job subsidies for low-paying jobs, but I am very reluctant to support an increase in training funds if they are going to be wasted in a manner which has become almost routine—that is, spending money for training which is not work-related.

Let me raise another point that I consider of major significance. Last year, a number of witnesses urged that no welfare recipient should be required to work unless he could be put in a meaningful job. Frankly, as far as this Senator is concerned, any honest job that a man performs to support his family confers dignity upon that man. Welfare, no matter how adequate, robs him of his dignity.

Senator Ribicoff also wants to make an opening statement.

#### OPENING STATEMENT OF SENATOR RIBICOFF

Senator RIBICOFF. Mr. Chairman, I will read excerpts from a lengthy statement and I would ask your unanimous consent that the entire statement go in the record.<sup>1</sup>

Mr. Chairman, we have before us a piece of legislation which has the potential to provide some measure of relief for the one out of every eight Americans who live in poverty amid plenty. Welfare reform cannot solve this Nation's poverty problem. Poverty is deeply rooted in the structure of American society and is too complex to be cured by public assistance reform alone.

But welfare reform can alleviate some of the physical and psychological effects of poverty by providing money and the freedom of

<sup>1</sup> See p. 5.

choice of recipients by imposing child-like constraints on them and encouraging their dependence on programs rather than self-support.

Our resources are limited. It is not rational to allocate them for the long run elimination of poverty while ignoring the immediate daily needs of millions of impoverished Americans. Well-intentioned service programs succeed or fail in the long run. But people do not. They either eat or starve in the short run.

Welfare reform is "people relief," then, while the elimination of poverty necessitates long-term structural changes in society. I suggest, therefore, that the top priority for allocation of poverty funds go to direct cash assistance. Only after we have established an adequate income maintenance system should we begin to channel more funds into the myriad in-kind poverty programs whose achievements to date are questionable. These programs must prove their worth before we put more funds into them.

Between 1965 and 1972 the Office of Economic Opportunity estimates that its poverty programs alone will have cost over \$17 billion. The cost of the entire Federal expenditure in fiscal 1972 for our 168 poverty programs will be \$31.1 billion, including income maintenance and categorical programs.

But we know nothing about what happened as a result of that expenditure. Did one poor person break out of the vicious cycle of poverty? No one knows—and it is now time to find out.

In fiscal 1970, for example, OEO spent over \$56 million on 128 consultation, evaluation, technical assistance, and support contracts. Since OEO was established 6 years ago, some \$600 million has been committed to such contracts, including 44 evaluations of Project Headstart.

Some people are moving upward in the economy as a result of this war on poverty. But for the most part it is not the poor. It is the scores of former antipoverty officials and the multiplicity of private management and consulting firms. It is the 2 million people estimated by former OEO Director Donald Rumsfeld that are employed by Federal, State, and local governments to administer the programs intended to aid the 25 million poor.

The plans of the 1960's called for providing a vast array of service-oriented programs to aid the poor. In concept they may have been valid, but we have never made a financial commitment to carry them out. Nor have we charted their achievements. Instead, we say that the programs will succeed if only we give them enough money. Perhaps. But the poor live on a day-to-day basis. They cannot wait much longer for us to pay off the promissory notes of a decade of social rhetoric and public inaction which are coming due.

While we are experimenting with social programs, people are starving in our own backyard. They simply have no money. OEO estimates that there are about 1.5 million Americans with no income, not a penny. The experts who estimate those things believe that in the crannies and alleys of the slums and behind the bushes of rural America another 6 or 7 million Americans exist on less than \$300 a year.

These people need many things, but most of all they need money. Yet we have given them everything except money—manpower serv-

ices, social services, legal services, nutrition services, health services, educational deprivation services, family planning services, child care services, housing services. We have presumed to make the decisions as to what these 25 million impoverished Americans need. We have deluded ourselves into believing that we are giving the poor control of their destinies by allowing them "maximum feasible participation" in these many service programs. What we have really done is impose on the poor our ideas of what is good for them, and then we have allowed them to participate within those boundaries. In essence, we have acted as an elite, anti-egalitarian decisionmaking body. "Maximum feasible participation" is really no more than maximum feasible manipulation.

Can we accept the alternative—free choice for the poor through direct cash payments with no strings attached?

We are a Nation of limited resources and of limited ability to correct the injustices of society overnight. While we find out what it takes to eliminate poverty—and it appears that nobody knows at this point—it will serve the poor much better to provide them with money and/or jobs and let them make the decisions. They can do no worse than we, who have promised Utopia but produced a society in which 25 million Americans remain ill-clothed, ill-housed, and ill-fed.

Thank you, Mr. Chairman.

(The complete statement of Senator Ribicoff follows. Hearing continues on p. 27.)

STATEMENT OF SENATOR ABE RIBICOFF (DEMOCRAT-CONNECTICUT),  
THURSDAY, JULY 22, 1971

Following is the text of Senate remarks on welfare reform Senator Abe Ribicoff (D-Conn.) will make Thursday (July 22) morning at about 11 o'clock

Next week the Senate Finance Committee will begin consideration of H.R. 1, designed to reform our welfare system. Senate consideration of this program will provide us with a unique opportunity to attack a basic problem confronting this country: The 25 million Americans living in poverty.

In the past we have structured our welfare programs in response to a series of myths and misconceptions and out of the misguided view that we knew better than the poor what was good for them.

Thus, in an attempt to catch the cheaters—who make up less than 1% of those on welfare—and the "loafers" not working—less than 5%—we have constructed an unwieldy system that ignores the real and legitimate needs of the 95% on welfare through no fault or falling of their own.

In addition, we have been unwilling to acknowledge or concede that the overwhelming majority of parents in the ghetto are just as concerned about their children's welfare as any of us. Therefore, monstrous bureaucracies decide what those on welfare should eat and wear and how they should live. The rest of us can all decide what to do with our money—and even squander a little of it.

We can only expect responsible action from people if we give them responsibility. Our present welfare system robs recipients of their last shreds of human dignity. They are presumed to be irresponsible and imprisoned in a web of regulations that defy understanding. You only have to spend a few days with a mother on welfare trudging from office to office for her piecemeal assistance to realize that we have made being on welfare a full time job.

We have studied and restudied the problems of the poor. Research and pilot programs for the "socio-economic substrata," the "economically disadvantaged," the "culturally deprived" and the "underprivileged" have provided adequate incomes for many—for new government bureaucracies, for research contract industries and other participants in the poverty industry. But the poor remain poor.

While our welfare system and the programs to eradicate poverty have consumed increasing billions of dollars to aid the poor, one out of every eight Americans still lives on a sub-poverty income. The "War on Poverty" means very little to these 25.5 million Americans who are unable to purchase the basic goods and services necessary to live in America. They still must do without adequate food, shelter and clothing in the richest nation in the history of the world.

Our system of welfare has been one which is designed to save money rather than people. It winds up saving neither.

We have developed virtually every type of program to eliminate poverty except the most simple and direct one—the provision of an adequate income directly to those poor who are unable to work and the assurance of jobs to those able to work at an adequate wage level.

H.R. 1, conceived by the President and modified by the House Ways and Means Committee, represents a substantial reform of our nation's inadequate, inefficient and degrading welfare system.

This monumental piece of legislation, however, requires substantial improvement to help assure every needy American an opportunity to participate to his fullest capacity in the American economy, either by providing suitable employment at adequate wage levels or public assistance at adequate income levels.

Today I am introducing for Senate consideration a series of amendments designed to remedy these deficiencies. My amendments will cost more than the Administration is planning to spend. But that does not mean that we don't have the money to spend if we want to.

One place to start to find the money we need is with the multitude of programs supposedly designed to end poverty in this country. For example, social service programs have helped few people get off welfare, yet the number of social workers rose from 41,000 in 1960 to 144,000 in 1968.

According to the Office of Economic Opportunity, there are at least 168 programs in the Federal government designed to eliminate poverty, at a conservatively estimated cost of at least \$23 billion in 1970. Despite that expenditure, 25.5 million Americans still live in poverty, actually a slight increase over last year.

In fiscal 1972, the projected \$31.1 billion for poverty programs would provide \$4800 for every poor family of four, almost \$1000 above the poverty line, if directly distributed to these families. In fact, a direct distribution of only \$11.4 billion more than we now spend on welfare would have brought every poor American up to the official poverty income threshold in 1970. A more rational allocation of our resources would easily allow us to provide this additional money.

There's been much talk about reordering our priorities between defense and domestic expenditures. I support such efforts, but it is also time to reorder our domestic priorities.

This is not to say that every one of our poverty programs should be ended immediately. In reordering our poverty priorities, we will undoubtedly find that some of the existing poverty programs work well and provide crucial services to offset the debilitating effects of poverty which cash income will not alleviate.

But many programs do not succeed and, in fact, isolate the poor from the mainstream of American society, demeaning them by presuming to make day-to-day decisions affecting their lives, providing an array of programs whose value should be questioned. The fact that such programs are on the books should no longer be sufficient justification to keep them there, especially if the money could be better used elsewhere.

What people without money need most in order to live normal lives is money. For those who can work, adequate wages will fill the need. For those who are unable to work, society must provide the necessary assistance.

I hope that my proposals will open the way for a new approach to combatting poverty—the substitution of money and free choice for many of the categorical in-kind programs which nibble at the symptoms of poverty but ignore the roots.

We must not look only to existing poverty programs for funds for welfare reform. According to a Treasury Department study commissioned by the Joint Economic Committee, about \$40 billion in Federal revenue are lost each year through selected Federal tax provisions which give special consideration or advantage to certain groups and types of activity.

Congress must reexamine the need for such subsidies if we can pour \$30 billion a year into existing poverty programs, \$40 billion a year into subsidies for the

rich and over \$100 billion from 1965 to 1971 into the Vietnam war, we certainly should be able to fund the proposals I am introducing today which would add \$3.6 billion to the President's proposal for the first year and ultimately cost \$28.5 billion per year in 1976 when the welfare program would be fully federalized at a poverty-level income.

We should remember as we consider welfare reform with all its intricacies—its "earnings disregards", eligibility rules and residence requirements, the warning given in a recent *Washington Post* editorial regarding welfare cutbacks. It applies to H.R. 1 as well:

"It is easy to forget that behind these words are real people, mostly children. These cuts mean that children already living on the edge of desperation will have even less food on their plates, will go to school more often without shoes, will have more intimate experience with rats, filth, leaky plumbing and the feeling of being outside American life looking in."

A short summary of my amendments follows as well as a more detailed analysis.

#### SUMMARY OF RIBICOFF AMENDMENTS TO H.R. 1

##### *1. National Goal to Eliminate Poverty by 1976*

This amendment provides as a national goal that, by 1976—America's 200th anniversary—all citizens be assured of an income adequate to sustain a decent standard of life.

##### *2. Increase in Basic Federal Payment Level for Fiscal 1973*

This provision increases the payment for a family of four from \$2400 to \$2800. The \$2800 for fiscal 1973 represents last year's proposed \$1600 plus a cash-out of the food stamp program at \$1200, roughly equivalent to the cost of the admittedly inadequate "low-cost temporary" diet level set by the Department of Agriculture.

This amendment would cost the Federal Government an additional \$3.6 billion in the first year, for a total Federal assistance cost of \$9.5 billion.

##### *3. Mandatory State Supplementation and State Fiscal Relief*

Under this amendment no beneficiary would receive less than he is now getting, but it also assures the states of fiscal relief by limiting their welfare costs for the 5 fiscal years beginning with fiscal 1973 to 90%, 75%, 50%, 25% and 0% of calendar 1971 costs for public assistance plus food stamps. (Breakdown of relief for each state provided in detailed discussion of amendment.)

During fiscal 1972, the year before the effective date of FAP, emergency fiscal relief would be provided to the states in the form of full federal assumption of state welfare costs once a state reached its calendar 1971 costs for public assistance plus food stamps. This will cost \$440 million for fiscal 1972.

##### *4. Federal Assumption of Welfare Costs and Future Increases in Payment Levels up to the Poverty Level*

The Federal Government would assume welfare costs under this measure as the state share of welfare payments declines. In fiscal 1973 the Federal Government guarantees beneficiaries the higher of present state benefits or \$2,800. In the following years the Federal Government assures the higher of present benefits or 75% of the poverty level, then 80%, then 90% and in fiscal 1977, 100% of the poverty level. Full federal administration of the welfare system would begin in fiscal 1973.

The total Federal welfare cost would increase from \$9.5 billion in fiscal 1973 to \$28.5 billion for fiscal 1977.

##### *5. Adjustment in Payment Level for Changes in Cost of Living*

A cost of living factor would be included for welfare similar to that provided in H.R. 1 for Social Security benefits. The poverty level would be adjusted annually according to the Consumer Price Index and dietary cost changes. The Secretary of Health, Education and Welfare would be directed to develop a new method of determining the "poverty" level, presently the Department of Agriculture's low-budget diet multiplied by three. He would be required to report back to Congress by January 1, 1974 and his recommendations would be implemented on July 1, 1974 absent Congressional disapproval.

##### *6. Adjustment in Payment Levels to Reflect Regional Variations in Cost of Living*

The Department of Health, Education and Welfare would be directed to study and develop a system of payments consistent with cost variations according to

region. The plan would go into effect July 1, 1974 unless Congress specifically disapproves it.

#### *7. Coverage for Childless Couples and Single Persons*

This amendment gives welfare assistance to the 2.3 million poor single people and 3.8 million poor people under age 65 living in families without children. There is no logical reason to exclude these categories, especially since we now provide old-age assistance to single people and childless couples.

The cost of this amendment, which will go into effect in fiscal 1974, will be approximately \$1 billion.

#### *8. Improved Work Incentives*

Under this provision the Secretaries of Health, Education and Welfare and Labor would be authorized to experiment with various earnings disregards at no more stringent a level than the formula adopted by H.R. 1—\$720 and  $\frac{1}{3}$  of additional earnings. Under that formula, benefits would stop at an income level of \$1,320, providing benefits for an estimated four million working poor families at a cost of \$6.5 billion.

My amendment would also allow the \$720 plus  $\frac{1}{3}$  earnings disregard to be calculated on the basis of gross income as is now done by the Department of Health, Education and Welfare rather than on net income. In this way a recipient will be able to retain more of his earnings, thereby providing a stronger work incentive.

The \$2,000 ceiling on exemptions from earned income for child care costs, student and irregular income would be eliminated. Average costs for child care alone can easily run \$2,000 a year. The work incentive nature of this earnings disregard is defeated since, once the ceiling is reached and surpassed, it would be more profitable to stay at home than to work.

#### *9. Improved Job Training Programs for Employment at the Minimum Wage*

These amendments expand and reform federal job training programs to make them available in fact as well as theory to those able to work. A job would be assured for a training graduate (or an otherwise qualified eligible individual) in either the public or private sector at the higher of the prevailing wage or the federal minimum wage rate (presently \$1.60/hour) and protected by workmen's compensation.

More private sector jobs would be made available by requiring firms with federal contracts to list their job openings with the appropriate local employment agency. The Secretary of Labor would be required to directly develop and operate programs, or to designate appropriate state or local, public or private nonprofit corporations to carry out manpower training programs.

No employability plan under these programs could be developed for an individual until there is assurance that training and employment were available. During the interim, such individuals would be eligible for Family Assistance benefits. Both manpower programs and money to fund them would be made available on a phased basis.

Optional work registration for mothers with pre-school children and for those too remote from job training, jobs, or day care facilities would be provided. This would help alleviate the overload on training and employment programs that would otherwise exist.

These amendments also establish priorities for manpower programs according to last year's Ribicoff-Bennett priorities agreed to by the Administration. The order for training and employment would be unemployed fathers and volunteer mothers, youths aged 16 and over not attending school or not full-time regular employees, full-time regular employees, part-time employees, and others. My proposal eliminates H.R. 1's priority for teenaged mothers and pregnant women, a segment particularly unsuited to employment and training and, in any event, exempt once they have pre-school children.

\$1 billion would be authorized for these amendments, in lieu of the \$540,000,000 authorized under H.R. 1 and an additional \$10 million would be authorized for equal opportunity compliance activities.

These work proposals also reinsert the Ribicoff-Bennett language agreed to by the Administration last year regarding the definition of "suitable" employment.

#### *10. Expanded Public Service Employment*

Some \$1.2 billion would be available for 300,000 public service jobs. This compares to H.R. 1's \$800 million for 200,000 jobs. It is estimated that 4.3 million

people could be put to work in the public sector at the state and local levels in meaningful and fulfilling jobs if money were available. Thus Federal funding would not be phased out in 3 years as is done by H.R. 1.

The Secretary of Labor could seek additional funds from the Congress whenever 5% or more of the registrants for work had no reasonable prospects of finding employment.

### *11. Expanded and Improved Day Care Services*

This amendment modifies Senator Long's Federal Child Care Corporation concept by providing stricter standards, smaller costs to users of day care, and increased community participation. An additional \$1.5 billion in appropriations would be provided as well as twice the amount for day care facility construction (\$100 million) as provided in H.R. 1.

Free day care would be provided for one year following commencement of full-time employment with a fee schedule based on family size and income then taking effect. Liberalized tax provisions to offset child care costs would also be allowed.

### *12. Elimination of State Residency Requirements*

The Supreme Court has twice held such requirements unconstitutional as a restriction on the right to travel and a violation of the Equal Protection clause. Despite popular belief, only a small number of people are involved. For example, of New York's 1.7 million welfare recipients as of January 1971, only 11,000 (mostly children), or less than 1%, would be taken off the rolls if a one year residency clause were invoked.

### *13. Administrative Procedures and Recipients' Rights*

While in general the Department of Health, Education and Welfare has developed and administered comprehensive and equitable regulations, additional safeguards are needed. Therefore, my amendments would:

(a) Eliminate the automatic benefit termination for failure to file timely reports of changed circumstances and assure a hearing before any benefits can be cut off, pursuant to Supreme Court decisions protecting due process.

(b) Require a written opinion detailing reason for any administrative determination affecting payment levels to be submitted promptly to the applicant.

(c) Assure every claimant a right to counsel of his own choosing.

(d) Eliminate the provision waiving standards requirements for welfare hearing examiners.

(e) Eliminate the requirement of quarterly reports of income by recipients and simply require every recipient to report any changes in his circumstances. This reinserts the original Nixon Family Assistance Program's provision requiring the Secretary of HEW to estimate the quarterly income of recipients rather than placing the onus on the impoverished family or individual.

(f) Eliminate the requirement of re-registering for benefits every two years. Since biennial reapplication is for the purpose of enabling the Department of Health, Education and Welfare to study the problems of the long-term poor, the Secretary rather than the recipient would bear the responsibility of selecting out the long-term poor for study.

(g) Eliminate the provision making stepparents liable for support payments under the often-erroneous assumption that this income is available to the family.

(h) Eliminate the method of determining eligibility based on income earned in the last three quarters and instead base eligibility on current need. Under the provisions of H.R. 1, a family in need could be forced to wait up to nine months before receiving benefits.

(i) Provide a simplified declaration method of determining eligibility and use a scientific sampling audit similar to that used for the Internal Revenue Service to eliminate the costly and demeaning casework investigation of the present system. Studies have shown welfare fraud to be negligible and tests of the simplified method have been generally successful.

(j) Insure that migrant workers and others of unfixd domicile receive assistance.

(k) Eliminate the absolute exclusion of needy college students from the welfare program.

(l) Require the Secretary of Health, Education, and Welfare to develop a single, uniform and simple system of public assistance for all categories in need,



whether in the "adult" or "family" category and report his recommendations to Congress no later than January 1, 1974.

#### 14. Elimination of Discriminatory Provisions Against Puerto Rico and Other U.S. Possessions

Artificial ceilings on public assistance payments for these jurisdictions would be eliminated by this amendment. These territories have a higher cost of living than many states, yet their welfare payment level would be set at a mere fraction of the lowest level paid by any state to their poor. Welfare payments in U.S. territories as well as in the fifty states should be based solely on need.

#### 15. Protection of Employee Rights

This provision would protect accrued rights of state and local government employees and aid them in seeking jobs. We should not, as a by-product of welfare reform, create a new class of unemployed persons. This amendment does not, however, freeze every worker into the new welfare system. Rather, it provides protection for accrued rights and assistance in obtaining new employment.

#### TOTAL FEDERAL WELFARE COSTS: FISCAL YEAR 1973

[In billions of dollars]

	Current law	H.R. 1	Ribicoff amendments
Family payments.....	\$3.9	\$5.8	\$9.5
Childless couples and singles.....	0	0	0
Adult categories.....	2.2	4.1	4.1
Food programs.....	2.4	1.0	1.0
Child care services.....	.3	.7	1.5
Child care facilities construction.....	0	.05	.1
Supportive services.....	0	.1	.1
Manpower training.....	.2	.54	1.0
Public service jobs.....	0	.8	1.2
Equal employment compliance activities.....	0	0	.01
Administration.....	.4	1.1	1.1
Miscellaneous costs.....	0	.7	0
Total.....	9.4	14.9	19.61

#### DESCRIPTION OF RIBICOFF AMENDMENTS

##### GENERAL BACKGROUND

In August, 1960 President Nixon proposed the Family Assistance Plan. Since that time, the House has twice passed a bill—H.R. 16311 in April, 1970 and H.R. 1 in June, 1971.

The Family Assistance Plan has encountered difficulties in the Senate, however. Last year, in alternate attempts to win liberal and conservative support for welfare reform, the Administration revised the Family Assistance Plan in June, October, November and December. In the closing days of the 91st Congress, we reached agreement with the Administration on the so-called Ribicoff-Bennett proposals.

Despite our efforts, no legislation passed the Senate. Nevertheless, the Administration's original legislation and changes endorsed by the President during the legislative process in the Senate provide a strong base on which to build.

The President's original legislation provided assistance exceeding AFDC payments in all but eight states. Mandatory state supplementation insured that no beneficiary would be worse off under the original Family Assistance Plan than under present law.

The Family Assistance Plan has at one time or another also had in its provisions optional work registration requirements for mothers of pre-school children, liberalized earnings disregards, stronger provisions to assure job suitability, state supplementation for families headed by an unemployed parent, use of a standard of current need rather than previous earnings to determine eligibility, adequate protection of the rights of recipients including provisions to discourage stepparent desertion, fiscal relief for states, protection of accrued rights of local and state employees transferred to the federal system, more equitable penalty provisions, and a simpler and more equitable method of determining eligibility based on HEW quarterly estimates of family income which would allow the Secretary to take into account extraordinary circumstances in eligibility determinations.

All of these provisions have received Administration support in the last two years, but are excluded from H.R. 1. I am hopeful that we will be able to reach agreement on reinclusion of these important provisions at an early stage in the Finance Committee's deliberations. My proposals incorporate all of these improvements in addition to other changes discussed in the following sections.

*1. A Goal to Eliminate Poverty*

Today I submit a proposal to establish a minimum national goal to assure that by no later than 1976—America's 200th Anniversary—all Americans will have sufficient income to sustain a decent standard of life.

Unfortunately we have chosen to ignore the needs of the poor. We offer pity or contempt. We study, define or classify them. We promise and advise them. We do everything but help them. As a result, the chasm between the rich and the middle class on one side and the poor on the other is widening, providing the potential for social division unparalleled in our country.

Our failure has been one of commitment, not of resources or skills. The initial costs may seem large but they amount to less than 2½% of our trillion dollars gross national product. This is a small overhead to pay for our failures as a society in education, housing and employment. In addition, true reform of our welfare structure will enable many to obtain adequate jobs and will eliminate the tragic cycle of poverty in which the children of poverty inexorably become the next generation of the poor.

The text of this proposal and a comparison of the overall costs of my income maintenance proposals with those of present law and H.R. 1 follow:

TEXT OF RIBICOFF AMENDMENT SETTING 1976 GOAL

(a) Findings.

(1) "The Congress finds and declares that—

(A) A nation of wealth and responsibility deplores the continuing incidence of poverty within its borders; and

(B) In view of the harm to individual and family development and well-being caused by lack of income adequate to sustain a decent level of life, and the consequent damage to the human resources of the entire nation, the Federal government has a positive responsibility to assure an end to poverty

(2) Therefore, the Congress establishes a national goal of assuring all citizens by 1976, an income adequate to sustain a decent level of life and to eliminate poverty among our people.

(3) Furthermore, the Congress declares it to be the purpose of this Act to develop programs directed toward this goal.

PROJECTED POTENTIAL FEDERAL MAINTENANCE PAYMENTS UNDER CURRENT LAW, H.R. 1, AND RIBICOFF PROPOSAL, FISCAL YEARS 1973-77

[In billions of dollars]

	Current law	H.R. 1	Ribicoff proposal
1973.....	\$8.5	\$11.7	\$9.5
1974.....	8.8	12.4	13.0
1975.....	9.3	12.9	16.3
1976.....	9.6	12.7	22.4
1977.....	10.1	12.8	28.5

*2. Increase in Basic Federal Payment Level for Fiscal 1973*

My proposal increases the Federal base payment for a family of four from \$2400 as provided by H.R. 1 to \$2800, which represents last year's minimum support level of \$1600 plus a cash out of the food stamp program at the minimum subsistence diet level as determined by the U.S. Department of Agriculture. This amendment will carry out one of the expressed purposes of President Nixon's Family Assistance Plan—to provide a Federal benefit level no lower than existing AFDC benefit levels.

Under the President's original proposal, only eight states paid more than the Administration-proposed benefit to a family of four receiving AFDC and these states would have been required to make supplemental payments. In addition, food stamp assistance also would have remained available. Even as late as December 1970, the Administration approved the Ribicoff-Bennett provisions assuring no loss in benefit levels.

Under H.R. 1, however, the \$2400 payment level and optional state supplementation provisions make it possible for recipients in 28 states and the District of Columbia to lose a portion of their public assistance benefits which are already above \$2400. In addition, food stamps are provided in 27 of these states, substantially increasing the total assistance now received by welfare recipients in those states. This means that approximately two-thirds of the AFDC caseload faces significant potential benefit losses under H.R. 1.

In another 13 states, H.R. 1's benefit level exceeds present public assistance payments but is less than the total of present public assistance payments and food stamps.

In only 9 states and Puerto Rico does H.R. 1's \$2400 payment level exceed the present total of public assistance and food stamp benefits. (There is no food stamp program presently in four of those states.) These nine states and Puerto Rico have an AFDC population of approximately 975,000, only 10% of the 9.7 million people receiving AFDC payments as of January 1971.

While H.R. 1's \$2400 level exceeds public assistance payments without regard to food stamps in 22 states with 29% of the AFDC population, my proposal for an initial \$2800 income level automatically assures that an additional 21% of the AFDC population would receive higher benefits even before state supplementation. This 21% is located in six states (Ohio, Montana, Oregon, Wisconsin, Wyoming and California).

The following chart provides a breakdown of those states whose public assistance payments are less than \$2400 and those additional states paying less than \$2800.

22 STATES WITH BENEFIT LEVEL UNDER \$2,400, NUMBER OF AFDC RECIPIENTS AND PERCENTAGE OF TOTAL AFDC POPULATION AS OF JANUARY 1971

State	Number of AFDC recipients	Percent of total AFDC population (9,773,000)
Alabama.....	168,000	1.7
Arizona.....	62,000	.6
Arkansas.....	61,900	.6
Delaware.....	26,300	.3
Florida.....	264,000	2.7
Georgia.....	266,000	2.7
Indiana.....	117,000	1.2
Kentucky.....	141,000	1.4
Louisiana.....	231,000	2.4
Maine.....	55,200	.6
Maryland.....	164,000	1.7
Mississippi.....	134,000	1.4
Missouri.....	179,000	1.8
Nevada.....	15,900	.2
New Mexico.....	58,100	.6
North Carolina.....	151,000	1.5
Oklahoma.....	107,000	1.1
South Carolina.....	73,200	.7
Tennessee.....	171,000	1.7
Texas.....	341,000	3.5
Utah.....	39,600	.4
West Virginia.....	98,300	1.0
Total.....	2,925,400	29.8

ADDITIONAL STATES FULLY COVERED BY RAISING FEDERAL PAYMENT FROM \$2,400 TO \$2,800 AS OF JANUARY 1971

State	Number of AFDC recipients	Percent of total AFDC population
California.....	1,574,000	15.0
Montana.....	18,100	.2
Ohio.....	346,000	3.4
Oregon.....	107,000	1.0
Wisconsin.....	98,600	1.0
Wyoming.....	6,500	.1
Total.....	2,150,200	21.1

My proposals, by mandating state supplementation and providing additional Federal payments above state supplementation ceilings, would also assure that the other 50% of the AFDC population suffers no benefit cutbacks.

In addition, this amendment provides relief for all members of a needy family whereas H.R. 1 only assists up to 8 members of a family. There is no reason why a public assistance program should impose an arbitrary cut-off on the number of people to receive benefits in a family. Every child has needs—whether he is the first child in the family or the ninth. Under present law only six states (Alabama, Delaware, Kentucky, West Virginia, Virginia and New Mexico) currently impose such overall family maximums.

The change I propose will be both equitable and inexpensive. Only about 4% of AFDC families have more than eight members. The additional benefits for extra children can be lower because studies have shown that the additional costs for extra children in large families are proportionately smaller per child.

Following is a chart comparing payment levels under H.R. 1 and my amendments.

FEDERAL BASE PAYMENTS UNDER THE RIBICOFF SCHEDULE COMPARED WITH H.R. 1

Number in family	Ribicoff base payment per individual	H.R. 1 base payment per individual
1.....	\$900	\$800
2.....	900	800
3.....	500	400
4.....	500	400
5.....	500	400
6.....	400	300
7.....	400	300
8.....	300	200
9.....	200	-----
10+.....	100	-----

This amendment by itself would cost an additional \$3.6 billion in the first year.

### 3. *Mandatory State Supplementation and State Fiscal Relief*

My proposal requires mandatory state supplementation of federal welfare payments as opposed to H.R. 1 which makes such payments optional. State supplementation would also be mandatory for families in states with AFDC-UP programs in which payments are made to families with unemployed fathers living at home.

It is important to bear in mind that without mandatory supplementation, a \$2400 payment level provides one-third less than the national poverty level of slightly over \$3900, a figure widely regarded as at best a minimal subsistence level and at its worst grossly inadequate in terms of actual need. My amendment would at the very least assure that no beneficiary loses benefits under a reformed welfare system.

While not all states are expected to cut out supplementing payments above \$2400 if supplementation were optional, the trend of the last few years to raise welfare benefits is now being reversed. A recent HEW survey showed that at least 10 states are effecting welfare benefit reductions this year (Alabama, Georgia, Kansas, Maine, New Jersey, New Mexico, New York, Rhode Island, South Dakota and Nebraska) and reductions are probable in another 12 states (Arizona, California, Connecticut, Delaware, Idaho, Illinois, Minnesota, New Hampshire, Oregon, Pennsylvania, Texas, and Vermont. Given the states' fiscal crisis, optional supplementation may well mean no supplementation.

My amendment recognizes, however, the almost intolerable fiscal burden on the states of supporting an inefficient, inadequate and inequitable welfare system and provides relief by placing a graduated ceiling on state payments during the four-year period of Federal assumption of all welfare costs. In addition, full Federal administration would begin in fiscal 1973.

In fiscal 1973, a state would only have to pay 90% of its calendar 1971 public assistance and food stamp costs. This percentage would drop to 75% in fiscal 1974, 50% in fiscal 1975, 25% in fiscal 1976, and 0% in fiscal 1977.

States would be assured of savings of over \$400 million in the first year of FAP's effective date, fiscal 1973, just over \$1 billion in fiscal 1974, \$2 billion in fiscal 1975, \$3 billion in fiscal 1976 and \$4 billion in fiscal 1977 when the nation's welfare system will be financed entirely by the Federal Government.

I also recognize that in this fiscal year, 1972, states are facing financial chaos as a result of skyrocketing costs. Therefore I am adding an additional emergency fiscal relief amendment for fiscal 1972 which would place a ceiling on state welfare costs under current law at the fiscal 1971 state spending levels for public assistance and food stamp benefits. The Federal Government would guarantee that all beneficiaries receive no decrease in benefits as a result of this provision. This emergency state fiscal relief will cost the Federal Government an additional \$140 million in fiscal 1972.

The following chart outlines the amount of fiscal relief available to the states under this amendment compared to their present welfare costs.

## PRESENT COSTS AND RIBICOFF STATE FISCAL RELIEF SCHEDULE

[In millions]

State	Present costs (estimates of 1971 non- Federal expenditures)	Ribicoff State savings over present costs (fiscal years)			
		1973	1974	1975	1976
Alabama.....	\$32.7	\$3.27	\$8.2	\$16.4	\$24.5
Alaska.....	9.5	.95	2.4	4.8	7.1
Arizona.....	18.7	1.87	4.7	9.4	14.0
Arkansas.....	15.5	1.55	3.8	7.5	11.3
California.....	960.2	96.02	240.1	480.1	720.2
Colorado.....	41.9	4.19	10.5	20.9	31.4
Connecticut.....	53.3	5.33	14.4	28.8	43.3
Delaware.....	6.9	.69	1.7	3.4	5.2
District of Columbia.....	34.1	3.41	8.5	17.0	25.6
Florida.....	98.0	9.80	24.5	49.0	73.5
Georgia.....	44.4	4.44	11.1	22.2	33.3
Hawaii.....	17.2	1.72	4.3	8.6	12.9
Idaho.....	6.2	.62	1.7	3.4	5.2
Illinois.....	224.5	22.45	56.1	112.2	168.4
Indiana.....	27.0	2.70	6.8	13.5	20.3
Iowa.....	43.4	4.34	10.9	21.7	32.6
Kansas.....	28.3	2.83	7.1	14.2	21.2
Kentucky.....	28.2	2.82	7.1	14.1	21.2
Louisiana.....	50.3	5.03	12.6	25.2	37.7
Maine.....	14.5	1.45	3.6	7.3	10.9
Maryland.....	54.7	5.47	13.7	27.4	41.1
Massachusetts.....	192.3	19.23	48.1	96.2	144.2
Michigan.....	174.1	17.41	43.5	87.0	130.6
Minnesota.....	60.9	6.09	15.2	30.4	45.7
Mississippi.....	15.4	1.54	3.9	7.7	11.6
Missouri.....	52.5	5.25	13.1	26.3	39.4
Montana.....	5.1	.51	1.3	2.5	3.8
Nebraska.....	12.2	1.22	3.1	6.1	9.2
Nevada.....	3.2	.32	.8	1.6	2.4
New Hampshire.....	11.8	1.18	3.0	5.9	8.9
New Jersey.....	181.4	18.14	45.4	90.7	136.1
New Mexico.....	11.9	1.19	3.0	6.0	8.9
New York.....	663.5	66.35	165.9	331.8	497.6
North Carolina.....	33.3	3.33	8.3	16.7	25.0
North Dakota.....	4.5	.45	1.1	2.2	3.4
Ohio.....	110.3	11.03	27.6	55.2	82.7
Oklahoma.....	46.8	4.68	11.7	23.4	35.1
Oregon.....	31.8	3.18	8.0	15.9	23.9
Pennsylvania.....	265.1	26.51	66.3	132.6	198.8
Rhode Island.....	20.9	2.09	5.2	10.5	15.7
South Carolina.....	8.3	.83	2.1	4.2	6.2
South Dakota.....	5.4	.54	1.4	2.7	4.1
Tennessee.....	34.7	3.47	8.7	17.4	26.0
Texas.....	85.9	8.59	21.5	43.0	64.4
Utah.....	9.6	.96	2.4	4.8	7.2
Vermont.....	6.5	.65	1.6	3.3	4.9
Virginia.....	34.9	3.49	8.7	17.5	26.2
Washington.....	71.4	7.14	17.9	35.7	53.6
West Virginia.....	16.0	1.60	4.0	8.0	12.0
Wisconsin.....	40.4	4.04	10.1	20.2	30.3
Wyoming.....	2.5	.25	.6	1.3	1.9
Totals.....	4,022.1	402.21	1,005.5	2,011.0	3,016.6

#### 4. Federal Assumption of Welfare Costs and Future Increases in Payment Levels

In combination with mandatory state supplementation and state fiscal relief, this amendment provides a gradual Federal assumption of all welfare costs together with increases in the payment level each year until payments equal the

poverty level in 1976. A basic benefit payment would be established equalling the higher of \$2800 or the present maintenance levels in fiscal 1973, the higher or present state benefits or 75% of the poverty level in fiscal 1974, the higher of present state benefits or 80% of the poverty level in fiscal 1975, the higher of present state benefits or 90% of the poverty level in fiscal 1976, and 100% of the poverty level in fiscal 1977.

This amendment, together with the mandatory state supplementation and state fiscal relief amendment, assures that no beneficiaries will lose benefits and also provides a method of raising benefit levels to bring all needy Americans up to at least a poverty-level income by July 1, 1976.

We must recognize, however, that the official "poverty" level is at best an artificial line above which people are designated "non-poor" and below which they are "poor". The poverty standard, developed by the Social Security Administration, is based on the Department of Agriculture's measure of the cost of a temporary, low-budget, nutritious diet for families of various sizes. The poverty index is simply this food budget multiplied by three to reflect the fact that food typically represents one-third of the expenses of a low-income family.

My amendment requires the Secretary of Health, Education and Welfare to develop a new "poverty" level which takes into account items now ignored such as medical care, insurance, a bed for each member of the family and school supplies. He must report back to Congress his recommendations no later than June 1, 1974 and they will take effect on July 1, 1974 absent Congressional disapproval.

#### RIBICOFF WELFARE BENEFITS AND STATE FISCAL RELIEF SCHEDULE

Year	Required State contribution (as a percentage of calendar 1971 costs of public assistance plus food stamp benefits)	Federal payment level	Total Federal cost (billions)
Fiscal year—			
1973.....	90	Higher of \$2,800 or present maintenance.....	\$9.5
1974.....	75	Higher of present maintenance or 75 percent of poverty level..	13.0
1975.....	50	Higher of present maintenance or 80 percent of poverty level..	16.3
1976.....	25	Higher of present maintenance or 90 percent of poverty level..	22.4
1977.....	0	100 percent.....	28.5

#### 5. Adjustment in Payment Level for Changes in Cost of Living

This amendment includes a cost-of-living factor based on the present method of adjusting the Federal poverty income threshold to reflect changing costs. Just as salaries and prices are adjusted to reflect cost-of-living changes, so must benefit levels change under an equitable assistance program. The poor are not immune from the pernicious effects of inflation.

Even under current law, state welfare plans must provide cost-of-living increases to be eligible for Federal matching funds. While states have often cancelled out such increases by reducing the percentage of the state standard of need which is paid or by making across-the board cutbacks, the majority of families under current law have benefitted from cost-of-living increases.

Nonetheless, while H.R. 1 provides a cost-of-living adjustment mechanism for Social Security benefits, it freezes welfare benefit payments by the Federal government for the next five years.

#### 6. Adjustment in Payment Levels to Reflect Regional Variations in Cost of Living

This amendment requires the Secretary of Health, Education and Welfare to establish a payment schedule based on varying standards of need between urban and rural areas, different parts of the same states, and among appropriate regions in the United States.

The Department is already studying the complexities of regional variations in living costs. A delicate balance must be maintained to assure equity of payment levels and simplicity of administration. Any regional breakdown must recognize the existence of highly urbanized areas in close proximity to rural isolation and the danger of payment levels changing from one side of a street to another. To

develop a plan which takes these factors into account and still avoid an unwieldy number of regional areas necessitating close case-by-case analysis will be no easy task.

The Secretary of Health, Education and Welfare is directed to study this problem and submit a report to Congress no later than January 1, 1974. Unless specifically disapproved by Congress within 90 days of submission, the Secretary's recommendations would be implemented on July 1, 1974.

#### 7. Coverage for Childless Couples and Single Persons

A major premise of H.R. 1 is that welfare assistance should be based on need rather than membership in a particular population category. Nonetheless 1.8 million persons under 65 in families without children and 2.3 million single persons who live in poverty are not eligible under H.R. 1.

My amendments would remedy this failing, recognizing that the incidence of poverty reaches the highest levels among persons unconnected with a family unit. At least 500,000 of these people have no cash income at all. Moreover, it makes no sense to deny assistance to a couple without children and provide \$2000 to a couple with one child. The incentive to have children under such an illogical exclusion makes H.R. 1 a Family Expansion Plan rather than a Family Assistance Plan.

Coverage for these forgotten Americans would begin in fiscal 1974 to allow the Secretary of Health, Education and Welfare to establish the necessary administrative procedures to include them for the first time in federal welfare programs.

This amendment would cost the Federal Government \$1 billion in its first year of operation.

#### 8. Improved Work Incentives

This provision will improve work incentives for the working poor by directing the Secretary of Health, Education and Welfare to conduct tests of various "earnings disregard" formulas and to report his findings and recommendations to the Congress no later than January 1, 1974. No variation could be utilized which would provide lower benefits than H.R. 1's present formula under which the working poor would be allowed to keep the first \$720 of their earnings each year plus one-third of the remainder while receiving assistance.

The following chart illustrates the impact of various payment levels with the basic earnings disregard formulas:

EARNINGS DISREGARD DATA

FAP payment family of 4	Break-even point <sup>1</sup>	Total Federal cost, fiscal year 1973 (billions)	Eligible families, fiscal year 1973 (millions)	Eligible individuals as percent of U.S. population
\$2,400.....	\$4,320	\$6.5	4.0	9.0
\$2,800.....	4,920	9.5	4.8	11.5
\$3,600.....	6,120	13.5	6.7	15.0
\$6,500.....	10,470	72.0	* 33.4	* 50.0

<sup>1</sup> The breakeven point is that point of income below which some benefit would be paid.

<sup>2</sup> Households (\$6,500 plan includes families without children).

\* Over.

At this time, no one knows what level of earnings disregard will provide an optimal work incentive or at least be a minimal disincentive. In addition, budgetary restraints and the desire to provide additional funds for families at the lower end of the economic scale play a large role in what formula should be adopted.

In the long run, we should not have to provide public assistance to those who work. It is shocking to realize that four out of ten poor Americans live in families headed by full-time workers.

Rather than providing welfare supplements to these people, we should be assuring every working American that his wages will be sufficient to prevent poverty. To do this will entail raising the minimum wage and expanding it to include some 17 million Americans now excluded.

While the Senate Finance Committee does not have jurisdiction over the Federal wage laws, I am hopeful that favorable consideration will be given to minimum wage legislation introduced by the distinguished Senator from New Jersey (Mr. Williams) and now being considered in the Labor and Public Welfare Committee.

Until all jobs pay an adequate wage, our welfare system will have to cover the working poor and insure that there are work incentives. Such an incentive, designed to insure recipients who work a higher income than those who do not, has been a part of the Social Security Act since 1967. The incentive is accomplished by setting aside a given amount of income which is to be retained by the recipient and not deducted from the assistance grant.

From the money retained as a work incentive, an employee must pay all expenses of going to work, including Federal, state and local taxes, union dues and other mandatory payroll deductions as well as transportation costs. When these costs are high, as is usually the case in large metropolitan areas where the poor are increasingly concentrated, expenses can easily go beyond the exemptions, leaving a working family less actual income than one where no member is employed.

Under current law, the work incentive itself is calculated on the basis of gross, not net, income, as follows:

The applicable amounts of earned income to be disregarded (\$30 per month plus one-third of the remainder under AFDC) will be deducted from the gross amount of "earned income" and all work expenses, personal and non-personal, will then be deducted. Only the net amount remaining will be applied in determining need and the amount of the assistance payment.

Under H.R. 1, however, from gross income one must deduct earnings of students, child care costs and inconsequential income. The incentive is applied to whatever remains. The amount of extra money a recipient realizes from every dollar earned will therefore be lower in many states under FAP than under current programs.

My amendments would maximize the work incentive by restoring the method of calculation currently followed by HEW. Thus, only after the money retained as a work incentive is deducted from gross income will there be deductions for items such as taxes, work expenses, child care costs and income of students.

Another failing of H.R. 1 is its limitation on the amounts that can be deducted or excluded from income when determining the amount of family assistance to be received. For instance, the costs for child care are limited as are the amounts that children can earn. The Administration has never placed a definite ceiling on such items and I would hope it will support its original proposal which sets no dollar ceiling but leaves amounts excludable from income to the responsible discretion of the Secretary of Health, Education and Welfare.

#### *9. Improved Job Training Programs for Employment at the Minimum Wage*

The Family Assistance Plan as revised by the Ways and Means Committee emphasizes work training requirements and incentives. This is important since most Americans would prefer to play a productive role in American society rather than to live on welfare. Experience in New York, for example, has shown that 98 percent of the working poor continue working under New York's assistance program for them.

Under H.R. 1, as many as 2.6 million welfare recipients would be required to register with the Department of Labor for manpower services, training and job placement. H.R. 1 would provide training for 225,000 people, 200,000 public service jobs, and expanded day care facilities for those who need them to accept training or work.

The initial determination of whether a recipient was "available" for work would be made by the Department of Health, Education and Welfare; the employable individual would then fall within the jurisdiction of the Labor Department which would be responsible for developing an "employability" plan setting forth all the training and supportive services necessary to restore such families "to self-supporting, independent and useful roles in their communities." H.R. 1 also establishes a new Assistant Secretary thereby separating this program from existing Department of Labor manpower programs.

Unfortunately, H.R. 1's proposals will accomplish very little. They provide too little money and too much responsibility for programs which have never



worked. If work training is to be a viable part of welfare reform, the following problems must be solved:

*First*, not enough appropriate jobs are available for the 2.6 million people required to enroll in the program. The poor performance to date under WIN, the existing welfare work training program, demonstrates this clearly. The existence of over 5 million unemployed Americans further complicates the situation.

Many of the jobs now available to manpower training graduates are the substandard, previously unfillable jobs which comprise the present openings filed with the U.S. Employment Service offices which have been delegated responsibility under existing manpower programs within the Department of Labor.

To correct this situation, my amendments initiate a number of new provisions.

Private business firms which are Federal contractors would be required to list their job openings with the local agency assigned the task of job placement. H.R. 1 requires only state and local governments to make such listings. My proposal will therefore expand the number of job opportunities made available to the Federal manpower efforts from the private sector.

The amendments I introduce will require all job assignments to be in positions paying the prevailing wage but no less than the Federal minimum wage. The jobs must also be covered by workmen's compensation provisions. Guaranteeing the minimum wage will make it clear that the program is not another form of public subsidy to businessmen who want to be assured of a supply of cheap labor.

In the past some employers have taken Federal manpower trainees to fill menial jobs, fired them when the training subsidies ran out, and then applied for a new complement of trainees to fill the same jobs, at public expense. In rural areas the Employment Service Farm Service offices work as agents of the growers, merely recruiting individuals for seasonal agricultural jobs and rarely assisting the individual to develop new work skills or seek better job opportunities. Under my legislation, manpower programs will provide for the worker's needs first, not the employer's.

*Second*, a total restructuring of the Department of Labor manpower and services program is crucial if we truly wish to provide training and employment for eligible welfare recipients.

The Lawyers Committee for Civil Rights Under Law and the National Urban Coalition in their excellent study, "Falling Down on the Job: The United States Employment Service and the Disadvantaged," have clearly documented the failings of the Department of Labor's manpower effort. The U.S. Employment Service, the primary local source of jobs and manpower services within the Department is, according to the report, "an inflexible bureaucracy, absorbed in its own paper work, with a staff that is either incapable of or disinterested in committing the resources necessary to make the chronically unemployed self-supporting."

Between 1965 and 1970 funds available to the Employment Service more than doubled, from \$210.4 million to \$464.7 million, yet the number of persons who applied to the agency for jobs fell from 10.9 million to 10 million and the number of individuals placed in employment by the system dropped from 6.3 million to 4.6 million.

Clearly something is wrong with this system. To know more fully what the training needs of individual workers are—how much help they need, of what kinds and at what costs—we must develop new sources of information about local needs and operations.

My proposals direct the Secretary of Labor to develop and operate a nationwide, comprehensive system of data collection and interpretation so that we can establish the necessary manpower services, training, and employment opportunities. We need to know much more about developments in local and regional labor markets. Where are industries and business firms locating and expanding, where are layoffs taking place, where is there a labor shortage?

Information would also be compiled on the employability characteristics of those individuals enrolled under this employment program to provide a meaningful basis for setting goals for on-the-job and institutional training, job upgrading, job development and public service employment.

Manpower training programs in the past have too often been unrelated to existing job openings and consequently have rarely fulfilled their basic goal of placing people in jobs. The Federal Government has financed more than five million training positions over the past 5-6 years at a cost of \$2.5 billion. But the job placement records of the three largest federal manpower programs

have been poor. The Manpower Development Training Act has placed less than half its enrollees in jobs. The Concentrated Employment Program has led to jobs for little over one-third of its enrollees, and WIN has had a placement rate of slightly more than 10%.

The following chart illustrates the problem:

	Enrollment	Placed
MDTA <sup>1</sup> .....	1,451,400	773,400
CEP <sup>2</sup> .....	290,215	106,612
WIN <sup>3</sup> .....	228,759	23,691

<sup>1</sup> Cumulative through fiscal year 1970.

<sup>2</sup> Cumulative through June 30, 1970.

<sup>3</sup> Cumulative through Dec. 31, 1970.

My proposal attempts to remedy this critical problem by providing for a phased enrollment of eligible individuals into the program. No welfare recipient would be given an employability plan until such time as manpower training, supportive services and employment opportunities were actually available.

My proposal requires the development of employability plans according to the following priority schedule agreed upon last year in the Ribicoff-Bennett proposal:

- (1) Unemployed fathers and volunteer mothers.
- (2) Youths aged 16 and over who are not regularly attending school and are not employed full time.
- (3) Persons regularly employed at least 40 hours a week.
- (4) Part-time employees.
- (5) All others.

H.R. 1, on the other hand, provides its highest priority for manpower services, training, and employment programs to mothers and pregnant women under the age of 19. This provision makes little sense since, as soon as a child is born, the mother would be immediately exempt from work registration under other sections of H.R. 1 relating to mothers of children under three. Moreover, it is extremely inefficient to give the first available training slots to those women since the labor market is highly restricted for them.

My amendments also recognize the limitations on the ability of H.R. 1's proposed manpower program to accommodate the 2.6 million potential work registrants with only 225,000 training slots, 200,000 public service employment jobs, and 187,000 previously existing WIN slots. H.R. 1's directive to the Secretary of Labor to make use of all existing manpower programs merely repeats the language of the WIN program. Yet under WIN the Secretary was unable to override jurisdictional and program rivalries and remove slots from existing commitments. Under the President's manpower revenue-sharing proposals, the Federal Government would not even have the power to reallocate these slots.

Even if the Labor Department could free up all slots now committed to other programs, only 1.3 million people, half of the potential welfare clientele, could be accommodated. By expanding funding for manpower programs from \$540 million under H.R. 1 to \$1 billion under my measure and by allowing women with pre-school children the option to register, we can expand programs and shrink the potential manpower pool, thereby bringing goals and realities into a closer balance.

*Third.* We must ensure the availability and adequacy of local agencies to operate manpower programs.

At present, three kinds of local delivery systems exist, all of which have a "piece of the action" under WIN and other manpower programs:

- (1) The U.S. Employment Service system for job placement and manpower services;
- (2) The local welfare offices (to determine if clients are eligible for welfare or employability development); and
- (3) The local offices of state vocational education departments which provide institutional training for enrollees in manpower programs.

None of these agencies is equipped to handle the manpower programs of H.R. 1, but the Department of Labor appears ready to assign the programs to the Employment Service for local implementation. This would be a grave mis-

take and would give notice that America's manpower goal is the creation of an involuntary work force for certain substandard jobs which the "free labor" market cannot fill. It would be a vote of confidence in a system which has become, in the words of the Lawyers Committee/Urban Coalition report, "a passive accessory to discriminatory employment practices" which has created "hostility and mistrust and discouragement among the disadvantaged."

My proposals would give the Secretary of Labor the resources and the mandate to develop a nationwide mechanism that can accurately assess developments in the labor market including training needs, job availability and other factors important for an effective employment program. Training funds would be distributed to new local agencies that would serve as advocates for the workers rather than as hiring halls for the employer.

Specifically, my amendment gives the new Assistant Secretary of Labor the power and money to design and implement a system that will develop information on the local level relating to the workers' needs and the job market situation. This local operation would be responsible for listing jobs available to work registrants and participants.

A strong civil rights enforcement component, funded with \$10 million would be included to prevent discrimination on the basis of race, religion, sex, or national origin. Administering agencies would be required to write detailed equal opportunity compliance reports on the services provided needy individuals under this Act, including information regarding job referrals, salary levels and placements, and the nature of job listings made available.

My amendments allow but do not require, the Secretary to contract for component parts of the program with any entity he chooses including a local prime sponsor, a new Federal agency, or a reformed Employment Service office. If the Department of Labor chooses to rely on a state or local, public or private non-profit corporation or agency to carry out this program, it may assume immediate control of any program found to be substantial, terminate local funding, and assume direct responsibility for program administration and operation.

In developing and operating such a system, the Secretary would be required to consult regularly with representatives of public and private employers and representatives of families and individuals who are receiving or eligible to receive manpower services. Priority in entering into contracts to provide manpower training and services would be given to those agencies that include the participation of needy individuals in the planning, conduct and evaluation of their programs, and that provide maximum employment opportunities including occupational training and career advancement for such needy individuals.

*Fourth*, in the best of all possible worlds everyone would have a job uniquely suited to his desires, needs and skills. While not everyone will find such a job in the real world, H.R. 1 is a step backward from the goal of suitability first enunciated in the Ribicoff-Bennett agreement of December, 1970.

I hope that the Administration will again support my "suitability" provisions which define a "suitable" job with reference to the degree of risk to such individual's health and safety, his physical fitness for the work, his prior training and experience, his prior earnings, the length of his unemployment, his realistic prospect for obtaining work based on his potential, and the availability of training opportunities, and the distance of the available work from his residence.

#### **10. Expanded Public Service Employment**

Our economy now has over 5 million unemployed people who are unable to find work. It is, therefore, foolishness to expect the private sector to be able to provide a sufficient number of jobs for those on welfare able to work. Public service jobs of both a temporary and permanent nature must be provided at no less than the federal minimum wage.

My amendments would provide an authorization of \$1.2 billion to create public service employment for 300,000 welfare recipients, compared to H.R. 1's \$800 million for 200,000 such jobs. Unlike H.R. 1, federal support for these jobs will not be phased out rapidly unless the Secretary of Labor determines that the specific job is of a temporary nature.

The public service jobs under my proposal would provide meaningful work in such fields as health, social services, public safety, environmental protection, urban and rural development, welfare, recreation and education. In addition public service jobs would be authorized in the field of criminal justice to provide critically needed personnel in fields such as bail, parole and probation, corrections, half-way houses and juvenile homes.

Where appropriate, public service jobs would be required to provide some on-the-job training, thereby enabling manpower programs to accommodate more individuals in a shorter period of time. This would also shift the focus of manpower programs from taking the least skillful workers and putting them in jobs without training to concentrating on job upgrading and development.

Even the funding provided by my proposal would provide a sufficient number of jobs at the outset. Therefore, the Secretary of Labor is required to report to Congress regarding additional funding needs whenever he determines that 5% or more of the needy persons available for employment are without reasonable prospects of obtaining it due to:

(1) A local shortage of job openings which are suitable to the skills and abilities of the applicant;

(2) Insufficient training or public service opportunities in the locality; and

(3) A lack of training which offers a reasonable prospect of employment.

The Secretary of Labor would also develop goals for on-the-job and institutional training, job upgrading and job development which would lead to regular self-supporting employment for needy families. He would be aided by local advisory committees which provide for representation by actual or potential participants in the program.

Money put into public service employment will benefit our nation in many ways. It will provide meaningful work at adequate wages for the needy, thereby ending the cycle of welfare dependence, give fiscal relief to cities and states through funding of state and local public service employment, and attack the social and environmental problems which are plaguing this nation.

#### *11. Expanded and Improved Day Care Service*

In August of 1969 President Nixon announced in his welfare message that:

"The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation."

Nonetheless, H.R. 1 provides only \$700,000,000 for an estimated 875,000 slots. These slots will not even begin to provide child care services for the 2.3 million AFDC children under the age of six (some of whom are under age 3 and not in need of day care under H.R. 1), the 2.9 million AFDC children between ages 6 and 12, and the 1.9 million AFDC children over age 12.

Moreover, the funds for the relatively few slots provided are inadequate for anything but the most remedial custodial day care. The average amount allocated for each slot is \$800. Yet, HEW's Office of Child Development has estimated that the cost of group child care in a day care center for children aged three to six (whose parents would have to register for work under H.R. 1) would be \$1245 at the "minimal" custodial level, \$1862 at the "acceptable" level and \$2320 at the desirable level.

H.R. 1 also provides only \$50 million for construction of day care centers, even though facilities are in such shortage that if every slot in every licensed day care facility and family day care home in the United States (638,000 places in 13,600 centers and 32,700 family day care homes) were reserved for an AFDC child between the ages of three and six, there would be in excess of one million AFDC children in that age group alone left over.

The President's commitment to early childhood development cannot be carried out with words alone. Clearly it is necessary to bring existing facilities into balance with the potential size of the day care clientele. This can be accomplished by expanding and enhancing day care programs and by shrinking the number of mandatory eligibles for work and training registration who will need day care.

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The following chart describes the Federal Government's present day care programs:

FEDERAL INVOLVEMENT IN DAY CARE, FISCAL YEAR 1971

[Includes part day and summer]

Program	Total estimated Federal expenditures for child care	Estimate number of children in child care
Title IV-A, Social Security Act (non-WIN).....	\$205,199,000	197,479
Title IV-A, Social Security Act (WIN).....	38,000,000	117,162
Title IV-B, Social Security Act (Child welfare services).....	1,900,000	20,000
Title I, Economic Opportunity Act (Concentrated employment program).....	7,500,000	9,500
Title II-B, Economic Opportunity Act (Project Head Start):		
Full year.....	360,000,000	263,000
Summer.....		209,000
Parent and child centers.....		6,600
Title III-B, Economic Opportunity Act (migrant and seasonal farmworkers).....	1,400,000	2,000
Total.....	613,999,000	824,741

Note: Does not include \$59,400,000 spent for title IV-A, SSA, income disregard.

The amendment I propose, based on the Child Care Corporation concept developed by the distinguished Senator from Louisiana (Mr. Long), accomplishes both tasks, shrinking the potential clientele by making registration optional for mothers with preschool children and expanding programs by providing the widest possible variety and maximum utilization of existing day care services to meet the specific desires and needs of day care users.

My amendment provides \$1.5 billion in Federal revenues for the Child Care Corporation in addition to the \$500 million in repayable Treasury loans and \$250 million revenue bond authority provided by Senator Long's proposal. My bill would also increase the construction authorization of H.R. 1 from \$50 to \$100 million. Up to \$25 million would be used for training child care personnel.

This proposal modifies the proposal of the Senator from Louisiana by providing a stronger local voice in the development and operation of day care services, strengthening Federal standards, increasing funding levels and paying all of the costs of child care for a period following employment.

My day care proposal would amend both the Internal Revenue Code and the Social Security Act within the purpose of encouraging and facilitating the provision of child care services.

The Internal Revenue Code would be amended to increase the amount of child care expenses allowable as a deduction for Federal income tax purposes, and to increase the amount of income a family may have and still be eligible for the child care tax deduction. The limit on the deduction would be increased from \$600 to \$1000 in the case of one child, and from \$900 to \$1500 if there is more than one child. The limitation on family income would be increased from \$6000 to \$12,000.

The Federal Child Care Corporation established by my amendments would be headed by a Board of Directors, consisting of five members, at least two of whom would represent participant and community interests, to be appointed by the President, by and with the advice and consent of the Senate. One member of the Board would be designated as Chairman of the Board. The Board would establish an Office of Program Evaluation and Auditing to assure that standards established under the bill for services and facilities are met, and that funds are properly used.

Rigid monitoring of standards will take place. While my proposal will allow private organizations to participate in the provision of day care, these groups will be watched closely to see that quality is not sacrificed for profit. The penalty for providing false information in order to qualify and requalify would be expanded to include a two-year ineligibility period following conviction. After two years, the judicially reviewable corporation could make a determination as to the desirability of allowing the convicted party to resume operation under the Corporation.

The Corporation could not provide or arrange for the provision of child care in any facility which did not meet standards no less strict than the Federal Interagency Day Care Requirements of 1968 updated by July 1, 1974 and improved to include the Recommendations of the Federal Panel on Early Childhood by no later than July 1, 1976. The Panel would be required to develop its Recommendations no later than January 1, 1976. The Corporation would develop supplemental uniform Federal standards where necessary. All standards would fully preempt existing state and local standards, except that hearings would be held with regard to corporation standards considered a state, locality, group, or responsible individual to be less protective of the welfare of children than those which would otherwise be imposed.

The duty of the Corporation would be to fully meet the needs of the Nation for child care services by 1976. The Corporation would, through utilization of existing or new facilities, ensure the provision of child care services in the communities of each state.

Child care services are defined in the bill to cover a variety of services in such facilities as nursery schools, kindergartens, child development centers, play group facilities, summer day care facilities, school age child care centers, family day care homes, night care facilities and others.

No fees would be charged to those registered for work training or for a year following commencement of full-time employment. After this period the Corporation would charge a fee based on family size and income for services provided, all or part of which could be paid by any person or public agency agreeing to pay. Fee schedules would be designed to encourage utilization of the most comprehensive form of day care services.

In providing services, the Corporation would be required to accord first priority to those who are in need of services to enable a member of the family to accept or continue in employment or participate in training.

To assure a strong local voice, all day care programs would have to provide for development, administration, operation and review by a membership with at least 25% of its participants being parents whose children are presently in or have in the preceding five years been enrolled in a day care program.

My proposal would allow up to 25% of the enrollment in any child care program to be composed of children of parents other than those who qualify for federal benefits. Studies have shown that a socio-economic and racial mix of children provides a better atmosphere for development of all children concerned.

In providing services within a community the Corporation would be required to take into account any comprehensive planning for child care which has been done and would be generally restricted in the direct operation of programs to situations in which public or private agencies are unable to develop adequate child care. The Corporation would also have authority to provide advice and technical assistance to persons desiring to enter into an agreement for the provision of services to assist them in developing their capability to provide services.

A National Advisory Council on Child Care would be created and expanded to include the Director of the Office of Economic Opportunity, and broadened to eliminate the requirement that only one member of an assistance recipient organization can serve.

#### *12. Elimination of State Residency Requirements*

My amendments eliminate H.R. 1's residency requirements. The Supreme Court has consistently held such requirements to be unconstitutional. The Court this month reaffirmed an earlier case which found residency requirements unconstitutional restrictions on the right to travel and a violation of the Equal Protection Clause. The Supreme Court found such requirements to be "invidious distinctions" between classes of citizens which cannot be justified even for the purpose of state welfare cost savings.

From a practical standpoint such restrictions have little effect on welfare rolls or costs. A recent study in New York indicated that the vast majority of people who go on welfare do so only after several years of working at menial jobs or of living in crowded apartments of friends and relatives who have jobs. In fact, of New York State's 1.7 million public assistance recipients as of January, 1971, only 11,000 (mostly children), or less than 1% had gone on welfare after living in the state for less than a year.

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### 13. *Administrative Procedures and Recipients' Rights*

Existing HEW regulations governing administrative procedures are generally comprehensive and fair. Some provisions in H.R. 1 would unnecessarily alter these regulations to the detriment of the needy or add needless restrictions.

My amendments would remedy this situation as follows:

#### *a. Termination of benefits*

H.R. 1 would terminate benefits automatically unless a family submitted a report within 30 days after the close of any quarter during which it received benefits, containing any information on income and expenses necessary for determining what the correct amount of benefits should have been. In view of *Goldberg v. Kelly* (397 U.S. 254 (1970)) which invalidated arbitrary terminations of payments without hearings, the automatic cut-off provisions of H.R. 1 rest on tenuous constitutional ground. As *Goldberg* pointed out:

"To cut off a welfare recipient in the face of . . . 'brutal need' without a prior hearing of some sort is unconscionable, unless overwhelming considerations justify it . . . Against the unjustified desire to protect public funds must be weighed the individual's overpowering need . . . not to be wrongfully deprived of assistance."

Since 46% of all disputed welfare administrative payment determinations are reversed after hearings, the onus of administrative mistake, when it manifests itself as a wrongful eligibility determination, should not fall on eligible but wrongfully rejected applicants who may literally starve while awaiting a hearing.

I will therefore reinsert the Administration's original language for H.R. 1, which assured continued welfare payments while hearings were held to settle disputed claims. Such a change would protect legitimate recipients from the disaster of a total cut-off while allowing the Secretary of Health, Education, and Welfare to use his power to bar patently frivolous claims.

#### *b. Written opinions required*

My amendments would require that a written opinion detailing the reasons for a hearing be submitted promptly to the claimant. Recipients, whose very lives may be at stake, should not be subject to the whim or caprice of an impersonal administrative bureaucracy. All rights and responsibilities of welfare recipients should be clear and justifiable.

#### *c. Right to counsel*

Every claimant would be assured of the right to counsel of his own choosing by my amendments, assuring recipients that they could rely on the increasing number of welfare "lay advocates"—non-lawyers who have specialized in both the legalities and practice of welfare law. These people serve without charge and have enabled many recipients to cope with the bureaucratic welfare maze on a more equitable basis.

The broad language of H.R. 1 limiting representation in welfare hearings to those who possess certain undefinable qualities of character and reputation may easily be used to prevent participation in the hearing process by members of groups organized to aid welfare recipients.

#### *d. Standards for hearing examiners*

H.R. 1's provision waiving standards for welfare hearing examiners would be eliminated under my amendments. There is no reason why such an examiner should not be as qualified as any other examiner.

#### *e. Income reporting*

Under the plan proposed by the President in his original Family Assistance Plan and adopted by the House in April of 1970 an equitable system of determining eligibility and payment levels would have been established. The basis for welfare payments would have been the estimate the Secretary of Health, Education and Welfare made of the income a family would have during each quarter. For future payments, this estimate could be redetermined as the Secretary became aware of changed circumstances.

My amendment will reinsert the President's original language. There will remain an obligation on the part of the welfare recipient to report changes in circumstances affecting need and eligibility in any event, thereby making H.R. 1's mandatory quarterly reports of income superfluous.

The harsh \$25, \$50 and \$100 penalty provision for failure to file income reports would also be stricken from the bill under my amendments. The provision is indiscriminate since penalties apply for failure to file even in cases where a failure to furnish information results in receipt of lower benefits than a family is entitled to.

*f. Reregistration for benefits*

H.R. 1 requires recipients to reregister every two years to allow HEW to review and study the problems of the long-term poor. My amendments would place the burden on the Secretary to take the time to select these cases for study rather than on the recipients.

*g. Stepparent liability*

My proposal would eliminate H.R. 1's provision which makes stepparents of FAP children liable for support payments, apparently under the assumption that the stepparents' income is available to the entire family. This will only encourage stepparents to leave home to enable the family to receive benefits. This regressive provision encourages family dissolution and in reality leaves the mother to provide for the family by herself.

HEW's regulations now require that nonavailable income of a household not be attributed to a family unless that person is liable under a state law of general applicability for the support of someone in the family. My proposal would follow the HEW regulation and eliminate the legal fiction, held unconstitutional in 1970 by the Supreme Court in *Levins v. Martin* (397 U.S. 552), that the income of a stepfather or "man assuming the role of spouse" was available to the entire family. Under current law in all but one state a stepfather need not support his wife's children unless he adopts them. A harsher rule will act as a disincentive to marriage and family stability. Nothing more should be done to undermine the social structure of this society.

*h. Income calculation*

One of the little known but inequitable provisions in H.R. 1 concerns the method for determining the amount of benefits. Under the current Social Security Act, payments are to be based upon current needs. This has been interpreted in present HEW regulations to mean that in determining benefit levels and the level of family income "only such income as is actually available for current use on a regular basis will be considered, and only currently available resources will be considered."

Unfortunately, H.R. 1 budgets for families are not computed according to current need. They are computed on a quarterly basis and any income, in excess of exempt income, received during the previous three quarters is to be deducted from benefits due for the current quarter. This means that upon becoming eligible for assistance, a family will be presumed to have saved all income for the past nine months in excess of payment levels, in anticipation of entitlement for benefits. A family thrown out of work will thus have to wait up to nine months before it becomes eligible for any payment, regardless of ability to meet current needs.

Other versions of the Family Assistance Plan intended income to be based on current quarterly needs with Secretarial discretion to reallocate income by period in order to provide a more equitable method of accounting. My amendment will restore the original language of FAP.

*i. Simplified eligibility declaration*

My amendments will provide for a simplified declaration process of need to determine initial eligibility. Welfare fraud is present for less than 1% of all recipients, a figure commensurate with white collar crime. Furthermore, HEW studies have demonstrated that the amounts saved by a simple declaration process far exceed any monies disbursed to indigent recipients.

A simplified declaration does not mean there will be no checks on eligibility. The new procedure uses a simple, objective form to be filled out by the applicant which is used by the agency to determine initial or continuing assistance eligibility. This replaces the detailed, time-consuming caseworker study of each individual situation that was formerly used. These inquiries often entailed collateral investigations involving cases not related to the financial situation of the applicant and the need for a money payment. Just as is the case with federal



tax returns, applications will be selected for audit to assure compliance with all the regulations for eligibility.

The simplified declaration is not a new idea. Several states have a simplified method for all public assistance programs and the evidence, according to the Public Welfare Reporting Center of the National Study Service, is that the systems, properly developed, work well and meet the objectives of simplicity, efficiency and economy and full respect for the rights and dignity of applicants for assistance.

The Federal Government has also already experienced success with a simplified declaration method, first when Medicaid was expanded by many states to include the "medically indigent" and secondly in the requirement of its use for services provided under the Work Experience and Training Program under Title V of the Economic Opportunity Act.

*j. Inclusion of migrant workers*

A family is defined in H.R. 1 as two or more related persons living together in a place maintained by one as his or her home, who are U.S. residents and one of whom is a citizen or permanent resident alien. The definition "maintained as a home" is expanded and clarified under my amendments to assure that migrants and others of unfixed domicile are not excluded under a rigid interpretation of this section.

*k. Coverage for poor students*

Another arbitrary definition absolutely excludes any family whose head is an undergraduate or graduate student "regularly attending college or university." This arbitrarily prevents any recipient from pursuing a higher education, even though within a brief period his or her earnings potential would rise far above dependency levels.

Denying this segment of the population assistance for a period which is certain to be of short duration serves no purpose and may prevent an individual from completing the education necessary to compete successfully in American society. The exclusion would even exclude from eligibility a family head who might be working or willing to work full-time and study part-time, at his own expense, on a scholarship, or even at a free public institution.

Current aid programs do not preclude college attendance. Under the WIN program, for example, recipients can regularly attend college under an administrative determination that this is the best "employability" plan for them. To assure that assistance is based exclusively on need, my amendments would eliminate this arbitrary exclusion.

*l. Uniform assistance for all needy Americans*

Additional provisions I am introducing make FAP eligibility and reporting requirements more akin to adult category guidelines. The Secretary of Health, Education and Welfare will be required to develop a single, uniform and simple eligibility determination for all public assistance recipients, whether in the "adult" or "family" category. His report and recommendations will be sent to Congress no later than January 1, 1974.

*14. Elimination of Discriminatory Provisions Against Puerto Rico and Other U.S. Possessions*

Under H.R. 1 grants to welfare recipients in Puerto Rico, the Virgin Islands and Guam are substantially lower than in the rest of the United States. Payments are only required to bear the same ratio to FAP as the ratio of per capita income of these insular entities bears to the lowest state per capita income. For example, if per capita income in these territories is three-fifths of Mississippi (lowest in state per capita income), welfare payments would be three-fifths of \$2400 for a family of four, or \$1440.

Ironically, the cost of living in these territories is higher than in most parts of the U.S. Living costs in the Virgin Islands are 20 to 25% higher than in D.C. and in Guam they are 18% higher.

The average annual per capita personal income in Puerto Rico is only one-half that of Mississippi, the poorest of the 50 states, but Puerto Rico's cost of living is at least 10% higher than in the United States. While H.R. 1 generally attempts to equalize welfare payments between the states, these onerous provisions for territories in effect mean that the greater the poverty, the less we will do.

The argument that higher levels of assistance would put a majority of the territorial populations on welfare and cause a "regional dislocation of the economy" is frequently used to justify special treatment of an island such as Puerto Rico. "Regional economies" and avoidance of disruption of the economic system mean little to the Puerto Rican family of six headed by an incapacitated father receiving \$87.60 per month plus \$1.25 per child and some food supplements or to the female-headed family of four receiving \$46.20 per month, \$1.25 per child and some food supplements.

Equitable welfare reform means providing assistance based on need, not on a tradition of living in tropical squalor. My legislation will allow the U.S. possessions to participate in America's welfare system on the same basis as the 50 states.

#### *15. Protection of Employee Rights*

This amendment would protect accrued rights of state and local government employees and aid them in obtaining employment. While this amendment does not freeze every welfare worker in to the new welfare system, it provides protection for the accrued rights of workers "federalized" under the Family Assistance Plan and assistance in obtaining new training and employment for those who do not continue employment under this legislation.

As the Federal Government assumes responsibility for the welfare system in America, it must be careful not to create a situation in which the administrators of the old welfare system become potential recipients under the new system. At least 90,000 public employees who presently perform the administrative functions under the current welfare system must be protected.

My proposal would provide protection of collective bargaining rights, salary levels, pension rights, seniority rights, credits for annual leave, and other terms and conditions of employment for those employees transferred to the Federal program.

Such protection has traditionally been provided by Congress, most recently in the Rail Passenger Service Act of 1970 which guaranteed employees' rights under the newly created AMTRAK Rail System. Broad protection of employees' rights and benefits was also assured in the 1964 Urban Mass Transit Act.

Inevitably, a reformed welfare system will need fewer employees to administer it. For those employees who are not "federalized" my amendment will assure employment by the Federal or State Government and pay for funds for the training necessary to carry out this purpose.

The CHAIRMAN. Senator Bennett?

#### OPENING STATEMENT OF SENATOR BENNETT

Senator BENNETT. Mr. Chairman, I have listened to these statements with a great deal of interest and I can ally myself to a certain extent with both of them. I think this committee has a fundamental responsibility to face the problems that have been described and we have a moral responsibility to provide opportunity and the necessary skills if they are involved to make it possible for many of these people now on welfare to work for their own support.

We are also going to focus much of our attention—most of it, perhaps—on the family assistance program and we need to remember that one of the objectives, maybe one of the most fundamental objectives, of that program is the betterment of life for the children who are caught in that situation. So we must be concerned with programs which will, to the greatest extent possible, give these children an opportunity to work out of the subculture in which they find themselves and not carry their own children back into it, as some of their parents have done, either willingly or have been forced to do.

Now, I think most of us agree that the present welfare system is bad. It is bad for the people on welfare because it tends to keep them on the rolls indefinitely instead of offering them a chance and help

to work their way toward self-support. And many of these people, for them it is apparent that welfare has become a way of life. But the system is also unfair to millions of families whose earnings are also low, in many cases even lower than the welfare payments they might get, but who are not eligible for any help because someone in the family is working. These working people, some of whom are taxpayers, see increasing amounts of money going to the people on welfare who are locked into dependence instead of working to help themselves. Small wonder that taxpayers are bitter, and I think that to many low-income people who work and pay their taxes, it looks as though people idle on welfare have it much better than they do.

Not only is the system hurting the people, but the States are suffering as well. We hear of mounting costs of welfare programs to the States and these costs are bad. Many States are in serious financial difficulties, to which they can see no end unless the Federal Government can find some way of helping them. And most of the rest are looking forward to similar money problems in the immediate future.

An equal problem for us in Congress is this question of Federal costs. Under the present welfare system, the Federal Government pays approximately 50 percent of the total costs, but has almost no control over how those costs are spent. Under the law, a State can spend any amount it chooses on its welfare program. Some States are so poor that they pay less than half of what the family needs to live on. For instance, for a family of four in one of the poor States, the standard is \$232, but the State only pays \$60.

On the other hand, if a State has money enough to pay its share of the welfare costs, it can force the Federal Government up to any height it selects and thus raid the Federal Treasury for any amount it chooses. The Federal Government can no more control such expensive costs than it can influence the increased payments that are too small for the truly needy. Whatever the amount set by the State, we must at least pay half the bill.

We have seen many suggestions for change, especially during the last 10 years. In 1969, the President's Commission recommended many of the remedies that are incorporated in the present bill. And since then, there has been mounting support for these recommendations.

The chairman made a very strong statement this morning about his determination to get as many of these people as possible at work, and I join many in that. I think we can develop a system to make that possible inside the framework of the present bill. And I am certainly going to work, Mr. Chairman, to that end.

I share his concern and his feeling of, maybe, frustration at the ability of Congress to get at some of these problems. But under the way the Senate Finance Committee has to operate, we must wait until the House sends us a bill and provides us a vehicle. They have sent us a bill. Now I think we can solve as many of these problems as we are capable of solving inside that vehicle, rather than scrapping it and starting over again.

Since my election to the Senate 20 years ago, I cannot remember another piece of legislation whose time had so definitely come. I believe there is almost complete agreement that we must have a drastic change in our welfare system and to have it soon as possible. As I have

said, I think we can certainly work inside the framework of this bill to improve the system and solve our problems, but to me, to oppose it in total is unthinkable. That's in effect supporting the present system which all of us, I think, are finding unworkable and unacceptable.

Mr. Secretary, before you begin your testimony, I would like to express my appreciation of the excellent staff resources your Department has made available to us and our staff and on the theory that gratitude is a lively sense of favors still to come, I would like to express my gratitude for the assistance we are going to receive as we work on the details of this bill in the weeks ahead. And I would like to express special appreciation to you personally for your willingness to work with the committee and your helpfulness in our efforts to improve and strengthen this bill. I think working together, the Department and the committee can turn out a bill which will come fairly close to the objectives the chairman has stated and those that Senator Ribicoff has stated.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further statements the Senators care to make at this point?

I am pleased to recognize Senator Chiles is also with us.

Senator, we are pleased you are interested in this measure.

Mr. Secretary, now that we have gotten off our chests what we wished to say for beginners, we are ready to hear what you have to say in its entirety, and I would urge the Senators not to interrupt you until you have finished your statement.

**STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY HON. JOHN G. VENEMAN, UNDER SECRETARY; HON. ROBERT M. BALL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; HON. HOWARD NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION; AND HON. STEPHEN KURZMAN, ASSISTANT SECRETARY (LEGISLATION)**

Secretary RICHARDSON. Thank you very much, Mr. Chairman and members of the committee.

I am accompanied this morning by Mr. Howard Newman on my extreme left, the Commissioner of the Medical Services Administration; our new Assistant Secretary for Legislation on my immediate left, Mr. Stephen Kurzman; on my immediate right, the Under Secretary, Mr. Veneman, who, of course, is well-known to this committee and who has been working on this legislation from its inception and through all its committee consideration; and, of course, well-known to you, on my further right is the Commissioner of Social Security, Mr. Robert M. Ball.

Today, Mr. Chairman and members of the committee, this distinguished committee begins hearings on H.R. 1, a bill which the President has called " \* \* \* the single most significant piece of social legislation to be considered by the Congress in decades." I certainly join with the distinguished Senator from Utah, the ranking Republican, with the conviction that this is indeed a bill whose time has come.

Certainly, at least, it is true that its enactment is urgent from the point of view not only of all those who are now on the welfare rolls, but of the States, local governments, and taxpayers generally.

H.R. 1 would significantly affect virtually every man, woman, and child in the United States. It protects current and future social security recipients with a cost-of-living escalator which automatically increases benefits as prices increase. It would replace the 54 current Federal-State programs for the needy aged, blind, and disabled by creating a totally new, modern national program with uniform benefit payments administered and financed by the Federal Government. It provides for liberalization of the retirement test and increased benefits for widows under social security and for more effective cost controls in medicare and medicaid. It also has provisions which will allow medicare and medicaid recipients to choose to receive health care through a health maintenance organization, a comprehensive pre-paid plan.

But by far the most significant and the most needed provisions of H.R. 1 are those which reform the family welfare system and replace it with a new national program.

The current situation under 54 separate State programs of aid to families with dependent children (AFDC) has become intolerable to both taxpayers and recipients alike. During the decade of the 1960's, the AFDC rolls increased by 4.4 million people, a 147-percent increase. During that time, total Federal, State, and local costs more than tripled. In the year following the President's initial call for welfare reform in August 1969, the rolls increased an additional 50 percent.<sup>1</sup> From April 1970 to April 1971, the latest date for which figures are available, the number of recipients increased by 27.9 percent, while costs rose 36.2 percent. Today, more than 10 million people are receiving AFDC assistance. From March 1970 to March 1971, cost increases accelerated at an alarming rate in almost every State, whether predominantly rural or predominantly urban: For example, in Nebraska, costs rose 46.6 percent; in Colorado, 77 percent; and in Illinois, 58 percent. Nationwide, we now spend more than one-half billion dollars each month on these programs.

These exponential increases alone make an overwhelming case for replacement of the current welfare nonsystems. But these have not been the only costs. As the House Committee on Ways and Means Report stated, succinctly and powerfully, the current programs are characterized by: (1) A large and growing lack of confidence on the part of the taxpaying public that assistance goes only to those who need it and does not go to those who are indolent or ineligible; (2) understandable bitterness from those who must depend for help upon a system that in too many cases extracts self-respect as the price of its benefits; (3) hopelessness from those who have been trapped in a life on the dole, from which the possibility of escape seems remote; (4) contempt from those who all too easily obtain undeserved benefits from an antiquated, unstable and lax welfare bureaucracy; I might add at this point, Mr. Chairman, that this characterization, of course, while valid for some,

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<sup>1</sup> On August 5, the Department of Health, Education, and Welfare informed the committee that this sentence should have stated that the 50-percent increase occurred over the 18-month period following August 1969, rather than over the 1-year period.

fails adequately to reflect the devotion and capacity of the many able State administrators who are more victims of the existing system than villains; (5) a crazy-quilt pattern of benefits and eligibility requirements that makes little sense in a highly industrialized and mobile society; and (6) incentives for more and more welfare, less and less work, and for family disintegration.

The impact of all these factors led to the development of the President's original welfare reform proposal. Basic to that proposal were the following principles: (1) There must be strong incentives for people to work. (2) All needy families with children, including the working poor, must be covered. (3) There must be uniform nationwide eligibility standards. (4) A minimum federally financed income floor must be established. (5) Training, job opportunities, and child care must be provided so that recipients can qualify for, and accept employment.

Mr. Chairman, the legislation before your committee today has received exhaustive consideration. Last year, the House Committee on Ways and Means and your distinguished committee studied it thoroughly. When the 92d Congress convened, the Ways and Means Committee asked the administration to reanalyze the legislation in the light of the criticisms this committee had made. During the intervening months, every provision of the bill has been carefully scrutinized with our assistance by the Ways and Means Committee. The product of this comprehensive study and deliberation is now before you for your consideration.

As it comes to you today, H.R. 1 embodies the basic principles of welfare reform in the President's original proposal. It also meets the concerns this committee expressed last year. Taking those concerns into account, the Ways and Means Committee and the administration sought to achieve the following objectives:

(1) establish Federal responsibility for a minimum level of income maintenance, provided so as to improve Federal-State relationships and to afford significant fiscal relief to hard-pressed States;

(2) fix accountability for program integrity through separate administration of programs for those able to work and for those who cannot work;

(3) create work requirements and incentives for those able to work;

(4) provide penalties for those who refuse to register or accept training for work;

(5) build in correctives against fraud and other abuses;

(6) supply remedies against parents who desert their family responsibilities; and

(7) remove inequities and disincentives created by the loss of substantial benefits by reason of the earning of one additional dollar: the so-called "notch" problem.

All of these objectives have been achieved in H.R. 1.

#### IMPROVED FEDERAL-STATE RELATIONSHIPS

Last year, the bill called for a federally financed payment floor of \$1,600 for a family of four which has no earned income, Federal matching of State supplemental payments, and food stamps for those

eligible. H.R. 1 cashes out food stamps for families and eliminates the Federal sharing of State supplemental payments and instead increases the Federal income floor to \$2,400, with a ceiling of \$3,600 for families with eight or more members.

These changes achieve a number of related and important objectives. The President's income strategy is designed to provide the poor with what they need most to get out of poverty: Money. This administration wants to get away from demeaning, restrictive in-kind benefits which prevent, rather than foster, independence. The substitution of cash payments in lieu of food stamps helps develop freedom of choice and individual dignity, two basic human characteristics which should not be affected by economic status.

H.R. 1 also improves Federal-State relationships by changing the respective roles of the different levels of government and assigning specific responsibilities to each. Consistent with President Nixon's New Federalism, the division of responsibility in H.R. 1 assigns functions to the level of government which can best perform them. The basic responsibility for income maintenance is assigned to the Federal Government, which has demonstrated its payments capabilities in programs such as social security. The basic responsibility for delivering vitally needed supportive social and family services is assigned, with financial and technical assistance from the Federal Government, to the States and local governments because services can most effectively be provided at the levels of government closest to the people served. States may, of course, supplement the Federal income base, but if they do, they will pay 100 percent of the cost. No longer will the Federal Government be in a situation in which it must match expenditures determined solely by the States. No longer will the Federal Government be required to monitor, in every detail, each State's compliance with Federal statute and regulations.

As a consequence of this change in design, considerable fiscal relief is afforded the States, most of which have been faced with skyrocketing costs, shrinking tax bases, and rebellious taxpayers. This relief is a result of the Federal Government financing completely the basic payments floor, assuming the administrative costs of a State's supplemental payments program if the States elect to have the Federal Government administer it, and holding States "harmless" for increasing costs by reason of increases in caseloads. This last provision is an insurance policy for the States against increasing costs and caseloads and is a powerful financial incentive for the Federal Government to get people off the welfare rolls and into long-term jobs.

Through the "hold harmless" provision and the Federal assumption of administrative costs, H.R. 1 would limit State expenditures to the amount spent for all maintenance benefits in calendar year 1971. As a result the States will receive fiscal relief totaling at least \$1.6 billion.

#### ACCOUNTABILITY AND DIVISION OF EXECUTIVE BRANCH RESPONSIBILITY

H.R. 1 mandates the separation of needy families into two groups, those with an employable adult and those without an employable adult. The program for the former group, the Opportunities for Families program (OFP), would be administered by the Department of Labor,

which is highly experienced in job training, other employability services, placement and the upgrading of skills. The program for the latter group, the Family Assistance Plan (FAP), would be administered by the Department of Health, Education, and Welfare, with its experience in family, social, and rehabilitative services. The separation will enable each department to focus its efforts on providing the particular services and assistance most appropriate to the group it serves. Where a single service is common to both groups, such as vocational rehabilitation, there is authority for each department to insure provision of the service where needed.

These changes will fix responsibility within the executive branch. No longer will it be possible for one agency to blame another for failure to achieve goals established by the Congress.

Turning now to workfare, which, of course, as your opening statement has emphasized, is a particular concern of your own and of this committee, I think it is fair to say that many of the changes that have been made in the current legislation received their impetus not only from the hearings of this committee last year but from your very fruitful meeting with Senator Bennett and the President at the end of last year, looking toward new legislation and new hearings in this Congress.

Last year, this committee urged that there be included in the bill stronger requirements and increased incentives to insure that those able to work will work. H.R. 1 has both of these. The new program for the employables differs significantly from the current WIN program in that the decision as to the appropriateness for referral is not left to the discretion of a social worker. Section 2111(b) of H.R. 1 specifies that "Any individual shall be considered to be available for employment . . ." unless he or she fits into one of five limited categories of exemption. Thus, the decision as to who registers for work is prescribed in the Federal statute.

H.R. 1 also contains strong financial incentives to work. The first \$720 of annual earnings, plus one-third of the remainder, would be retained by the family. A person who works will always be better off than a person who does not work.

The single greatest work incentive in H.R. 1 is the equality of treatment afforded families of the working poor—those with a male family head who works 40 or more hours a week, 50-52 weeks a year, but cannot earn enough to lift his family to a minimum economic level. Under current law, these families are not eligible for any federally financed cash assistance benefits. The result is a financial incentive for working fathers to desert so the family will qualify for AFDC.

Simply stated, Mr. Chairman, the question is whether meaningful incentives can be provided for work and family stability without extending coverage to the working poor. As you study this issue, I am confident that you will conclude, as we did, that without such coverage meaningful work incentives simply are not possible. To reward work is integral to the vitality of our national economy; to prevent the erosion of the work incentive, we must do everything we can to insure that a person is always better off working than not working.

H.R. 1 would also end another serious work disincentive of the current family welfare system. Under present law, an AFDC mother (or father, under the AFDC-unemployed father program in the 23 States



which have AFDC-UF) must reduce earnings below the State need standard to become eligible for assistance. After establishing eligibility, the recipient can then earn up to the State break-even point and still receive assistance payments and full medicaid benefits. An identical family living next door, with identical earnings which have never dropped below the State need standard, is ineligible for either an assistance payment or medicaid benefits. This inexcusable inequity creates an incentive to stop work or to reduce income for a time in order to become eligible for benefits. It penalizes the family of the wage earner who continues to work. It contributes to taxpayers' resentment and social polarization in our country. H.R. 1 eliminates this inequity entirely, by treating all families with earnings below the break-even point exactly the same way.

The bill incorporates every known method for assisting people to become employable. This, of course, is central to the interests and concerns which have already been expressed by yourself, Mr. Chairman, and by Senator Bennett. I would underscore here that, to the extent that there are fair and feasible methods of assisting people to become employable rather than remain on the rolls which are not incorporated in this legislation already, we will certainly work with the committee to assure that they are adopted.

But I think it is fair to say that the combined result of last year's hearings, the reconsideration of the bill within the executive branch and reconsideration by the House has been to put into the bill everything which seemed to us both fair and workable.

For example, this year there is authority in the legislation itself to create 200,000 public service job opportunities during the first year, at a cost of \$800 million. This complements the authority for 225,000 training opportunities already planned. These public service jobs will provide employability development for entry into permanent jobs in the public or private sector. H.R. 1 provides a first-year authorization of \$540 million for the wide range of manpower services needed to get people employed, including testing, counseling, job orientation, institutional and on-the-job training, work experience, skill upgrading, job development, relocation assistance, placement, and followup services. Secretary Hodgson, will, of course, be prepared to deal in detail with the manner in which the Department of Labor would administer these provisions of the bill.

H.R. 1, in addition, specifically provides for the treatment and rehabilitation of needy persons suffering from drug or alcohol abuse. Where a treatment program is made available to an employable family member who is an addict or alcoholic, his assistance payment will be denied unless he participates in the treatment program.

The Department of Labor's program for employables also includes a specific allocation of \$100 million for other supportive services, such as transportation and minor medical treatment. These provisions remedy one of the principal criticisms leveled at the current WIN program.

Similarly, the new thrust to get people off the welfare rolls and onto payrolls includes a major new authorization to provide child care. H.R. 1 provides a new authorization of \$460 million for day care: \$410 million for necessary day care, plus an additional \$50 mil-

lion for renovation and construction of day care facilities. This is a \$92 million increase from the amount authorized in the legislation you considered last year. Taking into account existing authority, a total of \$750 million would be available for child care during the first full year of the program. Additional child care purchasing power is provided by a disregard of up to \$2,000 of income spent for child care, which, of course, would mean a substantial additional amount of money available for the purchase of day care, and by increases in the maximum amounts deductible from taxable income for child care for those who have sufficient income.

Experience under the WIN program indicates that many women have left training and employment due to unwanted pregnancies. We also know that there are direct correlations between family size and poverty. H.R. 1 requires the Secretary of Labor and the Secretary of HEW to offer family planning services to those receiving benefits under the family programs. These services, which, of course, would be voluntary on the part of the mother, will be provided at 100 percent Federal expense and will enable many mothers to complete training programs and remain in the labor force.

#### WORKFARE PENALTIES

Last year's bill was criticized for inadequate penalties for those who refused to register for work, rehabilitation, or training. H.R. 1 provides for an immediate loss of \$80 and a prohibition against assistance payments to anyone who refuses to register for or accept training, rehabilitation, or work. The \$80 penalty is a \$300 increase from last year's provision.

Furthermore, H.R. 1 allows the payments for the family to be made to a person other than a family member or an agency interested or concerned with the welfare of the family. The penalty for refusing to register could also be extended on a pro rata basis to State supplementary payments administered by the Federal Government. Together, these penalties and prohibitions constitute effective sanctions against those who refuse to help themselves escape from poverty.

#### CORRECTIVES AGAINST FRAUD AND ABUSE

Last year it was argued that there were insufficient assurances that the new program would be tightly, effectively, and efficiently administered. H.R. 1 provides a legislative directive to establish an honest system that will assist those in need and be protected from those who seek to cheat or defraud by "playing the system." The maximum amount of earnings which can be disregarded in the calculation of the assistance payment is significant in this respect. The bill limits to \$2,000 for a family of four (and an absolute limit of \$3,000 for families of nine or more) the combined total earned income exclusion from student earnings, irregular earnings, and child care costs.

As we plan for the administration of the program, we are confident that the provisions in H.R. 1 will permit us to guarantee its integrity. There will be no simple declaration method permitted in the determination of eligibility for the family programs. Birth certificates and

other suitable and convincing evidentiary materials will be required. An intensive initial interview will be required when an application for assistance is filed. Each member of a family will be identified by a social security account number. We will thus be able to make extensive use of computerized cross-checks against the records of the Social Security Administration and other Federal agencies, including the Internal Revenue Service. A systematized, computerized payments process will enable us to verify earnings and to avoid duplicate payments.

We intend to guard against fraud not only in the initial application process but throughout the entire program. Specific items, such as earnings, which are capable of verification by a comparison of records, would be subject to 100-percent verification; in addition, a scientifically selected sample of eligibility applications would be reviewed in all respects by specially trained units located in the field and at headquarters. Assistance to all families will be scrutinized automatically through the requirement of reapplication every 2 years.

H.R. 1 also provides stiff criminal penalties for fraud. Any individual who knowingly makes a false statement or representation in applying for benefits, or continues to receive benefits fraudulently, may be prosecuted and, upon conviction, fined up to \$1,000 and/or imprisoned for up to 1 year.

#### DESERTING PARENTS

In last year's bill a deserting parent was made liable to the Federal Government for the full Federal share of any assistance payments made to his family during that time. The Secretary was authorized to collect any obligation owed by the parent to the Federal Government for benefits paid to the family by offsetting those amounts from any other payments of any sort due the deserting parent from the Federal Government. These provisions are retained in H.R. 1.

In addition, H.R. 1 strengthens the sanctions by defining the crossing of State lines by a parent to avoid his family responsibilities as a Federal misdemeanor. It also increases from 50 to 75 percent the Federal share of the cost of establishing paternity and securing support from parents and adds a new clause which provides for securing support for a parent deserted by the spouse.

#### NOTCHES

One of the major criticisms, directed at last year's bill as this committee well recalls, was that it was not fully integrated with other Federal assistance programs which help some of the same people, with the result that "notches" occurred. A "notch" comes about when a substantial loss of benefits results from the earnings of an additional dollar of income. Such a loss may prove to be a disincentive for people to earn more. H.R. 1 eliminates the "notches" resulting from the current food stamp and medicare programs. The food stamp notch has been flattened by the "cash-out" provisions, which eliminate food stamps eligibility for those eligible for cash payments.

We believe the best solution to the medicare notch is embodied in the administration's family health insurance proposal, which as you know, has been introduced by Senators Bennett, Jordan, Hansen, Fannin, and Griffin. However, the House committee adopted as an interim

measure a provision for a deductible varying with income. This provision, referred to as a spend-down, was one of several alternatives we suggested to the committee in response to their request for technical assistance.

The public housing notch, which, at the most, could affect only 7 percent of AFDC families, was not considered by the Ways and Means Committee since it does not have jurisdiction over public housing legislation. However, the administration's housing amendments of 1971, which scale rent to income, should end any disincentive to work resulting from this notch. I understand, Mr. Chairman, that hearings are scheduled on these amendments early in August by committees in both the Senate and the House.

I would like now, Mr. Chairman, to summarize some of what I have said and to outline the cost consequences of H.R. 1.

There has been much talk about the effect of H.R. 1 in adding large numbers of people to the welfare rolls. While it is true that H.R. 1 will make eligible about 8 million working poor persons, of whom over 5 million are children, we are convinced that the actual caseloads under H.R. 1, over time, will be smaller than under the rapidly growing and uncontrolled AFDC program. Based upon conservative assumptions regarding participation in the new program, the actual caseloads under H.R. 1 (including both Federal recipients and those who will receive only State supplemental payments) are expected to be lower than AFDC by the mid-1970's. The exact year varies from 1974 to 1978 depending upon the AFDC growth rate used as a basis of comparison. A projection of the 5-year historical AFDC growth rate of 16 percent would result in a crossover as early as 1974.

The growth rate we have assumed under H.R. 1 for female-headed families is 3 percent. The lower rate is due, in part, to:

- (1) Stricter disregards, which eliminate high-income ineligible;
- (2) Tight administration, which reduces fraud and abuse;
- (3) A moderate success rate in moving the unemployed into jobs above the breakout point (of course, if more than a moderate success rate were achieved, the lines would cross sooner);
- (4) A decline in the creation of new female-headed families as a result of decreasing drastically the financial advantage for a father to desert his family.

In order to compare the Federal costs of H.R. 1 in fiscal year 1973 with those of the bill we presented last June, H.R. 16311, we have prepared the following table: I will just call attention to some of these figures without reviewing the whole table, Mr. Chairman.

You see that under current law, assuming a 6-percent-growth rate, which, of course, is much lower than the past 5 years, payments to families in fiscal 1973 would total \$3.9 billion. Assuming a 15-percent growth rate, which is a little over one-half of the 5-year historical growth in costs, the total would be \$4.3 billion. Under H.R. 16311, the total would have been \$4 billion; under this bill, the total would be \$5.5 billion.

Taking into account the "hold harmless" and also taking into account the food stamp program, which would have cost an additional \$400 million under H.R. 16311 but results in a \$1.4 billion deduction under this program, the net difference in payments to families between

the two bills is only \$200 million: \$5 billion under H.R. 16311; \$5.2 billion under this bill.

There have been increases in the amounts allocated to the various programs designed to assist people in obtaining jobs. Child care is increased by \$100 million; training by \$100 million; public service jobs not included in last year's program, by \$800 million; and employability services by \$100 million. The main other difference in cost is attributable to the federalization in effect, of the programs for the adult categories, which increases the total Federal funds for this purpose from \$2 billion under current law to \$4.1 billion under H.R. 1, an increase of \$900 million over last year's bill.

The net result of all of this is as you see on the bottom line: total payments and services under current law, \$7 billion, assuming a 6-percent-growth rate; \$7.4 billion assuming a 15-percent-growth rate; \$10.4 billion under last year's bill; and \$12.6 billion under this year's bill.

(The chart referred to follows:)

NET FEDERAL COSTS, FISCAL YEAR 1973

[In billions]

	Current law, 6 percent growth <sup>1</sup>	Current law, 15 percent growth <sup>1</sup>	H.R. 16311, <sup>2</sup> June 1970	H.R. 1, <sup>3</sup> July 1971
Payments to families.....	\$3.9	\$4.3	\$4.0	\$5.5
Hold harmless.....			1.0	1.1
Increased food stamps due to automatic checkoff.....			.4	
Food stamp offset.....				<sup>4</sup> -1.4
Adult categories.....	2.2	2.2	3.2	4.1
Net payments.....	6.1	6.5	8.6	9.3
Child care.....	.3	.3	.7	.8
Training.....	.2	.2	.4	.5
Public service jobs.....				.8
Administration.....	.4	.4	.7	1.1
Employability services.....				.1
Total services and administration.....	.9	.9	<sup>3</sup> 1.8	3.3
Total payments and services.....	7.0	7.4	10.4	12.6

<sup>1</sup> The 5-year historical growth in Federal share of AFDC is 27 percent per annum.

<sup>2</sup> All costs of new program are overstated in that they assume 100 percent participation rate.

<sup>3</sup> These estimates were made for the 1st full fiscal year, fiscal year 1972.

<sup>4</sup> This represents the savings in Federal food stamp expenditures after cashing out the program as provided in H.R. 1.

We have shown the costs of maintenance payments, the costs attributable to employability services, and the costs of administration. We have also shown comparable estimated costs under current law, projected both at the 6-percent annual growth rate utilized by the Ways and Means Committee and at the 15-percent annual growth rate which has prevailed over the past 5 years. You will note that of the \$5.6 billion increase in Federal cost over current law shown in the table, which reduces to \$5.5 billion due to offsets in certain other current law programs, the major changes in H.R. 1 over current law are:

	<i>Billions</i>
Increased payments to adults.....	\$1.9
Increased payments to families.....	1.6
Hold harmless payments to States.....	1.1
Increase in training, child care, employability services, public service jobs and administration.....	2.4
Saving in food stamp offset.....	-1.4

Secretary RICHARDSON. Mr. Chairman, I believe the workfare provisions of H.R. 1 constitute the only viable solution to a highly complex national problem. The bill incorporates all of the fair and practical ideas which have emerged from the lengthy combined efforts of this committee, the Ways and Means Committee, and the executive branch. For the first time, we have a real opportunity to draw together every practicable means of assisting the poor to work their way out of poverty: Income support, job training and placement, vocational rehabilitation, and employment and family services, including child care. All of these are brought together in a well-designed program calling upon the most effective, up-to-date management machinery and techniques available.

At the same time, let us not forget that H.R. 1 will change, not merely the language of a statute or the structures of government, but the lives of many people in great need. Let us also not forget that nearly half of those who have not shared in our Nation's affluence have failed to do so even though they are working full time. After 35 years of experience with the existing welfare system, everyone who has looked at it or been subjected to it agrees that it has failed. It crushes people's hopes, robs them of opportunities, and erodes their dignity. It cannot be patched or revised to do what needs to be done. It must be thoroughly reformed and reconstituted. What is at stake here is the capacity of our Nation to respond in a humane and rational way to a legitimate source of widespread and debilitating resentment—the resentment of recipients, the resentment of the working poor, and the resentment of taxpayers. The clock is running on our ability to change the system and meet these pressing needs. I urge this committee to act without delay on the measure now before you to change that system fundamentally and to begin to meet those needs.

Mr. Chairman, let me simply add that I pledge to this committee the complete cooperation of the Department of HEW. All the resources of the Department will be available to assist you and your colleagues in your consideration of H.R. 1. Welfare reform legislation is this Nation's No. 1 domestic priority. We are prepared to work with you to make H.R. 1 the law of the land.

#### WELFARE-ADULT CATEGORIES

The bill establishes a 100-percent federally financed assistance program for people who are age 65 and over, disabled, or blind. In three steps, it raises the standard of need that would apply across the country to approximately today's poverty level. For the first time the income of the needy aged, blind, and disabled would not be allowed to fall below a nationally established standard, regardless of where they live.

The bill provides that individuals or couples could be eligible for assistance when their resources that must be counted under the new program are not more than \$1,500 and when annual income that must be counted in determining need is at a monthly level, initially, of not more than \$130 for a single person and \$195 for a couple. These income levels will increase each July, reaching \$200 for a couple in July 1973 and \$150 for a single person in July 1974.

The benefits provided are, of course, below those now paid in some States. However, the State can continue to maintain a higher standard and provide for payments that will make up the difference between the Federal standard and the higher State standard. If the State chooses, the Federal Government will administer the State payments. In such cases, the Federal Government will pay the full administrative costs of making the supplementary payments and will, of course, administer the Federal and State programs together.

H.R. 1 contains a "hold harmless" provision under which, if the State meets certain conditions, its fiscal liability for the supplementary payments to the aged, blind, and disabled would be limited. If the conditions specified in the bill are met, the State would be guaranteed that its total expenditures for payments supplementing the family and adult assistance benefits, up to the level of the State's payments in January 1971, would not exceed the dollar amount expended by the State for all its existing cash assistance programs in calendar year 1971.

Under H.R. 1, as under H.R. 17550 as passed by the Senate last year, the definitions of blindness and disability which are used in the social security program will be applicable nationwide to disabled and blind people. Under H.R. 1, people on the State APTD rolls when the new program becomes effective, though, will be "grandfathered" into the new program and will remain eligible, so far as their disability is concerned, as long as they continue to meet the old State definitions of disability.

An individual's earned and unearned income will be taken into consideration in determining his eligibility and the amount of his benefits. The definition of "earned income" follows generally the definition of earnings used in applying the annual earnings test of the social security program. "Unearned income" would include benefits from other public and private retirement programs, prizes and awards, gifts, rents, dividends, and interest.

With respect to earned income, the first \$720, plus one-third of the remainder, of earnings would be excluded in determining eligibility for assistance for the aged; for the blind and disabled, the first \$1,020, plus one-half of the remainder, would be excluded.

As under the social security disability program, there would be trial work periods and referrals for vocational rehabilitation

#### OASDI—MEDICARE—MEDICAID

Now I would like to turn to improvements in the social security cash benefits, medicare, and medicaid programs. Your committee discussed most of these matters during the hearings last year and spent a great deal of time on them in executive sessions. Consequently, I do not think it necessary to discuss these provisions in detail. Many of the provisions of H.R. 1 are the same or practically the same as those your committee reported last year—for example, the provisions for automatic adjustments, liberalizations in the retirement test, increased benefits for widows and widowers, the age-62 computation point for men, benefits for widowers at age 60, reduction in the waiting period for disability benefits, and childhood disability benefits for those dis-

abled between ages 18 and 22. The cost effectiveness provisions for the medicare and medicaid programs are also essentially the same as in last year's bill. I refer to provisions such as those relating to the limitation for capital expenditures, experiments with prospective reimbursement, and limits on physicians' charge levels. In addition, those provisions for improvements in the operating effectiveness of the medicare and medicaid programs and for improved medicare protection for the aged are basically the same.

#### SOCIAL SECURITY CASE BENEFITS

I do want to comment on two of the provisions in the bill even though they are similar to the ones your committee reported last year.

#### AUTOMATIC ADJUSTMENTS

The provision for automatic adjustment of social security benefits is the most important one in the social security section of the bill. For the first time, social security beneficiaries will be assured that rising prices will not undercut the purchasing power of their social security dollars. Long lags between price increases and benefit increases will not occur.

Under the automatic adjustment provision, not only will the benefits of those already receiving benefits be increased but the value of social security protection for current and future contributors will be improved. The benefits payable on a given level of earnings will rise as the cost of living rises.

The provision also calls for automatic increases, as wages rise, in the amount of earnings that are counted for benefit and contribution purposes. Under the bill, the contribution and benefit base would be increased to \$10,200, effective for 1972, rather than to the \$9,000 now scheduled for 1972 under present law. Thereafter, it would be automatically adjusted to keep pace with wage increases. This means that, as earnings rise, more workers will have their additional earnings counted toward benefits. While it is true that workers will be paying contributions on these higher earnings, they and their families will have substantially increased protection—protection that will reflect the increases in the worker's wages and standard of living.

The details of the automatic adjustment provisions in the bill are, as I mentioned earlier, quite similar to the provisions recommended by this committee in H.R. 17550 and passed by the Senate last year. They provide that an automatic increase will take effect only if a benefit increase was not enacted or effective in the preceding year, and they require the Secretary of Health, Education, and Welfare to notify the Congress of an impending automatic increase early enough in the year so that the Congress can take action if it desires.

As you will recall, the Senate bill last year called for the contribution and benefit base to increase, each time benefits were automatically increased, by an amount that would have been required to finance one-half of the benefit increase; the other half of the cost of the benefit increase would have been financed by a contribution-rate increase. Under the provision in H.R. 1, the base would automatically increase



only in a year when there is an automatic benefit increase, and the amount of the increase would be related to the increase in wage levels since the last base increase. Such increases in the base are needed to maintain proper benefit-wage relationships under the program and would make unnecessary any provision for increases in the contribution rates to finance the automatic benefit increases.

#### RETIREMENT TEST

The retirement test change included in H.R. 1 is the same as that passed last year. The change eliminates disincentives to work which exist in the present law. Under that law, the first \$1,680 of annual earnings have no effect on benefits. There is a \$1 reduction in benefits for \$2 of earnings above \$1,680 and up to \$2,880; but for earnings above \$2,880 there is a dollar-for-dollar reduction in benefits. Social security benefits are tax-free while the worker's earnings are subject to Federal, State, and local taxes. Also, there are, of course, the expenses of going to work. Thus, unless the worker can earn considerably more than \$2,880 in a year, he loses in total income by increasing his earnings beyond \$2,880. Under the bill, as under your committee's version of H.R. 17550, the first \$2,000 of earnings are exempt and only \$1 in benefits would be withheld for each \$2 of all earnings above \$2,000, thus assuring that the more a beneficiary earns the more spendable income he will have. The annual exempt amount would be automatically adjusted upward in relation to future increases in earnings levels.

At this point, I would like to briefly outline some of the social security cash benefits and medicare provisions that are new or different from those in last year's bill.

#### SPECIAL MINIMUM BENEFIT

Mr. Chairman, a new provision which I consider to be important is the special minimum benefit provision. The special minimum benefit would be equal to \$5 multiplied by the number of years of coverage a person has under social security, and would be an alternative to the benefit amount figured under the regular provisions of the law. For example, a person at age 65, who had worked 20 years at low earnings would be guaranteed a monthly benefit of \$100, a person who had worked 21 years would be guaranteed \$105, and so on. A person who had 30 or more years of coverage would receive \$150 per month, the same as the basic Federal payment of \$150 that an adult assistance recipient with no other income would get. By contrast, the regular minimum benefit under the bill would be \$74.

It seems to me that this provision is clearly preferable to further increases in the absolute minimum which go beyond across-the-board increases. The worker who has a regular attachment to covered employment, even though he has very low earnings, should get social security benefits that are high enough to make it unnecessary for him to turn to assistance. However, the social insurance program should not be expected to provide benefits at the level of the assistance standards to people who have had only very irregular and sporadic attachment to covered employment and have just barely been able to meet the rela-

tively liberal social security insured-status requirements. If the regular minimum benefit under social security, the one paid to anyone who is insured, were raised substantially, the inevitable result would be a reduction in the resources available to provide adequate benefits for regular full-time workers in covered employment who depended for their living on their earnings in such employment.

#### MEDICARE AND MEDICAID

The important changes in medicare and medicaid in H.R. 1 have a direct bearing on some of the most vital problems facing the Nation today—those involved in what we have referred to as the health-care crisis. No one knows better than the distinguished members of this committee the magnitude of the issues we face in the health field.

In his health message, the President proposed a program that I believe will improve the health status of all our citizens by expanding and improving the quantity, quality, and distribution of health-care services and by assuring that no citizen is denied access to care for financial reasons. To a great extent, medicare has already accomplished this for our older citizens. Medicaid, in its treatment of the poor, has also accomplished much, but it does have major shortcomings. For example, there are great disparities in the treatment of recipients and wide variations in benefits and eligibility criteria from one State to another.

The coverage provided in the President's proposed family health insurance program, which would replace the medicaid program for poor families, is far superior to that of our present system. This program, which is part of the National Health Insurance Partnership Act of 1971, introduced by the distinguished senior Senator from Utah, Mr. Bennett, and others would make available, for the first time, on a nationwide basis, an adequate and equitable package of health benefits for those who cannot fully finance their own health care. Of course, I realize that consideration of various national health insurance proposals by this committee and the Committee on Ways and Means will be deliberate and thorough. Pending congressional action on these proposals, the medicaid program will continue to be the major source of health care for the disadvantaged. Therefore, it is important that those provisions in H.R. 1 that improve the medicaid program be adopted.

It is equally important, of course, that present law be changed to include the many improvements that the bill would make in the medicare program. As I indicated, most of the proposals for improving the medicare program were part of the social security bill reported by this committee last year. I would like to comment, however, on provisions that are new or somewhat modified.

#### SUPPLEMENTARY MEDICAL INSURANCE PREMIUM

The President has proposed the elimination of the monthly premium payment, which is now required of people who are enrolled in the supplementary medical insurance program and is matched by the Federal Government. The administration proposes that the pro-

gram be financed instead through equal employee and employer payroll contributions. Thus, people would contribute toward their medical insurance protection in advance while they are working, as they do now for hospital insurance protection, and they would be relieved of the burden of making premium payments out of the reduced income they receive as beneficiaries.

The administration prefers this proposal to the provision in H.R. 1, which retains the premium for supplementary medical insurance but permits it to rise only in the event of a general increase in cash benefits and by no more than the percentage by which such benefits are increased.

#### MEDICARE FOR THE DISABLED

For several years now, extensive consideration has been given to the question of providing medicare protection to people who receive monthly cash benefits under social security and railroad retirement programs because they are disabled. The recent Advisory Council on Social Security recommended such coverage, and H.R. 1 includes a provision extending medicare to these disabled persons. Under H.R. 1, coverage would begin after a beneficiary has been entitled to disability insurance benefits for 24 consecutive months.

This is a new provision in this year's bill. The cost of the protection—\$1.6 billion in benefit payments in the first full year—is the chief roadblock to the adoption of this provision.

Another problem is the way in which supplementary medical insurance protection for the disabled would be financed. Under H.R. 1, a very large part of the financing would come out of general revenues, with premium payments by disabled beneficiaries geared to those paid by the aged. It is true that premiums would be prohibitive if the disabled, like the aged under present law, were to be required to pay half the cost of their protection. The financing provided in H.R. 1 is one method of coping with the problem of the high costs to the disabled beneficiary. Another method would be to apply the principle of the President's recommendation that supplementary medical insurance for the aged be financed through the contributory system in the same way that hospital insurance is now financed.

#### INCENTIVES FOR EFFICIENT USE OF HEALTH SERVICES

I would also like to call your attention to the provision of H.R. 1, also included in last year's bill, that would allow medicare beneficiaries to choose to have all their medicare services provided by a single health-maintenance organization. This option is an integral part of the administration's overall objective of encouraging the growth of health maintenance organizations (HMO's), which we believe can contribute significantly to the improvement of the Nation's health-care delivery system. We strongly support also the incentives H.R. 1 would provide the States under medicaid, through increased matching, to contract with HMO's and other organizations providing comprehensive health care to furnish necessary care to their medicaid eligibles. Because such comprehensive services are available for a single fixed fee paid in advance, strong financial incentives are created to emphasize prevention and to substitute, when medically appropriate, the use

of less expensive ambulatory care for high-cost institutional facilities. To discourage the use of expensive institutional facilities when less costly ambulatory care would be medically appropriate, H.R. 1 would reduce Federal matching under medicaid for certain types of long-term institutional care. In the case of skilled nursing home care, the reduction would occur only if the State does not have adequate utilization review applicable to such care.

H.R. 1 contains a medicare provision which would require the payment of a coinsurance amount for inpatient hospital care beginning earlier than under present law—that is, on the 31st rather than the 61st day. The provision in H.R. 1 is a step in the right direction. We believe that applying coinsurance at an earlier point in a hospital stay will help bring about, at this earlier point, an intensive consideration of whether medically appropriate but less expensive alternatives to hospital care are available. Over the long run, this could be an important additional cost-control device.

#### PEER REVIEW

You will recall that H.R. 17550 as approved by the committee last year included a provision for professional standards review that had been sponsored by Senator Bennett. H.R. 1, as passed by the House, contains a provision that would authorize experimentation with various forms of peer review but not full implementation. Under the bill, the Secretary would have authority to experiment with areawide or communitywide peer review, utilization review, and medical review mechanisms to determine which review mechanisms would be most effective in helping to assure that services provided to beneficiaries are medically necessary and rendered in the most economical setting consistent with professionally recognized standards.

We believe that such experimental authority is desirable, but we believe authority should also be granted to the Department to proceed with formal implementation of quality review mechanisms as soon as feasible, after any necessary development and experimentation with prototypes. We know of this committee's strong interest in professional standards review, and we stand ready to assist in further consideration and development of appropriate peer review provisions.

#### OTHER MEDICAID PROVISIONS

As I have mentioned, there are a number of medicaid provisions in the House-passed version of H.R. 1 that the Department endorses. However, there are some medicaid proposals included in the bill we do not support. Although the administration is deeply interested in fostering cost consciousness among both patients and providers, we believe that the imposition on the medically needy of cost-sharing charges which are neither nominal nor income-related would work a severe hardship; this group has already been designated as having insufficient resources to pay completely for their own medical care.

Under the bill, States could conceivably require sizeable copayments or deductibles of the medically needy. Such charges may deter the poor from seeking necessary medical care until illnesses become more severe

and more expensive care is required. We urge that the Senate bill require that any cost-sharing charges imposed on the medically needy be nominal in amount; that they be sufficient to make providers and recipients "stop and consider" the need for such services but that they not be so large that the poor will be impeded from obtaining needed care.

#### FINANCING OF THE SOCIAL SECURITY PROVISIONS

The bill, of course, also includes provisions for financing the improvements that would be made by the bill in the social security program and for meeting the present actuarial deficiency in the hospital insurance program. The bill would provide a new schedule of contribution rates<sup>1</sup> and, as I indicated earlier, would increase the contribution and benefit base. As a result, each part of the social security and medicare program and the program as a whole would be adequately financed.

For the next few years, the contribution rates in H.R. 1 for the cash benefits program for employers and employees are the same as or lower than the rates in present law and the rates that were in the social security bill that the committee approved last year. The ultimate rate under H.R. 1—6.1 percent—is the same as the ultimate rate under the committee's bill last year, but under H.R. 1 it would go into effect 9 years sooner than under last year's bill.

The contribution rates in H.R. 1 for the hospital insurance program are higher than the rates in present law but—except for 1 year—are the same as or lower than the rates in the committee's bill last year.

The long-range actuarial balance of the cash benefits program under H.R. 1 is estimated to be minus .08 percent of taxable payroll, which is well within the limit of acceptable variation that has been used in the past. Accordingly, the social security cash benefits program, as it would be modified by H.R. 1, is financially sound. The cash benefits program under last year's committee bill had a long-range actuarial balance of minus .15 percent of taxable payroll.

Estimates for the hospital insurance program under H.R. 1 show that the program will have an actuarial balance of minus .06 percent of taxable payroll, which is also well within the limit of acceptable variation. Under H.R. 17550, the actuarial balance of the program was estimated to be minus .05 percent of taxable payroll.

As you know, the Advisory Council on Social Security made several recommendations for changes in the financing of the social security program. The most important of these recommendations relate to the financing of the cash-benefits part of the social security program. These recommendations call for establishing contribution rate schedules based on current-cost financing and for basing the long-range actuarial cost estimates on the assumptions that wages will rise and that benefits will be kept up to date with prices rather than on the level-earnings assumption that has traditionally been used in estimating the cost of the program. We in the administration are studying these recommendations. We consider them to be of the highest priority.

The social security program has, in practice, been financed on a current-cost basis, although the law has always called for contribu-

<sup>1</sup> See table, p. 47.

tion rates in the relatively near future that were substantially higher than current-cost rates. These higher rates have generally been postponed by the Congress so that the current-cost approach has been followed in practice. The Council recommends that the law itself reflect this policy and not include a schedule of near-term rates designed to produce large excesses of income over outgo.

The use of dynamic assumptions as to wages, prices, and benefits in estimating the cost of the cash benefits program represents a significant departure from the actuarial technique—basing cost estimates on the level-earnings assumption—that has been used up to now. This technique has proved to be successful in assuring the financial soundness of the program both for the short run and the long run. However, with inclusion in the law of provisions for automatic adjustment and with the program having reached relative maturity, this is an appropriate time to consider such a recommendation as that made by the Council.

I am quite hopeful that the administration's study of the Advisory Council financing recommendations will be completed in time for the administration to take a position on these recommendations at the time this committee is ready to make its decisions regarding the financing of the social security program as it would be amended by H.R. 1.

#### CONCLUSION

As long as this statement is, it does not begin to suggest the comprehensive nature of H.R. 1. If enacted, it will make the lives of millions of people more secure, not only by establishing a completely new welfare system, but also by improving the effectiveness of the contributory social security program, including medicare. The good that these measures will do will be to the benefit of this generation and generations to come.

Thank you.

(An attachment to the Secretary's statement follows:)

#### APPENDIX A.—SOCIAL SECURITY CONTRIBUTION RATES

(In percent)

Period	Cash benefits			Health insurance <sup>1</sup>			Total		
	Present law	H.R. 17550 <sup>2</sup>	H.R. 1	Present law	H.R. 17550 <sup>2</sup>	H.R. 1	Present law	H.R. 17550 <sup>2</sup>	H.R. 1
<b>Employer, employee, each:</b>									
1972.....	4.60	4.4	4.2	0.60	1.10	1.2	5.20	5.50	5.4
1973-74.....	5.00	4.4	4.2	.65	1.20	1.2	5.65	5.60	5.4
1975.....	5.00	5.0	4.0	.65	1.35	1.2	5.65	6.35	6.2
1976.....	5.15	5.0	5.0	.70	1.35	1.2	5.85	6.35	6.2
1977-79.....	5.15	5.0	6.1	.70	1.35	1.3	5.85	6.35	7.4
1980-85.....	5.15	5.5	6.1	.80	1.50	1.3	5.95	7.00	7.4
1986.....	5.15	6.1	6.1	.80	1.50	1.3	5.95	7.60	7.4
1987 and after.....	5.15	6.1	6.1	.90	1.50	1.3	6.05	7.60	7.4
<b>Self-employed:</b>									
1972.....	6.90	6.6	6.3	.60	1.10	1.2	7.50	7.70	7.5
1973-74.....	7.00	6.6	6.3	.65	1.20	1.2	7.65	7.80	7.5
1975.....	7.00	7.0	7.0	.65	1.35	1.2	7.65	8.35	8.2
1976.....	7.00	7.0	7.0	.70	1.45	1.2	7.70	8.35	8.2
1977-79.....	7.00	7.0	7.0	.70	1.35	1.3	7.70	8.35	8.3
1980-86.....	7.00	7.0	7.0	.80	1.50	1.3	7.80	8.50	8.3
1987 and after.....	7.00	7.0	7.0	.90	1.50	1.3	7.90	8.50	8.3
Actuarial balance.....	-0.10	-0.15	-0.08	-.62	-0.05	-0.06			

<sup>1</sup> In the case of H.R. 17550, includes catastrophic illness; in the case of H.R. 1, includes hospital insurance for the disabled.

<sup>2</sup> As reported by the Senate Committee on Finance.

The CHAIRMAN. Thank you, Mr. Secretary. Now, just to put this matter into perspective, I think you are well aware that as far as I am concerned, the cost of the program has never been a problem. I am concerned with whether this thing will work. If all you are doing is pouring more billions of dollars into a program that is already a failure and that will not work even though we double the cost of it, in my estimation, that is not welfare reform, because you have not gotten to the fundamental problem.

#### FINANCIAL INCENTIVES NOT TO MARRY

Let me give you an example of the fundamental problem which I do not think you even touched on in your statement. Let us take the typical example of the man-in-the-house situation. Here is a man with three children who look exactly like him. He lives in the house every night with mama. He has an income of \$6,000. Mama is drawing welfare payment of \$5,000 a year for the benefit of herself and those children. Combined total income, \$11,000. They are not in poverty. The Supreme Court has held that we cannot assume that 5 cents of that \$6,000 of papa's income is available for the support of that mother and those three children who are his. There is nothing in this bill that would even give mama the first cash incentive to sue papa. As a practical matter, the evidence is entirely within the possession of mother and father that that money is in fact available to that family unit and he is spending every night there, but you cannot presume that he is willing to pay 5 cents to support his own children.

Now, that \$5,000 welfare payment is a subsidy on illegitimacy, it is a cash bonus not to marry, and it creates the height of resentment on his neighbor next door, who has married the woman who is the mother of his children, and who is bringing his \$6,000 home to help support those children. Until we do the first simple thing about that, how can you call this a welfare reform bill?

Secretary RICHARDSON. Mr. Chairman, the bill does provide in the first instance that in any event, a step-parent will be deemed responsible for the children, which moves beyond existing law in that respect.

Second, it provides that whatever creates a responsibility on the part of the parent to contribute support to the children, or any person in the house to contribute support to the children, will make the income of that individual countable as part of the income available to the family. This would mean in effect, therefore, that if the circumstances added up to a common law marriage under State law, the income of the man in the house would be counted.

The remaining problem is the situation in which those facts may not establish a common law marriage. There is then no incentive for the mother to seek to establish the paternity on the part of the man in the house: The question then is what can or should be done in those circumstances to impute his income.

We have no objection in principle to any sensible way of dealing with this problem, but we do have to confront the fact that the Supreme Court dealt with the issue and ruled, in effect, that in these latter circumstances we did not have the right to impute the income of that individual.

The CHAIRMAN. You say you did not have the right. Let us just talk about the problem. Frankly, I cannot provide you with all the answers right now, but until we do find the answer, we are just kidding ourselves to talk about this welfare reform. Fifty percent of the people on the welfare rolls are benefitting in one respect or another because of this kind of corruption.

Secretary RICHARDSON. I would just say this, Mr. Chairman, granted the problem you state, the fact remains that the bill does contain a great many provisions summarized in my testimony that do, in our firm view, add up to fundamental reform. This is not to say that we are unwilling to recognize opportunities for improvement; on the contrary, we stand ready, as I said in my testimony, to work with the committee to that end.

The CHAIRMAN. Well, the Supreme Court very erroneously and incorrectly placed the presumption in favor of that father and in favor of that mother that you could not impute anything from that relationship and that was a construction of a statute that we passed here in Congress. Now, I do not think that the majority of this committee, and I am certain that I know the majority, and I do not think the majority of those on the Ways and Means Committee meant to favor that relationship with the presumption that none of that income for the father was available for the support of his children. But the fact is you have a \$5,000 cash advantage for this father and this mother to deny that that man is the father of those children, to deny that that relationship amounts to a common law marriage, and to deny that he has any obligation to support those children.

Now, of course, this is fundamental to the big struggle that has been going on for years about this same thing. Senator Robert Byrd, when he was chairman of an appropriations committee, made an investigation right here in Washington, right under the nose of the Department of Health, Education, and Welfare—this is prior to the time you were here, but I do not think the facts have changed very much. At that time, his conclusion was that a sample showed that 59 percent of these people were not eligible and that 25—about half of the remainder were being overpaid. And it had mainly to do with the kind of relationship that I described.

Now, back at that time, the Department here in Washington, as well as every State government—or almost every State government; I know the overwhelming majority of them—were applying some kind of a “man-in-the-house” rule to say if we think we know what man ought to be paying something to help support that family unit, we are going to attribute his income to that family unit. Now, the Supreme Court, in my judgment, contrary to the will of Congress, struck that down and worked in the other direction.

Now, I have my doubts that we can reform this welfare program by reversing that Supreme Court decision, even though we definitely have it within our power to pass an act of Congress to say to the Supreme Court that you did not properly construe our statute. It would seem to me we might do better to start on the other end, to say that we will pay father a cash advantage to do the honorable decent thing, rather than pay him and mama a big advantage to do the dishonorable thing. But until we face up to that which is funda-



mentally wrong with this program, about which your bill, in my judgment, does zero, it seems to me we do not really have a welfare reform bill.

Here are people with an \$11,000 income, their income may be further increased by your bill, and I do not for the life of me see how you meet the problem.

Now, you say put mama to work. That is not the problem at all. It is not even a problem of putting papa to work. He has a job. The question is how can you get father to recognize his responsibility and accept it rather than proceed in the opposite direction? As long as you are paying a \$5,000 cash advantage to proceed on a basis that society would say is dishonorable, how are you going to overcome that by putting an incentive in the other direction?

I have been working at that for some time, but I think unless we proceed to meet that, you can say that detectable fraud is only 1 percent. Legalized fraud is over 50 percent. And until we begin to get at the fundamental mischief in this welfare program, which is grandfathered into your so-called reform proposal, I do not see that you are going to solve it.

That is why I have been saying to you that I am willing to pay these people to work; I am not willing to pay them not to work.

That is all I have to say at this moment. I am trying to hold myself to a 10-minute rule and I will ask the others to, so we can get to everybody on the first time around.

Senator ANDERSON?

Senator ANDERSON. No.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. I had an opportunity to express myself before the Secretary started, and I think I will want more time to study his statement, particularly the part that he did not read, before I want to question him.

Thank you.

The CHAIRMAN. Senator Curtis?

#### COST OF WELFARE PROPOSAL

Senator CURTIS. Mr. Secretary, what will be the increased Federal costs the first year of operation of this program?

Secretary RICHARDSON. I am sorry, did you say the increased costs or the total costs?

Senator CURTIS. Increased Federal costs.

Secretary RICHARDSON. The total would be \$5.5 billion, Senator Curtis.

Senator CURTIS. \$5.5 billion?

Secretary RICHARDSON. Yes, sir.

## FEDERAL EMPLOYEES NEEDED TO ADMINISTER WELFARE PROPOSAL

Senator CURTIS. How many new Federal employees will this program require?

Secretary RICHARDSON. We have not arrived at any definite number, Senator Curtis. A great deal of work has been done and is still continuing on this question. We anticipate that the number will be significantly less than the number of State employees now engaged in the process of determining eligibility and handling money payments.

The total number of State and local welfare employees is about 185,000. It is estimated that of that total, about 70,000 or the full-time equivalent of 70,000 handle eligibility and money payments under AFDC. We think that, with the development of a uniform national system utilizing the modern management techniques that would be incorporated into it and drawing upon computer technology, the total would be significantly below those under current law, but we do not have a precise figure.

## CHARTS SHOWING WELFARE AND OTHER BENEFITS

Senator CURTIS. Mr. Secretary, last year, there were some charts prepared at the request of the committee. I believe Senator Williams requested them. And this committee has asked that they be updated to show the same factors in reference to H.R. 1 that is now before us. Do you have those here?

Secretary RICHARDSON. Yes; we do, Senator.

Senator CURTIS. I wonder if we could take a look at them at this time? I would like to ask a question or two about each one of them.

Secretary RICHARDSON. I should say, Senator, that if we are going to go into this now, it might be useful to the committee for me to present first the result of the Department's own analysis of this issue in the intervening year, which we think presents more fairly what the problems are, and then to show you the updated version of the so-called Williams charts.

We will be glad to do that now, Mr. Chairman. It will take more than 10 minutes.

Senator CURTIS. Mr. Chairman, in light of the 10-minute limitation, I will not ask that the charts be displayed at this time. I do ask that the charts comparing the current law with H.R. 1 for Phoenix, Ariz., Wilmington, Del., Chicago, Ill., and New York City that have been prepared by the Department in response to the request of the committee be inserted in the record at this point.

I might say my reason for doing that is so that as we continue our study of these bills, we will have them there before us.

The CHAIRMAN. That will be done.

(The charts referred to follow :)

# TABLE 1 CURRENT LAW--BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN PHOENIX, ARIZONA

IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R. 1 WORK INCENTIVES. A MORE ACCURATE PORTRAYAL ENTITLED "H.R. 1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.

EARNINGS	AFDC	TOTAL GROSS CASH INCOME	TOTAL FEDERAL STATE & SOC. SEC. TAXES	NET CASH INCOME (LESS TAXES)	CURRENT SURPLUS COMMODITIES VALUE 1/	TOTAL NET CASH PLUS FOOD	CURRENT PUB. HOUSING BONUS 2/	TOTAL INCOME INCLUDING PUB. HOUSING	AVERAGE MEDICAID BENEFIT 4/	TOTAL INCOME INCLUDING MEDICAID
\$ 0	\$1,996	\$1,996	\$ -	\$ 1,996	\$ 441	\$2,437	\$1,104	\$3,541		\$3,541
720	1,996	2,716	37	2,679	441	3,120	1,104	4,224		4,224
1,000	1,996	2,996	51	2,945	441	3,386	1,104	4,490		4,490
2,000	1,598	3,598	103	3,495	441	3,936	1,032	4,968	NO MEDICAID PROGRAM	4,968
3,000	1,164	4,164	155	4,009	441	4,450	924	5,374		5,374
4,000	731	4,731	222	4,509	441	4,950	828	5,778		5,778
5,000	298	5,298	438	4,860	441	5,301	720	6,021		6,021
6,000	-	6,000	681	5,319	-	5,319	600	5,919		5,919
7,000	-	7,000	941	6,059	-	6,059	420	6,479		6,479
8,000	-	8,000	1,190	6,810	-	6,810	3/	6,810 <sup>3/</sup>		6,810 <sup>3/</sup>
9,000	-	9,000	1,452	7,548	-	7,548	3/	7,548 <sup>3/</sup>		7,548 <sup>3/</sup>

## TABLE 2 CURRENT LAW-- BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN WILMINGTON, DEL.

*IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R. 1 WORK INCENTIVES; A MORE ACCURATE PORTRAYAL ENTITLED "H.R. 1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.*

EARNINGS	AFDC	TOTAL GROSS CASH INCOME	TOTAL FEDERAL, STATE & SOCIAL SECURITY TAXES	NET CASH INCOME (LESS TAXES)	CURRENT SURPLUS COMMODITIES VALUE <sup>1/</sup>	TOTAL NET CASH PLUS FOOD	CURRENT PUBLIC HOUSING BONUS <sup>2/</sup>	TOTAL INCOME INCLUDING PUBLIC HOUSING	AVERAGE MEDICAID BENEFIT <sup>3/</sup>	TOTAL INCOME INCLUDING MEDICAID
\$ 0	\$ 2,066	\$ 2,066	—	\$ 2,066	\$ 661	\$ 2,727	\$ 754	\$ 3,481	\$ 460	\$ 3,941
720	2,066	2,786	\$ 37	2,749	661	3,410	583	3,993	460	4,453
1,000	2,066	3,066	51	3,015	661	3,676	517	4,193	460	4,653
2,000	1,482	3,482	103	3,379	661	4,040	418	4,458	460	4,918
3,000	815	3,815	164	3,651	661	4,312	339	4,651	460	5,111
4,000	148	4,148	233	3,915	661	4,576	266	4,842	460	5,302
5,000	—	5,000	447	4,553	—	4,553	57	4,610	—	4,610
6,000	—	6,000	688	5,312	—	5,312	<sup>2/</sup>	5,312 <sup>2/</sup>	—	5,312 <sup>2/</sup>
7,000	—	7,000	946	6,054	—	6,054	<sup>2/</sup>	6,054 <sup>2/</sup>	—	6,054 <sup>2/</sup>
8,000	—	8,000	1,193	6,807	—	6,807	<sup>2/</sup>	6,807 <sup>2/</sup>	—	6,807 <sup>2/</sup>
9,000	—	9,000	1,455	7,545	—	7,545	<sup>2/</sup>	7,545 <sup>2/</sup>	—	7,545 <sup>2/</sup>

# TABLE 3 CURRENT LAW--BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILIES IN CHICAGO, ILLINOIS

IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R. 1 WORK INCENTIVES; A MORE ACCURATE PORTRAYAL ENTITLED "H.R. 1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

EARNINGS	AFDC	TOTAL GROSS CASH INCOME	TOTAL FEDERAL STATE & SOC. SEC. TAXES	NET CASH INCOME (LESS TAXES)	CURRENT FOOD STAMP BONUS <sup>1/</sup>	TOTAL NET CASH PLUS FOOD	CURRENT PUB. HOUSING BONUS <sup>2/</sup>	TOTAL INCOME INCLUDING PUB. HOUSING	AVERAGE MEDICAID BENEFIT <sup>4/</sup>	TOTAL INCOME INCLUDING MEDICAID
\$ 0	\$ 3,384	\$ 3,384	\$ —	\$ 3,384	\$ 408	\$ 3,792	\$ 1,080	\$ 4,872	\$ 910	\$ 5,782
720	3,384	4,104	37	4,067	312	4,379	1,080	5,459	910	6,369
1,000	3,384	4,384	51	4,333	288	4,621	1,080	5,701	910	6,611
2,000	2,890	4,890	103	4,787	288	5,075	1,080	6,155	910	7,065
3,000	2,224	5,224	155	5,069	288	5,357	1,080	6,437	910	7,347
4,000	1,557	5,557	208	5,349	288	5,637	1,080	6,717	910	7,627
5,000	890	5,890	424	5,466	288	5,754	1,080	6,834	910	7,744
6,000	224	6,224	661	5,563	288	5,851	1,080	6,931	910	7,841
7,000	-	7,000	909	6,091	-	6,091	3/	6,091 <sup>3/</sup>	5/	6,091 <sup>3/5/</sup>
8,000	-	8,000	1,139	6,861	-	6,861	3/	6,861 <sup>3/</sup>	5/	6,861 <sup>3/5/</sup>
9,000	-	9,000	1,376	7,624	-	7,624	3/	7,624 <sup>3/</sup>	5/	7,624 <sup>3/5/</sup>

## TABLE 4 CURRENT LAW--BENEFITS POTENTIALLY AVAILABLE TO 4 PERSON FEMALE-HEADED FAMILIES IN NEW YORK CITY

*IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R. 1 WORK INCENTIVES; A MORE ACCURATE PORTRAYAL ENTITLED "H. R. 1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE*

EARNINGS	AFDC	TOTAL GROSS CASH INCOME	TOTAL FEDERAL STATE & SOC. SEC. TAXES	NET CASH INCOME (LESS TAXES)	CURRENT FOOD STAMP BONUS <sup>1/</sup>	TOTAL NET CASH PLUS FOOD	CURRENT PUBLIC HOUSING BONUS <sup>2/</sup>	TOTAL INCOME INCLUDING HOUSING	AVERAGE MEDICAID BENEFIT <sup>4/</sup>	TOTAL INCOME INCLUDING MEDICAID
\$ 0	\$ 3,756	\$ 3,756	\$ -	\$ 3,756	\$ 312	\$ 4,068	\$ 660	\$ 4,728	\$ 870	\$ 5,598
720	3,756	4,476	37	4,439	288	4,727	660	5,387	870	6,257
1,000	3,756	4,756	51	4,705	288	4,993	660	5,653	870	6,523
2,000	3,472	5,472	103	5,369	288	5,657	660	6,317	870	7,187
3,000	2,806	5,806	165	5,641	288	5,929	660	6,589	870	7,459
4,000	2,139	6,139	242	5,897	288	6,185	660	6,845	870	7,715
5,000	1,472	6,472	464	6,008	288	6,296	660	6,956	870	7,826
6,000	806	6,806	711	6,095	288	6,383	660	7,043	870	7,913
7,000	139	7,139	974	6,165	288	6,453	660	7,113	870	7,983
8,000	-	8,000	1,224	6,776	-	6,776	720	7,496	5/-	7,496 <sup>5/</sup>
9,000	-	9,000	1,486	7,514	-	7,514	3/	7,514 <sup>3/</sup>	5/-	7,514 <sup>3/5/</sup>

Footnotes for Tables 1-4

- 1/ Food bonus based on value of surplus commodities (Phoenix and Wilmington) or food stamp bonus (Chicago and New York), using local eligibility schedules. Food stamp bonus is the difference between the coupon allotment (\$1,272 per annum for a family of four) and the purchase price of the coupons.
- 2/ The amount shown is the fair market rental less rent actually paid. The "fair market rental" (as defined in terms of rent determinations for relocation adjustment payments) in these cities are listed below. The relationship of these figures to true market value is tenuous.

2 bedrooms

Phoenix . . . . .	\$1,560
Wilmington . . . . .	1,020
Chicago . . . . .	1,920
New York City . . . . .	1,680

- 3/ Above continued occupancy limits but family may be allowed to stay, at higher rents, if no other housing is available. Totals include no housing bonuses for such cases.
- 4/ Medicaid benefit shown is the total (Federal and State) average payment on behalf of all AFDC families in the State. Individual families may receive higher or lower amounts, or nothing at all, depending upon medical needs.

## TABLE 5 H.R.1 BENEFITS POTENTIALLY AVAILABLE TO 4 PERSON FEMALE-HEADED FAMILY IN PHOENIX, ARIZONA

*IMPORTANT NOTICE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R.1 WORK INCENTIVES; A MORE ACCURATE PORTRAYAL ENTITLED "H.R.1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE*

EARNINGS	FAMILY ASSISTANCE H.R.1	STATE SUPPLEMENT 1/	TOTAL GROSS CASH INCOME	TOTAL FEDERAL, STATE, SOCIAL SECURITY TAXES	NET CASH INCOME LESS TAXES 2/	PUBLIC HOUSING 5/	TOTAL NET CASH AND PUBLIC HOUSING	MEDICAID BENEFITS
\$ 0	\$2,400	\$ 372	\$2,772	\$ --	\$2,772	\$1,240	\$ 4,012	<b>NO MEDICAID PROGRAM</b>
720	2,400	372	3,492	37	3,455	1,110	4,565	
1,000	2,213	372	3,585	51	3,534	1,093	4,627	
2,000	1,546	372	3,918	103	3,815	913	4,728	
3,000	879	372	4,251	155	4,096	732	4,828	
4,000	213	372	4,585	222	4,363	552	4,915	
5,000	--	--	5,000	438	4,562	371	4,933	
6,000	--	--	6,000	681	5,319	191	5,510	
7,000	--	--	7,000	941	6,059	10	6,069	
8,000	--	--	8,000	1,190	6,810	--	6,810	
9,000	--	--	9,000	1,452	7,548	--	7,548	



## TABLE 6 H.R.1 BENEFITS POTENTIALLY AVAILABLE TO 4 PERSON FEMALE-HEADED FAMILY IN WILMINGTON, DELAWARE

*IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R.1 WORK INCENTIVES; A MORE ACCURATE PORTFOLIO ENTITLED "H.R.1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE*

EARNINGS	FAMILY ASSISTANCE H.R.1	STATE SUPPLEMENT <sup>y</sup>	TOTAL GROSS CASH INCOME	TOTAL FEDERAL, STATE, SOCIAL SECURITY TAXES	NET CASH INCOME LESS TAXES <sup>2/</sup>	PUBLIC HOUSING <sup>5/</sup>	TOTAL NET CASH & PUBLIC HOUSING	MEDICAID BENEFITS
\$ 0	\$ 2,400	\$ 216	\$ 2,616	\$ --	\$ 2,616	\$ 728	\$ 3,344	\$ 460 <sup>3/</sup>
720	2,400	216	3,336	37	3,299	598	3,897	460
1,000	2,213	216	3,429	51	3,378	581	3,959	460
2,000	1,546	216	3,762	103	3,659	401	4,060	460
3,000	879	216	4,095	164	3,931	220	4,151	4/
4,000	213	216	4,429	233	4,196	40	4,236	4/
5,000	--	--	5,000	447	4,553	--	4,553	4/
6,000	--	--	6,000	688	5,312	--	5,312	4/
7,000	--	--	7,000	946	6,054	--	6,054	4/
8,000	--	--	8,000	1,193	6,807	--	6,807	4/
9,000	--	--	9,000	1,455	7,545	--	7,545	4/

## TABLE 7 H.R. 1 BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN CHICAGO, ILLINOIS

*IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R.1 WORK INCENTIVES; A MORE ACCURATE PORTRAYAL ENTITLED "H.R.1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE*

EARNINGS	FAMILY ASSISTANCE H.R. 1	STATE SUPPLEMENT <sup>1/</sup>	TOTAL GROSS CASH INCOME	TOTAL FEDERAL, STATE, SOCIAL SECURITY TAXES	NET CASH INCOME LESS TAXES <sup>2/</sup>	PUBLIC HOUSING <sup>3/</sup>	TOTAL NET CASH AND PUBLIC HOUSING	MEDICAID BENEFITS
\$ 0	\$ 2,400	\$ 1,392	\$ 3,792	—	\$ 3,792	\$ 1,416	\$ 5,208	\$ 910 <sup>4/</sup>
720	2,400	1,392	4,512	\$ 37	4,475	1,286	5,761	910
1,000	2,213	1,392	4,605	51	4,554	1,269	5,823	910
2,000	1,546	1,392	4,938	103	4,835	1,089	5,924	910
3,000	879	1,392	5,271	155	5,116	908	6,024	910
4,000	213	1,392	5,605	208	5,397	728	6,125	4/
5,000	—	938	5,938	424	5,514	547	6,061	4/
6,000	—	271	6,271	661	5,610	367	5,977	4/
7,000	—	—	7,000	909	6,091	186	6,277	4/
8,000	—	—	8,000	1,139	6,861	6	6,867	4/
9,000	—	—	9,000	1,376	7,624	—	7,624	4/

## TABLE 8 H.R.1 BENEFITS POTENTIALLY AVAILABLE TO 4-PERSON FEMALE-HEADED FAMILY IN NEW YORK CITY

*IMPORTANT NOTE: THE ADMINISTRATION DOES NOT BELIEVE THESE CHARTS REFLECT H.R. 1 WORK INCENTIVES; A MORE ACCURATE PORTRAYAL ENTITLED "H.R. 1 WORK INCENTIVES" HAS BEEN SUBMITTED TO THE COMMITTEE AND IS AVAILABLE FROM THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.*

EARNINGS	FAMILY ASSISTANCE H.R.1	STATE SUPPLEMENT <sup>1/</sup>	TOTAL GROSS CASH INCOME	TOTAL FEDERAL, STATE, SOCIAL SECURITY TAXES	NET CASH INCOME LESS TAXES <sup>2/</sup>	PUBLIC HOUSING <sup>3/</sup>	TOTAL NET CASH AND PUBLIC HOUSING	MEDICAID BENEFITS
\$ 0	\$2,400	\$1,944	\$4,344	—	\$4,344	\$1,076	\$5,420	\$ 870 <sup>3/</sup>
720	2,400	1,944	5,064	\$ 37	5,027	946	5,973	870
1,000	2,213	1,944	5,157	51	5,106	929	6,035	870
2,000	1,546	1,944	5,490	103	5,387	749	6,136	870
3,000	879	1,944	5,823	165	5,658	568	6,226	870
4,000	213	1,944	6,157	242	5,915	388	6,303	870
5,000	—	1,490	6,490	464	6,026	207	6,233	4/
6,000	—	823	6,823	711	6,112	27	6,139	4/
7,000	—	156	7,156	974	6,182	—	6,182	4/
8,000	—	—	8,000	1,224	6,776	—	6,776	4/
9,000	—	—	9,000	1,486	7,514	—	7,514	4/

Footnotes for Tables 5-8

- 1/ The State supplemental payment is based on the AFDC payment level for a family of four as of January 1971. The amounts shown assume that the State cashes out food stamps as provided for in H.R. 1 and uses the Federal income disregards and definitions in computing payments.
- 2/ All tables assume that no surplus commodities will be available to these families. The food stamp cashout provision of H.R. 1 also serves to cash out commodities, since no county can have both a food stamp and a commodity program.
- 3/ The medicaid benefit shown is the total (Federal and State) average payment on behalf of all AFDC families in the State. Individual families may receive higher or lower amounts, or nothing at all, depending upon medical needs. Arizona has no Medicaid program.
- 4/ Section 209 of H.R. 1 provides a spend-down for medicaid coverage. The value of this coverage to families above the standard depends upon complex actuarial factors which vary from family to family and are thus not susceptible to being shown in this format.
- 5/ This column shows the fair market rental less the rent payable under the 1971 Housing Amendments, according to the formula:

Rent equals gross cash income minus 5%, minus another 5% (assumed as average of several types of deductions), minus \$300 per minor child, times 20%.

The "fair market rental" (as defined in terms of rent determinations for relocation adjustment payments) in these cities are listed below. The relationship of these figures to true market value is tenuous.

2 bedrooms

Phoenix . . . . .	\$1,560
Wilmington. . . . .	1,020
Chicago. . . . .	1,920
New York City . . . . .	1,580

Senator CURTIS. Mr. Chairman, I ask unanimous consent that the charts that were prepared last year in reference to the bill before us concerning the same cities and the same comparison be lifted from last year's hearings and reproduced at the hearings here. I realize there will be some change, but there is some comparison we can make.

The CHAIRMAN. Well, that is requested, that that be done and—

Senator CURTIS. And placed in the hearings.

The CHAIRMAN. That is authorized to be put in the hearings.

(The charts referred to follow. These are taken from the June 1970 Committee Print entitled "H.R. 16311, the Family Assistance Act of 1970, Revised and Resubmitted to the Committee on Finance":)

TABLE 1—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in Phoenix, Ariz.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average Medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0.....	\$2,208	\$2,208				\$2,208	\$441	( <sup>8</sup> )	\$2,649	\$1,078	\$3,727
720.....	2,208	2,928			\$35	2,893	441	( <sup>8</sup> )	3,334	916	4,250
1,000.....	2,208	3,208			48	3,160	441	( <sup>8</sup> )	3,601	853	4,454
2,000.....	1,779	3,779			96	3,683	441	( <sup>8</sup> )	4,124	725	4,849
3,000.....	1,319	4,319			144	4,175	441	( <sup>8</sup> )	4,616	603	5,219
4,000.....	858	4,858	\$140	\$8	192	4,518	441	( <sup>8</sup> )	4,959	482	5,441
5,000.....	398	5,398	316	23	240	4,819	441	( <sup>8</sup> )	5,260	360	5,620
6,000.....		6,000	528	37	288	5,104		( <sup>8</sup> )	5,104	<sup>9</sup> 360	5,464
7,000.....		7,000	706	58	336	5,900		( <sup>8</sup> )	5,900	<sup>9</sup> 100	6,000
8,000.....		8,000	902	79	374	6,645		( <sup>8</sup> )	6,645		6,645

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals.) Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.

<sup>8</sup> No Medicaid program.

<sup>9</sup> Above continued occupancy limits, but family may be allowed stay in public housing until it finds private housing.

TABLE 2—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in Wilmington, Del.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0.....	\$1,788	\$1,788				\$1,788	\$661	\$219	\$2,668	\$693	\$3,361
720.....	1,788	2,508			\$35	2,473	661	219	3,353	531	3,884
1,000.....	1,788	2,788			48	2,740	661	219	3,620	468	4,088
2,000.....	1,788	3,788			96	3,692	661	219	4,572	243	4,815
3,000.....	1,731	4,731			144	4,587	661	219	5,467	31	5,498
4,000.....	1,064	5,064	\$140	\$12	192	4,720	661	219	5,600		5,600
5,000.....	397	5,397	316	26	240	4,815	661	219	5,695		5,695
6,000.....		6,000	528	51	288	5,133			5,133		5,133

Note: Only 29 percent of all AFDC recipients in Wilmington live in public housing.

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedule.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals.) Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.

TABLE 3—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in Chicago, Ill.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average Medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0	\$2,976	\$2,976				\$2,976	\$480	\$395	\$3,851	\$840	\$4,691
720	2,976	3,696			\$35	3,661	360	395	4,416	840	5,256
1,000	2,976	3,976			48	3,928	312	395	4,635	840	5,475
2,000	2,590	4,590			96	4,494	288	395	5,177	840	6,017
3,000	1,923	4,923			144	4,779	288	395	5,462	840	6,302
4,000	1,256	5,256	\$140		192	4,924	288	395	5,607	840	6,447
5,000	589	5,589	316	\$11	240	5,022	288	395	5,705	840	6,545
6,000		6,000	528	21	288	5,163			5,163	<sup>8</sup> 960	6,123
7,000		7,000	706	32	336	5,926			5,926	<sup>9</sup> 720	6,646
8,000		8,000	902	42	374	6,682			6,682	<sup>9</sup> 720	7,402
9,000		9,000	1,100	53	374	7,473			7,473		7,473

Note: Only 18 percent of all AFDC recipients in Chicago live in public housing.

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the

basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals.) Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.

<sup>8</sup> Bonus increases above AFDC breakeven as far as families move from welfare to nonwelfare rent schedules.

<sup>9</sup> Above continued occupancy limits, but families would be allowed to stay, at higher rent, until other housing is located.



TABLE 4—CURRENT LAW

Benefits potentially available to 4-person female-headed recipient families in New York, N.Y.

Earnings	AFDC <sup>1</sup>	Total money income	Federal income tax <sup>2</sup>	State income tax <sup>3</sup>	Social security tax <sup>4</sup>	Net money income	Food bonus <sup>5</sup>	Federal portion of average medicaid benefit to family <sup>6</sup>	Total money and in-kind	Public housing bonus to family <sup>7</sup>	Total
\$0 . . . . .	\$3,576	\$3,576 . . . . .				\$3,576	\$522	\$577	\$4,675	\$420	\$5,095
720 . . . . .	3,576	4,296 . . . . .			\$35	4,261	522	577	5,360	420	5,780
1,000 . . . . .	3,382	4,382 . . . . .			48	4,334	522	577	5,433	420	5,853
2,000 . . . . .	2,715	4,715 . . . . .			96	4,619	522	577	5,718	420	6,138
3,000 . . . . .	2,048	5,048 . . . . .			144	4,904	522	577	6,003	420	6,423
4,000 . . . . .	1,381	5,381 . . . . .	\$140	\$1	192	5,048	522	577	6,147	420	6,567
5,000 . . . . .	714	5,714 . . . . .	316	28	240	5,130	522	577	6,229	420	6,649
6,000 . . . . .	47	6,047 . . . . .	528	55	288	5,176	522	577	6,275	420	6,695
7,000 . . . . .		7,000 . . . . .	706	91	336	5,867 . . . . .			5,867	720	6,587
8,000 . . . . .		8,000 . . . . .	902	127	374	6,597 . . . . .			6,597	720	7,317
9,000 . . . . .		9,000 . . . . .	1,100	170	374	7,356 . . . . .			7,356	(*)	7,356

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Note: Only 8 percent of all AFDC recipients in New York City live in public housing.

<sup>1</sup> State supplement is based on the following maximum payments: New York City—\$3,576 (adjusted for rent as paid to public housing); Chicago—\$2,976 (adjusted for rent as paid to public housing); Delaware—\$1,788; Arizona—\$2,208. Work-related expenses were based on estimated State averages of \$708 in Chicago, \$900 in New York; and general standard practice of \$480 in Phoenix and \$660 in Wilmington.

<sup>2</sup> Federal tax based on current schedule, including surcharge.

<sup>3</sup> State tax based on current schedules.

<sup>4</sup> Social Security tax based on 4.8 percent of earnings up to \$7,800.

<sup>5</sup> Food bonus based on value of surplus commodities (Phoenix, Wilmington, and New York City) or food stamp bonus (Chicago), based on local eligibility schedules.

<sup>6</sup> Medicaid benefit shown is the Federal portion of the average benefit for all AFDC families in State. Individual families may receive more or less depending upon medical needs. State eligibility standards apply.

<sup>7</sup> Public housing bonus for New York and Chicago was calculated on the

basis of the value of private market rentals less the maximum rent allotment for AFDC recipients (\$90 in Chicago and \$105 in New York).

In Phoenix and Wilmington flat AFDC grants are generally given, with no variation for rent. Hence, bonus equals the difference between rent paid and equivalent private market rents as calculated by HUD. (See footnote 6, Family Assistance Tables, for method used by HUD in determining equivalent private market rentals. (Rents in Phoenix and Wilmington assume operation of the Brooke amendment. Even where a welfare rent schedule is present, it was assumed that the Brooke amendment would govern. Net income was computed for families in each city based on exemptions and deductions applied by each local authority's adopted policy, as revealed in HUD central files for public housing.)

<sup>1</sup> Above continued occupancy limits, but family would be allowed to stay until other housing is located. Bonus increases above AFDC breakeven as families move from welfare to nonwelfare rent schedules.

TABLE 5—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Phoenix, Ariz.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0.....	\$1,600	\$608	\$2,208	.....	\$646	\$470	\$3,324	\$1,118	\$4,442
720.....	1,600	608	2,928	\$37	417	434	3,742	974	4,716
1,000.....	1,460	561	3,021	52	388	428	3,785	956	4,741
2,000.....	960	394	3,354	104	282	395	3,927	889	4,816
3,000.....	460	227	3,687	156	176	361	4,068	823	4,891
4,000.....	.....	39	4,039	246	64	326	4,183	740	4,923
5,000.....	.....	.....	5,000	457	.....	155	4,698	500	5,198
6,000.....	.....	.....	6,000	689	.....	.....	5,311	250	5,561
7,000.....	.....	.....	7,000	944	.....	.....	6,056	.....	6,056

<sup>1</sup> Family assistance benefits are \$1,600 for a family of 4 with no other income, based on \$500 each for the 1st 2 persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67 percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedule. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective January 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value

of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S.3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20 to 25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Phoenix is \$1,500.

TABLE 6—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Wilmington, Del.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	\$188	\$1,788		\$780	\$491	\$3,059	\$722	\$3,781
720	1,600	188	2,508	\$37	551	455	3,477	578	4,055
1,000	1,460	141	2,601	52	521	450	3,520	560	4,080
2,000	960		2,960	104	407	432	3,695	488	4,183
3,000	460		3,460	156	248	384	3,936	388	4,324
4,000			4,000	249	76	330	4,157	270	4,427
5,000			5,000	460		155	4,695	20	4,715
6,000			6,000	699			5,301		5,301

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value

of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Wilmington is \$1,020.

TABLE 7—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in Chicago, Ill.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0	\$1,600	\$1,556	\$3,156		\$345	\$414	\$3,915	\$1,349	\$5,264
720	1,600	1,556	3,876	\$37	116	342	4,297	1,201	5,498
1,000	1,460	1,509	3,969	52	86	333	4,336	1,178	5,514
2,000	960	1,342	4,302	104		300	4,498	1,095	5,593
3,000	460	1,175	4,635	156		246	4,725	1,011	5,736
4,000		987	4,987	236		158	4,909	923	5,832
5,000		416	5,416	443		51	5,024	816	5,840
6,000			6,000	669			5,331	670	6,001
7,000			7,000	912			6,088	420	6,508
8,000			8,000	1,134			6,866	170	7,036
9,000			9,000	1,369			7,631		7,631

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses, and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value of \$500. The following illustrative contribution schedule is assumed:

0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in Chicago is \$1,920.

TABLE 8—FAMILY ASSISTANCE

(Includes public housing which will be available to only 6 percent of family assistance families nationwide.)  
Benefits potentially available to 4-person female-headed family in New York, N.Y.

Earnings	FAP benefit <sup>1</sup>	State supplement <sup>2</sup>	Total gross money income	Federal, State, and social security taxes <sup>3</sup>	Food stamp bonus <sup>4</sup>	Medical insurance bonus <sup>5</sup>	Total net money and in-kind	Housing bonus to family under proposed 1970 Housing Act <sup>6</sup>	Total net money and in-kind
\$0.....	\$1,600	\$2,156	\$3,756		\$154	\$354	\$4,264	\$989	\$5,253
720.....	1,600	2,156	4,476	\$37		282	4,721	811	5,532
1,000.....	1,460	2,109	4,569	52		263	4,780	788	5,568
2,000.....	960	1,942	4,902	104		180	4,978	705	5,683
3,000.....	460	1,775	5,235	156		96	5,175	621	5,796
4,000.....		1,587	5,587	237		8	5,358	533	5,891
5,000.....		1,016	6,016	460			5,556	426	5,982
6,000.....		459	6,459	703			5,756	315	6,071
7,000.....			7,000	971			6,029	180	6,209
8,000.....			8,000	1,219			6,781		6,781

<sup>1</sup> Family assistance benefits are \$1,600 for a family of four with no other income, based on \$500 each for the first two persons, \$300 each for succeeding persons. Family assistance benefits are reduced 50 percent for earnings, after the initial disregard of \$720 for work-related expenses and a single deduction for Federal income taxes.

<sup>2</sup> State supplementary payments are based on current payment levels with a 67-percent reduction rate for earnings, after the initial disregard of \$720 and a single deduction for Federal income taxes.

<sup>3</sup> Federal income taxes computed on the schedule effective in 1972, assuming no surcharge. State taxes are computed on current State schedules. Social security taxes reflect the increase from 4.8 to 5.2 percent of earnings up to \$9,000 which will be effective Jan. 1971.

<sup>4</sup> Food assistance is based on present estimates that the food stamp program will replace the surplus commodity program in virtually all areas within the 1st year of operation of family assistance. (New York City will commence a food stamp program in the fall of 1970.) Food stamp bonus is the difference between the coupon allotment (\$1,272) and the purchase price (31.8 percent of gross income less \$240).

<sup>5</sup> The assumption here is that the family health insurance program would replace the present medicaid program for families with a health insurance policy having a \$500 premium value. This policy value includes no supplementation which the States might wish to make. Medical insurance bonus is the difference between contributions and the illustrative premium value

of \$500. The following illustrative contribution schedule is assumed: 0 percent of gross income to \$1,600, 5 percent of that amount of gross income between \$1,600 and \$3,000, 10 percent from \$3,000 to \$4,500 and 25 percent of gross income from \$4,500 to \$5,620. Full participation is assumed.

<sup>6</sup> The housing bonus is calculated on the basis of the proposed 1970 Housing Act (S. 3639). That act sets a uniform system of rents for all subsidized rental housing, public and private, based upon fixed percentages of family income after \$300 is deducted from gross income for each child in excess of 2. On the 1st \$3,500, families must pay 20 percent of net income for rent; on the amount over \$3,500, 25 percent. (It is assumed that application of the 20-25 percent rent-income ratio in the private subsidy program would, in the aggregate, cover project operating costs. In the private program subsidy is limited to principal and interest on the capital cost of the project and the aggregate of all project rents must be sufficient to cover project operating expenses.) The bonus is the difference between prevailing private rents for housing of modest standards in the 4 cities, based on the most recent determinations for relocation assistance payments, Form HUD 6148. In Phoenix, the local FHA insuring office's chief underwriter provided prevailing rents for standard housing in blue-collar neighborhoods, plus utility allowances, since there is no HUD-aided relocation program. It was assumed that the required unit sizes were 2-bedroom units for 4 person families. The private annual gross rent assumed in New York is \$1,680.

The CHAIRMAN. We would like to have a chart presentation that would show the kind of information the committee wants so that everybody can look at it and see to what extent the work incentive actually is a work incentive.

Secretary RICHARDSON. We would be prepared to do that at any time, Mr. Chairman. Perhaps tomorrow morning would be a good time.

Senator CURTIS. I think that is satisfactory. We should have time to—

The CHAIRMAN. If you have provided us with what is in Senator Curtis' hand, what Senator Curtis wants, he wants that on a big enough chart so he can look at it. If you can take the charts we had last year and see how this worked out, we would like to have the same information put in the same columns to see how it works out. You have pointed out here that a lot has been done about that.

Secretary RICHARDSON. Yes.

The CHAIRMAN. I think that is fine, but I think we ought to see that.

Senator CURTIS. I understand they have the charts. I am not calling for the charts at this point because of the limitation of time, but I would like to see them printed in the hearing at the beginning so we can study them as we go along.

The CHAIRMAN. Yes; that will be done.

Secretary RICHARDSON. Could I ask, Senator Curtis, at this point, in addition to the charts that Senator Curtis has identified, that there also be included an analysis which incorporates as well what we in HEW regard to be a more accurate economic picture of the situation of each of the families in those cities?

The Chairman. I am happy to do that, Mr. Secretary. As far as I am concerned, it is perfectly all right with me for you to put everything in the record that supports your argument. I am not too concerned if the record is stacked as high as the Encyclopedia Britannica as long as we have the facts and get both sides of the argument. As a matter of fact, we have had so many different contentions that we finally decided we cannot rely on anybody but ourselves, and I am not so sure we can safely do that. But we have about decided that we will try to acquire enough expertise on these facts in this committee that we can come up with cost estimates that we believe can be more accurate than yours, because we have not been completely satisfied with yours. And I am not sure we are completely satisfied with anybody else's. We are just trying to get the facts, that is all.

Senator CURTIS. That is right, and I think anybody here should be allowed to point out anything that he thinks is pertinent to these facts or the interpretation of them.

(Information follows:)

## H. R. 1 WORK

## INCENTIVES

July 20, 1971

Prepared by:  
Department of Health, Education and Welfare

COMPARISON OF BENEFITS AVAILABLE FOR SELECTED  
INCOME-TESTED PROGRAMS UNDER H.R. 1 AND CURRENT LAW--

Explanation of Tables

The following tables present information on how a variety of Federal assistance programs directed toward the poor would interact if all benefits were being received by a single family. This information was calculated at the request of the Finance Committee by the Department of Health, Education, and Welfare. To avoid misinterpretation of these data, this text and the footnotes accompanying the tables must be carefully read. The following points are offered in an effort to present these tables in the correct context.

1. The tables show economic benefits, not disposable income. Thus, fringe benefits connected with employment (paid vacation, medical insurance, pension plan, and so on) are included, as are benefits in kind under public programs. No reduction for the Social Security payroll tax is shown, since, depending upon the discount rate chosen, discounted value of future Social Security benefits for the low income group may well exceed the present deductions. (Nor has the employer's contribution to Social Security been counted in the fringe benefits.)

2. The tables distort the nature of the work decision. The tables show earnings from employment rising in \$1,000 intervals. All available evidence suggests, however, that the work decision is seldom made in such incremental terms, but rather is generally in terms of:

- going from no work to part-time work;
- no work to full-time work;
- part-time to full-time work; or
- full-time to no work.

These employment statuses are noted on the tables, and it is these points that should be most carefully examined.

3. The tables cannot adequately represent all the benefits--financial, physical, social, psychological--that may accrue from employment. As earned income rises, other factors such as level of skill, responsibility, personal satisfaction, social standing, healthfulness and safety of work conditions also typically increase, resulting in additional qualitative benefits which cannot be shown here.

4. Discretionary income increases as income rises. At the margin, the higher dollar income from greater hours of work may seem small from some perspectives. At low income levels, however, an income gain may represent a more than 100 percent increase in discretionary income above the fixed expenses of rent, food, clothing and the like, as compared with previous discretionary income. This is the income which may offer the greatest incentives to low income workers.

5. Few families can accumulate all these benefits. The tables invite the reader to look at the cumulative impact of all these programs. In point of fact, however, few families can manage to combine benefits from all these programs. For example, less than 40 percent of AFDC recipients are now receiving food stamps. It is estimated that only 7 percent of FAP eligibles will live in public housing. Hence, these tables do not present a correct picture of the typical recipient family.

6. Losses in medical benefits have questionable impact on work incentives. Tables 1-4 show minimum incentives at the point in earnings where Medicaid benefits abruptly terminate. The suggestion has been made that work incentives cannot be effective until this Medicaid notch is removed. While the Administration has made a proposal to eliminate this notch, the alleged work disincentive effect is of doubtful validity in practice. Few if any workers would make the judgment about whether to work harder and earn more based on what would happen to their Medicaid coverage--the vast majority of full-time workers have some health insurance available through their employment. The "notch" exists only when a family member has an illness which causes him to draw substantial benefits. And even in such cases, the situation is usually unpredictable and would hardly have figured into the employment decision.

In fact, use of the average Medicaid benefit as a standard is misleading in and of itself. A more accurate economic measure would be the cost for this family in the private insurance market to duplicate exactly the Medicaid package.

7. Choices must be faced. Finally, it must be clearly understood that the mathematics of these benefit structures presents a clear choice which cannot be avoided. Either benefit structures will be scaled with earnings, so that there are no abrupt terminations of benefits as earnings rise, or there will be sudden work disincentive notches. If benefit structures are scaled with earnings, the reduction rate chosen, in combination with the maximum payment to a family of no earnings, arithmetically determines the break-even point (that point



of earnings at which benefits cease). The higher the breakeven point rises above the poverty line, (and decreasing the reduction rate to increase work incentives raises this breakeven drastically) the more money is spent on families who are not truly poor.

The reduction rates shown for H.R. 1 (tables 5-8) provide strong financial incentives to work--far superior to the present system. For example:

A woman required to work in :		Wil-	Chi-	New
who accepts a part-time job	<u>Phoenix</u>	<u>mington</u>	<u>cago</u>	<u>York</u>
earning \$2000 a year <u>gains:</u>	\$2070	\$2018	\$2410	\$2594

over her total benefits at zero income.

A woman accepts a full-time				
job earning \$4000 a year				
<u>gains:</u>	\$3223	\$3160	\$3577	\$3727.

over her total benefits at zero income.

8. The public housing decision cannot be adequately represented by these charts. While the rents payable in public housing with varying levels of income are shown on the charts and explained in the footnotes, it is extremely misleading to talk about a public housing "bonus", since the amount from which rent is deducted to get this "bonus" often bears little relation to true market value. The decision typically facing a family in public housing is not acceptance or rejection of some mystical bonus, but rather whether or not better housing is available at affordable rents in the private market.

## Benefits Available Under Current Law to a Female-Headed Family of Four in Phoenix, Arizona

Employment Status	Job related benefits			AFDC	Commodity Value $\frac{2}{3}$	Federal & State income taxes	Net income and benefits	Medicaid	Total income & benefits including Medicaid	Public housing rent paid *
	Earnings	Value of fringe benefits $\frac{1}{3}$	Total							
<b>A. Families initially falling below need standard; eligible for AFDC</b>										
Required to work	\$ 0	\$ 0	\$ 0	\$1,996	\$ 441	\$ 0	\$2,437	No	\$ 2,437	\$ 456
Not required to work	0	0	0	1,996	441	0	2,437	Medicaid program	2,437	456
	720	8/	720	1,996	441	0	3,157		3,157	456
Work part-time at \$2.00 per hour	2,000	8/	2,000	1,598	441	0	4,039		4,039	528
	3,000	250	3,250	1,164	441	0	4,855	4,855	636	
Works full-time at \$2.00 per hour	4,000	500	4,500	731	441	14	5,658	5,658	732	
	5,000	1,000	6,000	298	441	178	6,561	6,561	840	
	6,000	1,600	7,600	0	0	369	7,231	7,231	960	
	7,000	2,300	9,300	0	0	577	8,723	8,723	1,140	
	8,000	3,200	11,200	0	0	774	10,426	10,426	$\frac{1}{2}$	
<b>B. Families above need standard; ineligible for AFDC <math>\frac{2}{3}</math></b>										
	4,000	500	4,500	-----	-----	14	4,486	No Medicaid program	4,486	600
	5,000	1,000	6,000	-----	-----	178	5,822		5,822	780
	6,000	1,600	7,600	-----	-----	369	7,231		7,231	960
	7,000	2,300	9,300	-----	-----	577	8,723		8,723	1,140
	8,000	3,200	11,200	-----	-----	774	10,426		10,426	$\frac{1}{2}$

\* Only 7% of all AFDC recipients nation-wide living in public housing  $\frac{2}{3}$

## Benefits Available Under Current Law to a Female-Headed Family of Four in Wilmington, Delaware

Employment Status	Job related benefits			AFDC	Commodity Value 3/	Federal & State income taxes	Net income and benefits	Medicaid 4/	Total income & benefits including Medicaid	Public housing rent paid *
	Earnings	Value of fringe benefits 1/	Total							
A. Families initially falling below need standard; eligible for AFDC										
Required to work	\$ 0	\$ 0	\$ 0	\$2,066	\$ 661	\$ 0	\$2,727	\$ 460	\$3,187	\$ 266
Not required to work	0	0	0	2,066	661	0	2,727	460	3,187	266
	720	8/	720	2,066	661	0	3,447	460	3,907	437
Works part-time at \$2.00 per hour	2,000	8/	2,000	1,482	661	0	4,143	460	4,603	602
	3,000	250	3,250	815	661	8	4,718	460	5,178	681
Works full-time at \$2.00 per hour	4,000	500	4,500	148	661	25	5,284	460	5,744	754
	5,000	1,000	6,000	0	0	187	5,813	0	5,813	963
	6,000	1,600	7,600	0	0	376	7,224	0	7,224	7/
B. Families above need standard; ineligible for AFDC 2/										
	4,000	500	4,500	-----	-----	25	4,475	No medic-ally needy program	4,475	725
	5,000	1,000	6,000	-----	-----	187	5,813		5,813	963
	6,000	1,600	7,600	-----	-----	376	7,224		7,224	7/

\* only 7% of all AFDC recipients nationwide living in public housing 5/

## Benefits Available Under Current Law to a Female-Headed Family of Four in Chicago, Illinois

Employment Status	Job related benefits			AFDC	Food Stamp Bonus <sup>3/</sup>	Federal & State income taxes	Net income and benefits	Medicaid <sup>4/</sup>	Total income & benefits including Medicaid	Public housing rent paid *
	Earnings	Value of fringe benefits <sup>1/</sup>	Total							
<b>A. Families initially falling below need standard; eligible for AFDC</b>										
Required to work	\$ 0	\$ 0	\$ 0	\$ 3,384	\$ 408	\$ 0	\$ 3,792	\$ 910	\$ 4,702	\$ 840
Not required to work	0	0	0	3,384	408	0	3,792	910	4,702	840
	720	8/	720	3,384	312	0	4,416	910	5,326	840
Works part-time at \$2.00 per hour	2,000	8/	2,000	2,890	288	0	5,178	910	6,088	840
	3,000	250	3,250	2,224	288	0	5,762	910	6,672	840
Works full-time at \$2.00 per hour	4,000	500	4,500	1,557	288	0	6,345	910	7,255	840
	5,000	1,000	6,000	890	288	164	7,014	910	7,924	840
	6,000	1,600	7,600	224	288	349	7,763	910	8,673	840
	7,000	2,300	9,300	0	0	545	8,755	0	8,755	7/
	8,000	3,200	11,200	0	0	723	10,477	0	10,477	7/
	9,000	3,600	12,600	0	0	908	11,692	0	11,692	7/
<b>B. Families above need standard; ineligible for AFDC <sup>2/</sup></b>										
	4,000	500	4,500	-----	-----	0	4,500	8/	4,500 8/	725
	5,000	1,000	6,000	-----	-----	164	5,836	8/	5,836 8/	840
	6,000	1,600	7,600	-----	-----	349	7,251	8/	7,251 8/	840
	7,000	2,300	9,300	-----	-----	545	8,755	8/	8,755 8/	7/
	8,000	3,200	11,200	-----	-----	723	10,477	8/	10,477 8/	7/
	9,000	3,600	12,600	-----	-----	908	11,692	8/	11,692 8/	7/

\* Only 7% of all AFDC recipients nation-wide living in public housing <sup>5/</sup>

## Benefits Available Under Current Law to a Female-Headed Family of Four in New York, New York

Employment Status	Job related benefits			AFDC	Food Stamp Bonus 3/	Federal & State income taxes	Net income and benefits	Medicaid 4/	Total income & benefits including Medicaid	Public housing rent paid *
	Earnings	Value of fringe benefits 1/	Total							
<b>A. Families initially falling below need standard; eligible for AFDC</b>										
Required to work	\$ 0	\$ 0	\$ 0	\$ 3,756	\$ 312	\$ 0	\$ 4,068	\$ 870	\$ 4,938	\$ 1,020
Not required to work	0	0	0	3,756	312	0	4,068	870	4,938	1,020
	720	8/	720	3,756	288	0	4,764	870	5,634	1,020
Work part-time at \$7.00 per hour	2,000	8/	2,000	3,472	288	0	5,760	870	6,630	1,020
	3,000	250	3,250	2,806	288	9	6,335	870	7,205	1,020
Work full-time at \$200 per hour	4,000	500	4,500	2,139	288	34	6,893	870	7,763	1,020
	5,000	1,000	6,000	1,472	288	204	7,556	870	8,426	1,020
	6,000	1,600	7,600	806	288	399	8,295	870	9,165	1,020
	7,000	2,300	9,300	139	288	610	9,117	870	9,987	1,020
	8,000	3,200	11,200	0	0	808	10,392	6/	6/	960
	9,000	3,600	12,600	0	0	1,018	11,582	6/	6/	1/
<b>B. Families above need standard; ineligible for AFDC 2/</b>										
	5,000	1,000	6,000	-----	-----	204	5,796	6/	5,796 6/	828
	6,000	1,600	7,600	-----	-----	399	7,201	6/	7,201 6/	960
	7,000	2,300	9,300	-----	-----	610	8,690	6/	8,690 6/	960
	8,000	3,200	11,200	-----	-----	808	10,392	6/	10,392 6/	960
	9,000	3,600	12,600	-----	-----	1,018	11,582	6/	11,582 6/	1/

\* only 7% of all AFDC recipients nationwide living in public housing 5/

Footnotes for Charts 1-4

- 1/ Based on average data for selected industries, as reported to the Bureau of Labor Statistics.
- 2/ This is the so-called AFDC "notch", wherein working women with incomes above the AFDC need standard are not eligible for supplementation despite the fact that their total incomes may be below the AFDC breakeven level for women already receiving welfare. If a woman reduces her earnings below the need standard she may then be eligible for supplementation under the \$30+1/3 earnings disregard rule.
- 3/ Food bonus based on value of surplus commodities (Phoenix and Wilmington) or food stamp bonus (Chicago and New York), using local eligibility schedules. Food stamp bonus is the difference between the coupon allotment (\$1,272 per annum for a family of four) and the purchase price of the coupons.
- 4/ Medicaid benefit shown is the total (Federal, State and local) average payment on behalf of all AFDC families in the State. Individual families may receive higher or lower amounts, or nothing at all, depending upon medical needs.
- 5/ The amount shown is rent paid. The "fair market rental" (as defined in terms of rent determinations for relocation adjustment payments) in these cities are listed below. The relationship of these figures to true market value is tenuous.

2 bedrooms

Phoenix.....	\$1,560
Wilmington.....	1,020
Chicago.....	1,920
New York City.....	1,680

- 6/ Illinois and New York have medically needy programs, the income limitations for which are \$3,600 net in Illinois and \$5,000 in New York. Above these limits "spend-down" provisions apply, and the value of such coverage depends upon actual illness and medical expenses incurred by the family.
- 7/ Above continued occupancy limits but family may be allowed to stay, at higher rents, if no other housing is available.
- 8/ Fringe benefits are generally negligible for part time work. Hence, no benefits are shown for this earnings level.

## BENEFITS POTENTIALLY AVAILABLE UNDER H.R. 1 TO A FEMALE-HEADED FAMILY OF FOUR IN PHOENIX, ARIZONA

WORK STATUS	JOB-RELATED BENEFITS			CASH ASSISTANCE UNDER H.R. 1			FEDERAL AND STATE INCOME TAXES	NET INCOME AND <sup>2/</sup> BENEFITS	MEDICAID BENEFITS	PUBLIC HOUSING RENT PAID *
	EARNINGS	VALUE OF FRINGE <sup>1/</sup> BENEFITS	TOTAL	FEDERAL BENEFITS	STATE <sup>2/</sup> SUPPLEMENT	TOTAL				
REQUIRED TO REGISTER FOR WORK	\$0	\$0	\$0	\$1,600	\$248	\$1,848	\$0	\$1,848	\$0 <sup>5/</sup>	\$154
NOT REQUIRED TO REGISTER FOR WORK	0	0	0	2,400	372	2,772	0	2,772	0	320
	720	<sup>5/</sup>	720	2,400	372	2,772	0	3,492	0	450
WORKS PART-TIME AT \$2 PER HOUR	2,000	<sup>5/</sup>	2,000	1,546	372	1,918	0	3,918	0	527
	3,000	250	3,250	879	372	1,251	0	4,501	0	587
WORKS FULL-TIME AT \$2 PER HOUR	4,000	500	4,500	213	372	585	14	5,071	0	648
	5,000	1,000	6,000	0	0	0	178	5,822	0	723

\*ONLY 7% OF ALL AFDC RECIPIENTS NATION-WIDE LIVING IN PUBLIC HOUSING

## BENEFITS POTENTIALLY AVAILABLE UNDER H.R. 1 TO A FEMALE-HEADED FAMILY OF FOUR IN WILMINGTON, DELAWARE

WORK STATUS	JOB-RELATED BENEFITS			CASH ASSISTANCE UNDER H. R. 1			FEDERAL AND STATE INCOME TAXES	NET INCOME AND <sup>3/</sup> BENEFITS	MEDICAID BENEFITS	PUBLIC HOUSING RENT PAID*
	EARNINGS	VALUE OF FRINGE <sup>1/</sup> BENEFITS	TOTAL	FEDERAL BENEFIT	STATE <sup>2/</sup> SUPPLEMENT	TOTAL				
REQUIRED TO REGISTER FOR WORK	\$ 0	\$ 0	\$ 0	\$1,600	\$ 144	\$1,744	\$ 0	\$1,744	\$460 <sup>5/</sup>	\$ 135
NOT REQUIRED TO REGISTER FOR WORK	0	0	0	2,400	216	2,616	0	2,616	460	292
	720	8/	720	2,400	216	2,616	0	3,316	460	419
WORKS PART-TIME AT \$2 PER HOUR	2,000	8/	2,000	1,546	216	1,762	0	3,762	460	499
	3,000	250	3,250	879	216	1,095	8	4,337	6/	559
WORKS FULL-TIME AT \$2 PER HOUR	4,000	500	4,500	213	216	429	25	4,904	6/	619
	5,000	1,000	6,000	0	0	0	187	5,813	6/	723

\* ONLY 72 OF ALL AFDC RECIPIENTS NATIONWIDE LIVING IN PUBLIC HOUSING



## BENEFITS POTENTIALLY AVAILABLE UNDER H.R. 1 TO A FEMALE-HEADED FAMILY OF FOUR IN CHICAGO, ILLINOIS

WORK STATUS	JOB-RELATED BENEFITS			CASH ASSISTANCE UNDER H. R. 1			FEDERAL AND STATE INCOME TAXES	NET INCOME AND <sup>3/</sup> BENEFITS	MEDICAID BENEFITS	PUBLIC HOUSING RENT PAID*
	EARNINGS	VALUE OF FRINGE <sup>1/</sup> BENEFITS	TOTAL	FEDERAL BENEFIT	STATE <sup>2/</sup> SUPPLEMENT	TOTAL				
REQUIRED TO REGISTER FOR WORK	\$ 0	\$ 0	\$ 0	\$1,600	\$ 928	\$2,528	\$ 0	\$2,528 <sup>4/</sup>	\$ 910 <sup>5/</sup>	\$ 276
NOT REQUIRED TO REGISTER FOR WORK	0	0	0	2400	1,392	3,792	0	3,792	910	504
	720	9/	720	2,400	1,392	3,792	0	4,512	910	624
WORKS PART-TIME AT \$2 PER HOUR	2,000	9/	2,000	1,546	1,392	2,938	0	4,938	910	711
	3,000	250	3,250	879	1,392	2,271	0	5,521	910	729
WORKS FULL-TIME AT \$2 PER HOUR	4,000	500	4,500	213	1,392	1,605	0	6,105	9/	832
	5,000	1,000	6,000	0	938	938	164	6,774	9/	891
	6,000	1,600	7,600	0	271	271	349	7,522	9/	952
	7,000	2,300	9,300	0	0	0	545	8,755	9/	1,084

\*ONLY 7% OF ALL AFDC RECIPIENTS NATIONWIDE LIVING IN PUBLIC HOUSING

## BENEFITS POTENTIALLY AVAILABLE UNDER H.R. 1 TO A FEMALE-HEADED FAMILY OF FOUR IN NEW YORK, NEW YORK

WORK STATUS	JOB-RELATED BENEFITS			CASH ASSISTANCE UNDER H.R. 1			FEDERAL AND STATE INCOME TAXES	NET INCOME AND <sup>2/</sup> BENEFITS	MEDICAID BENEFITS	PUBLIC HOUSING RENT PAID *
	EARNINGS	VALUE OF FRINGE <sup>1/</sup> BENEFITS	TOTAL	FEDERAL BENEFIT	STATE <sup>2/</sup> SUPPLEMENT	TOTAL				
REQUIRED TO REGISTER FOR WORK	\$ 0	\$ 0	\$ 0	\$1,600	\$1,296	\$2,896	\$ 0	\$2,896 <sup>2/</sup>	\$870 <sup>2/</sup>	\$ 343
NOT REQUIRED TO REGISTER FOR WORK	0	0	0	2,400	1,944	4,344	0	4,344	870	604
	720	<sup>2/</sup>	720	2,400	1,944	4,344	0	5,064	870	734
WORKS PART-TIME AT \$2 PER HOUR	2,000	<sup>2/</sup>	2,000	1,546	1,944	3,490	0	5,490	870	811
	3,000	250	3,250	879	1,944	2,823	9	6,064	870	871
WORKS FULL-TIME AT \$2 PER HOUR	4,000	500	4,500	213	1,944	2,157	34	6,623	870	931
	5,000	1,000	6,000	0	1,490	1,490	204	7,286	<sup>2/</sup>	991
	6,000	1,600	7,600	0	823	823	399	8,024	<sup>2/</sup>	1,052
	7,000	2,300	9,300	0	156	156	610	8,846	<sup>2/</sup>	1,112
	8,000	3,200	11,200	0	0	0	808	10,392	<sup>2/</sup>	1,444

\*ONLY 7% OF ALL AFDC RECIPIENTS NATIONWIDE LIVING IN PUBLIC HOUSING

Footnotes for Charts 5-8

- 1/ Based on average data for selected industries, as reported to the Bureau of Labor Statistics.
- 2/ The State supplemental payment is based on the AFDC payment level for a family of four as of January 1971. The amounts shown assume that the State cashes out food stamps as provided for in H.R. 1 and uses the Federal income disregards and definitions in computing payments.
- 3/ All tables assume that no surplus commodities will be available to these families. The food stamp cashout provision of H.R. 1 would also serve to cash out commodities, since no county can have both a food stamp and a commodity program.
- 4/ This payment amount reflects the situation that would result if a recipient required to register for work refuses a job. The Federal payment is reduced by \$800 from \$2,400 to \$1,600. The State supplemental payment has been reduced proportionately, based on our intent that the State agreement with the Secretary for the State portion of the program include a work refusal penalty proportional to that applicable to the Federal benefit.
- 5/ The medicaid benefit shown is the total (Federal and State) average payment on behalf of all AFDC families in the State. Individual families may receive higher or lower amounts, or nothing at all, depending upon medical needs. Arizona has no Medicaid program.
- 6/ Section 209 of H.R. 1 provides a spend-down for medicaid coverage. The value of this coverage to families above the standard depends upon complex actuarial factors which vary from family to family and are thus not susceptible to being shown in this format.
- 7/ This column shows the total rent payable under the 1971 Housing Amendments, according to the formula:

Gross earnings minus 5%, minus another 5% (assumed as average of several types of deductions), minus \$300 per minor child, times 20%.

The "fair market value" (as defined in terms of rent determinations for relocation adjustment payments) in these cities are listed below. The relationship of these figures to true market value is tenuous.

2 bedrooms

Phoenix . . . . .	\$1,560
Wilmington. . . . .	1,020
Chicago. . . . .	1,920
New York City . . . . .	1,680

- 8/ Fringe benefits are generally negligible for part-time work. Hence, no benefits are shown for this earnings level.

## NUMBER OF PERSONS ELIGIBLE FOR WELFARE BENEFITS

Senator CURTIS. I would like to ask this question, because I am not clear in my own mind. Last year, you presented a bill referred to as a \$1,600 program for a family of four. That is now a \$2,400 program. Why does it reach fewer people?

Secretary RICHARDSON. The principal reason for that, Senator, is that there has been an updating of the population studies on which the projections are based and there has been taken into account in the interval the effect of income increases in determining eligibility. This results in a reduction of about 900,000 in the number of people who would be reached under the program.

(Additional material supplied by the Department follows:)

### PROJECTED PERSONS ELIGIBLE FOR BENEFITS TO FAMILIES UNDER H.R. 1 COMPARED WITH PROJECTIONS UNDER H.R. 16311, (91ST CONGRESS)

If the projections for persons eligible for benefits to families under H.R. 1 are compared for a common year with the corresponding projections for last year's House-passed welfare reform bill (H.R. 16311), the national totals are quite similar for both bills. The figures from three Senate Finance Committee prints are compared in the following table for fiscal year 1973:

#### PROJECTED ELIGIBLES UNDER THE FAMILY PROGRAMS IN H.R. 1 AND H.R. 16311 (91ST CONG.), FISCAL YEAR 1973

[In millions]

Bill	Committee print	Persons in families eligible for—	
		Federal benefits	Federal or State benefits
H.R. 1.....	July 1971.....	19.4	20.6
H.R. 16311 (June revision).....	June 1970.....	18.2	20.8
H.R. 16311 (October revision).....	November 1970.....	18.2	20.8

As the table shows, persons eligible for Federal benefits to families under H.R. 1 in 1973 exceed the corresponding estimates for last year's bill by 1.2 million people. While this increase may not seem large if one compares the payment levels under the two bills (\$2,400 for a family of four, as compared with \$1,600 last year), there are three major differences in the two bills which serve to make the size of the populations covered by the proposed Federal family programs similar. These different provisions are:

(1) a 67 percent marginal tax rate on earnings, rather than the 50 percent rate in last year's bill—the higher rate produces breakeven incomes that do not greatly exceed, and for families of seven or more actually are lower than, the breakeven incomes under H.R. 16311;

(2) a different marginal benefit schedule which increases by only \$200 for the eighth family member and does not increase at all for additional members—last year's schedule increased by \$300 for the third family member and every additional member thereafter without limit;

(3) a limitation on the payment of very small benefit entitlements (benefits amounting to less than \$10 a month would not be paid)—this provision eliminates payments for about 200,000 families.

The annual breakeven incomes under the two bills are as follows :

Family size	Annual breakeven incomes for Federal benefits	
	H.R. 16311	H.R. 1 <sup>1</sup>
2.....	\$2,720	\$2,940
3.....	3,320	3,540
4.....	3,920	4,140
5.....	4,520	4,740
6.....	5,120	5,190
7.....	5,720	5,640
8.....	6,320	5,940
9.....	6,920	5,940
10.....	7,520	5,940

<sup>1</sup> Each breakeven point has been reduced by \$180 to allow for the exclusion of payments less than \$120 (\$10 per month)

The projected eligibles for Federal or State benefits include persons not eligible for Federal benefits but still eligible for State benefits. These figures are almost identical for the two bills (20.8 million last year, 20.6 million this year). This is not surprising since these totals depend primarily on State breakeven points, which are in turn determined by State AFDC payment levels. The AFDC payment levels used to make the two estimates are quite similar, if not identical, for most States. The estimated "Federal or State" total also depends somewhat on the State's own estimates of future AFDC caseloads and on the factors used to project those caseloads into later years.

Comparisons of caseloads for specific States is more difficult, because all of the estimates printed last year were for fiscal year 1971, whereas the H.R. 1 estimates are on a fiscal year 1973 basis. The 1971 figures are generally higher, since by 1973 expected increases in income would have reduced the working poor eligibles. The following data make this comparison for the State of Georgia :

Bill	Year	Persons in families eligible for benefits
H.R. 1.....	1973	730,200
H.R. 16311.....	1971	869,000
H.R. 16311.....	1973	1,750,000

<sup>1</sup> Projected based on national projections used in analyzing last year's bill.

When compared for a common year (1973), the estimated eligibles under the two bills are quite comparable. Of course, different estimates for the States can be expected to vary more than the national aggregates for two reasons :

(1) the State estimates are very sensitive to State AFDC projections, and these projections can change considerably as State expectations change ;

(2) the distribution of the working poor population by State is necessarily rough, since the only source of data from which working poor estimates can be made is the annual Census Bureau survey of 50,000 households, a sample size too small to yield very detailed results.

Senator CURTIS. Well, I still cannot quite understand it. Here if we have a basic benefit of \$2,400 for a family of four if they do not earn anything, and then it tapers out if they earn something ; I cannot understand how that reaches fewer people—how that reaches fewer people than if you go on up the line and reach all families that do not have \$2,400.

Secretary RICHARDSON. Well, you understand, Senator, that the difference in the so-called break even, or the cutoff point beyond which a family would not be eligible, has been changed only a comparatively small amount.

But the actual increase in the break-even point from \$3,920 under last year's bill to \$4,140 in this year's bill is the key number that determines the number of people who would be reached.

But there is another offsetting provision of this year's bill, which the number of eligible persons. The maximum on family size has the consequences of establishing a lower breakeven for large families.

For example, in the case of H.R. 16311, the break even for a family of 10 would have been \$7,520. This year, no matter how large the family, the break even is \$5,940. So in effect, then, families, no matter how large, with incomes above \$5,940 would not be in the program. So, if you take the three things together that I have described—the slight increase in the break even, the updating of projections consequent upon income shifts in the meanwhile, and the maximum on family size, the result is this reduction in number of people.

Senator CURTIS. I am not doubting what you say, but I still have a hard time understanding it. If we were to take all the people in this room and say to them, if you do not have \$1,600 in your checking account, we will raise your basic amount up to that, and then somebody else would say, well, we will raise your basic up to \$2,400, I cannot understand why the \$1,600 floor would reach more people than \$2,400.

Secretary RICHARDSON. Well, if you were to stop there, of course, the result of the \$2,400 benefit would reach much larger numbers of people. As the House committee has pointed out in its report, as you add \$100 to the basic benefit, you add about 300,000 families to the rolls and the further up the minimum benefit goes, the higher proportionately the number of people who would be added. But the determination of the number of people on the rolls in this program is a function of only one number—the breakeven point.

#### STATE SUPPLEMENTARY PAYMENTS

Senator CURTIS. And in this bill, you are not going to share any of the costs of what States pay as a supplement?

Secretary RICHARDSON. That is right. We think, as I said in my statement, that quite apart from any other consideration, this has the desirable result of defining the Federal role as establishing a uniform minimum level of benefits, and then, permitting the States to share in the total burden in whatever way they believe is desirable, provided only that they not undercut the work incentive provisions in the Federal program.

#### COMPARISON OF COST OF LAST YEAR'S AND THIS YEAR'S WELFARE PROPOSALS

Senator CURTIS. Now, in your statement,\* you had a comparison of current law with H.R. 1. I notice there that you compared the estimated cost of the current law for 1973, but in your figure for H.R. 1, you took the year 1971. Why is that?

Secretary RICHARDSON. The top line indicates that the costs are all projected for fiscal 1973. The July 1971 date simply means H.R. 16311. But all the costs in the case of the current law, are projected in accord-

\*See table, p. 38.

ance with the two alternative rates of growth; in the case of H.R. 16311 and H.R. 1, the methodology of projection was stated in committee prints last year and has been used again this year with only the modification resulting from the fact that we now have more adequate census data.

#### EFFECTIVE DATE OF WELFARE PROPOSALS

Senator CURTIS. Well, if H.R. 1 were to be enacted this calendar year, when would it go into effect?

Secretary RICHARDSON. It would go into effect depending on the groups covered—

Senator CURTIS. I mean the family assistance plan.

Secretary RICHARDSON (continuing). At different stages. Some of the provisions not enlarging the rolls would go into effect immediately. The provision establishing uniform minimum benefits for the adult categories would go into effect on January 1, 1973—

Mr. VENEMAN. July 1, 1972, for the adults and the AFDC families.

Secretary RICHARDSON. Under Secretary Veneman corrects me; July 1, 1972, except for the working poor, who would come in 6 months later, January 1, 1973.

Senator CURTIS. I am afraid my time has gone over. I will ask one more question and you can supply the answer for the record.

#### DESERTION BY WORKING FATHERS IN ORDER FOR THEIR FAMILIES TO RECEIVE ASSISTANCE

In your statement you referred to working fathers deserting. I would like to have you place in the record any statistics that you have on working fathers deserting in order to get their families on assistance.

Secretary RICHARDSON. We will be glad to do that and may we also insert for the record at an earlier point a more detailed response to your question about this change in numbers? We have a paper already written on that which could be inserted at that point.

Senator CURTIS. Surely.\*

(Additional material supplied by the Department follows:)

#### DESERTION IN AFDC FAMILIES

Table 1 confirms the fact that desertion has become an increasingly serious problem in AFDC families. Tables 2, 3, and 4 show the characteristics of AFDC fathers, and that in 1969, 43.8 percent of the AFDC caseload had an absent father due to desertion or unmarried parenthood. Since in the majority of States a family will be financially better off if an unemployed father deserts his wife and children, and in almost all States a family will be financially better off if a father working full time at low wages deserts his family, the question naturally arises as to whether AFDC is a cause than a consequence of desertion.

Certain authorities have made a theoretical case for a casual relationship. Daniel P. Moynihan writes, for example:

“\* \* \* the poor of the United States today enjoy a quite unprecedented freedom to abandon their children in the certain knowledge that society will care for them, and what is more, in a State such as New York, to care for them by quite decent standards \* \* \* Now, a working-class or middle-class American who chooses to leave his family is normally required first to go through elaborate

\*See p. 85.

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legal proceedings and thereafter to devote much of his income to supporting them. Normally speaking, society gives him nothing. The fathers of AFDC families, however, simply disappear. Only a person invincibly prejudiced on behalf of the poor would deny that there are attractions in such freedom of movement."

There are also several analyses which have attempted to document the relationship. A recent dissertation by Marjorie Hanson Honig at Columbia University used econometric techniques based on cross-section data of the AFDC program in 1950 and 1960 in large cities to state, among other conclusions, that increased welfare benefits created "welfare induced desertions of males" in both black and white families. Evidence documenting a casual relationship, however, is scanty. While cases opened as a result of desertion in California decreased by 2.7 percent between 1967 and 1969 after institution of the unemployed fathers program, desertion continued to increase in New York over the same period.

While evidence to establish that the flawed AFDC structure in fact causes desertion is tenuous, it is, on its face, bad public policy to provide financial incentives for a father to desert his family, and thus to reward dependency-creating behavior. Coverage of the working poor, and the move toward treating male and female headed families equally, is a strong first step to correcting the inequity.

TABLE 1

NUMBER OF CHILDREN RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN MONEY PAYMENTS BY STATUS OF FATHER, JUNE OF SELECTED YEARS, 1940 TO DATE

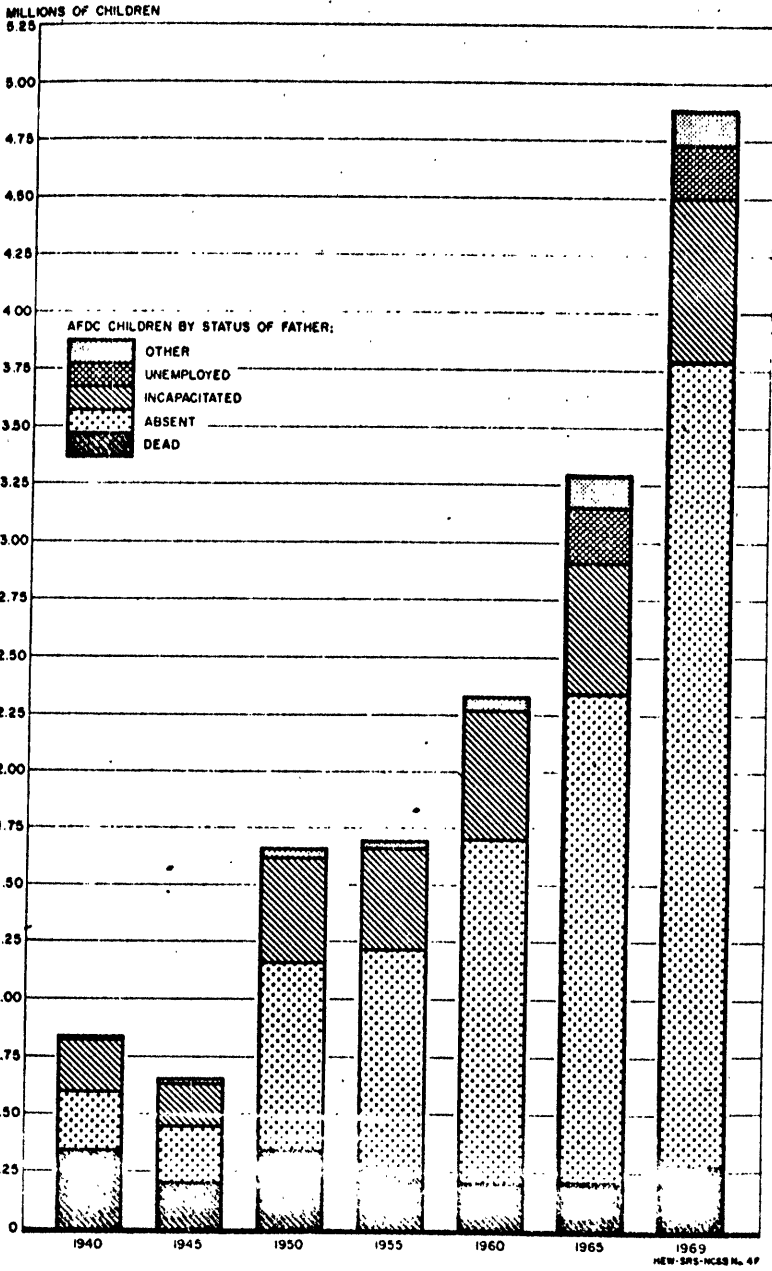


TABLE 2—AFDC FAMILIES BY STATUS OF FATHER, 1969

Status	Number	Percent
<b>Absent from the home:</b>		
Divorced.....	223,600	13.7
Legally separated.....	45,200	2.8
Separated without court decree.....	177,500	10.9
Deserted.....	258,900	15.9
Not married to mother.....	454,800	27.9
In prison.....	42,100	2.6
Absent for another reason.....	26,700	1.6
Subtotal.....	1,228,800	75.4
<b>Other status:</b>		
Stepfather case.....	30,400	1.9
Children not deprived of support or care of father, but of mother.....	14,400	.9
Not reported.....	200	( <sup>1</sup> )

<sup>1</sup> Less than 0.05.

TABLE 3—AFDC FAMILIES BY WHEREABOUTS OF FATHER, 1969

Whereabouts	Number	Percent
Total.....	1,630,400	100.0
In the home.....	297,500	18.2
In an institution:		
Mental institution.....	6,900	.4
Other medical institution.....	6,200	.4
Prison or reformatory.....	53,500	3.3
Other institution.....	1,300	.1
Not in the home or an institution; he is residing in:		
Same county.....	311,300	19.1
Different county; same State.....	86,200	5.3
Different State and in the United States.....	128,100	7.9
A foreign country.....	18,000	1.1
Whereabouts unknown.....	630,600	38.7
Inapplicable (father deceased).....	90,800	5.6

TABLE 4—AFDC FAMILIES IN WHICH FATHER IS ABSENT  
BECAUSE OF DIVORCE, SEPARATION, OR DESERTION, BY  
TIME FATHER LAST LEFT HOME, 1969

Time	Number	Percent
Total .....	1,630,400	.....
Absent because of divorce, separation, or desertion.....	705,200	100.0
This year .....	39,800	5.6
1 year ago .....	124,900	17.7
2 years ago .....	94,000	13.3
3 years ago .....	76,200	10.8
4 years ago .....	54,300	7.7
5 years ago .....	50,400	7.1
6 years ago .....	39,900	5.7
7 years ago .....	34,500	4.9
8 years ago .....	29,900	4.2
9 years ago .....	24,900	3.5
10 years ago .....	20,800	2.9
11 years ago .....	18,700	2.7
12 years ago .....	14,800	2.1
13 years ago .....	13,000	1.9
14 years ago .....	10,300	1.5
15 years ago .....	8,000	1.1
16 years ago .....	5,100	.7
17 years ago .....	7,000	1.0
18 years ago .....	2,700	.4
19 years ago .....	1,700	.2
20 years ago .....	400	.1
Unknown .....	33,900	4.8
Not absent because of divorce, separa- tion, or desertion .....	925,000	.....
Unknown.....	200	.....

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The CHAIRMAN. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

First of all, Mr. Chairman, I ask unanimous consent that table No. 2, commencing on page 26 of the Finance pamphlet, entitled "Welfare Programs for Families," be inserted in the record at this point.

The CHAIRMAN. Without objection.

(The table referred to follows:)

TABLE 2.—PROPORTION OF POPULATION RECEIVING WELFARE UNDER CURRENT LAW AND PROPORTION OF POPULATION ELIGIBLE FOR BENEFITS UNDER H.R. 1 BY STATE, FISCAL YEAR 1973

	(Persons in thousands)				
	Civilian resident population, 1973	Federally aided welfare recipients, current law, fiscal year 1973		Persons eligible for welfare benefits under H.R. 1, fiscal year 1973	
		Number	Percent	Number	Percent
Alabama.....	3,449.5	408.2	11.8	761.9	22.1
Alaska.....	353.7	16.4	4.6	25.3	7.1
Arizona.....	2,151.3	97.7	4.5	163.2	7.6
Arkansas.....	1,958.6	149.0	7.6	404.5	20.7
California.....	23,052.0	2,335.6	10.1	2,444.4	10.6
Colorado.....	2,529.9	146.2	5.8	190.6	7.5
Connecticut.....	3,353.4	141.5	4.2	200.2	6.0
Delaware.....	621.9	36.1	5.8	58.5	9.4
District of Columbia.....	734.3	101.7	13.8	144.9	19.7
Florida.....	8,195.3	449.9	5.0	917.6	11.2
Georgia.....	4,914.6	485.1	9.9	961.0	19.6
Hawaii.....	840.7	43.8	5.2	63.0	7.5
Idaho.....	720.8	30.6	4.2	52.4	7.3
Illinois.....	11,643.9	639.5	5.5	959.4	8.2
Indiana.....	5,503.8	168.1	3.1	355.4	6.5
Iowa.....	2,813.0	116.2	4.1	241.7	8.6
Kansas.....	2,252.8	104.0	4.6	234.1	10.4
Kentucky.....	3,247.4	259.8	8.0	621.0	19.1
Louisiana.....	3,792.5	473.3	12.5	823.7	21.7
Maine.....	982.7	91.9	9.4	131.0	13.3
Maryland.....	4,520.4	217.5	4.8	388.5	8.6
Massachusetts.....	5,990.7	417.5	7.0	536.3	9.0
Michigan.....	9,504.7	517.5	5.4	841.7	8.9
Minnesota.....	4,034.5	159.5	4.0	346.1	8.6
Mississippi.....	2,145.4	269.4	12.6	626.3	29.2
Missouri.....	4,851.4	332.3	6.8	555.5	11.5
Montana.....	687.3	26.0	3.8	51.8	7.5
Nebraska.....	1,508.4	57.5	3.8	124.3	8.2
Nevada.....	692.1	23.1	3.3	37.8	5.5
New Hampshire.....	815.5	30.9	3.8	49.1	6.0
New Jersey.....	7,900.4	517.6	6.6	603.3	7.6
New Mexico.....	1,032.5	100.1	9.7	144.1	14.0
New York.....	18,929.5	1,550.0	8.0	2,067.2	10.9
North Carolina.....	5,273.2	248.2	4.7	821.6	15.6
North Dakota.....	597.6	20.4	3.4	58.4	9.8
Ohio.....	11,160.3	523.7	4.7	928.7	8.3
Oklahoma.....	2,623.0	218.6	8.3	400.7	15.3
Oregon.....	2,282.2	138.1	6.1	203.5	9.0
Pennsylvania.....	11,918.3	880.2	7.4	1,267.5	10.6
Rhode Island.....	968.5	68.2	7.0	103.4	10.7
South Carolina.....	2,624.8	142.3	5.4	466.8	17.8
South Dakota.....	641.1	32.4	5.1	76.8	12.0
Tennessee.....	4,038.0	358.1	8.9	830.4	20.6
Texas.....	12,098.1	771.6	6.4	1,571.3	13.0
Utah.....	1,179.9	57.6	4.9	95.3	8.1
Vermont.....	474.3	25.1	5.3	44.8	9.4
Virginia.....	4,988.7	185.4	3.7	566.5	11.4
Washington.....	3,748.0	217.2	5.8	276.8	7.4
West Virginia.....	1,600.6	128.1	8.0	326.8	20.4
Wisconsin.....	4,678.6	138.2	3.0	311.7	6.7
Wyoming.....	327.5	13.7	4.2	23.3	7.1
Guam.....	104.0	2.8	2.7	3.5	3.4
Puerto Rico.....	2,953.7	339.1	11.5	995.8	33.7
Virgin Islands.....	100.9	2.6	2.6	3.9	3.9
Total.....	220,106.1	15,025.1	6.8	25,503.3	11.6

Senator MILLER. Mr. Secretary, I am referring to this table—I do not believe you have it before you.

The CHAIRMAN. If you will hold on a minute, I will provide him with a copy of it.

What page are you looking at?

Senator MILLER. Page 26.

#### NUMBER OF PERSONS ELIGIBLE FOR WELFARE UNDER H.R. 1

This table in a nutshell shows us what would happen under H.R. 1 for fiscal 1973 compared to what would happen under present law for fiscal 1973 with respect to welfare eligibility. I note, for example, that in the case of the State of Alabama, 11.8 percent of the population of that State would be recipients under present law, whereas under H.R. 1, 22.1 percent would be eligible for benefits. The number would increase from 408,200 to 761,900. In the case of Arkansas, the proportion of the population would increase from 7.6 percent to 20.7 percent, an increase in the number from 149,000 to 404,500.

In the case of the District of Columbia, the percentage would increase from 13.8 percent to 19.7, an increase from 101,700 to 144,900. In the case of Georgia, the percentage would go up from 9.9 percent to 19.6 percent, 485,100 to 961,000.

In the case of Kentucky, the percentage would go from 8 percent to 19.1 percent, an increase from 259,800 to 621,000; in the case of Louisiana, the percentage would go from 12.5 percent to 21.7 percent, an increase from 473,300 to 823,700.

In the case of Mississippi, the percentage would go from 12.6 percent to 29.2 percent, an increase from 269,400 to 626,300; in the case of North Carolina, the percentage would go from 4.7 percent to 15.6 percent, from 248,200 to 821,600.

In the case of South Carolina, the percentage would climb from 5.4 percent to 17.8 percent, an increase from 142,300 to 466,800. In the case of Tennessee, the percentage would climb from 8.9 percent to 20.6 percent, an increase from 358,100 to 830,400.

In the case of West Virginia, the percentage would climb from 8.0 percent to 20.4 percent, an increase from 128,100 to 326,800. And finally, in the case of Puerto Rico, the percentage would go from 11.5 percent to 33.7 percent, an increase from 339,100 to 995,800.

Now, Mr. Secretary, the figures under last year's bill were somewhat comparable, and I recall that at the time you appeared before the committee, I suggested to you that one of the major concerns of most of the members of the committee, at least in my observation, was this tremendous increase of people eligible for welfare. I suggested that, or I requested that you have your people review this bill and come up with some alternatives which would enable this dramatic increase in percentage and coverage to be reduced somewhat. And you indicated that you would do so.

A few weeks later, I received some revised coverage figures and they indicated an improvement. And I asked what was the alternative that had been developed to do this and the answer was that you had not changed anything in the bill, but your estimators had guessed that there would not be as many people who would actually receive

the welfare as who would be eligible. I do not recall what percent reduction you used in that guess, but that was the guess that you came up with.

So, I asked your people to do some more work on it and at about the time of the San Clemente conference I received a tabulation indicating that by using a relatively unsophisticated method of changing the benefits based upon cost-of-living differentials as to whether or not a welfare family would be in a metropolitan area or in a non-metropolitan area, the figures would be reduced somewhat and the savings would be in the neighborhood of a billion dollars.

Now, I must tell you again that I think that if I detect the feelings of most of the members on this committee, this is one of the major hangups that H.R. 1 is going to have in the Finance Committee. It is a hangup not only with respect to the taxpayers of the country, but it is a hangup with respect to the individuals within a State where we have such a dramatic increase. In fact, a comment from a very high official from Puerto Rico early this year was that "we do not want any part of this, because if you put 33.7 percent of the people in Puerto Rico in a category of being eligible for welfare, it will ruin the character of our people."

#### REGIONAL COST-OF-LIVING DIFFERENTIALS

Now, as you know, I have been advocating that regional cost-of-living differentials be cranked into this. I cannot for the life of me justify paying a family on welfare in New York City the same amount as a similar family in some little town down in Alabama or Mississippi or Puerto Rico. I think it is inequitable. And I think that we need to do something about this problem that I have presented here.

I again ask you if you will be good enough to have your people come up with something by way of changes in the bill—I am not talking now about estimates of how many will not ask for welfare, I am talking about changes in the bill itself which will enable us to do something about this problem. And I want you to know, as I have said before, I favor the concept of doing something to help the working poor and I know that that is where a lot of this comes from. But I think there has to be something done to prevent a third of the people in Puerto Rico and 20 percent in several other States, almost a third of the people in some of the others, from being in the category of being eligible for welfare assistance.

If you have a comment, I would appreciate it.

Secretary RICHARDSON. I thank you very much, Senator Miller. I have several comments.

One, the Department of HEW has, as you know, worked with you in an effort to deal with the problem. It is an inherently difficult one, because the primary contributor to the increased numbers that you read into the record is the result of the judgment that the integrity of the work incentives inherent to the program depends upon the extension of coverage to the working poor.

Now, you could reduce that number somewhat by excluding from coverage those who would receive very small or relatively small amounts supplementing their income. One change I should have pointed

out to Senator Curtis that also contributes to the reduction in numbers from the coverage of last year to this year is that the bill excludes families whose benefits would amount to \$10 a month or less. This accounts for 191,000 families who are not in the program this year who would have been if the program paid down to the last penny. Now, you could reduce the number further by increasing the amount that would be disregarded, of course, but this would create a notch.

Then the point we emphasize again this year is that differentials in the cost of living would be met to a very large extent by the expectation that the States will continue to supplement the basic benefits.

If the only benefit were \$2,400 in New York and \$2,400 in the Deep South, then there would be a failure to reflect real differences in costs of living. But the program anticipates that New York will continue to supplement the \$2,400 up to the present payment level, whereas in Mississippi the \$2,400 would be the total amount received by a family of four where no one was working.

So there is the opportunity to reflect differentials in the cost of living in the supplement.

Senator MILLER. Could I make a comment at that point?

We went into this last year and on analysis, for example, in the case of New York State, I found that the only refinement that the State of New York makes with respect to that point you have just mentioned was that they divide the States into two categories—Metropolitan New York and two or three adjacent counties, and the rest of the State.

Now, I must say that that does not fit my idea of differences in cost of living that are equitable among the people in the State of New York. So, I do not believe, and I do not know of any other State—there may be one or two—that makes some differential between the metropolitan area and the nonmetropolitan area, that the States are doing a job on this. I do not think they have the resources to do it.

The only level of government that has the resources to do a sophisticated job of analyzing differences in cost of living within a State as between a metropolitan area, a smaller metropolitan area, a rural area, or within a region, is the Federal Government of the United States.

I do not believe—in fact, I know—that there aren't any States that make supplementation payments that are anywhere near geared to differences in cost of living, and there is only one level of government that can provide the uniform aid necessary to achieve equity in this respect.

This happens to be the Federal Government. So I do not think this State supplementation answer is going to get the job done that we need to get done, from the standpoint of equity alone.

Secretary RICHARDSON. I appreciate the force of the point you make, Senator, but there remains, as we have discussed with you in the past, the inherent problems arising from the limitations of existing data. We have been into this with the Bureau of Labor Statistics, and the problem is in part that there do not exist at the moment accurate means of measuring area cost differentials.

In any case, it has to be pointed out that the problem we are dealing with here is only secondarily a problem of differentials in the



cost of living. It is a problem in large part of differences in expectations or standard of living. It has been pointed out that the cost of living, for example, in Puerto Rico is at least as high as it is in the continental United States although the data are inadequate. Some have argued that it is higher.

Yet even to peg the benefit levels in Puerto Rico as they would be in this bill—

Senator MILLER. If I may interrupt at this point, Mr. Secretary, I understand very well that the cost of living in San Juan is high. But outside of San Juan it is very, very low, and anybody who has traveled around the island, as I have, knows this.

So I think there again, to be fair within the confines of Puerto Rico, you would have to make a differentiation between San Juan and environs and outside of San Juan. You might even have to make a further differentiation between one or two other cities like Ponce and the rural areas, most of which are very small villages and rural areas.

Secretary RICHARDSON. I would suggest, Senator, that these differences are not so much differences in cost as they are standard of living. In any case, the bill arrives at 33 percent of the population receiving some benefits in Puerto Rico by providing that the benefit level in Puerto Rico would bear the same ratio to per capita income as the \$2,400 does to per capita income in the lowest income State in the continental United States.

One could adjust it either way. It has been urged by others, including Senator Ribicoff, that the benefit level for Puerto Rico be very substantially increased.

In any event, the problem is, taking the illustration you have used as between Ponce and rural areas of Puerto Rico, how you derive adequate measures of assistance. We have said to you in the past and we would again, that we would be glad to undertake the development of such yardsticks and to accept as part of the legislation itself a mandate to do this.

Senator MILLER. I have no further questions.

Senator BENNETT. Mr. Chairman, may I have a question at this point?

The CHAIRMAN. Yes.

Senator BENNETT. Is there in existence in any other agency of the Government—the Bureau of Labor Statistics or any agency—a chart which now shows the Federal concept of differences in cost of living by regions or by areas, by marketing areas, or anything else?

Is there something now in existence that we could have to look at?

Secretary RICHARDSON. We would be glad to provide what there is. It is not cut as fine as Senator Miller would like to have it for purposes of his proposal to differentiate benefit levels.\*

The cost-of-living index does not show variations in cost-of-living levels as between urban and rural areas in different parts of the country, no matter how measured, as wide as the present variance in benefit levels. The variance now is three and a half to one between the high- and the low-benefit level States. It would be narrowed by the establishment of the \$2,400 minimum. But if you rely on the cost-of-living

\*See appendix A, pp. 327-339.

data, no matter how obtained, you would be squeezing the range much more than this bill does.

Now, if you are going to do that, you presumably are going to have to raise the lower end of the scale closer to the higher end. The result of this, of course, would be very radically increased costs of the program, since, as I pointed out earlier, the result of increasing the basic benefit by \$100 is to add 300,000 families. Addition of \$100 of basic benefit raises the break-even point by \$150, increases the cost by over \$500 million per year, and increases the number of eligible families by 300,000. The cost of such increases in general gets progressively higher; that is, each additional \$100 in the basic benefit costs more than the preceding one. The reason for this effect is quite simple: there are more families with earnings in each higher \$100 interval. This effect would continue until the level of the break-even point exceeded the average family earnings for the whole Nation.

And, of course, this is a problem fundamental also to any proposals to increase benefits. The result is the one you see reflected in H.R. 1 which provides a basic minimum level but contemplates supplementation in the higher income States.

Senator MILLER. Would the Senator yield at that point?

Senator BENNETT. That is the answer to my question. I yield.

Senator MILLER. I think I can add to the answer. Last year, I did go down to the Bureau of Labor Statistics and obtain this sheet, which I think the committee staff has and which the Secretary could provide for the record, showing the degree to which they have analyzed the cost-of-living differentials around the country. It is rather extensive. It does not go into the sophistication that I think it can go into and which I hope ultimately they will go into, but it does provide a very significant difference that could be applied to this bill, certainly in its early stages.

You will find that it sets forth differences between Chicago and New York among the cities, and I think that it would be a very useful tool to use as an approach in the beginning.

BLS is capable of greater sophistication on this point to make it even more equitable, and it is that kind of information I have in mind, Senator Bennett, that should be made a part of this legislation.

Senator BENNETT. We shall have the Secretary of Labor here and maybe we could ask him.

Secretary RICHARDSON. We have analyzed the same tables. I might just add as further illustration of the problems that are involved here that the magnitude of cost differences among even closely situated areas or cities can be greater than the cost differences between regions.

For example, the differential between New York and Philadelphia exceeds the differences between the West and the South on a nonmetropolitan basis. If you use the Bureau of Labor Statistics lower standard of living as a basis, we find that of the 10 highest cost-of-living areas in the country in 1967, three are in the West, four are in the north central region, two in the Northeast, and one in the Southeast. And you could conceivably have in a single city area such as Atlanta, for example, central city, noncentral city, suburban, and rural nonfarm, and so on.

This is illustrative of the kind of thing we run into in trying to deal with this. And it is a reason why, I think, the Committee on Ways and Means came out with the conclusion that the State supplementation

could be relied upon as an admittedly crude but nonetheless relatively effective means of building upon a basic uniform Federal benefit.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Thank you, Mr. Chairman.

#### WELFARE FRAUD

Mr. Secretary, what is the latest available HEW data on welfare fraud?

Secretary RICHARDSON. I shall have to ask Mr. Edwards if he can deal with that. There have been various sample studies; as you know, the percentage of fraud found always turns out to be relatively small in proportion to the caseload. Much the higher proportion of those found ineligible is usually the consequence of administrative errors on the part of the State or local personnel administering the program.

This proved to be true, for example, in Nevada where headlines proclaimed that 22 percent of those on the rolls were found to be there as a consequence of fraud. It turned out to be maybe a tenth of that proportion.

We have a report of the disposition of public assistance cases involving questions of fraud for the fiscal year 1970, which is the most complete analysis of this we have. We would be glad to furnish it for the record.

Senator RIBICOFF. Put it in the record. Can you give us the overall conclusion? You must have a figure there in that table.

Secretary RICHARDSON. It says in paragraph 2, the first page—well, I shall begin at the beginning. It says total of 33,900 cases identified by State public assistance agencies involving the question of recipient fraud were disposed of by administrative action during fiscal year 1970. This number represents an increase of 200 cases, about 0.6 of 1 percent, over the number reported in 1969, but a decrease of 5,500 cases, or 14 percent below the number reported 5 years ago in 1966.

Paragraph 2 says the cases identified and disposed of in 1970 represents 0.7 of 1 percent of the average monthly caseload for all the federally aided maintenance assistance programs combined, 0.2—

Senator RIBICOFF. Would you please put that in the record?

Secretary RICHARDSON. Yes.

(The document referred to follows. Hearing resumes on p. 103.)

#### NCSS Report E-7 (Fiscal Year 1970)

#### REPORT ON THE DISPOSITION OF PUBLIC ASSISTANCE CASES INVOLVING QUESTIONS OF FRAUD, FISCAL YEAR 1970

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, SOCIAL AND REHABILITATION SERVICE, PROGRAM STATISTICS AND DATA SYSTEMS, NATIONAL CENTER FOR SOCIAL STATISTICS

#### DISPOSITION OF CASES SUSPECTED OF FRAUD, FISCAL YEAR 1970

#### SUMMARY OF STATISTICAL DATA

1. A total of 33,900 cases identified by State public assistance agencies as involving a question of recipient fraud were disposed of by administrative action during fiscal year 1970. This number represents an increase of 200 cases, about six-tenths (.6) of one percent over the number reported in 1969 but a decrease of 5,500 cases or 14 percent below the number reported five years ago in 1966.

2. The cases identified and disposed of in 1970 represent 0.7 percent of the average monthly caseload for all the Federally-aided maintenance assistance programs combined; 0.2 percent of the average monthly caseload for the adult maintenance assistance programs; and 1.4 percent in the program of AFDC.

3. In more than one-half (54.4 percent) of the cases disposed of by administrative action sufficient facts to support a question of fraud were not available. For both the adult programs combined and for the AFDC program, sufficient facts to support a question of fraud were at hand for slightly less than one-half (46.3 percent and 45.2 percent respectively) of the cases disposed of.

4. Of the 15,500 cases in which the facts known to the agency supported a question of fraud, 8,600 (55.5 percent) were referred to law enforcement officials for action. State agencies generally do not refer cases if: (1) the amounts of money involved are small; (2) voluntary reimbursement or payment plans are worked out; (3) the recipient has mental or physical limitations; (4) special hardship exists; or (5) other factors make such referrals unfeasible. On the other hand, two States, California and Maryland's (Social Services Administration, Department of Employment and Social Services), require that all cases of suspected fraud be referred to law enforcement officials. Excluding data from these two States, the proportion of cases referred to law enforcement officials comprised about two-fifths (39.5 percent) of all cases in which the facts were sufficient to support a question of recipient fraud.

5. Approximately 7,800 cases were disposed of by law enforcement officials during 1970, including cases referred both during the year and prior to the beginning of fiscal year. This number represents an increase of 1,100 cases or 16 percent over the number disposed of by law enforcement officials during 1969. Of the total number disposed of, approximately 3,000 or 38 percent were prosecuted. Of the cases prosecuted, eight States (California, Connecticut, Illinois, Maryland, Michigan, New York, Ohio and Pennsylvania) accounted for over 90 percent of them; California alone accounted for over one-half (53 percent) of the total number of cases prosecuted.

TABLE 1.—DISPOSITION OF CASES INVOLVING QUESTIONS OF FRAUD, BY TYPE OF DISPOSITION AND PROGRAM, FISCAL YEAR ENDED JUNE 30, 1970<sup>1</sup>

Type of disposition	Number				Percent			
	Total	Maintenance assistance		Medical assistance	Total	Maintenance assistance		Medical assistance
		Adult categories <sup>2</sup>	AFDC			Adult categories <sup>2</sup>	AFDC	
Cases disposed of by administrative action.....	33,900	6,300	27,200	360	100.0	100.0	100.0	100.0
Facts insufficient to support question of fraud.....	18,500	3,400	14,900	150	54.4	53.7	54.8	42.3
Facts sufficient to support question of fraud.....	15,500	2,900	12,300	210	45.6	46.3	45.2	57.7
Referred to law enforcement officials.....	8,600	1,000	7,500	79	25.2	15.9	27.5	21.7
Not referred to law enforcement officials.....	6,000	1,800	4,100	120	17.7	28.6	15.0	31.9
Pending decision as to referral to law enforcement officials.....	880	110	750	15	2.6	1.8	2.7	4.1
Cases disposed of by legal action.....	7,800	820	6,900	58	100.0	100.0	100.0	100.0
Prosecuted.....	3,000	300	2,700	19	38.6	37.0	39.0	17.2
Not prosecuted.....	4,800	520	4,200	48	61.4	63.0	61.0	82.8

<sup>1</sup> State agencies reporting no cases involving questions of fraud: Alabama State Board of Health, Alaska Department of Health and Welfare, Delaware Commission for the Blind, Iowa Department of Social Services, Maine Department of Health and Welfare, Massachusetts Commission for the Blind, Mississippi Medicaid Commission, New Hampshire Department of Health and Welfare, Virgin Islands Department of Social Welfare and Department of Health, and Virginia Commission for the Visually Handicapped. State agencies not reporting: Georgia Department of Health, and Tennessee Department of Public Health.

<sup>2</sup> Old-age assistance, aid to the blind, and aid to the permanently and totally disabled.

TABLE 2.—CASES DISPOSED OF BY AGENCY WITHOUT REFERRAL TO LAW ENFORCEMENT OFFICIALS OR BY LAW ENFORCEMENT OFFICIALS WITHOUT PROSECUTION, BY SPECIFIED REASON FOR SUCH ACTION, AND BY PROGRAM, FISCAL YEAR ENDED JUNE 30, 1970<sup>1</sup>

Reason	Cases with evidence to support question of fraud							
	Number				Percent			
	Maintenance assistance				Maintenance assistance			
	Total	Adult categories	AFDC	Medical assistance	Total	Adult categories	AFDC	Medical assistance
Not referred to law enforcement officials because <sup>2</sup>	6,000	1,800	4,100	120				
Total, by specified reason	5,800	1,800	3,900	120	100.0	100.0	100.0	100.0
Small amounts involved	1,100	230	840	8	18.5	13.1	21.3	6.9
Voluntary reimbursement made	1,300	410	870	40	22.7	23.1	22.1	34.5
Special hardship present	1,300	370	890	18	22.1	21.1	22.7	15.5
Other	2,100	750	1,300	50	36.8	42.7	33.9	43.1
Referred to law enforcement officials, but not prosecuted <sup>3</sup>	4,800	520	4,200	48				
Total, by specified reason	1,800	320	1,500	44	100.0	100.0	100.0	100.0
Small amounts involved	130	18	100	9	7.1	5.6	7.1	20.5
Voluntary reimbursement made	420	67	330	28	22.9	20.9	22.1	63.6
Special hardship present	280	54	230		15.5	16.8	15.7	
Other	1,000	180	810	7	54.5	56.7	55.2	15.9

<sup>1</sup> For names of agencies reporting no cases involving questions of fraud or not reporting see table 1, footnote 1.

<sup>2</sup> Includes 196 cases in Washington for which reasons for nonreferral to law enforcement officials were not reported.

<sup>3</sup> Includes 2,900 cases in California and 58 cases in Washington for which reasons for disposition without prosecution were not reported.

TABLE 3.—ADMINISTRATIVE ACTIONS BY PUBLIC ASSISTANCE AGENCIES IN DISPOSING OF CASES INVOLVING QUESTIONS OF FRAUD, BY STATE, FISCAL YEAR ENDED JUNE 30, 1970

State	Cases involving questions of fraud									
	Facts sufficient to support questions of fraud									
	Not referred to law enforcement officials because—									
	Total disposed of	Facts insufficient to support question of fraud	Total	Referred to law enforcement officials	Total	Small amounts involved	Voluntary reimbursement made	Special hardship present	Other	Pending
Total	33,900	18,500	15,500	8,600	6,000	1,100	1,330	1,300	2,100	880
Alabama <sup>1</sup>	18	9	9	1	8		1	4	3	
Alaska <sup>1</sup>										
Arizona	520	510	10	1	9		9			
Arkansas	750	660	96		87		47	4	36	9
California	10,700	7,200	3,600	3,600						
Colorado	570	420	140	46	96	44	16	9	17	13
Connecticut	500	17	490	490						
Delaware <sup>1</sup>	24		24		19		17	2		5
District of Columbia	440	270	170	58	120	6		57	53	
Florida	140	34	110	99	4			4		3
Georgia <sup>1</sup>	61	30	31	29	2				2	
Guam										
Hawaii	150	33	120	77	4			2	2	39
Idaho	23	2	21		21	7		14		
Illinois	1,600	770	870	240	630	220	85	100	220	
Indiana	140	48	91	17	68	20	16	12	20	
Iowa <sup>1</sup>										
Kansas	8		8	8						
Kentucky	16		16	15	1			1		
Louisiana	180	92	83	1	82			65	17	

Footnotes at end of table, p. 102.

**TABLE 3.—ADMINISTRATIVE ACTIONS BY PUBLIC ASSISTANCE AGENCIES IN DISPOSING OF CASES INVOLVING QUESTIONS OF FRAUD, BY STATE, FISCAL YEAR ENDED JUNE 30, 1970—Continued**

State	Cases involving questions of fraud								
	Facts sufficient to support questions of fraud								
	Total disposed of	Facts insufficient to support question of fraud	Not referred to law enforcement officials because—						Pending
			Total	Referred to law enforcement officials	Total	Small amounts involved	Voluntary reimbursement made	Special hardship present	
Maine <sup>1</sup>									
Maryland	540	18	520	500	4		2	2	10
Massachusetts <sup>1</sup>	640	90	550	6	550		460	16	74
Michigan	500	15	480	330	150		28		120
Minnesota	190	28	160	70	42	4	18	15	5
Mississippi <sup>1</sup>	120	12	110	28	78	1	65	7	5
Missouri	780	440	340		340				340
Montana	3		3		3				3
Nebraska	24		24	5	19		4	10	5
Nevada	28	14	14	9					5
New Hampshire <sup>1</sup>									
New Jersey	301	6	300	200	35	2	22	7	4
New Mexico	180	4	170		110		110		61
New York	2,400	680	1,700	780	810	69	71	410	260
North Carolina	43	8	35	13	22	1	7	1	13
North Dakota	16	1	15	11	2		1		2
Ohio	600	240	360	180	180	1	76	2	110
Oklahoma	170	15	150	35	95		1		94
Oregon	780	370	410	410	1	1			23
Pennsylvania	7,300	4,700	2,600	500	1,600	660	35	360	540
Puerto Rico	10		10	10					
Rhode Island	110	12	98	43	55	3	10	42	
South Carolina	2		2		1		1		1
South Dakota	5	2	3	3					
Tennessee <sup>1</sup>	470	150	320		320	27	140		150
Texas	19	6	13		13	2		6	5
Utah	45		45	2	43		39		4
Vermont	35	2	33	29	3	1	1		1
Virgin Islands <sup>1</sup>									
Virginia <sup>1</sup>	140	22	120	38	80	9	34	18	19
Washington	2,100	1,600	570	270	310		110		
West Virginia	16		16	13	1			1	2
Wisconsin	400		400	400					
Wyoming	5		5	5					

<sup>1</sup> For name of agency reporting no cases involving questions of recipient fraud or not reporting see table 1, footnote 1.

<sup>2</sup> Includes 196 cases for which reasons for not referring such cases to law enforcement officials were not reported.

**TABLE 4.—LEGAL ACTIONS BY ENFORCEMENT OFFICIALS ON PUBLIC ASSISTANCE CASES INVOLVING QUESTIONS OF FRAUD, BY STATE, FISCAL YEAR ENDED JUNE 30, 1970**

State	Disposed of without prosecution because—						
	Total	Prosecuted	Total	Small amounts involved	Voluntary reimbursement made	Special hardship present	Other
Total <sup>1</sup>	7,800	3,300	4,800	130	420	280	1,000
Alabama <sup>1</sup>	1		1			1	
Alaska <sup>1</sup>							
Arizona	1	1					
Arkansas							
California	4,500	1,600	2,900				
Colorado	71	33	38	4	11	8	15
Connecticut	410	250	170	19	30	3	120
Delaware <sup>1</sup>							
District of Columbia	5		5	2			3
Florida	62	52	10		2	5	3

Footnotes at end of table.

TABLE 4.—LEGAL ACTIONS BY ENFORCEMENT OFFICIALS ON PUBLIC ASSISTANCE CASES INVOLVING QUESTIONS OF FRAUD, BY STATE, FISCAL YEAR ENDED JUNE 30, 1970—Continued

State	Total	Prosecuted	Disposed of without prosecution because—				Other
			Total	Small amounts involved	Voluntary reimbursement made	Special hardship present	
Georgia <sup>1</sup>	5	1	4		1	1	2
Guam							
Hawaii	22	5	17		4	3	10
Idaho							
Illinois	210	130	80	6	2	7	65
Indiana	17		17	1	1	2	13
Iowa <sup>1</sup>							
Kansas	5	1	4			3	1
Kentucky	15	13	2		2		
Louisiana							
Maine <sup>1</sup>							
Maryland	530	210	320	4	73	14	230
Massachusetts <sup>1</sup>	6	1	5		4	1	
Michigan	330	94	240	35	6		190
Minnesota	82	18	64	4	13	10	37
Mississippi <sup>1</sup>	5		5			1	4
Missouri							
Montana							
Nebaska	5	4	1			1	
Nevada	4	4					
New Hampshire <sup>1</sup>							
New Jersey	18	9	9		5		4
New Mexico	1	1					
New York	480	140	340	34	20	190	97
North Carolina	7	6	1				1
North Dakota	11	7	4		2		2
Ohio	180	160	11	1	4		6
Oklahoma	35	5	30	9	2	8	11
Oregon	130	25	100		46		57
Pennsylvania	180	120	54		21		33
Puerto Rico	10	9	1				1
Rhode Island	43	17	26	2	7	17	
South Carolina							
South Dakota	2		2		1	1	
Tennessee <sup>1</sup>							
Texas							
Utah	2		2		2		
Vermont	2	1	1				1
Virgin Islands <sup>1</sup>							
Virginia <sup>1</sup>	16	7	9	1	3		5
Washington	86	22	64		6		
West Virginia							
Wisconsin	340	73	260	9	150	7	95
Wyoming	5	1	4		2		2

<sup>1</sup> For names of agencies reporting no cases involving questions of recipient fraud or not reporting see table 1 footnote 1.

<sup>2</sup> Includes 2,900 cases in California and 58 cases in Washington for which reasons for disposition without prosecution were not reported.

### REQUIRING WELFARE RECIPIENTS TO WORK AT LESS THAN MINIMUM WAGE

Senator RIBICOFF. You have placed great emphasis on workfare. If you want to get people off of poverty, why do you not advocate a minimum wage instead of, as in H.R. 1, providing only three-quarters of the minimum wage?

Secretary RICHARDSON. Well, the problem, as I am sure you are aware, Senator Ribicoff, with requiring payment of a minimum wage is basically that this would be to require people who have been on

welfare and for whom jobs have been found to receive a higher total compensation than is currently being received by about 5.5 million workers.

So long as there are substantial numbers of jobs in the job market that pay less than the minimum wage, we think it equitable that an individual who is otherwise dependent upon the taxpayers should be required to accept such a job. We have provided in the legislation that the individual may not receive less than any wage level required to be paid by law, which would be the minimum wage for a job covered by the minimum wage; the prevailing wage if that is higher; or three-quarters of the minimum wage, or \$1.20. We have not gone beyond that for the reason I have mentioned.

I would further point out that if the individual is working full time at \$1.20, the effect of the wage incentive provisions of the law, the \$720 work expense disregard and the opportunity to retain \$1 of benefits for \$3 earned, would mean, in effect, that the family, in that situation, would, in fact, be receiving total income equivalent to \$1.85 an hour, or more than the minimum wage.

Senator RIBICOFF. I know that, but if the administration would support the Harrison Williams bill, which expands the coverage, then you would not have the Federal Government having to have such a large supplementation in order to eliminate poverty. If we are going to eliminate poverty, how do we justify paying people subpoverty wages for working?

If a person works, is he not entitled to receive a sufficient amount of money to move out of poverty, if he is willing to devote his time and energy to work and not be on welfare?

Secretary RICHARDSON. I think the point you are now making, Senator, bears more directly on the question of what the Federal minimum wage should be than on the question of what minimum wage an individual under a workfare program should be required to accept.

Senator RIBICOFF. But I do not see how you can isolate the overall problem. I think if you want to eliminate poverty in America, I do not think that HEW, the Labor Department, and the Commerce Department can have separate programs. There has to be an overall policy, and that policy can only be stated by the President of the United States, and you are here as an agent of the President of the United States.

So we have a basic problem here: Do we or do we not want to eliminate poverty? How do we do it?

Secretary RICHARDSON. We favor an increase in the Federal minimum wage, Senator, but we do not favor increasing the minimum proportion of the minimum wage for which a person on welfare should be required to work above three-quarters of the Federal minimum wage, whatever it is.

How can we let persons on welfare refuse jobs that millions of other Americans work at every day?

Senator RIBICOFF. Very easily: By expanding the coverage of what the minimum wage is and making sure that everybody who is willing to work in America gets the minimum wage of \$1.60 instead of \$1.20. All it takes is a question of policy commitment by the administration.

Secretary RICHARDSON. H.R. 1 then would automatically have the



effect of making sure everybody gets the minimum wage, because it provides specifically that a person moved off welfare into work must receive the legally required minimum wage, or the prevailing wage in the community, whichever is higher.

So the only question then is as to those not covered.

Obviously it is desirable to extend the minimum wage and Secretary Hodgson will be here—all I know is that it is the policy of the administration to increase it and to extend it.

#### GUARANTEEING NO LOSS OF WELFARE BENEFITS

Senator RIBICOFF. Now, I am going to list for you a series of provisions supported by the administration, the President and yourself, during the past 2 years but that have been left out of H.R. 1.

I would like you to comment on how you stand today on the provisions which you are for and which you are not for in H.R. 1: One, a guarantee of benefits no lower than under the present system. How do you now stand on that?

Secretary RICHARDSON. Our position has been modified on that to the extent that we now have in H.R. 1 a clear separation of the Federal and State responsibilities. Last year's bill, as our previous discussion has made clear, did include provisions for 30-percent Federal matching of State-supplemented payments. So the Federal Government was in the business of matching State payments, and therefore still in the business of telling States what the minimum conditions were under which we would be willing to do this.

We think that there is a net gain in avoiding the compliance problems that we have run into all over the country in recent years that results from saying that the Federal minimum will be \$2,400, no Federal matching of amounts above that; what the States do beyond that is a decision for the States.

Senator RIBICOFF. In other words, you are assuring that millions of Americans will receive less under the administration proposal than they now will receive? You read the papers the way I do. In the past year 10 States have cut back on welfare and another 12 States will probably do so. What you are doing is forcing the States, under pressure, to cut back on what millions of Americans now receive because of the Federal attitude?

Secretary RICHARDSON. You have put that point with a very straight face, Senator.

Senator RIBICOFF. I could not put it straighter, Mr. Secretary.

Secretary RICHARDSON. But the short answer is that we would not be forcing any reductions under this legislation. All the cost estimates are predicated upon the States maintaining their present benefit levels and, in addition, adding to the benefit levels the cash equivalent of the food stamp bonus.

And we have so reflected in the tables. There is the further point that, this year, as many as 14 States have already cut benefits as a result of the soaring caseloads. So what they are doing, in effect, is to go up in their total expenditures less than would be required to maintain last year's benefit levels, but they are still spending much more money than they spent last year.

Under this legislation the "hold harmless" clause would assure that they will not have to spend any more than they will be spending in 1971, so they are no longer facing that same squeeze.

They will be in a position, therefore, to go on doing what they have been doing, and we see no comparable likelihood, therefore, that they would, in fact, cut benefits.

Senator RIBICOFF. Well, I would say only nine States and Puerto Rico now pay more than \$2,400. What the Federal Government is doing is encouraging every State to cut the benefits they are now paying, by your failure to require them to guarantee benefits no lower than under the present system.

Let us go down the list, because I want to get your point of view on other matters.

#### MANDATORY REGISTRATION BY MOTHERS OF PRE-SCHOOL-AGE CHILDREN

Two, optional work registration for mothers of preschool children. Why are you against it now, when you were for it in 1969?

Secretary RICHARDSON. We have not changed our position on that. We think the exemption for mothers of preschool children should be applicable to all mothers of children under six, as the bill would provide the first 2 years.

Senator RIBICOFF. So you disagree with H.R. 1?

Secretary RICHARDSON. Yes.

#### REQUIRING STATE SUPPLEMENTARY PAYMENTS FOR FAMILIES WITH UNEMPLOYED FATHERS

Senator RIBICOFF. Require supplementation to families headed by unemployed males?

Secretary RICHARDSON. Here we believe that, for the 22 States which have this program now, the "hold harmless" clause enables them to continue to cover such families and that it is therefore unnecessary for essentially the same reasons that we discussed earlier, for us to require them to do so.

#### DEFINITION OF "SUITABLE" JOB

Senator RIBICOFF. Job suitability provisions?

Secretary RICHARDSON. Job suitability is an issue that has been dealt with repeatedly in slightly varying ways. The legislation now in effect provides that an individual is first required to be given an opportunity to do a job commensurate with his skills or experience. There is even provision for helping him to get to a community that has such an available job, even if the immediate locality does not.

But if there is not a job of that kind available to him we support the conclusion that a family head should be required to accept an available job that satisfies the other requirements that we have already identified with respect to wage levels; provided, in the case of a mother, that satisfactory adequate day care is available. This would be a reason still for refusing to accept a job; it would be a refusal for a good cause.

## DURATION OF RESIDENCY REQUIREMENTS

Senator RIBICOFF. The next is elimination of welfare residency provisions. How does the administration stand on that today?

Secretary RICHARDSON. H.R. 1 says, in effect, that a State may impose a residency requirement with respect to eligibility for the State supplement; in other words, the rationale is if it is all their money under the supplement, they should be able to say who gets it and to impose a residency requirement. We think that the rationale of the Supreme Court decisions on this subject reaches that situation also.

So we do not believe that the provision is constitutional and we think that it should be eliminated.

## PROTECTING STATE AND LOCAL WELFARE EMPLOYEES

Senator RIBICOFF. The protection of State and local government employees' rights to transfer into a new system and aid them in getting jobs—how do you stand on that today?

Secretary RICHARDSON. Here a great deal of work has been done with various government employee groups, those representatives of the Federal and of State employees, with State and local government representatives, and with the U.S. Civil Service Commission.

The Civil Service Commission is close to the point of being prepared to submit specific legislative recommendations on the subject to this committee.

We have worked with them and we think that the general approach is consistent with the one that we discussed last year, which was part of the compromise which you and Senator Bennett worked out.

## QUARTERLY INCOME REPORTING AND BIENNIAL REREGISTRATION

Senator RIBICOFF. Allowing the Secretary to make payments and decide entitlement based on his estimates, rather than require mandatory quarterly reporting and reregistration every 2 years by the recipient?

Secretary RICHARDSON. The interval since last year has reinforced concern about the presence on the welfare rolls of people who should not be there. And in a number of respects which I covered in my testimony, the bill reflects a deliberate effort to make it, as the chairman of the Committee on Ways and Means has put it, "harder to get on the rolls and easier to get off." We support this position.

Senator RIBICOFF. Mr. Chairman, I shall defer to other members, but I have other questions that I want to ask.

The CHAIRMAN. Senator, I shall try to come back to you later on in this morning's session, if you will stay with us. I know our Republican friends have a Republican meeting at 12:30, and I want to give each of them a chance or two to ask a question before they leave for that meeting. I know the Secretary and I would be willing to stay on longer if needed.

Senator Jordan?

## DISINCENTIVES TO WORK

Senator JORDAN. Mr. Secretary, I am going to confine my questions to matters relating to the notch problem that plagued us so last year and our attitude toward that notch problem.

You say in your statement that the notch, as this committee is well aware, "comes about when a substantial loss of benefits results from the earning of an additional dollar of income."

I am not quite sure all the notches have been removed from this bill when we apply it to certain areas. Senator Curtis has indicated that he has some charts relative to the notch problem which he wants to examine before the committee.

I want to talk about a different kind of disincentive. Suppose in a community a family of a certain size meets the requirements for welfare and they receive  $x$  dollars per year. That would include the Federal minimum guarantee, the State supplement, and any other accretions that might come their way.

What about the same size family of the same family structure in the same community whose breadwinner is working full time at a job known to be the most undesirable job in the whole community, and whose total annual income is  $x$  plus \$1?

What is the incentive for him to stay on his undesirable job rather than go on welfare?

Secretary RICHARDSON. Well, there is no way in which, by going on welfare, he could increase his income. One of the best—

Senator JORDAN. No, but he would not get any less.

Mr. VENEMAN. Yes, he would.

Secretary RICHARDSON. If he were getting, let us say, to make this a little bit more concrete, the largest amount of income a family can earn and get any benefits, a family of four, is \$4,140.

Senator JORDAN. That might be supplemented by States where the living cost differential would induce them to do it?

Secretary RICHARDSON. Yes, that is true, if it were an AFDC family. But the States, generally speaking—there may be only one or two exceptions—do not have programs covering the working poor. This involves a different problem, to be sure.

Senator JORDAN. Yes.

Secretary RICHARDSON. But assuming that the family remained intact, there would be no way that the father in the situation you suppose could make his family into a family eligible for AFDC. So he would have no incentive to give up his job.

Senator JORDAN. Well, why could he not say, "I do not feel like working any more"?

Secretary RICHARDSON. Under Secretary Veneman would like to reply.

Mr. VENEMAN. Senator Jordan, the point is, it is impossible for that man to be better off by quitting his job.

For example, if he were making \$4,120 or more and went on welfare, the most he would get would be \$2,400, less \$800 because he would be refusing to work. So he would have the \$800 penalty. So he would be giving up \$4,100 in order to get \$1,600. So there is no incentive there to quit a job. Now, if he were earning \$2,000 a year, he would be en-

titled to a FAP benefit, a wage supplementation, of \$1,546. So his total income would then be \$3,546. If he quits that \$2,000-a-year job, then his total income would be \$1,600 again, because it would be \$2,400 less the \$800 for refusing to work.

So there is no way that he can be better off.

Senator JORDAN. I do not agree, but I would like to see it worked out on some charts.

(Material supplied by the Department follows:)

#### NOTE ON WORK INCENTIVES IN H.R. 1

Under the provisions of title IV of H.R. 1, no family, either male-headed or female-headed, could be financially better off by not working than it would by working. This is true whether or not there is a State supplement. The financial advantage of work is increased further by strong penalties for refusal to register for work or training.

A man with a wife and two children, for example, in a State with no supplement, would face the benefit schedule of exhibit 1. Clearly, it always pays him to work. If he refuses to work without good cause, the \$2,400 benefit at zero earnings is decreased to \$1,600.

A woman with three children in a State with no supplementation faces the identical benefit schedule of exhibit 1.

State supplementation does not change the picture, except to add a constant amount to each earnings level in exhibit 1 and increase the breakout point. Since no tax rate can exceed 100 percent and all female-headed families below the State breakout are covered, no female-headed family can ever be worse off by working than by not working. This is not true under current law.

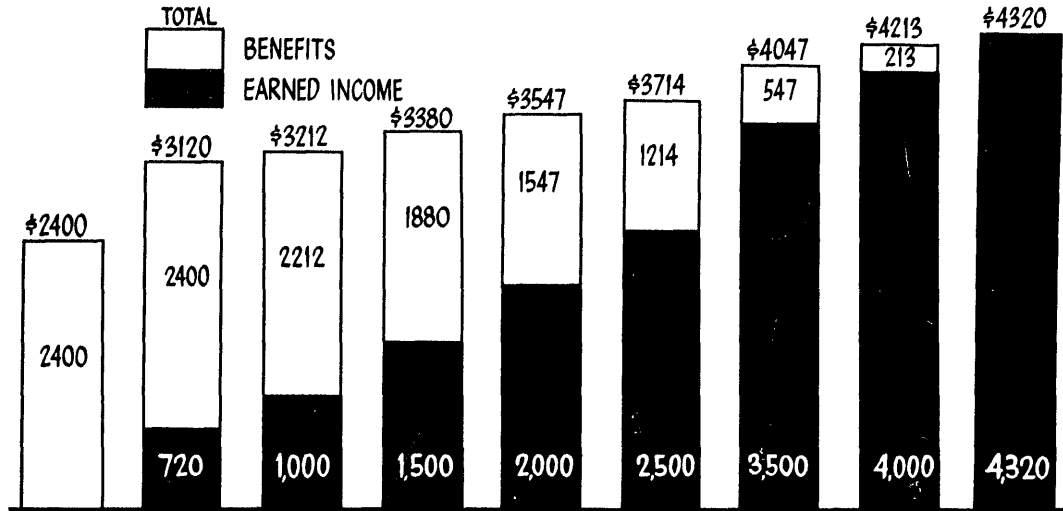
Since States need not supplement male-headed families, the situation is more complex. In the 27 States with no unemployed father program, exhibit 1 obtains for a male-headed family, and there is no complication. In a State which supplements an unemployed father, based on the new definition of unemployment as working less than 100 hours/month, it is theoretically possible for a male-headed family to reduce its work effort and increase its benefits. For example, a man working 40 hours a week in New York, earning \$4,320 would receive no benefit (except possibly under the State-funded working poor program). If he reduced his hours to 100 a month, earning say \$2,700 a year, he might qualify for the unemployed father program, receiving \$1,356 in addition to the Federal benefit of \$1,081, for a total income of \$5,137. This possible disincentive is an inherent structural flaw in the unemployed fathers program and the inevitable result of a program which pays benefits on the basis of hours worked, rather than income.

It is mitigated by the fact that control over hours (especially cutting back hours to 25 a week) is seldom in the hands of the worker and by the fact that only four States which have an unemployed fathers program have a State supplement over \$3,500 as of May 1971. (The lower the State supplement, the lower the incentive to reduce hours to qualify for an unemployed father supplement.)

EXHIBIT ONE

# FAMILY BENEFIT SCHEDULE

## FAMILY OF FOUR



BEST COPY AVAILABLE

The CHAIRMAN. Could I interrupt? While you are presenting that, the Department has asked for this information and I have authorized that it be made available to the Department.

Senator, you have before you a blue book there, "Work and Training Provisions, H.R. 1." I would suggest that you look at page 26, and I would ask the staff to present Mr. Veneman with a copy of it.\*

This is chart 13 on page 26. This is just an illustration, depending upon family income level, of how much someone loses by going to work, depending upon how much of their earnings they lose.

If you will look on page 26 on chart 13—this is information available to us. Beneath there you will see assumptions upon which this is based, that for each dollar a family earns, in Chicago, in the \$1,000 to \$2,000 level, it costs them \$1; the \$2,000 to \$3,000 level, it costs them \$1.12; \$4,000 to \$5,000 level, \$1.28 and \$5,000 to \$6,000, \$1.31.

Now, that takes, of course, into account the social security tax, the State and Federal income tax, the medicaid deductible increase, the subsidy in public housing rent.

That is the thing you have in mind, is it not, Senator?

Senator JORDON. That is one notch you had in mind and you brought out a point that I did not intend to get into at this time, because Senator Curtis is going to present the tables later.

I am talking about another kind of situation where a man with the same family circumstances makes a dollar more than the family on relief under the same identical circumstances; this man who is fully employed pays a payroll deduction tax for Social Security, and perhaps State income taxes, perhaps Federal income taxes. What is there in H.R. 1 that would phase this tax user family into a taxpaying family without a disincentive for him to stay on welfare, to go on welfare from full employment?

Secretary RICHARDSON. Well, Senator, let us take the cutoff again. You are assuming a family in which the wage earner is getting \$4,141.

Senator JORDON. I did not assume any particular sum.

Secretary RICHARDSON. The point is that the welfare benefit diminishes as earnings rise, so that at \$4,140 these two families are in the same situation. The family that was at an earnings level of \$4,000 as against \$4,140 would only get a very small benefit amount.

Senator JORDAN. All right. But just using your illustration, this family makes \$4,140 out of which he pays payroll taxes for Social Security. His take-home pay is less than if he were on welfare.

Secretary RICHARDSON. Senator, we think that the chart on page 26—chart 13—of the committee print that I have just now for the first time seen, dated July 23, 1971, is grossly misleading as to the family's actual economic situation, with respect to certain factors which have a marginal impact upon the family head's incentive to work. Take, for instance, public housing. This is shown in one respect as an economic benefit. But social security is shown as if it were all out-of-pocket expense without a corresponding economic benefit.

Senator JORDAN. Mr. Secretary, I am not talking about chart 13; I am talking about a hypothetical situation where a family in the same

\* See app. B, p. 368.

community makes a dollar more and pays payroll deductions for social security, and his take-home pay is less than if he were on full welfare.

Secretary RICHARDSON. That is not true, Senator. That cannot happen under H.R. 1.

Under H.R. 1, the family with a wage earner always has more money than the family with no wage earner. Now, take the case of the family on welfare whose benefits are maybe \$120 for a total year. If the benefits were any less, the family would be removed on the basis of the \$10 a month limitation.

Now, that means that that family has to be earning roughly \$4,000. If the family had no earnings, their total would be \$2,400, and if in those circumstances an employable family had refused the job, their total benefits would be \$1,600.

Senator JORDAN. But suppose the State supplement puts them up to \$4,000.

Secretary RICHARDSON. The supplement also pushes up the break even proportionately so that it does not matter; the \$4,140 break even is the break even on the basis of Federal benefits alone.

If you assume State supplementation of \$1,000, the break even is \$5,640, and the same analysis applies. So even assuming that he is not refusing to work and goes in and gets benefits, the most he can get for his family is \$3,400.

Now, since he, by definition, is capable of working, if he is offered a job, he will lose \$800 in his Federal benefits, reducing that to \$1,600, and he will lose \$333 of the State supplement.

Senator JORDAN. Well, you have lost me, because I think that you are missing the point. You are predicting what the State supplement is going to be.

Secretary RICHARDSON. I am only making an assumption. It does not matter what it is, Senator. It raises the break-even point by the same proportion, so we might as well talk as if there were no State supplement involved. It does not matter whether there is a State supplement or not; the individual who receives benefits under this program, cannot be better off than an individual who is not.

Senator JORDAN. I am not convinced. But I shall yield the floor.

Secretary RICHARDSON. There is a remaining inequity as between male- and female-headed families which can only be overcome by a proposal to require State supplementation of the working poor program which we think, for various reasons, is not appropriate at this time.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

#### DURATION OF RESIDENCY REQUIREMENTS

Mr. Secretary, first, I did not understand your reply to Senator Ribicoff in regard to residency requirements. Now, what is your view in regard to residency requirements?

Secretary RICHARDSON. We think that the Supreme Court decision on this point makes unconstitutional the provision of H.R. 1 which seeks to permit States to apply residency requirements with respect to eligibility for the State supplement.



Senator BYRD. Do you favor residency requirements?

Secretary RICHARDSON. No.

Senator BYRD. You oppose residency requirements?

Secretary RICHARDSON. Yes.

Senator BYRD. You think a State should not have the right to require that the welfare recipient be a resident of that State?

Mr. VENEMAN. They can require that. The issue is duration.

Senator BYRD. I want to get the Secretary's view.

Is that your view?

Secretary RICHARDSON. The point is not that the State cannot require that the recipient be a resident. The question really is whether the State can impose a requirement for living in the State for a given period before the individual can receive State benefits. Obviously, the State can and should be permitted to say that it will not pay benefits to anybody who is not living in the State at all; the question is how long must they have lived in the State before they become eligible.

Senator BYRD. It is your view that a State should not impose any time requirement for residency?

Secretary RICHARDSON. Yes.

Senator BYRD. It is your view that the State should not have the right to impose a time requirement for residency so far as drawing welfare benefits?

Secretary RICHARDSON. This is, of course, my personal view, to answer your question directly. In any case, whether or not it was my view, the view of our General Counsel, with which I concur as a lawyer, is that we could not constitutionally permit a State to do this in any case.

Senator BYRD. What is your view of the New York—

The CHAIRMAN. Mr. Secretary, could I interrupt there?

Senator BYRD. Surely.

The CHAIRMAN. Because I just do not like to see fine legal points bypassed.

The basis of that Supreme Court decision was that the Federal Government cannot authorize a State government to ignore a provision of the Constitution where the States are required to go by an equal protection clause. If the Federal Government wanted to, it could impose, itself, a residency requirement which would not violate the equal protection clause if we wanted to do it.

So if we wanted to say, as has been suggested on occasion, that there should be some reasonable residency requirement, while the States cannot do it and we cannot authorize them to do it, we do have the power to do it, I believe. That is what the judgment of the lawyers on this staff seems to be.

Have you thought of it from that point of view?

Secretary RICHARDSON. I do not agree, Senator, that Federal legislation could authorize the States to withhold benefits from a family because they had not lived in the State long enough. I read the Supreme Court decision as saying, in effect, that this is denial of equal protection of the laws as between one family and another family, given the mobility of people within the United States today, and given the Federal intervention in the base of benefit payments to individuals.

The CHAIRMAN. Well, but it seems to me as though if we said in Federal law, you are eligible to draw payments from State A for 1 year after you leave State A, and State B, to which you have moved, does not owe you payments until you have been there 1 year, then the person is in all cases entitled to draw welfare payments from somebody, and there is uniformity in the law. Would you contend that that still violates the equal protection clause because this is the Federal Government doing this rather than a State doing it?

Secretary RICHARDSON. I think that the language of the decision is broad enough to require the conclusion that this could not be done. But I recognize that it is arguable.

In any event, I would still then feel it was fairer in these circumstances to provide for uniform payments to people living in the same place.

The CHAIRMAN. Pardon me for interrupting. I just wanted to get the Secretary's opinion.

Senator BYRD. I appreciate the chairman making that point. It is important to me in getting the philosophy of the Administrator of HEW, and he answered my question categorically that he does not favor residency requirements.

#### RECENT LARGE INCREASE IN WELFARE ROLLS

Now, Mr. Secretary, on page 2 of your statement you say that during the decade of the sixties, the AFDC rolls increased by 4.4 million people, a 147 percent increase. Then you say further in the year following the President's initial call for welfare reform, in August, 1969, the rolls increased an additional 50 percent.\*

So over a 10-year period the rolls increased by 147 percent, but over a 1-year period they increased by an additional 50 percent.\* I am just wondering whether that is not an indictment of the Administration of HEW.

Secretary RICHARDSON. Well, certainly, we would have to admit that the prima facie case looks bad, Senator Byrd.

Senator BYRD. I agree with that.

Secretary RICHARDSON. But actually, on the other hand, the administration of the program has remained essentially the same.

The determinations of eligibility are a State and local function under existing law. The responsibility for audit and to determine whether or not the States are doing a reasonably adequate job of administration is and has long been a Federal responsibility. I think we have exercised this at least as well as it has been exercised at any previous time.

So one must look elsewhere for an explanation of this very rapidly accelerating rise in total caseloads and costs.

There have been various studies of this, and among the contributing factors have been the elimination of the residency requirements as a factor, the elimination of the man in the house rule, which we discussed early as having been a factor, the activity of various groups and organizations—

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\* See footnote, p. 30.

Senator BYRD. Both of which you approve of?

Secretary RICHARDSON. The man in the house one I recognize as presenting practical difficulties on which we would be glad to work with the committee.

The second one, residency, I have expressed my personal view of.

The activity of various groups and organizations in calling the attention of people to their legal right to receive benefits has undoubtedly had an impact.

Senator BYRD. Of which you approve, also?

Secretary RICHARDSON. Well, it is hard to say it is wrong for anyone to undertake to call to the people's attention the fact that they are entitled legally to a benefit. When you are confronted with a question yes or no, I think one would have to say that the Congress having declared a public policy in favor of providing benefits to people in a given situation, anyone who called to their attention the fact that they are entitled to them is performing a role that I certainly cannot condemn.

Senator BYRD. I think it is a very interesting figure that you put into the record that over a decade, the rolls increased by 147 percent, while for a 1-year period under the new administration, they increased an additional 50 percent.\*

Mr. VENEMAN. Mr. Chairman, may I clarify this point?

Senator BYRD. Please do.

Mr. VENEMAN. There has not been a new administration with regard to the administration of public assistance programs in this country. The public assistance programs are administered by State and local governments. The Federal Government has absolutely nothing to do with the administration.

Senator BYRD. Let me put it this way: In the new Federal administrators in Washington. There has been a new administration in Washington.

Mr. VENEMAN. But it cannot be attributed to the 50-percent increase in caseload and costs, Senator.

Senator BYRD. I do not say it is, but I do not say it is not, either.

Secretary RICHARDSON. Well, I think we can assure you categorically that it is not.

Senator BYRD. I do not think I can categorically accept that explanation.

Secretary RICHARDSON. I would be very glad, Senator, to have anybody scrutinize the processes that have been administered so far as the Federal role is concerned in the interval since January 1969. I hope that such a scrutiny would disclose that in some respects the situation has been tightened up and improved in administration; the audit procedures are more adequate.

But I am sure that you will not find that there has been any relaxation.

Senator BYRD. Well, something is radically wrong when over a 10-year period it increases by 147 percent, and then all of a sudden in a year it increases by an additional 50 percent.\*

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\* See footnote, p. 30.

Secretary RICHARDSON. I totally agree with your observation that something is radically wrong and of course that is why we are here, to try to persuade you to do something about it.

Senator BYRD. You are here to expand an already expanded program. Let us get on to another subject.

#### ADEQUACY OF \$2,400 BENEFIT

In your statement you comment on the Federal income floor of \$2,400. In your judgment, is that an adequate floor?

Secretary RICHARDSON. Yes.

Senator BYRD. It is an adequate floor?

Secretary RICHARDSON. Yes.

Senator BYRD. I think that last year you testified that \$1,600 was an adequate floor.

Secretary RICHARDSON. It is necessary to make clear that we started, in arriving at the \$2,400, with the \$1,600 base of last year, cashed out food stamps, the equivalent of which is \$600, added the \$600, bringing the total of \$2,200, which we agreed last year with Senator Ribicoff and Senator Bennett could approximately be done under last year's program; and then the additional \$200 reflects, as I said earlier, a kind of uniform national equivalent of the cost to the Federal Government of participating in State supplements. So you can consider the \$200 in effect as buying the Federal Government out of paying 30 percent of whatever the State chose to add to this \$2,200.

So the result is, therefore, in determining the adequacy of this level, or appropriateness—because nobody would say that it is enough to live on by itself—that the justifications for the \$2,400 are basically the same as those which justified the \$1,600.

Senator BYRD. I noted in the press this morning that most of the potential Democratic candidates feel that \$2,400 ceiling is too low, and all of them advocate a higher ceiling, with some variations between them. But your recommendation is for \$2,400?

Secretary RICHARDSON. Yes; I am not sure that, with all due respect, the Democratic candidates have squarely confronted the cost consequences of increasing benefit levels. As I pointed out earlier—

Senator BYRD. I am not sure HEW has, either, insofar as this guaranteed annual income is concerned.

Secretary RICHARDSON. Well, (a) Senator Byrd, we do not accept the characterization of this program as guaranteed annual income; (b) we think we have squarely considered the cost implications.

And as I pointed out earlier, the cost increase in benefits to families is quite small. The total increases in cost in this program are largely attributable to increases in benefits to adults and the increases in costs in the money allocated to the various programs designed to get people off the rolls and into work.

Senator BYRD. Now, may I ask you this, Mr. Secretary: Suppose the Congress were to adopt legislation at a figure substantially above the \$2,400? Would you recommend that that be vetoed or signed?

Secretary RICHARDSON. It would depend on how far we went. I would want to remind this committee in due course, or the Senate, that if increases in this total amount seem likely, that there are many

other competing claims to be considered including the medical care legislation which the committee will, I trust, in due course be considering. There are claims in education, just within my own Department, without even reaching needs in areas other than those of concern to HEW. So I would hope that the committee and the Senate will not increase that number.

Senator BYRD. Mr. Chairman, my time is up. I have a number of other questions, but my time is up.

The CHAIRMAN. We shall come back to you later.

Senator Nelson?

#### ADMINISTRATION OF STATE SUPPLEMENTARY PAYMENTS AND SAVINGS CLAUSE

Senator NELSON. Mr. Secretary, do I understand the bill correctly in that a State may continue to administer the program of supplemental grants, whatever they may be, or they may forfeit that responsibility and it will be assumed by the Federal Government?

Secretary RICHARDSON. Yes; that is essentially correct, with the further provision that if the State elects to benefit from the "hold harmless" clause, to be protected against increases in State expenditures above the calendar 1971 level, then they must agree to Federal administration of the supplement. Since the Federal Government is saying that we shall hold you harmless against any increased costs attributable to increases in caseload, we must be in a position where we can apply our own consistent standards to the determination of who gets onto the rolls.

Senator NELSON. The "hold harmless" clause only applies to additional enrollees covered, becoming covered, subsequent to the act; is that correct?

Secretary RICHARDSON. The answer is essentially "yes," but the consequences are measured rather in dollar terms than in numbers of enrollees; in other words, the effect is to protect the State against costs attributable to increased enrollment, because the assumption is that benefit levels remain the same. If the State elects to increase benefit levels, then they would pay that whole cost without protection from the "hold harmless" clause.

The "hold harmless" clause would hold total State expenditures to the calendar 1971 level. This means, in effect, that any expenditures attributable to increases in caseload would fall upon the Federal Government.

Senator NELSON. But if they wished to be beneficiaries of the "hold harmless" provision of the bill, they then must forfeit the responsibility of managing any aspect of the welfare program?

Secretary RICHARDSON. That is true; except, of course, for services to people of various kinds that would continue to be a responsibility of State and local welfare agencies.

Senator NELSON. How many people—I would assume, myself, all the States would probably, under those circumstances, cede the responsibility for management of the welfare programs to the Federal Government—perhaps not all of them, but certainly almost all of them.

How many employees would that involve—I understand there are something like 172,000 employees working on welfare at the city and State levels. Is that right?

Secretary RICHARDSON. Yes; I think the figure is a little higher. I indicated a little earlier 185,000, but this is roughly comparable.

Of that total, we estimate that roughly 70,000 are engaged in the function of determining eligibility and making or processing AFDC payments. The remainder work in the adult category program or are engaged in the kinds of services that would continue to be a State and local function.

We think that with the uniformity of administrative techniques and the adaptation of computer technology, the total number of Federal employees required to handle the family category eligibility and payment functions would be significantly fewer than under current law, but we do not have a firm figure on that.

#### INCONSISTENCY OF APPROACHES OF ADMINISTRATION WELFARE AND MANPOWER BILLS

Senator NELSON. Well, maybe you can rationalize this position which seems to conflict with what I understood to be the posture of the administration in general on revenue sharing. The administration has taken the position as a general matter that whatever functions can be performed at the State and local level ought to be performed there, because the administration of programs at that level is more efficient. The administration therefore has advocated general revenue sharing and a manpower revenue sharing bill. They would turn all the manpower programs back to the States. I happen to agree with that concept. It is a concept I have supported for many years. Based upon my personal legislative experience, in State government and in the Federal Government, it is my opinion that the efficiency of the State government, at least in my State, is far superior to that of the Federal Government.

The big bureaucracy—all big bureaucracies become inefficient in direct ratio to their size.

So I am a states righter in that respect. I think anything the States and cities can do, they ought to do, and I agree with the position of the administration.

But I do not understand how you reconcile the administration posture on the revenue sharing manpower bill which proposes that all of the manpower money be just turned over to the cities and States in a block and let them run it themselves because they run it better than we do; and now on the other hand you are saying that the States have to, if they are going to be under the "hold harmless" clause, they have to turn over the administration of all these programs to be run out of Washington.

Can you reconcile those positions?

Secretary RICHARDSON. Yes, I think so, Senator Nelson. I welcome the opportunity, as a matter of fact.

I think that it is important in this connection to make the point that what the administration and the President have referred to as the

new federalism contemplates the allocation of governmental responsibility to whatever level or agency is best adapted to perform that function.

Now, in the case of manpower services or the development of day care, for example, we feel that the States, local governments, or voluntary agencies in some cases, can do a more responsive job in meeting the needs of the people of a given area or community than a Federal agency.

And I think Secretary Hodgson will testify that, in the actual provision of manpower services to people under the opportunities for families program, the Labor Department will purchase manpower and training services for employable people on the OFP rolls just as they would buy day care for mothers who, without available day care, would be unable to accept a job.

A comparable example is rehabilitation services which HEW, under the administration of the family assistance program, would not undertake to provide directly, but which we would see to it were paid for in order to enable an individual disqualified from employment by a physical handicap to overcome that handicap and qualify for work.

But when it comes to a function such as the determination of eligibility under a uniform national program, the computation of benefits, the cross-checking of income data to determine whether or not it has been accurately set forth in the application form, or the processing of checks, we think that the Federal Government has established a very good track record of capacity and, indeed, that this is a kind of function that can be performed with considerably greater efficiency on a uniform national basis, than it can be done by the States or localities.

And I would point in this connection to the record of efficient administration achieved by the distinguished gentleman on my right, Mr. Robert Ball, Commissioner of Social Security whose overhead costs in the administration of that program are considerably less than the overhead experienced by private insurance programs.

#### FEDERALIZATION OF ADMINISTRATION OF STATE WELFARE PROGRAMS

Senator NELSON. Under the current law, each State sets the salary and working conditions of the welfare worker if it is a State employee. is that not correct?

Secretary RICHARDSON. Yes.

Senator NELSON. What are you going to do about that at the Federal level? Pay everybody in the United States the same salary for the same job?

Secretary RICHARDSON. We would utilize Federal employees' pay scales which, for the kinds of work that would be involved in the administration of eligibility standards and benefit payments, would be higher than the current pay scales in most, but not all, States. And we have done a lot of work with the Civil Service Commission and various employees organizations on provisions of law that would deal with the situation of transfer or protection of retirement credits, and so on.

We would expect to offer early opportunities for jobs in the administration of this program to people who are now in State service.

We expect that the total number required will be lower than the number now engaged in these services at State and local levels. But the problem of uniformity is no different, really, than applies to our Post Office system or the district offices of the social security system, itself.

Senator NELSON. I am just wondering why we would not be better off to leave the employees under the State jurisdiction, allowing the States to set the salaries and let the Federal Government pay 50 percent of the salary, which is roughly what we do now.

And since the Federal Government is paying half, it has the authority to set the standards in terms of management.

It would seem to me better to leave these employees, that 70,000 of them, under the jurisdiction of the State and local level under standards set by the Federal Government and maintain those employees at the State level. I think it is going to create problems, federalizing all those employees.

There is not only that problem. I know you are aware of the other problems about rights of employees. An employee who has worked 20 years for the State government will lose all seniority when he is transferred to the Federal Government.

Secretary RICHARDSON. This last problem is one on which a great deal of work has to be done. Leave provisions, sick leave, accumulation of retirement credits, the vesting of retirement benefits, and so on, are all the subject of prolonged discussion and negotiation with the Civil Service Commission and other agencies.

But the other point really is a question of judgment with respect to efficiency of administration. Many of the things that can be done to protect against fraud, duplication of payments, and so on, depend upon the utilization of Federal resources not now plugged into the administration of welfare, such as the cross-checking of welfare recipients, tax returns.

Then the question is: Should the States operate with respect to eligibility and payments another system of their own? We say in effect: Yes, if you want to do that, but if you want the benefit of the "hold harmless" protection, we will require you to give us the responsibility of administering determinations of who goes on the rolls, and calculating the benefits, because we have promised you that your expenditures are not going to exceed what you spent in 1971. And in order to protect the Federal Government's own pocketbook against increases in the rolls, the determination of who goes on those rolls should be ours.

That, therefore, has seemed to be a sufficient justification for making the whole of the process of eligibility determination and payment a Federal function, recognizing that there is nothing about it which inherently requires the degree of responsiveness to local situations in communities that is involved, for example, in the provision of services to people.

So we have, as I said earlier, contemplated the latter function as remaining in State and local hands and being hereafter the paramount and exclusive responsibility of State and local welfare personnel with-



out the dilution of their time and attention that has prevented their doing as good a job as we think could have been done in the provision of services over the years.

Senator NELSON. It seems to me all the things you would like to do in terms of managerial efficiency could be done still leaving the employees under State jurisdiction. And it seems to me as long as the State is paying half of it, there is a much greater likelihood of surveillance of their performance.

Secretary RICHARDSON. Well, it has not worked too well, I would say, to date. We have paid half the salaries for administrative functions and are now doing so on an open-ended basis. We also pay 75 percent of whatever social services are provided. And although we do have a mechanism for trying to monitor a State's use of this money, the quality of State administration is highly variable, from your own State—which I know is extremely efficient—to others that are less so. And the result is that the Federal Government is essentially engaged in a check-writing situation, accompanied by checks to make sure that the States are obeying conditions laid down by the Congress.

This has gotten us into problems with compliance proceedings, hearings, threats to cut off funds in Arizona, New Mexico, Nebraska, Connecticut, Arkansas, California, and several other States, just within the last few months.

Senator NELSON. Mr. Chairman, I think I have exceeded my time. I have further questions, but I shall be glad to yield.

The CHAIRMAN. I have indicated I would like to come back to Senator Ribicoff, and he was willing to yield for a while.

Senator, would you like to continue that line of questioning?

Senator RIBICOFF. No; I would just as soon start tomorrow morning, in all fairness to the Senators who have other things to do, and to the witnesses.

You have an obligation to be on the floor at 2 o'clock. Maybe this is a good time to adjourn for the day.

The CHAIRMAN. Thank you, Senator.

Thank you, Mr. Secretary. After a while we ought to get around to talking about the good provisions of the bill, about which we all can agree, as well as the controversial ones.

Secretary RICHARDSON. Thank you, Mr. Chairman.

Mr. Chairman, with your permission, I would like to open tomorrow's hearing with a display of a gadget I have had developed in order to make graphic the point we dealt with last year: the interaction between tax rate, benefit levels, and costs.

The CHAIRMAN. Bring it along tomorrow. We would like to look at it.

We shall meet at 10 o'clock tomorrow.

(Whereupon, the committee, at 1:05 p.m., recessed to reconvene tomorrow, July 28, 1971, at 10 a.m. \*)

\*Hearing date subsequently changed to July 29, 1971, because of Senate floor action on Sugar Act Amendments of 1971.

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# SOCIAL SECURITY AMENDMENTS OF 1971

THURSDAY, JULY 29, 1971

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman), presiding.

Present: Senators Long, Hartke, Ribicoff, Harris, Bennett, Jordan of Idaho, Fannin, and Hansen.

The CHAIRMAN. This hearing will come to order.

## OPENING STATEMENT OF THE CHAIRMAN

Today the committee will hear Hon. James D. Hodgson, Secretary of Labor, on the work incentive program enacted in 1967 and the welfare program the Department would administer under H.R. 1. In large measure, there is little difference between the present law and what the bill proposes.

Unfortunately, the performance of the Department of Labor under the work incentive plan has been dismal, leaving members of this committee properly skeptical that the work and training rules in H.R. 1 would be any more successfully applied in the future than the existing law has been applied in the past.

Indeed, the continued poor performance of the Department since Secretary Hodgson testified last year seems to attest to the unwillingness—or the inability—of the Labor Department to help welfare recipients prepare for a better life.

Here are the facts:

Labor Department failed to enroll one-third of the 511,000 AFDC recipients found appropriate for referral to the work incentive program from July 1968 to December 1970.

Almost 45 percent of the persons enrolled in the program dropped out.

More than 25 percent of the enrollees are simply waiting for training or placement.

Almost no trainees have been placed in employment.

Despite the vast array of manpower programs open to WIN participants, only 6 percent of WIN participants are actually taking part in these Labor Department programs.

Despite the obvious advantages of employment-based training, only 6 percent of WIN enrollees may be found in on-the-job training as public service employment.

Despite the wide congressional interest in public service employment—and the statutory emphasis on public service employment—only 1,149 persons were enrolled in WIN public service employment in April 1971 and of these 901 were in one State—West Virginia.

This litany of dissatisfaction is enough to completely frustrate well-intentioned legislators. It reflects a “can’t do” attitude rather than a “can do” attitude, and I might say Congress would be unwise to base a \$5 billion welfare expansion program on a “can’t do” philosophy.

The Auerbach Corp. which reviewed the WIN program for the Labor Department cites a preoccupation with H.R. 1 as a major cause of the Labor Department’s failure under the work incentive program.

As one who played a major role in drafting the work incentive program, it leaves me asking the Secretary what is the trouble; is the law we gave you based on the wrong concept; are we going about it the wrong way, or is it the inability of your people to administer? What is the answer to this maze? Why can’t we work out something where we give somebody an advantage for going to work and help him when he does go to work? Why is it that we cannot get off the ground by putting people into meaningful jobs, for example, as liberally as we provide for helping the States and the public in the nonprofit groups if they will put people into work positions? What is it? Is it that they do not know about it or rather that they do not care to participate?

Frankly, as one who has worked hard to try to help people find jobs and increase their income in doing it, as one who believes in the concept of workfare rather than welfare, I am looking for answers, and we hope very much you can contribute some to use here today.

#### OPENING STATEMENT OF SENATOR RIBICOFF

Senator RIBICOFF. Mr. Chairman, may I make a comment? I think what is interesting to me, Mr. Chairman, you and I start from opposite ends of the spectrum on welfare, and yet in many respects our thinking seems to converge at the same place, and if I may add a footnote to what you have just said, the present proposal requires 2.6 million Americans to register for work. That is more than double the number participating in all the Federal manpower programs in 1970, and yet the record, as you say, of all Federal manpower programs indicates failure.

In the 1960’s over a half dozen manpower programs were established, and between 1964 and 1967 133,000 persons enrolled in these programs. And yet in 1967, only 22,000 had found jobs, and 70,000 were still in training. Meanwhile the Federal welfare rolls had expanded by 800,000.

What did the Congress do? We reacted by establishing even more programs instead of attempting to evaluate the deficiencies of existing ones.

Now, these new programs also failed to place training graduates in permanent job programs. The WIN program is a good example of such failure. From mid-1968 to 1970 WIN demonstrated a lack of achievement, exceeding even the shortcomings of other manpower programs. Only 10 percent, 20,000 AFDC cases, out of a WIN enroll-

ment of 229,000 people were closed as a result of WIN. Meanwhile, the welfare rolls increased by over a million families.

Now, the question that you and I and Senator Bennett and this committee have to answer is, are we going to perpetuate this record of failure by giving the Department of Labor an overwhelming new burden without finding out why the Federal Government believes it will succeed with opportunities for families when all other similar programs have failed.

In fiscal 1972 total Federal outlays for manpower will exceed \$3.7 billion. If we had used that money in the creation of public service jobs rather than in the multiplicity of training job placement assistance, program direction, research and support, over 900,000 impoverished Americans now on relief could have gone to work immediately at a decent wage in the fastest growing sector of our economy, State and local public service.

Now, along the lines that you have said, Mr. Chairman, I would like to ask unanimous consent to submit to the Secretary a series of requests for information and documentation concerning plans for the implementation of OFF, experience under WIN, the shortcomings of the U.S. Employment Service, as well as other information necessary to evaluate the Department of Labor's ability to properly handle this massive new program; and I also ask unanimous consent, Mr. Chairman, that you ask the Secretary of Labor to submit to this committee answers to these questions which contain the information which we are going to need to mark up this bill along the lines that we are all thinking and, it would seem to me, that in the question or the matter of a couple of weeks, the Department ought to submit this so our staff can spend the recess studying this material, and it should be available to us when we return from our recess. I would like to submit this to the Secretary.

The CHAIRMAN. The Senator may do so. The Secretary will provide you the information. I would like to see the questions and answers as well. I am sure it would be helpful.

(The questions of Senator Ribicoff follow. The replies of the Department of Labor appear as appendix E, pp. 533 ff.)

#### REQUEST OF SENATOR ABRAHAM RIBICOFF

##### QUESTIONS FOR LABOR SECRETARY JAMES HODGSON—AND REQUESTS FOR DOCUMENTATION

1. How many Americans are unemployed? underemployed? and how many are (a) eligible for and (b) required to participate in the OFF program? Based on WIN experience how many of those in (b) would voluntarily agree to participate in OFF? Show the present levels of training and education of those eligible for the OFF program. (i.e. assess employability) How many of these individuals are eligible for existing manpower programs (break down by program, including Public Service Employment); how many have already been processed through other programs—with what results? (See pp. 534, 535.)

2. What percentage (estimated) of the individuals required/eligible to participate in OFF are minorities? What measures are you taking now to insure equal opportunity? (Please provide the Committee with annual reports on EEO enforcement for DOL manpower programs for the past two years, showing how enforcement is administered at DOL, regions and locally, size of budget, number of staff, volume of complaints and agreements handled, etc.) How do you plan to adjust your EEO enforcement program to accommodate the new responsibilities? (See pp. 535-570.)

3. What percentage of the OFF enrollees reside in rural areas? (give break down by region) What manpower programs do you presently have in those areas (name specific program, size of investment, administrative agency, show present as well as cumulative figures) What local delivery system do you have to implement rural programs? (What about community action agencies?) What steps are you taking to correct the problems detailed in the petition recently filed with the Secretary of Labor on behalf of migrant workers and their organizations, and in the National Urban Coalition-Lawyers' Committee publication "Falling Down on the Job." (See pp. 571-583.)

4. What kinds of jobs are presently available in the private sector for OFF enrollees? (specify categories) With what salary levels? Provide documentation showing employability characteristics of those required to participate in OFF v. openings in private labor market. Please provide documentation on the WIN experience to date, with detailed break-downs on: kinds of jobs placed, salary levels, kinds of training and special services received before placement. Document the cost of training and services (including day care) measured against quality of job placement and against cost of maintaining same individuals on welfare. Analyze and recommend the kinds and levels of support (specifying type of training, etc.) needed for the jobs in which WIN enrollees have been placed. Show relationships of job placement of WIN participants and unemployment levels—for the 10 largest cities, for 5-10 rural areas. Provide us with "Internal Staff Briefing Paper Work Incentive Program" prepared by the Welfare Reforming Staff and "Work Incentive Program" Second Annual Report of the Department of Labor to the Congress on Training and Employment Under Title IV of the Social Security Act. (See pp. 583-661.)

5. Based on your knowledge of the labor market, and of those eligible for OFF, please provide the Committee with a phased schedule suggesting how we might break down into priority of service categories the millions of people required to participate in the programs. Show why (if at all) proposed categories differ from those under WIN. (See pp. 662.)

6. Provide the Committee with a chart indicating by State the salary levels required to get an individual off welfare; also indicate the minimum wage level in each state. Compare the former with the data provided in (4) showing the kinds of jobs now available for OFF participants. (See pp. 662, 663.)

7. Public Sector Jobs—What is your position on the public service employment program proposed as part of OFF? How do you plan to relate it to the recently passed PSE bill? Do you agree with the bill as written, i.e. that it should provide low level jobs for the hardest to place. What are the greatest areas of growth in the public sector (leading to permanent jobs)? How many of these jobs require training (in regard to the individuals represented in the welfare population); detail. How many non-skilled (no training required) jobs exist in the public sector? Break down both skilled and non-skilled jobs into temporary and permanent categories. Which (break down by training required, no training, temporary, long-term) of the jobs can lead directly to private employment? Which are appropriate for welfare recipients? Provide us with data on the operation of the Public Service Career program to date—placements, kinds of jobs, salary levels, kinds of private employment obtained after a PSC job etc. (See pp. 664-668.)

8. The House Ways and Means Committee report stated that responsibility for delivery of manpower services under the OFF program should not be assigned to local employment services, where they have proved inadequate in handling the disadvantaged. What kinds of changes do you plan to make to make the ES more responsive? Does the Wagner-Peyser Act need to be amended? (If so, please provide model legislation with 6 weeks) What steps have you taken/do you intend to take to carry out Pres. Nixon's directive that federal contractors must list job openings with ES? Provide us with the analysis of the ES completed in the spring of 1971 and known as the ES, indicating your present plans regarding delivery of OFF services in that state (i.e. will they be delivered by ES, CAA, others?). Also provide us with the rebuttal to the Urban Coalition-Lawyers' Committee report—"Falling Down on the Job: The U.S. Employment Service and the Disadvantaged" prepared by William R. Ford of the ICESA.

What percent of ES placement of the disadvantaged (or of welfare recipients, if known) have been in jobs below the minimum wage? Not covered by workmen's compensation? Less than 1 year? Agricultural?

Recent DOL policy memoranda, state that the ES will become (or is) the "co-ordinator of manpower programs". What does this mean? (See pp. 668-710.)

9. *Program Management*—What will the role of the CAA's be under the OFF program? What is your evaluation of and do you intend to stick with the "prime sponsorship" approach? What other private or public agencies are appropriate sponsors? How will the administration, sponsorship etc. of the manpower programs under OFF be related to the administration etc. of existing manpower programs? (MDTA, CEP, NYC etc.)

Provide us with a listing over the past 5 years of sponsorship of programs authorized by the EOA, showing specifically those which have been transferred from CAA's to mayors and indicating the reasons therefor. How will the OFF manpower program relate to the CAMPS structure? (See pp. 710-713.)

10. *Training Grants*—What evidence do you have that training increases employability? (Doesn't employability depend on job market?) Give placement results of DOL training programs for past 5 years indicating salary levels. What has your experience in terms of ultimate job placements been under on-the-job training programs, as compared with institutional training? Specify re-WIN program. What percent and at what levels (by training slots or funding) of the training under OFF will be OJT?

Provide us with a listing of major private firm participants (including non-profit corp.) in training to date, indicating amount of contract, kind of training, job placement and career advancement results (for MDTA, JOBS, and CEP). Indicate which of those firms are minority concerns, also provide a list of minority firms which have applied for and been denied such contracts.

Submit all guidelines, models, regulations, etc. pertaining to the JOBS program and the NAB's network. Indicate the relevance, if any, of that program to OFF. (Note: JOBS is the fast growing manpower program and the one over which the DOL and the Congress have exercised the least oversight. The GAO in "Evaluation of Results and the Administration of the Job Opportunities in the Business Sector Program in Five Cities", March 24, 1971 documented the failings of the program.) (See pp. 713-732.)

11. *Supportive Service*—H.R. 1 authorizes you to spend \$100 million annually in supportive services for OFF participants. What services will you provide? Through what mechanism? (See pp. 732, 733.)

#### 12. *Miscellaneous*

(a) H.R. 1 provides for inter-state transfers of workers. How would this work? Provide data showing how inter-state system has worked to date for non-agricultural jobs.

(b) H.R. 1 provides for a new Ass't. Sec. for the OFF program. How will his responsibilities relate to those of the present Ass't. Secretary of Manpower?

(c) What criteria or what benchmarks should the Congress apply in its oversight activities to determine if this program is a success?

(d) We have received data indicating that your manpower training programs are under-subscribed this year. To what do you attribute that?

(e) How do you plan to involve the beneficiaries of H.R. 1 in program design, evaluation, etc.? (other than through possible contracts with CAA's) (See pp. 733, 734.)

The CHAIRMAN. Any further questions?

#### OPENING STATEMENT OF SENATOR BENNETT

Senator BENNETT. I have no prepared statement, Mr. Chairman, but I want the Secretary to know that I share the concern that has been expressed here. We are presumably trying to solve a welfare problem by taking people off of welfare and putting them into jobs, as has been indicated, the record thus far has not been very bright. We are charged with developing a new program, and I hope that we will have the cooperation of the Department of Labor and the Department of HEW because my concern is that we develop a practical program and not a theoretical one, that we are able to make some fresh starts and not continue to put patches on failures so they will hold air for a little while but will leak out as the others have done.

This may be our last chance for a long time to solve or at least control the welfare program. If we fail this time the rate at which people will move out of employment and on to welfare may continue and even increase, and it could be that in 10 or 15 years from now a quarter to a third of American people will have moved on to welfare, and we have got to stop that.

It requires two things: It requires a program and it requires jobs to which these people can be moved, and I think more than ever before this committee is determined to stay with this problem until we get what seems to us to be a practical rather than a theoretical solution. I think we are more concerned with the job than we are with the training program, which has not always been the case.

So I am going to listen with great care to what the Secretary has to say, and I am going to do everything I can to translate any idea we can get from any source into a practical program. Thank you Mr. Chairman.

The CHAIRMAN. Secretary, would you care to proceed now with your statement, sir.

**STATEMENT OF HON. JAMES D. HODGSON, SECRETARY OF LABOR;  
ACCOMPANIED BY MALCOM R. LOVELL, ASSISTANT SECRETARY  
FOR MANPOWER; AND JEROME M. ROSOW, ASSISTANT SECRETARY  
FOR POLICY, EVALUATION, AND RESEARCH**

Secretary HODGSON. Mr. Chairman, you and Senator Ribicoff and Senator Bennett have put a lot of food for thought on our plate at the outset here, and we will try to eat our way through it this morning.

The CHAIRMAN. If I might just interrupt you for one moment before you do, Mr. Secretary, it occurs to me that the record we are making here can be very useful. We are going to suspend during this August recess, and that is going to offer the various people around the country—and I have in mind these State administrators, the State departments as well as the—I mean the labor security people, unemployment security, and your labor people, as well as the welfare and the HEW people around the country, an opportunity to study what has been said in these hearings.

I hope we can print up the first volume or two of the hearings here that we have had, and begin to analyze the problem as it is laid before us. Perhaps we can get some help from administrators and others in resolving some of the differences that we find between what is being advocated by the administration and what is being advocated by some of the Senators.

I am sure that you have able people in your department. You have done a fine job down there, but you do not have all the brains in America in that Labor Department. We should be the first to admit that we do not have it all on this committee. We would be glad to welcome whatever someone can contribute to help.

Secretary HODGSON. In fact, I think you might say that not all the brains in America are here along the Potomac.

The CHAIRMAN. That is right.

Secretary HODGSON. Mr. Chairman, if I may then, I will proceed with my statement. I do not intend today to present a case for welfare reform. It seems to us, that the case has been made. It has been made



by the committees of Congress. It has been made in public dialog, and perhaps most of all, it has been made by the constantly deteriorating performance of the present welfare system. I suggest then that the essential questions that remain are what shall be the elements of welfare reform, and how soon shall we achieve it. These are the questions this committee will help decide, and I am here solely to be of assistance in helping to make those decisions.

At the outset let me make it clear that I believe that the appropriate elements of the needed reform are embodied in H.R. 1 and that this legislation should be enacted at the earliest possible date consistent with the considered examination such landmark legislation deserves. For indeed this is landmark legislation.

As Secretary Richardson has described, welfare reform moves on several fronts to accomplish needed reform, of which breaking the back of dependency through an emphasis on employment of the welfare recipient is only one, although a major one.

I want to address myself to that role of employment in welfare reform.

And I want to go straight to the issues that concern this committee.

My first point is simply this, that the bill before you this year is stronger legislation than submitted by the administration and passed by the House of Representatives last year, largely because, in my judgment, of the work of this committee last year.

To start with, H.R. 1 separates those who would be required (or volunteer) to accept employment or training from those not so required. The opportunities for families program, for those required or volunteering, is a distinct program, with full legal responsibility lodged in the Department of Labor. This puts the recipients for whom employment is the road to independence in the agency best able to help them achieve it. This is workfare, a concept favored by both the President and, I believe, this committee.

The difference from last year's manpower and employment component, however, goes well beyond one of form. It is improved both in terms of scale and content.

In terms of scale, it increases the funds specifically earmarked for jobs, for manpower development, and for supportive services to a total authorization of \$2.2 billion—all directly tied to the key employment objective. This increase results from the addition of funds for public job creation, child care, and supportive services, the elimination of State matching requirements on manpower services, and the transfer of a larger enrollment from the WIN program than contemplated last year.

This increase in resources in the family program is the direct result of a decision to increase the amount of resources invested in welfare reform—to \$2.2 billion. Money thus applied to reducing the rolls as compared to straight-benefit payments is an investment in future generations. When comparing total expenditures estimated under the welfare reform bill with existing expenditures, it is important to keep this point in mind, because the major share of present welfare expenditures goes for benefits or the administration of benefit payments.

In terms of content of the manpower program, the most significant changes from last year have to do with public employment. The welfare reform bill provides \$800 million for creating public jobs for about 200,000 people during the first year of the program. It is time to couple

two needs, the economic need of a people who do not have jobs but are being supported now by the public, and the need for services required in local areas—services that State and local governments cannot now afford, partly because they are being bankrupted by welfare costs in the first place. The important companion benefit is that such jobs can, and will, be used as stepping stones to regular jobs in the unsubsidized sector.

In addition to direct job creation, the new legislation takes further steps to open up jobs for OFP recipients in the public sector. All government agencies receiving grants from the Federal Government would be required to list their job vacancies with the local manpower office responsible for OFP. Further, such agencies could be required to set goals for the hiring of OFP recipients.

Having strengthened the provisions of the bill that provide job opportunities, it was appropriate that we strengthen the requirement to insure that OFP recipients avail themselves of the opportunities provided. The penalty for refusing work has been raised from \$300 to \$800. Our experience has been that people normally will avail themselves of opportunity, but the penalty is there for when it is needed, and to assure those not so willing are not going to get a free ride.

The vital nature of child care in support of manpower and employment efforts is recognized to a greater extent in H.R. 1 than in last year's bill. The assurance of adequate and timely child care is strengthened in the following respects:

A total of \$700 million is authorized directly in support of the employment and rehabilitation objectives, providing child care opportunities for 875,000 children. Child care funds available in title IV for employment support are transferred to the OFP program, and money and authority for construction of facilities has been added to the bill.

While all of child care in last year's bill flowed through a single agency, this year's legislation contains a "failsafe" arrangement. HEW would have the responsibility to develop child care facilities under a system of prime sponsors, and Labor would have the funds and authority to purchase child care directly in areas and under conditions where the system may be unable to supply it in a timely manner. Of course, the Department of Labor would purchase child care from HEW facilities whenever they were available.

H.R. 1 contains specific direction for the Department of Labor to train—in cooperation with HEW—mothers receiving OFP payments as workers in child care facilities. And this, as you can see, will achieve a double objective.

H.R. 1 makes better provision for supportive services than the bill last year. It earmarks \$100 million specifically for this purpose, assigns the funding authority to the manpower program of the Labor Department, authorizes correction of minor medical problems, and requires that Family Planning Services be offered OFP recipients.

Finally, the new legislation provides greater assurances of adequate administration by making the Secretary of Labor fully responsible for all manpower activities. A greater degree of Federal presence is required in actual administration than envisioned in last year's bill.

Now we come to my important second point. Work incentives under H.R. 1 are strong. When combined with the work requirement features, they reflect a primary emphasis of the welfare reform bill.

The single most important work incentive is the coverage of the working poor. Somehow, in times past our rewards and penalties got mixed up, creating a system where those not working were given financial assistance, but those working day in and day out—but still living in poverty—were ignored.

We can't strengthen work incentives by extending a helping hand only to those who do not work, and continuing to ignore those who do. Children in poor families with a working father can be just as hungry as those in poor families with an unemployed father, or with no father at all.

There has been a tendency to look only at a few aspects of work incentives rather than at the total package. The question of work incentives may be a complicated one so I would like to list the major work incentive considerations in H.R. 1.

1. Most mothers on welfare want to work. Our surveys and experience demonstrate this. A major incentive for them to do so is the availability of skill training, which is what many of them need to land a real job.

2. A major barrier to women on welfare working is child care unavailability. When available, a strong work incentive exists both from the standpoint of cash earnings and the opportunity it affords the child.

3. In addition to the availability of training, there is an immediate financial inducement—a monthly training bonus of at least \$30. Also transportation costs and any one-of-pocket costs of attending training can be reimbursed.

4. The "income disregards" insure that work is financially rewarding by enabling work and allowance income to be combined. Not counted in computing benefit reductions are the first \$720 of earnings, one-third of additional earnings, child care expenses, and the income of students in the family.

5. Despite some misimpression that has evolved from the focus on the economic term, "marginal tax rates," none of a person's earnings are taken away by H.R. 1. I am afraid this terminology may have misled a great many people. There is no tax in H.R. 1. What happens is that the Federal allowance is reduced as earnings increase, and I know of no desirable alternative to such a policy.

6. A point on income relativity has been missed in all of the analyses of income incentives we have seen. What may appear to middle income groups to be only modest increases in income resulting from working actually is a great gain to a poor family whose entire income has been going to meet fixed expenses. An additional \$50 per month may be a 300 percent—or a 1,000 percent increase in discretionary income over which the family has some control, income with which to get the baby's shoes, or buy a child warm clothing.

7. Those who have focused on how much of an increase in earned income of \$1,000 per year a family—in effect—retains under all direct and imputed deductions often have missed a number of important

factors, as far as the incentive to accept jobs that pay higher wages are concerned.

In the first place, the typical decision faced by a welfare mother is not whether she should or should not accept a job paying \$1,000 a year more than she is now earning. They typically are not working now. Their choice is taking a part-time or full-time job. And they can't control the wage; the employer controls that.

However, to a person who is already working and faces the prospect of switching to a higher wage job, there are some powerful incentives we ought to keep in mind.

Fringe benefits increase disproportionately to wage rates, as BLS studies have documented. When a man accepts a higher paying job, on the average, the fringe benefits increase by a greater percentage than the hourly rate of pay.

Higher paying work in our society is normally more satisfying work and carries more prestige.

Speaking of the importance of employment and income, Daniel Patrick Moynihan once noted:

In America what you do is what you are: to do nothing is to be nothing; to do little is to be little. The equations are implacable and blunt, and ruthlessly public.

Incentive to work—in an equitable and humane context—is what welfare reform is all about. It is right that we examine work incentives closely, and that we take into account the full range of considerations that influence the decision to labor on behalf of self, family, community, and Nation.

My third point has to do with our general capability in manpower development and job placement, it is considerable, and has been recently strengthened in several respects.

We believe workfare is feasible if we can build it upon the sizable manpower capability that has evolved during the decade of the sixties. The Department of Labor administers the apprenticeship program, runs the Nation's job exchange, deals with thousands of employers in National Alliance of Businessmen's JOBS and other on-the-job training programs under MDTA, starts youth in the slums along the employment path in its neighborhood youth corps program, and deals with union programs in countless ways.

Administration of workfare, in other words, will not start from scratch. It builds on the work of a decade or more, and manpower capability has been augmented substantially just in the year that has passed.

While the new Emergency Employment Act is a temporary measure, it will give us actual experience in administering a widespread public employment program before H.R. 1 becomes effective.

On June 16, the President signed an important Executive order, one that will greatly enhance the job-finding capabilities of the public manpower agencies. Under this order all Government contractors will now be required to list their job vacancies with such agencies. This will greatly expand our access to job openings. We estimate that over 6 million additional job vacancies will be registered during the first year. Many of these jobs will be suitable for trained welfare recipients.

By the time H.R. 1 becomes effective, computerized job banks will be available in all States, and will operate on a statewide basis in each of them. This program increases the speed of the job matching process, and has broadened the effectiveness of public employment service agencies across the Nation.

Under H.R. 1, the Secretary of Labor has the flexibility to use any and all of his manpower agencies and programs to carry out the purposes of the act. Further, the authority he has under H.R. 1 and other acts gives him added capability in experimenting with new approaches for delivering manpower services improving employability, and making job placements.

Now we come to some comments on the WIN program that you expressed concern about in your initial remarks, Mr. Chairman. This is our fourth major point. In replacing WIN with workfare H.R. 1 has been designed with the objective of avoiding the pitfalls revealed by the current WIN program.

While we feel the WIN program has been important for the people it has been able to serve, it should be recognized that it is a pale forerunner to the workfare features of H.R. 1. WIN has made a significant contribution. Those put into employment have received hourly wages ranging from \$1.48 per hour in food service to \$3.73 per hour in mining of minerals, with an overall average of \$2.28 per hour. For those who achieved such independence and earnings, WIN must be judged a success.

However, we all know that WIN has not been numerically effective when compared to the enormity of the welfare problem, and I am not going to try to tell you that it has. What we are suggesting is that to enact workfare is not just to make WIN write larger. I want to explain in some detail how H.R. 1 differs from and deals with the weaknesses disclosed in the WIN program.

At the outset, WIN has a faulty referral process. WIN referrals are left to the discretion of State welfare agencies to decide who is appropriate for referral. If the welfare staff is not in sympathy with the concept of a work requirement it considers few people appropriate for referral; in one State, for instance, this has meant that only 7 percent of the AFDC population has been referred to WIN for work or training. Another State felt the opposite, and referred 94 percent, some of whom were not appropriate.

1. H.R. 1, on the other hand, provides a uniform rule; it specifies explicitly who must register with the manpower agency in order to get benefits. Further, total responsibility for such families is lodged not in a multiplicity of States but in one place, the Labor Department, so there is no fragmenting of responsibility.

2. Now, WIN has an inadequate penalty for refusing work. Under WIN, the manpower agency simply notifies the State welfare department when a person quits training without good cause. Often, most often, no action is taken, even though benefits to that individual are supposed to be curtailed.

Under the "Opportunities for Families Program," benefits would automatically cease to a person upon a finding by the Department of Labor that he or she quit a training program without good cause. An effective work requirement will reduce dropouts, and increase entry into training programs and jobs.

3. The element is this: WIN has inadequate child care. WIN has failed to deliver child care for at least four reasons:

(a) State matching requirement of 25 percent. States are not too well off these days, and this has left the initiative with the States, and where they fail to act there is no child care support. OFP, on the other hand, authorizes 100-percent funding.

(b) The reliance on a sole delivery agency. All WIN child care comes through the State welfare department. Under OFP, any available and acceptable deliverer of services, including schools and for-profit firms, could be used.

(c) Inability of the manpower agency to secure child care directly when needed. Under WIN, the manpower agency has no recourse if the welfare department does not supply adequate child care. Under OFP, the Department of Labor would have authority to purchase child care directly when HEW was unable to supply it.

(d) Shortage of physical facilities in connection with child care. In addition, as we have pointed out, to the \$700 million H.R. 1 would make available to purchase child care services, \$50 million would be available (immediately upon enactment) to construct new child care facilities.

4. WIN does not have a workable provision for public employment jobs. While WIN legislation contemplated public jobs in the form of what was called "Special Work Projects," the financial resources were not workable.

OFP provides a flexible program for 200,000 public jobs the first year, with 100-percent Federal financing during the first year of any individual's enrollment.

5. WIN now has matching requirements for training. WIN requires the States to put up 20 percent of the training cost. To say the least, this has retarded State participation. OFP permits the Federal Government to pay 100 percent.

6. WIN has high dropout rates for medical reasons. About 13.5 percent of WIN dropouts gave medical problems as a reason for leaving training programs. Arrangements to secure corrective care on a timely basis have proven inadequate. OFP provides authority and funds to the Department of Labor to provide physical examinations and minor medical care to eliminate medical problems that arise and threaten continued participation in the program.

7. WIN has high dropout rates because of pregnancy. About 10 percent of women terminating from WIN for "good cause" do so because they become pregnant.

The OFP program requires the Department of Labor to make family planning services available to OFP mothers. Of course, acceptance of such services will be voluntary.

Now, finally, under WIN there is a lack of Federal presence in administration. Under WIN, the administration of the program is entirely delegated below the regional level.

Under OFP an increased Federal presence in the administration of the program is required. Complete responsibility would be clearly with the Secretary of Labor.

So we come finally to the conclusion that the OFP program, if enacted by the Congress, will constitute a major increase in the responsibility of the Department of Labor. I assure the committee that we in Labor are fully aware of the enormity of the undertaking, and are

prepared to devote our full energies to preparing for the efficient administration of this program.

The OFP program, if the Congress enacts it, would be the most sizable undertaking in a great many years for the Department. It is a matter we take with great seriousness, and it has the highest of priorities in our thinking.

We do not regularly have a large staff available for advance planning of contemplated programs on a large scale. But we do not and cannot wait until the ink is dry on legislation of this magnitude if we are to succeed in meeting the objectives of the Congress. Therefore, I have established a welfare reform planning staff, directed by Mr. Robert Hall, who is one of the most experienced and able staff members in the Department. He works under the direction of a steering committee, that reflects all Department resources and is chaired by the Under Secretary.

We are not, at this early date, making administrative decisions. I want the options developed, and fully staffed out, so that we can use the time available to weigh our alternatives carefully.

If the Secretary of Labor is given the responsibility for an OFP program, it is clear to me that the manpower component is going to have to be administered with a great degree of Federal involvement.

One additional point in regard to Labor-HEW coordination. While there are two family programs in H.R. 1—OFP and FAP—that involve income maintenance payments, we are not going to create duplicate offices to make benefit payments. The Ways and Means Committee envisioned that we would arrange to have those operating functions administered by HEW. We agree that this makes sense. The Secretary of Labor, of course, remains responsible for the results obtained in the whole of the "Opportunities for Families Program."

There is going to have to be close coordination between the two Departments. Our contact, at several levels in the two agencies, is now daily, and even hourly. And it is effective. We expect it to remain that way.

Mr. Chairman, it occasionally takes time, but American Government does work. It can and has acted with unity in the face of crisis. I am confident that we will find a consensus of what to do about the welfare crisis, wholly within the American sense of fair play and justice, and my purpose in being here is to work for that consensus.

The CHAIRMAN. Thank you for a fine statement, Secretary. You made a very fine argument for the program, you are supporting here.

Senator Wallace Bennett will have to leave to go to the floor, and if he can stay for a few minutes, I would like to suggest that he ask the questions that he is intending to ask.

#### GOALS FOR STATE AND LOCAL GOVERNMENT HIRING OF WELFARE RECIPIENTS

Senator BENNETT. I can stay here for another hour, but sometimes when the right to question passes, it is hard to get it back, so I appreciate the privilege of asking them. I have only four questions, more or less practical ones, interpretive ones. On page 4 of your statement, you say that the program will open up jobs for welfare recipients by requiring State and local government agencies which get any grants from the Federal Government to set goals for the hiring of those on welfare.

Now, suppose they set the goal at zero; do you have any way to require them to change it? Do you have any way to require them to meet the goal? Are you going to control those goals?

Secretary HODGSON. We have the power of the dollar. State and local government agencies exist to a great extent on funds they receive from the Federal Government, and that is the source of the control.

Senator BENNETT. Well, that may be the source, but, as a matter of practice, having given a grant to the city of Salt Lake, can you withdraw it or withhold it, or refuse to pay the balance of it if you are not satisfied with the goal they set in this situation?

Secretary HODGSON. I believe that our principal hurdle in making goals effective will be in getting the Federal Departments to agree to an effective program of this kind. Once we get the respective Federal Departments to agree to a program for their Department, at that point I have really very little concern about getting the respective components out in the regions and fields to make it work.

I say that because of our experience with programs of compliance with Federal activities among Government contractors. Once a decision is made at the top and they know they have to comply with it in order to stay in good standing they do.

Senator BENNETT. But those are ordinarily questions of policy. This is a question of numbers, this is a question of specific—

Secretary HODGSON. If you ask, have we set our goals in terms of numbers, no; and I would think it would vary greatly with the respective entities, with the areas in which the circumstances exist.

Senator BENNETT. I agree with that.

Secretary HODGSON. And with the kinds of jobs.

Senator BENNETT. But do you have any control over the goals? You say these people will set the goals and presumably and, of course, this is ridiculous, they could all set a goal of zero. Then what could you do about it?

Secretary HODGSON. We could show considerable reticence in giving them their next appropriation.

Senator BENNETT. But do you have any thought that maybe you should have something a little more definite than the pressure of cutting them off.

Secretary HODGSON. I would be willing to entertain any ideas to make that kind of an approach more successful, Senator.

My feeling is from 30 years in the working world, that the power of the purse seems to be about as effective a power as there is.

Senator BENNETT. Well, you told us you have already moved to set up a task force chaired by the Under-Secretary, and maybe this is one of the problems they should be looking at: How these goals can become reality.

Secretary HODGSON. Well, that exceedingly wide range, as you call them, of operating problems or practical problems is the kind of thing they will have to address themselves to, and that is why we need a little leadtime to get it done.

#### COST OF CHILD CARE

Senator BENNETT. In another area, the House Report on H.R. 1 indicates that you will expect persons placed in employment to pay



for their own child care, the cost of which will be used as a deduction in figuring the amount of assistance they will receive.

Using a relatively modest figure of \$30 a month as the cost for child care, care for a school-age child, a woman with three children will have to make \$2.50 an hour before she can no longer get any Federal payment, assistance payment; with four children, \$3 an hour. How do you expect to find jobs for welfare recipients at those wage limits, when most of the jobs we are getting under the present work program are at \$2.28 an hour? In other words, isn't a child care program really priced out of their reach?

Secretary HODGSON. It would be if we were not going to have a provision for setting a sliding fee scale based on what a person can afford.

Senator BENNETT. So you are going to relate the cost of child care and you are going to subsidize the difference with these commercial child care suppliers, with whom you expect to contract?

Secretary HODGSON. Well, in effect, that is what it would be within ceilings.

Senator BENNETT. That opens some problems.

Secretary HODGSON. Yes, indeed.

#### ADMINISTRATIVE BURDEN OF REGISTRATION REQUIREMENT

Senator BENNETT. You complain on page 15 about the lack of referrals in some States and too many referrals in others.

Under H.R. 1, aren't you really going to be buried under a massive paper burden that will dwarf the problem that has been created for the States?

Secretary HODGSON. I suppose the Social Security Administration thought it would be buried under a massive problem when it was created; the unemployment insurance people felt the same way. Those organizations have managed not to only take a few million people but several tens of millions of people into their administrative capability and do a job. Naturally, we won't make this program run like clockwork from day one, but we are going to be able to do it.

I am convinced that the mechanics are there, that the organizational capability is there, and that we will be able to build toward an effective operation.

Senator BENNETT. I have no other questions at the moment.

The CHAIRMAN. Thank you.

Senator HANSEN. Thank you very much, Mr. Chairman.

Mr. Secretary, let me compliment you on your very lucid and forthright statement.

#### ENTHUSIASM OF SECRETARY ABOUT WORK PROVISIONS IN H.R. 1

I would like to ask, first of all, I gather from listening to your statement that you are enthusiastic about the provisions in H.R. 1, is that right?

Secretary HODGSON. Particularly the work provisions which are in my ballpark.

Senator HANSEN. I assume that you think they are sound and that they will work?

Secretary HODGSON. I think that they have got a real chance of meeting the objective of H.R. 1: To break a cycle of poverty and dependency that has existed for a couple of generations, that is getting worse with each passing year, and that has really no perceptible chance of changing unless something new, a new feature is inserted into this cycle. This new feature is moving people from welfare into jobs, doing it by a system of incentives, erecting a series of conditions, and making special provision for work and training for the people affected.

This, it seems to me, is the kind of fundamental change that is worth our attention and worth working on, and getting into a form that will give it the best possible chance of succeeding.

It seems to me that there are really three questions in this whole area.

The first is whether workfare is a good policy. I think that, to a great degree, most people have answered for themselves, yes, it is. This, then, brings up succeeding questions.

Does the proposal, in the form it is in, make it practical? Does it have incentives? Does it have penalties? Does it establish conditions that solve foreseen problems? Each of those things is addressed in the proposal that this committee has before it.

Then, finally, do the mechanics and capabilities exist to make it work? Obviously they do not exist full-blown overnight, but what does exist? Three things exist, it seems to me in the Labor Department where this responsibility is lodged. First is the responsibility itself. That is fixed, it is a set place, and responsibility, as we know, is the initial, fundamental thing that is required to get the job done.

The second thing is capability. The capability that does exist to do this is in the manpower expertise of the Nation. A great deal of that, perhaps most of it, is lodged in the Labor Department of the Federal Government.

We are going to be building on this capability. It is not adequate yet to do the full job, but it provides a good solid base, and we have developed some concepts and some experience that will enable us to go forward with some confidence, in fact, with considerable confidence in doing the job.

Finally, I think attitude is another most important thing. By putting this work program into the Labor Department and giving it the responsibility, you put it into a Department that is, and has been, always concerned with the world of work. If there is any place that has an attitude that believes that work is an important fundamental part of American life, that it should be made meaningful, it should be rewarded, that people benefit from it, it is the Labor Department.

So, I think, that all of these things lead us to a conclusion, Senator, that we have got the right program, the right idea. We have put it in the right place, and the form that we have placed it in gives us a mighty good chance of making it work.

#### PENALTY FOR REFUSING TO PARTICIPATE

Senator HANSEN. Mr. Secretary, the information I have indicates that between May 1970 and April 1971, there were 32,052 cases that dropped out of the WIN program without good cause. I suspect your

Department referred these to HEW. I know we had some figures last year. I have forgotten whether it was 6,000 or 7,000 cases that were referred by the Labor Department to HEW recommending that their benefits be terminated and, as I recall, only 200 of those were terminated.

The information I have discloses that for 1970 about 420 cases total were cut off under this WIN program.

#### TESTING NEW PROGRAM BEFORE NATIONWIDE APPLICATION

Now, last year there were a number of us on this committee who offered to fund any kind of program that this administration wanted to come up with, but we said let us test it out and see if you are right about how well you think it will work.

What I would like to ask you is, why were you and the others in the administration so adamantly opposed to demonstrating something that seems to have such great merit that you feel it should be enacted at the moment?

Secretary HODGSON. I am not so sure we were adamantly opposed.

Senator HANSEN. Is there anything in the testimony to indicate that you gave any support to that concept of trying it out as Senator Ribicoff and others have suggested?

#### PENALTY FOR REFUSAL TO PARTICIPATE

Secretary HODGSON. Well, I think what we wanted to do was to get the new legislation enacted with the strong penalty provision in it, which, in itself, creates the corrective features. That is the reason I stressed so strongly in my testimony the availability of a penalty for not only dropping out but for refusing training or placement in a job if such a placement opportunity existed.

Senator HANSEN. Let me interrupt if I may there just for a moment. I have some figures that show the percentages of the persons leaving WIN who are in jobs which are strikingly low. Indiana, 6 percent; Nebraska, 10.7; Nevada, 10.2; New York, 15.5; South Carolina, 6.2; and Texas, 6.2.

New York and California together have a third of the persons who have left within those percentages, 15.5 and 18.4, respectively, who have terminated from WIN and are in jobs. In other States, these percentages are fairly high, 31 percent in my State of Wyoming; 30 percent in Wisconsin; 31.2 in Iowa; 32.6 in Louisiana; and 41.6 in Washington, D.C.

My question is this: Isn't it possible under the penalty that is now included in H.R. 1 in areas of seasonal employment, such or those in the northern climates, isn't it possible for a person to be offered a job and to refuse to take that job, and if it is accepted by someone else he can be back 2 weeks later and say, "I am ready to take the job now" and would he not be penalized, not the amount that you indicate, but a much smaller percentage, fraction of that?

Secretary HODGSON. Well, the operation of the penalty provisions is one that is going to test our capability of making this program work.

We do have, as you know, another system in this country and one that has operated in accordance with the standards of the Labor Department, where we do have penalties for not taking work. That is the Unemployment Insurance System.

#### OPERATION OF PENALTY PROVISIONS UNDER UNEMPLOYMENT INSURANCE PROGRAM

Now, the standard that H.R. 1 sets is somewhat different and somewhat tighter than that in the Unemployment Insurance System, but we have learned to make that one work, and I think by and large, everybody thinks it works pretty well.

Senator HANSEN. How long has it been working?

Secretary HODGSON. It has been working now since 1937, I believe.

Senator HANSEN. Let me tell you how well it works in Wyoming, because I happened to be Governor of Wyoming between the years of 1963 and 1967. We had four counties that were in critical need of seasonal employees. I had calls from the county agents and from chambers of commerce in four of those counties in western Wyoming. We had a very high number of people drawing unemployment compensation. We looked through those rolls and we contacted each of the persons drawing unemployment compensation and we could not get one person who was willing to take a job during that spring period of time. We went to Idaho Falls, Idaho, and finally got the first persons out of Salt Lake City who were willing to come up and take a seasonal job.

Now, in my judgment, that is not working very well, and if that is the best we can do, I say there is room for improvement. Would you agree?

Secretary HODGSON. Well, not necessarily. I would want to know a little bit about the kind of jobs that the people had held.

Senator HANSEN. These are the demeaning jobs. I have done a lot of them. It is digging ditches and hauling manure and milking cows, and things like that.

Secretary HODGSON. But, on the other hand, let me give you another experience. I worked for a major American corporation for about 27 years and in the last 20 years I kept track very carefully of the number of the people who left their jobs, not for good cause, and who applied for unemployment compensation and there were only 3 percent of the cases where we thought they should be denied compensation, and it was ruled that they should get compensation.

Now, that is admittedly a contrasting experience, but it does show that there is a device and set of standards that work.

As for seasonal work that may differ vastly from the jobs that a person previously held, I do not think that I could say offhand that I thought the kind of circumstances that you mentioned would automatically be bad. I would have to examine them to see what the comparison was between the seasonal work and the previous work.

#### COMPETITION WITH FOREIGN INDUSTRY

Senator HANSEN. Mr. Secretary, one of the things that concerns me and this committee before which you now appear, and which has held

hearings over the past several months, we have had the executive officers, chief executive officers, of a number of corporations appear before the committee, and they testified about their failing efforts to be competitive in this country with foreign production efforts and techniques.

We have had a number of corporations—I won't name them but they are in the record, and if you would like me to I certainly can—

Secretary HODGSON. They have been to see us, too, Senator.

Senator HANSEN. Big corporations, and they have been leaving this country of ours, going abroad, taking advantage of far cheaper wage scales, and they have been able to manufacture in foreign countries products which were produced here by them. They are able to ship them back here and to sell them for less than they can by making them here.

#### REFUSAL TO ACCEPT WORK

Now, something seems to me to be wrong when this Government includes in its work provisions the discretionary authority which enables that person to say, "This job, in my judgment is demeaning. I don't happen to think I am suited for it, so I suggest"—this is what the welfare recipient is saying—"you keep me on the relief rolls because I just don't happen to like it."

Now, it won't be too long if we continue this policy, I suggest, until there are going to be more people on relief rolls than there are paying taxes, and when that time comes, whether you and I like it or not, there are going to be some changes made simply because somebody at some time has got to go to work. Do you agree with that?

Secretary HODGSON. I certainly agree. That is one of the major reasons we need this kind of welfare reform. We need to see to it that we do not let the present system continue to a point where that may be the case.

#### PREVENTING SUBSTANTIAL EXPANSION OF THE WELFARE ROLLS

As somebody pointed out earlier, the welfare rolls double, triple, and quadruple. This program, it seems to us, gives us a chance to change that.

#### ACCEPTING WORK THAT IS AVAILABLE

Senator HANSEN. Now, in your judgment, does it make sense to you if there are things that need to be done, if they are legal, and it cannot be contended that it is harmful to the worker in performing that sort of task, if the pay is pay that meets the standards that are imposed by the Government and by the State, is there anything wrong with a person taking such a job no matter what his background may be, if he is out of work, and if there are jobs that need to be performed. Do you think that it would hurt a lawyer or anyone else to do something that may not be precisely what he was trained for, so long as he is physically able to do it, and, it cannot be contended that it is going to hurt him in any way, is there anything wrong in taking a job and performing his task well until a a better one comes along?

Secretary HODGSON. As I said at the outset, Senator, I am not one of those who thinks there is anything wrong with so-called menial work. I, in my early days, did enough of it myself to know that it

does not have the adverse and demeaning connotations that some people put on it just by attaching that term to it.

One man's menial work is another man's meaningful income, but I would say that you have got to put two things into the equation. One is how far you are going to force people to do things, and the other is how reasonable is it that they should take work that is available. One of the purposes of this legislation is to try to make a meaningful and reasonable demarcation between the two.

Senator HANSEN. I will just finish with this one statement, Mr. Chairman, and then I have probably taken more time than I should. You do not exactly go along with the impression that I gain from your statement that we are forcing people to do things.

It seems to me, on the one hand, we are taxing all of the wage earning and salary receiving people in this country to support a program that is intended to help people who need help, and with that I agree wholeheartedly and completely. I have no arguments with it at all.

But when we talk about those who need help, on the one hand, and about those on the other, who have a chance to go to work and are perfectly able, physically qualified, in every respect to go to work, when we talk about asking them, "Are you willing to take a job or receive no further welfare payments," I do not believe that is necessarily forcing somebody to do something. I think he has an option and it seems to me it would not be unreasonable if this Government were to say to that type of individual, "We are not forcing you to take a job. We are just saying we are not going to take these hard-earned tax dollars from a lot of guys who are working harder than you probably ever will work to continue to have you live in a fashion that you seem to prefer, and to avoid the responsibility of doing a job that you think is demeaning."

Secretary HODGSON. I clearly agree with that, phrased that way, because what we have attempted to do in H.R. 1 is to set some real tight standards and to provide that only in cases of real demonstrated hardship—a woman who does not have child care, a man who has to drive 100 miles to and from a job every day—will a person be able to refuse a job or training? But it has to be something of that magnitude.

Senator HANSEN. Thank you.

#### "SUITABLE" EMPLOYMENT

Senator BENNETT. Will the Senator yield to me for a question, a clarifying question? We use the phrase "suitable employment."

Secretary HODGSON. We do not use it in this bill any more. That is the provision we did away with.

Senator BENNETT. Okay, what phrase do we use?

Secretary HODGSON. Well—

Senator BENNETT. It does not matter. I will ask my question on the theory that we still use it. The question is—

The CHAIRMAN. It has a counterpart but it is to the same effect.

Senator BENNETT. My question is, does the welfare recipient have the sole determination of what he considers suitable or does the Department have an input?

Secretary HODGSON. I think that is the most significant question in this whole thing, he does not. The Department can cut him off even though he thinks it is inappropriate.

Senator BENNETT. So the Department—

Secretary HODGSON. He does have a chance to have a hearing, and that is appropriate. There are provisions for hearings and suitable due process aspects in this situation. But there is no question but that we not only have the authority but the responsibility to terminate the individual's benefits where there is refusal without good cause.

Senator BENNETT. I would like to suggest that you consider that he be required to work for a limited period of time on the job before you give him a hearing. He might find out that something he does not like is really a lot more fun than he thought of in the first place. [Laughter].

That is all, Mr. Chairman.

#### FAILURE OF PAST PROGRAM AND DESIRABILITY OF TESTING NEW PROGRAMS

Senator HANSEN. I was going to say, Mr. Chairman, on the basis of the track record where you have had 32,052 people who dropped out of a program without good cause, and only 420 of those have been terminated, on a track record that shows failure to take what I consider to be the proper action in 79 out of approximately 80 cases. I would be far more strongly persuaded as to the merits of this bill if this administration would be willing to try it out. You pick out the areas, pick out a big industrial State and a little farming State, if you want to, but I would sure like to see it tried out because I could not have agreed more than I did with the distinguished Senator from Connecticut when he said had he known then what he now knows, when he was Secretary of HEW, had he understood what the cost of medicare and medicaid would be, he never would have recommended their adoption without first having tried them out.

It seems as though we are embarking on a new course of action, we are walking down a new trail, we are starting out talking in terms of \$2,400, and everyone agrees that there will be efforts made to make it higher and I think that we are going from the idea of welfare being something that a Nation and a people with big hearts want to do for those less fortunate, in a direction and down a road that indicates not a willingness on the part of others to share what we have with those less fortunate but the assertion of the right of people to welfare and to increasing amounts of support from all the taxpayers, and this seems to me to be a very, very important new direction from the one we have been pursuing.

I would feel far more strongly persuaded if you could demonstrate in two of the places where you want to try it out how it is going to work.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Fannin?

Senator FANNIN. Thank you, Mr. Chairman.

#### EXCLUSION OF CERTAIN INDUSTRIES UNDER THE WORK INCENTIVE PROGRAM

Mr. Secretary, I, too, commend you for an excellent statement, and I wish that we could carry through what you have outlined. I refer to page 13 where you say:

The fourth major point is that experience under the WIN program has exposed the problems that need to be dealt with. In replacing "WIN" with "Workfare," H.R. 1 has been designed with the objective of avoiding the pitfalls revealed by the current WIN program.

Now, I made some contacts in my home State at various times in the past year, calling on these places where they are training people under WIN and other programs, and I have been very concerned about some of the experiences I have had in that regard.

What industries are excluded from WIN programs?

Mr. LOVELL. No industries are excluded. I think there are certain jobs—well, I would say there are no industries included.

Senator FANNIN. Well, I was absolutely flabbergasted when I went into a training facility near Peoria, Ariz., and they told me that the union had stopped them from training the workers for machine operating. Then I investigated further and found out the Secretary of Labor or the Labor Department had said under the WIN program training of sewing machine operators is prohibited; is that true?

Mr. LOVELL. No, sir; the WIN program does not prohibit it. It is true we have not trained sewing machine operators in any of our manpower programs and we have not trained sewing machine operators in this program. It has been an administrative provision, not a question of the law.

Senator FANNIN. Why would you pick out that one industry?

Mr. LOVELL. The origin of the policy came out of the runaway shop, where the companies took industries to other areas. We felt the Federal Government should not pay for the training of people in those other areas.

I think it is justified today on the basis that in many instances the trained people are available for these industries, that the skills are not so complex that they cannot learn quickly and, therefore, Federal funds should not be used to train them.

Senator FANNIN. There were jobs available, and these people were not trained in this particular instance I investigated in this one area. There were jobs available for trained workers, sewing machine operators, but they were not allowed to train them, and I called on these plants to determine just what existed in that regard and I found that they did not want to place people on the payroll, but they needed this training. I just cannot understand why you permit this to exist.

Mr. LOVELL. Well, I think clearly in an area where there are not people qualified to do work, it would make a difference. If there were not a lot of trained people, such training could legally be done.

Senator FANNIN. I was told it could not be.

Let me put it this way: Is it better to have that particular concern, you say the runaway, from the unions, from an area, going from New York, is it better to have them go from New York to Arizona or is it better for them to go from New York to Taiwan or Korea or some place like that?

Mr. LOVELL. Senator, I am not arguing the point with you. I am saying where it can be demonstrated that training is needed, that there are no qualified people with that skill, then I suppose that training should be done. We rarely run into that situation.

Secretary HODGSON. I want to make it clear, what Mr. Lovell referred to as the genesis of this idea occurred many years ago, and it is not the basic concept that necessarily prevails today.



The concept today is basically that textiles is an industry of declining employment and we have not seen fit to invest a great deal of money into an industry that has a declining need for skills.

Senator FANNIN. Well, declining because of their going overseas. I question why can we not train these people to do this work. They are unemployed now and just let me elaborate on it a minute.

I asked them, "What are you trained to do?", and they said, "Well we are trained in the construction industry," and I said "Can you get jobs in the construction industry?", he said "No," but he said they are building their own homes, and I said "Well, what do they do then after they get a home?"

Now these happen to be workers who were in travel status and transients, and all, but were settling down. They had jobs available if they could learn to do machine work. But when we went over to look at the construction work they were doing, I noticed they were very neatly handling the brick work, country block work, and I said, "You really have done a good job in training these people."

He said:

No, we are not allowed to do that. They will not do that. We have to bring in people to do that block work. We are not allowed to train them to do that.

How can you justify that?

Secretary HODGSON. Senator, I found from experience that we never have answers for Congressmen and Senators who bring to us questions about what happened in a particular locality on a particular project. I have no explanation for it. We have to examine each case individually.

Senator FANNIN. Fine, Mr. Secretary. This is not an isolated case.

I have testimony here that is not old, it is April 1970, and this specifically sets out the ruling that your Department has made, and I will furnish you the information and hope we can get the policy changed because I am very concerned about it.

Secretary HODGSON. Glad to take a look at it.

Senator FANNIN. Fine, thank you, Mr. Secretary.

#### INCREASING THE NUMBER OF WELFARE RECIPIENTS IN "HOLDING" STATUS

On another statement you made on page 5, you referred, and it has been discussed before, about having strengthened the provisions of the bill that provides job opportunities. It is appropriate we strengthen the requirement to insure OFP participants avail themselves of the opportunities provided.

Then you talk about the penalty, but with the increased number of people placed in holding status, what is to prevent their being placed in this category and not be available; they can remain on welfare and not have the penalty. I have the figures of the WIN program as to how many are in that category.

Secretary HODGSON. If they are in holding status, are offered a job and refuse that job then they are out and they lose \$800; that is the penalty.

Senator FANNIN. As I understand it, unless you tighten the provisions and make a difference from what it is in the WIN program, then, according to the chart I have, the number in jobs have not increased greatly.

Secretary HODGSON. You are right; that is what H.R. 1 does. It does tighten the requirements. It does see to it that there is a penalty.

Senator FANNIN. Well, if they are in that category waiting for training or placement, are they eligible to draw the full amount?

Secretary HODGSON. If they have not been offered a job and turned it down; yes, they are eligible.

Senator FANNIN. Well, that is the question. They can just stay in that category then.

Secretary HODGSON. Well, the penalty is for refusing to work.

Senator FANNIN. Well, if you hold to that, the refusing to work, just as Senator Hansen has stated, refusing to work, you still say if you cannot offer them a job, then you are not refusing to work?

Secretary HODGSON. That is right.

Senator FANNIN. So, as Senator Bennett brought out, if there is a job one would not want, can they turn it down?

Secretary HODGSON. They have no choice in that matter unless there is a hardship problem involved.

Senator FANNIN. In other words, whatever work is available they must take?

Secretary HODGSON. Well, it has to pay at least \$1.20 an hour, as you know.

Senator FANNIN. Minimum wage and requirements that they are physically able to do the work?

Secretary HODGSON. Unless there is a real hardship involved, as I cited, too long transportation, no child care available, they have to take it, yes.

Senator FANNIN. If you hold to that, I would say you would accomplish a great deal—

Secretary HODGSON. I suppose we would have to say that in terms of penalties that is a key change in this bill.

Senator FANNIN. Well, I cannot blame you for what the Congress has provided you as far as the requirements, I agree on that, and I know no individual shall be required to accept employment, and we certainly have a list here that gives you great latitude, far too much latitude, but that is not your fault, that is our fault.

#### ADVANTAGES OF ON-THE-JOB TRAINING OVER INSTITUTIONAL TRAINING

Now, do you not find that it is more efficient and less costly to provide on-the-job training rather than institutional manpower training?

Secretary HODGSON. Normally I would say that is the case. It would depend somewhat on the type of job and the conditions of the on-the-job training, but on-the-job training is an excellent method of training. It is one of the reasons that we pushed the National Alliance of Businessmen's "JOBS" program as much as we did.

Senator FANNIN. Would the needle worker qualify for on-the-job training?

Secretary HODGSON. Would they? Yes.

Senator FANNIN. I know in one case we thought they did not have the facilities available to just have on-the-job training. They have a regular production line, but if they did have facilities they would be eligible?

Secretary HODGSON. We have an exceedingly wide range of types of on-the-job training programs.

Senator FANNIN. Senator Hansen talked about the problem—what I would like to have for the record is, under your rules and regulations, a needle worker is—

Secretary HODGSON. Not precluded.

Senator FANNIN. From having on-the-job training?

Secretary HODGSON. For consideration in on-the-job training.

Senator FANNIN. On-the-job training compensation. Fine, I just wanted that for the record.

#### REDTAPE UNDER JOBS PROGRAM

We have complaints, especially from small businesses, that the red-tape in the JOBS program precludes them from really participating in many instances. Is there anything that can be done about that?

Secretary HODGSON. Well, I think a great deal has been done about that and that was probably more true at one time than it is today. There still remains a point at which the amount of administrative activity in connection with, say, a contract to train one or two men is counterproductive in the expenditure of money for the program, but we have the NAB program nationwide in scope. Furthermore, the cellent way to provide trainees with OJT opportunities with small federally funded, State-operated JOBS optional program is an ex-employers.

Senator FANNIN. One of the problems in this program is, the cost of living is increasing so rapidly. I notice that the increases now are averaging about 10 percent a year.

Secretary HODGSON. Many of the major contracts that have been negotiated recently have been in the 9 to 10 percent range. The average hourly earnings of American workers increased about 7 percent in the past year.

#### FEDERAL RESPONSIBILITY FOR INFLATIONARY TRENDS IN PRIVATE INDUSTRY

Senator FANNIN. I feel the Government is probably more responsible for these inflationary trends than even private industry, especially when we see what the Government is doing on their own construction jobs, and I give you just as an illustration, in the Tucson, Ariz., area I had a report yesterday that an experienced toolmaker gets \$3.90 an hour, at places like Hughes Aircraft, but still that experienced toolmaker's son can get a summer job, one of these nonskilled construction labor jobs, like a flagman or something like that, and he is paid \$5.23 an hour. I cannot see how we are ever going to correct the problems we have.

Here is a skilled person, an experienced toolmaker, making \$3.90 and then a flagman making \$5.23, is there not some way that we can bring that into line, at least where the Government is involved?

Secretary HODGSON. Well, you know what the Government has done in this area. It is the only area in which we have involved ourselves and inserted a Government presence. The President's new Wage Sta-

bilization Committee for the construction industry has reduced the average wage increases this year in that industry from 16 percent last year to 9 percent this year, and has cut the number of strikes in the industry by half. It is quite a success story, and there is no question that it is one that needed looking into.

The action was taken, and it has been taken in connection with the parties themselves so as not to get into collective bargaining any more than necessary.

Senator FANNIN. I was very encouraged when the President rescinded the Davis-Bacon Act for a short time.

Did you not have a goal of 6 percent?

Secretary HODGSON. No, no, we did not.

Senator FANNIN. Why is all the publicity given to that 6 percent?

Secretary HODGSON. Well, you ask the newspapers about this. We held a series of conferences to point out there were two provisions. I really do not know why we are talking about this subject here, but it interests me.

Senator FANNIN. This is very important to this subject, because if we are going to have continued inflationary trends, then this legislation is certainly not going to be satisfactory in its present form.

Secretary HODGSON. I do think the question deserves an answer.

There are two provisions in the President's Executive order. One is the target of the median increases that occurred in the 1960-68 period, which averaged about 6 percent, plus consideration of equity adjustments to relate to the patterns for the same craft in different locations and for different crafts in the same location, so that there were two different criteria—and for some reason or other the press picked up just one and amplified it. I held a series of press conferences about it—the Stabilization Committee Chairman, John Dunlop, did the same thing.

I think we have it clarified now pretty much generally in the public press, but there was that period of time when somebody thought that 6 percent was some sort of a magic figure in the Executive order.

Senator FANNIN. Well, I thank you very much, Mr. Secretary, but I do feel that one of the most important factors involved in this over-all program is being able to furnish jobs to these people, have them available for them. If we are not going to have them available—

Secretary HODGSON. I sure agree with you.

Senator FANNIN. We must curtail these rapid increases in wages.

Secretary HODGSON. The biggest single thing that will make this program the success we feel it can be will be the availability of jobs in the private sector, because any way you look at it, four out of five jobs in this country are still in the private sector.

Senator FANNIN. I agree, and that is the only way it will succeed. I thank you very much, Mr. Secretary.

The CHAIRMAN. Senator Ribicoff?

#### LACK OF TRAINING AND JOBS FOR MOST OFF REGISTRANTS

Senator RIBICOFF. Mr. Secretary, H.R. 1 requires 2.6 million people to register under the OFF program. Yet H.R. 1 only provides 200,000 public service jobs and 412,000 training slots.

That means that out of 2.6 million registrants, 2 million will have neither training nor public jobs, and with five million unemployed, we certainly cannot expect the private sector to solve this problem.

Now if this register-to-work program is our way of insuring that welfare recipients work, it misses 77 percent of the people, at the expense of their time and hopes.

It seems to me, Mr. Secretary, that we are either signing up too many people, or providing too few jobs.

Now what is your comment on this?

Secretary HODGSON. First of all, the number you give refers to those who are registered and that includes a lot who are working part time and are working poor.

Senator RUBINOFF. That is right.

Secretary HODGSON. The number does not mean that all those are available for or without work.

Now, in H.R. 1 we do have, of course, the provision for 200,000 public employment jobs. We have provision for up to 400,000 training opportunities that will move people through training into private jobs. We also have the probability, over a period of a year of direct placements through the employment service and elsewhere, of several hundred thousand.

So we cannot say that we can guarantee everybody will be taken care of at the outset, not by far, but we can build toward a kind of arrangement where everybody has hope and has a basis for feeling that they are going to get help. Finally, it seems to us, that we have gone, within the cost constraints that we gave in the building phase of the program, about as far as we should.

Senator RUBINOFF. Frankly, you have done so poorly in the past—past administrations as well as this one—and it has been so disillusioning, I do not know how you can say you are building hope when 77 percent of the people who are required to register, either part-time employees or on welfare, will not have either a job or training.

Let's get to something else.

#### PRIORITY FOR TEENAGE MOTHERS AND PREGNANT WOMEN UNDER AGE 19

Given the large number of applicants for a limited number of jobs and training slots, priorities for placement must be established, but I question the priorities you have written into H.R. 1.

It seems illogical to give priority to teenage mothers and pregnant women under age 19 as is done in H.R. 1 when:

(1) these mothers would be exempt from registration as soon as the child is born, and

(2) there are other eligible groups which could be trained and employed more readily.

Now, last year Senator Bennett and myself, with administration backing, set up this set of priorities:

(1) unemployed fathers and volunteer mothers,

(2) youths aged 16 and over who are not regularly attending school and are not employed full time.

- (3) full-time working poor,
- (4) part-time employees,
- (5) others.

If it was good enough for Senator Bennett and myself, with administration support, last year, why is it not good this year?

Secretary HODGSON. I would like to ask Assistant Secretary Rosow to respond to that, Senator.

Mr. Rosow. Senator Ribicoff, we examined those priorities with a view toward trying to work with them. We are not opposing them at this time because we do not want to achieve the objective, but rather, because we feel they will impede the objective.

We feel the Secretary of Labor should have the authority under the bill to refer people to employment or training in relationship to their ability to succeed.

For example, if we started with unemployed fathers as a preferred category, or the youth as a second category, we might have in a particular jurisdiction a large number of women and a large number of female job vacancies. If we had to go through that priority procedure and be blocked from reaching those other people, we would really impede what you want us to achieve.

I think what we are really saying is that the Secretary would issue regulations to establish priority, but allow the local employment office sufficient flexibility to fit into what labor market needs are there.

Senator RIBICOFF. I know, but how successful can a 19-year-old pregnant girl be?

[Laughter.]

Mr. Rosow. In that case, the House committee specifically put this provision in the bill. In many cases girls are high school dropouts and the feeling is that they should be sent back to school either while they are pregnant, or receiving schooling at home or after they have completed the pregnancy.

Secretary HODGSON. Could I add just a comment, Senator?

Senator RIBICOFF. Sure.

Secretary HODGSON. One of the problems with people who look at priorities and programs like this one is that they look at the supply side of an equation rather than the supply-and-demand sides and they think in terms of who on the supply side is deserving of attention, but they do not relate that to the demand side of the equation—where are the best available opportunities: For whom do the opportunities exist?

We think that the only real way to do a meaningful and effective job with OFP is to look at both sides. These sides vary widely by communities, by labor markets around the country, and for that reason it is suggested that these priorities, to the extent that we can do so, be flexible and that the Secretary of Labor have this kind of priority setting capability and regulation—setting capability on a flexible basis.

#### FODER REPORT ON EMPLOYMENT SERVICE

Senator RIBICOFF. Now, Mr. Secretary, under the terms of recent Labor Department policy memoranda which have come to my attention, the U.S. Employment Service, of course, is going to play a key role in coordinating all manpower programs.

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The Employment Service has been criticized widely for its inflexibility, racial discrimination and incompatibility with the needs of the poor. A Labor Department study analyzing the Employment Service on a State-by-State basis was also prepared in the spring of 1971 but never released.

Will the Department now make available to the committee and to the public this so-called Foder report prepared by Robert Foder?

Secretary HODGSON. First, Senator, I would like to comment on one aspect of your question, and that is the level of capability of the Employment Service. The Employment Service has been highly criticized for many different things over the year. Different offices in different States have been criticized for different things, and there is no question but what in many matters the Employment Service can improve its capability, and should improve its capability.

I went to the annual meeting of the State Employment Security Administration in St. Paul this summer with the sole objective of stimulating, if you will, inspiring them to step up to the kind of new era we are in in manpower programs, of the need for getting broader dimensions to their thinking activities, of new efficiencies beyond which they have ever gone before. Improvement is needed, but improvement is possible also, and I would like to have Assistant Secretary Lovell respond more specifically to your question.

Senator RIBICOFF. But I still want to know from you, Mr. Secretary, are you willing to give the committee or make public the Foder report?

Mr. LOVELL. Could I comment on that? I have not seen that, Senator. It was a presentation, not a report. It was not a State-by-State review, but an accumulation of some information that was gathered by Mr. Rosow's office. It was given in a presentation one time, a number of months ago, as we frequently have internal reports analyzing various aspects of our operation, but it is not a formal study.

As I say, I have not even seen the darned thing yet.

Secretary HODGSON. If that is the "report" you are talking about, Foder is the name of the man in the Department who made a quick runthrough before I went out to St. Paul and told me what deficiencies and what things the Employment Service ought to work on.

Senator RIBICOFF. Let's take another one. This is not the Pentagon papers that are so highly classified.

Mr. LOVELL. It is not classified, we do not have such a thing.

Senator RIBICOFF. Let's take another one.

#### REPORT ON EQUALITY OF OPPORTUNITY IN MANPOWER PROGRAMS

Why, for example, has the Department of Labor refused to make public a report completed in 1969 entitled "Equality of Opportunity in Manpower Programs—Report of Activity Under Title VI of the Civil Rights Act"?

Such reports should be made annually, yet the last one appeared as long ago as September of 1968. What rationale have you to keep reports like this secret when you are supposed to make them public?

Mr. LOVELL. Well, it is entitled—

Secretary HODGSON. Has anybody ever asked us about it?

Senator RIBICOFF. Yes, it is Equality of Opportunity in Manpower Programs—Report of Activity Under Title VI of the Civil Rights Act. The Department of Labor completed this in 1969.

Mr. LOVELL. Well, Senator, let us go back and look for it. We have gone out of our way, I think, to make evaluations public. The Secretary issued directions about a year ago that all outside evaluation reports be made public within 45 days.

The CHAIRMAN. Might I just make one suggestion, just sitting here trying to think what might the answer to that question be?

Apparently you do not know it, but it occurs to me that the answer might be that the man who wrote that paper might not have made his desires to publicize it to you as apparent as it is to Senator Ribicoff.

Mr. LOVELL. That is perhaps true, Senator.

#### AVAILABILITY OF REPORTS CRITICAL OF LABOR DEPARTMENT PERFORMANCE

Senator RIBICOFF. You see what we have here, you are asking us to act on important matters involving the enlargement of your jurisdiction, and if your jurisdiction and your responsibilities are going to be enlarged, we ought to have facts upon which we are being asked to act.

Now there is no question in my mind that throughout this Government and in every department tucked away are documents that departments are unhappy about, and belong to Congress and the public, that you do not surface, and I am asking for these.

Let me give you another one.

Mr. LOVELL. May I make one comment, Senator?

Senator RIBICOFF. All right, go ahead.

Mr. LOVELL. There are, and I can give them to you, a number of documents that are public, that are about as critical as anything you will ever find.

Senator RIBICOFF. But I am asking for these.

Mr. LOVELL. The Urban Coalition report, for example. We are prepared to make available to this committee absolutely anything in our file.

Senator RIBICOFF. All right.

Mr. LOVELL. We have no problem with that. We hope you will read some of the good things, too, but we will just give you the bad if you want. We have no secrets. We do have some problem in terms of this; if I write a memorandum to the Secretary saying that I am concerned about some part of my operation, I do not think that anybody that hears about it should be able to request it, but to a distinguished committee of this character, I would have no problem releasing any of these documents. We are not trying to keep it secret. We have so many skeletons out in the street that to keep any in the closet would be ridiculous.

[Laughter.]

#### STAFF BRIEFING PAPERS ON WORK INCENTIVE PROGRAM

Senator RIBICOFF. How about supplying to the committee the staff briefing papers on WIN, which is a strong indictment in your own Department about the WIN program?



Mr. LOVELL. Well, I will have to see which one of those documents you are speaking of.

May I also give you some of the staff documents which complement it? We will give you all we have.

Senator RIBICOFF. We would like to see them because you are asking us, you are asking us to act—

Mr. LOVELL. You would not want us not to view all of our programs without the most acute scrutiny. You would not want us because we were concerned about release to committees and to the public, you would not want us to have all our internal documents loaded with sugar-coated remarks about them.

We try to take as hard a look at our programs as anyone could. We are critical and we try to correct the mistakes we have made so we have no compunction about giving you any of this. We think you should also take a look at the results, and we would be very glad to sit down with you and your staff people for as long as you want with our staff people, go over the evaluation studies and, in a systematic way, go over the data and give you the reports. We would be delighted to do that.

Senator RIBICOFF. No, but if you have reports that indicate that a certain program and certain policy cannot work and will not work, I think it is wrong to expect our committee to perpetuate programs that you yourself say cannot work. That is the problem as I see it.

Mr. LOVELL. Senator, I assure you we do not have any reports about the WIN program that say this program cannot work. We have plenty of reports, including the Secretary's testimony here today, that say H.R. 1 is vastly superior to WIN.

Senator RIBICOFF. Let me quote from these papers. I quote :

We have learned, for example, that the percent of AFDC recipients which is "employable" is lower than we generally believed; that in the present economy, job prospects for unskilled persons with limited work experience are poor, and finally, that many of the poor, including welfare recipients, are already working at full-time or part-time jobs, but cannot earn enough to escape poverty.

This is important.

Mr. LOVELL. There is testimony to that effect.

Senator RIBICOFF. We ought to be able to have that.

Mr. LOVELL. We have public testimony on that.

Senator RIBICOFF. Let's go to another point.

Mr. LOVELL. Perhaps some of those documents you have, I have not seen; perhaps I should request your permission to turn them over to us.

Senator RIBICOFF. I will ask my staff to give them to you.

Mr. LOVELL. Unless you feel they are confidential. [Laughter.]

Senator RIBICOFF. It is not confidential as far as I am concerned.

#### REQUIRING PERSONS TO ACCEPT EMPLOYMENT AT LESS THAN THE MINIMUM WAGE

The working poor are poor because their wages are too low. The provisions of H.R. 1 provide that job registrants can be forced to take private sector jobs at as low a figure as \$1.20 an hour, that in only five States out of the 50 would this wage level be sufficient to remove AFDC recipients from the welfare rolls.

Would not support for higher wages reduce the need for welfare for the working poor?

Will the Labor Department support a provision requiring jobs in both the private and public sector to be at no less than the Federal minimum wage?

Secretary HODGSON. No. We think that we have a real question of equity when 5 million Americans are working outside of minimum wage coverage at wages between \$1.20 and \$1.60 an hour. It is a matter of elementary fairness at least to that group that jobs, if they are willing to hold jobs at that level, that others also be asked to hold jobs at that level. So there is a kind of trade off.

There has to be some sort of floor, and \$1.20 seems to be a reasonable one at the present time.

As you know, it is done on the basis of three-quarters of the minimum wage so as the minimum wage goes up, that will go up.

#### EXPANSION OF FEDERAL MINIMUM WAGE COVERAGE

Senator RIBICOFF. All you have to do, if that is your point of view, is support the Williams bill which will expand coverage for minimum wage and that will solve that problem.

Secretary HODGSON. It will create others.

Senator RIBICOFF. It will create a situation where you eliminate millions of people from the welfare rolls because, instead of the taxpayers supporting them on welfare, they will be earning enough money for the work they do so they will be out of poverty.

Secretary HODGSON. On the other hand, if you expand coverage to cover some of the jobs that are at the rates we are talking about some of those jobs very likely will disappear and we will have more people out of work.

Senator RIBICOFF. I do not know. In other words, do I understand your philosophy is that—

Secretary HODGSON. It is not a philosophy; it just happens to be the circumstance.

Senator RIBICOFF. Do I understand the Labor Department philosophy is that we should encourage wage rates in the United States of \$1.20 per hour?

Do you think that a family can live on \$1.20 an hour really?

Secretary HODGSON. The administration has proposed an increase in the minimum wage, Senator, so I do not understand your question about philosophy. We take a very practical look at the trade off between the disemployment, possible noncreation of job effects, and we try to do it without inequity.

Senator RIBICOFF. So far as you are concerned, you are willing to have millions of Americans work at \$1.20 an hour, whether they are on welfare or in the so-called working force?

Secretary HODGSON. That certainly is not a description of that position I just outlined.

Senator RIBICOFF. Well, I think it is. I mean you are against the Williams bill, which would expand the coverage for those people in this country who are in sweatshop employment at low wages.

Secretary HODGSON. What I am saying is that by expanding to areas that are not now covered, we will reduce the number of jobs available and place some people who are now employed in a position of unemployment and increase the welfare rolls in so doing. This is a hazard whenever you make a change in minimum wage coverage.

To give you an example, I am sure that nobody here would believe that we could suddenly get everybody into a fine position of income by increasing the minimum wage to \$5 an hour. It is just impractical. There are a lot of jobs that would disappear.

Senator RIBICOFF. But \$1.20, Mr. Secretary—

Secretary HODGSON. There is a cutoff point somewhere.

Senator RIBICOFF. That is true, but there is a lot of difference between \$1.20 and \$1.60 and \$1.20 and \$5.

Secretary HODGSON. That is right. You put this in an absolute matter instead of a relative matter. I think it has to be put in a relative context.

Senator RIBICOFF. Do you think it is relative in trying to lift somebody to \$1.60, do you think that is relative? Do you think we should have a policy and philosophy in the United States to work a full week and still be in poverty?

Do you not think it is a worthy objective to pay people in this country a decent wage to take people out of poverty?

Secretary HODGSON. You are talking about a worthy objective.

Senator RIBICOFF. That is right, a worthy objective which this administration refuses to face up to.

Secretary HODGSON. On the contrary, our objective is to really face up to it and to realize you can raise some minimums without having a certain disemployment effect. You have to draw the line somewhere.

Senator RIBICOFF. You have two things in this administration. You come up with a welfare program to pay people \$2,400 for a family of four. No matter how you figure that, that is \$1,500 below the poverty line of \$3,900.

On the other hand, you take people and approve \$1.20 an hour for people who work. You can pay these people a minimum of \$1.60 and I do not think people are going to cut down their operation because you are raising the minimum wage to \$1.60 and expanding coverage.

I think it is a very heartless, cynical attitude by the administration and the Labor Department to support a program like that.

Secretary HODGSON. I am sorry that the occasion has descended into a place where we are using terms of disparagement of that kind.

Senator RIBICOFF. It is not disparagement, sir.

Secretary HODGSON. I think it is, when you say it is heartless and cynical.

Senator RIBICOFF. To say \$1.20 an hour or \$2,400 is sufficient to support a family of four when the minimum need for taking a person out of poverty is \$3,900.

Secretary HODGSON. All right, I would like to have Mr. Rosow comment on that, but I want to point out, Senator, we are still talking about doing something in the wage field that will encourage as many people as possible to be in the best economic position as possible, to do it though without decreasing employment opportunities in the country.

Secretary Rosow has been after me to make a comment now and I will let him make one now.

#### EVALUATION OF PRESENT PROGRAMS FOR THE POOR

Senator RIBICOFF. You see what we are trying to do, Mr. Secretary, some of us are trying to go beyond what is being done, and I pointed out that here we are, we are spending on so-called poverty programs in this country some \$31 billion, and yet, there are more people in poverty now than there were last year.

I am simply saying if you took all those, if you took and eliminated all those programs and divided that \$31 billion, you could get every family of four in this country \$4,800 and eliminate the entire bureaucracy in HEW and Labor Department and all others, and take people out of poverty.

Also, I pointed out in my opening statement that here your Federal outlays in 1972 for manpower will exceed \$3.7 billion, and you are not accomplishing anything with it. If you took that money and eliminated all your programs, you could put 900,000 people to work in this country.

What I am trying to do is to force you, and to force us, we have a dual responsibility, to evaluate these 168 poverty programs and see which ones we can throw into the Potomac River and come up with a program where the money we spend, based on the system of priorities, will have meaning.

Now if we are short of funds, and we are, because the Federal deficit indicates that, I think we have an obligation, both the executive and the legislative branch, to evaluate these 168 poverty programs, and expended, for which we are expending \$31.1 billion; and I do not say it is only your responsibility.

I think it is the responsibility of this committee to examine it and the Congress to examine these programs, so we make better use of our \$31.1 billion. I do not think we have a right to say we are going to eliminate poverty, spend \$31.1 billion, have more people in poverty, more people than we ever have had, when we could just take that \$31 billion and divide it and eliminate every person from poverty in the United States of America.

Secretary HODGSON. I am delighted to hear you comment about this business of so many existing programs, that some may be good and some not, but are all legislatively mandated one way or another. It is the very thing, of course, we have been addressing ourselves to in the manpower reform legislation, and I hope that you and others will see fit to support that. That is still on the legislative platter and we would like to get it through because it will enable us to do just what you have suggested.

Senator RIBICOFF. Yes, but it is not that. It is not a question of supporting what you do, but we find the administration does not support what we are trying to do. We get very little support for our objectives.

I have other questions, but I do not want to be unfair. Senator Harris is here and Senator Jordan.

## REQUIRING WORK AT LESS THAN THE MINIMUM WAGE

Mr. Rosow. With your permission, Senator Ribicoff, could we respond to the minimum wage question? I would like to further discuss this \$1.20 minimum and your concern about that because we are aware, as you are, of the fact that is not adequate to a family of four.

We are not suggesting that everyone referred to work would be referred at \$1.20. That is only a floor referral rate. We will continually seek to refer people to the best jobs available.

Our philosophy is that the higher pay a person earns, the more they free themselves from the welfare system.

However, the fundamental purpose of including the working poor in this legislation is to supplement inadequate and low wages of families which are living in poverty. Therefore, if a person is referred to work at \$1.20 an hour, and has a family of four, the wage level would be supplemented to the equivalent of \$1.85 an hour for that family between a combination of welfare and work.

In other words, we have to look at the move from welfare to work as a transitional concept, not an immediate accomplishment.

So in the case of low-skilled people or people with limited education or people who have been out of the labor force for many years, we have to allow for this transitional procedure. Nor can we deny ourselves access to more than 5 million jobs in this country which now exist at rates below the level.

There are many members of this committee, including the chairman, Senator Long, who have pressed us firmly in this direction and if we were to move too rapidly in creating an artificially high base for these people, we would be denying the objectives that you yourself seek.

Now we know that the wage structure in this country is not related to family size. It is based on job responsibility, equal pay for equal work. Therefore, we have a table here that points out that for a family of four, it would take \$1.97 an hour to be at the poverty level.

For a family of seven, which is not atypical in the South, we need to pay \$3.20 an hour. Now neither this Congress nor this administration can legislate poverty away by destroying the wage structure.

Senator Fannin spoke at great length this morning about his concern about foreign competition and the loss of jobs overseas. That was the first thing that would happen if we were to create an artificial wage base.

## SUBSIDIZING EMPLOYMENT AT LESS THAN THE MINIMUM WAGE

Senator RIBICOFF. Do you really think, Mr. Rosow, that you will ever get a philosophy in this country, irrespective of the competition overseas, that the American taxpayer, the American people, should subsidize the employer who wants to work people 40 hours a week and pay them \$2,500 a year?

Mr. Rosow. Absolutely not, Senator.

Senator RIBICOFF. I do not think this country under any administration is ready to regress that far.

Mr. Rosow. We agree completely with that. All I am saying—

Senator RIBICOFF. All right. Why should the taxpayer, why should the Congress, and why should the President of the United States un-

derpin a group of employers who still maintain sweatshop labor at 40 hours a week at \$2,500 a year. Why should we implement it?

Why should we not make that employer bring his level up to \$1.60 an hour?

Mr. Rosow. Well, because of the fact, Senator, that there are many jobs today that pay a great variety of wages, and many of them are below the existing Federal level minimum. The administration has favored a gradual increase in the minimum wage, the Secretary testified to that effect earlier in this Congress, and is on the record for a step up in the minimum wage. We will respond to that as the economic situation permits.

We are definitely trying, and we have the support of the AFL-CIO that this system does not subsidize cheap wages. The reason is that any supplementation for the working poor is a private matter between the Government and that person and there is no conduit of those funds through the employers. So there is no pressure here to keep low wages, but merely to respond to what exists.

Senator RIBICOFF. Do I understand you to say the AFL-CIO agrees we pay \$1.20 an hour to these people?

Mr. Rosow. No; they have not agreed to that provision. They have agreed that this law, H.R. 1, does not subsidize cheap labor.

Senator RIBICOFF. That it should not subsidize it, but my understanding is the AFL-CIO is 100 percent behind the Williams bill, which would expand the coverage of the minimum wage law to bring all these employees and employers under the minimum wage. Am I right or wrong on AFL-CIO?

Mr. Rosow. There are two sides of the equation, Senator Ribicoff. I think we have to work on both sides of it.

The CHAIRMAN. Could I get into this for just a moment?

Here is the kind of thing that concerns me about the difference between the two positions. The Secretary is being hit by Long on the one side and by Ribicoff on the other. Here is a situation we get ourselves into.

If you drive through the rural sections of my State, you will find something that is typical of other places. You come to a little cross-roads town. Two or three little stores are there and here is some sales-lady or salesman who spends 85 percent of his time just waiting for a customer to show up. That is not very hard work, but it is better than nothing, and so now if you make the boss pay that fellow \$2 an hour or \$1.80, I do not care what figure we are talking about, that means that the fellow is out of a job because the boss cannot afford to do that. So the store either will not be open as many hours, or the boss will just have to do it himself or else just close the store down.

If I am going to have to pay that fellow the welfare, I would a lot rather he continued to make \$1.20 and that way I only have to put up 80 cents in order to get him up to \$2. When I have put him out of the job, then I have to pay the whole \$2. I would rather pay 80 cents for him to do a little something than to pay \$2 to do absolutely zero.

That is what we are talking about—Ribicoff would abolish the job and Long would keep him at the job. It will save us \$1.20 for every hour he is standing around there and, as between the two, I would

much rather pay 80 cents to do a little something than \$2 to do absolutely zero.

Now that is just the difference of philosophy, but to me it is easier to subsidize a low-paying job than to pay twice that much to do nothing. It is better for the man to stand around if he has nothing to do but stand around and hope somebody walks in the store than to have to pay him more than twice as much to do zero. Meanwhile, when you pay him to do zero, the chances are he will be enterprising to find something to do and get himself a pistol and go to work robbing people on the street.

So between standing around serving the people and standing around disserving the public, we would be better off to pay him, that is the difference.

Senator RIBICOFF. I am not bothered by the administration being put between Senator Ribicoff or Senator Long, because you have to make a choice whether you go for the philosophy of Senator Long or Senator Ribicoff, that is the decision that has to be made. Because, while that situation may prevail in Louisiana, the number of people that may be on welfare, although a large proportion may be minuscule when you start figuring where the recipients are and where they live.

What is the objective? My objective is to take every American out of poverty by 1976, and that is a worthy objective and there are ways of reaching this objective, and I would say it is a sad day for America when we find in the Labor Department, whether in a Republican or Democratic administration, to have the Secretary of Labor come out with a position that they are going to advocate that people stay in poverty and that the American people, taxpayers, subsidize slave labor.

I think this is what we are up against and this is where a debate should be held and this is where I want to put the Secretary.

The CHAIRMAN. Senator, if I do say it, you may think you are going to get them all out of poverty by adopting your program, but I want you to know it is not going to work out quite that way. Even if we do all of this, and get the income up to where you want it to be, some future politician is going to be as equally enterprising as some of us and he is going to redefine poverty, so that 80 percent of them are going to be back in poverty, and he can get credit for taking them out of it again. [Laughter.]

Secretary HODGSON. I want to say we do not have either the Long or the Ribicoff philosophy. We feel we take a professional look—[laughter]—and try to come up with a position that reflects that professional appraisal of what can be done in regard to both advancing the minimum wage and expanding its coverage.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

#### WORK DISINCENTIVES UNDER H.R. 1

Mr. Secretary, I think we all agree that one of the main defects of the present welfare system is that there are so many work disincentives

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in it. A recipient is likely to be charged up to a hundred cents for every additional dollar he might earn. So I was impressed when, on page 7 in your statement, you said this:

My second point is important. Work incentives under H.R. 1 are strong. When combined with the work requirement features, they reflect a primary emphasis on the new welfare reform bill.

You went on to say:

The single most important work incentive is the coverage of the working poor. Somehow, in times past, our rewards and penalties got mixed up, creating a system where those not working were given financial assistance, but those working day in and day out—but still living in poverty—were ignored.

Now, I wish I could see H.R. 1 in the same light that you do. I have sent to your table a committee print on material related to H.R. 1 work and training provisions, put together by the staff of the Finance Committee. If you are seeing it for the first time, I am going to be very gentle with you on it. I ask you to turn to chart 12\* because, after all, the application of H.R. 1 will be in the several States, not in a theoretical country or State that does not have some rules and some laws of its own.

Under H.R. 1, a family's assistance payment would be reduced by two-thirds of any earnings in excess of \$720 a year—\$720 is disregarded. You will see under chart 12 what each dollar earned will cost a family of four in Wilmington, Del.; that is a mother with three children. Because of the \$720 disregard, if she makes up to \$1,000 a year, with the social security tax, medicaid deductible increase, and increase in public housing rent which would apply in Wilmington, she is taxed 49 cents of that dollar. That is the cost to her of each dollar she makes.

But look in the next column, if you will, Mr. Secretary. If she makes between \$1,000 and \$2,000, the disincentive begins to work very vigorously because, for each dollar she would make in that range, she would be taxed \$1.12, and likewise in the range of \$2,000 to \$3,000, the cost of making an additional dollar to the breadwinner of that family of four in Wilmington, Del., would be \$1.13, and so on.

So tell me, have you applied the theory that this bill has no disincentives to the practical situation that you find in some of these cities like Wilmington, Del.?

Secretary HODGSON. I am glad you mentioned the practical situation, Senator. Let me first say that I know that Secretary Richardson has been developing material on this subject to present to the committee, I suppose he would have done it yesterday if he had been here, and I do not really want to upstage him on it because this is really his section.

Senator JORDAN. Yes.

Secretary HODGSON. But nonetheless, I would like to talk a bit about this subject of wage incentives in H.R. 1 and how they work.

The tables we have seen in the past are presented in \$1,000 increments and really do not reflect the nature of the work decision that people make. This is not the way the world works in the world of work. The decision is seldom based on the incremental terms of going

\* See p. 366.



from one \$1,000 bracket to another \$1,000 bracket. It is generally in of going from no work to part-time work or from no work to full-time or part-time to full-time work. I say, these are the practical things you have to think about when you ask whether there is an incentive.

The real thing that is frequently missed is what I call discretionary income, the increase in the amount the person actually has after he has his fixed payments taken care of.

People often wonder why workers will bargain and even strike for a 10-percent increase.

Well, for a person who has 90 percent of his wages taken up by fixed payments, a 10 percent increase is a doubling of his income. That is the reason why you have to look at what the discretionary income is. A little bit more at the margin means an awful lot more available to the person, and you just have to take that into account.

Also, it seems to me that in most of the charts we have seen, a whole series of benefits are calculated, but the fact is that very few of the families that will be covered by H.R. 1 will get all these benefits. For instance, only 7 percent will be eligible for housing benefits. When you look at incentives you have to look at it the way the world works out there in the field of work, the way the psychology of the individuals who are faced with making work choices will react to the choices that they are faced with. I am convinced that the reduction rates of H.R. 1 provide really strong financial incentives to work. They are much improved over last year and certainly far superior to the present system.

Senator JORDAN. All right, Mr. Secretary, turn one page more and look with me at chart 13\* which pertains to Chicago. This time let us disregard public housing. A woman, a mother, a breadwinner, head of a family of four, in Chicago would do better up to the first \$1,000 because it would only cost her 25 cents for each dollar earned. However, if she earned between \$2,000 and \$3,000 she would have to pay \$1.06 for every dollar earned; if she would get up to the \$4,000 to \$5,000 bracket, it would cost \$1.22 for every dollar earned; and if she got in the \$5,000 bracket and up, it would cost \$1.25.

You are not disputing the accuracy of those figures? We are leaving out the housing part.

Secretary HODGSON. Yes, in effect we are, and I would like to have Secretary Rosow address himself to that.

Senator JORDAN. Yes.

Mr. Rosow. Senator Jordan, if I could return to chart 12 on Wilmington, Del.—

Senator JORDAN. All right.

Mr. Rosow (continuing). I might say, as an introduction, we do not accept these charts, but since they have been presented to us in the committee print, it is only fair that we address ourselves to your presentation and then, with the permission of the chairman, I would like to submit some charts that HEW has prepared which are for the same cities, tables which we feel would be a more accurate representation of the true incentive features of the welfare reform under H.R. 1.\*\*

\*See p. 368.

\*\*See p. 72 ff.

The CHAIRMAN. That is fair enough. But, as you know, all the assumptions are right beneath that chart there and you, I am sure you have your assumptions for your chart too.

Mr. Rosow. Yes, Mr. Chairman, and I will address myself to chart 12 first, and then I would like to contrast that with our information which I think presents a very accurate representation of the net effect, which is what we are all interested in: whether there really is truly an incentive to go to work under this bill or whether you are better off staying on welfare and dodging work.

#### TREATMENT OF SOCIAL SECURITY TAX

Now the welfare reduction of 67 cents on the dollar, which is applicable to all levels above \$1,000, is an accurate figure. We contest the use of the 6-cent deduction for social security, not because it is inaccurate, but because it does not take cognizance of the fact that social security is a deferred benefit and that the worker is paying against a wage rate every payroll period, but is buying something in return for that, and in combination with the employer contribution probably buying a benefit worth considerably more than that deduction.

The CHAIRMAN. Well, let's just analyze that for a second. Pardon me, for the interruption, Senator.

You might say that, but as a practical matter, are we not pretty well trapped in this situation? If a person has a low-paid job, and he gets his social security, he is going to be enjoying the minimal social security. He will require welfare supplementation anyway, the way things are going, with the result that if he did not have the social security, the welfare payments would be filling in that gap. So that in the last analysis the social security benefit probably has no meaning to him.

You do see what I am talking about?

Mr. Rosow. Yes.

The CHAIRMAN. If this worker is going to be a welfare person to begin with, when he winds up with social security benefits he is getting the minimum and then when he becomes a beneficiary, you then proceed to give him the welfare payment to bring that up to what you think his income ought to be when he retires. The result is that he really does not have anything for social security because he would have gotten that much by welfare.

Mr. Rosow. Except, Mr. Chairman, that that segment of his income when he reaches retirement, which is financed out of the social security trust fund, has already been paid for and does not represent a new cost to Government.

For a person who is not covered by social security, the total payment, to an aged indigent person for example, would be borne out of general revenue funds or out of the welfare funds.

The CHAIRMAN. Well, what difference would it make whether the money—

Mr. Rosow. It makes a difference to us.

The CHAIRMAN. Whether it is coming out of general revenue funds or social security?

Mr. Rosow. It makes a difference to you, Mr. Chairman, because—

The CHAIRMAN. We are not talking about whether I am better off, but whether he is better off. As far as he is concerned, it seems to me

as though he would be getting the same thing as if he did not have social security.

Mr. Rosow. But on that basis, it is a question of whether we want him to accrue a right and be self-sufficient in his old age.

Senator JORDAN. If he is hungry he does not want to accrue a right; if he is hungry he does not give a damn about a right.

Mr. Rosow. In earlier discussions the last Congress agreed that possibly another way around this, if you are overly concerned about the social security tax on a low wage earner, would be to forgive this tax in order to increase the incentive.

The administration was open to that possibility, but the Congress felt in its wisdom, both in the House and in the Senate last year and again this time, that the tax should be imposed so that these people would not be treated any differently than any other worker. All I am saying is that we can at least say this is an ambiguous insertion on the 6 cents, and further, as your own footnote notes, it is based on a rate that would not be in effect until 1973, so it is shown at its highest level.

The next line, State, Federal income tax, is accurate.

Senator RIBICOFF. I think with all due respect to the statement you made I want to defend the staff, they were not capricious; sure, the 6 cent rate goes into effect in 1973, but this program also goes into effect in 1973 so what the staff apparently did was to relate in 1973 what we were faced with, so I would defend the staff there.

Senator JORDAN. Exactly.

Mr. Rosow. That is fair enough, Senator.

#### INCREASE IN MEDICAID DEDUCTIBLE AS INCOME RISES

The medicaid deductible increase, which is a fairly substantial amount, was computed inappropriately, and again this is due to the fact that there has not been an opportunity for the committee staff and the HEW staff to compare notes. If you take the 9 cents at the zero to the \$1,000 range, that works out at \$90 per thousand. Then you add \$330 for the next increment of a thousand to \$2,000, another \$330 for the increment of \$2,000 to \$3,000, and another \$330 at \$3,000 to \$4,000. When you add that up it comes to a deductible of \$1,080 across that whole income span, but the average benefit is \$460.

So it seems here that the deductible exceeds the benefits since it is a cumulative calculation.

But the more important point I would like to make rather than to argue about the arithmetic is that the medicaid deductible increase is really based on trying to assess a charge against the welfare family on the average in Wilmington, Del., for a benefit that may be hypothetical.

The medicaid benefit is only received by a family if one or more members of that family are sick and eligible to participate under that program.

I recall a case when I was in South America where we ran schools and hospitals for our employees and, in order to calculate the costs, we divided the aggregate dollar expenditures by the number of employees on the payroll. When we looked at our population, however,

we found one-third of our employees were male bachelors under 25, unmarried and with no children in school. So to assess education against those employees was a hypothetical cost.

The CHAIRMAN. If you are talking about welfare fathers, half of them have a child around somewhere if you just look hard enough.

Mr. Rosow. But they are not all receiving medicaid.

Senator JORDAN. Mr. Secretary, I have been supplied a table here of average medical vendor payments to families receiving AFDC payments and it runs up in many of these States close to a thousand dollars a year, in some cases over a thousand dollars a year.

Mr. Rosow. The national average is \$460—in Wilmington, I am sorry.

Senator RIBICOFF. If the Senator will yield, Senator Jordan makes a very pertinent point because the cost of medical services to the poor runs much higher than to the middle-class or the wealthy, and I think Senator Jordan is making a very appropriate point there.

You cannot talk about averages of \$400 because Senator Jordan is talking about realities.

Mr. Rosow. But, Senator Ribicoff and Senator Jordan, I am not disagreeing with the point, but would like to point out that if we get these people working, which is our objective, we can take them out of this cost to the Government.

In other words, at the present time in America, 80 percent of all workers who make more than \$6,000 a year are covered by some type of insurance with their employer for medical care, whether it is Blue Cross, Blue Shield, or whatever it may be. In some cases the employee contributes, in some cases it is fully financed by the employer. Our objection to just showing this as a cost is that it deals with a static type of situation.

What we are trying to do is to make these people self-sufficient and, as we pointed out earlier in the Secretary's testimony, one of the things that is omitted from all of these calculations, which are in our revised tables, is the fact, that as people earn more money in this country, they get more benefits from their employer, whether it is vacation holidays or sick leave, medical care insurance, or life insurance. These benefits are very valuable to the family and they do take a drain off the Federal Government and off the State and local government.

So with the chairman's permission I would like to distribute to the members present some other tables on these cities, and with your permission show you what incentives exist. I would like to take the worst example, New York City, which has about 10 percent of all the welfare people in the United States, and which is considered by all of us to be one of our worst problems; if I could just take you through New York City in these tables, I would show you the tables of incentives that exist.\*

The CHAIRMAN. Why do you not make that available as we are making it available to you, you analyze it and we will analyze yours and see if we can agree on one.

Senator JORDAN. I have about used my time, Mr. Secretary. I do want you to study our table because we have a very competent staff here and I defend every figure in this committee print for accuracy.

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\* See p. 83.

We are not backing down one iota from the figures presented in this table. We would like to have your analysis of our figures and we will take yours and look them over. Someplace there has got to be a meeting of the minds because if we are to truly do away with disincentives in this bill it has to be in reality rather than in fiction.

Secretary HODGSON. We understand, Senator. We agree with you thoroughly that the purpose of this bill is to move people into the world of work, and one of the ways to accomplish that is to have an incentive for people to do so.

Senator JORDAN. Right. There have to be carrots as well as sticks. In this situation we think there are no carrots. We think that this is demonstrated in the table Mr. Rosow has. I think it will be desirable to have staff comparisons of the way we have gone about this and particularly to understand some of the concepts that HEW has been working on in developing its statistical compilation.

The CHAIRMAN. Well, if you are ready for the crossfire at the other side, I want to call on one of our outstanding members of this committee, Senator Harris. Senator, I am sorry I missed you when your turn came previously, you had left the room temporarily. Glad to have you back.

Senator HARRIS. I want to agree with excellent statements that Senator Ribicoff has made and the really basic and fundamental questions he has asked I think are not being faced up to by this administration.

Senator Ribicoff has shown by the statistics that he has cited here that the system that we are dealing with is a relatively stable one that resists any efforts to change it. Unless we are willing to talk about fundamental change, we are actually talking about just sort of adding to the convention and not bringing about any change in the system that we all abhor.

#### INCREASING NUMBER OF POOR PERSONS

Why is it, do you think, that of all the rich industrialized countries we have got such a large percentage of our people who are poor? Why is it that there are more poor people this year than there were last year, do you think, Mr. Secretary?

Secretary HODGSON. Well, I would say the answer to the first question is that people who are considered poor in this country in terms of income are in most countries considered not poor, and in some countries would be considered well off. Everything is relative and in our country we have very high standards, as we should have, because we have very high accomplishments and fine people. So that, I believe, is the reason why we have the kind of situation we have, and a little foreign travel and a little discussion with labor ministers of many of the different countries have manifested this to me. The income that we set as a poverty level in our country for most other countries are above their average wage, and in many of them could be considered a superb wage. So that is one of the reasons for that.

Senator HARRIS. What about—first of all, I do not agree with that because I think there is such a thing as the spread of income, and I do not think there is any rich, industrialized country in the world, for example, that treats its own people as badly as we do and has so many

hungry children as we do, or it has the kind of maldistribution of wealth and income that we do but I was going past that.

Why are there more poor people, just take the United States alone, why are there more poor people this year than there were last year?

Secretary HODGSON. Are there?

Senator HARRIS. Well, your own statistics indicate there are.

Do you believe your own statistics?

Secretary HODGSON. What statistic is that, more people below the poverty level?

Senator HARRIS. That is your own BLS this year than last year, I would think.

Secretary HODGSON. As of what dates are those? Do you know which year?

Senator HARRIS. If you disagree with that, we can go into something else.

Secretary HODGSON. I do not disagree with it. I just don't know the figures from which you are quoting.

Senator HARRIS. The Census Bureau figures show that in April it went up by 10 percent.

Are you familiar with that?

Secretary HODGSON. Yes.

Senator HARRIS. Why was that shown then, or do you want to argue about the figures?

Secretary HODGSON. No; I just want to know from what figures you are talking, Census Bureau figures from what time?

Senator HARRIS. That just came out this past April.

Secretary HODGSON. For April, that contrast April this year with April last year?

Senator HARRIS. Yes, 1969 to 1970.

Secretary HODGSON. And why is there a difference?

Certainly one of the reasons would be the extent of the unemployment that exists at the present time.

Senator HARRIS. Well, doesn't that sort of beg the question? Why is that so?

Secretary HODGSON. Well, it is because the level of economic activity is not as great as it was in April of last year.

Senator HARRIS. Is there nothing that can be done about that?

Secretary HODGSON. Sure, a great deal is being done.

Senator HARRIS. Well, not enough, it looks like, because we had more poor people this year than last year.

Secretary HODGSON. Well, you are talking about April figures not about current figures.

As you know, we are bringing the unemployment level down.

Senator HARRIS. Unemployment is higher now than it was.

Secretary HODGSON. It isn't. It is lower than it was in April. It was around 6 percent at that time; it is now down to 5.6.

Senator HARRIS. The number, you say there are fewer unemployed people now than there were last year.

Secretary HODGSON. Let's not engage in that.

Senator HARRIS. Let's do engage in it.

Secretary HODGSON. All right, but let's understand that from May to June every year in any administration there is an enormous increase in unemployment, because hundreds of young people flood the labor

market coming out of school. This year there were less young people coming out of school and unemployed than there was last year. Unemployment rose 1.1 million this June compared to 1.3 million last June. In other words, that the amount of gain from May to June this year was not as much as previously.

Senator HARRIS. Are there more unemployed people this year than last year?

Secretary HODGSON. There were more unemployed people this year than last year, I said yes, but there were more unemployed in June than April.

Senator HARRIS. The Census figures show this was the first time in 10 years the number of poor people went up. Today 25.5 million, one in every eight Americans is poor.

Do you disagree with the figures?

Secretary HODGSON. I do not disagree with the figures.

Senator HARRIS. And you just say it is because unemployment has gone up or the economy is bad?

Secretary HODGSON. I am not sure that is the only reason. I haven't examined it.

I did not realize that was going to be the subject of the inquiry.

Senator HARRIS. Aren't we talking about poverty and jobs, Mr. Secretary?

Secretary HODGSON. We are talking about whether we have a successful bill to take thousands of people, millions of people, potentially, off of welfare and into the world of work.

Have we got something that will accomplish that, that is what I am working on.

Senator HARRIS. That is the question, but if you do not know what the situation is you are working on, or what caused it, it would seem to me you are in very poor position to recommend concerning it.

Secretary HODGSON. I do not think so.

We are not ignorant of that situation as you say. But what happened between April last year and April this year has very little to do with what the situation is now and what it will be when this bill goes into effect.

#### IMPACT ON THE LABOR MARKET OF REQUIRING ACCEPTANCE OF JOBS PAYING LESS THAN MINIMUM WAGE

Senator HARRIS. Well, that seems sort of a silly kind of answer, but let me just go on past that to this: What about the business of minimum wage? Aren't you talking about putting on the market here, interfering with the market pressures, millions of people or how many ever it is going to be, if you can define how many would actually be required or are eligible for these work in training figures, and I think there is some problem with that and it would be sort of, that would be a sort of captive labor force for a great number of employers and that, therefore, the impact would be that you would interfere with the market pressures in that a man would not have to worry so much about competing for those employees and the net effect would be to depress wages or at least hold wages down and thereby increase the number who are eligible for your welfare supplements or at least keep it from going down. Isn't that exactly what you are doing here? In-

stead of changing a rather stable system that resists change, it seems to me you are just adding to the bad parts of the system.

Secretary HODGSON. Well, we think by supplementing, letting a person keep \$720 of his first earnings and one-third beyond that, we are providing him with the incentive to move off welfare.

Senator HARRIS. But they cannot move off welfare and they won't move off welfare under your bill if working full-time they are still entitled to supplementation, and aren't you by saying to employers, "Here are a group of employees that are going to be available to you as captive, as a kind of a captive labor force," they have to work at, we set a minimum wage and then we set some kind of an inconsistent—if you say there ought to be a minimum wage, and I do not understand how you have set a subminimum wage.

Secretary HODGSON. There are many different minimum wages at the present time, as you know, Senator.

There is not only one, there is a different minimum wage for agriculture, a different minimum wage for other industries, there are minimum wages in cities that apply to city employees and minimum wages in States that apply to State employees, there are all kinds of minimum wages in this country.

Senator HARRIS. You set a kind of subminimum wage here which is inconsistent, it seems to me, for a group of people required to work.

Now doesn't that have the tendency to depress wages or to hold wages down and, therefore, have a tendency to add to those who are going to be entitled to a work supplement?

Secretary HODGSON. No; we have people working at those kinds of wages right now.

Senator HARRIS. But that is a voluntary matter and therefore is part of the American free enterprise system, whereas what we are talking about here is an involuntary matter, a captive labor force, that this employer can hire at any wage that comes up to that subminimum wage, or above it, and you do not have these work requirements.

Now, doesn't that interfere with the free enterprise system and the market pressures that otherwise might allow the wages to go up?

Secretary HODGSON. I think it can be contended, perhaps, that the whole idea of the minimum wage interferes with the free enterprise system, and that setting a minimum wage on the part of Government sets a floor on the wage structure that is not normal. So from that standpoint it is not theoretically a free situation now.

Senator HARRIS. Mr. Secretary, we are talking about people who are not free agents here. We are talking about people who, if their children are going to eat, are going to have to go into this labor market.

We are not talking about people who voluntarily work, and your own testimony shows that most people will voluntarily seek work far more than you are going to be able to take care of.

But if you have people here who in order for their children to eat are required to take work without standards, for example, without workmen's compensation, with a subminimum wage, and you do not have the suitable employment standards and so forth that apply otherwise, doesn't that really interfere with the possibility that those jobs might little by little be upgraded?

You have proposed upgrading them by a Federal wage standard here in your testimony earlier and now you are going to interfere with



the market pressures that allow them to go upward, and doesn't that worry you so far as defeating your purpose? Your purpose ought to be that people working fulltime should be able to earn enough for a decent living.

Secretary HODGSON. I see what you are getting at.

Senator HARRIS. I am sure glad of that. [Laughter.]

Secretary HODGSON. I do not think the effect of what you are talking about would significantly affect the pull and tug of the labor market circumstance. Certainly that has not been the effect as you point out of having a minimum wage itself, and there may be some effect of this, but I do not think it is significant.

Senator HARRIS. Let me ask you this, don't you worry about—first of all, the kind of jobs we are talking about that people would be required to take, I assume, are more or less domestic service, and agricultural.

Secretary HODGSON. Let's take——

Senator HARRIS. Low grade.

Secretary HODGSON. Let's take a look at the WIN program now, the kind of jobs enrollees have been asked to take under that program.

As our testimony points out, they average \$2.28 an hour, if I remember our testimony.

#### JOB RETENTION RATES UNDER WORK INCENTIVE PROGRAM

Senator HARRIS. That is how many of those have been able to be placed, how many have stayed on the job?

Mr. LOVELL. 49,850 people that are in the program have been placed on jobs.

Senator HARRIS. And how many people under these kind of jobs like WIN, and JOBS, for example, particularly JOBS, how many of them stay on after, take JOBS, particularly, after the subsidization of the training by private employer runs out?

Mr. LOVELL. In the WIN program 80 percent of the people remain over 6 months. In the JOBS program it is about——

Senator HARRIS. It is 6 months after the training phase?

Mr. LOVELL. Yes, about 80 percent remain. In the JOBS program about 50 percent as a rule, but I would say about 80 percent of those who leave go to other jobs, and many of them paying higher incomes.

Senator HARRIS. Some of them go into other—is there any way to figure out how many go from JOBS to WIN to something else or Neighborhood Youth Corps to JOBS to WIN?

Mr. LOVELL. Well, generally, very few, actually, perhaps one of the criticisms——

Senator HARRIS. I mean do you know?

Mr. LOVELL. Yes.

Senator HARRIS. Do you?

Mr. LOVELL. Yes.

#### CHARACTERISTICS OF RECIPIENTS UNDER H.R. 1

Senator HARRIS. Could you give us some figures on the characteristics of this particular work force we are talking about in this bill, do we know who they are, what kind of—for example, do we know what

percentage is rural and what is urban, and what percent have been in training programs in the past and so forth, is there a way to provide those kinds of figures?

Mr. LOVELL. On the WIN program or the estimated group in H.R. 1? Which are you talking about?

Senator HARRIS. In H.R. 1.

Mr. LOVELL. Yes, we do have those figures.

Senator HARRIS. Have you given those to the committee?

Secretary HODGSON. I am told it is in the House committee report, Senator.

Senator HARRIS. Senator Ribicoff, I understand from a staff member of his here, has requested you give those figures earlier, I suppose I missed that.

Secretary HODGSON. Yes, on table 16, page 232 of the House committee report it sets forth the universe breakout.

Senator HARRIS. I see. What percentage is rural, for example?

Mr. Rosow. Not in standard metropolitan areas, Senator Harris, about 45 percent.

Senator HARRIS. Nearly half of them. Where will those people be required to work, I mean, what kind of jobs would you make available to those people?

Mr. LOVELL. I think clearly there are fewer jobs in these areas than the metropolitan area.

Senator HARRIS. It is tough enough to find jobs for this group of people anywhere, isn't it?

Mr. LOVELL. The effect of H.R. 1 on rural communities will be very salutary from the point of view of bringing in substantial income that does not exist today.

I think that many, many jobs will, in fact, develop because of the income being brought into these rural areas as a result of this program.

I think from a short term point of view realistically, the rural individual is not going to be exposed to the variety of jobs that the person located in the urban area is.

We have to recognize that. We talk a lot about the success of training, and clearly there does have to be a job at the other end of the line, but we do know that there are many people in the rural areas that do not have basic educations, there are Spanish-speaking people that cannot handle English and obviously they are under a tremendous job handicap.

Senator HARRIS. As a matter of fact, this entire work force you are talking about here, the skills are going to be relatively low, education is going to be relatively low, wouldn't you think?

Mr. LOVELL. It varies.

Senator HARRIS. And other kinds of disadvantages.

Mr. LOVELL. Yes; it varies.

In the cities the educational level is higher than it is in the rural areas, but I think that between the training opportunities and the additional revenue that is going to come into the rural areas that we will be able to move forward more rapidly in the rural areas, than we already have.

I think it would be completely unrealistic to say every poor person in the rural area is automatically going to end up with a job.

I do say this, under H.R. 1 every job in a rural area should be filled that meets the standards of this Act.

Today in many areas there are unfilled jobs.

One other thing, we were talking earlier about some of the deficiencies of the employment service which we are interested in correcting. I think there are deficiencies too, but I think we should also mention that the employment service is not mandated to be the major supplier of manpower services in this bill. The Federal Government has to choose the agency which is most fitting, and certainly it will be used, but the main responsibility is with the Secretary of Labor.

Recently the President signed an order requiring all Government contractors to list their jobs with the Employment Service.

This could double the number of jobs available, and indeed make a very strong case for the work test that is established under H.R. 1 because there are going to be a lot more jobs to refer people to than there are today.

The employment service today has about 17 percent of the jobs listed with them, and we would expect to double it.

Senator HARRIS. And they are generally the lower—

Mr. LOVELL. Yes; that is right.

Now with all contractors being required to list their jobs, the quality of the jobs registered with the employment service is going to be substantially higher.

Senator HARRIS. What percentage of the jobs would you say of that work force that it would be eligible for?

Mr. LOVELL. We talked about the fact that training is not always feasible—you cannot always train a person into a job.

#### QUESTIONABLE VALUE OF INSTITUTIONAL TRAINING

Senator HARRIS. I just wonder if you ever can. We have got, I bet we must have 40,000 welders in the State of Oklahoma.

Mr. LOVELL. I have always been skeptical of counseling a man into a job or training him into a job.

#### NEED TO PROVIDE JOBS

Senator HARRIS. Wouldn't you say the main thing is the job?

Mr. LOVELL. You have to have three things, Senator, you have to have a job of some character.

Senator HARRIS. That is right.

Mr. LOVELL. Second, you have to have a person who either wants to work in it or feels required to work in it, and we all need a little bit of both.

Senator HARRIS. Most people, though, want to work.

Mr. LOVELL. Well, we all want to work at something, whether we want to work at what is available is the question.

Senator HARRIS. Your testimony with regard to WIN is far more people wanted to work.

Mr. LOVELL. I think almost everybody wants to work.

Senator HARRIS. Right.

Mr. LOVELL. Now some of the problems we have is at what they work in and we were discussing some of these extremes.

Third, then you have to have a job, you have to have willingness to work or motivation to work, and then you have to bring people together with manpower services; not everybody, but some people. Some people need certain kinds of training or certain kinds of help to get into it.

So your training in manpower functions probably can be effective, maybe, in 20 or 30 percent of the cases.

In the other cases, it is a question of the exercising of the job test, and making sure people are exposed to the jobs that are available, and indeed that they do take reasonable jobs in the community that are available to them.

You know, so often we pick out the best jobs and talk about them, and we pick out the worst jobs and talk about them, but in the majority of instances, and we found this, the jobs that are available are not the \$1.20's and are not the \$5 an hour jobs. The jobs do range from the \$1.80 to \$3.85 range.

Secretary HODGSON. There is something else about the rural circumstances, Senator. I think probably the public job components will be more meaningful and more important in those areas than anywhere else.

Mr. LOVELL. I think that is true.

#### LACK OF KNOWLEDGE OF VALUE OF PRESENT MANPOWER PROGRAMS

Senator HARRIS. Mr. Chairman, I just want to say I do not think it is just the fault of this administration and the Department of Labor. I think it is the fault of a lot of us in the past, and a lot of administrations of that Department, that these manpower programs either are not working or no one knows whether they are working or not. I do not think anybody right now can tell us what it really costs to put a person in a permanent job who did not have one before and I do not think you can tell yet under this bill.

Furthermore, I do not think anybody knows whether or not any of these manpower programs are any good insofar as what they deliver, and how many of them have actually put people on the jobs and for how long, and whether or not we are getting our money's worth through subsidization of private industry, as to what they do in return.

#### REQUIRING ACCEPTANCE OF EMPLOYMENT PAYING LESS THAN MINIMUM WAGE

I think this bill is fatally defective in setting up a captive labor market at substandard wages and therefore it is going to pressure for a greater number rather than a smaller number of welfare recipients by freezing a lot of substandard and subpay jobs into existence in our society, and I think pressuring for a greater number of those kind of jobs.

I disagree with Mr. Rosow that you are going to export domestic service and agricultural and low-grade and high turnover jobs if you require employers to pay standard and decent levels of pay.

I do not believe they will go off somewhere else, and I think that we are just defeating our purpose if we set up this kind of captive labor market, and don't allow the free enterprise pressure to work.

Furthermore, I cannot understand why we have set up dual systems or dual conditions of employment. For example, you have in private employment—I mean in public service employment—set up here minimum wages and other kinds of standards, suitability requirements for public service jobs, but in the private sector you would not make those kinds of requirements, and it seems to me that is a very poor thing to do particularly when there is a subsidization of the training.

Those are very serious problems, it looks like to me, and I am glad to see we are going to move into public service employment much more strongly.

I think that has been indicated for a long time, and I hope that we are going to pass both the public service jobs in this bill, and those in the Emergency Employment Act, and that we will recognize with this enormous increase in the budget of that department, the new departure that we have here and see if we cannot try to make heads or tails out of these programs and not just add some more on them.

Secretary HODGSON. Well, we are certainly in agreement that we ought to do all we can to, as you say, make heads or tails out of our program.

We know we have some programs that are better than others and we have better information on some programs than on others. We constantly work to improve both our programs and our information systems. I can only say this, manpower programs in this country are a relatively new thing, but they have produced some measurable gains in our judgment.

I would just like to say with regard to your concern about the wage level, Senator, we are required under this legislation, as you know, to pay the prevailing rate or to refer at the prevailing rate. The \$1.20 just happens to be the floor, but the prevailing rate is the one that is controlling.

Senator HARRIS. I might just say, I do not know whether you know this or not, but that 75 percent of the minimum wage in my office, not by me, by Pat Moynihan, and Jack Veneman came to see me last year after I had opposed in this committee this bill as I do now. I am opposed to the bill in the present form, and I think it is regrettable it is not reformed, but anyway, Pat Moynihan said, "I do not think there are any principles involved here, but just methods," and I said there were, and he said "Name one," and I said, "This business of minimum wage. I do not think this is a labor union issue but goes to the heart of your bill and whether you want people to go out and work by their own efforts." He said, "I can see that." He said, "Jack, can't we agree to set the minimum wage in that position?" and Veneman said, "No, we cannot, the administration is opposed to that one."

Moynihan said, "How about going 75 percent of the minimum?" and Veneman said he thought that might be worked out, and eventually about a week or so later that was presented by Secretary Richardson in his presentation before "Common Cause."

Well, I just hope that as you study along with this thing you will gain the same sudden realization that Pat Moynihan did that these are basic kinds of principles and the trouble with the system now is that we have really not tried to make any fundamental changes and I hope we will.

If we are going to really change it, let's do change it and not add to the system which has brought us to such a sad point.

Mr. LOVELL. A rather revealing explanation.

Senator HARRIS. That is actually how that occurred.

The CHAIRMAN. Are you through, Senator?

Mr. Secretary, I want to ask you a few questions, I may have to miss the next roll call vote to do it. I think we might keep you through the noon hour if need be and finish your presentation on this bill.

Let me commence by saying I think you have been a magnificent witness for your part of the bill.

I am not saying I agree with it, I just say I think you have done a magnificent job in testifying for it.

You have been forthright and I do not think you have given any answers that are deceitful.

You have given us the best information you could, and I think that you are doing the best you can. We have an old expression down my way, of course. It says sometime I am doing the best I can and that is all a mule can do.

Now that come from an expression where somebody is beating on the poor old mule to try to pull the wagon uphill and the poor old mule is not moving and cannot pull the wagon, and beating him any further won't move the wagon any further.

The best thing to do is put a brick under it, and maybe if you took two trips instead of one you will get there.

Mr. LOVELL. We do get a sensation of being pulled in a couple of directions at the same time, Mr. Chairman.

#### NONCONTROVERSIAL PROVISIONS OF H.R. 1

The CHAIRMAN. As you can see, you are confronted with some of the same difficulties that confronted this bill last year, and I am not talking about the good part of this bill that should have become law last year. That was passed by the Senate by a unanimous vote. I am talking about a controversial part that kept any of it from becoming law. I would like to start off by asking if it was not unfortunate that, having passed a bill that had a great number of things in it that your Department favored and that you favored, some of which went beyond what you were recommending in the same direction, by the way, provisions that would have made it possible for the aged and the disabled and a great number of people in this country to do just a lot better, to then watch it go down the drain because we could not come into agreement with regard to the controversial phases of the bill about which we have been talking today for the most part.

Secretary HODGSON. Do you think it is necessary to make that choice?

The CHAIRMAN. All I am saying is wasn't it unfortunate last year we lost all those important provisions? I, for one, want to do better by the aged. I would like to assure the single person aged, no other income, \$150 a month, that is what I would like to do. The committee would not go that far but they went most of that distance with me. We have to lose things like that, many good things in the bill because we couldn't get the two Houses to agree on the family assistance plan. I would like to ask you if you agree with me if it was unfortunate

we had to lose those provisions for a year because we could not resolve the impasse on this item.

Secretary HODGSON. Well, I hate to see anything that is worthwhile lost by being held hostage by something else if that is what you have in mind. I do think that this particular bill attempts to involve or cover an enormous universe of conditions and needs, and I can understand how it would take time to thrash out and evaluate and eventually balance all of the conditions that have to go into it. While I think that it is unfortunate we were not able to get a bill of this kind last year, I think we have got a much better one this year.

I think we have got the kind of a bill that deserves now some final attention and shaking down but is one that does not have the same range of difficulties that it presented this committee last year and I, too, hope the committee will look at it that way.

The CHAIRMAN. It is not new to me, Mr. Secretary, to see us lose a good bill because we cannot agree on some aspect of it. I was one of the conferees when medicare died in conference between the Senate and the House. That was one of those occasions where the administration preferred it to be that way, they wanted to take the issue to the public, at least the President did. We had a very good social security bill, and a lot of good things in it that had to go down the drain because the two Houses were adamant and the Congress finally just adjourned and went home with the medicare controversy between the Senate and the House. That was the year when medicare was in our bill, and it was not in the House bill.

At that time it worked out the other way around. We were fighting for something that the Senate voted. I had not been one voting for it, but it was there and that is what the Senate wanted to do and the House would not yield, so I know how these big breakthroughs tend to hold up other things. I also recall your unemployment compensation bill had to wait 4 years for the same reason.

I know how it happens although I think it is somewhat unfortunate.

It looks to me like ignorance is the most surplus thing in America and misunderstanding runs a close second. After that pollution is developing to take third place.

I do not want to misunderstand you and I do not think I have and I do not think that you have misunderstood me. I believe we have both tried to work together for what we think would be in the national interest. Personally I am going to continue to work that way so far as I am concerned, Mr. Secretary.

I am not going to be beating you over the head and trying to accuse you of a lot of mischief, and I know you are doing what you can to improve the conditions of the people of this country, and particularly the working classes and the poor, and this is as the Good Lord gives you light to see it and that is what I am trying to do.

I have been described as a great arch-conservative by some. When I first came here I advocated welfare amendments and was regarded as one of the flaming liberals, but there are certain things fundamental to me. With regard to this bill, it is not the cost that bothers me, but whether this thing will work. I have my doubts that the controversial sections in this are going to work.

## REASONS FOR FAILURE OF WORK INCENTIVE PROGRAM

Now, I think in fairness to you I ought to just tell you one thing that bothers me about the way we are doing business under the WIN program and the way this bill proposes to handle this OFP program.

When we initiated the WIN program in this committee, I think I was the one who initiated it, my thought was if we would subsidize someone going to work that that would be a better answer than to have them on welfare. The WIN program got shot down about the same as this bill did, first from the left and then from the right or vice versa.

Senator Williams did not want to apply the work incentive program to private enterprise jobs. He was afraid he was going to subsidize some fellow for hiring a chauffeur in his automobile which, from hindsight, might be better than having to pay the entire wage for him being on welfare.

And then our labor friends were very upset, and I am speaking about the AFL-CIO and the other well-regarded labor organizations, that we were going to ask someone to go to work in a job that he did not want to take and, as you know, that is completely contrary to the general theory of organized labor.

They do not think a man ought to be required to take any job he does not want to take. It is sort of basically their view that work should be voluntary.

If you can persuade someone to go to work, that is fine, but if he does not want to take the job he should not be required to take it. I gained the impression that organized labor asked the Secretary of Labor at that time, one of your Democratic predecessors, to send his people in here and say, "If you are going to have a program like this, we ought to administer it." I gained the impression that one reason they wanted it that way at the time was to get it in their shop where the people over there were friendly to them, and that nothing was going to happen in the way of having somebody go to work on a job he did not want to take. Therefore, I have been inclined to suspect one reason the program has not been the success that I hoped for it was that the desire of the Labor Department to have it in the first instance was stirred by those who did not want us to press a person into a job he did not want to take.

Do you find any basis to support that suspicion?

Secretary HODGSON. Well, I think the problem is that the Labor Department really does not have it. We really do not have control over the very feature that you mentioned, that is whether a person can get away from not taking a job. But the fascinating thing to me is the extent of the difference between the WIN program and what is proposed in H.R. 1. A difference in control, one place, not a bunch of States, each of which can muddy the thing as they want to; standards, one nationwide standard, not 48 or 50 standards around the country; penalties, certain work test conditions, and if they are not met, \$800 lopped off.

Opportunities, new opportunities through the public employment jobs program that does not now exist. Now, we either have to try to find a traditional job for a WIN enrollee or they sit around and wait for one to open up.



Impedances to enrollment in the program. There is more money going to be available for the OFP program. There is going to be child care available that will eliminate some of the problems of enrolling in WIN.

Finally, capability. We have improved with experience, we have learned from the lessons of the past couple of years, and we have examined what has caused some of the problems.

But let's not stop and make it look like the whole WIN program has been a failure. Actually, 49,850 out of 285,000 enrolled have been placed in jobs. And, of all the manpower programs, WIN has probably the best retention-in-jobs record.

The fact that 80 percent of all those placed stay on the jobs at least 6 months is a higher retention rate than exists in private industry in normal hiring. That is pretty darned good. It shows that these people if they do get training and get on jobs, really want to get out of the world of welfare, and are apt to stick with it. It is a very encouraging sign.

In fact, it is the most encouraging sign about the program to me.

Finally, I think that the cost per placement has been sufficiently modest to give us some hope from an efficiency standpoint.

So I think we have something to build on. We have some glaring deficiencies that can be removed because they have been identified. As I see it, the OFP programs as it has been set forth in H.R. 1, really comes to grips with those deficiencies.

#### PUBLIC SERVICE EMPLOYMENT UNDER WORK INCENTIVE PROGRAM

The CHAIRMAN. We provided at that time any public body could get 80 percent Federal matching so it only costs them 20 cents on the dollar to put a person in a job as a result of this work incentive program, and they could put up their 20 percent in kind, so that if you needed to have some work done—I see you shake your head.

Mr. LOVELL. No, sir; an individual has to receive at least 20 percent more in wages than he got in welfare benefits, so very often, the public agency would have to put up more than 20 percent. If the welfare payment of that State was less than 80 percent of the prevailing wage, the local body might have to put up 25 or 30 percent in cash.

Secretary HODGSON. That is what I mean.

The CHAIRMAN. In cash?

Mr. LOVELL. In money wages.

Secretary HODGSON. This has been a real impedance in matching money.

The CHAIRMAN. My intention was that they could put up 20 cents on the dollar and the 20 cents they could put up in kind, so if they had—you are shaking your head. Well, I had intended that we make it that way. I know that was initially what I was hoping to do.

Secretary HODGSON. It sounds like a pretty good buy, 20 cents on the dollar, and you would think more States would take advantage of it but more States have not taken advantage of it.

The States are so hard up recently.

The CHAIRMAN. We are trying to make that a hundred percent of the matching money, are we not?

Secretary HODGSON. Yes.

The CHAIRMAN. Back at the time we were initiating this they were scared to death we were going to bankrupt the Government having all the people take advantage of it. At least for those who are fearful what that might achieve I guess we are able to show them it is not bankrupting the Government by all the people being put to work in matching this.

I think we can be fairly safe in saying we ought to try it a hundred percent rather than 80 percent. You support that now, don't you?

Secretary HODGSON. Exactly.

The CHAIRMAN. I favor that.

#### IMPLEMENTATION OF AUERBACH RECOMMENDATIONS

There has been some work done by the Auerbach Corp. which was employed by the Labor Department to suggest some, how this program could have been handled more effectively; why have not those Auerbach recommendations been put into effect generally?

Mr. LOVELL. They have, sir.

When I say they have, we have addressed ourselves to most of the questions that Auerbach raised.

Now, obviously the program is certainly not perfect, but we have done a number of things that they have advocated. We have taken a look at their recommendation in terms of our own organization, advocating strengthening of our WIN people. We are moving in that direction. We are strengthening both the national, regional, and local levels, and the relationship between HEW and the Department of Labor.

The point out, and we have been very concerned, too, that the 20-percent matching on manpower programs has been a very, very serious obstacle.

The CHAIRMAN. Right.

Mr. LOVELL. And that can be matched in kind, manpower services can be matched in kind. We and HEW were working with sponsors to find ways of finding in kind contributions that can be made.

The CHAIRMAN. Would you be willing to take a look, and I will make available to you, the staff criticism of that program\* as pointed out in the staff analysis, those recommendations and provide us with something we can put in the record?

Mr. LOVELL. Yes.

The CHAIRMAN. To spell out in greater detail how, what these Auerbach recommendations were, and the extent to which you found them either desirable or not desirable to put them in operation.

Mr. LOVELL. Yes, sir; we will do that.\*\*

In all candor, to say we are running this program perfectly would be ridiculous, we do not run any program perfectly. But we did hire Auerbach. We think their comments were responsive and helpful, and we are trying to the best of our ability to put them in effect. Some of the Auerbach recommendations do require new legislation, and, of course, all of those recommendations I believe are included under the bill that you are considering now.

The CHAIRMAN. Right.

\*See app. B, pp. 344-357.

\*\*See app. B, pp. 411-416.

## SUBSIDIZING LOW-WAGE EMPLOYMENT

Now, I believe that, I know there are a lot of us, quite a few of us on the committee, whether it is a majority or not I do not know, we will find out when we get around to voting, who think that it is better to encourage a person to take a relatively low paying job and then for us to subsidize whatever he can earn at that job, than it is to have him idle, and you generally share that philosophy, don't you?

Secretary HODGSON. Not to have him idle—that is the basis of the bill as we see it. We very definitely share that philosophy. We supplement low wages under the working poor provision of H.R. 1.

The CHAIRMAN. Well, that is the way it looks to me, Mr. Secretary.

## IMPLEMENTING A WORK ETHIC

I find myself thinking sometime maybe it would help matters some if we could get some of our well-regarded people in America who, making some of the best salaries, to get out and—do what some other countries do, even some of the Communist countries, make a show of it on some of their holidays—do menial labor, show we do not think it is degrading.

When I go out and take a little exercise, I pick up trash just because it makes the place look better. It might be good to let people know that it is not demeaning at all to clean the place up—everybody ought to do it. That is work that somebody has to do and it has dignity to it. Everybody is better off because of it. Most people do not start at the top anyhow, you are supposed to do something to justify getting up there.

You are planning to implement that sort of work ethic, I take it?

Secretary HODGSON. One of the things this program does it seems to me is to preserve the work ethic which has really made this country what I think it is.

The CHAIRMAN. I know it is not regarded as being a good job for a person to shine shoes, but one man who works hard for his money, pointed it out to me this way, "Well, my barber can't hire anybody to shine shoes. He is willing to provide the man with all the materials and space."

Anything the fellow can make shining shoes he can keep. The barber would just like to have the service available for his customers to help bring some business in so he can cut their hair for them. Is that an unusual situation in America today?

Secretary HODGSON. Probably it is not only not unusual in America, it is not unusual in the world. I just talked to a public official from another jurisdiction who was telling me about an experience they had. They had a complaint from a young man who said that he had had an application to be foreman for a street and park maintenance job registered with the Government headquarters for about 6 months and he had heard nothing from them, and wanted to know what the problem was. He advised me that they checked and found they had 218 applications for this job on the job level of a foreman but they had only five applications for jobs to do anything. So that there is a bit of a problem these days getting people to accept certain kinds of jobs.

I think this is probably going to be resolved in two ways. One, a lot of these jobs are disappearing, they are being done through mechanical means and other things and that is the way most of them have disappeared in the past 20 years or so. In addition, I think that there is a resurgence of interest in manual work and work that has dignity, that flows through being able to really do something and do it well. A lot of that kind of work is done with one's hands in this country. There is a shortage of skilled labor and there has been for some time. I recognize we are probably going to have to build up our technical training schools, our vocational education programs and give this kind of work not only training and financial reward but a little bit more public dignity than we have in the past.

The CHAIRMAN. Well, let me just follow through with this shoeshine story. Now this man says to me, "When I go in that shoeshine parlor, I paid for the shoeshine, but I did not get the shoeshine. I paid my tax money for that shoeshine man to stay home."

Now, he is being supported all right, but he is being supported on money that otherwise he would have gotten for the shoeshine. Since I had paid for the shoeshine, I might as well have had the benefit of it. The President certainly made it clear—he was held up to scorn himself for saying at Williamsburg that he does not think just ordinary simple work like scrubbing the floor is too good to do, he has done it himself and he has done a lot of things of that sort, and he does not see why other people should be above that. Most people have been brought up, at least in my generation, to feel you ought to take any job available to you than to do without.

Mind you, I was enthusiastically for the WIN program. Some of the same philosophy is involved here in the OFP program. It has this thought to it, that Senator Harris finds objectionable, and others, that after you put the person on welfare you are trying to make him go to work.

I know I read the article in the Wall Street Journal the other day discussing the experience under this program, some people like to call it the WIP program, the work incentive program, WIP, it is a whip to make people go to work in menial jobs, slave labor or some such thing as that, that would be a more appropriate name.

Now we can overcome that idea that we are trying to force somebody to go to work if we just simply said to them, "Well, you are not eligible for the welfare to begin with. There is a job, take it. If you do not want the job, that is all right, you can find something else to do."

If you approach it that way, that you are not eligible for welfare because we have some jobs to be done, and only when they run out of jobs which we would be willing to subsidize to bring them up to some standards of living that we thought was acceptable or that the person could live in with some degree of dignity, would we put somebody on welfare.

Have you given much thought to the idea of approaching it from that direction, to say there, "You are not eligible for welfare so long as there are jobs available."

Right here in the Washington area, we can find a whole host of jobs available especially if we are willing to add something to what

the job pays, and half the time the argument that the job does not have sufficient meaning to it is really that the job does not pay enough.

#### SUBSIDIZING LOW-INCOME WORK

Have you thought about it from that point of view that maybe we ought to just approach it on the basis that, "You are just not eligible for the welfare because there is a whole bunch of jobs around here. Just take your choice, anyone you want, take it, and we will add something to it, to bring your income up to something that we think you can get by on."

Secretary HODGSON. Well, in effect, that is the direction in which H.R. 1 heads, only it does not do it as a prior condition.

I do not know if I understand fully, if you are really talking about work relief; the concept that you do not get any welfare unless you work.

The CHAIRMAN. If there are jobs available.

Secretary HODGSON. It is a pretty attractive concept in many ways. It might serve as a disincentive to go on the rolls for those that do not deserve to go on. Of course, it is also attractive from the standpoint of those who object, as most of us do, to the something-for-nothing connotation some of the welfare people are charged with being guilty of.

But it does have, it seems to us, a lot of problems that would have to be considered pretty seriously. We have a wage system in this country, a wage system of equal pay for equal work. We also have a welfare system that is a family supportive system and that system is based on the amount the family needs, not upon the pay for work. What work relief in the welfare system will do to the wage system is something which has to be examined.

The CHAIRMAN. I think we can find a way to get around that, Mr. Secretary.

Secretary HODGSON. That may be. But that is just one factor. The labor market situation is another; whether these are productive jobs, producing anything for the country or whether if they are just manufactured jobs; whether they will create a straw boss bureaucracy; whether they will really result in immobility of labor to the detriment of national productivity. Also the work ethic itself; whether it would be a disincentive to have work relief prevail. Then there are a lot of administrative problems, such as how do you make sure these people stay productive, how do you make sure they have the personal conduct needed on the job, and job discipline. Because so many things are involved in a program like this, I think anything you do on this ought to be done on an experimental basis.

The CHAIRMAN. Let me just show you one way we could consider starting this. For a family of four, you start paying taxes at the point that you make \$4,000, that is about how it works out, roughly, that might not be precise but it is not too far off on it.

All right, you are only making \$2,000 a year, and if we then said, "All right, we will make up"—that is \$2,000 difference, we said, "All right, we will make up that half, the difference that brings the family up to \$3,000 level from a \$2,000 level. If the job is one that actually

pays the \$2,000, the man is paid by the employer and then if we proceed to pay an income supplement to that family of four to increase their amount to \$3,000 we will raise it up \$1,000, we are paying somebody to work rather than not working, that is one way it could be approached.

Secretary HODGSON. But, as I say, it might raise problems in an industrial wage system where industry is paid equal pay for equal work.

You would have two people working side by side and one has a family of eight and one is a single man; they are doing the same work but there is a wide difference in pay. How this will actually go over with the workers, whether industry will accept this, what the reaction of organized groups will be, I think there are so many aspects that that will have to be approached on an experimental basis.

The CHAIRMAN. If we look into it and explore it, I think we will find the precedents on a different basis, not on low-paid jobs but well-paid jobs right there in Louisiana. The AFL-CIO are responsible for it being there, they kept coming to the State legislature demanding pay raises. There is a minimum pay for their firemen and policemen which the State legislature kept voting through without providing the money for it and just about to bankrupt the cities to the extent where they finally worked out a system where the legislature voted this minimum pay for the firemen, then it would vote an appropriation at the same time, to simply mail a supplemental check to go along with what the man was earning so as to bring his pay up to what the legislature determined to be the minimum wage for the firemen. But it has precedent in things of that sort, that have been done.

Anyway, I think we ought to explore it and take a look at it.

Now, I would like to bring a blackboard in to show you what to me are the fundamental problems in this bill.

You see, Mr. Secretary, I am not worried about the cost of your bill. It is all right with me to spend \$5 billion increasing the income of poor people, it does not bother me at all. I guess I am like the average person in my income bracket who would say, "Well, why five, why not 10?" It would be all right with me to go beyond that, but the question is—put that blackboard over there so we can both see it. I have a high-paid staff here doing menial labor here, Mr. Secretary.

Secretary HODGSON. So I see, Mr. Chairman.

#### INCENTIVES FOR NOT MARRYING

The CHAIRMAN. Now, let's just take a situation. I would like to ask Mr. Stern to put the figures down. Take a woman with three children, let's say, in Chicago or New York. She is entitled to about \$5,700. Let's put \$5,700 in the middle of the board there.

Now above that put in M-3, that is mama plus three children, above the \$5,700.

Over to the left of that put father and \$6,000.

All right, over to the right of that just add those two figures.

Now there is the typical example of the welfare mess, as I conceive it, Mr. Secretary, and I helped to make it that way so I think I ought to understand what we are talking about.

That father has not married the mother and if you ask why he does not marry the old girl, he says, "I cannot afford it." She is on welfare with \$5,700 benefits a year between the cash and food stamps and other benefits. Father is working and he sees mama from time to time. He is making \$6,000 a year. Now their combined annual income is \$11,700.

Those people understand the welfare program better than some of us do. They know that if they form a family unit, they are going to use most of that \$6,000 income that father has in the reduction of mother's \$5,700.

I see you are nodding and you understand that.

Now, they are being advised by the National Welfare Rights Organization and by other people who sympathize with their situation, what to tell the welfare people, how to conduct themselves, how to refuse to let the welfare inspector come by except on an appointment basis, and how to insist on a hearing if somebody tries to take them off of welfare, and how to handle all this. So these people are firmly on welfare and they will try to stay there from now until the good Lord calls them home or until the children reach maturity. The children will learn from mama and papa, and your own people have confided to me that the real problem is not the father deserting the family, making them ineligible for welfare, the problem is the family unit never formed to begin with.

That is not news to me; I knew that a year ago.

Now right down below that, let us put a second situation. Now married, let's take a fellow making more, he is making \$7,000 plus mother, she is getting zero. All right, that equals \$7,000. All right now, father No. 2 is married to the sister of father No. 1, and he looks at this thing and says, "What kind of saps are we? Here we are paying taxes so as to support my brother-in-law, and that sorry no-account woman he lives with. They are getting \$11,700 and we are getting \$7,000 and we are paying our taxes to support them." It makes father No. 2 feel like he is a complete fool for having done the honorable thing and he is outraged at society. You can take fellow No. 2, if you want to, and raise his wages up to \$7,000, \$8,000, \$9,000, \$10,000, \$11,000, all the way up to \$11,700 and he is still outraged at the situation.

Now I cannot find that the bill is going to solve this problem. I honestly think that mischief has become so widespread, I mean variations of it, that if we do not get at that problem, the welfare mess will be just as bad as it was before. And I also find myself thinking that if we try to solve it tomorrow that there probably will be a march on Washington that would make this hippie march on Washington sail into insignificance. That is the welfare mess.

I would like to ask you how do we solve that part of it.

Secretary HODGSON. Well, I think there are not many mother and three children groups getting that amount of money.

The CHAIRMAN. There are plenty of them in New York and Chicago.

Secretary HODGSON. Well, there may be such instances but the fact is you pointed up a problem that exists when we try to solve the problem of chasing the man out of the house, and chasing the father away from the home with the current kind of welfare situation.

The fact is, we have to take a look at this and come up with some proposals to deal with this as well as with the other one, and I understand that we are currently involved in doing that.

The CHAIRMAN. Mr. Secretary, just to take that first situation again, and I do not believe in looking upon these welfare people as though they are different kinds of people than I am—I like to think we are all human beings and I buy that philosophy of the Civil Rights Act. We are all the same kind of people, and that, but for the grace of God, could be me.

But if you look at that type of situation, if that were my daughter or your daughter getting involved in that kind of situation, in the beginning you would not have told her to go down and get on welfare with the work ethic and the general attitude that you were taught with your father and mother, you would say when she had the first child, "Daughter, if that man will not marry you, we are going to sue him and we are going to have the judge declare him the father of that child and we are going to have a court order that he owes support for that child, so he will help to share the burden of supporting the child, and so he is going to have to do his duty towards his children even if he will not do what we think is the right thing toward the daughter."

Now, at a minimum it would seem we ought to start undertaking to unravel this mess, not by putting mama to work, but by making papa admit to the paternity of his own child and do something about it.

Do you agree with that?

Secretary HODGSON. Well, how about doing both?

The CHAIRMAN. Well, I am not sure that mother ought to be working with those children, but I would like to ask you—

Secretary HODGSON. If there are children over 6, two-thirds of the mothers in America would already be working.

The CHAIRMAN. If she has one of those children below age 3, under that bill you are advocating she would not be working?

Secretary HODGSON. That is right. I think you would have to particularize. But the important thing is, we have to come to grips with this situation and I do not believe the current bill does it. However, I understand HEW is working on this problem.

#### FEDERAL CHILD SUPPORT LAW

The CHAIRMAN. Mr. Secretary, I was trying to explain to an audience that I thought we should have a Federal child-support law, so the Federal Government could help that mother when the father departs beyond the State boundary to try to escape his duty to help support his own family. A very fine lady in that audience came up and said:

Well, now, Senator, I am not on welfare, but if you are going to pass that Federal child-support law, would you please make it broad enough so as to help me reach that husband of mine who will not help support my child because he has taken off and he has gone somewhere else and he is in a second marriage, but he still has this obligation to contribute something to support these children he left me here with.

Maybe we should go broader than that, but would you agree with the thought that we should have a Federal child support law so that we could say to the Internal Revenue Office, "There is the fellow



we are looking for right there," just go serve him with a petition tomorrow.

Now it may be that you cannot squeeze blood out of a turnip, but my father's generation took the view that even if you cannot squeeze blood out of that turnip, you can sure put that turnip in jail. At that point, if he does not want to work, you can put him to work, you can put him out there on a rockpile making big rocks into little rocks. So that you could put him to work doing something, doing the first decent thing in his life, even if you had to have him in convict stripes to do it.

Now that might sound awfully tough, but the starting point is to first assist that man legally with doing the honorable, decent thing towards his own children.

Would you be willing to meet that part of the problem?

Secretary HODGSON. H.R. 1 does provide that that obligation continues and if he crosses the State line to elude it, the father has committed an act for which he can be penalized.

The CHAIRMAN. I do not think we are going to get that quite that way, Mr. Secretary. I think we are going to have to have something more sophisticated than that. We are talking about crossing a State line with intent. The problem is not that he crossed the State line but one of proving the intent. If you try to convict him of a criminal act, that is a pretty complicated thing to do. It looks to me as though we should just get ourselves something where you did not have to convict him by a unanimous verdict of 12 people after a month's prolonged litigation. Sue him by the preponderance of evidence where either more on that jury tend to believe he is obligated to support those children than those who believe otherwise, and where the burden of the evidence tends to indicate he has an obligation. Let's proceed on that basis. I think it would be a better approach.

Secretary HODGSON. I come to the "what" part of this question; on the "how" part of it a man more familiar with that word will have to make the judgment on how to do it.

The CHAIRMAN. It seems to me that that is the welfare mess, and so far the bill does not get to it, I regret to say. The strong provisions we put in last year's bill are not in the bill the House sent up.

Secretary HODGSON. The problem of getting at it is this problem of proving intent, which you do not think is a viable way of getting about it.

The CHAIRMAN. In the first place, it is easier to win a civil case than a criminal case, so we would do better to proceed civilly than criminally in most instances. The criminal thing is all right with me if you can prove all that, but all you admit doing is achieving exemplary punishment in cases like that, isolated cases. I think the answer would be to reach a lot more of them by making it an easier lawsuit for the lawyer to win, too.

Lawyers tell me that the easiest kind of case there is to win is a case to have a father declared to be what he is in fact, the father of his children. The jury looks at that mother and that little child and sees that the baby needs milk and the baby needs shoes, and if the mother has two prospects, they tell me that she can point out either one of them and the jury will go along with her. So we probably need to have a better approach in trying to solve the problem than we have achieved until this month.

If we cannot solve this, welfare is going to continue to be just a great big mess. No matter how much you subsidize, as long as mother keeps having young children, you cannot put her to work under the bill that you have here, and if you continue to raise people's income where the income is already \$11,700, you are just spinning your wheels and digging in deeper without moving anywhere until you get at what is fundamentally wrong with that situation. Administratively, it is not possible to solve it that I can see, until we work out a system under which father would be declared to be the father of his child, obliged to make payments to support his own children and assume a family responsibility. When we get that part of it nailed down, it seems to me that the rest of this thing might fall into shape a lot more easily.

Well, thank you very much, Mr. Secretary.

You have made a very fine witness here today. The hearing will be resumed on Monday morning, with Secretary Richardson, at 10 o'clock.

(Whereupon, at 1:30 p.m., the committee adjourned, to reconvene Monday August 2, 1971, at 10 a.m.)

# SOCIAL SECURITY AMENDMENTS OF 1971

MONDAY, AUGUST 2, 1971

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson presiding. Present: Senators Long, Anderson, Ribicoff, Byrd, Jr., of Virginia, Nelson, Bennett, Curtis, Miller, Fannin, Hansen, and Griffin.

Senator ANDERSON. The Chair will recognize Senator Ribicoff as our first interrogator.

Senator RIBICOFF. Thank you, Mr. Chairman.

## COMPARISON BETWEEN BENEFITS FOR AGED PERSONS AND FAMILIES

Mr. Secretary, H.R. 1 raises benefits in the adult category for a couple to \$2,400, and this we should commend because it takes an adult couple out of or up to the level of the poverty line.

How do we justify paying \$2,400 to an aged couple and only the same \$2,400 to a family of four?

## STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT M. BALL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; HOWARD NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION; AND STEPHEN KURZMAN, ASSISTANT SECRETARY (LEGISLATION)

Secretary RICHARDSON. There are two answers to that, Senator Ribicoff. One, the \$2,400 is a minimum which would, of course, as you know, be supplemented in most States. The other answer is that this is a program which aims at encouraging people to work and which would, in most cases, contemplate the supplementation of the \$2,400 in any case by some earnings.

## PROSPECTS FOR STATE SUPPLEMENTARY PAYMENTS

Senator RIBICOFF. Well, if you have a mother with three children, who are young, and most of them are in the AFDC class, you are not going to get much work done to supplement the \$2,400. And many States won't supplement that. The tendency is to cut back in supplementation, whether it is a supposedly liberal Governor like Rocke-

feller in New York, or a conservative Governor like Reagan in California. The tendency to cut back is moving across the Nation.

Secretary RICHARDSON. On the other hand, Senator Ribicoff, the effect of the save harmless clause will be to hold State expenditure levels to the 1971 level achieved, that is, the level achieved this calendar year.

The result of this, in effect, therefore, will be that in the future the States are not under the same pressures to economize that they are under now in the face of rising costs and caseloads.

Senator RIBICOFF. What do you do with the States that don't have any supplementation and will be frozen in at the 1971 level. If they won't move to raise benefits above \$2,400, what do we do for the family of four?

#### ADULT VS. FAMILY CATEGORIES

Secretary RICHARDSON. In that case, the Congress will, in the long run, have to decide what any appropriate adjustment of the national program is. But your initial question was what was the justification for distinguishing between the adult categories and the families. There is in that connection a further point to be made, that it is assumed, on the whole, in determining the relative fiscal relief afforded to the States under H.R. 1 that the States will largely get out of the business of making payments to the adult categories.

To put it the other way, this would be essentially a more completely federalized program.

Senator RIBICOFF. Now, I am assuming the dilemma the administration is in with providing assistance for families or single individuals and childless couples is the fact that to pay them benefits comparable to the adult category would require too much money. Isn't it a financial problem? I am sure that neither you nor the President are so heartless that you would not want to pay a childless couple, a single individual, or a family of four enough to bring them up to the poverty line. Isn't it the additional cost that bothers you?

Secretary RICHARDSON. Yes, it is. You may recall, Senator Ribicoff, at the close of the last hearings I said I would like to present to the committee the operation of a gadget we have developed since the last hearing, which I think illustrates this problem, and I would like to get to that at some point. This might be as good as any, insofar as the cost considerations you just touched on are a function of the basic benefit level, the tax rate, and the break even which, in turn, determine the numbers of families covered and therefore the costs.

#### PRIORITIES AMONG 168 FEDERAL POVERTY PROGRAMS AND EVALUATION OF PROGRAMS

Senator RIBICOFF. Let me put it this way. I think the time has come for the executive branch and Congress to start examining what we are getting for our poverty expenditures. I am going to turn over to you a listing of all the programs involving expenditures in the field of poverty. There are some 168 programs costing about \$31 billion.

Between now and the time we come back on September 8, I would like the administration, the Office of Management and Budget, HEW, the Department of Labor, HUD, and OEO, to submit to this committee your ranking of these 168 programs in order from those you con-

sider the best to those you think are worst, those that you consider the most important and essential and those the least.

I would also like the administration to submit to this committee all evaluations, analyses, and studies that agencies of the Government have made of all these programs as to their effectiveness. As I look at the figures that I have, 25.5 million Americans live in poverty. If these Americans had no income whatsoever it would take \$29.9 billion to bring them up to the poverty level. But these 25.5 million people do have income amounting to \$18.5 billion. Therefore, an additional amount of some \$11 billion could move everybody above the poverty level.

Now if we are making expenditures of \$31 billion on poverty programs, and if there is a great question as to what portion of the 25.5 million poor people are being taken out of poverty because of these programs, and if you consider that by the elimination of \$11 billion worth of these programs we might be able to take everybody out of poverty, I think we should start examining the need for all of these programs.

I don't expect you to have an answer to this now because this is quite complicated. But my feeling is, if we are going to make a comprehensive study in this committee about what we want to do and where we are going, I believe that the executive branch in the next 6 weeks should analyze these programs for the committee. I know I want to look at such an analysis and perhaps other members of the committee would like to analyze the programs, too.

Secretary RICHARDSON. Well, I think it would be a very useful undertaking, Senator Ribicoff. We began to work on this following your speech on this subject the other day. One of the things that we need to look at first, of course, is the breakdown of the \$31 billion itself.

Senator RIBICOFF. There may even be more. This is only the breakdown that my staff and I have been able to bring together. We will turn that over to you, but there may be other expenditures, that we haven't been able to discover.

You and I know that there are so many programs in the Federal bureaucracy, most of them initiated before this administration came to office, that there was no way of knowing what is happening or what is being accomplished.

From time to time we do receive information of studies that have been made.

OEO in 6 years has spent \$600 million on evaluation. I don't know what HEW would spend on evaluating its own programs but I would be surprised if you spent \$600 million. There is a new profession or a new business in this country in which people are making one study after another for OEO which now has quite a bureaucracy of its own.

From 1965 to 1971 the non-Headstart community action programs have cost the Federal Government \$3.3 billion. There are some 930 local community action agencies and everyone says they do a better job than the inflexible uncommitted bureaucracies of city halls or State houses. But the question is do they do a better job?

Kenneth Clark of New York studied these programs for 2 years and he says the campaign against poverty has been evaded. He says the program had verbal promises but resulted in little noble improvement for the poor. This contributed significantly to the fuel of urban conflagration.

The question with "maximum feasible participation," is whether it's participation or "maximum feasible manipulation."

Let's take Prince Edward County: According to a former leader the real political and economic power here has not changed, and the new game is a white attempt to use black leaders to convince other blacks that everything is fine, and everything is not fine.

A 1970 San Diego case study says OEO programs have failed to alleviate poverty.

We have these evaluations but very few of them have ever surfaced. They are kept in-house. I think that the executive branch, yourselves, the President, Mr. Schultz, the Office of Management and Budget and we as Senators and Congressmen who keep voting these huge sums of money to end poverty ought to know what we are getting for our money. There are more people in poverty today than there were last year and yet we have some \$31 billion budgeted to help end poverty in 1972.

Mr. Chairman, before you came in I asked the Secretary to sit down with HUD, OEO, the Office of Management and Budget, the Department of Agriculture and every other agency that is participating in the expenditure of some \$31 billion to end poverty, to list for this committee, their priorities for the 168 programs that cost \$31 billion, I also asked the Secretary to submit with that ranking the evaluations that have been made whether these programs are working. We may find that much of the money is being spent to alleviate poverty does not bring a single person out of poverty. Therefore, we can take that money and increase what we want to spend to really take people out of poverty by providing them direct financial assistance.

These are the requests I have made for the Secretary and I hope I have your approval, Mr. Chairman. I imagine the Chairman will start further hearings sometime in mid-September, after we come back September 8 and we will then have this information for all of us to study to help us in marking up the bill.

The CHAIRMAN. Fine. We will request that information, and I am sure that in so far as it can be provided that the Department will provide it. Can you provide that information, Mr. Secretary.

Secretary RICHARDSON. Yes, we can; we will do our best. In the case of the evaluations, I don't have a very good feel for what it would take to provide a bibliography within that time. There have, as Senator Ribicoff has pointed out, been many evaluations made. One of the first things I did upon becoming Secretary of HEW was to ask for an evaluation of our capacity to evaluate and an accounting for what had been done by way of assessing the effectiveness of our programs with the evaluation money that had already been spent. I have had a couple of interim memos on this. We should get further answers within the next few weeks.

(Initial information supplied by the Department of Health, Education, and Welfare follows: Further material supplied will be printed, as it is received, in a subsequent volume of these hearings. Hearing continues on page 202.)

AUGUST 10, 1971.

#### FEDERAL OUTLAYS BENEFITING THE POOR

The tabulation of Federal programs benefitting the poor provided by Senator Ribicoff was prepared in January of 1971 by the Office of Economic Opportunity, in conjunction with the Office of Management and Budget. Subsequently, a more

refined analysis shows a total estimated outlay in fiscal year 1972 of \$27.558 billion. A description of the methodology is attached at Tab A.

The summary by Agency at Tab B divides expenditures into three categories:

#### I. HUMAN INVESTMENT

These are programs to assist the poor to break out of poverty, including work training, education, and community and economic development.

#### II. MAINTENANCE/POVERTY ENTITLEMENTS

These are programs specifically for low-income persons.

#### III. MAINTENANCE/NORMAL ENTITLEMENTS

These are programs for which some poor persons qualify for some reason other than poverty—e.g., because of prior work experience (Social Security) or veteran status (certain veterans programs).

Finally, the detail on the approximately 170 programs, for Fiscal Years 1968–1972 is included at Tab C.

The Administration will have a bibliography of evaluations of these programs, *per* Senator Ribicoff's request, by September 8. We have also been asked for several breakdowns of the statistics.

In response to Senator Byrd's request (page 288) to split out expenditures for social insurance, the following expenditures are financed through trust funds (fiscal year 1972):

Cash Benefits:

	<i>Billions</i>
Social Security (Survivors, Retirements)-----	\$6. 763
Social Security (Disability)-----	. 825
Railway (Retirement, Disability, Survivor, and Sickness)-----	. 384
Unemployment Insurance-----	. 419

Sub-Total -----	8. 391
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Medical Benefits:

Medicare (Hospital Insurance)-----	1. 585
Medicare (Supplementary Medical)-----	. 562

Sub-Total -----	2. 147
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Total -----	10. 538
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If we subtract this "social insurance" component from the grand total of \$27.358 billion, the remaining \$16.820 are general revenue expenditures which benefit the poor.

In response to Senator Ribicoff's request to analyze overall expenditures in order to determine whether additional cash benefits might be paid to the poor by eliminating some of these programs, we provide the following analysis. Of the total of \$27.358 billion, \$13.861 are cash benefits going directly to the poor. Thus we must examine the remaining \$13.677 billion.

Food programs (Food Stamps, Surplus Commodities, School Lunch Program, etc.) account for \$2.030 billion, leaving \$11.647 billion.

Medicare and Medicaid account for \$4.302 billion, leaving \$7.345 billion.<sup>1</sup>

Housing subsidies total \$0.553 billion. Social services total \$0.742 billion. Health programs (Family Planning, Migrant Health, Drug Rehabilitation, Indian Health, Maternal and Child Health, Veterans Hospitals, Crippled Children's Services, Mental Health Centers, and others) add another \$0.943 billion. Manpower programs (JOBS, Operation Mainstream, Neighborhood Youth Corps, Foster Grandparents, WIN, Indian programs, MDTA, and others) add \$2.067 billion. Education programs (Head Start, Educational Opportunity Grants, Upward Bound, Educationally Deprived—Handicapped, Migrants, Institutionalized Children, Indian Programs, Vocational Education, Adult Basic Education, and others) add another \$1.912 billion. The total of this paragraph is \$6.217 billion, leaving \$1.128 billion.

<sup>1</sup> Tab C includes medicare and medicaid in the health total.

The remaining \$1.128 billion includes Model Cities, VISTA, Migrant assistance, Community Action Operations, WIN Child Care, Economic Development assistance, Housing Loans, Farm Extension programs, and others.

I.R. 1 does eliminate the food stamp program for assistance recipients and replace it with cash, in the spirit of the Ribicoff request. It is difficult to assess which of these other programs, all of which provide direct benefits to the poor or contribute to breaking the cycle of poverty, could be eliminated in favor of direct cash benefits to the poor. This we leave to the Committee.

#### TAB A

The figures in the attached tabulation are estimates of direct benefits provided to the poor (persons below the Census-Bureau-defined poverty thresholds) by the Federal government expenditures and direct loan programs. The figures shown represent outlays rather than obligations or budget authority. In all cases, the figures shown are the estimated portion of program funds going to the poor, rather than the total funds for the program. Details may not add exactly to totals because of rounding.

For Fiscal Years 1968 through 1970, calculations were started from actual outlays figures. For Fiscal Year 1971, the starting point for both the original and the revised figures was the estimates appearing in the Fiscal Year 1972 Budget Appendix (issued in January 1971) for outlays during Fiscal Year 1971 (which ended on June 30, 1971). Fiscal Year 1972 figures—both original and revised—were calculated beginning with the estimated outlays that would occur if the President's Fiscal Year 1972 Budget request were passed in toto and the full amounts appropriated. In arriving at estimates of the proportions of program outlays going to the poor, calendar year 1969 poverty thresholds were the latest poverty thresholds used (since they were the most recent thresholds available when the Fiscal Year 1972 Budget was issued).

Although most of the program numbers and titles in the attached tabulation are from the Catalog of Federal Domestic Assistance (CFDA—the April 1970 edition and the October 1970 update), the basic units used in assembling the tabulation were generally the appropriation accounts and lines within appropriation accounts as shown in the Fiscal Year 1972 Budget Appendix. This is the reason for the way in which a number of CFDA programs are aggregated or disaggregated. This is also why no estimates were made on the proposed new money for General and Special Revenue Sharing (since these did not appear in the Budget Appendix). Similarly, programs that were proposed for conversion to Special Revenue Sharing are shown in their present form (since this is how they appear in the Budget Appendix) rather than as Special Revenue Sharing funds.

The figures in the attached tabulation are a revised version of the figures used in OEO's January 1971 press briefings and in tables L-7 and L-8 of the Special Analyses volume of the Fiscal Year 1972 Budget. In order to improve the quality of estimates of Federal aid to the poor, OEO made several major revisions this year in the procedures for deriving these estimates. The first installment of these revisions was reflected in the January 1971 figures, and is the major reason that these figures were lower than estimates made in previous years. However, the January figures were assembled under the tight time constraints of the budget process. For these reasons, it was often not possible to verify how the estimates supplied to OMB for this tabulation were derived. In addition, it was not possible to include certain small programs in the tabulation at that time.

Since January, the revision in estimating procedures have been carried through to completion. In the course of verifying the estimates, it was found that some agencies had been using definitions of "low-income" persons that were not consistent with the Census-Bureau-defined poverty thresholds. In other cases, the most recent data available for programs had not been used. For several sizable income security programs, funds for program administration (which do not constitute direct benefits to the poor) had incorrectly been included. All of these shortcomings were remedied in the revised figures, which were completed in June. These figures accordingly represent a marked improvement in accuracy over the January figures. In addition, they cover more programs—179 (four of them inactive in Fiscal Year 1972) rather than 168. The Fiscal Year 1973 tabulation of Federal aid to the poor will incorporate the improved estimating techniques and data used in the June revision of the Fiscal Year 1972 figures, as well as any other improved techniques and data which become available between now and next winter.



## NOTE

1. Federal outlays benefiting the poor may be classified in two ways—according to how poor persons qualify for them (Poverty Entitlement vs. Normal Entitlement), and according to how they benefit poor persons (Human Investment vs. Maintenance).

(a) *Poverty Entitlement* programs are programs for which persons qualify specifically because they are poor or have low incomes. (Programs for low-income areas are also included in this category. So are programs for Indians and migrant farm laborers, even if the programs do not have a specific means test; this is done because the incidence of poverty in these two groups approaches 100%).

(b) *Normal Entitlement* programs are programs for which poor persons qualify for some reason other than their poverty—e.g., because of prior work experience (Social Security and unemployment benefits) or because of veteran status (certain veterans programs).

(c) *Human Investment* programs are programs intended to benefit the poor by assisting them to break out of the cycle of poverty. This category includes programs that actively promote the development of work skills, education, and community and economic development.

(d) *Maintenance* programs are intended to sustain life and ameliorate the hardships of those who receive aid from them. In exceptional high-benefit situations, they may sometimes lift persons out of income-defined poverty. However, their primary orientation is toward minimal support rather than toward helping people break out of the sociological cycle of poverty. This category includes income support programs and food, health, and housing assistance.

2. The "Poverty Entitlements" and "Normal Entitlements" categories in OEO's January press briefing are actually Maintenance—Poverty Entitlements and Maintenance—Normal Entitlements, respectively, in terms of the above definitions.

3. The Human Investment totals on p. 11 are made up of the following programs: all Education programs; program 13.217 (Family Planning Projects); all Manpower programs; all programs under "OTHER—Community Action Operation . . . and Model Cities"; and all programs under "OTHER—Misc. Human Investment."

TAB B

## DETAILS ON FEDERAL OUTLAYS BENEFITING THE POOR IN FISCAL YEAR 1972

[Billions of dollars]

	Total	Income security (cash)	Income security (in-kind)	Educa-tion	Health	Man-power	Other
1. Human investment.....	5.0			1.9	0.1	2.1	0.9
A. OEO.....	.8			.2			.6
1. Community action operations and related programs.....	.6						.6
2. Early childhood development.....	.2			.2			
B. HEW.....	2.1			1.4	.1	.6	.1
1. Education of disadvantaged children.....	.8			.8			
2. Higher education for the disadvantaged.....	.3			.3			
3. Early childhood development.....	.2			.1			.1
4. Vocational education and other education.....	.2			.2			
5. Vocational rehabilitation.....	.4					.4	
6. Work incentives.....	.2					.2	
7. Other.....	.1				.1	(?)	
C. Labor.....	1.4					1.4	
1. Manpower programs for the disadvantaged.....	1.2					1.2	
2. Employment service and other.....	.2					.2	
D. Other (Interior, HUD, Commerce, etc.).....	.6			.2		.1	.3

See footnotes at end of table.

## DETAILS ON FEDERAL OUTLAYS BENEFITING THE POOR IN FISCAL YEAR 1972—Continued

[Billions of dollars]

	Total	Income security (cash)	Income security (in-kind)	Educa- tion	Health	Man- power	Other
II. Poverty entitlements.....	10.9	5.1	2.4		2.6		0.7
A. OEO.....	.2				.2		
1. Health and nutrition.....	.2				.2		
B. HEW.....	7.3	4.2			2.4		.7
1. Public assistance.....	4.2	4.2					
2. Social services.....	.7						.7
3. Medicaid.....	2.2				2.2		
4. Other health.....	.3				.3		
C. Agriculture.....	1.9		1.9				(?)
1. Food programs.....	1.9		1.9				
2. Housing.....	(?)						(?)
D. VA.....	.9	.9					
1. Pensions.....	.9	.9					
E. HUD.....	.6		.6				(?)
1. Housing assistance payments and other.....	.6		.6				(?)
F. Other (Interior).....	.1	.1					
III. Normal entitlements.....	11.5	8.7	.1		2.6		(?)
A. HEW.....	10.2	7.8			2.4		(?)
1. OASDI.....	7.6	7.6					
2. Medicare.....	2.1				2.1		
3. Other (including health).....	.4	.2			.2		(?)
B. Railroad Retirement Board.....	.4	.4					
1. Railroad retirement benefits.....	.4	.4					
C. Labor.....	.4	.4					
Unemployment insurance and other.....	.4	.4					
D. VA.....	.4	.1			.2		
1. Compensation.....	.1	.1					
2. Medical and other.....	.3	(?)			.2		
E. Agriculture.....	.1		.1				
1. Food programs.....	.1		.1				

<sup>1</sup> Outlays for Headstart are expected to be made both under the OEO account (included here in OEO/early childhood development) and an HEW account (included here in HEW/early childhood development). Outlays for follow through are expected to be made both under the OEO account (included here in OEO/early childhood development) and another HEW account (included here in HEW/education of disadvantaged children).

<sup>2</sup> Less than \$50,000,000.

Note: Details may not add exactly to totals because of rounding.

TAB C.—ESTIMATED OUTLAYS BENEFITTING THE POOR

(In millions of dollars)

CFDA 1 Program number (if any)	CFDA or other program name	Fiscal year—				
		1968 actual	1969 actual	1970 actual	1971 estimate	1972 request (estimate)
	Grand total.....	16,224	17,773	20,110	24,939	27,358
	Income security—Total.....	9,455	10,336	11,671	14,767	16,443
	Income security—Cash benefits—Total.....	9,003	9,708	10,628	12,704	13,861
13.722	Old-age assistance.....	761	766	808	966	1,050
13.704	Aid to the blind.....	26	25	28	30	31
13.705	Aid to the permanently and totally disabled.....	181	206	252	318	381
13.703	Aid to families with dependent children.....	1,048	1,257	1,486	2,180	2,715
13.709	Emergency welfare assistance.....		2	5	7	9
64.104	Pension for nonservice-connected disability for veterans.....	311	320	331	341	353
64.105	Pension to veterans widows and children.....	394	426	457	506	550
15.103	Indian—Child welfare assistance.....					
15.113	Indian—General assistance.....	20	21	30	53	57
15.116	Indian—Housing improvement.....					
13.803	Social security—Retirement insurance.....					
13.804	Social security—Special benefits for persons aged 72 and over.....	5,039	5,387	5,779	6,386	6,763
13.805	Social security—Survivors insurance.....					
13.802	Social security—Disability insurance.....	574	628	694	779	825
13.806	Special benefits for disabled coal miners.....			4	107	169
57.001 part.	Social insurance for railroad workers (retirement, disability, survivor, and sickness benefits only).....	337	348	349	391	384
17.225	Unemployment insurance—Grants to States.....					
57.001	Social insurance for railroad workers (Unemployment benefits only).....	206	207	277	496	419
	Federal workmen's compensation benefits (p. 672, fiscal year Budget Appendix).....	10	11	13	15	18
64.109	Veterans compensation for service-connected disability.....	65	71	79	89	97
64.102	Compensation for service-connected deaths for veterans' dependents.....					
64.110	Veterans dependence and indemnity compensation for service-connected death.....	17	18	20	21	22
64.101	Burial allowance for veterans.....	14	15	16	17	17
	Income security—In-kind benefits—Total.....	452	628	1,042	2,063	2,583
	Income security—In-kind benefits—Food programs—Total.....	280	421	775	1,654	2,030

Footnotes at end of table.

TAB C. - ESTIMATED OUTLAYS BENEFITTING THE POOR--Continued

[In millions of dollars]

CFDA # Program number (if any)	CFDA or other program name	Fiscal year--				
		1968 actual	1969 actual	1970 actual	1971 estimate	1972 request (estimate)
10.550 Part..	Commodity distribution (To needy persons only - p. 141, fiscal year 1972 Budget Appendix)	82	151	204	186	186
10.550 Part..	Commodity distribution (To persons in charitable institutions only - p. 141, fiscal year 1972 Budget Appendix)	23	25	20	19	20
10.550 Part..	Commodity distribution (Special feeding program - p. 140, fiscal year 1972 Budget Appendix-- For special assistance (Lunches) only)		16	50	173	106
10.550 Part..	Commodity distribution (Special feeding program- p. 140, fiscal year 1972 Budget Appendix--For school breakfast program only)		1	1	2	3
10.550 Part..	Commodity distribution (Special feeding program- p. 140, fiscal year 1972 Budget Appendix - For nonfood assistance program (Equipment) only)			4	3	
10.551	Food stamps	124	165	386	1,029	1,321
10.555 Part..	School lunches (Special assistance only - p. 147, fiscal year 1972 Budget Appendix)	3	7	30	150	273
10.553	School breakfasts	1	2	5	7	9
10.554	School lunch program - Nonfood assistance	(?)	(?)	2	10	8
10.552	Nonschool food program		(?)	4	11	13
10.550 Part..	Commodity distribution (To school children only - p. 141, fiscal year 1972 Budget Appendix)	20	21	27	42	64
10.556	Special milk program	10	10	10	10	1
10.555 Part..	School lunches (School lunch program proper--p. 147, fiscal year 1972 Budget Appendix)	14	16	23	49	58
10.555 Part..	School lunches (Commodity procurement (Sec. C) only - p. 147, fiscal year 1972 Budget Appendix)	5	6	9	14	17
	Income security-- In-kind benefits-- housing subsidy payments--Total	172	208	267	409	553
14.146 part..	Public housing-- Acquisition, construction, rehabilitation (Annual contributions only)					
14.147 Part..	Public housing-- Home ownership (Annual contributions only)					
14.148	Public housing-- Leased	171	204	251	363	451
14.607 Part..	Public housing-- Modernization of projects (Annual contributions only)					
14.149	Rent supplements-- Rental housing for low income families	1	4	14	32	64
14.104 Part..	Interest subsidy-- Acquisition and rehabilitation of homes for resale to lower income families (Section 235(i) multifamily) (Interest reduction payments only)		(?)	2	10	24
14.105 Part..	Interest subsidy-- Homes for lower income families (Section 235(i)) (Interest reduction payments only)					
14.106 Part..	Interest subsidy-- Purchase of rehabilitated homes by lower income families (Section 235(j) Homes) (Interest reduction payments only)					
14.103 Part..	Interest reduction payments-- Rental and cooperative housing for lower income families (Section 236) (Interest reduction payments only)			(?)	3	14

Education—Total.....		1,337	1,376	1,574	1,863	1,912
13.433	Follow through.....	361	350	350	377	381
13.600	Child development—Head start.....					
13.427	Educationally deprived children—Handicapped.....					
13.428	Educationally deprived children—Local educational agencies.....					
13.429	Educationally deprived children—Migrants.....	608	622	677	814	781
13.430	Educationally deprived children—State administration.....					
13.431	Educationally deprived children in institutions for neglected or delinquent children.....					
13.410	Dropout prevention.....		(0)	2	2	4
13.403	Bilingual education.....		(0)	4	11	14
13.489	Teacher Corps—Operations and training.....	5	6	6	9	9
13.421	Educational personnel training grants—Career opportunities.....			7	8	11
13.505	Education personnel development—Urban/Rural school development.....					
13.418	Educational opportunity grants.....	74	73	119	123	218
13.463	Higher education work-study.....					
13.482	Special services for disadvantaged students in institutions of higher education.....					
13.488	Talent search.....	32	34	36	48	49
13.492	Upward bound.....					
10.503	Extension programs for improved nutrition.....		10	26	47	47
15.100	Indian—Adult education.....					
15.104	Indian—Community Development.....					
15.105	Indian—Contracts with Indian School boards.....					
15.109	Indian—Federal school facilities—Dormitory operations.....	89	99	116	145	165
15.110	Indian—Federal schools.....					
15.114	Indian—Higher education.....					
15.130	Indians—Assistance to non-Federal schools.....					
13.341	Health professions scholarships.....	1	2	4	5	5
13.363	Nursing scholarships.....					
13.342	Health professions student loans.....	4	4	4	6	5
13.364	Nursing student loans.....					
13.478	School assistance in federally affected areas—Maintenance and operation.....	23	23	37	29	28
13.449	Handicapped preschool and school programs.....	2	7	9	10	10
13.444	Handicapped early childhood assistance.....		(0)	(0)	1	2
13.495 Part	Vocational education—Basic grants to States (Nonconstruction portion only).....	62	66	84	104	116
13.494	Vocational education—Consumer and homemaking.....					
13.495	Vocational education—Cooperative education.....					
13.501	Vocational education—Work study.....	4	3	4	16	13
13.403	Adult basic education—Grants to States.....					
13.401	Adult basic education—Special projects.....	9	13	16	18	22
13.402	Adult basic education—Teacher education.....					
13.460 Part	Higher Education Act insured loans—Guaranteed student loan program (Interest subsidy portion only).....					
Part	(Higher Education Act insured loans—Basic NDEA-type subsidized insured loans—p. 447, fiscal year 1972 Budget Appendix) (Interest subsidy portion only).....	4	5	11	15	24
Part	(Higher Education Act insured loans—Special NDEA-type subsidized insured cost-of-education loans—p. 447, fiscal year 1972 Budget Appendix) (Interest subsidy portion only).....					
13.471	National defense student loans—Direct loan contributions.....	48	53	55	68	1
10.502	Extension programs for improved family living.....	5	6	6	7	8

Footnotes at end of table.

TAB C.—ESTIMATED OUTLAYS BENEFITTING THE POOR—Continued

[In millions of dollars]

JFDA 1 Program number (if any)	CFDA or other program name	Fiscal year—				
		1968 actual	1969 actual	1970 actual	1971 estimate	1972 request (estimate)
	Health—Total.....	3,004	3,655	4,177	4,892	5,245
	Health—Medicaid and Medicare—Total.....	2,526	3,043	3,441	4,043	4,302
13.714	Medical assistance program (Medicaid).....	1,142	1,468	1,745	2,078	2,155
13.800	Health insurance for the Aged—Hospital insurance.....	1,009	1,164	1,201	1,455	1,585
13.801	Health insurance for the aged—Supplementary medical insurance.....	375	411	495	510	562
	Health—Other—Total.....	478	612	736	849	943
13.217	Family planning projects.....		3	12	25	58
49.001	Alcoholic counseling and recovery.....					
49.003	Comprehensive health services.....					
49.004	Drug rehabilitation.....					
49.005	Emergency food and medical services.....	39	72	121	143	152
49.006	Family planning.....					
13.246	Migrant health grants.....	8	8	10	13	16
13.212	Dental health of children.....					
13.218	Health care of children and youth—Special projects.....	45	78	79	80	86
13.230	Intensive infant care projects.....					
13.234	Maternity and infant care projects.....					
13.228	Indian Health Services.....	82	93	104	121	133
13.229	Indian sanitation facilities.....					
	(Other Indian health facilities—p. 408, fiscal year 1972 Budget Appendix).....	12	15	16	23	20
13.235	Mental health—Community assistance grants for narcotic addiction.....	9	12	18	21	31
13.240	Mental health—Staffing of Community Mental Health Centers.....					
	Saint Elizabeths Hospital (p. 392, fiscal year 1972 Budget Appendix).....	8	9	12	16	17
13.210	Comprehensive Public Health Services—Formula grants.....	10	16	21	21	22
13.224	Health services development—Project grants.....	13	33	48	61	74
13.211	Crippled children's services.....	84	90	94	101	102
13.232	Maternal and child health services.....					
64.002	Community contract nursing home care.....					

64.007	Rehabilitation of blind veterans	108	113	120	132	141
64.009	Veterans hospitalization					
64.010	Veterans nursing home care					
64.008	Veterans domiciliary care and restoration	33	38	42	43	42
64.011	Veterans outpatient care					
64.012	Veterans prescription service	18	21	23	29	32
64.013	Veterans prosthetic appliances					
64.014	Veterans State Home program					
64.015	Veterans State nursing home care	9	12	15	18	19
64.016	Veterans State home hospital care					
	Manpower—Total	1,448	1,458	1,571	1,948	2,067
	Work experience (p. 96, Fiscal Year 1971 Budget Appendix)	88	23	9		
17.212	Job opportunities in the business sector	4	42	86	167	151
17.227	Job opportunities in the business sector—Low support					
17.216	Manpower development and training—On-the-job training program	34	32	28	28	31
17.224	Public service careers	13	17	18	93	122
17.215	Manpower development and training—Institutional training	162	161	159	190	193
17.211	Job Corps	299	236	144	158	199
17.222 Part	Neighborhood Youth Corps (In-school portion only)	79	61	58	62	72
17.222 Part	Neighborhood Youth Corps (Summer portion only)	119	121	136	174	162
17.222 Part	Neighborhood Youth Corps (Out-of-school portion only)	143	106	98	109	116
17.223	Operation Mainstream	31	37	42	50	40
17.204	Concentrated employment program	63	119	148	153	140
17.226	Work incentive program—training and allowances	8	25	68	98	154
13.710	Foster grandparent program	8	8	8	9	9
15.108	Indian—Employment assistance					
15.117 Part	Indian—Industrial and tourism development (on-the-job training portion only)	21	24	33	39	39
27.003	Federal employment for disadvantaged youth—Part-time	24	28	28	35	35
27.004	Federal employment for disadvantaged youth—Summer	38	36	39	39	39
17.210 Part	Job bank (manpower training services (Federal fund) portion only)			1	7	8
17.207	Employment services—Grants to States	113	124	135	145	146
17.210 Part	Job bank (Unemployment trust fund portion only)	3 (.)	3 (2)	3 (1)	3 (3)	3 (3)
17.303	Minimum wage and hour standards	9	10	10	11	12
13.746	Vocational rehabilitation services—Basic support	185	230	305	352	363
13.730	Rehabilitation services expansion—Contracts with industry					
13.731	Rehabilitation services expansion grants					
13.732	Rehabilitation services innovation grants	11	15	14	20	29
13.742	Vocational rehabilitation—Facility improvement grants					
13.743	Vocational rehabilitation—Initial staffing					
13.745	Vocational rehabilitation—Training services grants					
13.747	Vocational rehabilitation services for social security beneficiaries	4	4	4	6	8

Footnotes at end of table.

TAB C.—ESTIMATED OUTLAYS BENEFITTING THE POOR—Continued

[In millions of dollars]

CFDA 1 Program number (if any)	CFDA or other program name	Fiscal year—				
		1968 actual	1969 actual	1970 actual	1971 estimate	1972 re- vised (estimate)
	Other—Total.....	979	948	1,118	1,469	1,691
	Other—Community action operations (including related programs but excluding OEO health and nutrition) and Model Cities—Total.....	588	559	606	729	743
49.002	Community action operations.....					
49.008	Legal services.....					
49.009	Migrant and seasonal farmworkers assistance.....					
49.011	Special impact.....	586	554	578	607	599
49.012	Volunteers in Service to America.....					
14.300	OEO research, development, and evaluation (p. 99, fiscal year 1972 budget appendix).....					
	Model cities supplementary grants.....					
	Model cities planning grants to city demonstration agencies.....	1	5	27	122	144
	Model cities technical assistance and evaluation contracts.....					
	Other—Miscellaneous human investment—Total.....	104	103	128	175	188
10.401	Economic opportunity farm operating loans to cooperatives.....					
10.402	Economic opportunity farm resource loans.....	21	9	3	4	
10.403	Economic opportunity nonfarm enterprise loans.....					
13.748	Work incentive program—Child care.....		3	14	41	66
11.300	Economic development—Grants and loans for public works and development facilities.....					
11.301	Economic Development—Loans for businesses and development companies.....					
11.302	Economic development—Planning assistance.....	72	78	91	105	95
11.303	Economic development—Technical assistance.....					
	Economic development—Research (p. 233, fiscal year 1972 Budget Appendix).....					
	Area redevelopment administration grants for public facilities (p. 235, fiscal year 1972 Budget Appendix).....					
14.206	Neighborhood facilities grants.....	2	4	9	13	15
10.504	Extension programs for improving farm income.....	4	4	4	6	6
59.003 Part	Economic Opportunity Loans for Small Businesses (Direct loans only).....	5	5	6	7	6



Other—Housing programs (other than subsidies)—Total.....						22	24	27	24	18
10.405 Part..	Farm labor housing loans and grants (Grants only).....	1	3	6	4	2				
10.420.....	Rural self-help housing technical assistance.....				1	2				
10.411 Part..	Rural housing site loans (Direct loans only).....			( <sup>1</sup> )	1	1				
10.410 Part..	Low to moderate income housing loans (Direct loans only).....	1	( <sup>2</sup> )	1	1	( <sup>1</sup> )				
10.417.....	Very low-income housing repair loans.....	5	6	5	10	10				
10.415 Part..	Rural rental housing loans (Direct loans only).....	1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>2</sup> )	( <sup>1</sup> )				
14.102.....	Housing loans—Rental housing for the elderly and the handicapped.....	15	15	15	7	3				
Other—Miscellaneous maintenance—Total.....						265	262	358	541	742
13.735.....	Social services—Aid to the blind.....									
13.736.....	Social services—Aid to the permanently and totally disabled.....	235	232	328	511	562				
13.737.....	Social services—Families with dependent children.....									
13.738.....	Social services—Old-age assistance.....									
13.707.....	Child welfare services.....	30	30	30	30	30				
Community services (Foster care and adoption only—p. 491, Fiscal Year 1972 Budget Appendix).....										151

Note: The breakdown of the totals by analytical categories is as follows:

Human investment.....	3,477	3,498	3,890	4,740	4,967
(Human investment—Poverty entitlements).....	(2,977)	(2,924)	(3,178)	(3,907)	(4,156)
(Human investment—Normal entitlements).....	(500)	(574)	(712)	(833)	(811)
Maintenance.....	12,747	14,274	16,220	20,198	22,390
(Maintenance—Poverty entitlements).....	(4,729)	(5,588)	(6,799)	(9,343)	(10,879)
(Maintenance—Normal entitlements).....	(8,018)	(8,686)	(9,421)	(10,855)	(11,512)

<sup>1</sup> CFDA—Catalog of Federal Domestic Assistance.

<sup>2</sup> Less than \$500,000.

\* These funds—the unemployment trust fund portion of the job bank program—are a nonadd item broken out from the total employment service figures immediately above them.

Secretary RICHARDSON. I think two points should be made by way of general comment on Senator Ribicoff's remarks. One is, I think he included within the total of \$32 billion a lot of money which is, in fact, expended by way of transfer payments to the poor.

Senator RIBICOFF. That is right.

Secretary RICHARDSON. So that this fact, in turn, contributes to the circumstance that there are not more people counted under the poverty line. For example, you count, I think OASDI expenditures, medicaid, and so on.

Senator RIBICOFF. You will find those all listed.

Secretary RICHARDSON. So there would be more poverty than there is but for these expenditures.

Senator RIBICOFF. What I am driving at, Mr. Secretary, is that we might find that, once you get down to the bottom of the list of programs spending \$31 billion, you have \$11 billion in programs that an evaluation will show take almost no people off poverty. If you are spending \$11 billion and people are not being helped out of poverty and that \$11 billion could take everybody in poverty out of poverty, we may be in a position to achieve quite a breakthrough. I may be all wrong but it is something we ought to look at.

Mr. Chairman, I would like to include in the record at this point the Bureau of Census publication—Consumer Income—entitled "Poverty Increases by 1.2 million in 1970".

(The publication referred to follows. Hearing continues on p. 211.)

#### POVERTY INCREASES BY 1.2 MILLION IN 1970

(Advance data from March 1971 Current Population Survey)

The decade of the sixties has witnessed a sizable reduction in the number of persons living in poverty. Since 1959, the first year for which data on poverty are available, there has been an average annual decline of 4.9 percent in the number of poor persons. However, between 1969 and 1970, the number of poor persons increased by about 1.2 million, or 5.1 percent. This is the first time that there has been a significant increase in the poverty population. In 1970, about 25.5 million persons, or 13 percent of the population, were below the poverty level, according to the results of the Current Population Survey conducted in March 1971 by the Bureau of the Census. The rates of increase for both whites and Negroes below the poverty level were roughly the same. In 1970, however, the poverty rate for Negroes was more than three times that for whites.

The sex of the family head continues to be an important factor in the poverty status of families. The number of poor persons who are either members of families with a male head or male unrelated individuals increased between 1969 and 1970, as did the number of poor persons in families with a female head and female unrelated individuals. However, during the preceding decade, there was no measurable change in the number of poor persons in households with a female head whereas poor persons in households with a male head declined by about 53 percent between 1959 and 1969. In 1970, persons in households headed by a woman constituted only 14 percent of all persons but about 44 percent of poor persons.

There are significant differences in the age composition of the white and Negro poor. In 1970, children under 18 years accounted for about 36 percent of all white persons below the poverty level as compared to 54 percent of all Negroes who were poor. In contrast, aged family heads and unrelated individuals comprised about 19 percent of all poor white persons but only 7 percent of the Negro poor.

Although about 64 percent of the Nation's families resided in metropolitan areas in 1970, poor families were about equally distributed between metropolitan and nonmetropolitan areas. About 50 percent of poor white families living in metropolitan areas were central city residents as compared to 80 percent of poor Negro families.

In 1970, it would have taken approximately 11.4 billion dollars to raise the income of all poor families and unrelated individuals above the poverty line. In terms of 1970 dollars, this figure represents about a 7 percent rise in the income deficit since 1969. In both 1969 and 1970, whites accounted for about 72 percent of the total deficit.

The median income deficit for poor families was about \$1,100 in 1970. For white families the deficit was about \$1,000 as compared to \$1,300 for Negro families. The difference in the median deficit between white and Negro families is accounted for in part by the smaller size of the average poor white family. The average deficit per family member was about the same for families or both racial groupings.

On the average, incomes of poor families headed by men were closer to the poverty level than those of families headed by women. About 29 percent of the poor families headed by men had incomes within \$500 of their respective poverty lines as compared to only 19 percent for those headed by women. The deficit per family member for families with a male head was about \$330 as compared to \$410 for families with a female head.

This report excludes inmates of institutions and unrelated individuals under 14 years. It includes only those members of the Armed Forces living off post or with their families on post. The poverty threshold for a nonfarm family of four was \$3,968 in 1970 and \$2,973 in 1959. For more detailed definitions of the terms and concept used in this report, see *Current Population Reports*, Series P-60, No. 76. More detailed poverty data for families and persons will appear in a report in this series to be issued later this year.

Since the estimates in this report are based on a sample, they are subject to sampling variability. Moreover, as in all field surveys of income, the figures are subject to errors of response and nonreporting. All statements of comparison made in the text of this report, however, are statistically significant. This means that the chances are at least 19 in 20 that a difference identified in the text indicates a true difference in the population rather than the change variations arising from the use of samples.

(Tables follow:)

**Table 1. Persons Below the Poverty Level by Family Status and Sex and Race of Head: 1959 to 1970**

(Numbers in thousands. Persons as of March of the following year)

Family status	1970 <sup>F</sup>	1969 <sup>F</sup>	1968 <sup>F</sup>	1967 <sup>F 1</sup>	1966 <sup>F</sup>	1966	1965	1964	1963	1962	1961	1960	1959
<b>All Persons in Families and Unrelated Individuals</b>													
Total.....	25,522	24,289	25,389	27,769	28,510	30,424	33,185	36,055	36,436	38,625	39,628	39,851	39,190
In families.....	20,499	19,438	20,695	22,771	23,809	25,614	28,358	30,912	31,498	33,623	34,509	34,925	34,562
Head.....	5,214	4,850	5,047	5,667	5,784	6,200	6,721	7,160	7,554	8,077	8,391	8,243	8,320
Related children under 18 years.....	10,493	9,821	10,739	11,427	12,146	12,876	14,388	15,736	15,691	16,430	16,577	17,288	17,206
Other family members.....	4,792	4,667	4,909	5,677	5,879	6,538	7,249	8,016	8,253	8,516	9,241	9,394	9,034
Unrelated individuals 14 years and over.....	5,023	4,851	4,694	4,998	4,701	4,810	4,827	5,143	4,938	5,002	5,119	4,926	4,926
<b>White</b>													
Total.....	17,480	16,671	17,395	18,983	19,290	20,751	22,496	24,957	25,238	26,672	27,890	28,309	28,481
In families.....	13,359	12,709	13,546	14,851	15,430	16,731	18,508	20,718	21,149	22,613	23,747	24,262	24,443
Head.....	3,701	3,555	3,616	4,056	4,106	4,481	4,824	5,258	5,466	5,887	6,205	6,115	6,185
Related children under 18 years.....	6,208	5,777	6,373	6,729	7,204	7,649	8,595	9,573	9,749	10,382	10,614	11,229	11,386
Other family members.....	3,450	3,377	3,557	4,066	4,120	4,601	5,089	5,885	5,934	6,344	6,928	6,918	6,872
Unrelated individuals 14 years and over.....	4,121	3,962	3,849	4,132	3,860	4,019	3,988	4,241	4,089	4,059	4,143	4,047	4,041
<b>Negro and other races</b>													
Total.....	8,042	7,618	7,994	8,786	9,220	9,673	10,689	11,098	11,198	11,953	11,738	11,542	11,006
In families.....	7,140	6,729	7,149	7,920	8,379	8,882	9,850	10,196	10,349	11,010	10,762	10,663	10,119
Head.....	1,514	1,395	1,431	1,611	1,678	1,719	1,897	1,902	2,088	2,100	2,186	2,128	2,135
Related children under 18 years.....	4,284	4,044	4,366	4,698	4,942	5,227	5,793	6,163	6,242	6,248	5,963	6,059	5,822
Other family members.....	1,342	1,290	1,352	1,611	1,759	1,936	2,160	2,131	2,319	2,572	2,613	2,476	2,162
Unrelated individuals 14 years and over.....	902	889	845	866	841	791	839	902	849	943	976	879	887
<b>Persons in Families With Male Head and Male Unrelated Individuals</b>													
Total.....	14,310	13,819	15,025	17,178	18,280	19,579	22,127	25,084	25,339	27,394	28,830	29,188	29,100
In families.....	12,879	12,440	13,705	15,873	16,948	18,314	20,834	23,615	23,852	25,842	27,257	27,678	27,548
Head.....	3,280	3,146	3,292	3,893	4,063	4,384	4,805	5,338	5,582	6,043	6,437	6,288	6,404
Related children under 18 years.....	5,665	5,444	6,330	7,181	7,884	8,374	9,826	11,314	11,137	12,124	12,533	13,193	13,083
Other family members.....	3,934	3,850	4,083	4,799	5,001	5,556	6,203	6,963	7,133	7,675	8,287	8,197	8,081
Unrelated individuals 14 years and over.....	1,431	1,379	1,320	1,305	1,312	1,265	1,293	1,469	1,487	1,552	1,573	1,510	1,552
<b>Persons in Families With Female Head and Female Unrelated Individuals</b>													
Total.....	11,212	10,470	10,364	10,591	10,250	10,845	11,058	10,971	11,097	11,231	10,798	10,663	10,380
In families.....	7,620	6,998	6,990	6,898	6,861	7,300	7,524	7,297	7,646	7,781	7,552	7,247	7,014
Head.....	1,934	1,804	1,755	1,774	1,721	1,816	1,916	1,822	1,972	2,034	1,954	1,955	1,916
Related children under 18 years.....	4,828	4,377	4,409	4,246	4,262	4,502	4,562	4,422	4,554	4,506	4,404	4,095	4,145
Other family members.....	858	817	826	878	878	982	1,046	1,053	1,120	1,241	1,254	1,197	953
Unrelated individuals 14 years and over.....	3,592	3,472	3,374	3,693	3,389	3,545	3,534	3,674	3,451	3,450	3,346	3,416	3,376

See footnotes at end of table.

**Table 1. Persons Below the Poverty Level by Family Status and Sex and Race of Head: 1959 to 1970--Continued**

(Number in thousands. Persons as of March of the following year)

Family status	1970 <sup>F</sup>	1969 <sup>F</sup>	1968 <sup>F</sup>	1967 <sup>F 1</sup>	1966 <sup>F</sup>	1966	1965	1964	1963	1962	1961	1960	1959
<b>PERCENT BELOW POVERTY LEVEL</b>													
<b>All Persons in Families and Unrelated Individuals</b>													
Total.....	12.6	12.2	12.8	14.2	14.7	15.7	17.3	19.0	19.5	21.0	21.9	22.2	22.4
In families.....	11.0	10.5	11.3	12.5	13.1	14.2	15.8	17.4	17.9	19.4	20.3	20.7	20.8
Head.....	10.0	9.7	10.0	11.4	11.8	12.7	13.9	15.0	15.9	17.2	18.1	18.1	18.5
Related children under 18 years.....	15.0	14.1	15.3	16.3	17.4	18.4	20.7	22.7	22.8	24.7	25.2	26.5	26.9
Other family members.....	7.3	7.3	7.8	9.1	9.5	10.5	11.8	13.3	13.8	15.1	16.5	16.2	15.9
Unrelated individuals 14 years and over.....	32.7	33.6	34.0	38.1	38.3	38.9	39.8	42.7	44.2	45.4	45.9	45.2	46.1
<b>White.....</b>													
Total.....	9.9	9.5	10.0	11.0	11.3	12.2	13.3	14.9	15.3	16.4	17.4	17.8	18.1
In families.....	8.1	7.8	8.4	9.2	9.7	10.5	11.7	13.2	13.6	14.7	15.8	16.2	16.5
Head.....	8.0	7.7	8.0	9.0	9.3	10.2	11.1	12.2	12.8	13.9	14.8	14.9	15.2
Related children under 18 years.....	10.5	9.8	10.7	11.3	12.1	12.8	14.4	16.1	16.5	17.9	18.7	20.0	20.6
Other family members.....	5.9	5.8	6.3	7.2	7.4	8.2	9.2	10.8	11.0	12.0	13.3	13.3	13.3
Unrelated individuals 14 years and over.....	30.7	31.6	32.2	36.5	36.1	37.3	38.1	40.7	42.0	42.7	43.2	43.0	44.1
<b>Negro and other races.....</b>													
Total.....	32.1	31.1	33.5	37.2	39.8	41.7	47.1	49.6	51.0	55.8	56.1	55.9	56.4
In families.....	30.9	29.9	32.4	36.3	38.9	41.1	46.8	49.1	50.5	55.3	55.6	55.7	56.0
Head.....	28.0	26.7	28.2	32.1	33.9	35.0	39.7	40.0	43.7	48.0	49.0	49.0	50.4
Related children under 18 years.....	39.6	38.0	41.6	44.9	48.2	50.7	57.3	61.3	60.9	66.4	65.7	66.6	67.7
Other family members.....	19.5	19.4	20.9	25.3	27.7	30.2	35.3	35.7	38.9	43.2	44.8	45.4	42.5
Unrelated individuals 14 years and over.....	46.4	44.9	45.7	48.2	53.1	50.0	50.7	55.0	58.3	62.1	62.7	59.3	57.4
<b>Persons in Families With Male Head and Male Unrelated Individuals</b>													
Total.....	8.3	8.0	8.8	10.1	10.8	11.6	13.2	15.1	15.4	16.9	18.1	18.5	18.7
In families.....	7.7	7.4	8.3	9.6	10.3	11.2	12.8	14.6	14.9	16.4	17.6	18.0	18.2
Head.....	7.1	6.9	7.3	8.7	9.3	10.0	11.1	12.5	13.1	14.3	15.4	15.4	15.8
Related children under 18 years.....	9.3	8.8	10.2	11.5	12.6	13.4	15.7	18.2	18.0	19.9	21.0	22.3	22.4
Other family members.....	6.5	6.5	7.0	8.3	8.7	9.6	10.9	12.4	12.9	14.1	15.4	15.3	15.3
Unrelated individuals 14 years and over.....	24.0	25.3	25.4	26.9	29.3	27.7	28.9	32.0	34.8	36.5	36.0	36.1	36.8
<b>Persons in Families With Female Head and Female Unrelated Individuals</b>													
Total.....	38.4	38.3	38.9	40.6	41.0	43.8	46.0	45.9	48.4	50.5	49.5	49.5	50.2
In families.....	38.5	38.1	38.7	38.8	39.8	43.1	46.0	44.4	47.7	50.3	48.1	48.9	49.4
Head.....	32.5	32.3	32.3	33.3	33.1	35.1	38.4	36.4	40.4	42.9	42.1	42.4	42.6
Related children under 18 years.....	53.4	54.4	55.2	54.3	58.2	61.3	64.2	63.3	66.6	70.2	65.1	68.4	72.2
Other family members.....	17.9	17.3	17.8	18.9	18.6	22.2	24.5	24.3	26.0	28.8	29.8	28.3	24.0
Unrelated individuals 14 years and over.....	38.2	38.5	39.2	44.7	43.5	45.4	46.2	49.3	50.0	51.0	52.4	50.9	52.1

<sup>F</sup>Based on revised methodology for processing income data; see Series P-60, No. 76, for explanation.

<sup>1</sup>Due to coding errors, data for 1967 are not strictly comparable with those shown for 1966 and 1968 through 1970. It is estimated that this error may have overstated the number of poor families in 1967 by about 175,000 and the number of poor persons by approximately 450,000.

**Table 2. Negro Persons Below the Poverty Level by Family Status: 1967 to 1970**

(Numbers in thousands. Persons as of March of the following year)

Family status	Number below poverty level				Percent below poverty level			
	1970	1969	1968	1967 <sup>1</sup>	1970	1969	1968	1967 <sup>1</sup>
Total.....	7,650	7,215	7,616	8,476	33.6	32.3	34.7	39.3
In families.....	6,810	6,409	6,839	7,677	32.4	31.2	33.7	38.4
Head.....	1,445	1,326	1,366	1,555	29.3	27.8	29.4	33.9
Related children under 18 years.....	4,101	3,879	4,188	4,558	41.5	39.7	43.1	47.4
Other family members.....	1,264	1,204	1,285	1,564	20.4	20.0	21.7	27.1
Unrelated individuals 14 years and over.....	840	806	777	809	48.1	46.0	46.3	49.3

<sup>1</sup>Due to coding errors, data for 1967 are not strictly comparable with those shown for 1968 to 1970.**Table 3. Persons Below the Poverty Level in 1970, by Family Status and Sex and Race of Head**

(Numbers in thousands. Persons as of March 1971)

Family status and sex of head	All races			White			Negro		
	Total	Below poverty level		Total	Below poverty level		Total	Below poverty level	
		Number	Percent		Number	Percent		Number	Percent
<b>ALL PERSONS</b>									
Total.....	202,489	25,522	12.6	177,434	17,480	9.9	22,742	7,650	33.6
In families.....	187,132	20,499	11.0	164,021	13,359	8.1	20,996	6,810	32.4
Head.....	51,948	5,214	10.0	46,535	3,701	8.0	4,928	1,445	29.3
65 years and over.....	7,175	1,166	16.3	6,554	921	14.1	560	229	40.8
Related children under 18 years.....	69,873	10,493	15.0	59,065	6,208	10.5	9,871	4,101	41.5
Other family members.....	65,311	4,792	7.3	58,421	3,450	5.9	6,197	1,284	20.4
Unrelated individuals 14 years and over.....	15,357	5,023	32.7	13,413	4,121	30.7	1,746	840	48.1
65 years and over.....	5,808	2,735	47.1	5,343	2,392	44.8	440	322	73.2
<b>PERSONS IN FAMILIES WITH MALE HEAD AND MALE UNRELATED INDIVIDUALS</b>									
Total.....	173,297	14,310	8.3	155,798	10,667	6.8	15,480	3,362	21.7
In families.....	167,334	12,879	7.7	150,798	9,579	6.4	14,646	3,061	20.9
Head.....	45,998	3,280	7.1	42,149	2,804	6.2	3,422	625	18.3
65 years and over.....	6,160	964	15.7	5,679	783	13.8	426	167	39.3
Related children under 18 years.....	60,824	5,665	9.3	53,800	3,934	7.3	6,201	1,612	26.0
Other family members.....	60,512	3,934	6.5	54,849	3,041	5.5	5,023	824	16.4
Unrelated individuals 14 years and over.....	5,963	1,431	24.0	5,000	1,088	21.8	834	301	36.1
65 years and over.....	1,411	549	38.9	1,265	456	36.1	134	80	59.8
<b>PERSONS IN FAMILIES WITH FEMALE HEAD AND FEMALE UNRELATED INDIVIDUALS</b>									
Total.....	29,192	11,212	38.4	21,637	6,813	31.5	7,262	4,288	59.0
In families.....	19,798	7,620	38.5	13,223	3,780	28.6	6,350	3,749	59.0
Head.....	5,950	1,934	32.5	4,386	1,097	25.0	1,506	820	54.5
65 years and over.....	1,015	202	19.9	875	138	15.8	134	61	45.6
Related children under 18 years.....	9,049	4,828	53.4	5,265	2,274	43.2	3,669	2,490	67.9
Other family members.....	4,799	858	17.9	3,572	409	11.5	1,175	439	37.4
Unrelated individuals 14 years and over.....	9,394	3,592	38.2	8,414	3,033	36.0	912	539	59.1
65 years and over.....	4,397	2,186	49.7	4,078	1,936	47.5	307	243	79.1

Table 4. Selected Characteristics of Families Below the Poverty Level in 1970

(Numbers in thousands. Families as of March 1971)

Selected characteristics	All races			White			Negro		
	Total	Below poverty level		Total	Below poverty level		Total	Below poverty level	
		Number	Percent		Number	Percent		Number	Percent
All families.....	51,948	5,214	10.0	46,535	3,701	8.0	4,928	1,445	29.3
AGE OF HEAD									
Under 25 years.....	3,745	581	15.5	3,327	435	13.1	404	146	36.1
25 to 44 years.....	21,489	2,042	9.5	19,008	1,368	7.2	2,262	641	28.3
45 to 64 years.....	19,538	1,426	7.3	17,647	977	5.5	1,702	430	25.3
65 years and over.....	7,175	1,166	16.3	6,554	921	14.1	560	229	40.8
SIZE OF FAMILY									
2 persons.....	18,282	1,951	10.7	16,703	1,581	9.5	1,470	359	24.4
3 persons.....	10,724	855	8.0	9,672	619	6.4	953	220	23.1
4 persons.....	9,899	731	7.4	8,992	498	5.5	797	290	27.6
5 persons.....	6,528	570	8.7	5,852	374	6.4	592	184	31.1
6 persons.....	3,381	394	11.7	2,908	231	7.9	433	157	36.3
7 or more persons.....	3,133	713	22.8	2,408	399	16.6	683	303	44.4
NUMBER OF RELATED CHILDREN UNDER 18 YEARS									
No children.....	21,946	1,752	8.0	20,300	1,487	7.3	1,500	254	16.9
1 and 2 children.....	19,273	1,644	8.5	17,205	1,130	6.6	1,849	482	26.1
3 and 4 children.....	8,364	1,114	13.3	7,270	706	9.7	998	392	39.3
5 children or more.....	2,364	704	29.8	1,761	379	21.5	580	317	54.7
EDUCATIONAL ATTAINMENT OF HEAD <sup>1</sup>									
Elementary school, total.....	12,624	2,422	19.2	10,602	1,662	15.7	1,892	733	38.7
Less than 8 years.....	6,484	1,638	25.3	4,977	1,043	21.0	1,431	576	40.3
8 years.....	6,139	787	12.8	5,626	620	11.0	460	157	34.1
High school, total.....	23,475	1,824	7.8	21,098	1,276	6.0	2,181	524	24.0
1 to 3 years.....	8,051	938	11.7	6,902	588	8.5	1,090	339	31.1
4 years.....	15,423	887	5.8	14,196	689	4.9	1,091	165	17.0
College, total.....	12,104	378	3.1	11,508	328	2.8	451	37	8.2
1 to 3 years.....	5,405	241	4.5	5,091	204	4.0	263	32	12.2
4 years or more.....	6,699	137	2.0	6,417	122	1.9	187	5	2.7
NUMBER OF EARNERS									
No earners.....	4,691	1,839	39.2	4,061	1,350	33.2	588	470	79.8
1 earner.....	19,252	2,275	11.8	17,426	1,634	9.4	1,653	614	37.2
2 earners.....	20,443	809	4.0	18,269	550	3.0	1,990	242	12.2
3 earners or more.....	7,562	290	3.8	6,778	167	2.5	697	119	17.0
EMPLOYMENT STATUS OF HEAD									
Employed.....	40,004	2,253	5.6	36,270	1,633	4.5	3,365	591	17.6
Unemployed.....	1,619	270	16.7	1,377	184	13.4	219	85	38.7
Not in labor force.....	9,322	2,635	28.3	7,980	1,840	23.1	1,260	783	60.6
In Armed Forces.....	1,003	58	5.6	907	44	4.9	84	6	7.1
WORK EXPERIENCE OF HEAD									
Worked in 1970.....	43,459	2,865	6.6	39,200	2,023	5.2	3,855	804	20.9
50 to 52 weeks.....	23,940	1,303	5.4	20,978	962	4.6	2,646	317	12.0
Full time.....	32,676	1,068	3.3	29,892	806	2.7	2,488	242	9.7
1 to 49 weeks.....	9,519	1,562	16.4	8,221	1,061	12.9	1,209	487	40.3
Main reason for working part-year:									
Unemployed.....	3,951	517	13.1	3,476	377	10.8	436	136	31.1
Other.....	5,568	1,045	18.8	4,745	684	14.4	774	352	45.5
Did not work in 1970.....	7,485	2,293	30.6	6,428	1,634	25.4	989	635	64.2
In Armed Forces.....	1,003	58	5.6	907	44	4.9	84	6	7.1
OCCUPATION OF LONGEST JOB OF HEAD									
Worked in 1970.....	43,459	2,865	6.6	39,200	2,023	5.2	3,855	804	20.9
Professional and managerial workers.....	12,775	364	2.8	12,278	320	2.6	348	36	10.3
Clerical and sales workers.....	5,909	243	4.1	5,426	196	3.6	435	45	10.4
Craftsmen and foremen.....	8,771	288	3.3	8,292	250	3.0	427	36	8.4
Operatives and kindred workers.....	7,789	508	6.5	6,886	334	5.0	1,061	170	16.0
Service wks., incl. private household.....	7,804	600	7.7	7,556	297	4.0	890	289	32.5
Nonfarm laborers.....	2,343	298	12.7	1,791	184	10.3	522	112	21.5
Farmers and farm laborers.....	2,070	565	27.3	1,870	442	23.6	173	116	67.1

<sup>1</sup>Head 25 years old and over.

**Table 5. Families and Unrelated Individuals Below the Poverty Level in 1970, by Type of Residence, Region, and Race**

(Numbers in thousands. Families and unrelated individuals as of March 1971)

Residence	All races			White			Negro		
	Total	Below poverty level		Total	Below poverty level		Total	Below poverty level	
		Number	Percent		Number	Percent		Number	Percent
<b>FAMILIES</b>									
United States.....	51,948	5,214	10.0	46,535	3,701	8.0	4,928	1,445	29.3
Nonfarm.....	49,600	4,778	9.6	44,328	3,345	7.5	4,804	1,373	28.6
Farm.....	2,347	436	18.6	2,207	357	16.2	124	72	58.1
Metropolitan areas.....	33,431	2,654	7.9	29,484	1,790	6.1	3,583	828	23.1
Inside central cities.....	14,531	1,583	10.9	11,538	896	7.8	2,807	662	23.6
Outside central cities.....	18,900	1,071	5.7	17,946	893	5.0	776	166	21.4
Nonmetropolitan areas.....	18,516	2,561	13.8	17,051	1,911	11.2	1,345	617	45.9
Northeast.....	12,381	864	7.0	11,382	691	6.1	938	163	17.4
North Central.....	14,563	1,170	8.0	13,485	910	6.7	1,040	253	24.3
South.....	16,003	2,376	14.8	13,391	1,405	10.5	2,538	953	37.5
West.....	9,001	804	8.9	8,277	694	8.4	412	76	18.4
<b>UNRELATED INDIVIDUALS</b>									
United States.....	13,357	5,023	32.7	13,413	4,121	30.7	1,746	840	48.1
Nonfarm.....	14,983	4,889	32.8	13,073	4,013	30.7	1,718	815	47.5
Farm.....	374	134	35.8	340	108	31.8	30	25	(B)
Metropolitan areas.....	11,047	3,203	29.0	9,525	2,589	27.2	1,350	559	41.4
Inside central cities.....	6,746	1,989	29.5	5,462	1,474	27.0	1,147	487	40.7
Outside central cities.....	4,300	1,215	28.3	4,063	1,115	27.4	202	92	45.5
Nonmetropolitan areas.....	4,310	1,820	42.2	3,888	1,532	39.4	396	280	70.7
Northeast.....	3,883	1,086	28.0	3,451	938	27.2	402	138	34.3
North Central.....	4,204	1,409	33.5	3,780	1,237	32.7	393	163	41.5
South.....	4,187	1,671	39.9	3,358	1,176	35.0	803	482	60.0
West.....	3,082	857	27.8	2,825	770	27.3	148	56	37.8

B Base less than 75,000.

**Table 6. Weighted Average Thresholds at the Poverty Level in 1970 by Size of Family and Sex of Head, by Farm-Nonfarm Residence**

Size of family	Total	Nonfarm			Farm		
		Total	Male head <sup>1</sup>	Female head <sup>1</sup>	Total	Male head <sup>1</sup>	Female head <sup>1</sup>
All unrelated individuals.....	\$1,947	\$1,954	\$2,044	\$1,898	\$1,651	\$1,697	\$1,602
Under 65 years.....	2,005	2,010	2,092	1,935	1,727	1,778	1,644
65 years and over.....	1,852	1,861	1,879	1,855	1,586	1,597	1,578
All families.....	3,850	3,601	3,640	3,305	3,147	3,164	2,845
2 persons.....	2,507	2,525	2,534	2,471	2,131	2,138	2,036
Head under 65 years.....	2,589	2,604	2,619	2,522	2,218	2,225	2,104
Head 65 years and over.....	2,328	2,348	2,349	2,336	1,994	1,996	1,972
3 persons.....	3,080	3,099	3,113	3,003	2,628	2,635	2,511
4 persons.....	3,944	3,968	3,970	3,948	3,385	3,387	3,345
5 persons.....	4,054	4,680	4,684	4,639	4,000	4,002	3,963
6 persons.....	5,212	5,260	5,263	5,220	4,490	4,491	4,441
7 or more persons.....	6,407	6,468	6,486	6,317	5,518	5,521	5,472

<sup>1</sup>For unrelated individuals, sex of the individual.



**Table 7. Size of Income Deficit for Families and Unrelated Individuals Below the Poverty Level in 1970, by Sex and Race of Head**

(Families and unrelated individuals as of March 1971)

Size of income deficit	All races			White			Negro		
	Total	Male head <sup>1</sup>	Female head <sup>1</sup>	Total	Male head <sup>1</sup>	Female head <sup>1</sup>	Total	Male head <sup>1</sup>	Female head <sup>1</sup>
<b>FAMILIES</b>									
Number.....thousands..	5,214	3,280	1,934	3,701	2,604	1,097	1,445	625	820
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
\$1 to \$249.....	12.6	14.7	8.9	13.5	15.2	9.6	10.1	13.1	7.8
\$250 to \$499.....	12.3	13.8	9.7	13.2	13.9	11.2	9.9	12.8	7.7
\$500 to \$999.....	21.3	21.8	20.3	22.5	22.6	22.2	18.8	20.0	17.8
\$1,000 to \$1,499.....	16.7	17.2	15.8	16.4	17.0	14.9	17.4	17.9	17.0
\$1,500 to \$1,999.....	10.9	9.4	13.6	9.8	8.6	13.0	13.3	11.7	14.5
\$2,000 to \$2,999.....	15.2	13.2	18.6	15.0	13.6	18.5	15.5	11.8	18.4
\$3,000 and over.....	11.1	9.8	13.2	9.5	9.1	10.5	15.1	12.8	16.8
Median income deficit.....	\$1,110	\$989	\$1,350	\$1,024	\$955	\$1,219	\$1,316	\$1,109	\$1,492
Mean income deficit.....	1,419	1,309	1,604	1,337	1,279	1,475	1,621	1,427	1,769
Deficit per family member.....	361	333	407	370	348	428	344	291	387
<b>UNRELATED INDIVIDUALS</b>									
Number.....thousands..	5,023	1,431	3,592	4,121	1,088	3,033	840	301	539
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
\$1 to \$249.....	16.5	16.5	16.6	17.3	17.4	17.3	13.1	13.0	13.0
\$250 to \$499.....	20.4	16.5	22.0	21.5	16.9	23.1	16.1	15.7	16.2
\$500 to \$749.....	17.1	15.1	17.9	17.2	15.7	17.7	16.3	12.0	18.8
\$750 to \$999.....	14.6	13.0	15.3	14.0	13.3	14.3	18.0	13.7	20.4
\$1,000 to \$1,499.....	16.2	16.7	16.0	15.7	14.8	16.0	18.3	22.3	16.2
\$1,500 and over.....	15.0	22.1	12.2	14.2	21.8	11.5	18.2	23.3	15.4
Median income deficit.....	\$690	\$787	\$660	\$683	\$750	\$635	\$813	\$916	\$774
Mean income deficit.....	806	917	762	785	896	745	894	983	844

<sup>1</sup>For unrelated individuals, sex of the individual.

**Table 8. Distribution of Poor Families and Unrelated Individuals and Aggregate Income Deficit: 1970, 1969, and 1959**

(Families and unrelated individuals as of March of the following year. Deficit in 1970 dollars)

Presence of related children under 18 years and sex of head	All races			White			Negro and other races		
	1970	1969	1959	1970	1969	1959	1970	1969	1959
<b>NUMBER BELOW POVERTY LEVEL (thousands)</b>									
Total.....	10,237	9,801	13,248	7,822	7,517	10,226	2,416	2,284	3,022
All families.....	5,214	4,950	8,320	3,701	3,555	6,185	1,514	1,395	2,135
Male head.....	3,280	3,146	6,404	2,604	2,490	4,952	677	656	1,452
No children.....	1,484	1,438	2,486	1,278	1,236	2,088	206	202	398
With children.....	1,796	1,710	3,918	1,328	1,256	2,864	471	454	1,054
Female head.....	1,934	1,804	1,916	1,097	1,065	1,233	837	739	683
No children.....	268	307	391	209	226	285	59	81	106
With children.....	1,666	1,496	1,525	888	837	948	778	658	577
Unrelated individuals 14 years and over.....	5,023	4,851	4,928	4,121	3,962	4,041	502	889	887
Male.....	1,431	1,379	1,552	1,088	1,048	1,158	343	332	394
Female.....	3,592	3,472	3,376	3,033	2,914	2,883	559	557	493
<b>AGGREGATE INCOME DEFICIT (millions)</b>									
Total.....	\$11,447	\$10,723	\$18,220	\$8,182	\$7,706	\$13,073	\$3,265	\$3,019	\$5,141
All families.....	7,399	6,729	13,076	4,948	4,520	8,904	2,451	2,208	4,169
Male head.....	4,294	3,913	9,535	3,328	2,981	6,726	966	933	2,805
No children.....	1,333	1,236	2,505	1,155	1,054	2,085	178	183	422
With children.....	2,961	2,678	7,030	2,173	1,931	4,641	788	749	2,383
Female head.....	3,105	2,815	3,540	1,820	1,539	2,178	1,485	1,275	1,363
No children.....	248	253	405	191	175	292	(B)	78	(B)
With children.....	2,857	2,563	3,135	1,429	1,360	1,886	1,428	1,198	1,249
Unrelated individuals 14 years and over.....	4,048	3,994	5,144	3,234	3,186	4,169	614	811	972
Male.....	1,312	1,232	1,693	976	903	1,176	326	330	418
Female.....	2,736	2,763	3,551	2,258	2,282	2,994	478	482	557

B 1970 base less than 75,000; 1959 base less than 200,000.

Table 9. Persons Below the Near-Poverty Level in 1970 by Family Status and Sex and Race of Head

(Numbers in thousands. Persons as of March 1971)

Family status	All races			White			Negro		
	Total	Male head <sup>1</sup>	Female head <sup>1</sup>	Total	Male head <sup>1</sup>	Female head <sup>1</sup>	Total	Male head <sup>1</sup>	Female head <sup>1</sup>
<b>NUMBER BELOW NEAR-POVERTY LEVEL<sup>2</sup></b>									
All persons.....	35,752	21,985	13,767	25,374	16,673	8,701	9,789	4,845	4,943
In families.....	29,433	20,183	9,250	20,097	15,279	4,818	8,831	4,494	4,337
Head.....	7,455	5,075	2,380	5,496	4,084	1,412	1,859	908	951
65 years and over.....	1,763	1,482	281	1,446	1,244	202	300	222	77
Related children under 18 years.....	14,631	8,919	5,713	9,184	6,365	2,819	5,160	2,332	2,827
Other family members.....	7,347	6,189	1,157	5,417	4,830	587	1,812	1,254	559
Unrelated individuals 14 years and over...	6,319	1,802	4,517	5,277	1,394	3,883	958	351	606
65 years and over.....	3,487	714	2,773	3,095	605	2,490	387	97	271
<b>PERCENT BELOW NEAR-POVERTY LEVEL<sup>2</sup></b>									
All persons.....	17.7	12.7	47.2	14.3	10.7	40.2	43.0	31.3	68.1
In families.....	15.7	12.1	46.7	12.3	10.1	36.4	42.1	30.7	68.3
Head.....	14.4	11.0	40.0	11.8	9.7	32.2	37.7	26.5	63.1
65 years and over.....	24.6	24.1	27.7	22.1	21.9	23.1	53.5	52.2	57.6
Related children under 18 years.....	20.9	14.7	63.1	15.5	11.8	53.5	52.3	37.6	77.1
Other family members.....	11.2	10.2	24.1	9.3	8.8	16.4	29.2	25.0	47.6
Unrelated individuals 14 years and over...	41.1	30.2	48.1	39.3	27.9	46.2	54.8	42.1	66.4
65 years and over.....	60.0	50.6	63.1	57.8	47.8	61.1	83.4	72.2	88.3

<sup>1</sup>For unrelated individuals, sex of individual.<sup>2</sup>Below 125 percent of the poverty level.

Note.--The near-poverty level threshold for a nonfarm family of four was \$4,960 in 1970. Other thresholds at the near-poverty level can be obtained directly by multiplying the poverty thresholds shown in table 6 by 1.25.

Secretary RICHARDSON. If it were that simple, Senator Ribicoff, it would have been done.

Senator RIBICOFF. That isn't true. What is simple often isn't done. What is complex is done and we get wedded to a program. Having been in all phases of government, as you have, I know the bureaucratic box that people get into. When a program is passed, whether it works or not, it is very seldom taken off the books, and those of us who have been in government appreciate that. You build up a constituency, you build up a pressure group, and the program is there to stay. I have often felt I would like to see a session of a legislature, a session of the Congress repeal more laws than it passes, I think the whole country would be better off.

Now, the question comes, what do all these programs achieve, I am curious to know how many people have actually been taken out of poverty by the \$34 billion that we are spending.

Secretary RICHARDSON. Well, I think we can provide this, of course, by way of at least amounts which are paid out of the social security trust funds, who gets them, what their income level is, and so on.

The point I was making though is, that it is going to be very difficult to rank programs in order of priority. The Office of Management and Budget and its predecessor, the Bureau of the Budget, have issued similar requests from time to time and people in HEW, before my recent tenure, have come up with what they thought were the lowest priority programs. Well, it happens that the lowest priority programs are, I think, all in the category of those which are invariably increased by the Appropriations Committee. The very character of these programs is such that it is virtually impossible to develop an objective yardstick which tells you what price mental retardation versus adult illiteracy versus research into sickle cell anemia or any of the other kinds of programs, extending from the aged to children through migrants through the inner-city slums. The result is, therefore, that every single one of these programs can and does have strong supporters whose principal appeal to us in HEW is that you have not spent enough. I think it is fair to say that more copy is written and more words are uttered in the Congress about why HEW has not done more about this or that, than on any other single subject.

So I am not sure to what extent we can provide a truly objective ranking and order of things in which there is inherently no objective yardstick for saying which is more important than another.

I have been groping since I have been in the Department for opportunities to achieve significant savings in one area or another in order to be able to move forward with what have seemed to me to be priorities. We are going to be perhaps under greater pressure than ever in anticipation of the fiscal year 1973 to do this. That in turn affects, of course, the level of expenditures that we could otherwise budget for welfare reform.

But at any rate I respect the force of what you say. I think it is a very constructive analysis and approach, and we will, within the time available, do our best to respond.

## NEW YORK WORK RELIEF PROGRAM

Senator RIBICOFF. Now, another request, Mr. Chairman. New York City under the new New York State law beginning August 1, is undertaking to assign welfare recipients under general assistance to work off their welfare payments. They will be assigned various functions within the public field. I would like to request that HEW out of its New York regional office, monitor what is happening with this program and come back to us in September with a report on the month of August. I imagine we will still be on this bill in October so we can also have a report on September, to find out how that New York program is working. I think it might give us some insights in our own committee about what we might like to do with different work programs. Irrespective of our philosophies, I think every member of this committee is concerned about having more work in the welfare program.

I would hope, Mr. Secretary that, in addition to having somebody from your New York regional office work on this, you would convey to Secretary Hodgson from the Labor Department our request that his department assist in monitoring the New York experience that will be starting on August 1st. I would also hope, Mr. Chairman, that we could have Mr. Stern of our own staff look into it for the committee.

Secretary RICHARDSON. We will be glad to do that.

Senator RIBICOFF. Thank you very much.

Senator HANSEN. Would the Senator yield.

## GIVING MONEY TO THE POOR RATHER THAN SPENDING MONEY ON PROGRAMS FOR THE POOR

Mr. Chairman, I am very greatly interested in the observations which have just been made by the distinguished Senator from Connecticut. I am wondering, is it his feeling that if we could get an idea of the number of people below the poverty level now and put more of the dollars that are being spent in these multitudinous programs into programs that would bear directly on the relief of those people we might very well wipe out poverty in the country at the present time. Is that the thrust of your remarks.

Senator RIBICOFF. This is what I am thinking about. To me, frankly, a person is poor because he doesn't have money. If we are talking about eliminating poverty, and this is the thrust of the programs we are working on, let's try to figure out how we can do it. This is directly our responsibility, too. We are just as much at fault as the executive branch. We talk about reordering our priorities, but look only at the military field, I am for reordering priorities in the military area, but I think we have an obligation, as the executive does, to reorder our priorities in the domestic field.

Now many of these 168 programs are worthwhile and you are going to want many to continue. But we have to weigh and evaluate what is more important. If some of these programs are supposed to eliminate poverty, and don't and if you could take the same amount of money

and eliminate poverty by increasing the direct payments to a family of four, to the childless couple, and to single individuals, then this is what we might want to do.

#### NEED FOR AN ALTERNATIVE TO H.R. 1

I may be all wrong, Senator Hansen, but I think if we don't come up with some original thinking and try to explore fields that haven't been explored before, we won't be doing our duty. I know from last year and this year that every man on this committee, irrespective of his philosophy, is deeply concerned about this problem. What I am interested in is generating the information to see if we in this committee can evolve a program different than H.R. 1. As I gather it, I don't see a person around this table who is satisfied with H.R. 1. We are all concerned about it. Now it may be that all of us together can come up with some amendments to this program. Perhaps we can't, But I think we ought to give it a try, Mr. Chairman.

#### DEFINITION OF POVERTY AND QUESTION OF MOTIVATION

Senator HANSEN. If I could, Mr. Chairman, just let me make this observation. I find myself in agreement with the Secretary and I think I understood him to imply that it may not be as simple as we would hope that it is. I spent part of the weekend reading the effect of three income maintenance programs on work effort, a study undertaken under the auspices of the U.S. Chamber of Commerce by Alfred and Dorothy Tella. I don't presume to say I understand all that I read but it does raise some questions which include these. I mean it raises at least these questions in my mind. What is poverty? I suspect that we have arbitrarily said that poverty connotes that condition of a person or a family whose income is below a certain level. When we say that I think we have to recognize that inflation plays a part in the community where the poverty level is. In other words, back in the thirties \$2,400 a year would have been a pretty darned good income.

It is not adequate today in the minds of most people because it does not provide them with the ability to buy most of the things they think they must have if they are to be above the poverty level.

The question of motivation arises in my mind. What happens to people if we were to say we will identify the 25.5 million Americans below the poverty level and add to their income, supplement their income, in a fashion so as to bring them above that line. What happens to motivation? Will they fail then to earn the \$11.4 billion that they are presently earning? What will happen to other people as well who may have been watching what is going on and who are not now in the poverty level but who may decide they are not as wise as those who are. Maybe they should change their ideas.

I think these are questions that are corollary to what we are talking about at this moment. So it seems to me that there may be real merit in examining closely, if we can, what the attitudes of peoples are, how they respond to certain things that take place, and I can only say, in

conclusion, that it is a pretty darned complicated problem, it seems to me.

Senator RIBICOFF. Just because it is complicated doesn't mean we shouldn't give our attention to it.

Senator HANSEN. I agree with you, I am in complete accord with your thought to go ahead and find out as much as we can, and I think any information we can get that is relevant to our consideration of this bill certainly should be used and should be available to us.

#### MONEY FOR THE POOR VS. PROGRAMS FOR THE POOR

Senator RIBICOFF. I just want to point out on page 6 of the Secretary's testimony of last week is his statement "the President's income strategy is designed to provide the poor with what they need the most to get out of poverty, money" so the Secretary and I are in complete agreement with the President. If that is the case let's find out how we can get them money instead of a lot of bureaucratic programs that get them no money, that cost billions of dollars and still keep them in poverty.

I think this is what we have to examine.

Senator HANSEN. As I understood your statement we need a total of \$29.9 billion to do the job for all of these people who are in poverty and, this group presently is earning \$11.4 billion.

Senator RIBICOFF. \$18 billion. They have income of \$18 billion.

Senator HANSEN. I see, it is \$11.4 billion more which is the gap.

Senator RIBICOFF. It is an \$11 billion gap that will take everybody in America out of poverty.

Senator HANSEN. I just misread my notes. They are earning \$18.5 billion now.

Senator RIBICOFF. They are getting one way or another, \$18 billion, \$29 billion is needed and they are getting \$18 billion.

Senator HANSEN. They need \$11.4 billion.

Senator RIBICOFF. \$11 billion more would take everybody out of poverty.

Senator HANSEN. Then my question would be, does the Senator agree with me that it may be important to determine as best we can what may be the effect, say we are going to make available \$11.4 billion extra money to these people in poverty, would it be of interest to him to try to determine, if we could, what might happen to this \$18.5 billion they are already receiving?

Senator RIBICOFF. I don't intend at all to hand out \$11 billion in cash. We are planning now to have work provisions that everybody who can work will work in one form or another, whether it is Senator Long or you, Senator Hansen or myself, I have a pretty good idea we will see eye to eye on that.

But what I am pointing out is that, if \$11 billion is now being expended on programs that don't get money to the poor, and if they are still poor, let us then determine what we do with that \$11 billion. If the administration's objective is to give people money to get them out of poverty and if we have already done that with aged couples who are to receive \$2,400 which is the poverty level for two, that means you have

to find another \$1,500 for a family of four to give them the equivalent of what the older couples will receive. You also then will have to find sufficient funds to take care of the single person or the childless couple if we are going to move everybody out of poverty. These groups are not covered by H.R. 1.

But I still support having all people able to work provided the opportunity to work rather than just handing them money. But for those who are unable to work, whether they are blind, elderly disabled or mothers with children of one, two, or three years of age, there is no alternative, to giving them the money.

I am not asking you to find \$11 billion. I am just asking whether there is \$11 billion that we are now spending that we can spend for a better purpose and that is to get people out of poverty. That is my objective.

Senator HANSEN. Thank you.

The CHAIRMAN. Senator Hansen, if you want to ask more questions, go right ahead. I was going to call you next anyway.

Secretary RICHARDSON. Mr. Chairman.

The CHAIRMAN. Yes.

Secretary RICHARDSON. I think it might help anticipate some questions as well as responses to some of the points I already made if I could go forward, as I requested at the close of the last hearing, and describe the interrelationships among break even, tax rate, and so on.

The CHAIRMAN. If I might just suggest, Mr. Secretary, I would suggest that we permit Senator Hansen and Senator Byrd and Senator Griffin and Senator Nelson to ask the questions they have in mind and then I will offer you the opportunity to present it if that is all the same with you.

#### IMPACT OF H.R. 1 ON THE POOR

Secretary RICHARDSON. All right. May I just make two brief comments then on the colloquy between Senator Hansen and Senator Ribicoff. One is that when we are considering any increase in the basic benefits under a welfare reform program, that is any increase above a \$2,400 minimum for a family of four which is in H.R. 1, or any reduction in the tax rate, the effect is an increase in the break even. Now the break even under H.R. 1 is \$4,320. That means therefore, either of these actions, a reduction in the tax rate or an increase in the basic benefit, is not particularly poverty effective because more money will be going to families with incomes of more than \$4,320.

The other point to be made is that H.R. 1 would in itself meet about 60 percent of the \$11 billion that Senator Ribicoff identifies as necessary to eliminate the poverty gap. This is true because of the combination of family benefits and increased minimum for the adult categories and the social security benefit changes.

The CHAIRMAN. Senator Hansen.

Senator HANSEN. Let me yield to someone else.

The CHAIRMAN. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

I know that we all want to start out with the right premise. I am looking at my own State and trying to analyze what is happening and to tie that in with the projections that have been made.

## PROJECTED FUTURE CASELOAD INCREASES UNDER H.R. 1

Just as a matter of illustration, Mr. Secretary, on page 31 of the Committee Print, "Welfare Programs for Families"—the caseloads are projected through 1977 and show a decline from 25.6 to 24.4 million persons.\* If you were to project these curves for each covered group (aged, blind, disabled, AFDC, and working poor) through 1982 (another 5 years) the caseloads would in reality drop to an estimated 24.2 million people on family assistance and then begin a slow rise in numbers. It has been indicated that these figures would decrease. Could you explain the discrepancy?

Secretary RICHARDSON. I am afraid I am not sure that I understood what discrepancy you were referring to.

Senator FANNIN. There is a discrepancy when you take the figures that you have projected through 1977 you show a decline from 25.6 to 24.4, that is in the welfare programs for families on page 31 of the committee print. If you project these curves to reach the covered group, the aged, blind, disabled, AFDC, and working poor through 1982, another 5 years, you get a different figure, and I say I don't want to nit pick but just wondering whether or not we have given full consideration to these projections.

For instance in my State of Arizona we have a great number of Indian families and I feel under the family assistance plan we will probably have a figure of around 70 percent being under that program. I have discussed with Secretary Veneman and others because we are concerned when we consider what has happened with welfare on the reservations and then try to determine what we can project in the future on those reservations under the family assistance plan.

Secretary RICHARDSON. Well, if I understand you, Senator, the question is how do we account for the reduction in the number of recipients under the family program.

Senator FANNIN. Yes. In one instance you show a decline, in another instance you show a rise, that is what I am getting at.

In other words, when you are taking the same people who would be considered in each instance but then in one of your projections you show a decline and in the other projection you show an increase.

Secretary RICHARDSON. Well, the reason basically for the projected decrease in numbers of families under H.R. 1 is, in the first place, that there would be a reduction attributable to relative increases in family income as a result of wage rate increases during this period. This would have the effect of bringing some of these families out of poverty. This factor is one that is based upon studies of the population by the Bureau of Census.

Senator FANNIN. I agree everything is relative, though if you had inflation continuing you may have a difficult time bringing them out of poverty because of that. Just another figure—

Secretary RICHARDSON. This is in constants in any event.

Senator FANNIN. Yes.

Secretary RICHARDSON. I think a way of making this more concrete, Senator, would be to look at page 13 of the same Committee

\* See App. C, p. 447.



Print, chart 6,\* which shows the declining numbers under H.R. 1, and the projection under present law—and which points out on the opposite page—

Senator FANNIN. What page is that?

Secretary RICHARDSON. Page 13, chart 6.

Senator FANNIN. Yes; I have it.

Secretary RICHARDSON. And as pointed out on the opposite page, "In the view of HEW the primary differences between AFDC and the proposed family program which lead to these different growth assumptions are: (1) replacing a monthly with an annual accounting period, (2) replacing poor quality control with an efficient automated national system, (3) changes in earnings disregards and, (4) replacing minimal efforts of training and job creation with a much larger and more affective program."

There is also the  $w$  factored in the projection I was speaking of; always a number of families who would work themselves out of poverty as a result of wage level changes. Here you can assume a constant either way with respect to inflation.

Senator FANNIN. If that happens, Mr. Secretary, according to those projections the number of working poor on family assistance benefit would decrease.

Secretary RICHARDSON. Yes.

Senator FANNIN. If the total numbers covered by FAP do not drop below 24 million, then it would mean the costs for these remaining people—at present levels of H.R. 1 support—would be higher because they represent nonworking persons on full benefits.

If we are working those people off we would leave a greater percentage on full benefits, would we not?

Secretary RICHARDSON. Well, there would be a mix between the working poor who are members of families in which there is a wage earner working full time now, and female headed families now under the AFDC program, in which the mother would be working more than she is now as a result of the availability of training, day care, and so on. Thus, there would be involved a considerable number of people who were receiving less than full benefits but who are still counted as numbers on the rolls.

Senator FANNIN. Yes, but wouldn't that percentage increase?

In other words, unless the input was changed with what you have projected then that should decrease with time. In other words, we would still have a greater number, as we project on the figures given, we would have percentagewise a greater number that would be on full benefits.

Secretary RICHARDSON. I don't think that follows, Senator. Take for instance, the mother who is given some training and who takes a job at the level of \$1.20 an hour—which we discussed the other day—three quarters of the present minimum wage. She might well be in a situation where, as a result of receiving this wage, given the number of her children and so on, the total was, after disregards, still less than the benefit level, in which case she would get some benefits. So she and her children would be counted on the rolls among the numbers enrolled in

\* See App. C, p. 431.

the program, but the amount of money she would be receiving would be comparatively small.

We have elsewhere shown projections to the general effect that the costs of the H.R. 1 programs as of 1977 would be about the same or below the costs of current law. This is one of the reasons why that is so.

#### ESTIMATED ADMINISTRATIVE COSTS UNDER H.R. 1

Senator FANNIN. Well, now on that line of thinking, I notice that in table 6, the welfare program committee print that on pages 34 and 35 you project the costs of administering H.R. 1 at \$300 million above present costs.\* In light of the establishment of two new offices at the national level, the Department of Labor, both taking this program over, the expansion of other national offices and the creation of new regional, State, and local (area) offices, how can you assure this committee that the costs for administering this program won't be far higher than the projections? Some estimate that it may cost double. What is your thought in this regard?

Secretary RICHARDSON. Well, we think these are pretty good estimates. They are based on a considerable amount of experience in the administration of payments programs, particularly by the Social Security Administration. The cost increase over last year is attributable largely to the Federal administration of the adult categories, which was not previously proposed.

#### RELATIONSHIP WITH ONGOING PROGRAMS FOR INDIANS

Senator FANNIN. I don't understand how we can have all these new offices and evidently increased personnel, \$300 million is a lot of money, but still when we start looking at what the programs are costing us now unless we can eliminate the duplication that is in existence presently, and I certainly observe it in my State and I am sure other Senators do, we may have a more serious problem because we do have a large Indian population, and a tremendous duplication of effort when you consider all the programs under BIA and under other agencies and then consider the FAP, I just wonder how you are going to tie these together, what will your relationship be with BIA in that regard.

Secretary RICHARDSON. It is true, Senator, that some of the more difficult administrative problems to be worked out do involve Indians. I can't give you an answer directly on the question of how the relationships with the Bureau of Indian Affairs would be worked out. I have a memorandum which summarizes the relationships of H.R. 1 to Indians, and perhaps it would be appropriate for me to insert it in the record at this point.

Senator FANNIN. I would appreciate it.

(The following was subsequently submitted for the record by the Department:)

#### SUMMARY OF THE RELATIONSHIPS OF H.R. 1 TO INDIANS—BRIEFING MEMORANDUM

H.R. 1 makes no direct reference to Indians and in no way distinguishes them as a group from the rest of the potentially eligible population. Accordingly, all aspects of the family programs may be applicable to the Indian population, al-

\* See App. C. pp. 450-451.

though their implementation may require policies and procedures peculiar to that group. The major areas that have so far been discerned that will require special attention are as follows:

*2112.*—The need to provide child-care services on Indian reservations may be especially crucial as there is apparently a critical shortage of such facilities.

*2114(b)(4).*—Public Service—Employment Programs: It must be clear that the language of this section will permit a tribe to qualify as a recipient of a grant or contract for funding such programs on the reservation.

*2152(g)(2)(A).*—Alcohol and Drug Abuse: Alcoholism is a particularly difficult problem on Indian reservations, although there is also a substantial drug problem. Particular attention will have to be given to the availability on or near the reservation of approved facilities for treatment.

#### INCOME

*Section 2153.*—While income to an Indian family will in general be treated no differently than to the rest of the population, special clarification will be needed with respect to income derived from the restricted, allotted land a family may own. For example, the Internal Revenue Service has ruled (Rev. Rul. 67-284) that the income from land received by an enrolled member of an Indian tribe is exempt from income tax where each of the following tests are met:

1. The land in question is held in trust by the U.S. Government.
2. Such land is restricted and allotted and is held for an individual "non-competent" Indian and not for a tribe.
3. The income is derived directly from the land.
4. Any statute, treaty or other authority involved evinces Congressional intent that the allotment be used as a means of protecting the Indian until such time as he becomes competent.
5. The authority contains language indicating clear Congressional intent that the land, until conveyed in fee simple to the allottee, is not to be subject to taxation.

Consistent with this, OGC, HEW has ruled that income derived directly by the allottee from the sale of crops raised on the land as well as income from the sale or exchange of livestock raised on such land, does not constitute net earnings from self-employment under Title II, Section 211 of the Social Security Act. Accordingly, such income would not technically fall within the definition of earned income, under Section 2153(a)(1)(B) of H.R. 1. The treatment of such income will require clarification.

#### RESOURCES

*Section 2154.*—Under this section, land which does not constitute a part of an individual's home and which may not be excludable (within limits) as an income producing item necessary to a family's self-support, must be counted as a family resource. It is clear that to a large extent the Indians' restricted, allotted lands are not farmed directly by the allottee, but are leased to another party for grazing or mineral exploration rights. The leased income derived by the Indian family is usually quite small (well below 6% of land value). However, some of these lands have a fairly substantial market value (e.g., some allotments are worth \$30.00 an acre, many allotments are at least 160 acres, worth about \$4800).

Under H.R. 1, the value of such land may have to be counted against the \$1500 resource limitation, unless some special rationale can be held applicable to exclude it.

Some tribes have expressed serious concern about any pressure that might be generated by H.R. 1 to impel the sale of Indian lands, since a sale to a non-Indian diminishes the size of the reservation. (The land is normally transferable under BIA supervision.)

#### EVIDENCE OF ELIGIBILITY FACTORS

*Section 2155.*—It is contemplated that proof will be secured for those factors necessary to establish family (and individual) entitlement to assistance. Thus, evidence may be secured of family relationship (marriage, adoption, etc.), age and residence in the household. As a recipient population special problems may be involved in establishing such factors, since for example, consideration may have to be given to the applicability of tribal customs and law to establishing

family relationship. Apparently, most records pertaining to Indian families (including age and marriage), are maintained by the Bureau of Indian Affairs and it is our understanding that their reliability may be questionable.

There are indications that there may be an unusually high occurrence among the Indian population of unrelated children residing in the household. H.R. 1 does not provide for assistance to such children as members of the family.

2155 (a) (4).—provides that a family must contain at least one child who is in the care of or dependent upon another family member. The practice is widespread among the Indian population of sending post-elementary school children away from home to BIA Indian Boarding Schools. Under existing programs, some States hold that, where this is the only child, the AFDC family has terminated until his return—on the basis that dependency has ceased. H.R. 1 does not specifically direct itself to this situation, so that continued eligibility of the family will have to be provided by regulation stipulating that the absence from the household of a child for the purpose of attending school will not terminate family eligibility.

Senator FANNIN. I don't want to take a lot of time on that and I know very few of the States are involved and I know I talked with you individually and others on your staff, and I do feel it is perhaps a unique problem in our State and maybe three or four or five other States so I don't want to dwell on it.

### REHABILITATION SERVICES

I am concerned with the rehabilitation programs, especially Rehabilitation Service Administration, because this is about our only hope of vocational services for these people if we could increase our vocational service. Now in H.R. 1 there is no direct appropriation under that program to work with the welfare family that I can find. Do you have under the Rehabilitation Service Administration any appropriation of appreciable amount for that service, their work?

Secretary RICHARDSON. Yes. There is a new appropriation under H.R. 1 this year of \$100 million for service to people. It also provides at various points, for example, that rehabilitation services for alcoholics must be provided, and that the alcoholic who fails to accept rehabilitation services is not eligible for benefits. The same is true with other rehabilitation services generally. So we are, in effect, required by the whole thrust of the law to assure, so far as possible, the availability of rehabilitation services. Other than \$100 million, it is not quite clear whether it is contemplated that this be a 100 percent Federal funding or if it will be absorbed in effect by the appropriation now available to the Rehabilitation Services Administration.

Senator FANNIN. I just wondered what specific guarantees there are in the bill to show people who receive referrals to vocational rehabilitation will actually receive the services. Is there a followup?

Secretary RICHARDSON. Yes, there is. What we have at least to build on here is, for example, the present relationship that now exists under the old age, survivors, and disability insurance program under which the Social Security Administration refers applicants for disability benefits to the State rehabilitation agencies.

The Secretary of Labor under this program would refer disabled individuals who are in families required to register. The Secretary of HEW would be required to refer individuals who would have to register, but for a physical disability. This means then, in effect, that we have to assure the adequate funding of rehabilitation services.

The Secretaries concerned, in other words, must be assured of the ability to purchase whatever rehabilitation services are necessary, and this will mean, to a differing extent, the gearing up of these agencies wherever required.

USE OF PRESENT STATE WELFARE EMPLOYEES IN NEW PROGRAMS  
UNDER H.R. 1

Senator FANNIN. Well, thank you. I would like to discuss some of the particular problems we have in our State, because of the Indian population, with you, if I could at a later time. Now, I would like to go into one subject for the record because I think you made it clear in response to another question given to you. The Governor of Arizona wrote in response to a communication with the State director of public welfare, and expressed concern that, I quote :

Middle management HEW staff members have let it be known that they plan, to effectively screen out the state employees now working for state welfare agencies. This middle management group has made no secret of the fact they do not want these state employees in federal service.

Now, I would like to have your response to that. I think I have had it before in private conversation but I have assured the Governor that this was not true. I don't think that he is satisfied with that assurance.

Secretary RICHARDSON. Well, we appreciate your communicating that assurance. The alleged policy with respect to State employees is not, in fact, true. A lot of work has been done since last year with the Civil Service Commission and with various employee groups to develop a plan under which State personnel could become employed. It is expected that a very large proportion of all the people handling eligibility determinations and income maintenance payments under H.R. 1 would be people taken over from those present functions in State welfare agencies, and there would be required under this plan an offer of employment in Federal service. There would be somewhat fewer total employees in the Federal system than there are now in the States, so there could be no guarantee of a job.

Senator FANNIN. I understand that, Mr. Secretary. But have you issued a bulletin or a communication to the States or to your offices in the different areas of the country regarding the subject. I imagine it is something that comes up continuously.

Secretary RICHARDSON. I think the statement attributed to an HEW staff member which has resulted in correspondence with the Commissioner of Public Welfare referred to recruitment for the Federal service generally rather than the staffing of H.R. 1. If your question is have we transmitted a bulletin to our own field offices with respect to staffing of H.R. 1—

Senator FANNIN. Outlining just what would be intended.

Secretary RICHARDSON. I don't believe we have done this. I might ask Mr. Montgomery. We have discussed it in meetings with all the State administrators, but we have not gotten quite that far down the road, given the present State of the legislation.

Senator FANNIN. Well, thank you very much, Mr. Secretary.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

## REQUEST FOR INFORMATION ON POVERTY PROGRAMS

Mr. Secretary, I think the information submitted by Senator Ribicoff is highly significant, that we have 168 different welfare and poverty programs at a total cost of \$31 billion. I understand approximately \$7 billion of this is for social security. Of course, all of that would not be involved in welfare or would not go to welfare or poverty recipients. Senator Ribicoff asked for very significant figures, analysis of various figures, information which he presented which I think will be highly important to the committee, and I would like to ask for just one additional breakdown when you reply to Senator Ribicoff's inquiry.

Besides giving him what he wants, I wish you would differentiate between the welfare and poverty programs, on the one hand, and the social security program, on the other, if they can be separated.

But as you so eloquently pointed out in previous sessions in response to some questions that I put to you, the purpose of the two programs are entirely different, that is welfare and poverty, on the one hand, and social security on the other.

Just one other comment on Senator Ribicoff's statement. He stated that he feels he would like to see some legislative body at sometime repeal more laws than they passed. I certainly want to second that. Having been 24 years in two legislative bodies, I feel that one of the best things that could happen to the people of this country would be if these legislative bodies would repeal more laws than they passed.

## USE OF PRESENT STATE WELFARE EMPLOYEES IN H.R. 1 PROGRAMS

Now, Mr. Secretary, is it your judgment that the Federal Government should take over all the welfare employees who are now on the payroll of the various States?

Secretary RICHARDSON. No.

Senator BYRD. It is not your purpose?

Secretary RICHARDSON. No. First, because we anticipate that the States would remain responsible for the provision of various services, the kind of things which are now federally matched on the basis of 75 percent of total State and local expenditures. Second, because we believe that we can administer the determinations of eligibility and income maintenance payments with somewhat fewer employees than the States now have.

Senator BYRD. You were not planning to take over any of the State employees?

Secretary RICHARDSON. Yes, we are. As I just said to Senator Fanin, we expect that most of the individuals who become employed in the various local offices administering the family assistance plan and the opportunities for families program would come from present State and local welfare agencies.

Senator BYRD. So you would take over about half of the employees

Secretary RICHARDSON. If I might make this a little more concrete: There are roughly 185,000 employees now in the State and local welfare departments. Of these about 70,000 are concerned with the administration of payments to families. An additional number are concerned with the administration of payments to the adult categories.

Senator BYRD. Would it not be better, as Senator Nelson suggested, to maintain the administration at the local level rather than to have all those 70,000 State employees go on Federal payroll.

Secretary RICHARDSON. We think not, Senator Byrd, because we contemplate that among the major advantages of the enactment of this program would be the establishment for the first time of uniform minimum national benefits, uniform standards of eligibility, and coupled with this, the opportunity to check applications and wage information reported by the applicant against information reported through the social security system and through the income tax system.

Senator BYRD. Would you plan to establish a uniform pay scale for all such employees.

Secretary RICHARDSON. Yes.

#### SENATOR CURTIS' ALTERNATIVE WELFARE PROPOSAL

Senator BYRD. Senator Curtis from Nebraska has presented a suggested alternative to the administration's welfare proposal. What, in brief, is your appraisal of Senator Curtis' proposal.

Secretary RICHARDSON. In our view, Senator Curtis' proposal amounts essentially to the continuation of the present open-ended Federal matching of State welfare expenditures whatever they are. It differs from present law, as we understand it, primarily in that the States would be freer than they are now to determine what to spend and how to spend it, and so it would, in effect, amount to giving the States a Federal blank check. The result, we think, is not to offer the prospect of reform of the present system but rather simply to say to the States "go ahead and maintain the present system or any other system you choose," without regard to any of the efforts that are incorporated into H.R. 1 to get people off welfare and into jobs.

#### TOTAL WELFARE COSTS UNDER H.R. 1

Senator BYRD. Let's get down to H.R. 1 now. Assuming your program is enacted into law by the present Congress, what will be the total costs of the welfare program; that is, the Federal share of the welfare program for fiscal year 1973.

Secretary RICHARDSON. The total cost, including some expenditure for services, would be \$14.9 billion. I am looking at the table on page 208 of the House Ways and Means Committee report. The same total is shown on page 15 of the blue committee print entitled "Welfare Programs for Families."\*

Chart 7.

Senator BYRD. I want to be clear now, are you including everything in that, are those total costs?

Secretary RICHARDSON. Yes.

If you will refer to chart 7 of the committee print, it lists payments to families at \$5.5 billion, payments to adult categories at \$4.1 billion, payments to States under the hold-harmless clause: \$1.1 billion. The cash equivalent of food stamps is \$1 billion, which totals \$11.7 billion. Then there will be \$600 million for child care, \$500 million for training, \$800 million for public service jobs, \$100 million for supportive

\* See app. C, p. 433.

services and \$1.1 billion for administration which produces a total of \$3.3 billion for the costs of workfare. And then there is shown \$100 million savings as an impact on other programs.

Senator BYRD. I want to be sure we are clear about this, that is your judgment as to what the total costs will be for fiscal 1973.

Secretary RICHARDSON. Yes, this does not include medicaid.

Senator BYRD. It does not include medicaid. Let's get the medicaid figure, if you will.

Secretary RICHARDSON. That is \$4.5 billion.

The costs of medicaid are not increased under this program. If the spend down feature incorporated in the bill as a device to eliminate the medicaid notch is retained medicaid costs would decrease.

Senator BYRD. Let's see if we understand this now, the costs of the welfare program will be \$14.9 billion, and in addition to that, there will be \$4.5 billion for medicaid.

Secretary RICHARDSON. Yes.

Senator BYRD. I am correct in that statement.

Secretary RICHARDSON. Yes. Let me be sure we have it. Yes; that is correct, Senator.

Senator BYRD. The reason I want to be sure that we are clear on this, I refer back to last year's testimony on July 21 when I asked the same question in regard to, well I will just read the question I asked "assuming your program is enacted into law by the present Congress what will be the total cost of the welfare program, the Federal share for fiscal year 1972."

You first replied "\$8 billion." Then as we continued the discussion we get it up to between 10 and 10.5, and then as we go down, continuing our discussion the hearing record reflects the following:

Senator BYRD. It would run somewhere between \$10 billion and \$10.5 billion as a minimum, is that correct?

Secretary RICHARDSON. Well, I would not say a minimum. That is an estimate. It could be less. As a minimum the training and day care figures were held at the 1971 level.

Senator BYRD. I think it could be more, I assume, too. It could be more, I assume too.

Secretary RICHARDSON. I think it would be very unlikely to be more, Senator.

Now, I turn to page 727 of the hearing, and that was on July 30, and in reply to a letter by me to you, you submit to me new figures on fiscal 1972 which total \$11.8 billion.

So I just want to be sure now that we have got all the costs in here because in a 9-day period it went from around between \$10 and \$10.5 billion last year in 9 days to \$11.8 billion. So I think it is worth taking a little time now to be sure that that figure of \$14.9 billion is all inclusive.

Secretary RICHARDSON. Well, Senator Byrd, the variances in numbers last year were not the consequences of changes in estimates. I would have to—

Senator BYRD. I just asked you for the total costs last year of the program. You gave me the figures, I didn't give myself the figures, you gave me the figures.

Secretary RICHARDSON. Yes, I am explaining that the answer depends in a given instance as to what you count as costs of the program. I would have to look at it again.



Senator BYRD. Let's stick with this year. Last year is over. What will be the total costs of the welfare programs, the Federal share, for fiscal year 1973. That is, total costs.

Secretary RICHARDSON. The total cost is, as I said, \$14.9 billion, the cost of H.R. 1. Table one of the report of the Committee on Ways and Means on H.R. 1 gives these figures, and they are also reproduced in the Senate Finance Committee print "Welfare Programs for Families" in chart 7.\*

Senator BYRD. Let me ask you this question to be sure I understand your response. The total cost of the welfare program, the Federal share, plus the cost of medicaid, the two items together, will total \$19.4 billion for the Federal Government. Is that correct?

Secretary RICHARDSON. Yes it is.

#### INCREASE IN ESTIMATE COSTS OF WELFARE PROPOSAL

Senator BYRD. Now, you responded last year that the estimated cost for fiscal 1972, assuming this program had been in effect would be \$11.8 billion. So the arithmetic would indicate that then in a 1-year period, between fiscal 1972 and fiscal 1973 the costs of this program will have increased 25 percent in that 1-year period.

Secretary RICHARDSON. I am sure the \$11.1 billion figure did not include medicaid.

Senator BYRD. No, it did not include that.

Secretary RICHARDSON. So the comparable figures would be \$11.1 and \$14.9 billion.

Senator BYRD. Excuse me 11.8.

Secretary RICHARDSON. 11.8 and 14.9.

Senator BYRD. You will find that figure comes to roughly 25 percent.

Secretary RICHARDSON. Well, there are differences which explain this that are not differences simply resulting from the markup of our estimates. In the first place there is the Federal assumption of basic benefits, of administration, and of the adult categories; there are increases projected in H.R. 1 for public service jobs, in child care, training, supportive services.

Senator BYRD. So you are expanding the program beyond last year's proposal.

Secretary RICHARDSON. The work related provisions have been expanded.

Senator BYRD. You are expanding—the program as a whole is being expanded beyond last year's program.

Secretary RICHARDSON. Yes, in the sense that we are more determined than ever to convince this committee that the provisions of the program are capable of getting people off the welfare rolls and into jobs.

Senator BYRD. I don't think this committee has demanded that the program be expanded.

Secretary RICHARDSON. Some members of the committee have felt we did not provide enough public service jobs in last year's program, and some other members of the committee have thought that we didn't provide adequately for the development of day care services, and these are among the increases.

\* See app. C, p. 433.

Senator BYRD. Well now, have you taken into consideration the views of the other members of the committee which, I think are in the majority, who have not sought an expansion of this program.

Secretary RICHARDSON. Well, if the committee concludes that it does not wish to expand, that, of course, is the committee's judgment. We came away from last year's sessions of this committee with the impression that the committee wanted to do more to get people off welfare and into jobs.

Senator BYRD. But you are not taking people—there is no use to get into that discussion, you are adding to the welfare rolls. We all admit that. The whole record shows that.

Secretary RICHARDSON. We are not adding to the welfare rolls compared to last year's program except in the adult category.

Senator BYRD. Let's stick to the figures and see if we can understand the figures rather than get into additional discussion.

The figures show, and see if I am inaccurate about this; if I am let me know. The figures show that your estimate for last year, the program had been in effect for fiscal 1972, had been \$11.8 billion, not including medicaid.

Secretary RICHARDSON. Yes.

Senator BYRD. So that shows an increase of from \$11.8 billion for your program, which you recommended last year, to \$14.9 billion for the program that you recommend this year.

Secretary RICHARDSON. Yes.

Senator BYRD. That is correct.

Secretary RICHARDSON. Yes.

Senator BYRD. Thank you, sir.

#### 1971 COST OF PRESENT WELFARE SYSTEM

I want to get the figure, the costs for the welfare program, Federal share for fiscal 1971.

Secretary RICHARDSON. The present program for fiscal 1971?

Senator BYRD. I want to get the costs of fiscal 1971 which has ended, and I would like, Mr. Secretary, if I could, to ascertain what the welfare program cost the Federal Government in fiscal 1971.

Secretary RICHARDSON. I will have to furnish that figure. I don't have it right at hand.

Senator BYRD. When is the next meeting of the committee, Mr. Chairman?

The CHAIRMAN. Well, we will be back here, if the Secretary is available we will be back in here, after we vote on the Lockheed bill this afternoon, if that is all right with you and the Secretary. Can you be back this afternoon, Mr. Secretary?

Secretary RICHARDSON. Yes; I can.

The CHAIRMAN. Then we will be back.

Senator BYRD. Could I ask—

The CHAIRMAN. You see the Lockheed vote is scheduled for 3 o'clock so I don't think we can be back here until about 3:30.

#### REQUEST FOR ADDITIONAL INFORMATION ON TOTAL FEDERAL WELFARE COSTS AND EMPLOYMENT LEVELS IN PRIOR YEARS

Senator BYRD. If I might, Mr. Secretary, I will read you some additional questions and requests for figures I would like to get along that

same line. I would like the costs, the total costs, I want to emphasize the words "total costs" of the welfare program, the Federal share for fiscal 1971, for fiscal 1970, for fiscal 1969, for fiscal 1968, for fiscal 1967, for fiscal 1966, for fiscal 1965, for fiscal 1964, for fiscal 1963, and for fiscal 1962. All of those years have ended, all of the figures are compiled somewhere and should be instantly available. I would like one other—

Secretary RICHARDSON. We can bring those back this afternoon, Senator.

Senator BYRD. Thank you, sir; I would appreciate that. Also one additional figure for each of those years, and that is the total Federal employees in the welfare program for each of those years. In a somewhat similar connection, I am assuming you don't have these figures with you now but if you would bring them back, the total cost of the total HEW budget for fiscal 1971, 1970, 1969, 1968, 1967, 1966, 1965, 1964, 1963, and 1962, and the total number of HEW employees for each of those years.

(Information referred to appears on pages 248 ff.)

#### TOTAL BUDGET FOR HEW

Senator BYRD. One other question, what is the total HEW budget recommendation for the current fiscal year?

Secretary RICHARDSON. In new obligational authority, about \$77 billion.

Senator BYRD. \$77 billion of which how much is for social security.

Secretary RICHARDSON. Including medicare about \$38 billion.

Senator BYRD. \$38 billion including medicare.

Secretary RICHARDSON. Yes.

Senator BYRD. Now, what was the total HEW budget for fiscal 1972?

Secretary RICHARDSON. I thought your question was 1972.

Senator BYRD. Correct.

Secretary RICHARDSON. The total for 1971 was roughly \$7 billion less.

Senator BYRD. If you don't mind saying that again.

Secretary RICHARDSON. The total for fiscal 1971 was something like \$7 billion below the projected total for 1972. We don't yet know, of course, the final results of the 1972 budget. The Senate increase in our health and welfare appropriations over the budget in the bill enacted unanimously by the Senate the other day was about \$1,050,000,000 over the budget.

Senator BYRD. I am trying to get an understanding of the budget estimate now. The budget estimate for the coming fiscal year, the upcoming year, that was my original question, is \$77 billion.

Secretary RICHARDSON. Yes.

Senator BYRD. Of which \$38 billion, including medicare, is for social security.

Secretary RICHARDSON. Yes. In other words, these are trust fund obligations.

Senator BYRD. Right. Now that is for 1972; for 1971 the total budget was how much? That year has ended.

Secretary RICHARDSON. About \$70 billion.

Senator BYRD. It was \$70 billion. How much for social security, including medicare?

Secretary RICHARDSON. Commissioner Ball points out that the total of \$38 billion we gave you was low.

Senator BYRD. I thought it was.

Secretary RICHARDSON. The total for 1972 is about \$45 billion. The total for 1971 is about \$40 billion.

Senator BYRD. Let's see if we have got them now. Total for 1972 is \$77 billion, of which \$45 billion is for social security and medicare.

Secretary RICHARDSON. Yes.

Senator BYRD. The total for 1971 was \$70 billion, of which \$40 billion was for social security and medicare.

Secretary RICHARDSON. Yes. Forty to forty-one; and the total isn't quite expressed that way in what I have here. Well, we will supply all these figures this afternoon, Senator Byrd.

Senator BYRD. That would be fine. If you will supply those figures, thank you, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Griffin.

Senator GRIFFIN. Thank you, Mr. Chairman. I haven't had an opportunity, Mr. Secretary, to attend all the sessions where you appeared, but I would like to say I have been very impressed in those sessions where I have been privileged to attend at your preparation and your ability to handle some pretty tough questions right in the lion's den which is where you are, I think, in many respects. [Laughter.]

#### DISSATISFACTION WITH H.R. 1

Senator Ribicoff said a little earlier that probably no one around this table is satisfied with H.R. 1, and that would include me. I will confess I am not satisfied with it and I am looking for ways to improve it. On the other hand, I think it should be said that the alternatives that have been put forward don't look so good either; certainly the alternative of doing nothing is not acceptable.

While this committee has a lot of work to do and a lot of questions to ask, I want to indicate my appreciation for the fact that you have come well prepared. You have answered the questions or you are providing the answers very quickly for this committee, and that ought to be very helpful.

Now, I know that quite a lot of work has gone into the building of that contraption behind you there. I understand you have not had an opportunity yet to explain it.

I would be very interested myself in knowing what it means and how it affects the situation, so rather than ask questions, Mr. Chairman, I was going to let the Secretary have some time so that he can explain what that contraption means.

#### COST AND NUMBER OF RECIPIENTS UNDER VARIOUS BENEFIT LEVELS

Secretary RICHARDSON. Thank you very much, Senator Griffin, Mr. Chairman, and members of the committee. May I first distribute to you a table headed "Benefit Levels and Tax Rates (Payments and Caseloads)," and a note on the "welfare machine."

(Material referred to follows:)

BENEFIT LEVELS & TAX RATES - PAYMENTS & CASELOADS

Maximum Benefit Family of Four	<u>Tax Rates:</u> 50%		60%		67%	
	Payments (Billions)	Eligibles (Millions)	Payments	Eligibles	Payments	Eligibles
\$2400	7.9/28.1		7.1/20.3		6.4/19.4	
2600	9.4/32.9		8.4/23.1		7.4/20.1	
2800	11.0/36.7		9.8/26.0		8.6/22.0	
3000	12.8/40.2		11.3/30.5		9.8/24.5	
3200	14.7/42.0		13.0/34.5		11.1/28.1	
3400	16.8/47.0		14.8/28.2		12.6/31.7	
3600	19.0/53.6		16.7/40.2		14.1/35.2	

## NOTE ON WELFARE MACHINE

The "contraption" or "machine" referred to is a device pictured in Chart 1. It is used to illustrate the arithmetic relationship between the maximum payment, the "tax rate"—that percentage by which welfare benefits are reduced as earnings rise—and the "break-even point"—that point of earnings up to which some benefit is paid. The device illustrates benefits for a family of four and assumes a \$720 annual disregard for work related expenses.

The slot AA<sup>1</sup> carries a pointer which is set at a particular slope according to the scale BB<sup>1</sup>. The left end of the pointer is then set at a maximum payment, and the right end then points to the break-even.

For example, Chart 2 illustrates the variables for the current H.R. 1 proposal—a \$2,400 maximum payment, a 67-percent tax rate, and a \$4,320 break-even. The dotted line illustrates how the slope—tax rate—was set prior to moving the pointer to a \$2,400 maximum.

CHART ONE

## FAMILY OF FOUR; \$720 DISREGARD FOR WORK RELATED EXPENSES

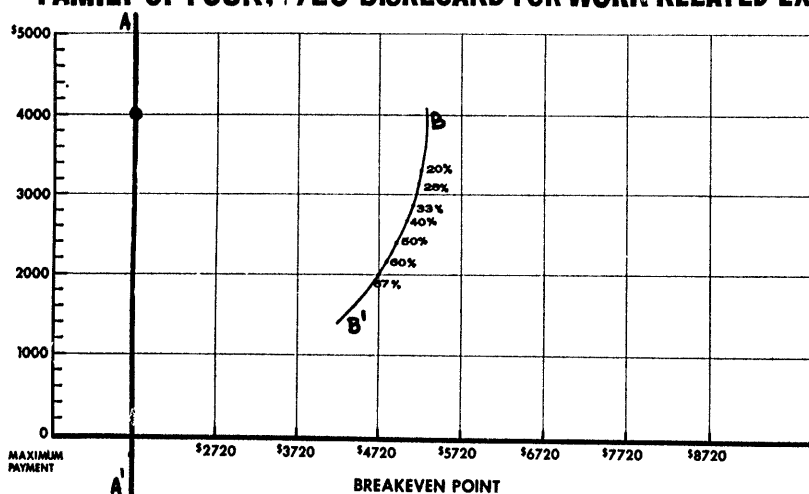
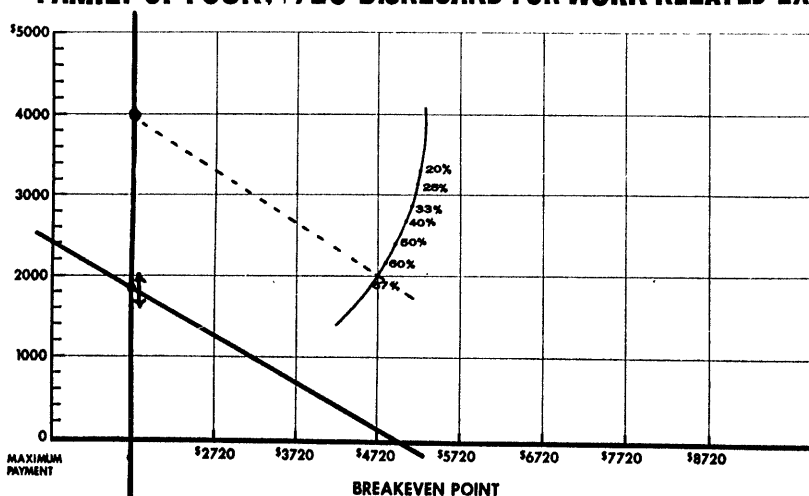


CHART TWO

## FAMILY OF FOUR; \$720 DISREGARD FOR WORK RELATED EXPENSES



Secretary RICHARDSON. This table, which you will have in front of you in a moment, shows the maximum benefits for a family of four starting with \$2,400 and going up to \$3,800, and it shows the total costs at each supposed benefit level at a given tax rate of 50 percent, 60 percent, and 67 percent. It shows, for example, if you have a \$2,400 maximum benefit for a family of four, and you have a 67-percent tax rate, which is what is in H.R. 1 now, the total cost in dollars is \$6.4 billion, the total eligibles are 19.4 million, talking now only about families.

The chart—

The CHAIRMAN. Are you talking about millions in terms of eligibles; is that right?

Secretary RICHARDSON. Yes. You see at the top rate of \$6.4 billion in payments; 19.4 million people who would be eligible.

If you assume the lowest tax rate shown on the chart, 50 percent, and the highest benefit level, in the lower left-hand corner, you see total payments of \$15.7 billion and total eligibles of 53.6 million people.

If you were to push the minimum benefit level or the maximum benefit level up as has been proposed, for example, by the National Welfare Rights Organization, to \$6,500 and assume a 67-percent tax rate, the higher tax rate, you would still have a cost approximating something like \$70 billion and well over half of the entire population participating in the program.

Now these consequences are shown on the machine which you may remember, Mr. Chairman.\*

#### USE OF EXPANSION "TAX RATES"

Senator RIBICOFF. Tax rates on what and for whom? I understand what they say but I don't understand the term "tax rates."

Secretary RICHARDSON. The term "tax rate" applies to the reduction in benefits proportioned to earnings. For example, if the family earns \$3 at a 67-percent tax rate then benefits are reduced by \$2. So the wage incentive, in other words, is the opportunity to keep \$1 for \$3 earned.

Senator RIBICOFF. When you talk about tax rates you are not talking about the general revenue.

Secretary RICHARDSON. No, no; it is just a way of expressing what the consequences of earning an extra dollar are.

Now, the committee's prints—

The CHAIRMAN. As I understand, Mr. Secretary, when you refer to that as a tax rate you are just assuming in effect that they were reductions in payments just as though this were a tax on the income, I take it.

Secretary RICHARDSON. Yes; for example—

Senator RIBICOFF. Could you use a different term, could you get a different word.

Secretary RICHARDSON. Well, you can call it a disregard rate. If you look at the committee print entitled "Material Related to H.R. 1, Work and Training Provisions," chart 12,\*\* you see the effect of what is referred to there as the tax rate of 67 percent expressed across the top of the chart. So that, if a dollar is earned by a family with income

\* See p. 230.

\*\* See app. B, p. 366.

of \$1,000 to \$2,000, 67 cents of that dollar, in effect, are unavailable to the family because there is a corresponding reduction in benefits paid.

Senator RIBICOFF. The only point I would make is that we are going to have enough trouble with this bill without giving people the impression they are going to have to pay a 67-percent tax.

Secretary RICHARDSON. Yes.

Senator HANSEN. Mr. Chairman, if the Senator will yield, let me support the Secretary. I think it is a most appropriate term to use. I have gone through that deal and isn't that just exactly what it amounts to? As earnings increase the amount of money that can be kept, including benefits, decreases and the 67 percent does accurately reflect the amount that is not available.

Secretary RICHARDSON. That is true. It is a question of, I think, finding a happier term than this. But I think it is absolutely essential that it be understood that all the tables that have been developed by the committee over the last year, including the most recent ones, are designed to show that there is not an adequate work incentive in the bill.

Now, this means, I take it, that the individual isn't allowed to keep enough of his earnings. Ironically, some of the same people who have been concerned about the steepness of the disregard or the earnings loss or benefit loss have sometimes felt that people should be required to work for the benefit rate at whatever it is, which would in these terms mean a 100-percent tax rate.

In any case what I am trying to get across is that you have to make the inevitable choice between the percentage of disregards, the costs, the caseload, and the numbers of people eligible, and this chart shows this.

If you would like a minimum benefit level, put \$2,400 at the 67-percent provision now in H.R.1.

Senator MILLER. Can I ask with respect to the 67 percent, please, does that mean the first \$720 is a disregard, plus one-third of the pay for the earnings over that; is that what you mean?

Secretary RICHARDSON. Yes, \$60 a month disregard plus one-third of earnings over that, up to the break-even point. So if you had a 50-percent "tax rate" that would mean the \$720 a year disregard and 50 percent or half of the remainder. This is another way of saying that if, as a work incentive, you only reduce benefits by 50 percent, 50 cents is retained for each dollar earned. As H.R. 1 is now written benefits are reduced 67 cents for each dollar earned. This column shows the maximum payment, which has been set at \$2,400. This angle shows the point on this curve which reflects the disregard rate, showing 67 percent in effect is the proportion by which benefits are reduced, and that brings you out at a break even of \$4,320. In other words, a family with earnings over \$4,320 cannot get benefits.

Now if we move this up, and moved it to \$3,600 and at a, pardon the expression, tax rate of 50 percent here, that comes out then at a break even of \$7,720. That is the reason, therefore, why at 50 percent, with a \$3,600 maximum benefit the total number of people on the rolls is 53.6 million people. To put this in words expressing it as well as I have seen it put anywhere, I would like to call to your attention again, pages 218 and 219 of the Ways and Means Committee report:

Your committee also considered the basic elements affecting the cost and coverage of plans like those provided for in its bill. These elements are (1) the



amount of benefit provided to a family with no other income, the basic benefit level; (2) the rate at which this benefit level is reduced by earnings (the disregard formula); and (3) the level of family income at which it is no longer eligible for any benefit (the break even point). Any two of these elements determine the third. They thus also determine the cost of the plan and the number of eligible families. Raising the basic benefit level is consistent with the desire to provide more adequate support for those households who have not other means of support.

That is, raising this number does, of course, serve the objective of providing more adequate support for those households that have no other means of support.

Increasing it by one hundred dollars, however, and keeping other parts of the benefit structure the same, raises the break-even point—as you can see, as this goes up this pointer moves over along the bottom line, raising the basic benefit level; increasing it by \$100 raises the break-even point by \$150.

In other words, you move this up a hundred dollars, you move this over one fifty dollars. Increases the cost by over \$500 million a year—that is, as you move this up \$100, you cost the total program \$500 million and the number of eligible families by 300,000.

If you raise this by \$100 you add 300,000 more of more families to the rolls. The cost of such increases in general gets progressively higher; that is, each additional one hundred dollars in the basic benefit costs more than the preceding one. The reason for this effect is quite simple. There are more families with earnings in each higher \$100 interval. This effect would continue until the level of the break-even point exceeds average family earnings for the whole Nation.

That is why you see the 53.6 million eligibles in this chart at \$3,600, and this is why at a \$6,500 family benefit as proposed by the National Welfare Rights Organization more than half of the entire population would be on the roll.

#### CONCERN OF ADMINISTRATION WITH COST AND PROPORTION OF POPULATION ON WELFARE

Now, when you come then to consider the question of work incentives which, of course, is what the charts are about, it is absolutely fundamental that you cannot increase the incentive, that is the share of retained earnings, without increasing the break-even point, therefore increasing the number of families on the rolls, therefore increasing the costs. And I have tried to make clear over and over again, the administration is concerned, No. 1, lest the cost levels go too high.

Second, we are concerned, as is the committee, with the implications of having too large a proportion of the population receiving benefits. These are considerations therefore which lead us to feel that \$2,400 is as high as we can justifiably go at this stage in minimum benefits. Since the House Committee did go as high as \$2,400 in minimum benefits we urged, therefore, and support a reduction in the wage incentive feature of the share of retained earnings from the 50 percent: that is retention of 50 percent to retention of one third under the present law.

If we had left the 50 percent at \$2,400 as you see there, the cost instead of \$6.4 billion would have been \$7.9 billion, and the total eligibles would have been 23.1 million instead of 19.4 million.

RELATIONSHIP BETWEEN DECREASING "TAX RATE" AND INCREASING  
NUMBER OF PERSONS ELIGIBLE FOR WELFARE

Senator HANSEN. Mr. Chairman, if the Secretary would permit an observation at that point, I think what he is saying is highly significant. The Tellas' study made this observation:

The significance of the Tellas' finding that the marginal tax rate is a major discouragement to work is if the tax rate is lowered the work incentive becomes less severe but then the plan must subsidize higher and higher incomes.

And I think that is precisely the point the Secretary is making. Charts that might spell this out in language intelligible to everyone, I think, have been prepared, and I was looking at a chart that I think tries to project the impact that H.R. 1 would have in a typical circumstance such as in New York City. And while I know the Secretary has taken exception to the complete applicability of trying to project the impact of this plan in that circumstance because, as he points out, certain things may not be fully determined. It is, I think, nevertheless worth noting that with earnings of \$2,000 under H.R. 1 in New York City and including all Federal and State benefits, social security taxes, and public housing, we come to a total net cash and public housing figure which shows that a female headed family of four earning \$2,000 would receive a total net cash and public housing benefit of \$6,136, that is, if she earns \$2,000 a year.

Let's suppose that she earns \$7,000 a year, do you know how much she would be able to keep under this same formula? She would better herself by a total of \$46. In other words, if she earned \$5,000 more money, if she moved from a \$2,000 income to a \$7,000 income, she would be able to keep only \$46 additional in total benefits, which shows and underscores the point that there are important work disincentives and those are the things to which the Secretary has been addressing himself.

If you try to cut them out, if you were to lower the effective tax rate, that is the 67 percent so that for each additional dollar that a person earns he would be able to keep more than 33 $\frac{1}{3}$  cents then you get into the dilemma of expanding the program and making it far more costly so that instead of a program that for fiscal year 1973 would cost \$14.9 billion—I haven't seen projections made to show what it would cost, but two things happen.

No. 1, you bring a lot more people into the program, isn't this right, Mr. Secretary?

Secretary RICHARDSON. Absolutely.

Senator HANSEN. So it makes for a very complicated situation and one that I hope we can give considerable attention to before we make any hard and fast decisions because there just are not any easy and good answers to it.

Secretary RICHARDSON. You are absolutely right, Senator.

This brings us squarely to the charts, and I will be glad to go further into them at any point, but let me make two preliminary comments. One is that if we assume unquestionably all the numbers on the charts as originally developed by Senator John Williams, which we have updated, and which you were reading in the case of New York City just now, even if we accept all of the implications the only thing you can do about it will have the effect of, as you have pointed out, increasing costs and caseloads. In other words, if you don't think the work incentive is sufficient that is all you can do.

Second, we don't think the picture is really as bad as the charts indicate and I would just like to, if I might, take just a moment on this and ask you to look at chart 12. It could as well be the one in New York in this committee print.\*

Senator HANSEN. If I could interrupt for just a moment, Mr. Secretary, it might be helpful to all of us if these figures could be blown up into charts so you would be able to make your point and address a chart as you did.

May I suggest——

Senator CURTIS. I understand this has been done.

#### TREATMENT OF SOCIAL SECURITY TAXES

Secretary RICHARDSON. We have the bigger charts. This is a simpler chart and I only wanted to make two simple points before we go to the more detailed charts. One is the picture isn't as bad as shown on the charts if, No. 1, you eliminate social security taxes. We think this is justified because the individual's contribution to the social security taxes is buying himself an interest, in effect, in an ultimate——

The CHAIRMAN. Mr. Secretary, you are talking about buying that man something that he is supposed to get 40 years later which is going to do him very little good if he is hungry now.

Secretary RICHARDSON. Well, the question is if you are going to recognize benefits in kind you might as well recognize his across the board. If you are going to show in effect somebody being clipped by the effect on tax incentives, on incentives that are shown by medicaid, for example, you have to take into account that not everybody is going to use medicaid. This was never recognized. If you are going to show benefits in kind and show housing you might as well recognize that only 7 percent of the people on AFDC benefit from public housing. So we are saying in effect that if you are going to take into account the minus side economic benefit considerations affecting a family of four, you ought to take them into account on the other side also, and therefore that reasoning produces a wash under the social security tax. The second point is——

The CHAIRMAN. Mr. Secretary, we were talking about whether or not this welfare reduction can be called a tax, but nobody in his right mind can contend that social security tax is not a tax can they?

#### TREATMENT OF INCREASE IN MEDICAID DEDUCTIBLE

Secretary RICHARDSON. Well, we don't endorse the analysis that suggests—take these charts, for instance, that show on page 12, chart 12——

The CHAIRMAN. Yes, I am looking at that now.\*

Secretary RICHARDSON (continuing). Shows 33 cents on the dollar going into medicaid, the medicaid deductible increase. This would never happen except for a family that has very high medical expenditures. This does not show an actuarial value. It assumes a situation. Now what we are saying in effect is that if you really want to look at the situation of the family you have got to look at it whole. It is

\*See app. B, p. 366.

for this reason, for example, we have urged that the committee offset some of the disincentive features that build up the "tax rate" by some on the other side including the fringe benefits which increase in proportion to earnings.

Senator RUBINOFF. Will the chairman yield? I think we come to this dilemma. We have the charts prepared by our own committee staff and we have the charts prepared by HEW. Evidently there is a difference of opinion between the staff and HEW. Now, it isn't a question of a confrontation. I think it would help all of us to understand this complicated situation while the Secretary and his very able staff at HEW, for whom I have the highest respect, are here, if we could have our own staff present their charts and explain them, we could then see if a reconciliation is possible between the differences of our staff's charts and HEW's charts so we will know what it is all about. Ultimately we are going to have to make the decision, Mr. Chairman.

The CHAIRMAN. We will do that. But I think we would do better to get into these charts when they have more time.

Senator Nelson is the most discriminated man on this committee. He spent more time listening to this and had less time to ask questions. If it is all right with you I would like to give him a chance.

Senator NELSON. I will defer the questioning.

Secretary RICHARDSON. Thank you, Senator Nelson. I think I can quite quickly conclude with the preliminary points I wanted to try to get across before we get to the charts. Let me try to restate what I was just seeking to communicate.

#### MEASURING WORK DISINCENTIVES

We say, No. 1, that insofar as the charts taken at face value show that there is little or no incentive to earn more money in the cities in question, there is nothing you can do about that that does not have several consequences: an increase in costs, an increase in numbers of those eligible, and an increase in the break-even point. You could try to amputate this effect by simply excluding people above a given break-even but that of course would be to introduce a notch and the whole point of the exercise was to try to avoid notches, so I assume that is not an admissible alternative.

That leaves you only the alternatives of adding numbers and adding costs.

The second point I wanted to convey is that I don't think the charts can be taken at face value because they do not consistently recognize economic benefits.

It is one thing to look at cash incentives as such and stick to that. It is another to try to factor in economic benefits, and we say while that is an inherently difficult thing to do, if you are going to do it, do it consistently. If you are going to say, "Well, that is an exceptional situation," then we say, "All right, leave out exceptional situations which means disregarding the unusual circumstance of those who benefit from the subsidy of public housing."

Now, this then takes us to the route which leads us to present different data on the charts than the committee staff has shown or than Senator Williams showed last year, and it is these differences really that I think could best be illuminated by reference to the charts themselves.

## QUESTION OF WHETHER H.R. 1 WILL ACHIEVE ITS PROCLAIMED GOALS

The CHAIRMAN. Mr. Secretary, I am not going to get into it now but before the hearings are over I will try to demonstrate what the problems are as I see them, while you are a witness, so you will have a chance to comment on them. But the more I look at this thing, the more it looks to me as though you have a program that is partly created by the Supreme Court, partly created by Congress, and partly created administratively, and it winds up in what we call the welfare mess.

Now to try to get out of it your bill reminds me of a situation where a driver has his car bogged down in mud and he is trying to get out of that hole by simply stepping on the accelerator and turning his wheels faster. The more he turns his wheels the deeper in he gets, so that it seems to me that you are going to have to find a different way to do this unless you just want to keep digging yourself in deeper and deeper into the same mess you are talking about.

I will be glad to demonstrate to you later on when it is appropriate for me to do so why it seems to me that you are not going to get out of the trap this way.

I have never been one who wouldn't buy your program because of the cost. What concerns me is, I don't think that it will work.

I offered you a chance last year to prove it would work but unfortunately that is something that the Department didn't want to do when we actually got to a showdown on it.

Senator Nelson.

Secretary RICHARDSON. Mr. Chairman, let me say this: As I said very many times last year, and would like to reiterate now, we in HEW stand ready to work with the committee toward any better solution than we have been able to produce but I think it is significant that the elements of welfare reform originally proposed by the President in August 1969, having had very careful consideration in the House last year, and then by this committee in the Senate, having been re-examined on the House side again in this Congress, still remain essentially intact. I would say this, in short: I do not believe that there are that many ways of doing it. If you are concerned with trying to assure that a person working is always better off than a person on welfare, if you are concerned, therefore with providing some element of wage incentive, if you are concerned with trying to get people into jobs and off welfare, there are only a certain number of things you can do. They may or may not turn out to be in combination as effective as we hoped; these are all the things that Secretary Hodgson testified about the other day.

We would be glad to have the committee improve the program. We think you are going to have to go through once you get down to marking the bill, through the same funnel the rest of us have been through, and maybe you will come out with adjustments in one form or the other. You may want to do something about the man-in-the-house or residency or chasing runaway fathers, but if you are going to enact any program at all, and I hope you will, I think it is going to have to look quite a lot like this because there just are not that many ways of doing it.

The CHAIRMAN. Well, that we will see.  
Senator Nelson.

CHARACTERISTICS OF WELFARE RECIPIENTS UNDER H.R. 1 AND  
ALTERNATIVE PROPOSALS

Senator NELSON. Mr. Secretary, have you submitted to the committee the breakdown of the column, where you end up at 19,400,000 welfare recipients. Do you have a breakdown of who they are; how many are working poor, how many ADC, elderly, ill, and so forth?

Secretary RICHARDSON. Yes, we do. Of course, I would just say we would be glad to furnish this for the record, but I think it is obvious that as the breakeven point goes up you cover more and more families with substantial earnings.

*Breakdown of 19.4 million FAP-OFP eligibles*

	<i>Millions</i>
Total FAP eligibles in 1973.....	19.4
Children under 16.....	11.0
16/17 in school.....	0.9
16/17 not in school.....	0.2
Adults—18 and over not in school.....	6.8
Adults—18 and over in school.....	0.5
Excluded from registration.....	16.6
Children under 16.....	11.0
Wives of family heads.....	2.2
Female heads, child under 6.....	0.8
Aged/disabled.....	1.0
Persons required in home.....	0.3
Full time students—16 and over.....	1.3
Required to register.....	2.8
Full time/full year workers.....	1.4
16/17 not in school.....	0.2
Adults, 18 and over, not otherwise excluded.....	1.2

The CHAIRMAN. Could I interject just one point there, Senator, because I would like to add this to the record. Mr. Secretary, would you mind adding to your chart what happens if you apply the \$6,500 figure because there is a great deal of agitation for that. I am talking about the chart you supplied.

Secretary RICHARDSON. Yes.

The CHAIRMAN. Would you mind providing us with the terms of numbers of people and in terms of dollars, how much money it would cost and how many people would be on the welfare rolls. And I would appreciate it if you would also try to break that down as between adults and children, so we can see just what percentage of adult population and what percentage of the child population we are talking about when you get into those kinds of figures. Would you mind supplying a chart like that?

Secretary RICHARDSON. Yes, sir. We can extend the figures in the form you have shown them in multiples up to \$6,500—

The CHAIRMAN. Right.

Secretary RICHARDSON. Very promptly. The breakdown between families and children, I am not sure whether that may take a little longer. But we can certainly provide the first data right away.

It has been called to my attention, Mr. Chairman, that we have a tabulation which does show characteristics of persons covered by the \$6,500 welfare reform plan in terms of numbers of persons, payments, sex of family head, race of family head, age of family head, presence of children, region of residence; under that heading, whether within a central city or suburb or outside of it.

The CHAIRMAN. I will ask it be printed. We want all the information that we can muster relative to what we are trying to do, Mr. Secretary, and if your staff will go over the information you have and make it available to our staff, I would like to assure that everything that might help somebody in his thinking about this bill is available to him.

(Material supplied follows:)

CHARACTERISTICS OF PERSONS COVERED BY THE \$6,500 WELFARE REFORM PLAN

	Number of persons (millions)	Payments (billions)		Number of persons (millions)	Payments (billions)
Total.....	112.0	\$72.4	Place of residence:		
Sex of family head:			Inside SMSA.....	64.3	\$40.0
Male.....	89.9	49.0	Central city.....	32.9	22.8
Female.....	22.0	23.5	Urban fringe.....	31.4	17.2
Race of head:			Outside SMSA.....	47.6	32.5
White.....	91.1	54.5	Urban.....	16.3	10.4
Nonwhite.....	20.9	18.0	Rural.....	31.4	22.1
Age of head:			Work experience of head:		
Under 65.....	96.7	58.4	Full-time:		
65 or over.....	15.3	14.0	50-52 weeks.....	62.2	28.4
Presence of children:			27-49 weeks.....	12.7	7.5
With children or student			1-26 weeks.....	5.4	4.6
18 to 21.....	87.1	50.5	Part-time:		
Without children.....	24.9	22.0	50-52 weeks.....	2.8	2.3
Region of residence:			27-49 weeks.....	1.7	1.4
Northeast.....	24.6	15.3	1-26 weeks.....	3.0	3.0
Northcentral.....	29.8	17.5	No work.....	24.2	25.2
South.....	39.3	28.1	Number of earners in family:		
West.....	18.2	11.5	No earners.....	15.6	19.0
			1 earner.....	48.0	29.9
			2 earners.....	32.1	15.9
			3 or more earners.....	16.3	7.7

The CHAIRMAN. Senator Nelson, I am sorry.

Senator NELSON. At some stage the question is going to be raised as to what happens if you have a tax rate of 60 percent and what happens with a tax rate of 50. That is, what is the changing character and composition of the beneficiary groups at 19 million and 26 million. How does the character of the makeup or composition of the increasing numbers change, if it does change. Could that be supplied?

Secretary RICHARDSON. I believe so. Let me ask Mr. Mahoney.

Yes, we can do that.

Increases in the number of families eligible for assistance resulting from increases in benefit levels tend to come disproportionately from white, working, male-headed families. For example, raising the benefit level in H.R. 1 from \$2,400 to \$2,800 would make approximately 1.2 million additional families eligible. Of these families, slightly over a million (86%) would be male-headed; 850,000 (71%) would be white; and over 1.1 million (94%) would have some work experience during any given year. The heads in over 60% of these families would be persons working full time all year long. The additional eligible families would not come from the various regions or labor market areas of the country in any disproportionate way. Summary comparisons of the major

demographic characteristics of family heads under the two plans are shown below :

Characteristic	Percent of families	
	\$2,400 plan	\$2,800 plan
Total families.....	100.0	100.0
Work experience:		
Some work experience during year.....	64.5	71.5
No work experience during year.....	35.5	29.5
Sex of head:		
Male.....	47.7	56.8
Female.....	52.3	43.2
Race of head:		
White.....	62.0	64.2
Nonwhite.....	38.0	35.8
Region:		
Northeast.....	20.9	20.5
Northcentral.....	20.2	21.2
South.....	42.6	42.4
West.....	16.3	15.9

Senator NELSON. May I ask another question?

Does the administration proposal anticipate elderly poor working?

#### PUBLIC SERVICE EMPLOYMENT FOR ELDERLY PERSONS

Secretary RICHARDSON. There is provision in the coverage of the adult categories, including the elderly, for essentially the same retention rate or disregard of earnings that there is in the case of the other, that is the coverage of families. The projections of cost don't assume that many of them, fortunately, would actually be working.

Senator NELSON. I am just wondering if we shouldn't take a look at that.

Under the mainstream program, which we have had experience with now for 6 years or so, we have elderly poor who are working and they can earn up to \$1,500 a year. As you know, some of the people under this program are 80 years old, many in their 60's and 70's, and they are very enthusiastic workers. They are all working because they want to work, and they are working on projects in the field of parks, recreation, highway beautification, and doing remarkable jobs. It gives them responsible work and money which they both need and want. I am wondering whether we shouldn't try to build into this program the opportunity for the elderly who wish to work to be able to participate.

Secretary RICHARDSON. We certainly think it is a very healthy and valuable kind of emphasis to try to provide. The program does, in effect, incorporate work incentives as adequate as seem feasible, essentially through the same device of the disregard of \$60 a month in order to cover work expenses, and then a disregard of one-third of the remainder.

In the case of recipients of social security benefits, there has always been a liberalization of the retirement test which means therefore that a beneficiary under age 72 may earn \$2,000 in a year and still be paid full social security benefits. This is an increase from \$1,680.

There is also a provision to the effect that instead of reducing benefits dollar for dollar over that there would be a reduction of \$1 for each \$2 of all earnings above \$2,000, for each dollar of earnings above \$2,880 without any maximum limit. In other words, you just reduce benefits \$1 for \$2 earned down to the point where the benefit total



would be eliminated, and this is another provision specifically designed to encourage work on the part of those who would otherwise be retired.

Senator NELSON. The public service employment jobs in the bill total 200,000, is that right?

Secretary RICHARDSON. Yes.

Senator NELSON. Is there provision or is it contemplated that the program will, in fact, afford opportunity for public service employment by elder citizens of the nature that is now being performed under the mainstream program.

Secretary RICHARDSON. Yes; I think so. Of course, there is the program generally administered by Action which aims at finding useful volunteer roles for elderly people also, in order to keep them participating actively in their communities.

The problem with the 200,000 jobs is the problem of the competing claims for them in a given area, including people in families with children and, as Senator Ribicoff pointed out earlier, the minimum benefit levels are relatively more adequate for adults than for families if there is no supplementation by earnings.

Senator NELSON. One of the staff members states that under the bill all the 200,000 jobs are for families.

Secretary RICHARDSON. Yes, that is correct—I have just been reminded of that, too.

Senator NELSON. What is the definition of a family in the bill?

Secretary RICHARDSON. With children.

Senator NELSON. With children. It would seem to me we ought to do something about that public service aspect because, I would think, if it is limited it is quite discriminatory against the elder citizen who wants to work and needs supplemental income. Some 25 percent of the elderly are living in poverty. The mainstream program has been experimented with for several years and it is a very popular program and a very successful one. I would hate to think that we are not going to give the opportunity to the elderly poor to have public service employment opportunities. I am wondering if it wouldn't be worth while to take another look at this problem and consider just expanding what is in fact now the mainstream program.

It is one way furthermore to give some opportunity for the rural areas to participate. I worry that somehow or another with the dramatic and visible evidence of poverty in the city areas that we end up discriminating against rural areas. The concentration of poverty in the rural areas is not so visible.

There are more poor people in rural America than in the cities. Over the years in our poverty programs we have discriminated against rural areas where there is more poverty than in the cities because I think the cities problems are more visible and there are more people down here in the Congress representing cities than there are representing rural areas. But I think we have got to do something about providing an opportunity for elderly poor in both cities and rural areas to earn some money and make a useful contribution to their community.

Secretary RICHARDSON. I certainly agree with the general thrust of what you are saying, Senator. The problem is simply the problem of the level at which the public service program is funded initially. In general, the thrust of what the Action Agency is doing and a good deal of work being done by the Administration on Aging in HEW is con-

cerned with both the income levels and rewarding useful occupation of elderly people.

So far as the rural areas are concerned, the effect of H.R. 1 is significantly, of course, to improve income levels in rural areas especially. Secretary Veneman has something to say.

Mr. VENEMAN. Senator Nelson, I think might be helpful to see the motivation of putting 200,000 in H.R. 1 as opposed to the manpower bill signed by the President recently. The purpose was to have job opportunities for those persons who were required to register for work. Persons in the adult categories, although they have the incentive to work are not required to work. So that was the reason that these jobs were identified for public assistance recipients with families because we do have the work registration requirements. However, I believe the manpower act, and you know better than I, I am sure, that was recently signed does include public service jobs, additional public service jobs, different funding, but for which the adults would be entitled who were on public assistance. They would, in turn, get the incentive of the \$60 a month for the disregard under the public assistance act plus the incentive that is in the public service job provisions of the manpower program.

Senator ANDERSON. The chairman has asked me to adjourn the meeting at this time.

Mr. Secretary, are you going to be back again at 3:30?

Secretary RICHARDSON. Fine.

Senator ANDERSON. In the same room.

Secretary RICHARDSON. Fine, thank you.

(Whereupon, at 12:20 p.m., the committee was recessed, to reconvene at 3:30 p.m., of the same day.)

#### AFTERNOON SESSION

The CHAIRMAN. This hearing will come to order.

Senator Jack Miller would like to ask a few questions he had been holding for the morning session and the chairman recognizes him for that purpose.

Senator MILLER. Thank you, Mr. Chairman.

#### IMPACT OF ALTERNATIVE EARNINGS DISREGARD RATES

Mr. Secretary, we had this chart down here this morning, and it showed some of the 50 percent and 67 percent bite out of additional earnings. I am wondering if we could have your staff prepare us some additional figures, preferably in chart form, which would show us what would happen if instead of the 67-percent bite there would be a 75-percent bite. Also what it would look like if we had a 65 percent, also a 60 percent.

I think that could probably be worked out without too much difficulty, couldn't it.

Secretary RICHARDSON. Oh, yes; we could do that.

Senator MILLER. Then in addition to that suppose instead of the \$720 disregard we had a \$360 disregard and how that would look if we had a 67-, a 65-, and a 60-percent bite.

Now, one reason I am asking for those figures is to give the Finance Committee a chance to consider some of its options. I understand that many welfare administrators had laid much of the blame for the in-

ability to get people off the AFDC rolls on the earnings disregard provisions which were adopted in 1967. This disregard feature also is, as I understand it, one of the most expensive features of the present proposal for expanding welfare coverage. In fact to keep the cost of living within some sort of bounds, as you know, the House reduced or increased the earnings disregard, or reduced them, I should say, from 50 percent to 33 $\frac{1}{3}$  percent.

I am also advised that the New Jersey guaranteed income experiment has not found that different disregard rates really make any difference in work incentives, and that the Department of HEW has not found it worthwhile to come up with any information as to the effects on work incentives with the disregard adopted in the 1967 act.

In view of this lack of evidence how much confidence do you really have in this disregard feature of the pending H.R. 1?

Secretary RICHARDSON. Senator Miller, let me begin my answer by pointing out that part of the problem, as the committee has noted in its own charts, that is that any bite taken out of earnings is affected by other related programs to some degree.

The issue over the charts, of course, is an issue over the extent of this impact. At any rate, it is a factor to be taken into account in considering the level at which the percentage figure is placed.

A second point that needs to be brought forward at this stage is, the effect of the disregard of work related expenses under current law. One of the things which has the consequence of in some cases continuing eligibility for welfare payments, despite a comparatively high level of earnings, is the disregard of expenses of day care, for example, or the disregard of income earned by a student. The kind of examples, for instance, which Governor Reagan has used to show how high up the income scale you can go and still get benefits in California, is more attributable to the disregard of related expenses under the 1967 amendments than the thirty and one-third feature in itself.

This all leads to the reason why the Committee on Ways and Means, although increasing the deductible expenses of work, that is the cost of going to work, including carfare, gasoline, and so on from \$30 a month to \$60 a month, simultaneously put a lid on work related expenses of \$2,000 for a family of four. This includes the other disregards in effect, and increases to a \$3,000 maximum for a family of six so as to top off these cases with very high earn income and yet continuing the eligibility for benefits.

I go into this because the effect of H.R. 1 is not otherwise significantly to change the disregards under present law. It slightly increases them by providing for a national work expense total of \$60 a month instead of \$30 as a flat disregard plus any other expenses that the individual could plausibly claim to be work related.

We can, and will, provide the figures for you, but—

Senator MILLER. Additionally would you be good enough to find or to supply us with the figure if there were no disregard at all. I asked you for the \$720 and \$360, and let's assume no disregard in that side of the equation, and then the 67, 65, and 60.

Secretary RICHARDSON. We could do that. I just say the reason of course why there is any flat disregard for work expenses in the proposal at all is simply that otherwise it may be difficult to get an individual not working at all over the threshold of at least a part-time job. But, of course, whether to do it or not is a question of judgment,

and we would be glad to furnish the figures as a basis for the committee's exercise of judgment on this issue.  
(The information follows:)

Senator Miller asked for Cost and Caseload figures for programs with :

A—different reduction formulas—50%, 60%, 65%, 66 $\frac{2}{3}$ %, and 75%

B—using different disregards—\$720, \$360, and 0

The three charts attached show cost and caseloads for \$2400, \$2600, \$2800, \$3000, \$3200, \$3400, and \$3600 programs applying the different reduction formulas mentioned above. The factor which distinguishes the charts is the disregard amount.

Chart I—\$720 disregard

Chart II—\$360 disregard

Chart III—0 disregard

CHART I.—ESTIMATES OF COSTS AND ELIGIBLE RECIPIENTS UNDER ALTERNATIVE PLANS  
\$720 DISREGARD

Benefit level	Benefit reduction formula (percent)				
	50	60	65	66 $\frac{2}{3}$	75
	Total payments (in billions of dollars)				
\$2,400.....	7.9	7.1	6.5	6.4	5.9
\$2,600.....	9.4	8.4	7.5	7.4	6.8
\$2,800.....	11.0	9.8	8.7	8.6	7.8
\$3,000.....	12.8	11.3	9.9	9.8	8.9
\$3,200.....	14.7	13.0	11.3	11.1	10.1
\$3,400.....	16.8	14.8	12.7	12.6	11.4
\$3,600.....	19.0	16.7	14.3	14.1	12.8
	Total recipients (in millions of persons)				
\$2,400.....	28.1	20.3	19.6	19.4	15.7
\$2,600.....	32.9	23.1	20.3	20.1	17.6
\$2,800.....	36.7	26.0	22.9	22.0	19.9
\$3,000.....	40.2	30.5	25.5	24.5	20.3
\$3,200.....	42.0	34.5	29.6	28.1	22.5
\$3,400.....	47.0	38.2	33.0	31.7	24.8
\$3,600.....	53.6	40.2	36.2	35.2	28.1

Note: Estimates are based on a projection of the March 1969 current population survey and include adjustments for Puerto Rico, Guam, and the Virgin Islands (which are not included in the CPS). The estimates of cost assume a full year of payments to the working poor and reflect no savings due to the implementation of the public service job program. Because of the tremendous cost of processing a given plan through the computer, estimates of the cost and caseloads of intermediate plans are based on interpolation between estimates of other plans, which were produced by the department's computer assisted estimating model.

CHART II.—ESTIMATES OF COSTS AND ELIGIBLE RECIPIENTS UNDER ALTERNATIVE PLANS  
\$360 DISREGARD

Benefit level	Benefit reduction formula (percent)				
	50	60	65	66 $\frac{2}{3}$	75
	Total payments (in billions of dollars)				
\$2,400.....	7.3	6.5	6.0	5.9	5.5
\$2,600.....	8.7	7.7	6.9	6.8	6.3
\$2,800.....	10.2	9.0	8.0	7.9	7.2
\$3,000.....	11.8	10.5	9.1	9.0	8.2
\$3,200.....	13.6	12.0	10.3	10.2	9.3
\$3,400.....	15.5	13.7	11.6	11.5	10.5
\$3,600.....	17.6	15.5	13.1	12.9	11.7
	Total recipients (in millions of persons)				
\$2,400.....	25.0	18.6	17.6	17.3	14.6
\$2,600.....	29.6	21.4	18.6	18.3	16.1
\$2,800.....	33.1	23.5	21.0	19.8	17.9
\$3,000.....	36.8	27.3	22.8	22.2	18.6
\$3,200.....	37.7	31.2	26.5	25.0	20.4
\$3,400.....	43.7	34.0	30.0	28.5	22.4
\$3,600.....	49.6	36.8	32.7	31.9	25.0

Note: Estimates are based on a projection of the March 1969 current population survey and include adjustments for Puerto Rico, Guam, and the Virgin Islands (which are not included in the CPS). The estimates of cost assume a full year of payments to the working poor and reflect no savings due to the implementation of the public service job program. Because of the tremendous cost of processing a given plan through the computer, estimates of the cost and caseloads of intermediate plans are based on interpolation between estimates of other plans, which were produced by the Department's computer assisted estimating model.

CHART III.—ESTIMATES OF COSTS AND ELIGIBLE RECIPIENTS UNDER ALTERNATIVE PLANS  
\$0 DISREGARD

Benefit level	Benefit reduction formula (percent)					
	50	60	65	66½	75	
			Total payments (in billions of dollars)			
\$2,400.....	6.6	5.9	5.4	5.3	5.0	
\$2,600.....	7.9	7.0	6.3	6.1	5.7	
\$2,800.....	9.3	8.2	7.2	7.1	6.6	
\$3,000.....	10.8	9.6	8.2	8.1	7.5	
\$3,200.....	12.4	11.0	9.3	9.2	8.4	
\$3,400.....	14.2	12.5	10.5	10.3	9.5	
\$3,600.....	16.1	14.2	11.8	11.6	10.6	
			Total recipients (in millions of persons)			
\$2,400.....	21.9	16.8	15.6	15.2	13.5	
\$2,600.....	26.3	19.6	16.8	16.4	14.5	
\$2,800.....	29.5	21.0	19.0	17.6	15.8	
\$3,000.....	33.4	24.1	20.1	19.8	16.8	
\$3,200.....	37.5	27.8	23.3	21.9	18.3	
\$3,400.....	40.4	29.7	26.6	25.2	19.9	
\$3,600.....	45.5	33.4	29.2	28.5	21.9	

Note: Estimates are based on a projection of the March 1969 current population survey and include adjustments for Puerto Rico, Guam, and the Virgin Islands (which are not included in the CPS). The estimates of cost assume a full year of payments to the working poor and reflect no savings due to the implementation of the public service job program. Because of the tremendous cost of processing a given plan through the computer, estimates of the cost and caseloads of intermediate plans are based on interpolation between estimates of other plans, which were produced by the department's computer assisted estimating model.

Senator MILLER. I appreciate that. I think it would be helpful to us. I am a little surprised at your statement that you have just made regarding the difficulties of getting some over this threshold of no work to at least part-time jobs, because my understanding is that the so-called penalty provisions in the bill, the loss of \$800 if a father, for example, refuses to register and take suitable work—since it is not a guaranteed annual income bill—are supposed to be an incentive to get to work.

Secretary RICHARDSON. Well, you are, of course, right, but there are some expenses associated with work, including possible necessity of having clothes appropriate for reporting to work, travel, and so on.

Senator MILLER. I think that is so. But, on the other hand, you have a tradeoff. You might say to somebody “look, we are not going to allow you any \$720 of disregard. We are just going to let you disregard 35 percent of your earnings.” This is better than disregarding 30 percent.

Secretary RICHARDSON. You could do it that way.

Senator MILLER. I think the figures down there are very important in helping us to arrive at any decision, and it might even simplify things to handle it that way.

Secretary RICHARDSON. Yes. I was merely trying for the record to indicate why it is proposed as it is, that is simply that it costs a certain amount to go to work, and this cost does not increase proportionately to earnings, and so it is proposed that there should be a flat disregard to overcome those threshold costs.

But, to repeat, whether the committee is convinced of this or would prefer to do it without a flat disregard and simply attach some percentage figure as the share of earnings to be kept from the outset without considering this factor is, as I said, a question of judgment.

## TREATMENT OF EARNINGS OF PERSONS CLASSIFIED AS UNEMPLOYABLE

Senator MILLER. An interesting suggestion has been made in this respect. The disregard provisions that you show us, they are in H.R. 1, apply, as I understand it, to both the employables and the unemployables, is that correct?

Secretary RICHARDSON. I don't quite follow the question, Senator Miller, because the——

Senator MILLER. It is my understanding——

Secretary RICHARDSON. Because in the unemployables there would be no earnings and the disregard can attach only with respect to some portion of earnings and would have the effect of reducing countable earnings by offsetting costs related to working. So if you don't have any income from work there can be no disregard of any portion of that income.

Senator MILLER. That is so. I want to make sure that in your interpretation of unemployables you mean people who don't have any earnings at all.

Secretary RICHARDSON. That is what we mean. Anyone who can work would be required by the terms of H.R. 1, as it presently stands, to register for work, which automatically then has a consequence of attaching all of those work-related responsibilities that the Secretary of Labor will administer, starting with training and even going up to assistance in finding a job.

Senator MILLER. But suppose that they have been classified as unemployable, and then they earn some money. It seems to me that if we are going to not be teasing around with a definition of unemployable that there certainly ought not to be any disregard in that case.

Secretary RICHARDSON. Well, there is provision in the law for the requirement of a quarterly report of any earnings. That is, it would be a violation of law subject to criminal penalty not to report this, except of course the small amount of \$30, in effect incidental earnings, that can be disregarded for the quarter.

In other words, if you just happen to be paid for odd jobs in an amount of \$30 or less for the quarter you don't have to report this. That doesn't enter into what are considered earnings. There are certain other kinds of money that may come into the hands of the family, from other public agencies or charities, not required to be considered earnings either.

Senator MILLER. I am only referring to a situation where you have a person who has been classified as unemployable, and they become employable. It seems to me once they are classified as unemployable they should not expect to have any disregard, and if they don't like that then let them get into the category of being employable. I think——

Secretary RICHARDSON. Well, automatically, Senator, if a person who is originally exempt from registering, let's say a mother with a 2-year-old child who, because of the fact the child is of preschool age, is not required to register, may nonetheless voluntarily become employed, and choose to have the child get the benefit of available day care. In that case, that person becomes, in effect, one of the employables for purposes of the other provisions of the law, and is given the same benefit of the disregard as anybody else, having elected to be employed. If such a mother gets the job—first is not required to regis-

ter, has been getting benefits through the family assistance plan, but then gets a job, and does not report she would be guilty of violating the requirement of reporting.

Senator MILLER. Well, I am just trying to make sure that we don't have abuse of the classification, and if your definition of unemployable is one that is not earning any money, once they start earning any substantial amount of money they are no longer in the classification of being unemployable, I think that probably would suffice.

— STATE SUPPLEMENTARY PAYMENT TO INDIVIDUAL REFUSING TO PARTICIPATE IN WORK OR TRAINING

Now finally, Mr. Secretary, on page 13 of your statement to the committee on July 27, you say :

Furthermore, H.R. 1 strengthens the provision in last year's bill by prohibiting family payments to those who refuse to register and allows the payments for the family to be made to a person other than a family member or an agency interested or concerned with the welfare of the family. The penalty for refusing to register could also be extended on a pro rata basis to State supplementary payments being administered by the Federal Government.

You will recall that last year I raised this point about the bills pending then indicating that it seemed to me if the person refused to register not only should they be cut back on their Federal payment but we ought to provide in there that the State will cut back on its supplemental, too, on a pro rata basis, and I recall that your response was completely favorable, and I believe that that was the way the final draft bill appeared.

Now here we are a year later and it looks like we are almost back where we started from because you used the word "could" and I would hope that we would change this to "would," but the bill in its draft form does not provide that "would". We ought to have a recommendation from you that we change it so that you would be able to tell the committee that the penalty for refusing to register would also be extended to State supplements just like we did last year for old times sake. [Laughter.]

Secretary RICHARDSON. It is very alert of you, Senator Miller, to spot this. The reason why it says "could" is that when the bill was changed to eliminate Federal matching of State supplement, it was provided in effect that the Secretary would negotiate the arrangements under which, pursuant also to the hold harmless clause, the Federal Government would administer the State supplement. This left open in some cases questions as to the terms and conditions of Federal administration including, in addition to this one, the question of the consistency of the States own work incentive provisions, disregards and so on with the Federal system.

I would like to ask Under Secretary Veneman to supplement this a little because he was in the sessions.

I would only conclude by saying that so far as I am concerned, if the law is otherwise left as it is presently written, I would insist that the State provide for the pro rata reduction as part of this kind of agreement.

Senator MILLER. I appreciate that, and I take it from what you said you would have no objection to the committee's changing the bill so that it would be certain.

Secretary RICHARDSON. We wouldn't object but let me ask Under Secretary Veneman who participated in this to add a little more background.

Mr. VENEMAN. Senator Miller, I think one of the main reasons for the major change made in the bill by the Ways and Means Committee over what the Senate Finance had before them last year was that we do not have any particular responsibility in the State supplementation. In other words, the real issue was will we go to \$2,400. We felt the States could do what they wish from that point on, as long as they operate within certain Federal guidelines that do not destroy our work incentives.

We would suggest if we go to this kind of a ratio or require a reduction in the State supplemental, that we use the same ratio that 800 is to 2,400. Last year we were going to take one fourth of these State supplementals away from a four person family. It might be more appropriate that one-third of a four-member family be reduced. But I think the real philosophical issue we had before us was the issue whether or not we wanted to mandate the States to do certain things with their supplemental where we are not participants financially.

Senator MILLER. Well, that was the question we had before us last year, and we resolved it, I thought, and I thought the Secretary indicated that he thought we ought to resolve it so that the penalty provision of the Federal payment is not undercut by the failure of the state to do the same thing.

As a matter of fact, as I understand the bill as drafted, there is enough language there, it is broad enough, so that if we cut back \$800, some particular State might see fit to increase the State supplement \$800 just to offset what the Federal Government had done.

Mr. VENEMAN. No.

Senator MILLER. I think they have the authority in the bill as it is drafted. Now I appreciate the fact that the Secretary under this Administration, would do something to prevent that from happening, but people come and go in administrations, and I just think we ought to do exactly what we did last year and nail it down and if you have no objection, I would hope that we would.

Mr. VENEMAN. We have no problem with that, Senator Miller.

Senator MILLER. Well, thank you very much. I have no further questions, Mr. Chairman.

Senator ANDERSON. Senator Curtis.

Senator CURTIS. Mr. Secretary, the last time you were here we just reached the charts. I wonder if we may have them now.

Secretary RICHARDSON. Yes.

Senator CURTIS. I would like to briefly refer to all four of them. It does not make any difference in what order.

Secretary RICHARDSON. We have two sets of these. May I, before we proceed with those, Mr. Chairman, just submit some things for the record.

The CHAIRMAN. Yes.

#### MATERIAL SUBMITTED FOR THE RECORD

Secretary RICHARDSON. Mr. Chairman, before we proceed with the charts, I thought I might submit some things for the record in response to questions raised this morning.



The first was the information requested by Senator Byrd.

The CHAIRMAN. Senator Byrd indicated that he would like to have the opportunity of asking some other questions before you finally concluded your testimony, Mr. Secretary. He can either come in this evening or be back tomorrow morning if it is necessary for you to come back tomorrow.

Secretary RICHARDSON. All right, thank you.

We can distribute it.

The CHAIRMAN. It is just as well for you to submit that information and we will make it available to Senator Byrd.

Secretary RICHARDSON. Then he will have it before him.

The CHAIRMAN. Right.

Secretary RICHARDSON. I might point out one thing as a matter of interest which is going to surprise him some. This is that although since fiscal 1968 the budget of HEW has increased from \$44.7 billion to, by the time the Congress gets through, as I said, close to \$77 billion, the employment in the Department has gone down in that period from 117,000 to 102,000.

The rest of the figures are broken down as he requested.

We cannot furnish figures for each year for State employees since these were not reported in earlier years.

We also would like to offer as a supplement to the committee print on work and training provisions a chart which appears to have been inadvertently omitted for Phoenix, Ariz.

I will be glad to have that distributed to the committee.

I have also a comparison of welfare reform cost estimates which show the exact differences between H.R. 1 and last year's bill, as shown for fiscal 1972. This deals also with the question raised by Senator Byrd.

And I also would like to offer for the introduction of the record at this point a memorandum from Mr. Trowbridge, Chief Actuary in the Social Security Administration, which deals with the misapplication of actuarial principles in the Senate Finance Committee print with regard to charts 12, 13, and 14 on the issue of medicaid, which we will come back to when we get to the charts themselves.

Thank you, Mr. Chairman and Senator Curtis.

(The material referred to follows:)

AUGUST 2, 1971.

To: The Secretary.

From: C. L. Trowbridge, Chief Actuary, SSA.

There appears to be a misapplication of actuarial principles in the Senate Finance Committee Print, Charts 12, 13, and 14 and in the text on the facing pages.

The principle on which these charts are based is that the value of a medical package (in this case the Medicaid benefit package) with a "deductible" is less than the value of the same package without the deductible by exactly the amount of the deductible. This principle is clearly sound with respect to any family with medical expenses in excess of the deductible; but is just as clearly unsound with respect to any family with medical expenses of less than the deductible. On the average, when all families are taken into account, the effect of a deductible is to reduce the value of the package by some percentage of the deductible, with the percentage decreasing sharply as the deductible increases.

For very small deductibles (e.g., \$10) an additional \$1 of deductible reduces the value of the package by almost \$1 since almost all families have \$10 of medical expense; but for large deductibles (e.g., \$10,000) an additional \$1 of deductible has negligible effect on the value of the package since very few

families have medical expense of this magnitude. In no case can the deductible (no matter how large it may be) reduce the value of the package to any family below zero, although such is the implication of Charts 12 through 14.

C. L. TROWBRIDGE.

INFORMATION REQUESTED BY SENATOR BYRD

[Dollar amounts in billions]

	Fiscal year—											
	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	
Total HEW budget.....	\$17.7	\$20.3	\$22.9	\$24.8	\$31.0	\$41.6	\$44.7	\$51.3	\$58.7	\$66.6	\$75.7	
Social Security budget.....	\$14.0	\$15.0	\$17.3	\$17.7	\$21.0	\$30.1	\$31.7	\$38.3	\$43.0	\$47.5	\$53.0	
HEW employees (thousands).....	77.2	81.0	83.3	87.3	99.8	105.6	117.1	112.5	108.0	105.5	102.6	
Social Security employees (thousands).....	34.1	34.8	35.1	36.5	45.9	48.8	55.9	53.4	55.8	54.3	54.8	
Federal costs of maintenance payments (including medical assistance).....	\$2.4	\$2.6	\$2.8	\$3.0	\$3.5	\$4.2	\$5.1	\$6.0	\$6.6	\$8.4	\$10.0	
State and local welfare employees (thousands).....										177.3	203.1	

<sup>1</sup> Estimated.

CHART 11b.—H.R. 1: WHAT EACH DOLLAR EARNED WILL COST A FAMILY OF 4 IN PHOENIX

[Mother with 3 children]

	0 to \$1,000	\$1,000 to \$2,000	Range of earn- ings \$2,000 to \$3,000	\$3,000 to \$4,000	\$4,000 to \$5,000
Welfare reduction.....		\$0.19	\$0.67	\$0.67	\$0.59
Social security tax.....		.05	.05	.05	.05
State, Federal income tax.....				.01	.16
Medicaid deductible increase <sup>1</sup> .....					
Subtotal.....		.24	.72	.72	.80
Increase in public housing rent.....		.15	.06	.06	.08
Total cost to family for each dollar earned....		.39	.78	.78	.88

<sup>1</sup> No Medicaid program.

COMPARISON OF WELFARE REFORM COST ESTIMATES <sup>1</sup>

	Fiscal year 1972— H.R. 16311 as amended <sup>2</sup>	H.R. 1	Difference
Payments to families:			
Direct.....	4.1	5.5 <sup>*</sup>	+1.4
To States.....	.9		-.9
Subtotal.....	5.0	5.5	+.5
Payments in adult categories.....	3.0	4.1	+1.1
Savings clause.....	.1	1.1	+1.0
Total payments.....	8.1	10.7	+2.6
Related support activities:			
Administration.....	.6	1.1	+.5
Training.....	.3	.5	+.2
Child care.....	.5	.8	+.3
Total.....	1.4	2.4	+1.0
Total—Payments and activities.....	9.5	13.1	+3.6
Food stamps.....	2.3	1.0	-1.3
Grand total.....	11.8	14.1	+2.3
Public service jobs.....		.8	+.8
Supportive services.....		.1	+.1
Impact on other programs.....	11.8	-.1	-.1
Total.....		14.9	+3.1

Secretary RICHARDSON. There are two sets of charts. They both are headed "Calculated for the Committee by HEW, but Not Endorsed by HEW as a Complete Representation of Work Incentives."

We would be glad to start first with the charts which represent a response to the request of the committee staff, as in effect an updating of the Williams charts, omitting—

The CHAIRMAN. Why don't we put that chart right over here in this corner so that everybody might see it.

Secretary RICHARDSON. Would you like me to point out those things in which the chart differs from last year. I think actually—

Senator CURTIS. This is under current law.

Secretary RICHARDSON. This is under current law, yes.

Senator CURTIS. I do not want to deprive the Secretary of any comment he wishes to make because certainly we are all entitled to our own interpretation of these things.

I have some questions concerning the charts on H.R. 1 that correspond to the Williams charts of last year.

Secretary RICHARDSON. Well, let's skip the current law charts and go directly to the H.R. 1 charts which, as I said, have two versions, one which more nearly corresponds in HEW's opinion to a consistent effort to show economic benefits.

The CHAIRMAN. I would suggest that we undertake to have all of these charts made available to the committee, and I would like for the staff to make it up in such a way that after we look at it we can determine whether all of them or whether only part of them ought to be in the record.

I am certain that part of them should be in the record.

Secretary RICHARDSON. Mr. Chairman, we have a blue-covered pamphlet headed "H.R. 1 Work Incentives" dated July 20, 1971, which gives all these charts, together with the footnotes, and an explanatory text. We can give each member of the committee a copy of it now.\*

The CHAIRMAN. Is that the HEW version or the Williams version, the chart you have there?

Secretary RICHARDSON. We have got them both in here. No, this is just ours.

We previously distributed the other one.

The CHAIRMAN. [As charts are being set up]. Mr. Secretary, I am very pleased to see that you also have some high priced talent in your Department, who are not above doing menial work. [Laughter.]

Secretary RICHARDSON. We believe in the dignity of work. [Laughter.]

#### BENEFITS IN PHOENIX, ARIZ.

Perhaps it would help to make this clear if I simply stand up and point out the differences between these two approaches. This chart\*\* is the updated version of the old chart, table 5, and it differs really from last year only in the calculation of the total gross cash income as it is affected by the differences in the retention rates under this year's law.

We are talking about Arizona, so that medicaid does not figure insofar as there is no medicaid program in Arizona. It is only in these

\*Printed on pages 72-84.

\*\*See page 57.

dollars that there have been changes in H.R. 1 itself, that there is any difference from last year.

Now, we, in our version of the situation in Phoenix, Ariz.,\* thought that it would be useful to the committee to consider these different stages at which an individual is situated because the effect of additional income in motivating a person to work may well be different as between a case where the person is not working at all, or where they are working part-time, and are faced with an opportunity to work full-time.

The top line, "Required to Register for Work" shows Federal benefits of \$1,600, on the theory that a person who is required to register for work and not working has already, in effect, accepted the reduction of benefits by \$800.

In other words, given the choice of whether to work or not, a person who is registered and given an opportunity to work, is faced with the choice between a loss of benefits on the one side and the positive incentive of earnings on the other. To express that range we show the individual required to register, but not working, as having suffered the penalty of a loss of \$800 and suffered also a pro rata State reduction.

We have made that assumption in calculating the State supplement.

Senator CURTIS. Would that assumption apply in all cases?

Suppose someone lives in a rural community, his earnings are zero because there is no work available and it is a good many miles to travel to where work is available.

Would his benefit be \$1,600 for a family of four?

Secretary RICHARDSON. Anyone who, although required to register for work is not working because there is no job available would, of course, not suffer the penalty of the loss of \$800. But in trying to express—what we are really dealing with here is work incentive, which is a question involving the issue of motivation, and so the question then is, would a person who has the opportunity to take a job be motivated to take that job. What we have tried to express here is that their motivation to take the job is affected both by the prospect of a penalty if they do not as well as the reward of extra available cash if they do, and this is a way, simply, of expressing that.

Now—

The CHAIRMAN. Now, Mr. Secretary, you are referring to female-headed families.

If one of those children is under age 6, then that \$800 difference would not apply, would it?

Secretary RICHARDSON. No, the same way it would not apply to the situation Senator Curtis states.

The CHAIRMAN. If you have eight children, one is under 6, it does not apply.

Secretary RICHARDSON. That is this line, not required to register so there are no earnings, no fringe benefits, and so on, and then there is the straight \$2,400 Federal benefit supplemented by \$372 of State benefits. We did show the State benefits as reduced by one-third in accordance with the preference expressed earlier by Senator Miller.

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\*See p. 80.

Here you see the person who works part-time at \$2 an hour which would represent about 20 hours a week, 50 weeks, earnings of \$2,000. At that level of earnings the Labor Department studies indicate there is no significant value of fringe benefits so the \$2,000 is not increased by that. Federal benefits have been reduced in proportion to the earnings over this \$720 disregard, the State supplement stays the same, for a total of \$1,918 of cash assistance.

#### TREATMENT OF PUBLIC HOUSING BENEFIT

The net income in benefits is \$3,918, medicaid benefits still zero, and here in this column we show the amount of rent paid because the Department of Housing and Urban Development has recommended amendments to the law under which a family would pay 20 percent of income for rent.

We have not shown that as a direct increase in earnings in proportion to the bonus value of the public housing, first of all, because as we have pointed out repeatedly, the percentage of people who benefit is comparatively small, but also because the bonus itself does not realistically, we think, express the kind of consideration facing an individual even occupying subsidized housing.

The subsidized housing may or may not have a value corresponding to its alleged bonus value depending upon the available market for housing: in other words, the rent at which alternative housing is available. This is actually a function of the situation in a given community, and so we do not think it is realistic actually to translate into, on a straight dollar basis in the calculations of a family income, the fact that they may be occupying public housing and that a given dollar of an increase or \$1,000 increase will have a corresponding impact on the kind of choice they might make.

Senator CURTIS. May I ask a question right there? What you have done on the chart that is on my right,\* you have listed the amount of rent they pay, have you not, in the last column.

Secretary RICHARDSON. Yes.

Senator CURTIS. Well, rent paid would never be an item of income. Now on the chart of my left\*\* under "Public Housing" there is listed what I would term the Federal subsidy or the Federal benefit of the Federal welfare that that individual receives.

Now, take in the case of a thousand, someone earning a thousand dollars, the public housing subsidy there would be \$1,093. To my mind that means that because of his low income he would pay \$1,093 a year less than if he had an income where he could pay the full amount of the rent.

Secretary RICHARDSON. That is not quite as I understand it, Senator. The bonus that is reflected there assumes that you can compare the rental value of the public housing unit occupied by the family with comparable premises rented at whatever the market will bear.

Whether or not the full value of the bonus is actually received by the family depends upon what that comparison shows. At any rate, that is the value of this bonus that is intended to be shown in this column.

\*See p. 80.

\*\*See p. 57.

## FRINGE BENEFITS

Senator CURTIS. Now that is the one difference between those charts. The other difference is that you have excluded social security taxes—

Secretary RICHARDSON. We have included fringe benefits. This of course is a very important factor.

As you rise in income, we have shown the value of fringe benefits starting at \$250 for a worker earning \$3,000, rising to \$500 for a worker earning \$4,000 and going to \$1,000 for a worker earning \$5,000. Those numbers are based on Department of Labor studies which indicate that at the lower range of \$3,000 in income the value of fringe benefits is comparatively smaller and rises proportionately as earnings rise.

So what we are saying here, as also in the case of social security, too, as I pointed out earlier this morning in general terms, is that if you want a complete picture of it, as complete as possible of all of the economic factors affecting a family's decision as they are faced with an opportunity to receive larger earnings, or to take a job or to move from a part-time job to a full-time job, that it is important then, if you are going to look at these economic benefits, to do so in a consistent way.

Senator CURTIS. I want to ask you about this fringe benefit. According to that chart you contend that someone making \$5,000 a year is having fringe benefits of \$1,000; is that based on averages?

Secretary RICHARDSON. Yes, it is.

Senator CURTIS. Is it averages of all employment or industrial employment?

Secretary RICHARDSON. It is averages of all employment.

Senator CURTIS. What is the source of the figures?

Secretary RICHARDSON. It is the Bureau of Labor statistics. We would be glad to furnish for the record a detailed exposition of how these were derived.

Senator CURTIS. I wish you would.

(Information supplied follows:)

The Bureau of Labor Statistics of the Department of Labor collects, by industry, information on straight-time, hourly earnings and on per hour supplemental benefits. The definition of supplemental benefits includes: premium pay; pay for leave time; contribution to pension funds; contributions to health plans and insurance programs; contributions for unemployment benefits and severance pay; bonuses; and savings and thrift funds. Social Security contributions are also typically included in the supplemental benefit data but were excluded for this exercise because employee taxes and benefits are offsetting. In order to suggest the amount of fringe benefits accruing to workers at various income levels, data from 21 selected industries were converted to annual equivalents. Hourly wages, in these industries ranged from \$1.82 to \$4.49 and per hour supplemental benefits ranged from \$0.18 to \$1.00. The average relationship between hourly wages and supplemental benefits, was determined by drawing a line through the cluster of points representing each industry.

## RELATION OF SUPPLEMENTS TO STRAIGHT TIME HOURLY EARNINGS IN 24 INDUSTRIES, 1969

Employee group and industry	Total supplement excluding social security		Percent of straight time hourly earnings	Straight time hourly earnings adjusted to 1969 <sup>1</sup>	Supplements excluding social security adjusted to 1969 <sup>1</sup>
	Straight time hourly earnings	Dollars per work hour			
1965 data					
Nonoffice workers:					
Building construction.....	\$3.45	\$0.43	12.5	\$4.49	\$0.56
Cotton textile.....	1.73	.25	14.5	2.15	.31
Synthetic textile.....	1.75	.27	15.4	2.19	.34
Electric utilities.....	2.70	.78	28.9	3.31	.96
Gas utilities.....	2.58	.74	28.7	3.13	.90
Glass containers.....	2.32	.60	25.9	2.90	.75
Hydraulic cement.....	2.69	.82	30.5	3.31	1.00
Men's and boys' suits and coats.....	2.00	.41	20.5	2.56	.52
Metal cans.....	2.56	.82	32.0	3.07	.98
Railroads.....	2.81	<sup>2</sup> .58	<sup>2</sup> 20.6	<sup>2</sup> 3.45	<sup>2</sup> .71
Trucking.....	2.75	.58	21.1	3.24	.68
Wholesale groceries.....	2.20	.45	20.5	2.80	.57
1967 data					
Banks.....	1.98	.50	25.3	2.24	.57
Confectionery and related products manufac- turing.....	2.07	.47	22.7	2.32	.53
Fabricated structural steel.....	2.67	.63	23.6	2.95	.70
Hotels and motels.....	1.47	.15	10.2	1.72	.18
Laundries and cleaning and dyeing plants.....	1.59	.16	10.1	1.85	.19
Men's and boys' shirts manufacturing.....	1.60	.22	13.8	1.82	.25
1969 data					
Bituminous coal.....	3.58	1.55	43.3	3.58	1.55
Basic steel.....	3.39	1.23	36.3	3.39	1.23
Women's hosiery.....	2.08	.25	12.0	2.08	.25

<sup>1</sup> Assumed straight time earnings and supplements excluding social security increased proportionate to the increase in gross hourly earnings.

<sup>2</sup> Excludes employer contributions under Railroad Retirement Act which were much greater than those payable for workers with comparable earnings under Social Security Act.

Secretary RICHARDSON. We think they are as good an average in effect as any of these other calculations that are involved here, and better than housing because they do show an average, whereas, of course, the average bonus value of housing would show a very small amount here if you took it across the whole spectrum of employed workers since so few of them benefit from it.

Senator CURTIS. Well, they are building more all the time. Now, that housing figure is made possible because the Government has a tax-supported housing program that provides people housing for less than they would have to pay under ordinary circumstances, so it is a direct welfare benefit from the Government, and I think in those cases where it applies it should.

I would like to ask you a few questions about Phoenix, Ariz., the chart that is the reproduction of the last year's chart brought up to date as applied to H.R. 1.\*

\*See p. 57.

Now, of course, the first column, earnings, that is gross earnings, is it, before any disregards.

Secretary RICHARDSON. Yes.

Senator CURTIS. And the second column is the amount that such a person would draw, such a family of four would draw, under H.R. 1.

Secretary RICHARDSON. Yes.

Senator CURTIS. And the State supplement is based upon existing laws.

Secretary RICHARDSON. Yes.

Senator CURTIS. And of course the next column is the total of the benefit from it, it is a total of the earnings plus the H.R. 1 benefits, plus the existing State supplement, is that right?

Secretary RICHARDSON. Yes.

Senator CURTIS. Then if they have had to pay any social security or income tax that is listed in the second column and it is subtracted then in the following column which says "Net Cash Income."

Secretary RICHARDSON. Correct.

Senator CURTIS. And then the next column pertains to public housing for those who do enjoy it, and that is the estimated dollar amount of a benefit that is the difference between what they pay and, in public housing and what they would have to pay under comparable circumstances.

Secretary RICHARDSON. Yes; comparable circumstances being predicated on some assumption about fair market when available.

Senator CURTIS. The next includes, and is the total of the net, plus the housing carried forward in the next column, is it not?

Secretary RICHARDSON. Yes.

May I point out one more thing about this column of total net cash, and that is that although the rate at which total net cash and public housing rises is comparatively slow compared to the rate at which earnings rise, there are no notches in the sense that the total actually drops at some point as a consequence of it, of an increase in earnings.

This is because the Food Stamp Program has been eliminated; it is also because the public housing rental paid by the family increases as income increases, or to put it as shown here, the bonus value declines as income increases, and the result is a combined high "tax rate" or combined bite of these things.

As I said, and repeat, we do not think that this necessarily represents a truly adequate picture of the impact on choice with respect to increased earnings, but as our mobile chart over here demonstrated this morning, if you were to try to make this, these totals rise more steeply, that is the total net cash, you could of course only do so by reducing the proportion of the reduction of earnings consequent upon earning another dollar.

Senator CURTIS. I am not contending for that because I believe that is assuming that you cannot get people off the welfare rolls by using this gimmick of letting them keep part of their wages and still giving them a financial inducement. According to this Phoenix chart, a parent with three children having what is described here as total net cash, plus if they live in public housing, if they earned \$1,000 that total would be \$4,627, in the \$1,000 bracket.

Secretary RICHARDSON. Yes.

Senator CURTIS. Now, if that person went out and got themselves a job and made \$5,000 a year instead of \$1,000, their total net, if they lived in public housing, would be \$4,933 or in other words, by going to



work and making \$5,000 instead of \$1,000 they would be ahead \$308 a year.

Secretary RICHARDSON. That is what the chart shows.

Senator CURTIS. Yes.

Now, the chart also shows that the individual or the family that has an income of \$1,000, while they have a net total if they live in public housing of \$4,627, that a similar family, where the breadwinner earns \$7,000, has a net of \$6,069 or, in other words, gains from working a little over \$1,400, that is what the chart shows, does it not?

Secretary RICHARDSON. Yes.

Senator CURTIS. Now I wonder if we can look at the situation for Wilmington.

Secretary RICHARDSON. May I, before we turn to Wilmington, also point out that on what we think is a fairer representation of the actual circumstances of the family, that if you look at the net income and benefits column you see the family that was earning the \$2,000, receiving net benefits of \$3,918, the family with \$5,000 in cash earnings coming out with \$5,822, and so on the basis of an approach which through the inclusion of fringe benefits and other aspects of what we think is a more realistic approach turns out to have a very real reward for earnings.

Senator CURTIS. Well, I think that could be debated. I do not think that someone on welfare can jump into an employment and right off the bat has fringe benefits of \$1,000 a year. I think that is totally unrealistic. It makes the chart look totally unrealistic.

Secretary RICHARDSON. We think it is nowhere near as unrealistic as to impute the bonus value of public housing to every individual in the country when only 7 percent of the individuals in the country benefit from it. We say if you are going to look at these noncash benefits related to work you should look at them all.

Senator CURTIS. Well, now, in that connection before we leave—

The CHAIRMAN. If the Senator would yield, I would like to get one thing straight.

I think if we are going to put that chart in the record we ought to change that caption across the top, "Senate Finance Committee Chart No. 5." We did not prepare that. That was prepared by the Department, and the next line, "Calculated for the Committee by HEW but not endorsed by HEW as a complete representation of work incentives." The representation is that we asked for this. We are not endorsing it. If it is not endorsed by either one of us, I wonder who is endorsing the chart.<sup>1</sup>

Secretary RICHARDSON. We do not think, Mr. Chairman, that the charts are all that relevant to any decision the committee actually has to make. We got into this last year, and we are still interested in it, but I do not personally believe you are facing any fundamental position of decision in which these charts are going to help you one way or the other. But since you asked for charts, some kind of charts, updating the Williams charts, we said, "O.K., we will update the Williams charts," and we produced this one.<sup>2</sup>

The committee staff said, "No, that won't do. We want the same format as last year's Williams charts," so we did it again and the result is the chart on the left.<sup>3</sup>

<sup>1</sup> Note : This heading has been deleted in the charts printed in this volume.

<sup>2</sup> See p. 75ff.

<sup>3</sup> See p. 52ff.

Senator ANDERSON. I am just saying—

Secretary RICHARDSON. We wouldn't have done either of them as an original matter.

The CHAIRMAN. I am merely trying to say as between the two we think that as between this one,<sup>4</sup> which for the benefit of the written record is the one headed "Benefits Potentially Available Under H.R. 1" and "Senate Finance Committee Chart No. 5",<sup>5</sup> chart No. 5 is better than the other one.

Secretary RICHARDSON. We do not think either one of them really very adequately represents the kind of decision that a person makes when they are given the opportunity to earn some more money.

The CHAIRMAN. Mr. Secretary, just to get the record straight, you brought this chart in here with our name on it. We did not ask for that chart. That is something that your people wanted to bring in here. It is all right for you to present it and we will be happy to see it but the chart we asked for was what you refer to as the Williams chart.<sup>6</sup> That was the information Senator Williams asked for last year, prepared by the Department. We are perfectly happy to look at this other chart<sup>7</sup> and analyze it, but we do not like it. I for one do not like to have it presented as a Senate Finance Committee Chart because we do not claim paternity of that chart, at least not yet.

[Laughter.]

Secretary RICHARDSON. Well, it was our response, Mr. Chairman, to the committee's request. It turned out that the committee staff did not think it was what they had asked for, but we thought that we were giving you the benefit of the thinking on this subject that we have been able to do since last year and, therefore, we thought we were able to present the relevant facts in a more illuminating way.

The CHAIRMAN. Well, I just want to keep the record straight as to whose it is and whose it's not.

Senator CURTIS. May we see the one for Wilmington, Del.?

#### TREATMENT OF INCREASE IN MEDICAID DEDUCTIBLE

Secretary RICHARDSON. Wilmington is different primarily in that it does show medicaid benefits found in here, and over here in this Senate Finance Committee chart,<sup>8</sup> the medicaid benefits are also indicated in the higher income levels by a footnote. The footnote says:

Section 209 of H.R. 1 provides a spend-down for medicaid coverage. The value of this coverage to families above the standards depends upon complex actuarial factors which vary from family to family and are thus not susceptible of being shown in this format.

You will recognize there is some value to the family but our chief actuary who is, is he here this afternoon, Mr. Trowbridge, was not able to translate into actuarial terms in the time available.

I would like to, if I may, point out the error in Senate Finance Committee print charts 12, 13, and 14,<sup>9</sup> which—

Senator HANSEN. Which document do you refer to, Mr. Secretary?

Secretary RICHARDSON. The one that is entitled "Work and Training Provisions." This spend-down, with your permission, I would like to

<sup>4</sup> See p. 80.

<sup>5</sup> See p. 57.

<sup>6</sup> See p. 52ff.

<sup>7</sup> See p. 75ff.

<sup>8</sup> See p. 81.

<sup>9</sup> See p. 366-371.

take a minute or two on this, I am not sure I can make it clear——

Senator MILLER. Pardon me, Mr. Secretary, which chart is it in the blue book?

Secretary RICHARDSON. Charts 12, 13, and 14 of the print, entitled "Material Related to H.R. 1, Work and Training Provisions" dated July 23.

Now, as the committee will well recall, our response to the identification by this committee of the medicaid notch last year was to say that we would develop a family health insurance plan under which the family's contribution to the cost of medical care coverage would rise as their income increased.

We have since developed that legislation, as the committee is aware, and it is now pending before the committee and we believe this is a better way of dealing with the problem of the medicaid notch than the provision contained in H.R. 1. That provision was one we developed on the basis of technical assistance to the committee, it was one of several alternatives, and what it does, in effect, is to say that before a family can receive the benefit of subsidized health care, that is before the combined Federal-State medical program will pick up any of the costs, the family must have spent its income down to the State payment level. They must, in other words, have used up what is in effect the equivalent of any earnings above the \$720 disregard, that one-third.

So the committee on page 24, chart 12 of the committee print, showed out of the total dollar earnings a charge of 33 cents per dollar for medicaid.<sup>1</sup>

What Mr. Trowbridge has pointed out in effect is that this substantially overstates the charge to any given family. One way of putting that is that the average value of the medicaid program in Delaware, that is the average expenditures under the Federal medicaid program in Delaware are \$460 and if you were to add up the 33 cents per dollar shown here, you would get a total charge to earnings of \$3,000—\$4,000. It turns out that the total charge to earnings was \$1,000 or more than twice the average medicaid expenditure in Delaware.

I go into that because it is illustrative of the kind of problems that have been involved in trying to express the value of the benefit package per family under the spend-down provision of H.R. 1.

One thing I can say with assurance is that the spend-down provision does have the effect of eliminating the medicaid notch. It is not a way of doing so that we think is as good for program purposes as the family health insurance plan itself, and we would prefer that rather than go forward with this provision of H.R. 1, the committee would deal with it at a subsequent date in the family health insurance plan itself.

Senator CURTIS. Mr. Chairman, the updated chart, based upon the one we used last year for Phoenix, Ariz., shows, that someone having earnings of a thousand dollars, if they lived in public housing, would have a total cash income and housing benefit of \$4,627, while if they earned \$5,000, their total would be \$4,933, and if they earned \$7,000, their total would be \$6,069.<sup>2</sup>

<sup>1</sup> See p. 366.

<sup>2</sup> See p. 57.

## BENEFITS IN WILMINGTON, DEL.

Now, in reference to Wilmington, Del.,<sup>1</sup> I will take the same earnings, a family of four earning \$1,000, the next to the last column shows a total net cash, if they live in public housing of \$3,959, is that correct?

Secretary RICHARDSON. Yes.

Senator CURTIS. And Delaware has a medicaid program, so the medicaid benefit is estimated by you as being worth \$460, is that right?

Secretary RICHARDSON. Yes, that is the average payment.

Senator CURTIS. Yes.

Well, I understand we use that all the way through including the fringe benefits. So that would make that family that had earnings of \$1,000 if you included medicaid, having cash income if they lived in public housing of \$4,418.

Secretary RICHARDSON. Yes.

Senator CURTIS. If they earned \$5,000 in Delaware, they would not get any medicaid, would they?

Secretary RICHARDSON. Well, they could if they spent all their income above the State payment level, which is not shown as such, but at any rate, they would be above the State payment level at this point, so they would have to spend down to this.

Now, the question then is what is it worth to a family having large medical bills that would otherwise eat further into the \$4,151 paid to them, to have such a spend-down to establish medicaid coverage—it certainly isn't zero.

Senator CURTIS. I see. Well, at any rate shown by that chart, if a head of a family earned \$5,000 their total net would be \$4,553. In other words, the head of family who went out and worked and made \$5,000 a year, would be less than \$600 better off than if they only earned \$1,000 if they lived in public housing.

That is true disregarding medicaid.

Secretary RICHARDSON. Yes. Let us say he is not receiving any money under the welfare combined Federal and State benefits, either. He would run out of H.R. 1 and has gone beyond the eligibility for a State supplement, so that for the person at \$5,000, the situation, except for whatever value you impute to medicaid, is the situation existing anyway outside of welfare reform itself.

## BENEFITS IN CHICAGO

Senator CURTIS. If I may ask a question about Chicago.

In connection with Chicago, I see you have included medicaid benefits.<sup>2</sup>

Secretary RICHARDSON. Well, the situation is the same. We have shown a flat amount up to the point where any medicaid benefit would be dependent upon the spend-down, which means, in effect, that you get the benefit—you get subsidized medical care only if you have spent more than earning in excess of this dollar level. I am sorry, that was the current law chart. At any rate, what I said applied. So that you should have to spend income down to this level, in effect, in order to receive the benefit of medicaid.

<sup>1</sup> See p. 58.

<sup>2</sup> See p. 59.

Senator CURTIS. I want to ask something about that chart on Chicago. Is this the one that is updated from—

Secretary RICHARDSON. Yes.

Senator CURTIS. All right.

Medicaid, we will discuss later because the scaling table does make comparisons a little bit difficult. But under H.R. 1 a family of four having earnings of \$1,000 in Chicago, if they lived in public housing, would have a total net of \$5,823, is that correct?

Secretary RICHARDSON. At an income level, with earnings of \$1,000 that is correct.

Senator CURTIS. If they earned \$5,000 and lived in public housing what would be their total net?

Secretary RICHARDSON. Their total net would then be \$6,061.

Senator CURTIS. In other words, if someone, a welfare recipient in Chicago, who increased his earnings from \$1,000 a year to \$5,000 a year, would have a net gain of a little less than \$200, is that right?

Secretary RICHARDSON. I do not think that is correct.

Senator CURTIS. What does the figure show?

Secretary RICHARDSON. That is what the chart shows, but I would again point out the very different picture shown on the first chart we prepared,<sup>1</sup> believing at the time that we were responding to the committee's request, and that shows that the retained share of earnings increases in the interval from \$4,000 to \$5,000 by over \$600, \$669, and by a similar amount in the interval between \$5,000 and \$6,000.

Senator CURTIS. Now that is based on totally disregarding public housing.

Secretary RICHARDSON. Yes.

Senator CURTIS. And totally disregarding medicaid.

Secretary RICHARDSON. Yes.

Senator CURTIS. And disregarding the fact that someone who works for their money has to pay social security taxes.

Secretary RICHARDSON. Yes. Although as I explained earlier, one of the reasons, for the reason that the family paying for social security taxes is also getting something for the taxes.

Senator CURTIS. Well, I hope that is true of all taxes.

Secretary RICHARDSON. In that direct sense.

Senator CURTIS. But the fact remains if someone gets their money through a welfare check, social security taxes are not taken out, that the man who has to go out and work has social security taxes taken out, and it is also true, even though the benefit under title II will be less than when they get old, they will also be eligible for old age assistance.

Now, in New York City, if this head of a family of four earns \$7,000 the chart shows that the net would be \$6,277—excuse me, I meant Chicago.

Secretary RICHARDSON. You mean we are not in New York? [Laughter.]

Senator CURTIS. I had asked a question about Chicago and led up to the \$5,000, and the only question I want to ask is what would the net be for the head of a family of four earning \$7,000 in Chicago if they lived in public housing?

<sup>1</sup> See page 82.

Secretary RICHARDSON. \$7,000 shows a net of \$6,277, including public housing. I also might point out again that the family at \$7,000 is not receiving benefits either under the basic Federal program nor under the State supplement.

Senator CURTIS. Yes, I understand that. I am just comparing what they would have to live on if they did not work very much or if they went out and earned \$7,000 and the difference is about \$400, is it not?

#### BENEFITS IN NEW YORK CITY

Now, I am ready to ask some questions about New York City.\* A family of four earning \$1,000, if they lived in public housing, would have a net of \$6,035, is that correct?

Secretary RICHARDSON. Yes.

Senator CURTIS. If they increased their earnings to \$5,000 they would have—and lived in public housing, they would have a net of \$6,233.

Secretary RICHARDSON. Yes.

Senator CURTIS. So the individual who works and earns \$5,000 in New York City is \$198 better off than if they just earned \$1,000?

Secretary RICHARDSON. According to the chart, subject to all—I hereby incorporate by reference all the qualifications previously noted. [Laughter.]

Senator CURTIS. The Court will note the objection for every question asked. [Laughter.]

And that it is overruled.

Secretary RICHARDSON. Thank you very much, Your Honor. [Laughter.]

Senator CURTIS. The head of family making, earning \$7,000 in New York City would have a net, according to this chart, of \$6,182.

Secretary RICHARDSON. Yes.

Senator CURTIS. That is \$148 more than someone who only earns \$1,000 and gets all these benefits.

Secretary RICHARDSON. I might point out, Senator, that contrary to what I said earlier with respect to Arizona and Delaware, that there is an actual notch shown here; there is an actual reduction of net income despite a rise in earnings in the interval between \$5,000 and \$6,000 of earnings. It shows a reduction of net cash and public housing from \$6,233 to \$6,139, which remains there as a result primarily of the drop-off in housing benefits, but also the increase in combined income and Social Security taxes.

There would be no way, I think, of actually erasing that without stretching out the interval over which the equivalent of a public housing bonus was made available or without stretching out the interval over which the family assistance benefits were being paid. In other words, you would have to reduce benefits of whatever character more steeply, I mean less steeply, in order to completely eliminate that notch.

#### EFFECT OF 1967 WELFARE AMENDMENTS

Senator CURTIS. Even if some mathematical formula were developed that eliminated the notch, I still do not think the system is acceptable because it is based on a wrong premise. It is based upon the

\*See page 60.

failure of the 1967 welfare amendments to the Social Security Act.

In 1967 the Congress attempted in an effort to get people off of welfare allowed them to work and disregard certain of their income, and it has totally failed; it has had about 3 years of operation.

In that law we permitted them to deduct their expenses of working which the Department of Health, Education, and Welfare, by regulation said included not only union dues and transportation expenses but Social Security and all withholding taxes, and we ended up with instances where the person's wage income substantially exceeded their budgetary needs as determined by the case worker, and still they continued to draw some benefit and to go on working. The criticism against the 1967 amendments is that those amendments did not cause them to leave the welfare rolls but the contrary was true, because they could have a certain amount of earnings and still have the security of the welfare benefits.

Now the formula is different, but the principle is the same. I am thoroughly convinced that, if welfare reform had been devised at the local level where welfare is administered, that you would not have come up with the same program. I am thoroughly convinced that you will find that the 1967 amendments did not give an inducement for people to leave the rolls, but that the contrary is true, they stayed on.

I had a number of flagrant cases turned over to me from my home State. I have got one here, there were two parents and three children. The husband was drawing wages of \$799.80, within 15 cents of being \$800 a month, their budgetary need was fixed at \$503 and he was making almost \$800, but applying the disregard formula they still drew a benefit of \$170 a month.

Mr. VENEMAN. Senator, did you say that was a husband and wife and children?

Senator CURTIS. Yes.

Mr. VENEMAN. They aren't eligible.

Senator CURTIS. Well, they were under AFDC.

Mr. VENEMAN. Not if he is working full time, Senator.

Senator CURTIS. Oh, yes, he was, he was out of work—

Mr. VENEMAN. If he is unemployed, Nebraska has an unemployed program but how can he be earning \$800 if he is unemployed?

Senator CURTIS. All right. He qualifies AFDC and gets on and then later he takes a job.

Mr. VENEMAN. But then he is not eligible.

Senator CURTIS. Yes, he is. This is an actual case from the records.

Mr. VENEMAN. Well, Nebraska then has some fouled up welfare laws, Senator, because that family is not eligible for Federal matching.

Senator CURTIS. No, this is what was passed in 1967.

Mr. VENEMAN. Just to clarify it, Senator, this is an intact family, husband and wife and two children when he became unemployed.

Senator CURTIS. Husband is unemployed, qualified for AFDC. After he qualifies and is on the rolls, he seeks employment, and the 1967 amendments permitted him to continue on AFDC.

Mr. VENEMAN. He can seek employment, but then if he receives employment and is earning nearly \$800 a month, he would no longer be eligible, Senator.

Senator CURTIS. But he was.

Mr. VENEMAN. There must be a nonconformity issue.

Secretary RICHARDSON. We would be glad to follow that up to see if we can reconcile the example.

Senator CURTIS. I have 10 cases.

#### CONTROLLING INCREASES IN THE WELFARE ROLLS

Secretary RICHARDSON. I think, Senator, the issue is much more fundamental. I think to put it very clearly, the question is, if we are all agreed that the only practical way of trying to contain the increase in welfare caseload and try to bring about a reduction in total numbers of families under the program is to get more people off the welfare rolls into jobs, so, the next question is Okay, if that is what we want to do, how do we do it?

Now, as you correctly point out, the 1967 amendments took a partial step in that direction. It was a partial step for a lot of reasons, pointed out by Secretary Hodgson the other day, which I won't repeat. I think you are absolutely right in pointing out that H.R. 1 applies the same philosophy in the sense that it proceeds on the assumption that you have a better chance of getting people off the rolls into jobs if they are allowed to retain a share of their earnings. You could reduce benefits dollar for dollar, and that would mean, of course, in effect, that the family would be receiving the same dollar income no matter what their earnings down to the point where the same dollars, the total dollars, were all earnings and none of it were benefits.

So they would stay in effect at this flat level over a wide range of improved income.

You would get a negative effect to the extent that some of these economic consequences showed on this chart are also factored in depending on how you analyzed that whole issue.

#### IMPACT OF 1967 EARNINGS DISREGARD PROVISIONS

In any event, the administration and the House committee have felt that the 1967 amendments were on the right track in offering an opportunity to retain a share of earnings and that what was wrong was not that feature of the law, but the failure to put a ceiling on work related expenses and the failure adequately to administer the provisions providing training, day care, job opportunities. So they said, "Let's do it right with respect to all these work-related provisions, make them the responsibility of the Secretary of Labor," and so on.

But I certainly would agree that you have pointed up a very real issue.

Senator CURTIS. I think that any investigation made out over the country would show the 1967 amendments, and particularly that part which allows for disregard of earnings have increased the rolls instead of decreasing them.

Secretary RICHARDSON. We do not think that, on the limited data available, that is true, Senator.

We do have some evidence that the 1967 disregards have caused increased earnings in families, and we would be glad to submit that for the record. In 1970, 550,000 cases left the rolls, the AFDC rolls for some reason. The commonest explanation is that the family ceased to be eligible because their earnings did increase to the point where they were no longer entitled to benefits.



Senator CURRIS. But that first case, there was a father, but I will call attention to a couple of others. Here is a mother and three children. Their budgetary need determined by the caseworker was \$338.

She had a job, got a job after she was on AFDC that paid \$569.22. Because of the disregards, she still got a AFDC check of \$115 a month.

Here is another case of a mother and two children, the budgetary need was established at \$203.17. She got a job at \$380 a month but still drew, because of the disregards, an AFDC benefit of \$87.61—the welfare director told me long before any of us heard of H.R. 1 or your bill, that “What you have done in the 1967 act, you fixed it so that no one leaves the rolls,” and in my State that is one of the big factors in the increase in the number of, the total number of people on the rolls.

There is no way that you can phase it out. It is just there, and I think the idea of welfare in the minds of most American citizens is that if people have zero income, they should not suffer for shelter or food or medicine or other needs.

If they have some income but not enough to provide these necessities, the balance should be supplied, and that is all. So what we have here is a guaranteed annual income under the name of welfare reform. I have some questions about—

Secretary RICHARDSON. Senator, may I just say one brief word on the disregards. I am sure it is true that examples such as those you have just given us have involved high disregards for work-related expenses, child care, and so on, and that is a problem which, as I said earlier, H.R. 1 does try to cure by putting a maximum on this kind of disregard. But the real issue is what do you do? If on this chart you were to take a person who is receiving \$2,400 in Federal family assistance benefits, State supplement of \$1,944, with a gross cash income of \$5,064 and earnings of \$720, if you were to provide a hundred percent tax rate, you would, in effect, subtract the \$720 in this figure of \$2,400, so that individual would be receiving \$720 less in Federal benefits as a result of earning \$720.

Now, you can certainly apply a penalty for refusal to take the job, but the result is that the individual takes the job for no additional economic reward; the same would be true as you go up because if you had a hundred percent tax rate at this point, at a level of \$2,000 in earnings you would have wiped out the family assistance benefit, \$1,546, and you would have wiped out in addition \$554 of the remaining State supplement, so that the individual at that point would be receiving about \$1,400 in State supplement only, and the balance would be the \$2,000 of earnings. The result would be in effect that although having increased earnings by \$2,000, the family's cash income would be exactly the same as before, even before you take into account any of these other things in the right-hand column of the chart.

So, you know, you could do that, but it is fair to say that the unanimous judgment of those who have worked most intensively on this is that there should be a reward for work represented by some retained share of earnings, and I have supposed that the problem exhibited by these charts had already been regarded by the committee as being that they did not show enough retention of earnings. In other words, the “tax rate,” taking into account economic benefits, was too high and, therefore, there was not enough work incentive.

We would like to see the work incentive higher, in fact, ourselves, but the problem of doing that is the problem that we tried to make clear this morning, namely, that you have higher break-evens, higher total caseloads, higher total costs. I think the issue is one certainly that the committee will wish to go into.

Senator CURTIS. All of that is based on the assumption that we take the general pattern of H.R. 1 and revise it somewhat. It cannot be done because it is basically wrong.

Secretary RICHARDSON. Well, what else would you do? Either you increase the retained share of earnings so that instead of leaving 33 cents out of the dollar, you leave 50 cents or you reduce it.

Senator Miller asked us to give calculations on that. You can reduce the tax rate to zero, but you have to make a decision as between those options somewhere from a hundred percent tax rate on down.

Senator CURTIS. I want to ask you something else. If H.R. 1 is passed as it is written, will there be any disregards besides the \$720 plus the one-third?

Secretary RICHARDSON. Yes; there would be a disregard of child care expenses up to \$2,000—this is a disregard in the sense of a determination of what earnings are countable.

This total here is always assumed to represent countable earnings.

Senator CURTIS. Would there be anything else disregarded besides child care?

Secretary RICHARDSON. So far as out-of-pocket expenditures for earnings received by the family head, no. You would disregard in determining family income itself, income earned by a student, for example, for putting himself through college, and you would disregard alimony received, and a certain amount allowed for home-grown produce.

#### ITEMS DEDUCTED AS WORK EXPENSES UNDER PRESENT HEW REGULATIONS

Senator CURTIS. Now, according to present regulations, work expenses have included social security taxes; Federal and State income taxes; union dues; dues to employee clubs; transportation to and from work; child care; increased cost of food, including cost of more expensive ready-prepared food when the housewife works; snack break where customary; special clothing or uniforms and cost of cleaning or laundering them; contributions to collections for mandatory employee benefits such as private pension contributions; tools and licenses required for the job; additional expenses related to employment, including any necessary publications.

Those would be eliminated under H.R. 1.

Secretary RICHARDSON. All of those except child care are included in the \$60 a month disregard. In other words, that is an explanation of why \$60 a month is permitted as a disregard. I am sorry, I did not have that list in front of me when Senator Miller was talking about this earlier today, but the \$60 a month in effect is a flat amount allowed to cover any or all of those items you listed except child care, which is allowed for as a separate disregard. The Ways and Means Committee pointed out that the allowance of a separate disregard for child care would have the advantage of making more child care possible than would be funded under the appropriated amount for the purchase of child care by the Secretary of Labor.

Senator CURTIS. Mr. Chairman, there may be some people who want to ask some questions about these charts. That is all I will ask at this time.

The CHAIRMAN. Senator Byrd, do you care to ask some questions at this time?

Senator BYRD. Not at this time.

The CHAIRMAN. Mr. Secretary, I will ask you about a different matter so you may resume your seat. I would suggest we take those charts down for the time being. I plan to use that blackboard for a moment so I suggest we move that chart back and put the blackboard there in case we want to use it.

Mr. Secretary, I am frank to say this is a better bill than the bill we had last year. I think this is a better bill than the Department brought to us last year and about that I am pleased. May I say that after the failure of the bill last year, I went to Congressman Mills and Congressman John Byrnes and told them some things I thought were wrong about this bill that we should try and do something about. I had hoped that they would do some of it because the more that they did the less the burden would be on us to take care of what I felt were obvious defects in the bill. Cashing out food stamps is one of them and I applaud that. And also there had been an effort to limit these welfare payments on a one to the customer basis.

#### PREVENTING WELFARE ABUSE THROUGH USE OF SOCIAL SECURITY NUMBERS

Now, let's see the extent to which it has been met in the bill.

Here was a woman in Louisiana. She came in planning to go on welfare for herself and her children a fifth time and she succeeded in getting on welfare five times. But in the course of it she ran into one of the aides who had processed one of the first four applications with the result that this matter came to the attention of the office, and they got out a search warrant and learned the truth. She had five social security numbers, she had five driver's licenses.

Her neighbor was on welfare two times but planned to go on three times. She had three drivers licenses and three social security numbers.

Now does this bill get the social security numbers down on one to a customer basis.

Secretary RICHARDSON. Yes; it does. The social security number would be used to identify every recipient, and when anybody came in who didn't have a social security number or didn't know what it was, there would be a check made with the Social Security Administration files to determine whether or not they had previously been issued a number, or if they gave a number to determine that it was really their own number. May I ask, would you like Mr. Ball to answer on this? The short answer is that they would, everyone would have to have a number and checks would be made to protect against a duplication.

The CHAIRMAN. Now, originally the law was that a person could have all the social security numbers she wanted, I believe; is that not correct?

Secretary RICHARDSON. Yes. Mr. Ball might be a better witness than I on this.

Mr. BALL. Mr. Chairman, as far as the basic social security program is concerned, there is no penalty, specific penalty, for applying for more than one number. In our ordinary processes obviously if the indi-

vidual gave the same identifying information the second time he would be caught in the screen and we would find he already had a number so we would only reissue the one number unless he would give a reason for wanting a second number and then we would cross refer the two to the file. But so far as policing this new program is concerned, what we plan to do with the new agency is for each applicant to the program to be identified by, say, a woman bringing in her children for application, to identify her with a birth certificate and then to use that as a basis for either issuing a new number or checking any existing number that they have so that for this group there would be a complete check, keeping them down to always a single number.

Now, the bill also provides a penalty that makes it an offense to seek a second social security number for any fraudulent purpose. We still prefer, and the bill would allow, a situation in which an individual for a nonfraudulent purpose telling us that he wants a second number; we would still believe as long as we have a cross reference that would be desirable to allow that.

Sometimes we get situations where an individual has a name that suddenly becomes notorious, like a noted criminal, for example, and he is having trouble and he just wants to change it. As long as he tells us about it and our records are complete that would be all right. Another example is if somebody is on a blacklist; but other than those exceptions, as far as this program is concerned, there will be these strict checks so that we can be sure there is only one account number to each applicant.

The CHAIRMAN. Well now, is there a possibility that we can get this thing to where people only use one social security number? Can we reduce the duplicate social security numbers down to less than 1 percent rather than have a large number of people with more than one social security number?

Mr. BALL. Well, Mr. Chairman, I would think that over a period of time it probably will be highly desirable to tighten up on the issuance procedures for social security numbers in general. It does seem to me that as far as this new program is concerned, the proposals to check the numbers or issue new numbers in relation to a birth certificate will make it completely tight for this program.

Now the question becomes how much you want to require in the way of identification from individuals when they are applying for what they claim to be a new number unrelated to this program now, just in general, what they claim to be a new number and, in effect, they already have one, the degree to which you go to insist that they establish this fundamental identity is, I think, a very real question.

The CHAIRMAN. Well, the important thing is that if we are going to have a good program it must not be subject to the kind of thing that happened out there in Alameda, Calif. where people advertised that they were going to cheat on the welfare and proceeded to demonstrate how easy it was. I think one of them got on the welfare rolls 10 times in Alameda County alone, is that not true.

Mr. BALL. Well, you see there is another point in this I don't think we have made, Mr. Chairman. The first point I am making, just to repeat quickly, is that the identification of the new applicant for this program isn't a social security number fundamentally, it is a birth

certificate. Then we use that as a basis for either checking the number or issuing a new number. I think that makes for a tight system.

Now the other thing is we have a central file.

The CHAIRMAN. Do those birth certificates have numbers that go with them so it would tie it in.

Mr. BALL. No; they show the birth certificate and we put a number in relation to that information. The point is our central records would show the date of birth of this individual, their name, their mother's and father's name, the place of birth; that is what our central records show. Now if they go to a new office they have to have this birth certificate and the birth certificate shows this information, that is all checked back to a central file, and it is shown that they already had a number and this is it.

The CHAIRMAN. All right.

Mr. BALL. I think the point about some of the State programs now is, you don't have an opportunity to catch even the obvious case because there isn't a reference to a central file.

The CHAIRMAN. Yes.

Mr. BALL. And we would always be referring back to central records.

The CHAIRMAN. Now the only argument I know justifying more than one social security number, was that the person might object that he might be blacklisted from a job and the number could help identify him for blacklisting purposes. We can make that a criminal penalty on a person using a social security number for such purposes.

Mr. BALL. Well, Mr. Chairman, I think the exceptions to the desirability of a single number are so rare that it really does not cause the system any difficulty. As long as we know the person has two numbers we can cross reference them and we can immediately find it just as well. I don't think that is the big problem.

I think the problem, if you go beyond the welfare program and beyond the social security program, the problem becomes one of the degree of proof that you ask for when an individual applies for what he says is a new number. You suspect that it may be really he already has one, he gives you the information, we check the central record, and that doesn't prove it. If he has made up a new birthday, made up a new mother's name and made up all new information, our checking this new information will not catch it.

So you could say "don't ever issue a social security number to anybody unless he brings in a birth certificate." That would be a much tighter system than we now operate under, and I would say personally I think we will be moving by stages in the direction of tighter re-issuance procedures, but that as far as this program is concerned we can make it completely tight from the beginning.

The CHAIRMAN. Well, now, up to this point we don't have any central computer at any point where we could tell whether a person is already on the welfare rolls in some other state, is that correct?

Mr. BALL. That is correct.

Secretary RICHARDSON. This, if I might interject, Mr. Chairman, is, of course, one of the most important reasons, as we pointed out earlier to Senator Nelson, why we think that Federal administration is important.

The CHAIRMAN. All right.

## BENEFITS FOR THE AGED

Now, Mr. Secretary, I have been desirous of increasing the payments for the aged people in this country. We know there is not much abuse in it. If these old people qualify in the first instance they are not going to have much income thereafter. How much does this House bill provide for them, if they have no other income?

Secretary RICHARDSON. If there is no other income for an individual it starts out at \$130 a month. For a family, I mean for two people, \$195 a month. Then in the next year for an individual it goes to \$140, and for a couple \$200, for the third year it is \$150 for the individual and \$200 again for the couple.

The CHAIRMAN. Well, I applaud that. I would like to see it higher especially for the couple, but I believe that that is a good provision. How much would those people be permitted to earn without losing their welfare entitlement.

Secretary RICHARDSON. The same provisions of \$60 a month disregard for work expenses and the retention of one third of earnings would apply to them also. I think in the case of the blind and disabled \$85 disregard of work related expenses.

Mr. VENEMAN. Mr. Chairman, I think it also should be emphasized that this is a Federal minimum, 100 percent funded by Federal money and the States have every incentive to supplement above this if they are presently paying more than \$130 to \$195.

## INCENTIVES FOR NOT MARRYING

The CHAIRMAN. Now to look at the kind of thing that concerns me, which bothers me a lot, I would like to just ask one of our staff assistants to go to the blackboard. Let's just assume, put about the middle of the board there the figure \$6,000.

All right, let's assume that you are talking about one of the higher payment States and put above that put "F" for the father.

All right, put parallel to that just to the right, plus \$5,600.

Above the \$5,600 put M plus 3, that is a mother plus three children. In that instance there would be available to that family where the father has not married the mother a combined income of \$11,600.

On the other hand if a father were working and, let's say, he was making \$7,000, and he admitted his responsibility to that mother and his three children—he freely admitted those were his three children, and he was married to the mother—then the family would not be eligible for welfare payments, indeed they would be paying taxes.

Now that angers and outrages taxpaying people who live in the vicinity of these welfare families. Some of these fathers know exactly when the welfare check arrives. They show up on the day the check arrives, help mama spend the money and then leave for the remainder of the month, only to turn up again when the next welfare check shows up.

If that mother had been my daughter, if the father was not disposed to marry her, I would have suggested that we go to court, have him declared to be the father of that child and obtain a court order ordering him to pay support for his family. Wouldn't that be a better answer than what we have right now where the man making \$6,000 can have \$11,600 income between him and his wife by denying paternity, and

carrying out the pretense that the father is not available to help support his children and the mother of those children.

Secretary RICHARDSON. Clearly, Mr. Chairman, every practical measure should be taken to determine what the combined income of the family is, and to determine whether or not the man in the house or the man hanging around is the father of one or more of the children. Under H.R. 1 as it presently stands the income brought into the house would count as family earnings, and any information that indicated to the administrators of the program that the money was available would afford a basis for further inquiry, and if it proved to be true, the reduction or elimination of benefits.

The CHAIRMAN. Do I understand H.R. 1 has, reimposes, the man-in-the-house rule.

Secretary RICHARDSON. No; the real issue here, is between the imputation of income to the family where somebody is hanging around, and where you found out what his income is, and the provisions of H.R. 1 which say that where, in fact, a group of people have been living together as a family, the earnings brought in by any number of that group are considered to be family earnings, and if you have information that they have been in fact living on this total amount, then that information is pertinent to determine income available to the family. It turns really on whether you assume in effect, as a presumption, that income is available when in some sense a man is around, versus a determination that income has, in fact, been applied to the needs of the family.

The CHAIRMAN. Well, Mr. Secretary, the Supreme Court ruled on this man-in-the-house rule that you could not attribute income of that man to that woman and those children except to the extent that you could prove that that income is available to them. Would that still be the case under H.R. 1.

Secretary RICHARDSON. That would be the case essentially, yes.

The problem is the problem of, in effect, the burden of establishing that the money is available. In other words, if you had any information that tended to show that money was available you could then inquire and pin that down, versus, in effect, a presumption that money is available because the man is around. This is really what it turns on, and the latter, the man-in-the-house rule, in its purest form requires in effect, that somebody try to find out what the facts are and this involves a considerable element of intrusion, and so on.

The CHAIRMAN. Well, the way it looks now, Mr. Secretary, this is the kind of complaint that causes people who live next door to these welfare families to resent to the soul of them the way this program is working. I don't think it would be much different under H.R. 1. You can change those figures, reduce that \$6,000 to \$4,000 and that \$5,600 to \$2,400, you can change them around however you want to, but I don't see how we are going to ever work out something that does justice to the husband who brings his paycheck home to the wife and children unless we find some way to see to it that the family that is in fact poor and is in fact working makes out as well as the people who are legally cheating us.

Now, until we can solve that riddle I just can't see that we have a good bill.

Secretary RICHARDSON. We would be very glad, as I said the other day, to work with you on this, Mr. Chairman.

The committee, as you recall, last year suggested a series of indications on the basis of which it could be determined that there was a parental relationship. Some of these involve significant and serious administrative problems, but we would be glad to review these with you, and see what we can come up with.

The bill does take one step which is an important one in making this money available, or assuring that it will be counted, and that is that it treats the stepfather as supporting the family regardless of what the State law might otherwise say. It also establishes that if paternity of the father as to any child in the household can be established, then his responsibility toward all the children can be assumed.

The question is really, in a practical sense, how far beyond that to go.

The CHAIRMAN. But in that illustration I have given there, Mr. Secretary, the people who have possession of the facts are the father and the mother, and it is to their advantage to the tune of about a \$5,000 cash incentive not to make those facts available to us. If they do they reduce their joint family income by \$5,000 a year. It provides a man with a good economic incentive, if indeed he needed any, to decline to marry and to decline that he is the father of those children.

Now if you turn the incentive around the other way it would seem to me as though it would work better. Let's see if we can design a program in such a fashion that it is very much to the mother's advantage to identify the father and to have him held liable for the support of those children. Then, when the economics favors her my guess is that she is more likely to fix paternity than when the economic disfavors it.

If we can do it, if we can work out some way of achieving that result, would you be inclined to favor it, all things being equal?

Secretary RICHARDSON. Yes; certainly.

Under these provisions of the bill as it now stands, which represent thus far the best results of the effort to deal with this problem, there would be the requirement of a report by the family of all its income from any source. This total would have to include income from any person living in the house as well as income from any source outside the household. Up to that point the person living in the house doesn't have to be related, in effect, doesn't have to have the obligation of support if that person is part of the household. So the question then is how do you find this out.

There would be penalties for failure to report. But if you can think of some positive incentive we would be for it.

The CHAIRMAN. Well, that is what we need, in my judgment, to make this work.

#### DEVELOPING A FEDERAL CHILD SUPPORT LAW

Now, you have indicated that you do favor the suggestions we have made last year about the fathers who cross State boundaries making themselves unavailable to support their children. I would ask you can we count on your cooperation in trying to work out the most feasible and practical program that can be devised under a kind of a Federal child support law to reach that father wherever he goes and garnishee his check if need be in order to collect his contribution toward his wife, that is the mother of his children and those children?



Secretary RICHARDSON. Yes, Mr. Chairman. We have, as you pointed out, included a provision for criminal penalties for crossing State lines in order to escape parental responsibility. We have raised matching for locating deserting fathers from 50 percent to 75 percent. The bill also provides that the father would continue to owe the amount of any payments he was otherwise obligated to make to the family, to the United States, which could collect this out of any moneys due him.

The bill does not take the additional step you have just referred to of providing for garnishment of wages, and there is, I think, a tough question of whether that is a good idea or not. I think the Labor Department and the Justice Department both would want to be heard. We have consulted them about it and they have informally told us that they do not favor it, and so I simply would say at this point if you, Mr. Chairman, and members of the committee would like to pursue that additional remedy further that I think those two departments would like to be heard.

The CHAIRMAN. Well, what really irritates me, Mr. Secretary, is to hear a tax collector take the view that his job is to collect taxes and he has no further responsibility toward this Government. He has the information as to where that father is, and can provide that to us. If we have a good Federal child support law we can proceed against that father and make him make a contribution. Of course, there is more advantage to this matter than just achieving some income from that father toward the—to keep his family off welfare, or to increase their income if they are on welfare.

Part of the advantage is that it would tend to make him somewhat more responsible in the area of family planning. Some of these fathers seem to feel they have no responsibility in that regard, that is just something for the prospective mother to worry about. We can expect these fellows to do more if we have an effective program.

Now, here are some statistics that I, looking at on page 72, and I think you have it available to you. This is the pamphlet "Welfare Program for Families." \*

Secretary RICHARDSON. Yes, sir.

The CHAIRMAN. Now, of a list of 75 percent of fathers absent from the home, 2.6 percent are in prison, so we won't get much help out of those, and 1.6 percent are absent for other reasons that are not explained. With regard to the other 71 percent, it would seem to me that most of those fathers are working and they should be available to make a contribution.

What percent do you think could make a contribution if we can overcome the difficulty of finding them and identifying them and establishing their duty toward their children? What percentage of those do you think are working and making enough income that they can make some reasonable contribution?

Secretary RICHARDSON. Well, I suppose, Mr. Chairman, that if you took as the ones least likely to be making a contribution now, which are the portion shown as deserted, and the portion shown as not married to the mother, which brings you up to about 42 percent of the total, that these are the ones least likely to be contributing now. Of that total I suppose you might expect that the unemployment rate was substantially higher than in the adult male population as a whole,

\* See page 487.

but if you said, if it were as high as, say, 20 percent, that would still leave a total of about proportionally 32 percent of the entire number employed who could be pursued if you had a way of identifying them.

The CHAIRMAN. I have no doubt, Mr. Secretary, we can do a lot better with regard to those desertion cases than we are doing. Many of the States don't even have the money, to help meet the expense of hauling these fellows back to the States.

Secretary RICHARDSON. Fifty percent now is part of the Federal matching administrative costs. Under the bill it would be increased to 75 percent.

The CHAIRMAN. Well, we will never know how effective we can be unless we have our own program and put our own lawyers to work.

We have a lot of them on the OEO program trying to help these women get their legal affairs straightened out. Why can't we have a Federal program where we can simply have one U.S. attorney contact another U.S. attorney and say "the number shows up in your area." and let's simply name that OEO lawyer as a special assistant to handle those cases for him and on that basis we might be able to get mothers some support. We will never know how effective we can be unless we try.

Secretary RICHARDSON. I do agree with that.

The CHAIRMAN. Well, I am pleased to see, Mr. Secretary, that we have at least found some areas of agreement.

#### EXPANDING CHILD CARE

This bill makes a lot of headway in the area of family planning. It makes headway in the area of child care. I personally have felt that we would make more progress in child care if we had a separate corporation with a board when one member's term expires every year so we could keep calling on these people to explain to us why they have not been able to spend the money we have made available to them for that purpose.

Does the administration still oppose that concept?

Secretary RICHARDSON. We would like to explore it further with you, Mr. Chairman. There are involved, we think, problems of compatibility with the other related provisions of law that have been proposed and considered by other committees. But I think that the concept is one that is perfectly consistent in principle, and if the committee would like to pursue that at your suggestion we would be glad to work with you on it.

#### SUBSIDIZING LOW-WAGE EMPLOYMENT

The CHAIRMAN. I want to agree with the position that the administration has taken so far as I can tell at this point with regard to the hard question of low paying jobs. It seems to me that we are better off to urge a person to take a job paying a dollar or, I think you had an agreement at the \$1.20 level and to subsidize that, if need be, in order to bring the family income up to whatever you thought the proper level, rather than to simply raise the minimum wage and end up having to pay the whole thing because a person couldn't find a job at the minimum wage.

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Frankly that is one area, Mr. Secretary, where I believe we shouldn't be trying to help people unless they are doing the most they can to help themselves.

You still adhere to that position, do you not, that it is better to subsidize, to add something to what someone can make rather than to pay them to do nothing.

Secretary RICHARDSON. Yes, we do. We agree with that.

The CHAIRMAN. Well, thank you very much, Mr. Secretary. Those are all the questions I have for now unless Senator Hansen would care to ask a few.

Senator HANSEN. Thank you, Mr. Chairman.

I know it is late and you have had a very long day, Mr. Secretary. Let me ask will the Secretary be coming back again or not.

The CHAIRMAN. We will be here at 10 o'clock tomorrow if the Secretary can be here. Can you be here, Mr. Secretary.

Secretary RICHARDSON. Yes, I could be. Are you calling any other witnesses tomorrow.

The CHAIRMAN. No. Senator Byrd notified me that he, for one, wanted to ask a few additional questions. He wanted to be here, and I think that Senator Curtis and Senator Jordan also would like to ask some additional questions. So that if you could be available we will be here.

Secretary RICHARDSON. I could be available, Mr. Chairman. I would hope that it might be possible to complete my appearance in, say, an hour and a half, is that feasible do you think in the light of—

The CHAIRMAN. I would hope so, Mr. Secretary.

Secretary RICHARDSON. Thank you, fine, thank you very much.

Senator HANSEN. If it is agreeable then, Mr. Chairman, I will withhold the few questions I have until tomorrow. I don't intend to take a lot of time. I would like, Mr. Chairman, to ask that this report prepared by the Chamber of Commerce of the United States of America which was done by Alfred and Dorothy Tella be included in the hearing record. I think that it is important that we consider along with others the observations made by this study group, and I am particularly interested in their summary of it. I recognize not everyone is going to read through all of it, but I would like to state the findings of the study that—

Each of the income payment plans analyzed would discourage work by low-income family heads.

Male family heads would keep working but would work fewer hours.

Female family heads, in large measure, would withdraw from the labor force.

Because the reduced work would cause these families a loss of earnings, their family income would rise by much less than the amount of the income payment—by about half of the payment for male-headed households and one quarter of the payment for female headed households.

Under each of the three plans, both the high (50 to 67 percent) "marginal tax rate" and the income payment would discourage work. Income payment plans reduce the amount of the payment in proportion to the amount of income earned by work. With a 67 percent rate, for every \$3 of income earned by work, a family's benefit is reduced by \$2. The Tella study found that 70 to 80 percent of the work disincen-

tive that would occur would come from the "tax rate" on earned income and the remaining 20 to 30 percent from the supplemental income payment.

The CHAIRMAN. Without objection.

(CLERK'S NOTE. The complete book is printed as appendix D, p. 493.)

Senator HANSEN. Then, if I may, Mr. Chairman, let me say this, we have two sets of charts that we have seen exhibited here this afternoon, one an updating of the so-called Williams chart or the Williams charts which the committee requested,<sup>1</sup> and the other charts which the Secretary had said better reflects the work incentives calculated by HEW in response to what the Department "thought" the committee wanted.<sup>2</sup>

I note the caption at the top indicates the Department does not endorse the chart as a complete representation of the work incentives in H.R. 1. I would ask you, Mr. Secretary, if we might not have a third chart which would show the complete work incentive in H.R. 1 as you and the Department conceive it and as you would endorse it.

Secretary RICHARDSON. Senator Hansen, the second chart,<sup>2</sup> that is, since I don't have the captions in front of me, that the one that was on the right as they were set up——

Senator HANSEN. Yes.

Secretary RICHARDSON (continuing). Which was the one we prepared first, hoping it to be responsive to the Committee's request, does come as close as we think it is possible to come in that format. The difficulty we have with the whole concept is the difficulty of treating, in effect, various types of economic benefits as if they had the same impact upon the motivation of a potential wage earner as dollar earnings themselves. Given the underlying premises the charts on the right comes as close as we can. You should read it against the background of our footnotes and the qualifying statements that are set forth in this HEW blue pamphlet dated July 20 and entitled "H.R. 1 Work Incentives."<sup>3</sup>

#### INELIGIBILITY FOR FOOD STAMPS AND ELIGIBILITY FOR SURPLUS COMMODITIES

Senator HANSEN. Then maybe if we could possibly pursue those points just a bit further at this time, is there anything in H.R. 1 making it, that would make it, mandatory that States cash out food stamps.

Secretary RICHARDSON. Yes. For those, for the people under the AFDC program who would be receiving benefits, that is the people in that family situation. There are a few people who are not covered by H.R. 1 at all who could continue to be eligible for food stamps under the existing food stamp law.

Senator HANSEN. What you are saying is that all persons who would come under the purview or the provisions applying to aid to families with dependent children, none of those persons would be eligible for food stamps in any of the 50 states.

Secretary RICHARDSON. That is correct.

<sup>1</sup> See p. 52 ff.

<sup>2</sup> See p. 75 ff.

<sup>3</sup> See p. 72 ff.

Senator HANSEN. Is this same situation true with commodities.

Secretary RICHARDSON. No, the H.R. 1 does not touch the commodity program.

Senator HANSEN. Then could that be indicated or may we have a clarification of the possible impact that could result in a welfare situation if a State decided to distribute and dispense surplus commodities.

Secretary RICHARDSON. About a third of the counties, I believe, still do utilize the commodities program rather than the food stamp program. We have referred to this in our footnote somewhere. Are you suggesting that we show the economic value of (the food stamps) as they, in effect, part of—

Senator HANSEN. I was trying, Mr. Secretary, to determine for myself, if I could, the total impact of all of these various programs and it would occur to me that the ability to receive surplus commodities in diminishing amounts, assuming there would be a cutoff on those, along with other things, could be a factor in determining a persons motivation.

Secretary RICHARDSON. It could be. It is true that under the commodities program, quantity stays level up to the income cutoff beyond which the family is no longer eligible, so the result is a notch. It is hard to figure out when you are handing out commodities. The only way to do it otherwise would be, I suppose, to progressively reduce the quantity of the commodity. We have a short analysis of this problem I would be glad to furnish you.

Senator HANSEN. That would be helpful and I appreciate it, Mr. Secretary.

(The information follows:)

#### I.11 ISSUE PAPER ON SURPLUS COMMODITY PROGRAM

##### ISSUE

Section 502 (a) of H.R. 1 prohibits a FAP recipient from participating in the Food Stamp Program but does not prohibit participating in surplus commodity programs. This creates inequities among families with similar income and maintains a significant notch and accompanying disincentives to work effect.

##### IN H.R. 1

Section 3 (e) of the Food Stamp Act of 1964 is amended by adding at the end thereof the following new sentence. "No person who is determined to be an eligible individual or eligible spouse under section 2011 (a) of the Social Security Act, and no member of a family which is determined to be an eligible family under section 2152 (a) of such Act, shall be considered to be a member of a household or an elderly person for the purposes of this Act."

##### DISCUSSION

1. One-third of the counties now sponsor surplus commodities programs. A DOA spokesman estimated the retail value of the present combination of goods to be \$16 per person per year. Eligible families in these counties will have more real income than persons with comparable money income in the other two-thirds of the counties.

2. A family receives the same amount of surplus commodities from 0 income to the cut-off income. This creates a clear notch effect with potential disincentives to increased work effort.

3. There would be many problems if the disparity in the treatment of Food Stamps and Surplus Commodities encourages expansion of the latter program. Expansion of commodities to all families now receiving Food Stamps would create disruptions in the market and involve heavy distribution and storage costs.

4. One alternative is to prohibit receipt of commodities by FAP recipients but it may be difficult to sell to Congress. Chairman Poage of the House Agricultural Committee already advised Chairman Mills of Ways and Means that jurisdiction over surplus commodities was not transferred along with Food Stamps. The Senate Agricultural Committee may be equally protective of the surplus commodity program.

5. Another alternative is to define surplus commodities as part of income; this avoids the Congressional obstacles but there is a problem in placing a value on the commodities: The cost to the Government runs \$80 per person per year which is considerably less than the DOA estimate of retail value of the package. Despite the problems, the required valuation is analogous to calculation of a national consumer price index and therefore of course could be done.

6. Since a county may have a food stamp or a commodity program, but not both, our food stamp provision "cashes out" commodities as drafted, if we prohibit receipt of commodities.

#### POSITION

Attempt to prohibit receipt of commodities for family and adult recipients, either in H.R. 1 or by amending the commodity legislation. As a last resort, choose the alternative in 5 above.

Senator HANSEN. One further—

Mr. VENEMAN. Senator, may I just elaborate a little on the history of that.

Senator HANSEN. Yes.

Mr. VENEMAN. When the bill was before the House last year, you will recall, when we offered an alternative to buy out food stamps we also applied it to commodities—that is the way we initially offered it to Ways and Means. The Ways and Means did not include commodities because of jurisdictional problems as well as anything else. Our position was we should not provide incentives to initiate another nationwide commodity program.

#### MANDATORY INCREASE IN MEDICAID DEDUCTIBLE AS EARNING RISE

Senator HANSEN. As I compared the charts that were prepared as I understand by your staff this year, Mr. Secretary, with some of those we had last year it occurred to me, and I may be in error on this but it seemed as though there may be, may have been some difference implied, at least, by the figures in so far as the medicaid value is concerned.

My question is, is there any difference in the medicaid figures that were used last year and those that are incorporated in this year's charts.

Secretary RICHARDSON. The main difference is that for families affected by the so-called spend-down provision we showed no dollar value. For families below that level we showed the average payments to a family of that size in the same way that they were shown last year. The problem with showing the dollar amount for families above the combined Federal benefit-State supplement payment level is the problem of giving an actuarial value to this. The family would benefit from "free" medical care in that situation, as H.R. 1 is written, only after they had spent income down to the level of the combined payments. This is the reason why we have not been able to arrive at a dollar equivalent and that is a difference from last year's charts because last year's bill did not contain this so-called spend-down provision.

Senator HANSEN. What you have said then, as I understand it, is that the same basic rules apply insofar as medicaid goes, but it is in an

effort to more realistically and accurately interpret them in the impact they would have on the welfare recipient that brings about the present problem I am speaking of.

Secretary RICHARDSON. It is a little more than that, Senator Hansen. The current bill actually includes a new section, section 209, which was added to the bill by the House committee for the purpose of eliminating the so-called medicaid notch. It does do that in a way because, as I say, the result of it is that as your earnings go up you have to use an increasingly large proportion of earnings for the payment of out-of-pocket of medical care expenses before you become entitled to any subsidy. So it does have this effect.

As I said earlier, we think there are better ways to deal with the problem but that is an actual change in the bill as compared with last year and so it results in a change in charts for reasons I explained.

Senator HANSEN. Did I understand you to say, trying to summarize what you said, that in an endeavor to escape the notch effect that would result from trying graphically to portray the effect of medicaid contributions, assuming as you said that the greater your income the greater percentage you are asked to contribute to medicaid—that was left out.

Secretary RICHARDSON. I think I might be able to restate it this way, Senator Hansen. If you start out with average medicaid benefits for a family of four, as under the Delaware chart, for example, at \$460 or under the New York chart, \$910 for a family of four, under present law so long as the family is eligible for any cash assistance payment, it is eligible for medicaid, for all the benefits, and it doesn't matter whether they are cash assistance amounts to \$20 a month supplementing earnings or whether the family has no earnings at all. They still get the full package of benefits, and there is no out-of-pocket cost to the family for that package.

Now, as the charts last year pointed out, this means that when the family crosses the threshold of eligibility for each assistance payments, or as the case may be in a State that has medicaid for the medically indigent, that level of income, they automatically lose that entire benefit package at that point. So there is a disincentive to cross that line, at least that was the concern reflected in the chart.

We said last year one way to do that, to eliminate that problem, is to provide that the family must pay some amount toward the cost of these benefits once they get up to a certain level of income, and they must pay an increasing amount for these benefits as their income goes up. That is what we have proposed in the family health insurance plan. The Ways and Means Committee wanted to send over to you a bill that took care of that problem within its own four corners, without waiting for the family health insurance plan, and so they wrote into the bill this so-called spend-down provision. Under that provision, as I said, the device used is not a contribution by the family toward the cost of the health insurance coverage or the payment of medical benefits, but instead a requirement that as family income goes up and the family actually incurs medical expenses, they must absorb an increasing amount of those expenses before they become eligible to have any of the bills paid for them. That is the device in H.R. 1 and that is the reason, therefore, why the chart this year for medicaid couldn't be the same as last year.

## TREATMENT OF SOCIAL SECURITY TAXES

Senator HANSEN. My final question, Mr. Chairman, Mr. Secretary, did I understand you to say or to recommend that we should drop social security taxes being levied against welfare recipients.

Secretary RICHARDSON. No; not exactly, Senator. I said that we didn't think that if you purport to show the combined effect of cash receipts and economic benefits available to a family, in other words, if you want your chart to show both cash income and such benefits in kind as public housing and so on, then it was fair to eliminate the social security contribution because the dollar input, the deduction from cash, is more than offset by the value of the benefits to which the family is entitled because of the payments.

In other words, they are getting something for their money.

Senator HANSEN. The point you were making was that while they would not enjoy these benefits to which they are making a contribution now the time would come, say 20, 30, 40 years—

Mr. VENEMAN. It could even come sooner, Senator, because there are survivorship benefits. If the father or mother should die and he or she were paying social security they would have an immediate benefit.

Secretary RICHARDSON. Disability benefits as well. So that we say if you are cashing out economic values, showing them in dollars on a chart, you should consider that the social security program also has a cash value, current cash value, to the family just the way any other insurance policy does, and since that is worth at least as much as the dollar contribution there is a wash there and so that it is more realistic then to eliminate that factor from the charts in order to give you a better overall picture of the family's economic situation.

Senator HANSEN. I understand now what you were talking about. I have no further questions, Mr. Chairman.

## TRAINING WELFARE RECIPIENTS TO BE CHILD CARE AIDES

The CHAIRMAN. While you are here, Mr. Secretary, I would like to ask about one more matter before we quit until tomorrow. Under this bill a mother is not be required to work if she has children under age 6, isn't that correct.

Secretary RICHARDSON. Yes.

The CHAIRMAN. All right. Now, it would seem to me that we should be able to train a lot of these welfare mothers to where they would be very good helpers in child-care facilities. If we can establish good child-care centers I would think that some of these mothers, particularly with some training, could be very helpful, and would make good workers. We are planning to pay the prevailing wage for that kind of work, are we not? That is not intended to be some sort of sub-minimal job, is it?

Secretary RICHARDSON. No; I fully agree, Mr. Chairman, that this is both a good way of providing earnings at the prevailing wage for some mothers and a good way simultaneously of providing day care for the children of other mothers, and we are certainly for this.

The CHAIRMAN. Now, the point that impresses me about this is that a mother has but one child, and particularly if you offer her a job that pays at least \$2 an hour, let's say, in a child-care center, if we assume for the sake of argument that is the same child-care center where her child is so that she can be available in the event that the



child trips on the curb or something, to take, show the child her own personal attention, for that type of situation, does it make a lot of sense to say that merely because the child is less than 6 years old, let's say the child is between age three and six, that that mother should not be expected to take the job if she can qualify in other respects?

Secretary RICHARDSON. She would not be under those circumstances required to register. On the other hand, though, in practice I expect that among the younger mothers with children less than six, quite a few of them would actually volunteer for work. A survey was made, and brought to my attention sometime ago, in Cuyahoga County, Ohio, in which the ratio of mothers who wanted jobs was higher among those who had pre-school children than among those who did not, and so there will undoubtedly be a considerable number of mothers with pre-school children who will volunteer. A mother who will have an opportunity to gain both training and child care and put her own child in a decent day-care center while earning \$2 an hour at the same time would probably want to do that, or at least enough mothers would so there would be an ample supply. I doubt therefore that you would have to make it a requirement to register in order to enlist mothers for that kind of job.

The CHAIRMAN. Well, there is the other side of the coin. Isn't it a better Federal investment, to make child care available to the mothers of one child first and intend it only when we have taken care of those mothers who would like to work and who have one child?

In other words, if you take a mother who has four children, it is not as efficient an investment of Federal money as if you have four mothers available for an employment opportunity, each one of which have one child.

So if you are thinking about it from where you get the most mileage for the Government, it is the most efficient expenditure where you are making the child care available with the mother for a smaller number of children. Doesn't that make sense?

Secretary RICHARDSON. I see what you are driving at, Mr. Chairman. But I think the point can be dealt with on the basis of priorities for day-care opportunities without necessarily changing the work registration requirement itself. I think it will turn out in fact that mothers of one or two children, both preschool, will be at the same time the mothers most anxious to and often best qualified for the kind of day-care center job that you refer to.

The CHAIRMAN. Well, Mr. Secretary, I appreciate what you have said here today. I will submit to you a suggestion or two as to other ways you might do this. Generally speaking, as you know, my thoughts are that it makes better sense to provide jobs and say "you are not eligible for welfare as long as that job is available." I will submit to you one or two suggestions of other ways you might do it and would you be kind enough to ask your people to figure up the cost estimate of what it would take?

Secretary RICHARDSON. We'll be glad to do that.

The CHAIRMAN. Thank you very much. We will meet at 10 o'clock tomorrow morning.

(Whereupon, at 6:20 p.m., the committee was adjourned, to reconvene at 10 a.m., Tuesday, August 3, 1971.)

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# SOCIAL SECURITY AMENDMENTS OF 1971

TUESDAY, AUGUST 3, 1971

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson presiding.

Present: Senators Long, Anderson, Talmadge, Hartke, Byrd of Virginia, Nelson, Bennett, Curtis, Jordan, Fannin, and Hansen.

Also present: Thomas Vail, chief counsel.

Senator ANDERSON. The committee will come to order.

Senator Byrd, you are next.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, before we get started I might say when I left my apartment this morning my wife said "I hope you and Elliot Richardson get along well."

She said "he is so handsome and so charming." I said "I certainly agree with that, and very, very smart, too."

She said, "well, I hope he doesn't hold it against you because you are not a Republican, and you don't call yourself Republican."

I said "I don't think he does."

But what she had in mind was we have a Republican Governor who last year said that he thought I had a fine record in the Senate, making a fine Senator, but unless I call myself a Republican he was going to eliminate me from the Senate. That has put me in sort of a tough position to have the Governor of my own State say that.

But it worked out all right, and the Democratic nominee called me a Republican in every speech he made, and he made three or four a day, he was very articulate, I never mentioned his name so I can't remember it this morning, but in every speech he made he called me the Republican from Winchester, Winchester being my home town, so I am not adverse at all to sound Republican philosophy.

As a matter of fact, I have sort of liked what in the past has been fiscal responsibility which the Republican party stood for. I don't know whether now we should use the past tense or the present tense, but we will get down to several questions I would like to ask.

**STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY JOHN G. VENEMAN, UNDER SECRETARY; ROBERT M. BALL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; HOWARD NEWMAN, COMMISSIONER, MEDICAL SERVICES ADMINISTRATION; STEPHEN KURZMAN, ASSISTANT SECRETARY (LEGISLATION); AND JAMES B. CARDWELL, ASSISTANT SECRETARY, COMPTROLLER—Resumed**

Secretary RICHARDSON. Please assure your wife on my behalf, Senator Byrd, that I feel that our colloquies have always been constructive, and to the point, and illuminating to the record, and I

certainly enjoy the opportunity to try to supply as well as I can answers to any questions you may raise.

Senator BYRD. Thank you, sir.

#### TOTAL COST OF WELFARE UNDER H.R. 1 AND PRESENT LAW

So that we may fully understand one another, I want to repeat a question which I put to you yesterday, and your reply. Now the question was this. Assuming H.R. 1 is enacted into law by the present Congress, what will be the total cost of the welfare program, that is the Federal share for fiscal year 1973. You replied giving the figure of \$14.9 billion, plus \$4.5 billion for medicaid. These are the correct figures; are they not?

Secretary RICHARDSON. Yes.

Senator BYRD. Now let's take the figure of \$14.9 billion for fiscal 1973. Is it correct that H.R. 1 would be effective for only half of that fiscal year.

Secretary RICHARDSON. The provisions for the coverage of the working poor would be effective for only half of the fiscal year. The rest of the program would be effective for the full fiscal year.

Senator BYRD. Well now that being the case, if all of the provisions of H.R. 1 should operate for the full fiscal year 1971, the total cost, I assume, would be greater than the \$14.9 billion; is that correct?

Secretary RICHARDSON. Yes. The cost would be \$600 million more had the same provisions been in effect for the whole year.\*

Senator BYRD. Now, what will be the total cost of the welfare program, that is the Federal share for fiscal 1972, the current year, under the current program?

Secretary RICHARDSON. About \$11 billion, Senator Byrd.

By the way, I would like the record to show, Mr. Chairman, that seated with me at the witness table is the Assistant Secretary, Comptroller of HEW, Mr. James Bruce Cardwell. I asked him to come up today because he is the most familiar with budgetary data of the Department, and so that some questions that I might not be able to answer could be answered immediately.

Senator BYRD. That is fine.

You say the total cost for fiscal 1972 under the current program will be how much more?

Secretary RICHARDSON. About \$11 billion, is that correct?

Mr. CARDWELL. Yes, sir. The \$11 billion figure is the figure that is represented in the President's budget as submitted to Congress last January.

A review of the projected costs for the program in 1972 that was made in May would raise that figure by about \$1 billion. It could range as high as \$12 billion by the time all of the final reports are in, but the budget that was presented to Congress for fiscal year 1972 calls for \$11 billion and \$79 million.

Secretary RICHARDSON. However, may I point out further, Senator Byrd, that to make that figure comparable to the \$14.9 billion it would

\*The Department subsequently informed the committee that the \$600 million figure does not include a food-stamp offset of \$300 million, so that the net increase would be \$300 million.

be necessary to add \$2.4 billion for food stamps since H.R. 1 would supplant food stamps with cash. The cash total for the substitution of food stamps is included in the \$14.9 billion. The \$11 billion obviously does not include the Federal cost of food stamps in their present form under the program administered by the Department of Agriculture. So to get a comparable figure you would need to add the \$2.4 billion to the \$11 billion, which would bring you to \$13.4 billion.

Senator BYRD. Are not the food stamps included in the \$11 billion?

Secretary RICHARDSON. No, that is not an HEW program; it is not considered part of our welfare administration as such. There is also another amount for WIN training, which is administered by the Department of Labor, and which would be absorbed into H.R. 1, but is not included in the \$11 billion total either. It is on the order of \$75 to \$100 million.

Senator BYRD. I believe this is going to take a little longer than I had anticipated.

The table in the committee print, Welfare Programs for Families under the Current Law, has \$2.4 billion for food stamps. Under H.R. 1 it has \$1 billion for food stamps.\*

Mr. VENEMAN. Could you repeat that, Senator.

Senator BYRD. Yes, it is on page 15 if you want to look at it, Welfare programs for families dated July 21, 1971. Under the current law it has a figure of \$2.4 billion for food stamps.

Secretary RICHARDSON. Yes. That is the figure I said would have to be added to the \$11 billion to make the total under current law in the current fiscal year comparable to the total for H.R. 1.

Senator BYRD. In reply to my question what will be the total cost of the welfare program, that is the Federal share; for the current fiscal year you gave a total of \$11 billion plus \$2 billion for food stamps cash out.

Secretary RICHARDSON. I think, Senator Byrd, the \$11 billion total you are looking on page 15, chart 7, did include medicaid.

Senator BYRD. But your \$14.9 billion did not include medicaid.

Secretary RICHARDSON. Well, can we get established that the current law minus medicaid—

Senator BYRD. That was going to be my next question as to what will be the medicaid costs for fiscal 1972.

Secretary RICHARDSON. \$3,384,000,000.

Senator BYRD. \$3.3 billion.

Secretary RICHARDSON. Almost \$3.4 billion; it is \$3.384 billion, rounded off, \$3.4 billion.

Senator BYRD. I have gotten three different figures here. What are the final figures?

Secretary RICHARDSON. For medicaid for fiscal 1972 the total is \$3.384 billion. Let me give you, Senator, the totals for fiscal year 1972: for income maintenance \$6.604 billion; for medicaid \$3.384 billion; For social services, in matching by the Federal Government of State expenditures \$1.091 billion, which produces the total of \$11.079 billion,

\*\*See opp. C, p. 433.

the total Mr. Cardwell gave you for Federal expenditures for the welfare program, including medicaid, in fiscal 1972.

Senator BYRD. Now we have got it.

Secretary RICHARDSON. In some respects the totals shown on chart 7 are not comparable. In the first place medicaid is not included. In the second place there is no figure for social services.

Senator BYRD. You see my whole purpose is trying to get comparable figures.

Secretary RICHARDSON. I understand.

Senator BYRD. Now we are making a little progress here, I think. Let me restate it. The total cost of the welfare program which you gave me when I queried you in regard to 1973 you put the total cost at \$14.9 billion, and then you gave a separate cost for medicaid of \$4.5 billion.

Secretary RICHARDSON. Well, I would like to make one clarifying point, Senator. The total I gave you for fiscal 1973, \$14.9 billion, is the total cost under H.R. 1.

Senator BYRD. That is correct.

Secretary RICHARDSON. This includes a number of other expenditures, as you will see on chart 7.

Senator BYRD. I understand.

Secretary RICHARDSON. Some of these other expenses are not included in the HEW budget for fiscal year 1972 we have been discussing.

Senator BYRD. I understand.

Secretary RICHARDSON. This is true of expenditures for child care, training, public service jobs, social services, and administration.

Senator BYRD. I understand. I want to get the total cost of the welfare program, leaving out medicaid, total cost of the welfare program for fiscal 1972 under the current program, as I get that I understand that figure to be \$9.6 billion.

Secretary RICHARDSON. I am not sure I understand what the——

Senator BYRD. Well, you give the figure now, you give me what the total cost, leaving out medicaid, is.

Secretary RICHARDSON. If you add together maintenance payments and services you get \$7 billion plus.

Senator BYRD. All right.

The total cost then is \$7 billion what.

Secretary RICHARDSON. You get \$7.7 billion; \$7,695 million.

Senator BYRD. Or \$7.7 billion.

Secretary RICHARDSON. Yes.

Senator BYRD. Is that the total cost, that is the Federal share for fiscal 1972 under the current program exclusive of medicaid?

Secretary RICHARDSON. Exclusive of medicaid and food stamps.

Senator BYRD. And food stamps, amount to how much?

Secretary RICHARDSON. About \$2.4 billion. The only food stamp figure I have is the 1973 figure of \$2.4 billion. I am corrected, we do have a figure for fiscal 1972. It is \$2.3 billion.

Senator BYRD. \$2.3 billion. That makes a total then of \$10 billion, plus \$3.4 billion for medicaid; is that correct?

Secretary RICHARDSON. Yes.

Senator BYRD. Now we are ready to proceed to the next question.

Secretary RICHARDSON. Yes, sir.

Senator BYRD. So we have established the costs for fiscal 1972 at \$10 billion for welfare plus \$3.4 billion for medicaid.

Secretary RICHARDSON. Yes.

Senator BYRD. I assume you have begun working on the 1973 budget; have you not?

Secretary RICHARDSON. Just beginning.

Senator BYRD. Are you basing the budget on the enactment of H.R. 1?

Secretary RICHARDSON. We will have to show in the budget, as we did in 1972, the cost of beginning the administration of H.R. 1; yes. I am not sure at this point whether we will also show alternative projections under current law.

Senator BYRD. All right.

#### TOTAL BUDGET FOR DEPARTMENT

Now yesterday I asked for certain figures which you very kindly supplied.\* Now I need to get an understanding of these figures. The total HEW budget in response to a question from me yesterday, you put the total HEW with budget for fiscal year 1972 at \$77 billion.

Secretary RICHARDSON. Yes.

Senator BYRD. The figure on the sheet of paper supplied to me gives at \$75.7 billion, a difference of a little over a billion dollars. Which is the accurate figure?

Secretary RICHARDSON. \$75.7 billion is the budget as submitted by the President. He has already signed the education appropriations bill which was about \$500 million over the budget. The Senate passed unanimously a few days ago a health and welfare appropriations bill of more than a billion dollars over the budget which would be a billion and a half. I am not assuming, I might say at the moment, that the health and welfare appropriations bill will become law in that amount, but in order to give you an immediate answer to the order of magnitude of our appropriations for fiscal year 1972 I made a guess at what the ultimate increases might be.

Senator BYRD. So the \$77 billion figure should be used rather than the \$75.7 billion.

Secretary RICHARDSON. Yes.

Senator BYRD. Now you give a social security figure or you gave yesterday a social security figure including medicare of \$45 billion, and now this sheet shows \$53 billion.

Secretary RICHARDSON. I think the \$45 billion figure was given to you in answer to a question as to the total for the current fiscal year.

Senator BYRD. Well, that is what I am speaking of the current fiscal year, fiscal 1972.

Secretary RICHARDSON. I am sorry, I meant fiscal 1971.

The \$53 billion figure is the total for 1972.

Senator BYRD. The \$53 billion is the correct figure for 1972 and not the \$45 billion?

Secretary RICHARDSON. Yes.

Senator BYRD. Now for fiscal 1971 you gave me yesterday a figure of \$70 billion, but this sheet shows \$66.6 billion.

\*See page 249.

Secretary RICHARDSON. I was off to that extent. I didn't—

Senator BYRD. \$66.6 is the correct figure; is it?

Secretary RICHARDSON. Yes.

Senator BYRD. \$66.6 billion.

Now, yesterday you gave me the figure for fiscal 1971 for social security and medicare of \$40 billion. The sheet shows \$47.5 billion. Now, which is the correct figure?

Secretary RICHARDSON. \$47.5 is correct.

Senator BYRD. In regard to the—and I am referring now to the sheet which you submitted in response to my inquiry—social security budget is the wording on the sheet.

Secretary RICHARDSON. Yes.

Senator BYRD. Of those figures, what part of those figures represents benefit payments to individuals?

Secretary RICHARDSON. Well, practically all except for the administrative costs, which are about 2.5 percent, about a billion dollars out of the total of \$53 billion.

Senator BYRD. I see, so practically all represents payment to the individuals.

Secretary RICHARDSON. Yes.

#### DISCREPANCY IN DEPARTMENT EMPLOYMENT FIGURES

Senator BYRD. I notice in regard to the number of employees, you have been able to make a reduction in the number of employees, and I certainly want to commend you and your associates for that but in what area were the reductions made mostly?

Secretary RICHARDSON. I would like to ask Mr. Cardwell to respond to that.

Mr. CARDWELL. I would like to clarify those figures, Senator Byrd.

I assume you are referring to the 117,000 figure shown for fiscal year 1968.

Senator BYRD. That is right.

Mr. CARDWELL. Contrasted with the 102,000 shown for fiscal year 1972.

Senator BYRD. Yes.

Mr. CARDWELL. The 117,000 represents the total number of positions that our department was authorized to employ for fiscal year 1968. Actual employment, though, has been running behind authorized strength as the result of a presidential policy, which began at the close of the last administration and has carried into this administration, which has attempted to hold end-of-year employment; 102,000 represents actual end-of-year employment projected for this fiscal year.

The difference would show up in just about every part of the department, ranging from the Social Security Administration, the largest employer in the department.

Senator BYRD. Are we talking about apples and oranges here?

Mr. CARDWELL. A little bit, I am afraid.

Senator BYRD. That is, the whole purpose of this discussion is, to try to get the apples separated from the oranges. If we are not dealing with comparable figures they are not very meaningful.



Mr. CARDWELL. The figure apparently was compiled by reviewing the past budgets, and that is what the budgets actually showed. I would be glad to give you a comparable end of year actual employment figure year in, year out and that would be a better figure for comparison.

Senator BYRD. I think it would, because if we are using two different criteria we don't come up with very meaningful answers.

Mr. CARDWELL. Yes, sir.

Secretary RICHARDSON. Can you tell from this what years do show the actual end of year total?

Mr. CARDWELL. Just looking at the totals the fiscal year 1971 figure is end of year, and I think the fiscal year 1970 figure is end of year. I am not sure about fiscal year 1969 and earlier. I would have to doublecheck them.

Senator BYRD. Well, anyway, you will endeavor to get them the number of employees.

Mr. CARDWELL. The number of employees actually on the rolls as of the end of the fiscal year in question, I think, is the best figure to use.

Senator BYRD. Yes; that would be fine if you would do that.

(The information follows:)

TOTAL FULL-TIME PERMANENT EMPLOYMENT, END OF YEAR

Fiscal year	Total, HEW	Total, SSA
1962	72,128	34,539
1963	76,264	35,465
1964	79,545	36,675
1965	81,324	36,575
1966	91,921	44,635
1967	104,092	48,246
1968	102,102	54,197
1969	102,438	51,107
1970	106,492	50,395
1971 estimated	103,977	52,601
1972 estimated	101,189	52,847

Senator BYRD. Did you, in fact, reduce the number of employees or just not fill the vacancy.

Mr. CARDWELL. The latter.

Senator BYRD. In other words, you didn't go to the full authorized strength.

Mr. CARDWELL. That is right, sir.

Senator BYRD. But actually you did not reduce the number of employees.

Mr. CARDWELL. Essentially that is correct, sir. There may be a few isolated instances where this policy forced reduction but as a general proposition, you are right.

INCREASE IN NUMBER OF DEPARTMENT EMPLOYEES NEEDED TO ADMINISTER H.R. 1

Senator TALMADGE. Will the Senator from Virginia yield at that point. Do I understand the answer to be that if H.R. 1 is passed you will reduce your Federal employees handling this act.

Mr. CARDWELL. No, sir; definitely not.

Senator TALMADGE. There would be a substantial increase.

Mr. CARDWELL. Yes, sir.

## STATUS OF STATE WELFARE PERSONNEL IF H.R. 1 WERE ENACTED

Senator TALMADGE. Does that also contemplate taking all of the State personnel that elect Federal administration into the Department of HEW.

Secretary RICHARDSON. Let me respond to that, Senator Talmadge. We have been working for quite a long time, since before last year's hearings, on trying to work out with State welfare departments, with their employee representatives and with the U.S. Civil Service Commission, the terms and conditions under which State employees would be transferred to the administration of eligibility and income maintenance payments under this proposed program.

It is expected that the State employees who have had experience with the payments side of welfare administration would, in most instances, be offered jobs in the new Federal program. This would not be a guaranteed offer because we believe that we can administer this program, notwithstanding the larger numbers of people receiving payments, with a smaller total number of employees than are presently engaged in the State and local welfare departments in handling payments and eligibility determinations.

The approximate number of the State and local people doing this now in the case of AFDC is 70,000. An additional number, handles the adult categories.

We think that as a result of the use of automated technological means of handling the relevant data, and so on, that we can administer the program with somewhat fewer employees.

Senator TALMADGE. How many less?

Secretary RICHARDSON. I have here a short statement which I could insert on these total numbers from Mr. Montgomery, the director of welfare reform planning.

(The statement follows:)

NUMBER OF EMPLOYEES REQUIRED FOR INCOME MAINTENANCE (FAMILIES)  
UNDER H.R. 1

PURPOSE

This relates estimated personnel requirements for administering income maintenance for families under H.R. 1, to the present and projected personnel required for State and local income maintenance administration of the present AFDC program.

TEXT OF THE INFORMATION

As far as can be determined from existing State data approximately 70,000 State/local employees are required for the income maintenance functions of AFDC caseload with an additional 10,000 involved in assistance payments to the adult categories. We presently estimate that some 65,000 employees will be required for the family portions of H.R. 1; the requirements of SSA for the greatly increased adult rolls are, of course, in addition to this. Were it not for increased efficiency and economies of scale we hope to achieve, our estimated requirement would be much higher.

The States are estimating about a 40 percent increase in the AFDC caseloads between fiscal year 1971 and 1973. As there is a close relationship between caseloads and the number of employees in income maintenance, by the end of 1973 the States would quite likely require nearly 100,000 employees to administer AFDC under existing legislation. The Federal agency under H.R. 1, will, of course, have the new workload of the working poor in addition.

Secretary RICHARDSON. Would you like any further information on it?

Senator TALMADGE. How many of the 70,000 State employees would you assume would become Federal employees if the State elects to have Federal administration. I assume most of them would. It would save their cost of administration.

Secretary RICHARDSON. I didn't have a moment ago when I was answering the question earlier the number of State employees involved in assistance payments in the adult categories. This is another 10,000, so that the total of State and local employees involved in assistance payments is about 80,000. We presently estimate that some 65,000 employees will be required for the family portion of H.R. 1. We don't have an estimate for the adult category but one might suppose it was also somewhat less than the current State total because of the opportunity for increased efficiencies and economies of scale. This is notwithstanding that the States are estimating about a 40 percent increase in the AFDC caseloads between fiscal year 1971 and fiscal year 1973. As there is a close relationship between caseloads and the number of employees in income maintenance, by the end of 1973 the States will quite likely require nearly 100,000 employees to administer AFDC under existing legislation. The Federal agency under H.R. 1 will, of course have the new work load of the working poor in addition. So we anticipate that we would be able to administer H.R. 1 with under 75,000 Federal employees, which represents about three quarters of the projected total under current law of a hundred thousand State and local.

Senator TALMADGE. Then you would estimate about 25,000 State employees would lose their job under this transition.

Secretary RICHARDSON. Some of them might be absorbed by the State in the process of administering the services responsibilities they now have which could be expected in the ordinary course also to expand somewhat in the meanwhile. But I don't have any projection of just how that would work out.

Senator TALMADGE. I thank the Senator from Virginia for yielding.

Senator BYRD. I thank the Senator.

#### MISLEADING EMPLOYMENT FIGURES

Mr. Secretary, it seems to me that this dramatizes the importance of these meetings. It takes your time and it takes the committee's time but I think it is important because this chart you submitted to me would indicate that there had been a reduction of some 15,000 employees when the testimony has been there has been no reduction of the number of employees.

Secretary RICHARDSON. There has been a reduction, Senator Byrd. The reduction is somewhat less dramatic than it looks because it turns out that the 117,000 figure is not entirely comparable with the 102,000.

Senator BYRD. We are not even sure the other figures are comparable.

Secretary RICHARDSON. But if you take the 3 years of this administration starting with 1970, and the 108,000 year end figure, Mr. Cardwell thinks that these three figures are comparable, so you do see a reduction of 6,000 in those 3 years.

Senator BYRD. I have already complimented you on it and I certainly am not going to withdraw the compliment, but I do think it is

important we have the figures accurate which are submitted to the committee and on a comparable basis.

Secretary RICHARDSON. You are quite right. I am sorry that they are not but they will be.

Senator BYRD. That is all right. I understand then, I will discard all of these figures in regard to HEW employees and you will submit new figures in that regard.

Secretary RICHARDSON. Yes.

Senator BYRD. Thank you.

#### HEW BUDGET

Let me get an understanding of this budgetary situation.

Take the fiscal year 1972. On this sheet your total HEW budget is \$77 billion and your social security will be \$53 billion so that leaves a difference of \$24 billion.

Secretary RICHARDSON. Yes.

Senator BYRD. Now that \$24 billion represents all of the other expenditures of the department; is that correct?

Secretary RICHARDSON. Yes, including the total amount of federal share of welfare payments which turned out to be \$11 billion including medicaid. So if you take the \$11 billion of the \$24 billion you have \$13 billion for all other HEW functions.

Senator BYRD. Now, this figure I am going to mention in a moment I am taking from memory and I may be in error on it, one of the members of the appropriations committee I understood him to say that the HEW budget, leaving out social security now, was \$21 billion plus \$7 billion for education or would education be included in that \$21 billion.

Secretary RICHARDSON. Yes. Just to restate what I said a moment ago, if you start out with \$77 billion, if you take out \$53 billion, as the social security budget, that leaves \$24 billion. If you subtract \$11 billion for welfare including medicaid, from the \$24 billion you get \$13 billion, and the \$13 billion includes everything else, and education is one of the things included.

Senator BYRD. Well now, with a \$77 billion budget that would mean that your department would have the largest budget of any department of Government, including Defense, would it not?

Secretary RICHARDSON. Yes.

#### TOTAL WELFARE COSTS IN PRIOR YEARS

Senator BYRD. Let's get down to another question that I asked and I refer to the sheet presented to me, and I asked for the total welfare costs, which is to say the Federal share of the welfare program, beginning in fiscal year 1962.

Now the sheet that was supplied me, it says Federal cost of maintenance payments including medical assistance. Is that the total cost of welfare?

Secretary RICHARDSON. I am sorry, the bottom line of the sheet you were looking at is captioned Federal costs of maintenance payments, including medical assistance.

Senator BYRD. Right.

Secretary RICHARDSON. The reason that shows as \$10 billion in fiscal 1972 is that the total does not include the social services figure we gave you earlier of a billion dollars.

Senator BYRD. There again, Mr. Secretary, I have been trying to stress the word "total" beginning yesterday. I think every statement I made I said total costs. I am anxious to know whether this \$2.4 billion—go back to 1962, just as a starting point, I am anxious to know whether \$2.4 billion—is the total cost, the total cost, of welfare, including since you have got it this way, I didn't have it, but since you have got it this way, including medical assistance.

Secretary RICHARDSON. It is, as the caption shows, the total Federal share of payments to individuals, plus the total Federal share of medicaid.

Senator BYRD. Is that the total cost?

Secretary RICHARDSON. It does not include social services and to give you the total Federal share of all welfare expenditures it would have to add social services.

Senator BYRD. Well, what we are trying to do is to get the total cost of the program, but this doesn't give it to us.

Secretary RICHARDSON. Well, let's add that. We simply misunderstood the question in responding to you—

Senator BYRD. Yes.

Secretary RICHARDSON. We can give you that in a substituted form. But to give you some idea of the order of magnitude involved this would require the addition of a billion dollars to the last figure of \$10 billion, so if you figure a 10-percent add-on all the way across the bottom you would get about the order of magnitude but we will give you the exact figures.

Senator BYRD. I am sure it was my fault for not making myself clear but I think if I can make it clear what I would like to get are the totals, not totals minus this, totals minus something else, totals minus something else. I would like to get the total figure.

I can't comprehend all of these other figures. I am not as smart as some other people.

Secretary RICHARDSON. Well, I think it has been useful in pointing out the problem inherent in determining exactly what is intended to be covered. There are—would you like also to see another line showing food stamps?

Senator BYRD. I just want the total costs of the program.

Secretary RICHARDSON. Well, that isn't of course under "the program." Food stamps are not administered by HEW.

On the other hand, in order to determine to comparable costs of the welfare reform bill it is necessary to include food stamps because H.R. 1 would eliminate food stamps for the people covered, and so, therefore, in order to get a real comparison it would be necessary to include food stamps, and it would also be necessary to include the cost of the Labor Department of administering the WIN program, which is currently around \$100 million. Only after these add-ons do you really get comparable figures. However, the latter two, the food stamps and the Labor Department expenditures for WIN, are not part of the "welfare program," reimbursed by HEW under the Social Security Act.

Senator BYRD. Well, if you want to put the food stamps separate that is all right but what I am anxious to get is how much it is costing the taxpayers in each of these years for welfare.

Secretary RICHARDSON. I understand. We will add in the Federal funds for the matching of social services and administration and include that in the—

Senator BYRD. I will discard—

Secretary RICHARDSON. We have another sheet here, Senator, also prepared yesterday.

Senator BYRD. Am I to understand then that I should discard the table I now have?

Secretary RICHARDSON. We do have a sheet here which does show medicaid and social services for all of these years, 1962 through 1972 and the totals are for 1962 \$2,402 million; not for all of the years, the next year is 1965, \$3,189 million; 1967, \$4,170 million.

Senator BYRD. I think that is the same as I have got here. But as I understand it those figures need to be discarded, do they, or are they the accurate figures.

Secretary RICHARDSON. These are the accurate figures.

Senator BYRD. All right. Those are the figures to answer my question.

Secretary RICHARDSON. The last several, these figures answer your question; 1967 on it omits some years.

Senator BYRD. Let me read you what I have got and you can verify whether they answer my question for the total cost of welfare; 1962, \$2.4 billion, I am rounding them off; 1963, \$2.6 billion; 1964, \$2.8 billion; 1965, \$3 billion; 1966, \$3.5 billion; 1967, \$4.2 billion; 1968, \$5.1 billion; 1969, \$6 billion; 1970, \$6.6 billion; 1971, \$8.4 billion; 1972, \$10 billion.

Secretary RICHARDSON. There are several of those, the latter years, do not include services.

Senator BYRD. Well, would you submit me another statement, if you will, would that be the simplest way to do it?

Secretary RICHARDSON. Yes.

Senator BYRD. Submit me another statement as to what the accurate figures are. I have no idea what the accurate figures are. I am just asking for information.

Secretary RICHARDSON. I understand. Just to give you some figures, for the moment, the figures for 1970, 1971, and 1972, with the addition of services the total for 1970 is \$7.5 billion; for 1971, \$9.7 billion; for 1972, \$11.1 billion.

Senator BYRD. As I understand then you will submit me a revised statement?

Secretary RICHARDSON. Yes.

(The information follows:)

FEDERAL COSTS  
[In millions of dollars]

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971 estimate	1972 estimate
Maintenance assistance:											
1. OAA.....	1,208.4	1,297.2	1,320.2	1,313.8	1,075.0	1,107.0	1,137.2	1,173.7	1,321.1	1,509.4	1,666.0
2. AB.....	43.7	45.5	46.6	47.0	46.0	48.3	51.7	52.0	56.3	62.6	65.4
3. APTD.....	181.9	217.5	252.3	292.3	299.5	331.7	366.6	427.1	517.2	659.2	794.0
4. AFDC.....	770.9	827.0	884.4	958.8	1,014.8	1,140.0	1,394.8	1,714.2	2,163.4	3,002.1	3,718.9
5. Emergency assistance.....								2.6	5.9	10.2	12.3
Subtotal.....	2,204.9	2,387.2	2,503.5	2,611.9	2,435.3	2,627.0	2,950.3	3,369.6	4,063.9	5,243.5	6,256.6
Social services administration and training.....	157.8	184.6	230.0	276.1	331.0	389.2	462.5	611.7	840.6	1,232.7	1,326.7
Repatriated U.S. nationals.....	0.5	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.5	0.8	0.8
Cuban refugees <sup>3</sup> .....	38.3	56.1	46.0	32.5	35.8	45.6	55.2	70.6	87.4	111.2	144.0
Medical assistance <sup>4</sup> .....	102.7	157.1	209.9	290.4	786.1	1,180.6	1,832.2	2,275.5	2,638.0	3,220.1	3,827.6
Work incentive program:											
1. Training <sup>5</sup> .....								33.2	82.9	126.2	198.9
2. Child care.....								4.2	18.4	40.6	78.0
Food stamps <sup>6</sup> .....	14.1	20.4	30.5	35.1	70.1	116.3	185.5	251.0	579.5	1,416.2	1,996.4
Surplus commodities:											
1. Value of commodities distributed (needy families).....	226.9	204.4	191.1	226.9	134.1	101.1	124.0	224.9	289.4	225.7	351.3
2. Administration <sup>7</sup> .....										4.3	3.6
Total.....	2,745.2	3,010.2	3,211.4	3,473.3	3,792.8	4,460.3	5,610.2	6,841.3	8,600.6	11,621.3	14,183.9

<sup>1</sup> Includes child welfare services.

<sup>2</sup> Budget estimate assumed passage of 110 percent limitation and net savings of \$110,600,000. May, 1971 estimates indicate that \$231,900,000 will be needed in addition to budget estimate, \$1,326,700,000, for the services administration and training activity. Based on May, 1971 estimates, an additional \$888,000,000 will be needed for categories 1-5 of maintenance assistance.

<sup>3</sup> Includes costs of administering program.

<sup>4</sup> Essentially medical assistance for the aged until enactment of 1966 amendments authorizing medicaid. In 1966, and each year thereafter, data is for medicaid programs. Data includes costs of administering programs.

<sup>5</sup> 1st year of operation.

<sup>6</sup> Data supplied by Department of Agriculture.

<sup>7</sup> Costs for administration of this program could not be isolated until 1971.

## EARNINGS LIMITATION UNDER SOCIAL SECURITY

Senator BYRD. Mr. Secretary, when it comes to requiring people under welfare to work, I note that the social security law is designed to discourage people from working.

If they earn more than \$1,680 a year their social security check is reduced. How can I tell a social security recipient who wants to work that he can't while at the same time we are trying to tell a welfare recipient that he must.

Secretary RICHARDSON. There is a provision in the bill which does provide two changes that provide more encouragement and opportunity for work for social security beneficiaries. The \$1,680 has been increased to \$2,000.

Senator BYRD. Well, substitute the \$2,000 for the statement I made a moment ago and how do we justify that.

Secretary RICHARDSON. Beyond that, though, the benefits are reduced under current law by \$1 for each \$2 of earnings between \$1,680 and \$2,880. For any earnings above \$2,800 the benefits are reduced dollar for dollar.

Under the bill there would be a \$1 reduction for each \$2 of all earnings above \$2,000. There would be \$1 for \$1 reduction as under present law.

Also in the year in which a person attains age 72 his earnings in and after the month in which he attains 72 would not be included as under present law in determining his total earnings for the year.

Senator BYRD. I think the charts yesterday labeled Wilmington, Chicago, and New York and under the question of the Senator from Nebraska, Mr. Curtis, and the Senator from Louisiana, Mr. Long, pretty well established there is very little, if any work incentive involved in this.

Let's get off the work incentive and let me ask you this. Do you favor taking off the ceiling of \$2,000 as to what people can earn under social security?

Secretary RICHARDSON. No; I do not favor taking the ceiling off, that is eliminating the retirement test altogether. In other words, I think the bill is on sound ground.

Senator BYRD. Here is a man or woman who wants to work, they are drawing social security but they want to work, but the new law says—the present law says you cannot earn more than \$1,680, the new law would say—which you recommend you cannot earn more than \$2,000.

Secretary RICHARDSON. Without some loss of benefits but they only lose 50 cents of benefits for a dollar earned so that they can keep, in effect, half of their earnings, which is a more favorable "tax rate" than would be provided for people under the welfare reform program itself.

Senator BYRD. If you put it on a tax rate basis, it is 50-percent taxes.

Secretary RICHARDSON. Yes; but it is a hundred percent tax under current law for any earnings over \$2,880.

H.R. 1 provides a 50-percent tax for any earnings over \$2,000.

Senator BYRD. But you would not favor that—

Secretary RICHARDSON. It is considerably more liberal than current law.

Senator BYRD. That is correct, but you would not favor taking the ceiling off.



Secretary RICHARDSON. No; simply for cost reasons. This is a very old issue, as you know.

Senator BYRD. This is the first time you said for cost reasons. I queried you many times last year and I don't remember you saying for cost reasons, that is the reason we don't take it off.

Secretary RICHARDSON. I don't remember that last year.

Senator BYRD. You and I discussed this in considerable detail. Your reply was it was a different philosophy, different reasons for social security and welfare which, of course, it is. Well, anyway, it is because of cost reasons, that is what I have been trying to establish for over a year now.

#### SOURCE OF FUNDS TO PAY INCREASED WELFARE COSTS UNDER H.R. 1

Mr. Secretary, your department estimates that H.R. 1 would increase Federal welfare costs by \$5.5 billion in fiscal 1973. According to the administration fiscal 1972 has finished with a large budget deficit. Where is the money coming from to pay the \$5.5 billion when the administration estimates that fiscal 1973 will end with a tremendous budget deficit?

Secretary RICHARDSON. It will come from a combination of tax revenues and borrowing.

As I pointed out last year, of course, Senator Byrd, and I do remember this quite clearly, I think I remarked that welfare reform is of such high priority that I think we could consider Federal expenditures for welfare reform as coming out of the first dollars collected under Federal tax laws.

If we have to go into the red for the year it will be because of expenditures under somebody else's program.

Senator BYRD. Somebody else's program, yet your program has been increased \$5.5 billion as a minimum. Will the President be recommending a tax increase to pay for all of this?

Secretary RICHARDSON. I doubt it; I think he will be recommending, however, again, that the budget be constructed on a full employment basis, and I think again that he will submit a budget balanced on a full employment basis.

Senator BYRD. Of course, no one knows what a full employment basis is. It is a completely fantastic hypothetical figure. It is like saying that I wouldn't be broke if my uncle had left me \$10,000. [Laughter.]

Secretary RICHARDSON. I don't agree with that at all.

Senator BYRD. I think it is complete and utter nonsense.

Secretary RICHARDSON. I completely and utterly disagree with you, Senator Byrd, but I think on this subject you could find a better witness in the person of Mr. George Shultz.

Senator BYRD. Mr. Secretary, I assume then that this tremendous increase in welfare costs will merely be added to the national debt, is that correct?

Secretary RICHARDSON. Well, as I said a moment ago, if we assume that a full employment budget will involve a projected deficit, and I am sure it will, there will have to be an increase in the Federal debt but I wouldn't assume that the \$5.5 billion for H.R. 1 was the contributor to the debt.

Senator BYRD. Let me ask you this.

Secretary RICHARDSON. At least no more than in a purely pro rata amount in relation to the total budget.

Senator BYRD. Let me ask you this, what is the national debt now?

Secretary RICHARDSON. I have lost track. It is over \$300 billion. [Laughter.]

#### FEDERAL DEFICITS

Senator BYRD. As the administrator of the largest department dollar wise in the Government, I am just interested in your philosophy, interested in your deep concern about the cost of Government. Let me ask you this question, what was the fiscal year just ended, what was the Federal funds deficit?

Secretary RICHARDSON. \$23.3 billion.

Mr. VENEMAN. It is between \$21 and \$23 billion, there are diverse opinions.

Senator BYRD. Is that your guess?

Secretary RICHARDSON. I would say it is plus or minus \$23 billion but we will get the exact figure.

Senator BYRD. It was \$30 billion, and I will insert the figures in the record. What you are speaking of is the unified budget which takes the surplus from the trust funds in order to make the deficit appear less large.

Let me ask you this. What is the projected Federal funds deficit for the current fiscal year?

Secretary RICHARDSON. I don't know, Senator.

Senator BYRD. I will give you that figure. It is \$30 billion. So under the administration's own figures, and I think you can say the projection is conservative, there will be a back-to-back Federal funds deficit of \$60 billion. That has never occurred since the end of World War II.

Two records have been established. In fiscal 1971 the largest Federal funds deficit occurred. In fiscal 1972 a similar deficit will occur, which will establish two records.

#### FUNDING INCREASED WELFARE COSTS FROM BORROWED MONEY

Now, let me ask you this. Do you feel that a new program, a new expanded welfare program to the extent of at least \$5.5 billion should be put into operation on borrowed money?

Secretary RICHARDSON. Passing for the moment the question of whether it has put it into operation or borrowed money, I think that it is clear that it is in the national interest to enact this program, that we must do so urgently.

Senator BYRD. Do you think it should be done on borrowed money?

Secretary RICHARDSON. I think it should be done to the extent that there is a pro rata contribution to the projected deficit measured by and a total deficit consistent with full employment. I think it should be emphasized that the \$5.5 billion total you are referring to includes \$2.4 billion directed toward development of employment capabilities and opportunities for work created through the expansion of day care services; therefore, I think it is clear that the enactment of this program offers the only sound hope of turning around a situation that has gotten out of hand.

The back-to-back increases in State and local Federal costs of existing law, and the back-to-back increases in caseloads have become intolerable and so, therefore, the need to do something about it is urgent.

We are convinced that the enactment of this measure offers the only solid prospect of containing these costs in future years and as I have repeatedly emphasized in the course of my testimony both this year and last year, our projections show that within 4 or 5 years after the enactment of this program, the total costs in caseloads under H.R. 1 would be at approximately the level that they would be under a projection of existing law, but whereas under existing law the cost in caseloads would be headed on upward under this law we believe the costs are headed downward.

I have a chart on that I would be glad to show you at this point.

Senator BYRD. I had analyzed your chart and I was going to point out what I regard as some contradictions to that statement but I can't use your chart now because it has got to be revised before I can use it, but I hope at some subsequent date we might be able to get back into this colloquy.

Secretary RICHARDSON. We have a chart here which shows the projections under both programs.

Senator BYRD. Well, let me try to get an answer though, a clearcut answer, to the question I put to you. Is this correct, you feel that this program of an additional \$5.5 billion should be put into effect even though it has to be done on borrowed money?

Secretary RICHARDSON. Yes.

Senator BYRD. I would say that is precisely the opposite answer made by your immediate predecessor when the same question was put to him by Senator Talmadge, but you are entitled to your opinion and he is entitled to his opinion.

Secretary RICHARDSON. I don't abandon what I have said earlier about the question of whether it is done with borrowed money.

I don't, as I have made clear, accept the proposition that the whole \$5.5 billion represents borrowed money. We might as well say that any other program in the Federal Government represents borrowed money. Of the total Federal budget the fraction borrowed for fiscal 1973 may be as low as, say, 7 or 8 percent. Now if you apply that fraction to this \$5.5 billion then only, say, out of the total maybe \$400 million is borrowed.

#### INCREASING WELFARE COSTS

Senator BYRD. Well, as I say, your concern is not quite as deep perhaps as mine and my feeling that the No. 1 domestic priority is to put the Government financial house in order. Your feeling is that the No. 1 domestic priority is to expand the welfare program by increasing the number of persons on public assistance, by increasing the costs, and I don't think you would deny it increases the number of people on welfare.

Secretary RICHARDSON. I reject the characterization that the only way to deal with this problem is to expand the program and the costs.

Senator BYRD. That is what you are doing here?

Secretary RICHARDSON. What we are proposing is a totally new approach to dealing with the processes that have brought about enormous year-to-year increases in caseload costs.

Senator BYRD. The new approach increases greatly the number of individuals who will be drawing public assistance?

Secretary RICHARDSON. Yes.

Senator BYRD. That is correct. The new approach increases in its first year of operation, according to your statement, increases the costs of operation of the welfare program by at least \$5.5 billion.

Secretary RICHARDSON. As we have been using the term "welfare program," the figures you asked for earlier, it only increases the welfare program by \$3.2 billion. The other costs are costs that are not now and have never been—

Senator BYRD. It goes for public assistance; does it not?

Secretary RICHARDSON. Not as this term is generally defined, no; it does not. Training costs, for example, public service jobs are not now and never have been classified as public assistance costs.

Senator BYRD. I want to read into the record again, you are a tremendously able lawyer, I am not, I am not even a lawyer, of any kind, I am a newspaperman, and it has been my experience with very able lawyers when the facts are not to their advantage, they talk around the facts. They don't worry about the facts.

Now I want to read into the record again what was said yesterday by you, what was said again today by you, and if you want to contradict them at this point, it is your privilege. The total cost of welfare for fiscal 1973, and I want to emphasize the word "total" because it is my understanding that is the figure you gave me, will be \$14.9 billion, plus \$4.5 billion for medicaid, giving a total figure for welfare and medicaid of \$19.4 billion. Are those figures accurate or inaccurate?

Secretary RICHARDSON. I think that the total figures are, I certainly have testified to, Senator. But I think the record would show that I said that this is the total cost of H.R. 1 plus medicaid. and I have said repeatedly.

Senator BYRD. That is correct.

Secretary RICHARDSON. The total costs of H.R. 1 is not the equivalent of the total cost of welfare because it includes child care, training, public service jobs, and so on, together with the cash equivalent of, additional cost of the cash of the food stamps.

Senator BYRD. I will rephrase the question. If H.R. 1 is enacted, the cost of H.R. 1 for 1972 will be \$14.9 billion, and if medicaid is added the total cost will be \$19.4 billion; is that correct?

Secretary RICHARDSON. Yes.

Senator BYRD. Now, for fiscal 1972 you testified last year that had H.R. 1 been enacted last year that the cost of H.R. 1 would have been \$11.8 billion. You testified last year that medicaid would cost \$3.2 billion in 1972, giving a total for 1972 of \$15 billion. Now when you relate those figures one to another you find that if H.R. 1 had been enacted last year that between last year and the upcoming—between 1972 and the upcoming 1973, the costs would have increased for what I call welfare, what you call H.R. 1, either way you want to express it is all right with me, are up 26 percent, medicaid will increase over last year's figures, over the 1972 figure as compared to 1973, by almost 40 percent, and the total cost of that \$19.4 billion versus the \$15 billion will be a 29-percent increase, and all of those figures, any of those figures, are greater than the figures that have been—increased the welfare programs in the past.

Secretary RICHARDSON. But I think we are talking of apples and oranges, Senator Byrd.

Senator BYRD. No; we are not talking apples and oranges.

Secretary RICHARDSON. Well, I do think it would be confusing not to emphasize at this point that, for example, the increase in medicaid from \$3.2 billion to \$4.5 billion is a simple consequence of the rate at which States spend money because the Federal Government simply pays, reimburses half of this.

Senator BYRD. We are not talking about the reasons for it. I am trying to get the facts, and the facts are that is what they are going to cost.

Secretary RICHARDSON. I know, but I am trying to point out you are dealing with very different kinds of numbers. That is one component.

Another element of increase as between the two ultimate totals which you have been using are deliberate decisions to put more money into child care and training, for example, than was proposed last year.

Senator BYRD. It is an expanded program; is it not?

Secretary RICHARDSON. It is an expanded program, but an investment in trying to get people into jobs is a different kind of cost—

Senator BYRD. I am aware of that.

Secretary RICHARDSON (continuing). Than an open-ended Federal obligation to match State and local expenditures.

Senator BYRD. It is an expanded program. It is either an expanded program or the costs of the same program have gone up. It is one or the other, it has got to be.

Secretary RICHARDSON. It is an expanded child care, training and jobs program.

Senator BYRD. Yes.

Mr. VENEMAN. I think over a billion dollars is in State savings. You can't compare last year's H.R. 16311 to H.R. 1, they are two different bills.

Senator BYRD. They are two different bills. But the H.R. 1 is an expanded version of last year's bill. I say the committee did the taxpayers a great service when they refused to pass that bill last year and saved the taxpayer billions of dollars, billions of dollars.

#### FUTURE WELFARE SAVINGS

Secretary RICHARDSON. I think they have cost the taxpayers money that would have been saved in future years by delaying a reform that has demonstrated in the intervening year its urgency by bringing about increases in State costs and Federal costs under current law during that intervening year by something like 40 percent.

The failure to enact the bill has pushed off further into the future the day when we do something about an intolerable situation.

Senator BYRD. I think it is very important to do something about an intolerable situation but I want to be sure we are not doing something that is going to make matters worse instead of better.

Secretary RICHARDSON. I think—

Senator BYRD. The best I can understand this bill is you are going to make matters worse and not better and once you go into a gigantic program like this, there is no turning back on it.

Secretary RICHARDSON. I certainly—

Senator BYRD. That is what I think, and you agree with that.

Secretary RICHARDSON. I certainly agree that it is the responsibility of this committee, including yourself as a member of the committee, to satisfy itself that what we propose makes sense and it is not going to make matters worse. I am simply giving you my response to your characterization of the delay as a good thing. I do not think it is a good thing. I think it simply postponed significant relief to the States and put off the day when we would be able effectively to begin to reduce the rolls.

Senator BYRD. I thought you agreed that this H.R. 1 is a better bill than last year's bill.

Secretary RICHARDSON. It is.

Senator BYRD. Well then we gained by it, did we not.

Secretary RICHARDSON. We could have—it is a question of balance of relative advantages. I think the gains that are reflected in this legislation are all modifications which this committee itself may have made had it ever seriously gotten around to drafting the bill and, in the second place, could have been made by amendment in the light of experience.

Senator BYRD. I am about to miss a vote here, Mr. Secretary. I didn't realize we were voting.

Senator HANSEN. If I could interrupt just a moment, let me observe that last evening when this hearing was recessed I know the Secretary then expressed a desire to get to another meeting at 11:30 this morning, as I recall, and in light of that fact—

Senator BYRD. I have taken enough time unless Senator Hansen—

Senator HANSEN. The chairman went to vote and he will be right back.

Senator BYRD. Thank you very much, Mr. Secretary. I am sorry to take so much time.

Secretary RICHARDSON. Well I think you have developed some important information, Senator.

Senator BYRD. I think it is important we understand the figures and some of the figures are a little difficult to understand. Thank you, sir.

Secretary RICHARDSON. Thank you, sir.

(Short recess.)

#### INCENTIVE FOR NOT MARRYING

The CHAIRMAN (presiding). Mr. Secretary, I prepared a chart to show you what I think is basically wrong with the bill. To be constructive rather than just negative I think we ought to go about trying to correct it.

Now, the way it stands right now, if you take a situation that exists in Louisiana, for example, situations where the father has not married the mother but the children look just exactly like him. When they had a man in the house rule, these people were not eligible but the court changed that. The court decision places a subsidy on illegitimacy and a reward for not getting married. When the States were forced to put those people on, the result was that they had to reduce what they were paying to deserving cases so as to pay something to these unde-

serving cases. There is a situation where the father is making \$3,000. The mother has three children, she is being paid \$1,250 plus a \$250 advantage of medicaid, total family income cash plus other benefits \$4,500.

Now, a comparable situation is where the man actually married the woman, and she has three children, put W plus 3 there along the woman, a wife plus 3 children.

They are entitled to no cash subsidies under present law because the father has \$3,000 cash earning. How much would your program benefit that second family.

Secretary RICHARDSON. It would——

Mr. VENEMAN. \$1,280 Mr. Chairman.

The CHAIRMAN. \$1,280. How much would it benefit the first family.

Mr. VENEMAN. The mother and three children.

The CHAIRMAN. Right.

Mr. VENEMAN. She would be entitled to \$2,400 if no income.

The CHAIRMAN. All right. So \$2,400——

Mr. VENEMAN. Has she got income? Does she have income or not?

The CHAIRMAN. She has \$1,250 of welfare right now, \$1,250 of welfare payments.

Mr. VENEMAN. She would be entitled to \$2,400.

The CHAIRMAN. That is \$2,400. I take it she would also be entitled to medicaid would she not.

Mr. VENEMAN. Yes.

The CHAIRMAN. In addition to that.

Mr. VENEMAN. She is if she gets sick, and her earnings get too high——

The CHAIRMAN. That would be \$2,650, so that would be an increase of about \$1,200 for the family where they don't marry. That is a much bigger increase than you give where the man has actually married the mother of his children, isn't that correct.

Secretary RICHARDSON. Yes.

The CHAIRMAN. So the disparity, the advantage of the man not marrying the mother of his children, in cash terms would be even greater under your bill than it would be under the present law.

Now beneath there I have an example of the way I would suggest that we do it. Start out with the husband making \$3,000, add about \$950 as a supplement to the wage he is making by virtue of the fact he is a parent working trying to support a wife and family, give him \$250 for medicare, and the family would have \$4,200 income. By your program, I take it, you would have them at about \$3,800 income.

Mr. VENEMAN. That is right.

The CHAIRMAN. I would save money to pay for that deserving case by taking it away from those people up there who have no right to it to begin with. Under your plan, the undeserving family unit would still have more money than would the deserving man who married the woman and assumed all the obligations and duties of being the husband and father of these children.

I would like to ask you for an estimate. Suppose you work on this theory that you just take a look at what it would cost to make a taxpayer out of this family. For a family of five I would think you are talking about roughly \$4,900, and if you assume that the man is making \$3,000 that leaves a \$1,900 difference. If you make up half the dif-

ference to him on a 40 hour a week basis, you would make about \$950 of subsidy available to that family which at present is getting no help at all.

Can you see any reason why that family should not be available for medicaid if this other outfit is available for medicaid.

Secretary RICHARDSON. No.

The CHAIRMAN. Then give them the benefit of medicaid, too. If you are going to give medicaid to the family that has the illegitimate children also give it to the working family that has legitimate children.

Secretary RICHARDSON. I would only say on this last point, Mr. Chairman, that we would prefer to see the whole basis of financing the health care costs of poor families dealt with in a different way than by medicaid, rather than provide for a short-term extension of medicaid and then the substitution of something else.

The CHAIRMAN. Any way, I think that you and I could agree that if it is to be available, whatever health care we provide, it should not widen the gap between those two families. I would like you to estimate what it would cost if you provided the health care uniformly. Just because a man marries the mother of his children doesn't mean they ought to lose the medicaid where they would have it otherwise so let's see if we can treat them both the same. However you want to do it so you could either put the \$250 medicaid in or leave it out, whichever way you want to do it.

What I am concerned about is what would it cost if instead of subsidizing the undeserving case we just leave them where we find them, and spend your money instead trying to reduce the costs of it by helping the father who is trying to help his family by staying with them.

People should have some hope of doing as well by conducting themselves honorably as they would do conducting themselves dishonorably.

I would like to see what it would cost because if you talk about workfare instead of welfare, and you talk about the working poor, it would seem to me that the second family is the family that is better entitled to expect the help.

If you are going to subsidize anybody it ought to be the poor devil who is bringing his check home to the wife and children and between them they don't have enough to get by on, that is the one I think you ought to help.

Mr. VENEMAN. Mr. Chairman, I think in all candor that is precisely what that bill does. That family would be a family of five then, the husband and wife and three children, he was earning \$3,000, he would be entitled to an income supplementation of \$1,280 actually instead of the \$950 for a total income of \$4,280, and—\$950 for a family of four—I think the first question he asked was the mother of the children but when the husband is there it is a family of five.

The CHAIRMAN. Well now, how about the top family, they have \$3,000 of earnings that are not counted, how much would they be getting?

Secretary RICHARDSON. Mr. Chairman, as I think our previous discussions of this problem have made clear, we would like to work with you to find a way of dealing with this problem. I think it is fair to say that the difficulty with dealing with the top family is the difficulty of the determination of what the facts are.



If you know that the man at the left, earning \$3,000 is the father, then you can rest on that finding the obligation of support, and you go from there.

The problem really is the problem of what kind of a showing you need of facts in all the circumstances in order to be able to treat the family on a basis that assumes that availability of that money.

The CHAIRMAN. Well, the way it stands today.

Secretary RICHARDSON. Here is where we get—

The CHAIRMAN. I went to a meeting of four welfare directors and three of them told me that the National Welfare Organization freely admits in their States, that they advise these people to lie in order to get on to welfare.

Mr. VENEMAN. Mr. Chairman, I think the problem we are confronted with is we have tried to write into the bill every kind of penalty, every type of ability that will help to identify the father. If for any reason an individual fails to report the event or any situation that changes their eligibility then they are subject to fraud.

The CHAIRMAN. Let's get your arithmetic on the board now. Take family one. Right now your social workers are actually helping defend those type situations rather than trying to expose them. That is the impression I gain from my State, and I think that is what the welfare directors tell me. Now what figure would you put on that under your bill. That father plus mother and three, father has \$3,000 earnings but they cannot find him or identify him for no other reason than that the mother doesn't want you to know because if she tells us the family's overall income will be reduced.

What figure would you, what would that mother be entitled to draw under you bill.

Mr. VENEMAN. She would be entitled, the mother and three children would be entitled, to \$2,400.

The CHAIRMAN. \$2,400 and that is all.

Mr. VENEMAN. That is all.

The CHAIRMAN. All right; now how about the medicaid, she still gets that.

Mr. VENEMAN. It would depend on the State, Mr. Chairman.

The CHAIRMAN. Well assume it is a State that has medicaid.

Mr. VENEMAN. Assume a State that has medicaid she would be eligible.

The CHAIRMAN. All right, put \$250 beneath that and add that up.

Mr. VENEMAN. Mr. Chairman, if that woman has failed to identify her husband, then her benefits can be reduced or cut off. If she knows where he is and she knows he is earning \$3,000 then you can reduce or take her off the welfare rolls.

The CHAIRMAN. Well, you have all the sympathy for the mother to begin with and the caseworkers have that sympathy, so much so they want to proceed about the same way the Supreme Court has on the basis you can't count that income unless you can prove it is available. So there you have \$5,650.

Now, what did you say the figure would be when you do your arithmetic under your bill for the second situation.

Mr. VENEMAN. You would have \$1,280, you see, if the husband and the wife were together with three children, if he had \$3,000 earnings he would be entitled to a supplement of \$1,280 a year.

The CHAIRMAN. All right, so the disparity between the two works out to a \$1,370 premium on legitimacy.

Mr. VENEMAN. This is not right, Mr. Chairman, because you see if that \$3,000 is actually available for that family, up in your first column of \$5,650, then you can't count that as income, if it is available for the family.

The CHAIRMAN. You are not counting it as income now and I don't see how you are going to count it under your program. You only have two witnesses to look to, the father and the mother. For anybody else it is just hearsay and conversation.

Secretary RICHARDSON. Mr. Chairman, the problem is you begin with the assumption, for the sake of argument, that this is the father.

The CHAIRMAN. One thing I am convinced of is 95 percent of those children have a living father somewhere.

Mr. VENEMAN. Even if he is not a father, Mr. Chairman, and that income is available to that family they have to count it.

The CHAIRMAN. I know and it doubled our welfare rolls in Louisiana at the time the Supreme Court said you can't assume that income is available just by virtue of the fact he is living in that same household. So we are getting nowhere up until now and I doubt we are going to get any further trying to count that income under your program. But I am trying to put the incentive on doing what is right rather than on doing what is wrong. All a mother has to say is she doesn't know where the father is or if you ask her who the father is she just names somebody she knows is not the father. It is easy enough for them to lose that law suit if she wants to lose it.

#### REQUIRING SUPPORT PAYMENTS

Secretary RICHARDSON. Mr. Chairman, suppose the father had deserted her and when asked who is the father she says the father has deserted her.

The CHAIRMAN. All right, sue him.

Secretary RICHARDSON. This is true. Another woman comes in, makes a same application, same number of children, and she is asked the question where is the father and she says father deserted. Say in this case it is not true. The problem is, as we see it, is simply finding a way to give the first woman benefits, since the father has in fact deserted her; of course, we ought to do everything we can to find him and track him down and make him support the children, that is agreed.

But so far we have not found him, and so she and her children should get benefits.

In the case of the woman who lies when she says her husband has deserted, the problem is a problem of finding out that she has lied.

The CHAIRMAN. Mr. Secretary, if you have a jury sitting there hearing this desertion case or hearing this case for declaration of paternity, and that jury knows if they find that the defendant is the father of that child, and that papa and mama are going to have less money than they do if you have people on that jury engaging in

that same kind of conduct themselves, then the jury doesn't find that man owes support for that family.

You can't prove he is the father of that child if the mother doesn't want you to prove it. By making it to her advantage and his, you are paying them money to beat you in that law suit. It is a frustrating thing.

All I am saying is we ought to design it so it would be to their advantage to do the honorable thing rather than to their disadvantage to do the honorable thing.

Secretary RICHARDSON. If we knew how to do it we would have done it by now and, as I said before, we stand ready to work with the committee and we hope that you will be more ingenious than we have been.

The CHAIRMAN. Well now, I have shown you one way you can do it—take the husband making \$3,000; add \$950 to supplement his earnings because the family needs it. Now that doesn't have to be \$950. It can be more than that, or less. You can work out a formula—even—

Mr. VENEMAN. \$1,280. We have proposed \$1,280.

Secretary RICHARDSON. We have proposed, H.R. 1 does deal with half of it. The part we have not liked is how you tell that there is a father around making \$3,000. If we know that fact, H.R. 1 requires that the money be counted. The problem then is what kind of evidence or proof is sufficient to show that the money ought to be counted. And you could take the further step of saying that where you have a mother and three children, and the mother tells you the father has deserted, you never believe it, so they would never get benefits. This seems, on the fact of it, too harsh.

So the question then is simply the question of what kind of a showing is necessary in order to take the case out of the deserving category and establish that it is one in which the mother is fraudulently conspiring to get benefits she shouldn't be receiving.

The CHAIRMAN. Well, if you take this great big welfare mess, most of which was contrived by the Supreme Court of the United States and ably assisted by Federal poverty lawyers, and just quarantine that, put it over on the side somewhere, keep it going but don't make it any worse, and then start all over again, it would seem to me that your starting point would be when a child is born to start identifying the father.

If we start from that point and say all right we are going to help that family, if they need help, but wherever that father goes we are going to call upon him to do his duty. He has a social security number, and wherever he goes to work we want to know it. Get his social security number and you ought to get his fingerprints while you are at it so if he tries to change his name and number you can find him any way. Treat him just like a man wanted by the FBI; find him wherever he shows up.

Wherever that social security number hits those tax computers on a withholding tax return it rings the bell and this is the man we are looking for and you just go out and you serve him a paper. You are telling his employer to hold up the check on what he has already earned because it looks like he owes that for the support of his family. Meanwhile you are hauling him into a Federal court here to see if this isn't the fellow you are looking for and if he shouldn't be held in con-

tempt for nonsupport of his family when he is earning and making no plans to help support them.

That is the approach that makes sense to me. Maybe it is old fashioned but it makes a lot better sense than just letting this fellow run around, living the gay life, from place to place like the grasshopper in the story who fiddled all summer only to die with the first frost. But if he stays with his family and still can't support them, alright, we will subsidize him.

If we are working on that basis, I think we would have a far more popular program and one that would meet with better acceptance than we do where we try to win a law suit against people after you have made it to their advantage for both of them to lie to you.

Secretary RICHARDSON. We certainly want to work with you in this. I think it should be noted that the problem presented by the man in or around the house who is earning \$3,000 which he has been putting into the family pot to help support the family is a different kind of problem than the problem of the father who has, in fact, deserted, who is working somewhere else whom we want to be able to get at.

We have put into the bill what we think are workable and effective provisions to deal with both of these things, and as far as seemed to us feasible, and the only remaining questions really are what more or better could be done about this and, as I say, we would be glad to work with you on it.

The CHAIRMAN. Mr. Secretary, it wouldn't make any difference whether the man is in the house, out of the house, Mexico or Timbuktu.

If we don't do that you are doing a grave injustice to tax the working fathers of this country who are doing what is right.

Secretary RICHARDSON. But the wrongs involved are very different. In the first place, in the first case, the man and woman are collaborating to cheat the taxpayers by getting benefits they wouldn't get if the father's income were known to the welfare administration authorities.

In the second case the father has in fact deserted, and we will assume has not been brought back yet, so that his wages have not been reached. In the meanwhile, therefore, there is a need to support that mother and children; this is the sense in which the problems are different. In the first case you would not be giving them any Federal money if you could establish that the family was, in fact, benefited.

The CHAIRMAN. I want an estimate of what it would cost to do what I am talking about. It sounds to me as though it will save money to do it that way based on what you say that family is eligible for now. That part of it I don't quarrel with. I am perfectly content to vote for that part of it, the part where he man makes \$3,000 and we add \$1,280 to that. I think we ought to make that work-related and I think 50 percent phase out is better, but that part doesn't bother me for a moment. I could go for that. It is this thing, it is all this mischief and corruption that we are subsidizing and claiming we are not subsidizing it at the same time and that is what bothers me.

Secretary RICHARDSON. I understand.

The CHAIRMAN. And if we could work a program on that basis I would be much more attracted to it I would like to know what it would cost to do that.

Mr. Secretary, I owe you and the other committee members an apology, between us I have taken longer than I intended. I see it is

10 minutes to 12. Do you have to leave at this moment or can you stick around for a few more questions. I am sure—

Secretary RICHARDSON. I should have left sometime ago. Are they questions that Undersecretary Veneman or others here might be able to answer.

I am sure they can answer any questions that I can answer for that matter.

Senator CURTIS. I think so. My remaining questions do not go to policy. They are inquiries about the intent of some of the sections of the bill.

Secretary RICHARDSON. Well, in that case, Undersecretary Veneman really is a better witness since he participated with the Ways and Means Committee in all the executive sessions which produced the bill.

I would like before I go, Mr. Chairman, not only to thank the committee for the opportunity to appear, and I hope to create a better understanding on both sides of what the problems we have to solve are, but I also would like, with your permission, to ask to have inserted in the record at this point the chart you now see on your left which deals with projected costs and caseloads under H.R. 1. We would like to have that inserted together with an explanatory statement of the methodology.

The CHAIRMAN. Very well.

Secretary RICHARDSON. Thank you very much.

The CHAIRMAN. Thank you, Mr. Secretary.

Senator CURTIS.

Mr. VENEMAN. Senator, I think Mr. Ball also has an appointment. Do any of your questions deal with social security?

Senator CURTIS. No; it is only in welfare.

Mr. VENEMAN. With your permission, Mr. Ball also would like to leave.

#### SAVINGS CLAUSE

Senator CURTIS. What does the hold harmless provision include, hold harmless from what?

Mr. VENEMAN. Well, Senator Curtis, what the bill provides is that if a State were to maintain the benefit levels that they had in January of 1971, or add on the value of food stamps, we would assure them that their State costs for maintenance payments would not exceed what they were during the calendar year 1971. So they are held harmless really against caseload increase at their existing level.

If they decided to raise their grants they have to pay at a hundred percent.

Senator CURTIS. Caseload increase on the State supplement?

Mr. VENEMAN. Caseload increase including the State supplement to the 1971 level.

Senator CURTIS. Well now, what portion of the Federal benefit do they pay?

Mr. VENEMAN. They don't pay any of the Federal benefit, Senator. The way the bill was drafted, the first \$2,400 paid to a family of four is a hundred percent Federal money. Any amount that they pay above that is all State money. The State is not required to pay above that according to the present provisions of the bill. However, they have

every economic incentive to continue their payment level because we essentially say that if you are paying above \$2,400 we will pay the first \$2,400 at 100 percent Federal cost, and then you can continue to pay what you are paying now and we will guarantee you that your State expenditures won't be higher than they were in 1971, and so if there is any risk of caseload increases, which might be in some States, because the eligibility may vary from what their present eligibility standards are, we would absorb that as a Federal cost.

Senator CURTIS. Suppose the State finds that due to inflation they must increase the amount of the State supplement for the cost of living increase. That is not covered by the hold harmless?

Mr. VENEMAN. No, not the amount above the 1971 level. Anything above that they would have to pay.

Senator CURTIS. So if over a period of 5 years there was a 5 percent increase in cost of living, the State, if they kept up the present level of purchasing power of their supplemental budget, could have an increase of 25 percent; couldn't they?

Mr. VENEMAN. They could have a 25 percent increase over their 1971 level, Senator, but they are protected. Well, again, you see you get back to the alternative. Under the present system their increase would be considerably higher because they wouldn't have that assurance. Presently any benefit increase to the States provides 50 percent State money and 50 percent Federal money.

Senator CURTIS. So what you hold them harmless for is an increase in costs by reason of adding to the rolls.

Mr. VENEMAN. That is correct, caseload increases is essentially what it is.

Senator CURTIS. Well, suppose that a State—I will give you a specific example. I understand that California, and I am looking at page 44 in this book, "Welfare Programs for Families," of the committee book,\* it appears that California now pays a maximum payment of \$2,652 for a family of four we have been talking about. If H.R. 1 is enacted, then the hold harmless clause would protect California from additions to the rolls but it would not protect them from an increase in the amount of the supplemental payment, if they choose to raise it.

Mr. VENEMAN. No, it would not. The \$2,652 does not reflect average payment, but it is the maximum payment. Let's assume that the family is getting the \$2,652 in California, presently that would be half State and half Federal. H.R. 1 would provide that \$2,400 of that would be all Federal, so the States immediately are saving better than a thousand dollars right off the top, \$1,100. So instead of paying \$1,800 they are paying \$252.

Senator CURTIS. I understand that.

Mr. VENEMAN. The hold harmless guarantees against a caseload increase, but if they should choose to raise that \$2,652, it would be with their money. During the interim of course, they have saved a considerable amount of State money if they don't choose to go that route. If the legislature decided to add to it, it certainly would be less expensive, let's say 3 years down the road, then it would be if the existing program had gone on for the State governments.

\*See App. C, p. 460.

Senator CURTIS. I understand that part, but I wanted to have the record clear on what they might expect in the future under the hold harmless.

A State that has a supplemental program if the application of the Federal rules of eligibility call for more people being eligible for that State supplemental that would be all Federal expense, would it not?

Mr. VENEMAN. Essentially that is correct, if they came up with a total cost in 1971.

Senator CURTIS. How do you treat the State that at the time of this enactment has no supplemental program and they inaugurate one. Would that be an addition to the rolls?

It was zero and they made a supplementary payment for so many people, would any of that be paid for by Federal expense?

Mr. VENEMAN. No; that would be all State expense, Senator. Let's assume that a State is presently at \$2,400 or below for a family of four, H.R. 1 would buy that State out. So whatever money they are paying they are paying \$1,200 of the \$2,400 now, and I stipulate I am oversimplifying when I say this because there are variations which come in with earnings. So they are paying half of it, only \$1,200, so that they have that much more money in the State treasury. If next year they decide to pay the caseload a hundred dollars above the \$2,400 that would be a hundred percent State costs, because they are saving under the provisions of H.R. 1. We have taken over their program.

Senator CURTIS. But if State A had a supplemental program of \$1,200 a year and they enlarged the number of recipients, that enlargement would be at Federal expense.

Mr. VENEMAN. Well now, you are saying that with the \$1,200 supplementation, a family of four in that State would be getting \$3,600.

Senator CURTIS. Yes.

Mr. VENEMAN. We would say to that State "You continue to pay all of the caseload, the \$3,600. Now the provisions of H.R. 1 may expand that caseload. We will guarantee you if you continue to pay at that level your costs will not exceed your costs during calendar year 1971."

That is where the hold harmless really triggers it, for caseload increase.

Senator CURTIS. But suppose there is a State that at the present time is paying not quite \$2,400. Two years from now they decide to pay a State supplement, and then after they inaugurate a State supplement the rolls are increased, they would not be protected by the hold harmless.

Mr. VENEMAN. No; that is correct. There are 22 States now, Senator, that pay below the \$2,400.

Senator CURTIS. That will prevent States with low payments now from ever attempting to pay a supplement.

Mr. VENEMAN. No; I do not think so, Senator. I think that the history of the public assistance programs indicate that when the pressures for benefit increases come about within a State, the legislatures do respond. We have seen it occur in virtually every industrial State where the payments are considerably higher than those in the Southern States. You know some of the States were moving up rather rapidly. Mississippi, for example, is now paying about \$750 for a family of four. Under H.R. 1 the recipients will get \$2,400. I think it probably

will be a long time before there will be much pressure there. Where the States are at \$2,400 there would be pressure but again they have been relieved of State costs. That money could be made available to raise benefits. Of course, every State has got priority for every dollar they have coming in, but they could use it for this purpose.

Senator CURTIS. I think that this feature would bear a little checking into.

Mr. VENEMAN. I do not think it is much different from the present system, Senator.

Senator CURTIS. I think it is quite different.

Mr. VENEMAN. Well, the State can do whatever they want now, they can go up or down. We do not tell them what to do.

Senator CURTIS. The State of Massachusetts now, according to this chart,\* is paying \$3,402. So as long as Massachusetts wanted to continue to pay their State supplement \$1,002 and additional persons were put on the rolls they would be put on at Federal expense.

Mr. VENEMAN. That is right, as long as they stayed at that level.

Senator CURTIS. But, on the other hand, if the State of Maryland is now paying \$2,352 and decided next year that they ought to match Massachusetts with a supplement of \$1,002, Massachusetts would be held harmless from an increase and Maryland would not.

Mr. VENEMAN. That is correct, Senator, but Maryland would benefit to the extent of \$25 million in their family categories, \$11 million in their adult categories, whereas the State of Massachusetts would not have that kind of end effect. In other words, you have in the State of Maryland \$35.3 million by applying the \$2,400 base of the hold harmless provision. You have freed them of that.

Senator CURTIS. What is the matching formula for Massachusetts and what is it for Maryland?

Mr. VENEMAN. I am sure they are both 50-50.

Senator CURTIS. Both 50-50 so the first \$2,400, they would both gain the same amount?

Mr. VENEMAN. Maryland is 51.5 percent of Federal money; Massachusetts is 50 percent Federal money. So it is about the same.

Senator CURTIS. Who will administer the State supplement?

Mr. VENEMAN. The Federal Government would administer the State supplement unless the State chose to do it themselves, but I think the incentive there is for the Federal Government to do it because we say that in order to apply the hold harmless provision the Federal Government will have to administer it.

Senator CURTIS. In other words, the basic \$2,400 would be federally administered.

Mr. VENEMAN. That is correct.

Senator CURTIS. And if the State is paying from their own funds a supplement they must turn the administration of that supplement over to the Federal Government or forfeit their rights under the hold harmless.

Mr. VENEMAN. That is correct.

Senator CURTIS. Is there any other incentive for them to do it?

Mr. VENEMAN. Yes, the administrative costs. In other words, if a State administers their own supplemental program they pay a hundred percent of the administrative costs. If the Federal Government

\*See p. 460.



does it the Federal Government will pay a hundred percent. We give them, like the bill provides, every economic incentive for Federal administration for the money payment side of welfare.

Senator CURTIS. So if the Federal Government takes over the administration they pay the whole bill for administration.

Mr. VENEMAN. They would pay the entire check.

Senator CURTIS. If the State continues to administer their own supplemental program the Federal Government pays nothing?

Mr. VENEMAN. That is right. We would pay nothing for administration. They would have to set up a parallel system and just write out their check for whatever amount they wanted to pay their recipient in that State. I do not see many of them doing it.

On the other hand, Senator, I do not see where we can apply the hold harmless and let them call the shots. That is the reason we say if you want to take advantage of the hold harmless, then it must be Federal administration.

#### NUMBER OF WELFARE RECIPIENTS

Senator CURTIS. Turning to this blue committee print\* it is estimated that in fiscal 1973, which would begin July 1, 1972, that if H.R. 1 is enacted the numbers of eligibles would go up to some 11.6 million.

Mr. VENEMAN. Recipients.

Senator CURTIS. From 11.6 million up to 19.4 million. Then your estimates in terms of the next 4 years there would be a drop in the number of recipients. On the answer to that I would suggest that you submit it for the record—

Mr. VENEMAN. We can do that.

Senator CURTIS. Because in our conversation we might overlook some factors and if you may wish to confer with the Secretary. I would like to have the basis for your estimate between fiscal 1973 and fiscal 1977 as to why the number of recipients will decline.

Mr. VENEMAN. All right, Senator. I think we can probably submit a copy of that chart into the record and put the figures along with it which would show the trend lines as well as the actual figures.

Senator CURTIS. Well—

Mr. VENEMAN. And we can explain the assumptions that we take into consideration in coming to this conclusion. We can submit the entire thing.

Senator CURTIS. Well, I want you to put it any way you want but I want the complete reason for your opinion.

Mr. VENEMAN. The Secretary, as you will recall, Senator, maybe you were not here, did state this in detail the first day he was up, I believe it was yesterday, it was in his testimony.

Senator CURTIS. I remember it, yes. I want you to include all of your assumptions, if there is an assumption about family breakup trends or the general condition of the economy or other assumptions.

Mr. VENEMAN. These would all be taken into consideration.

Senator CURTIS. Or whatever it is, if it is an increase in employment by reason of training, I want it indicated on what you base your figures.

\*See p. 431.

Mr. VENEMAN. Each one of the things you mentioned, Senator, are factors we have taken into consideration and we will elaborate.

Senator, I want to make one point in regard to chart 6\* and maybe reemphasize that we are talking about is total number of people eligible, not necessarily the total number of recipients. I would like to make that very clear because of course you will not have a hundred percent participation.

Senator CURTIS. I do not want to argue with your answer until you get it in, at least, but I hope you will keep in mind that you are dealing with a political system, just as the other titles of social security. The political system depends on what is decided around this table and what is decided in the Ways and Means Committee, and what is decided on the Senate floor, as well as pressures from the outside. I will just make the observation that I cannot think of any welfare program that has ever declined in the number of people who become eligible for it.

Mr. VENEMAN. Our assumptions on this, Senator, do take into consideration that the program will not be changed by Congress, but I am not oblivious to the political pressures. I am very aware of them.

Senator CURTIS. There has been a change in social security before every election as long as the human mind can remember.

Mr. VENEMAN. I think there is one other—

Senator CURTIS. And it may continue to be that way until the people find it difficult to cash their checks, but I hope not.

Mr. VENEMAN. Senator, that is one reason why I responded to your question about State supplementation the way I do. I think the same kind of pressures exist in State legislatures.

Senator CURTIS. Yes; but I think you will find on examining your bill that if a State makes an effort to pay a supplement, where they have not had it in the past, that the way your hold-harmless clause is written they will be very unfairly discriminated against. That is all, Mr. Chairman.

(The information referred to follows:)

AUGUST 10, 1971.

#### NOTE ON ASSUMPTIONS USED IN CASELOAD PROJECTIONS

A great deal of discussion and speculation has occurred on the subject of estimates of future caseloads in the family categories. The purpose of this note is to clarify the assumptions under which such projections are made, both under the current AFDC program and under the provisions of Title IV of H.R. 1.

First, it is important to emphasize the uncertainty about the future which characterizes these projections. Neither HEW nor anybody else has accurately forecasted AFDC caseloads over the last several years. Caseloads are highly variable with benefit increases or decreases, changes in the economy, changes in eligibility requirements, changes in the rate of desertion or migration, and so forth. H.R. 1 projections are affected similarly, but without even the historical base to rely upon, and with the added complication of attempting to estimate *actual recipients* as opposed to those theoretically eligible.

In 1969 the AFDC caseload rose from 6.086 million individuals to 7.313 million, a 20% increase. In 1970, the AFDC caseload rose from 7.313 million to 9.660 million, a 32% increase. From January to April of 1971, the rolls rose from 9.660 million to 10.227, or roughly 7% in four months. The five-year historical growth rate of AFDC has been 16% annually. With some States reducing benefits, most States in fiscal crises, and what surely must be an evitable end to the growth value of female-headed families, it would undoubtedly be an overestimate to project forward the 30% growth rate of the last two years.

\*See p. 431.

Chart One, then, shows a high projection of 16% per annum (the 5-year historical rate), an intermediate projection of 12% per annum, and the low estimate of 8% per annum contained in the Ways and Means Report.

Chart Four shows that the FY 1977 AFDC caseload would be between 15.8 and 23.7 million under these assumptions.

When comparing H.R. 1 projections, we must begin with the theoretical eligibles, as projected in the Ways and Means Report. We also must include those eligible for State supplementation only, to make the projections comparable with AFDC, which, of course, includes all recipients up to the State supplement break-even point. Chart Two overlays the H.R. 1 eligibles onto Chart One. The assumptions behind all projections will be discussed later in this note, but it is worth pointing out here that the H.R. 1 projections assume a 3% per annum growth rate for female-headed families, as follows (see page 227 of Ways and Means Report).

	Fiscal year—				
	1973	1974	1975	1976	1977
H.R. 1 eligibles: Total.....	19.4	18.7	18.1	17.6	17.2
Covered under present programs <sup>1</sup> .....	10.3	10.6	10.9	11.2	11.5
Not now covered.....	9.1	8.1	7.2	6.4	5.7

<sup>1</sup> Predominantly female-headed families.

It is clearly erroneous to compare current *recipients* (which may be 50%–90% of eligibles) to H.R. 1 eligibles. As the wide range in the previous sentence illustrates, we know little about recipients vs. eligibles under AFDC to help us in a projection of H.R. 1 recipients. We have thus taken the cautious approach of projecting recipients as a percent of eligibles shown on Chart Four; that is,

	Fiscal year—				
	1973	1974	1975	1976	1977
Recipients as a percent of eligibles.....	80	82	84	86	88

With the working poor eligible only for one-half of FY 1973, and with the smaller average payments of this category, these estimates are undoubtedly high.

Chart Three overlays these recipient figures onto Charts One and Two, and Chart Four provides all of the numbers on Chart Three. Under these assumptions, the point in time at which the H.R. 1 caseload becomes less than that projected for AFDC varies from 1974 to 1977, depending primarily upon the AFDC growth rate.

The obvious question in examining these charts is: What does H.R. 1 do which causes caseloads to remain steady or decrease as opposed to the increases in AFDC caseloads? The answers to this question are in large measure what make H.R. 1 a true reform.

We must concentrate on the relative growth rates of female-headed families, for this the heart of the comparison. The ancillary question of the reason for the decline in "working poor" eligibles over time is answered primarily by rises in income in this group over the five-year period.

The following points explain why an H.R. 1 growth rate of 3% per annum is used for female-headed families, as opposed to 8%, 12%, or 16% under AFDC:

1. H.R. 1 limits earnings disregards, and thus reduces excessively high break-even points under AFDC.
2. H.R. 1 replaces a poor quality control system with an efficient, automated, national system.
3. H.R. 1 replaces a monthly accounting period with an annual one.
4. H.R. 1 covers the working poor, thereby drastically or entirely (depending upon the State) reducing the financial incentive for desertion.

Most importantly, H.R. 1 replaces a minimal and ineffective job training and placement effort with a major training and job program, including child care, employability services, and public service jobs. *No caseload reduction attributable to this major effort is shown in these figures.* We have not reflected this reduction in order to show conservative estimates and in recognition of past

estimates unfulfilled. But we strongly believe that substantial further caseload reduction will occur. For example, if only 20% of the millions of man years of training in this bill moves recipients into positions paying wages higher than the break-even, there will be about 1.5 million fewer recipients in FY 1977 than shown in this note.

Finally, we should emphasize that lower caseloads—if by this we mean increased numbers on the payrolls and a reflection of concern for all those unable to work—is the goal of all points of view which have been expressed on welfare reform. We believe H.R. 1 is a vital step toward this goal.

CHART ONE

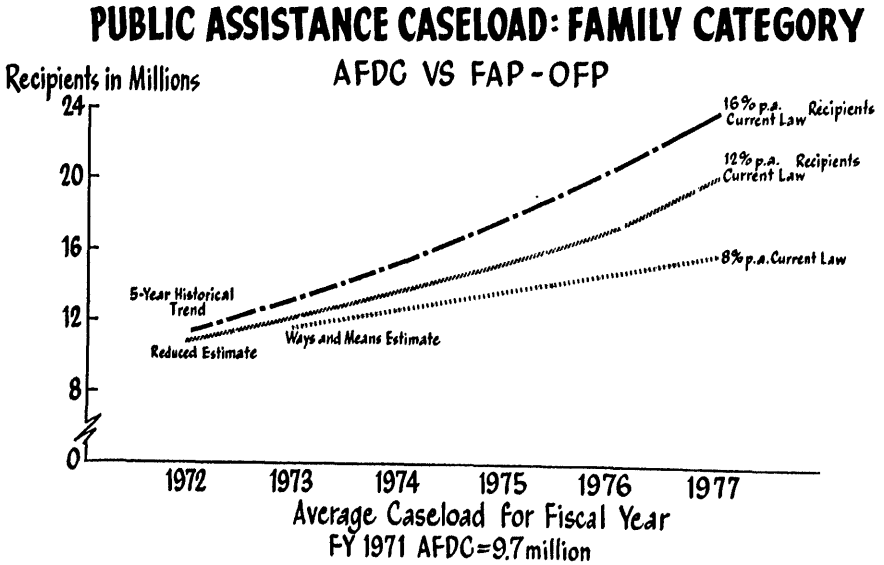
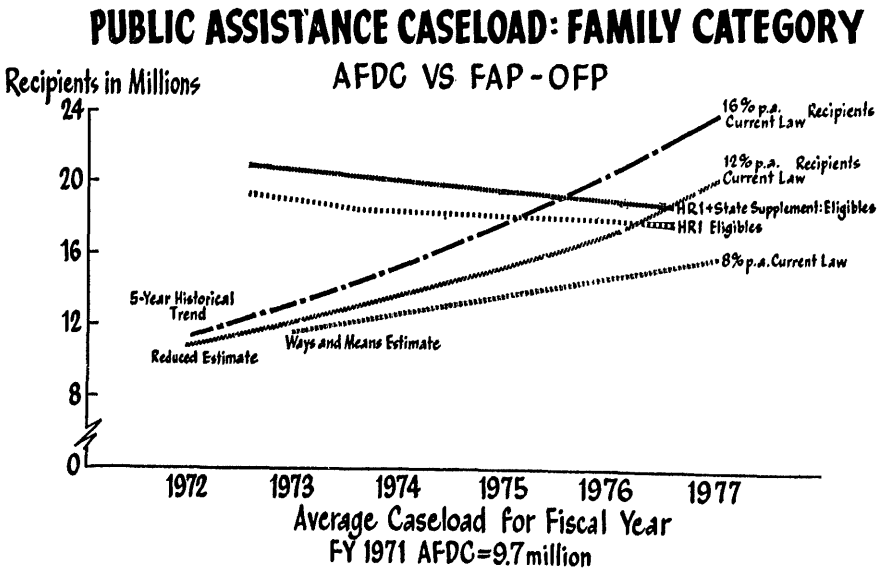


CHART TWO



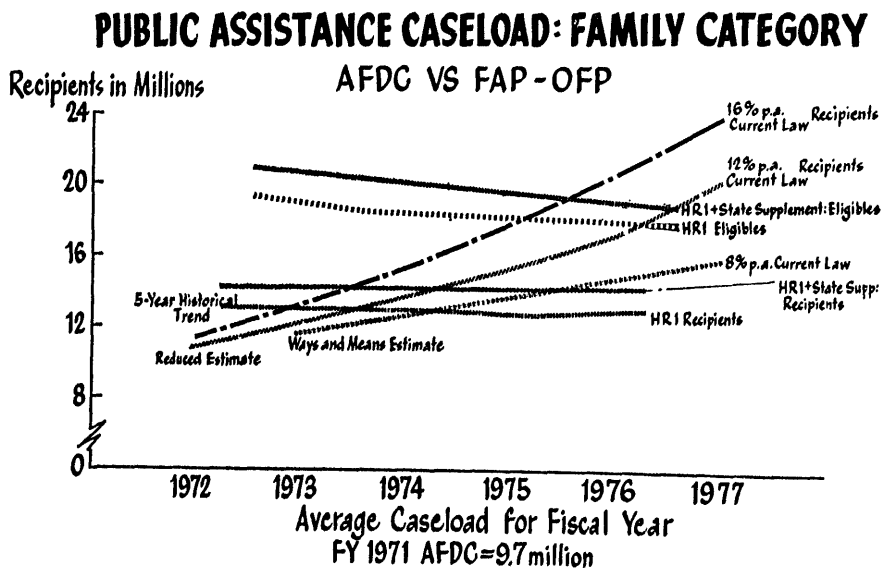


CHART 4.—COMPARISON OF ESTIMATED FAMILY RECIPIENTS UNDER H.R. 1 AND AFDC—TITLE IV OF H.R. 1

	Fiscal year—				
	1973	1974	1975	1976	1977
Eligible for Federal benefits.....	19.4	18.7	18.1	17.6	17.2
Eligible for State supplementation only.....	1.2	1.2	1.2	1.3	1.3
<b>Total.....</b>	<b>20.6</b>	<b>19.9</b>	<b>19.3</b>	<b>18.9</b>	<b>18.5</b>
Participation rate (percent).....	80	82	84	86	88
Estimated recipients of Federal or State benefits.....	16.5	16.3	16.2	16.3	16.3

CURRENT LAW <sup>1</sup>

Description.....	Annual growth rate (percent)	Fiscal year—					
		1972	1973	1974	1975	1976	1977
5 year historical trend.....	16	11.3	13.1	15.2	17.6	20.4	23.7
Reduced estimated.....	12	10.9	12.2	13.7	15.3	17.1	19.2
Ways and Means Committee Report.....	8		11.6	12.6	13.6	14.7	15.8

<sup>1</sup> Based on fiscal year 1971 average of 9.7 million.

The CHAIRMAN. Senator Hartke, do you want to ask any questions? Senator Hansen?

Senator HANSEN. Thank you, Mr. Chairman; I do have some questions.

#### QUESTION OF WHETHER THERE ARE STRONG WORK INCENTIVES OR STRONG WORK DISINCENTIVES UNDER H.R. 1

Mr. Secretary, in the Washington Post on January 21 appeared an article by Secretary Richardson which is entitled, "H.R. 1—A Far-

Reaching Proposal for Welfare Reform." In this article he states that the work requirements in the bill are matched by strong work incentives. If you would like to refresh your memory with what the Secretary states, I have noted alongside there the particular point to which I am referring:

\* \* \* are matched by strong work incentives. Recipients are able to retain a portion of their benefits until their earnings reach a certain level, thus always making it more profitable to work than to accept benefits as sole support. The Administration has projected a decline in family heads on the Opportunities For Families under H.R. 1 from 4.8 million in 1973 to 3.4 million in 1977.

I refer to page 3 of the committee print: welfare programs for families. I would ask you, Mr. Under Secretary, do you attribute this projected decline to the strong work incentives in H.R. 1?

Mr. VENEMAN. Yes; to an extent you would have to take into consideration the work incentives, the job training programs; you would have to take into consideration the availability of services for day care, for example, so that women can work and get into the employment market, work themselves off of welfare. You would also have to take into consideration the rising wage base which would work them out of eligibility for income supplementation. All of these factors would have to be considered.

But we do feel that the job training and the work incentives provisions of the bill will have an effect in ultimately bringing a lot of these people beyond the level to where they would be entitled to benefits.

Senator HANSEN. In the hearings here yesterday the Secretary, I think, agreed that the 67-percent tax rate was not an incentive to work more to earn more. Then how would you expect the caseload on this OFF program, Opportunities For Families, to decline from 8.4 million in 1973 to 3.4 million in 1977?

Mr. VENEMAN. I did not get the impression that the Secretary said that 67 percent, the retention of \$1 out of every three, was a disincentive. That may have been a misinterpretation, Senator Hansen, because I think he was pointing out that there are other means of increasing—

Senator HANSEN. I think what he said was, or at least the impression I got was he said the 67-percent tax rate was not an incentive to work more to earn more. I think he said it was too high, that when you tax a person \$2 out of every \$3 they make—maybe I misunderstood him.

Mr. VENEMAN. No; I think perhaps it is a matter of interpretation. I think what he was saying is that this still provides an incentive. Of course, with a 50-percent tax rate, if they kept \$1 out of \$2 there would be more incentive; if they kept every dollar that they earned it would be even more, but he was pointing out what happens ultimately with your caseload and with your costs. But we feel the way that H.R. 1 is structured the breakup point at \$4,140 is the appropriate breakup point for earnings and that requires a 67-percent tax rate.

Senator HANSEN. Well, if I may, Mr. Chairman, I wonder if we might, in light of the response that Secretary Veneman has made, could I ask the staff to put up on the easel over there the red lettered

charts Nos. 7 and 8 depicting the situation with respect to Chicago and New York City.\*

I want to explore with you, if I may, what I think are some disincentives, and to determine if I can, if you agree with me, that when you tax people at a rate of 67 percent it is not indeed a disincentive. I have a feeling that it is, and I thought that the Secretary yesterday implied agreement with the conclusion I reached. Maybe I misunderstood.

I am well aware that the complete objectivity of these charts has been challenged by HEW, Mr. Secretary. Let me preface my remarks by saying that I would point out, however, that Medicaid benefits on chart 7 and chart 8, begin for chart 7 with an indicated \$910 benefit if the earnings are zero, and chart 8, the one on our right, indicates that in Chicago, or rather in New York City, the benefits there for Medicaid are indicated to be \$870 at zero.

Mr. VENEMAN. And I think, Senator Hansen, in order to really understand what we are talking about here, we are talking about the average cost of Medicaid; it is taking the number of recipients and dividing the costs into it so this is really not a benefit unless you happen to be average.

Senator HANSEN. With that preface, I wonder, Mr. Stern, if you would be kind enough to step over to chart 8 because it is the one most visible for everyone in the room here and to just follow along with me, if you will, as I try to call attention to what I think are some rather obvious work disincentives.

I submit that under this table a female-headed family of four in New York has little reason to try to increase her earnings from \$2,000 to \$3,000 per year. At \$2,000 her total benefits would be \$6,136 and by going to \$3,000 they increase to \$6,226 or a total of \$90. Would that be the way you figure that, Mike?

Mr. STERN. Yes, sir.

Senator HANSEN. I suggested to earn an additional or to have the initiative or the incentive to go out and earn an additional \$1,000, and to wind up with total benefits of only \$90 seems to me not to be much of an incentive. Would you agree?

Mr. VENEMAN. It is not much of an incentive and, again, Senator Hansen, we feel this does not reflect what really occurs with the public assistance population in New York City. They just do not have all of these benefits to the extent that is detailed on that chart, and I think these charts have a tendency to distort really what is going on, and leave the wrong impression about what the benefits are, available to people in New York City, Chicago, Wilmington, and Phoenix.

Senator HANSEN. Well, I know yesterday the point was made, I asked the Secretary if these charts and the others that were presented did not disclose the facts, would the right charts be submitted, and I believe the Secretary responded by saying that in his judgment the charts that had been labeled "Senate Finance Committee Charts"\*\*\* did disclose as nearly as you were able to what you thought the facts were. Am I right about that?

\*Chart 7 appears on page 59; chart 8 appears on p. 60.

\*\*\*The charts referred to appear on pp. 75-84. The heading was modified to reflect the fact that they were not prepared at the request of the Finance Committee.

Mr. VENEMAN. Yes. If we were going to go this route, we do not believe the charts themselves reflect the provisions of H.R. 1 or the existing law, for that matter, but if we are going to go this route, we are saying let us take benefits and income on both sides, let us take into consideration all the factors that occur when earnings increase, let us take into consideration the fact that as earnings increase they are entitled to fringe benefits, and—

#### FRINGE BENEFITS

Senator HANSEN. When you speak of fringe benefits, I suppose we think of such things as vacations and—

Mr. VENEMAN. Health insurance policies, pension programs, other things.

Senator HANSEN. Yes. May I say that for the most part these programs are programs that will not actually come into fruition until some long time down the road. When you talk about social security and pension plans, as far as violations go, if a person is on a 52-weeks vacation by virtue of not working at all I suggest that to top it off with 2-weeks vacation is like handing a drowning man a glass of water. I do not think he needs it and I do not think it would be of much interest to him.

Mr. VENEMAN. He could moonlight during that 2-week period and make more money.

Senator HANSEN. I just spoke about a tax, I think, about 91 percent when you go from \$2,000 to \$3,000, you keep \$90 out of a thousand. This same female-headed family of four would be able to keep only \$3, not \$300 but only \$3 out of a \$4,000 raise, if she were to move from the \$2,000 earnings bracket to the \$6,000 earnings bracket.

If I figure correctly, and I am not sure that I did at all, that would be a disincentive tax of about 99 percent. She is keeping \$3 out of a \$4,000 raise.

Mr. VENEMAN. Of course, when she gets to that point she is no longer in H.R. 1, she has no H.R. 1 benefit. She has a small State supplement and, again, you know, all these things have to happen, she has to be in public housing.

Senator HANSEN. I quite agree with you but I think that if we are going to try to determine how the program is going to work these are some of the things we have got to look at.

The study to which I referred yesterday, the Tella study, indicates that people have a lot of different ideas. One of the things that surely will happen as total income increases, whether it be from earned income or welfare support or a combination of these two is, No. 1, a mother or a woman working at least part-time likely will work less time than she did earlier. This would be the situation with the father. She would be inclined, other things being equal, to work less time and, as far as the mother in the family goes, she would probably be inclined as she viewed, on the one hand, the slight marginal benefits of being able to keep only a small pittance of the total earnings, and to compare that with the advantages of not working at all, and being almost as well off, the Tella study indicates, that very likely she would drop out of the work force.

Mr. VENEMAN. Of course, Senator, this gets back to, you know, this is why we prepared the chart the other way to take into consideration



all of the factors. This same situation from \$2,000 to \$6,000 in New York if you take into consideration such things as the value of the fringe benefits and the other factors exclusive of medicaid and public housing, she comes out with about \$2,500 better off by moving up instead of the \$2 or \$3. So, you know, I think most women who are working at a job at \$2,000 and somebody walked up to them and said, "I am going to give you a job at \$6,000," they would grab it in a minute.

Senator HANSEN. If it were not for H.R. 1.

#### CONTINUATION UNDER H.R. 1 OF FEATURES OF PRESENT LAW

Mr. VENEMAN. H.R. 1 does not have a thing to do with it, does not have one thing to do with it, because everything you are talking about these charts exists under present law also with the exception of the first column on payment.

Senator HANSEN. If this is true how do you account for the welfare rolls increasing all the time?

Mr. VENEMAN. I think there are several factors that have occurred. I think one of them, of course, is the vast separation that has taken place in this family. We find a great number of more female-headed households. I think the changing attitude has a lot to do with it. Economic conditions in some of the urban and rural areas, there are a good many factors that are involved. But I think it should be made very clear in New York City that woman is going to receive just as much money under present law as she does under H.R. 1, so every bad thing we are talking about on those charts exists now.

Senator HANSEN. What you are saying then is H.R. 1 really is not much of an improvement over what we have got and we all agree it is a mess.

Mr. VENEMAN. Yes, we do feel it is an improvement over what we have now.

#### BENEFITS IN NEW YORK CITY AT DIFFERENT EARNINGS LEVELS

Senator HANSEN. Well, let us use another example. You accused me of getting off the program which I did, when I went to \$6,000. That seemed not to be an inordinate salary to me but let us compare the situation of earning \$2,000 with that of earning \$4,000. If my arithmetic is right this female-headed family of four could double her value in the eyes of her employer, she could get \$4,000 instead of \$2,000, and she would be exactly \$167 better off.\*

Mr. VENEMAN. Our chart says she would be \$1,200 better off, Senator Hansen.\*\*

Senator HANSEN. I guess if I were trying to sell H.R. 1 I sure would not want to use these charts.

Mr. VENEMAN. We have been trying to avoid it as much as possible. [Laughter.]

Senator HANSEN. I do submit they seem to be pretty factual. I know that when you say that the situation is not typical because there are benefits that do not accrue to a majority of the population, I admit that is right. I am just pointing out—

\*See page 60.

\*\*See page 83.

Mr. VENEMAN. It is just a minority, Senator.

Senator HANSEN. About 7 percent of the people on welfare are in public housing, I would be interested to know what percentage of the welfare recipients in New York are in public housing.

Mr. VENEMAN. In New York City it would be about 8, 92 percent are not in public housing.

Senator HANSEN. Are not in public housing. If they are not in public housing then there are other benefits they are getting, is this not true?

Mr. VENEMAN. Not necessarily.

Senator HANSEN. Well, medicaid—

Mr. VENEMAN. I do not think public housing is that much of a benefit. They may not have as good housing, but I think that in New York, 8 percent live in public housing. Some 92 percent of the recipients in New York, am I right, you know we are not talking about, 92 percent of the recipients when we look at these charts and why these figures, I think, really distort the present system and what we are trying to do.

Senator HANSEN. I submit that in lieu of public housing in the past we have had such things as rent supplements, we have had other programs. I asked yesterday if H.R. 1 would cash out the food stamp program, and the medicaid program benefits, and I think the response was—well, I have forgotten precisely.

Mr. VENEMAN. The answer, Senator Hansen, is it does cash our food stamps for the public assistance recipients but the Food Stamp Act is a separate act, separate from the Social Security Act. Therefore, there will be some people in the country who will still be eligible, but for all intents and purposes the people we are dealing with it cashes them out.

Senator HANSEN. You make the point I was just going to try to make and you have done it better than I could and it is extremely difficult, if not well right impossible, to consider H.R. 1 in a vacuum. I think you have to take into account other factors and, it seems to me, one of the factors which has been overlooked almost entirely is what it does to motivation, what it may do to other people when you talk about doubling the welfare rolls which some people contend will be an inevitable result if this legislation were to be enacted. Then I think when we try to project costs and what we are doing it is impossible to say just on the pure statistics of welfare recipients as we know them now what may be the case 5 years from now, because if a person sees himself not better off than his neighbor alongside him who is not lifting a finger to try to do anything productive, and here he is working hard full time, then I am not sure at all that we can be too certain when we say that the welfare rolls are going to go down.

#### FUTURE INCREASES IN \$2,400 BENEFIT LEVEL

This is one page to which I refer, shows that people in the OFF program, the Opportunities For Families, would drop from 4.8 to 3.4. I think it overlooks the fact which Senator Curtis brought out that every time, every 2 years, there are increases in social security benefits, and I would ask you, do you have any illusions that if we were to start this program out now with \$2,400 minimum basic assistance that it would not be raised beyond that figure 2 years from now?

Mr. VENEMAN. I would not try to put a time frame on it. I am sure a bill will be introduced.

Senator HANSEN. Maybe not that long, maybe next year.

Mr. VENEMAN. I am sure legislation will be introduced to do it. But it just depends on a lot of factors. I think, Senator, the thing you might want to put into perspective is at least you, the Members of this Senate and this Congress, are making the decision. Presently the State legislatures make that decision for you. They raise the benefits in the States and we do nothing but pay the bill. So at least if you are going to spend more Federal money you are going to be the one who has the decision.

#### BENEFITING FROM PRIOR MISTAKES

Senator HANSEN. Well, our track record in dealing with the welfare program is not one of which I am particularly proud, and I would hope that we could benefit by some mistakes that seem to me now to be glaring and obvious. I cannot think that pursuit of a course that all history recommends we not take makes good sense now based upon the assumption that if we continue it or if we expand it at least it will be our error again. I think we made plenty of them and I suggest that the alarming rate at which welfare rolls are expanding, the loss of jobs that come about in this country, not because there are not people to do them but because they can be done better and more cheaply abroad, seems to me to argue persuasively that we take a real hard look at what we have done and to try to see if indeed this is the way we think we should be going. I have the feeling it is not the way we should be going.

Mr. VENEMAN. I think, Senator, the chairman, put his finger on what we are attempting to do when he had the figures up on the blackboard. The incentive in this program is to take employment. You mentioned the fact that, you question what is going to happen to the ethic of this country when you see people working, living next door, to somebody who is better off not working. That happens now. It would not happen under H.R. 1. I think the real weakness we have in the present system, Senator Hansen, is the fact that we do not supplement incomes to any extent except under the 30 $\frac{1}{3}$  rule. But when you look at an intact family a husband and wife and children who are earning money but in an amount less than welfare standard there is an incentive for him to leave or for him to become unemployed and become eligible. This simply says instead of paying him the \$3,000 we will give him a little supplement if he is working and not earning very much but in an average case of \$1,760, so when we talk about doubling the caseload perhaps we made a mistake in communicating. I think it should be understood we are not doubling the welfare caseload, we are adding to the rolls a group of people whose income would be supplemented, people who are working, not people who are welfare recipients and living entirely off public funds, State, Federal, and local, but people whose basic income is being earned.

It is not a unique concept. We do it in agriculture, we do it for railroads and a few other people that have misfortunes, and we supplement. It is not a new pattern for Government.

## INCREASING THE \$2,400 PAYMENT LEVEL

Senator HANSEN. I am pondering what you say, Mr. Secretary, and all I might observe is that in order not to present full-time working people with the incongruous situation in which they find themselves by assuming all of their responsibilities, working full time, and seeing a neighbor on the other side who lives as well as they do and yet does not do one thing, you say let us add, let us supplement this working man's income. But now whenever you start on that course it seems to me that all you have done is to shift the problem a little further to the right. You made this group happy but what about this next group just to the right of this man here whose incomes are not going to be supplemented, how far do you propose to go? How many people, should we put a third of the people on welfare, a fourth or 50 percent?

You know, Senator McCarthy last year, I think, said, "Let us not fool around with this \$1,600 bit, let us go to \$5,500, that is where it should be". And there are a great many people who think he makes an awfully good case. The only trouble is, if I understand correctly, if you were to adopt his scheme of putting it up to \$5,500, and I have no doubt at all but what somebody in good faith, very seriously straight-faced is going to put a bill in to say we are not going to put it at \$2,400, I heard Senator Javits say it should not be that low. At least it should not be that low if you can get up to \$5,500 or whatever under such a great scheme if you can keep fooling the people into thinking the money is going to be paid by somebody else. But I do not believe it is and I know perfectly well from your great background you do not believe it, either.

Mr. VENEMAN. Absolutely not. It is unreasonable and impractical even to suggest that you go to \$5,500.

Senator HANSEN. And yet all you are saying is you hope Congress next year will have the good sense because the decision will be theirs, to reason "For heaven's sake, we have to stop some place."

Mr. VENEMAN. Senator Hansen, you have misinterpreted what I said. I did not say I hope the Congress would raise it. You asked me if I think there would be those pressures and I said yes, I am sure there will be. I am sure someone will introduce a bill, I am not sure Congress should do it, I am not convinced of that.

Senator HANSEN. I misspoke myself, I did not in my reply say that it was your hope that Congress would raise it. But what I thought you said and what I want to say is I thought you were saying that Congress would recognize that they alone have a handle on this and if it is going to stop they have got to stop it.

Mr. VENEMAN. What I was really saying——

Senator HANSEN. I am saying we should not start it.

Mr. VENEMAN. What I was saying, Senator, is that the decision as to whether or not it is going to be raised is yours. I was pointing out in contrast under the present system if the State of California decides to raise welfare benefits a thousand dollars, \$500 that comes out of the Federal Treasury without your making a decision. I am saying if it does go up at least the decision is, you know the ball is in your court.

Senator HANSEN. Well, you know, I have not taken much comfort in seeing a catastrophe happen and then everybody gets in a circle and points his finger at the other guy and says, "You are to blame." I would hope we might avoid that situation.

Mr. VENEMAN. In HEW I am getting used to that, Senator. [Laughter.]

Senator HANSEN. Let me say I do respect your great comprehension of this bill. I know that it is your responsibility and duty to defend it, and I am sure that you and I do not disagree with the goals and objectives that we have. I will not ask you what your personal private thoughts are. I sometimes wonder if in the role that you find yourself in if it is possible always to project your own convictions as well as you might.

Mr. VENEMAN. Senator, on this bill I can, and I say this in all honesty. I am here expressing my convictions on this bill. I had the privilege really of being with this committee last year and going through two sessions with the Ways and Means Committee, and I am not here, you know, really trying to hold firm on H.R. 1 or any welfare reform proposal. You know, I am here to try to work out a welfare reform proposal that can be accepted and would be effective in this country.

I think the time has come, it is ready. If during these hearings we can come out with something that is better we are receptive.

The CHAIRMAN. Might I just interrupt for a moment to say we are voting in the Senate. Having gotten involved in a soft ball game with a torn muscle in my leg and being a little lame I had better start now, but the Senator can carry on a little longer and still make the roll call. Pardon me, I will leave you to Senator Hansen, he will show you all the courtesy that the committee would show you with or without a chairman.

Senator HANSEN. Mr. Chairman, just let me say then that I would like to ask for inclusion in the record at this point some observations that I have made with respect to the HEW charts, Medicaid and work disincentive.

(The matter referred to follows:)

#### HEW CHARTS—MEDICAID, WORK DISINCENTIVE

The HEW charts completely disregard a major provision of H.R. 1 which requires States to charge recipients a medicaid deductible which increases as earnings rise. Specifically, the deductible increases 33 cents for each dollar earned above \$720 in Wilmington, Del.; \$1,356 in Chicago; and \$5,034 in New York.

Despite this, the HEW charts show a flat medicaid benefit whose value remains constant as earnings rise.

Earnings	Medicaid value shown on HEW chart	Figure should be	Earnings	Medicaid value shown on HEW chart	Figure should be
For Wilmington:			For Chicago—Continued		
\$0	\$460	\$460	\$5,000		
\$720	460	460	\$6,000		
\$1,000	460	370	For New York:		
\$2,000	460	40	\$0	\$870	\$870
\$3,000	460		\$720	870	870
\$4,000			\$1,000	870	870
For Chicago:			\$2,000	870	870
\$0	910	910	\$3,000	870	870
\$720	910	910	\$4,000	870	870
\$1,000	910	910	\$5,000		870
\$2,000	910	700	\$6,000		550
\$3,000	910	370	\$7,000		220
\$4,000		40			

Senator HANSEN. Well, let me say I, too, want to vote, and I appreciate your always great courtesy.

Mr. VENEMAN. Thank you, Senator Hansen.

Senator HANSEN. Mr. Secretary, then I will adjourn the hearings at this point. They are to be resumed preceded by a consideration of a session on child care legislation and following that I suspect it may be we would like to talk further with your Department—

Mr. VENEMAN. Very good.

Senator HANSEN (continuing). And with public witnesses on H.R. 1. I hope all of you who are interested in it will be apprised. Thank you very much.

Mr. VENEMAN. Thank you, Senator Hansen.

(Whereupon, at 12:45 p.m., the hearing was adjourned, subject to call of the Chair.)

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**Appendix A.—Geographical Variations in Costs of Living as  
Measured by Currently Available BLS Data**

**(MATERIAL REQUESTED FOR THE RECORD BY SENATORS MILLER  
AND BENNETT AT PAGE 97)**

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(327)

Bureau of Labor Statistics  
August 11, 1971

Geographical Variations in Costs of Living  
as Measured by Currently Available BLS Data

I

A. How Costs Vary

The Bureau of Labor Statistics currently compiles an index which measures the difference in cost, for a sample of urban areas, of a lower budget for a family of 4 persons. When the U.S. urban average cost of the budget (\$6,960 at 1970 price levels) equals 100, the geographical variation among mainland areas (i.e., excluding Honolulu and Anchorage) ranged from a high of 110 in San Francisco to a low of 88 in nonmetropolitan areas of the South, or 22 percentage points.

Cost in 29 of the 42 sample areas were concentrated within a range of 10 percentage points. That is to say, costs differed by about \$650 from low to high in 70 percent of the areas in which the budget was priced.

The 38 metropolitan areas and 4 nonmetropolitan regions (plus Honolulu and Anchorage) for which comparative budget-based indexes are published are a subset of the sample of areas in which prices are collected to compile the National Consumer Price Index for urban areas. This sample was selected prior to the last revision of the CPI, and it includes all Standard Metropolitan Statistical areas with a 1960 population of one million or more, plus a scientifically



selected sample of smaller areas. The area sample cannot be used to provide State-by-State comparisons of living costs. .

The budget data can be combined to produce some regional estimates by size of place. Regionally budget costs are lowest in the South, highest in the West, and decline with size of place. Indexes as of spring 1970 are summarized below:

Region	Size of place				
	All urban areas	Metropolitan areas			Nonmetropolitan regions (2,500 to 50,000)
		All metropolitan	Over 1 million	50,000 to 1 million	
Urban U.S.	100	101	103	98	94
Northeast	101	102	102	100	96
North Central	101	101	102	100	97
South	93	96	97	94	88
West	105	105	108	98	100

No information is available from the BLS program on urban/rural differentials in living costs or price levels.

B. What accounts for the variations

As a matter of logic it might be expected that spatial variations in living costs would result principally from differences in shelter costs which are affected by local land values, those service components which depend on local supplies of labor, and taxes at State and local levels. In practice, however, it is difficult to quantify the relative impact of these sources of variation on the overall differentials in budget costs. Calculating procedures do not provide separate totals for all of the service items, or for the different kinds of taxes included in the budgets; hence analysis of these spatial differentials is not possible.

Food and shelter cost differences could be assessed. Kendall Coefficients of rank correlation were calculated for shelter compared with the total costs of consumption, and also for food and total consumption. Although shelter accounts for only a fifth, and food a third, of the total in the lower budget, the correlation coefficient for shelter was substantially higher than for food, as indicated in the summary below:

	Ratio of total family consumption	Kendall Coefficient of rank correlation	
			Range of error around
Shelter	.20	.61	.50-.71
Food	.34	.50	.39-.61

Conceptually budget-based spatial comparisons were designed to answer the question, "How much more does it cost to live in one community than in another?", rather than the simpler question: "How much lower or higher are prices in one area than in another for a fixed market basket of goods and services?" The approach to the budget measurement problem was to describe or define a level of living (e.g., the "lower level) in terms of a list of goods and services, for a specific family type, which could be priced in selected locations. For a number of the components of family consumption, the items priced in each location are the same. For other components the list varies from place to place, in an effort to reflect differences in the conditions of living in each place. For each such variation, a judgment was made by the budget maker that it represented not an identical, but an equivalent level of living from place to place.

Variations or adjustments to effect a comparison of equivalent levels are incorporated into the following components of the budget comparisons:

Food at home: Regional variations in food consumption patterns.

Shelter: Climatic differences in quantities and types of fuel and utilities consumed.

Transportation: Size-of-place differences in the weights for auto ownership and usage.

Clothing: Climatic differences in quantities of selected items.

Taxes: Differences in outlays determined by geographical differences in cost of the consumption items and by State and local tax regulations. (Services provided for taxes not evaluated.)

In addition, all of the components are affected by variations in the budget quantities for metropolitan and nonmetropolitan areas.

The extent to which judgment-based variations in the weights have affected the spatial indexes has not been documented for all areas but the following comparison for 5 areas (based on 1969 intermediate budget costs) illustrates the magnitude of the differences from this source:

	Indexes for total consumption costs Dallas, Texas=100	
	Based on published (variable) budget weights	Based on constant (U.S. urban average) weights
Boston	117	114
Detroit	105	102
San Francisco	114	112
Small Southern cities	91	91

II. Various measures that could be used for FAP differentials and the requirements to develop them.

A. Measurement of price differences in various places.

One method for measuring living cost differences from place-to-place would be to measure differences in the level of prices, only this could take the form of inter-area or interspatial price indexes, of a form similar to the present Consumer Price Index, which is designed to yield a measure of price differences over time.

The present CPI does not yield data that can be used for place-to-place comparisons of prices. The major reason is that the purpose of the CPI is to generate a measure of changes in prices over time. Thus, a typical price comparison entering the CPI consists of prices for an identical item in a particular retail outlet, gathered in successive months or quarters. But if one is interested in price differences between two cities, the CPI prices need not always provide direct information on this question because the varieties of items selected for pricing may not be the same in the two cities, and also because the retail outlets may not be comparable. An example may make this clear.

To make the example as simple as possible, consider only two cities (A and B), one product, which comes in at least two varieties (call them 1 and 2),\* and we have two time period, I and II. In present CPI practice,

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\*For example, if the product is a refrigerator, 1 and 2 might be a frost-free model and a manual-defrost type, or a 13-foot size and a 16-foot size.

a retail outlet is chosen for pricing and the item and variety are selected in each outlet. Suppose variety 1 is selected in city A and variety 2 in city B. Then for the two time periods, I and II, we have four prices gathered, which we may label as  $A_1^I$ ,  $A_1^{II}$ ,  $B_2^I$ ,  $B_2^{II}$ . In constructing the CPI the price for variety 1 in city A in the first period is compared with the identical price gathered in the second period (in other words, it compares  $A_1^I$  with  $A_1^{II}$ ), and the same comparison is made for variety 2 in city B. These data are adequate for measuring price changes over time.

However, strictly speaking, an index of place-to-place price differences would need the price of either variety 1 in both cities, or variety 2 in both cities (that is, either  $A_1$  and  $B_1$ , or  $A_2$  and  $B_2$ ) in any time period in which the comparison is to be made. If one were to base the place-to-place comparison on the available CPI prices, this would result in a comparison of, for example,  $A_1^I$  with  $B_2^I$ . But these two prices might differ mainly because one variety of the product was more expensive than the other, and this comparison would be misleading as an indicator of price differences in different places.

To construct an index of prices valid for place-to-place comparisons, additional pricing should be instituted. Also, prices collected should represent the goods and services purchased by the kind of families for whom the index is constructed. For an index of the traditioned type, the same "market basket" would have to be priced in each city or area for which place-to-place indexes are to be computed. Maintaining comparability of items in an interspatial index is more difficult than in the present CPI. For one reason, in the CPI the same pricing agent normally returns to the

store in the second pricing period and examines the item to make sure it is the same as the one priced earlier. In an interspatial index, this important personal control over the items priced would probably not be possible. Another problem arises from the fact that there is often a range of prices on the same item in different outlets in the same city. Sometimes the higher-priced outlets may be providing additional consumer services. But if one happened to select high-priced outlets in one city or area and low-priced in another, the resulting index would give a misleading impression of differences in prices between two areas.

In addition, it may not be possible to find the same varieties, housing for example, in each area for which the interspatial index is to be computed. This is exactly analogous to the quality problem in present price indexes. Research is underway on methods of handling this problem, and the results would be applicable to the CPI and to an interspatial index.

B. Measuring living cost differences in various places.

It is clear, however, that a measure of price difference only, the traditional form of price comparison, would have deficiencies as a measure of place-to-place differences in living costs. An important defect arises from differences in consumption patterns caused by differences (such as climate) in the areas themselves or by taste differences. It may be impossible, for example, to obtain in Miami a price for heavy winter clothing of the type worn in northern Minnesota. These problems may mean that it is impossible to price an identical market basket in different

cities and some compromise may be necessary. If pricing the same market basket is required, it is quite possible, when consumption patterns differ, to find that pricing a Maine market basket in California indicates prices are higher in California, but pricing the California basket in Maine shows higher prices in Maine.

The problem of different or changing consumption patterns is also present in price indexes which measure price change over time. However, it promises to be more intractable in place-to-place comparisons because there are probably greater interspatial differences than occur over relatively short periods of time.

Although there are many practical and conceptual difficulties in constructing indexes of interspatial price differences, such measures would be feasible with present knowledge. The present price gathering apparatus of the CPI, would have to be augmented to develop an expanded pricing mechanism, and also to answer through conceptual and procedural difficulties - including those mentioned above and others not discussed in this memorandum.

An alternative measure would be to compute, instead of an interspatial price index, an interspatial index of the true cost of living. A cost of living index differs from a price index in that it measures the cost of a constant level of satisfaction, rather than of a constant basket of goods and services. Research on developing a cost of living index is now underway in the Research Division of the Office of Prices. Research is presently oriented toward producing a cost of living index



index for some major groups of consumer expenditures for comparisons over time, but the results could also be applied to the problem of measuring interspatial living cost differences.

It should be emphasized that estimating a cost of living index is a major research endeavor and final results will not be forthcoming in the immediate future. Many difficult problems remain to be explored. An example of one such problem is differences in the environment. Since the cost of living index seeks to measure the cost of a constant level of satisfaction, one cannot ignore the fact that areas differ in amenities, climate and other factors. Since people are often willing to accept a smaller income to live in more desirable areas, the cost of living index must take these factors into account. However, it remains true that pricing a fixed market basket for interspatial comparisons does not avoid the environmental problem, it merely ignores it.

C. Wage or income differences in various places.

Wage or income differences have sometimes been suggested as a proxy for living cost differences between two areas. The rationale for this idea is an extension of the famous phrase by Adam Smith, who wrote that "The whole of the advantages and disadvantages of the different employments of labor ... must ... be either perfectly equal or continually tending to equality."\* Thus, if some areas have lower prices, application of Smith's principle would mean that we should expect the low-price

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\*Wealth of Nations, p. 99. Smith was writing of occupational choice within an area or region, which is why applying the idea to interarea differences is described as an extension.

areas also to have lower wages. Otherwise, the whole of the advantages would not be equal, and we would expect that people would tend to move into the low-price areas (which would tend to depress wage levels).

There are several reasons why one should not accept too uncritically Smith's principle as a justification for using wages to measure living costs. For one, the principle applies to equilibrium situations. In a dynamic, growing economy, disequilibrium situations are more often encountered, and if some areas have surplus labor while others need more workers, wage rates will reflect these stimuli as well as the "advantages and disadvantages" of the respective areas. Another is that Smith very clearly wrote that the "whole of the advantages and disadvantages" must be equal, not just that the ratio of wages to prices must be equal. Hence, areas that are particularly attractive may continue to attract labor even if wages are relatively low and prices relatively high.

The idea that wages and prices, or that wages and the cost of living, are so highly correlated that one can be used as a proxy for the other must be regarded as an unproven hypothesis, rather than a fact. But it is one that deserves exploration, since if the hypothesis were found to be approximately correct, it would be far easier to estimate living cost differences from available wage data than to construct either interspatial price indexes or interspatial cost of living indexes.

There is a great body of literature on the determinants of migration

which is indirectly relevant to the hypothesis (most of the migration literature starts from the hypothesis that migration ought to be related to wage differences among areas). The migration literature has found that, although over long period of time, migration does proceed from low wage to high wage areas, wage differences are not a good explanation for migration over shorter intervals. Not unexpectedly, this literature has found that the migration decision is a complex one that must take into account a range of factors.

In addition to the points raised in this discussion, it should be noted that the use of an earnings-based differential would fit one of the objectives of the welfare reform plan, namely, the objective of getting people off welfare rolls and on to payrolls.

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**Appendix B.—Material Related to H.R. 1—Work and Training  
Provisions**

**(PREPARED BY THE STAFF OF THE COMMITTEE ON FINANCE)**

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**CHARTS AND DESCRIPTION OF H.R. 1**

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(1)

**Chart 1****The WIN Program Has Not Kept Pace With Increases in the Welfare Rolls**

Although the work incentive program was created in the hope that it would be an effective tool in helping welfare recipients to achieve greater economic independence, it has, in fact, had very little impact on the welfare rolls.

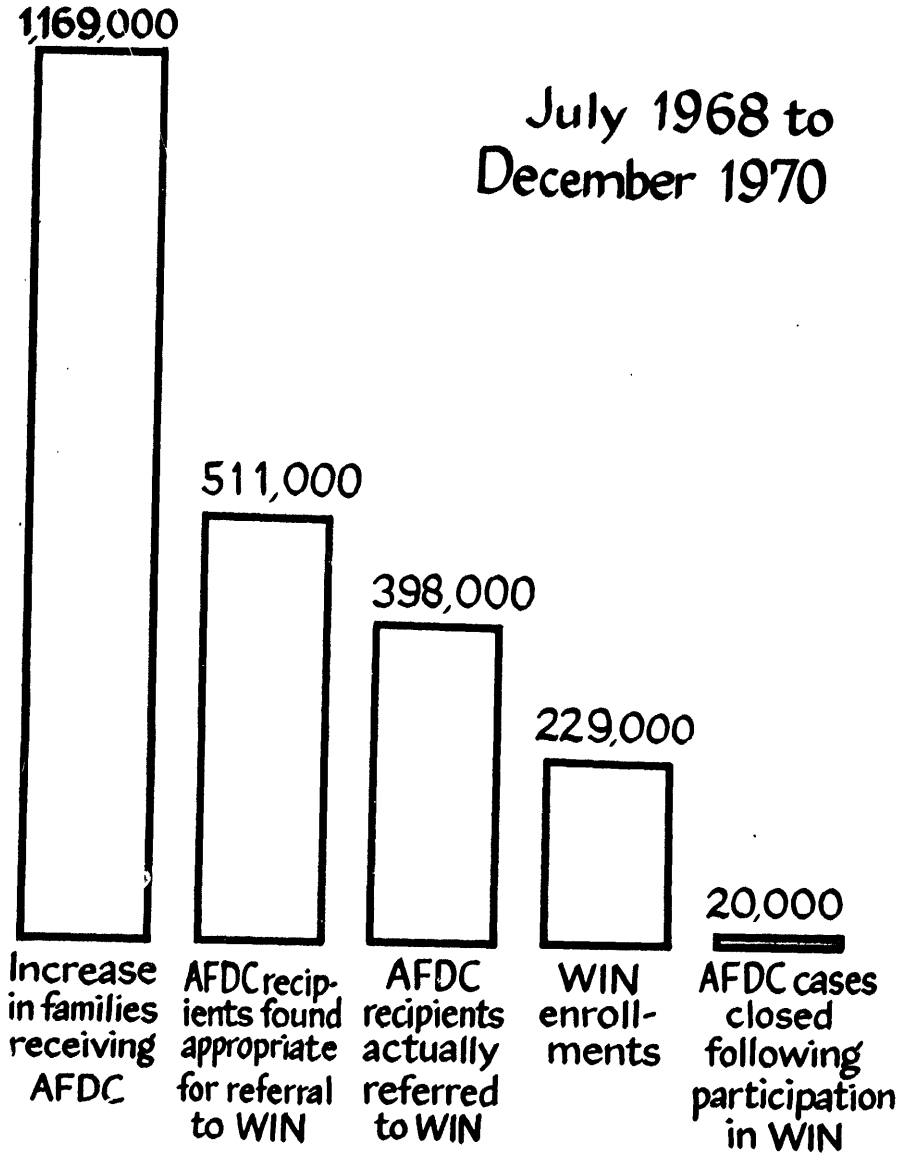
As the chart opposite illustrates, in the period since the WIN program began operating, from July 1968 to March 1970, there was an increase in the number of families receiving AFDC of 1,169,000. The total number of families receiving AFDC in December 1970 was 2,552,000.

During the first 2½ years of the WIN program, welfare agencies determined that 511,000 fathers, mothers, and other persons over age 16 receiving welfare were appropriate for referral for work and training. However, of those determined to be appropriate, only 398,000 were actually referred. And, of those referred by welfare agencies, only 229,000, less than one-half of those found appropriate, were enrolled in the work incentive program by the Department of Labor. Finally, only 20,000 AFDC cases closed within this period were attributable to employment or increased earnings following participation in WIN.



# The WIN Program Has Not Kept Pace with Increases in the Welfare Rolls

July 1968 to December 1970



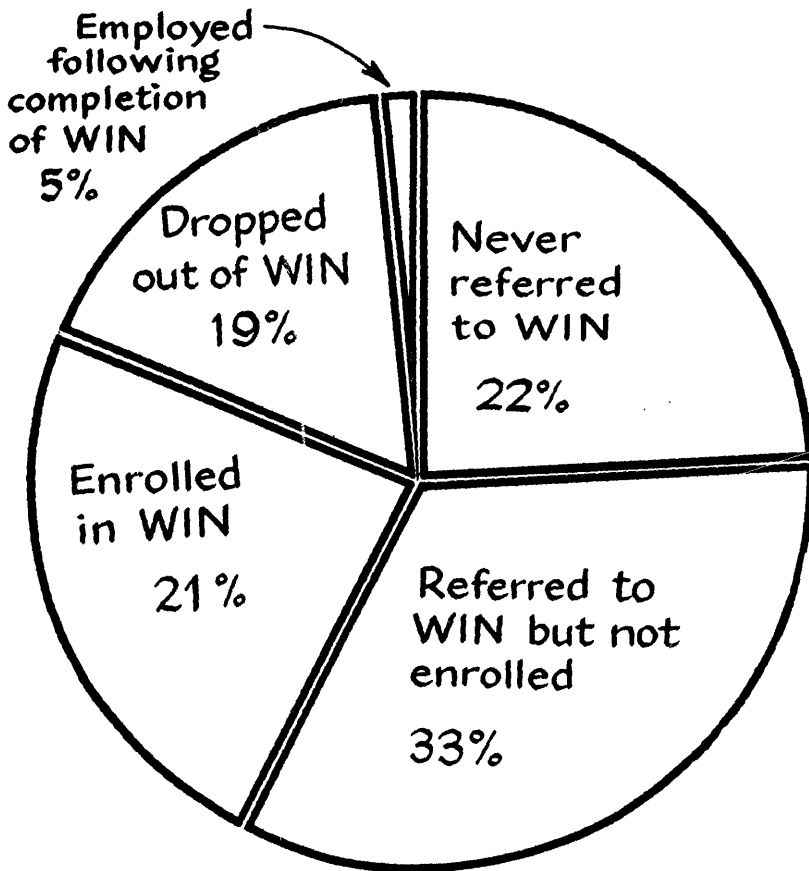
**Chart 2****What Happened to 511,000 AFDC Recipients Found Appropriate for Referral to WIN**

Under the Social Security Act, it is the responsibility of State welfare agencies to assess welfare recipients to determine whether they are appropriate for referral to work or training under the work incentive program. If an individual is found to be appropriate, he or she is then referred to the Department of Labor for enrollment in WIN.

However, as the chart opposite illustrates, nearly one-fourth of the 511,000 AFDC recipients found appropriate for referral in the first 2½ years of program were in fact never referred to WIN. One-third of those appropriate for referral were referred by welfare agencies but were never enrolled in the program by the Department of Labor. About 20 percent of those found appropriate were still enrolled in WIN on December 31, 1970, while another 19 percent had been enrolled in WIN but had dropped out with or without good cause. Only 5 percent of those found appropriate had fully completed their employability plans under the WIN program and were in jobs. Surveys indicate that after 180 days, one out of five of these individuals placed in jobs were no longer employed.

# What Happened to 511,000 AFDC Recipients Found Appropriate for Referral to WIN

(Status as of December 31, 1970)



**Chart 3****WIN Dropouts**

The chart gives a breakdown of dropouts from the work incentive program as of December 31, 1970.

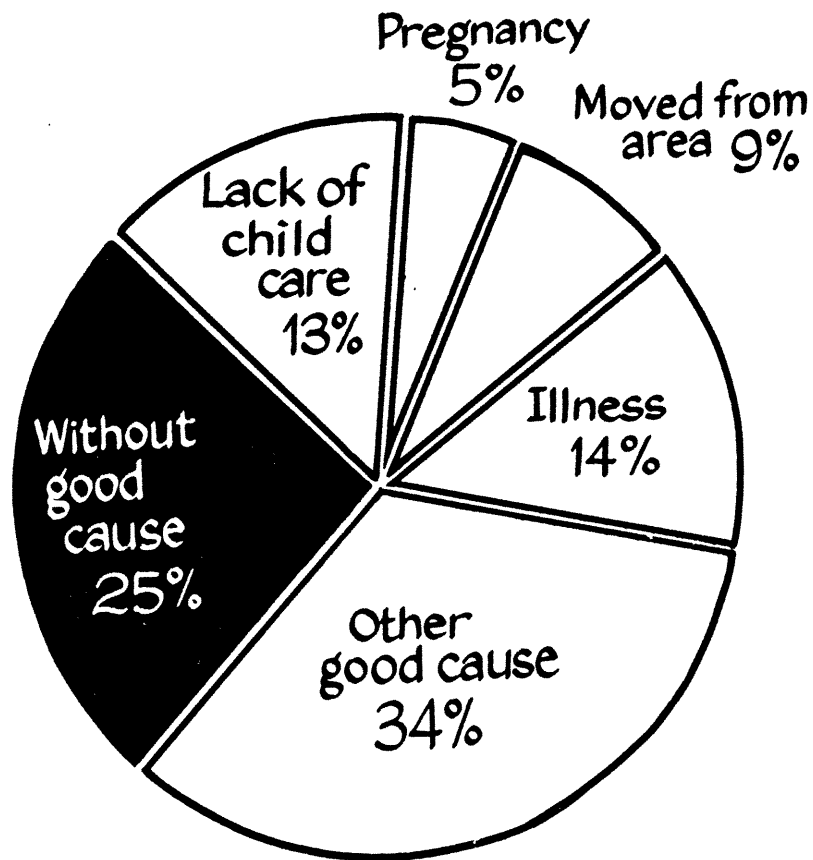
Of the 120,000 individuals who have terminated from the WIN program, 95,900 are dropouts. Of these dropouts, 24,500 were terminated without good cause, either refusing to continue in the program, being separated by administrative decision for misconduct, or else they could not be located.

The remaining 71,400 dropouts are categorized as leaving the program with good cause, and are broken down in the following manner:

Illness or pregnancy-----	18,000
Moved from area-----	8,400
Child care not available-----	12,000
Other good causes-----	33,000

# WIN Dropouts

(as of December 31, 1970)



**Chart 4****Status of WIN Enrollees**

This chart shows the status of the 106,200 enrollees in the work incentive program as of April 30, 1971. Of these individuals, 15,100 were awaiting their assignment to their next training component, while 5,200 were awaiting their first assignment. Another 7,400 individuals had completed their training but had not been placed in jobs. Together, these groups constituted 28 percent of the enrollees, constituting what the Labor Department terms the "holding" category. Persons in this category were not actually receiving any training.

By far the largest group of those enrolled in WIN were engaged in institutional training, which is composed of basic education (22,700 persons) and institutional skill training (25,900 persons). They received general upgrading of their education; often this training was not related to skills leading to employment. Another 8,700 were in orientation and assessment. Together these groups constituted 56 percent of the enrollees.

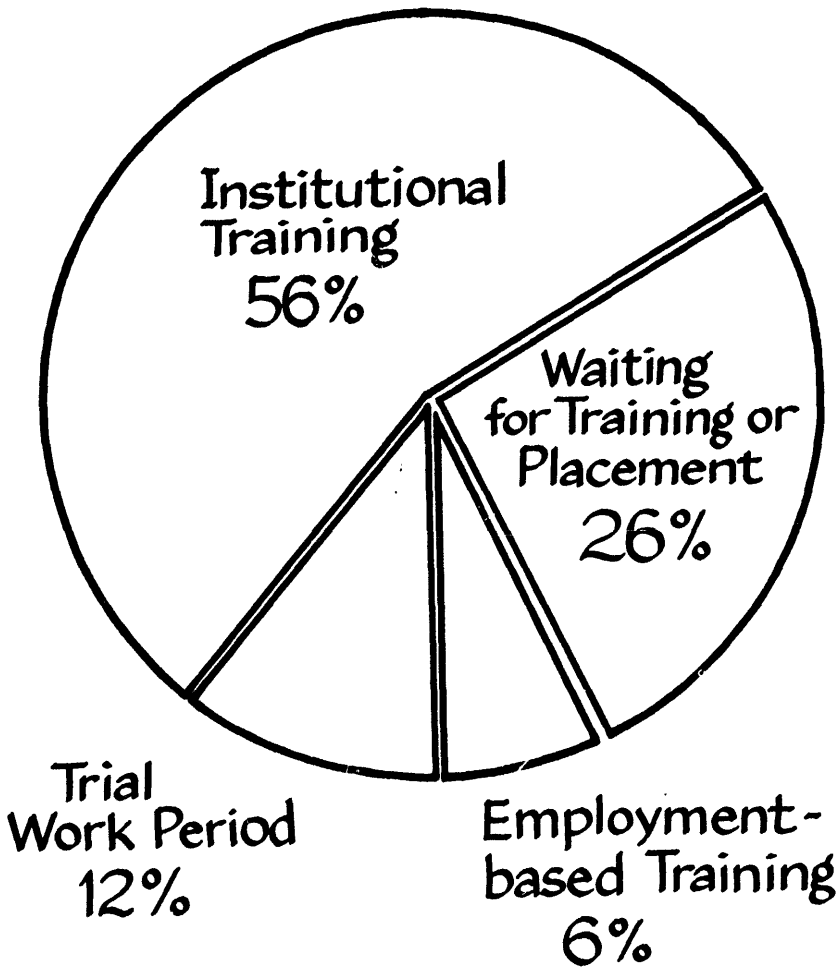
On-the-job training constituted about 1½ percent of the April enrollment, with 1,400 individuals so placed.

Special work projects (public service employment) constituted about 1 percent of the enrollment, with 1,100 participants.

Finally, in a trial work or followup status there were 12,900 participants. These individuals were actually on jobs but continued to be under the supervision of the WIN program for a 90- to 180-day period.

# Status of WIN Enrollees (As of April 30, 1971)

106,000 Enrollees



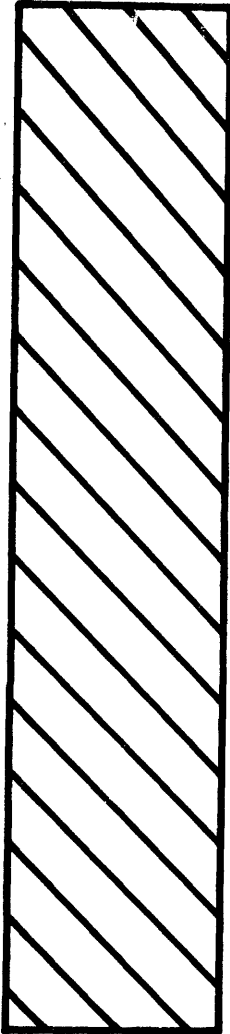
**Chart 5****Few WIN Enrollees Participate in Other Labor Department Manpower Programs**

Although the Labor Department has repeatedly stated that it has a vast array of manpower programs that are open to WIN participants, only a small proportion of WIN enrollees have actually participated in other manpower programs. As of December 31, 1970, out of a total WIN enrollment of 109,000, only 6,400 participants were enrolled in other manpower programs.

In testimony before the Finance Committee last year, Labor Department officials stated that much greater emphasis was to be given to getting WIN participants in the National Association of Businessmen's JOBS program. However, currently there are about 700 JOBS slots being used by WIN participants and this number has not increased appreciably within the last 6 months.



# Few WIN Enrollees Participate in other Labor Department Manpower Programs



WIN enrollment:  
109,000 as of  
Dec. 31, 1970

WIN participants  
in other Labor  
Department  
programs: 6,400

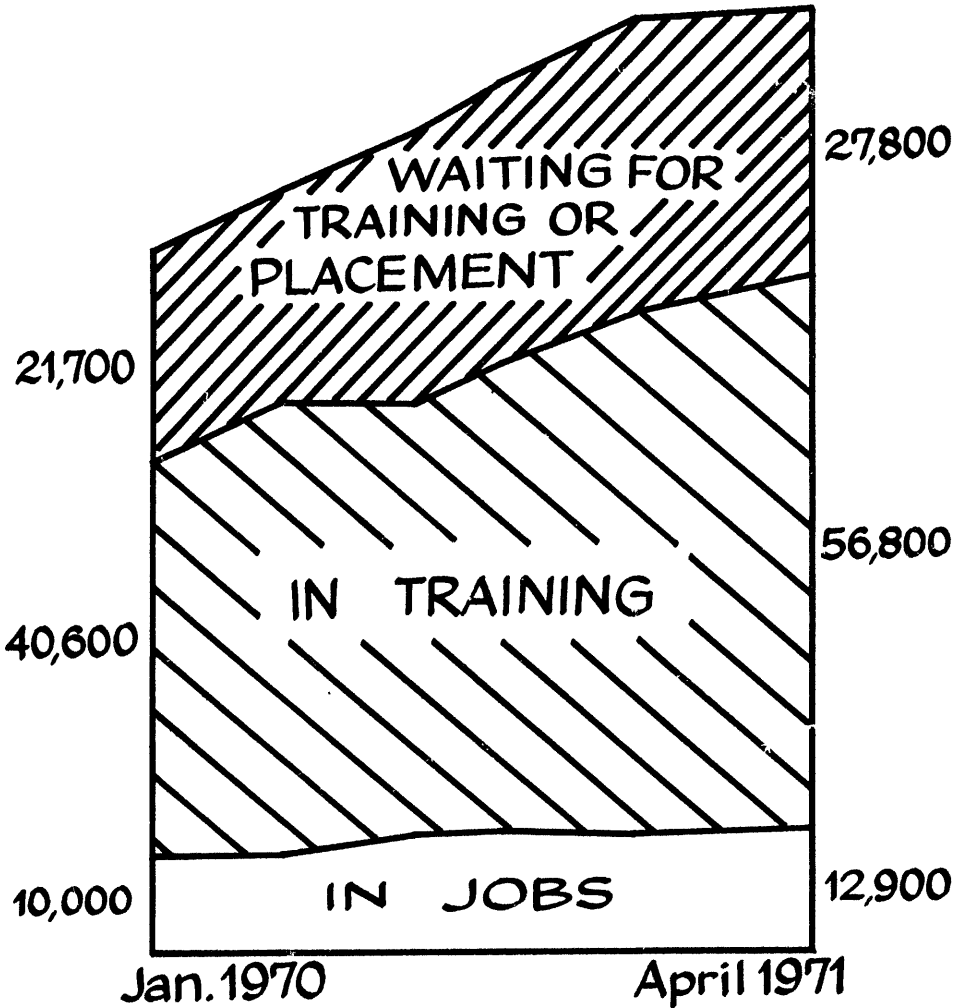


**Chart 6****Waiting Continues To Be a Major Activity of WIN Enrollees**

Waiting for training or placement, known as the "holding" category under the WIN program, continues to be a major component of the program. About 27,800 participants were in this category at the end of April 1971, including 5,200 individuals who were awaiting initial training; 7,300 individuals who were waiting between training components; 7,800 individuals who were waiting because of such problems as health or day care; and finally, 7,500 individuals who had finished their training course but who had not been placed on jobs.

The nature of those in the "holding" category has changed since January 1970 in that fewer persons are now waiting for initial training than 18 months ago; however, more participants are awaiting placement following completion of training.

# Waiting Continues to be a Major Activity of WIN Enrollees

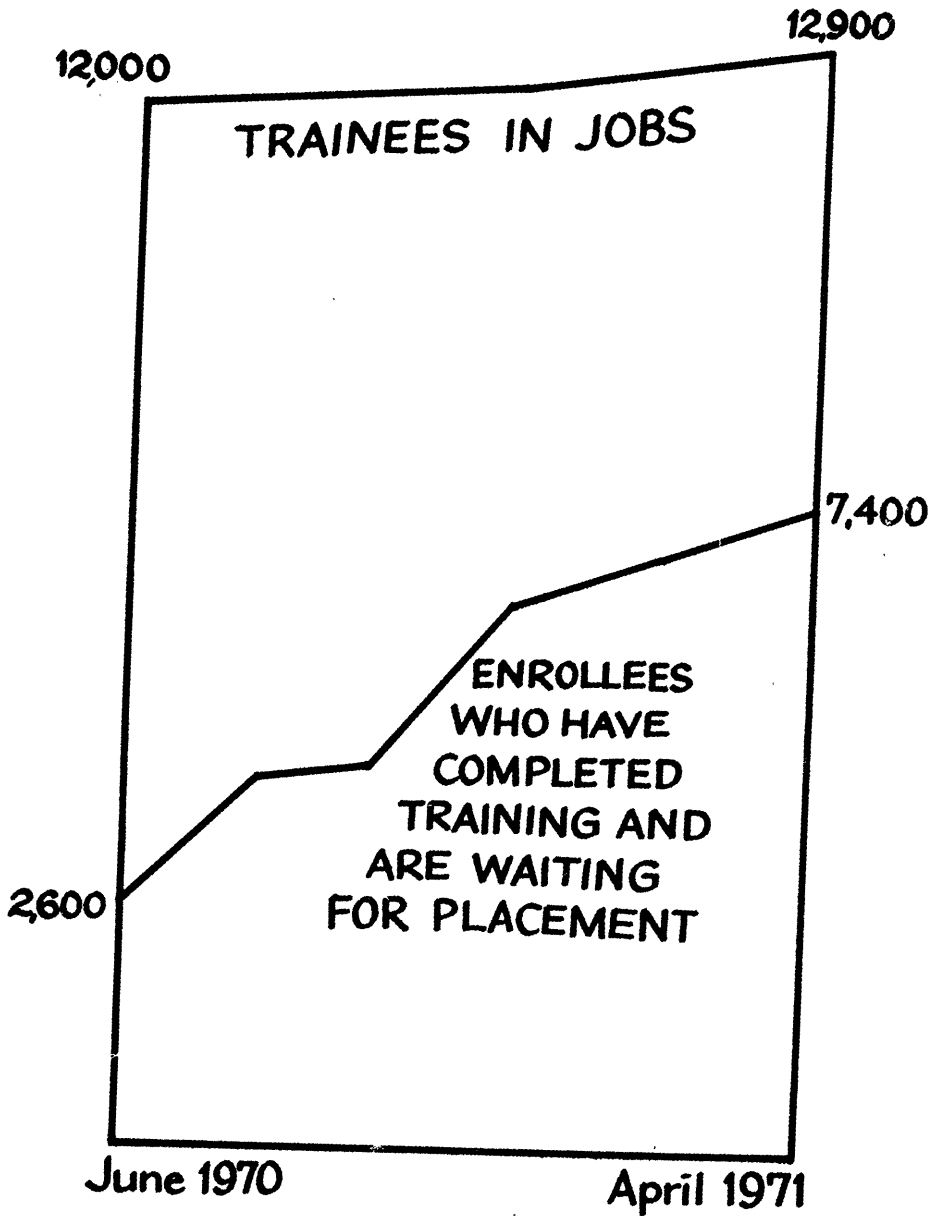


**Chart 7****An Increasing Number of WIN Trainees Cannot Find Jobs**

Although there have been an increasing number of participants in the work incentive program who have completed training, the number of trainees in jobs has remained almost constant since June 1970. As a result, the number of WIN enrollees who completed training and were awaiting placement grew almost threefold between June 1970 and April 1971.

Detailed figures are shown in the appendix on table 7 (p. 53).

# An Increasing Number of WIN Trainees Cannot Find Jobs



**Chart 8****Registration and Work Requirements**

Under present law, all "appropriate" welfare recipients must be referred by the welfare agency to the Labor Department for participation in the work incentive program. The following categories of persons are statutorily considered inappropriate: (1) Children who are under age 16 or attending school; (2) persons who are ill, incapacitated, or of advanced age; (3) persons so remote from a WIN project that their effective participation is precluded; and (4) persons whose presence in the home is required because of illness or incapacity of another member of the household. Persons may volunteer to participate in the work incentive program even if the State welfare agency finds them inappropriate for mandatory referral.

Under H.R. 1 recipients who are found available for work would be required to register with the Labor Department under the OFF program as a condition of eligibility for welfare. They would be found available for work unless they fit within category 1, 2, or 4 above or within one of these additional categories added by the bill: (1) A mother or other relative of a child under the age of 6 who is caring for the child (beginning July 1, 1974, mothers with children under age 3); and (2) the mother in a family in which the father registers. As under present law, an individual not required to register may do so voluntarily.

Last year's Senate bill, like H.R. 1, would have required registration of employable welfare recipients with the Labor Department as a condition of welfare eligibility; the Senate bill would in effect have required that at least 15 percent of the registrants in each State actually participate in the work incentive program. No such requirement appears in H.R. 1.

The 1970 Senate bill would also have established clear statutory direction in determining which individuals would receive employment or training by generally requiring the Secretary of Labor to accord priority in the following order, taking into account employability potential: (1) Unemployed fathers; (2) dependent children and relatives age 16 or over who are not in school, working, or in training; (3) mothers who volunteer for participation; (4) individuals working full time who wish to participate; and (5) all other persons.

Thus under the Finance Committee amendment no mother would have been required to participate until every person who volunteered was first placed. H.R. 1, on the other hand, would give the Secretary of Labor complete discretion in determining which categories of recipients would be given employment and training under the program, with the one exception that priority be given to mothers and pregnant women under 19 years of age.

The penalty for refusal to participate in work or training is generally the same under both bills. The Senate bill, like existing law, would require a cutoff of welfare benefits after Labor Department notification of refusal to participate without good cause. Under H.R. 1, the Labor Department alone would be able to cut off the payments of an individual who refused to participate.

# Registration and Work Requirements

## 1970 Senate Bill

- Registration required unless person is
  - child under 16 (or under 21 attending school)
  - ill, disabled, aged
  - too remote from training project
  - caring for ill member of household
  - mother of child under 6
- Registrants must be placed in work or training following these priorities:
  - 1)unemployed fathers
  - 2)dependent children and relatives 16 or over who are not in school, working or in training
  - 3)mothers who volunteer to participate
  - 4)all other persons
- Payment stopped for refusal to participate

## H. R. 1

- Registration required unless person is
  - child under 16 (or under 22 attending school)
  - ill, disabled, aged
  - mother in family where father registers
  - caring for ill member of household
  - mother of child under 3 (under 6 until 1974)
- Priority must be given to mothers and pregnant women under 19 years old; otherwise, Secretary determines who he will train and in what order of priority
- Same

## Chart 9

### Work and Training Provisions—1

A major criticism of the Work Incentive Program as administered by the Labor Department has been the lack of development of on-the-job training and public service employment, and the frequent lack of relationship between WIN training programs and local labor market needs.

The 1970 Senate bill would have required that 40 percent of the funds spent for the Work Incentive Program be for on-the-job training and public service employment. Under H.R. 1 the Secretary of Labor would decide what kind of training would be emphasized under the program and how training funds would be allocated. The Senate bill would have provided that training funds be allocated among the States on the basis of the number of registrants for work and training. The bill would also have required the Secretary of Labor to establish local labor market advisory councils whose function was to identify present and future local labor market needs; the findings of these councils would have served as the basis for local WIN programs. H.R. 1 provides for local advisory committees to report on the "effectiveness of the training and employment programs."

The 1970 Senate bill would have encouraged the expansion of public service employment by providing 100-percent Federal funding for the first year and 90-percent Federal funding of costs in subsequent years. If the public service employment project was in effect less than 3 years, Federal sharing for the first year would have been cut back to 90 percent.

H.R. 1 provides for a public service employment program which contemplates job opportunities for 200,000 people a year. During the first year of the program, fiscal 1973, an authorization of not more than \$800 million would be provided; the amounts for later years are not stated. Federal participation in the cost of an individual's participation in a public service employment program would be 100 percent for the first year of his employment, 75 percent for the second, and 50 percent for the third.

As an incentive for employers in the private sector to hire individuals placed in employment through the Work Incentive Program, the 1970 Senate bill would have provided a tax credit equal to 20 percent of the wages paid to these individuals, during their first 12 months of employment, to be at least partially recaptured if the employer terminated employment of an individual during the first 24 months of his employment. This recapture provision would not apply if the employee became disabled or left work voluntarily. No such tax incentive provision is provided in H.R. 1.



# Work and Training Provisions --1

## 1970 Senate Bill

- 40% of funds to be spent on employment-based training (OJT, public service employment); training funds allocated based on number of registrants for work and training
- For public service employment, 100% Federal funding for first year and 90% in subsequent years; matching for first year reduced to 90% if project in effect less than 3 years
- Tax credit for employer equal to 20% of first year's wages of WIN participant in OJT or regular employment if employment continues at least two years

## H. R. 1

- Secretary of Labor decides what kind of training to provide and how training funds will be allocated
- For public service employment, 100% Federal funding for individual's first year of employment, 75% for second year, 50% for third year; no Federal funding thereafter
- No provision

## Chart 10

### Work and Training Provisions—2

H.R. 1 would centralize responsibility for the provision of supportive services (those services necessary for an individual to participate in work or training) in the Department of Labor, and would provide that they be federally financed and administered. On the other hand, the 1970 Senate bill had approached the problem by various mechanisms which would coordinate Labor and HEW activities at the local and national level, and by increasing the Federal matching share for training and supportive services to 90 percent. The Senate bill would have required that a joint HEW-Labor committee be set up to assure that WIN forms, reports, and other matters were handled consistently between the two Federal departments; that local welfare agencies set up units with the responsibility for arranging supportive services for WIN participants; and that local welfare and manpower agencies set up joint operational plans specifying the kinds of training to be provided and the kinds of job development to be undertaken. In addition, the Senate bill would have required local welfare and manpower agencies to jointly develop employability plans for individuals to assure that individuals received the necessary supportive services and preparation for employment without unnecessary waiting.

Last year's Senate bill would not have changed the provision of present law involving the administrative responsibility for the manpower portions of the work incentive program. Though the Secretary of Labor has this statutory responsibility, the program is actually administered by State employment service offices. In the House report on H.R. 1, the Ways and Means Committee had this comment:

Such authority and responsibility under the new program is clearly lodged with the Secretary of Labor, not in an office of a State or local government. The Secretary could never be limited in carrying out his responsibilities by decisions made at those levels. While the WIN program has helped some recipients to become independent, it was a mistake to rely solely on State agencies in the administration of the program. For under those circumstances it is not possible to hold the Secretary of Labor entirely responsible for the results. Under the bill, however, this responsibility could not be avoided.

Your committee would give the Secretary of Labor the authority to administer the program in whatever manner will achieve the greatest results in reducing dependency. If he believes a particular State's employment service is the most effective instrument, he is authorized to use it. But first he must satisfy himself that that agency or any other non-Federal agency can do the job and achieve the necessary results. If no agency is available that meets his standards of performance the Secretary should administer the program directly.

The Senate bill would have continued the WIN training allowance under existing law of up to \$30 monthly. Under H.R. 1, this amount could be higher if his allowances under the Manpower Development and Training Act would be more than \$30 higher than his Federal OFF payment plus any State or local supplementary payment. It appears that in about half the States, this provision would result in a monthly training allowance of more than \$30.

## Work and Training Provisions -- 2

### 1970 Senate Bill

- Federal matching for training raised from 80% to 90%; matching for supportive services raised from 75% to 90%
- Supportive services provided by separate unit in welfare agency, in coordination with manpower agency
- Training allowance of up to \$30 a month
- Secretary of Labor statutorily responsible for WIN program; program actually administered by State employment service offices

### H. R. 1

- 100% Federal funding of training and supportive services
- Supportive services provided by Secretary of Labor
- Training allowance of at least \$30 a month
- House report states that if Secretary finds State employment service is not meeting his standards of performance, there will be direct Federal administration or administration by another non-Federal agency

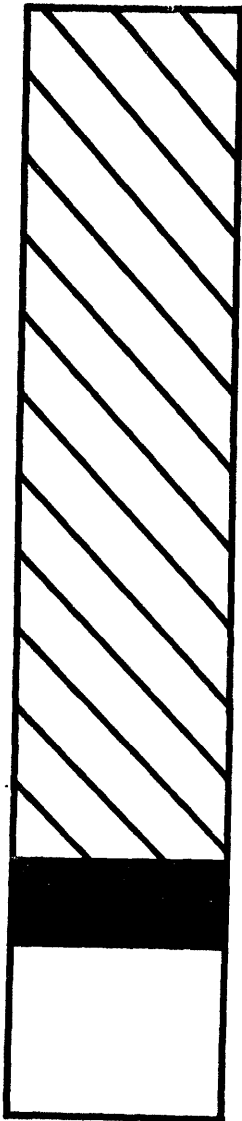
**Chart 11****Labor Department Plans for OFF Registrants**

The administration has estimated that in fiscal 1973 there will be approximately 2.6 million families in which at least one of the members is deemed available for employment and registered with the Labor Department for work and training. Thus there will be at least 2.6 million registrants; of course, a number of these families will have two or more members who will have to register under the OFF program.

The Labor Department contemplates providing 200,000 public service employment jobs and training opportunities for slightly over 400,000 individuals in fiscal year 1973. This leaves about 2 million registrants under the program for whom no particular plans have been made. Quite a large number of them presumably will continue in their present jobs with income supplementation under H.R. 1; 75,000 training slots have been allowed for the job upgrading of the working poor.

The Labor Department stresses that other training opportunities will be made available under other manpower legislation. If the experience with the WIN program indicates the course of the new program, this may not be a substantial number since only about 6 percent of WIN enrollees are participating in other manpower programs.

# Labor Department Plans for OFF Registrants



Total: 2.6 million registrants

2.0 million:  
no particular  
plans

0.2 million: public  
service employment

0.4 million:  
training programs

Fiscal year 1973

Chart 12

**H.R.1: What Each Dollar Earned Will Cost a Family of 4 in Wilmington, Delaware  
(Mother with 3 children)**

	RANGE OF EARNINGS			
	0-\$1,000	\$1,000-\$2,000	\$2,000-\$3,000	\$3,000-\$4,000
Welfare reduction	\$ .19	\$ .67	\$ .67	\$ .67
Social security tax	.06	.06	.06	.06
State, Federal income tax	---	---	.01	.02
Medicaid deductible increase	.09	.33	.33	.33
Subtotal	.34	1.06	1.07	1.08
Increase in public housing rent	.15	.06	.06	.06
<b>TOTAL cost to family for each dollar earned</b>	<b>.49</b>	<b>1.12</b>	<b>1.13</b>	<b>1.14</b>

## H.R. 1: What Each Dollar Earned Will Cost a Family of Four in Wilmington, Delaware

Under H.R. 1, a family's assistance payment would be reduced by two-thirds of any earnings in excess of \$720 per year. Looked at in isolation, this appears to permit families to keep, as an incentive for increasing their earnings, the first \$720 per year of such earnings plus 33 cents out of every dollar above \$720. In practice, however, increased earnings would result in many other costs to the family in addition to the partial reduction in their assistance payments. This chart shows some of these costs as they would affect a family in Wilmington, Del., composed of a mother and three children. The four columns show for various earnings levels how much each additional dollar will cost the family in reduced assistance benefits, increased payments for social security and income taxes, an increase in the medicaid deductible under the provisions of H.R. 1, and the increased rent a family would have to pay for public housing under the administration's proposed housing legislation.

In the \$0 to \$1,000 range of earnings, the reductions are rather modest because the first \$720 of annual earnings is not taken into account in determining either the assistance payment or the medicaid deductible. Each additional \$1,000 of earnings, however, results in costs to the family which average more than \$1 in added cost for each \$1 of

added earnings. For example, a family increasing its annual earnings from \$2,000 to \$3,000 would have to pay out \$1.07 for every dollar of additional earnings. If the family lived in public housing, the total added cost for each dollar of earnings would be \$1.13. In other words, it would cost the family \$1,130 to increase its earnings from \$2,000 to \$3,000. This would be a net loss to the family of \$130.

The data in this chart with respect to the reduction in assistance, income taxes, and public housing rent are based on computations by the Department of Health, Education, and Welfare which assume that Delaware will supplement the basic Federal assistance payment of \$2,400 per year by \$216 which would maintain Delaware's existing payment level with an increase to compensate for the fact that food stamps or surplus commodities would no longer be available. The medicaid deductible would affect families to the extent that they have medical expenses. It is computed on the assumption that Delaware will set the medical assistance standard at the \$2,616 payment level although H.R. 1 would permit it to set that standard somewhat higher or lower. Social security tax costs are based on the employee taxes provided for in present law for 1973 and later years. The chart also assumes that the administration's public housing proposals will be enacted.

Chart 13

**H.R.1: What Each Dollar Earned Will Cost a Family of 4 in Chicago  
(Mother with 3 children)**

	<i>RANGE OF EARNINGS:</i>	0- \$1,000	\$1,000- \$2,000	\$2,000- \$3,000	\$3,000- \$4,000	\$4,000- \$5,000	\$5,000- \$6,000
<b>Welfare reduction</b>		<b>\$.19</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>
<b>Social security tax</b>		.06	.06	.06	.06	.06	.06
<b>State, Fed'l income tax</b>		---	---	---	---	.16	.19
<b>Medicaid deductible increase</b>		---	<u>.21</u>	<u>.33</u>	<u>.33</u>	<u>.33</u>	<u>.33</u>
<b>Subtotal</b>		.25	.94	1.06	1.06	1.22	1.25
<b>Increase in public housing rent</b>		<u>.15</u>	<u>.06</u>	<u>.06</u>	<u>.06</u>	<u>.06</u>	<u>.06</u>
<b>TOTAL cost to family for each dollar earned</b>		<b>.40</b>	<b>1.00</b>	<b>1.12</b>	<b>1.12</b>	<b>1.28</b>	<b>1.31</b>



## H.R. 1: What Each Dollar Earned Will Cost a Family of Four in Chicago, Illinois

This chart is similar to chart No. 12, but it shows the cost of each additional dollar of earnings at various earnings levels for a family composed of a mother and three children in Chicago, Illinois rather than in Wilmington, Del. The effects in both cities are comparable except that in Chicago the medicaid deductible would not be as large at earnings levels under \$2,000 on the assumption that Illinois continues its present practice of setting a medical assistance standard somewhat above its payment level for cash assistance. Also, because of the assumption that Illinois will supplement the basic Federal assistance payment, the family would continue to receive assistance until its earnings exceeded \$6,000. As a result, income taxes could be a significant cost factor for some families getting assistance. As in the Wilmington chart, this chart shows that families in Chicago who live in public housing and get assistance would find their earnings profitable only in the \$0 to \$1,000 range. Each \$1,000 of earnings above that level would cost the family \$1,000 or more in lost benefits, taxes, and increased fees and deductibles. Families not in public housing would be able to keep as a net gain 6 cents on the dollar from earnings in the \$1,000 to \$2,000 range. Above that, the costs incurred as a result

of increased earnings would exceed the amount of the earnings.

The data in this chart with respect to the reduction in assistance, income taxes, and public housing are based on computations by the Department of Health, Education, and Welfare which assume that Illinois will maintain its cash assistance levels with an increase to offset the loss of food stamps. The figures also assume that the administration's public housing proposals will be enacted. Social security tax costs are based on the employee taxes provided for in present law for 1973 and later years.

The medicaid deductible would affect families to the extent that they have medical expenses. It is computed on the assumption that Illinois will set a medical assistance standard higher than the cash assistance payment level in the same ratio as its current medical assistance standard bears to its payment level. The chart also assumes that, in reducing the State supplemental assistance, Illinois will follow the Federal practice of reducing benefits by only 67 percent of earnings above \$720. H.R. 1 would, however, permit the State to increase the reduction rate to as much as 100 percent in earnings ranges above \$4,320.

Chart 14

**H.R.1: What Each Dollar Earned Will Cost a Family of 4 in New York City  
(Mother with 3 children)**

	<i>RANGE OF EARNINGS:</i>	0- \$1,000	\$1,000- \$2,000	\$2,000- \$3,000	\$3,000- \$4,000	\$4,000- \$5,000	\$5,000- \$6,000	\$6,000- \$7,000
<b>Welfare reduction</b>		<b>\$.19</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>	<b>\$.67</b>
<b>Social security tax</b>		.06	.06	.06	.06	.06	.06	.06
<b>State, Federal income tax</b>		---	---	.01	.03	.17	.20	.21
<b>Medicaid deductible increase</b>		---	---	---	---	---	.32	.33
<b>Subtotal</b>		<b>.25</b>	<b>.73</b>	<b>.74</b>	<b>.76</b>	<b>.90</b>	<b>1.25</b>	<b>1.27</b>
<b>Increase in public housing rent</b>		<b>.15</b>	<b>.06</b>	<b>.06</b>	<b>.06</b>	<b>.06</b>	<b>.06</b>	<b>.06</b>
<b>TOTAL cost to family for each dollar earned</b>		<b>.40</b>	<b>.79</b>	<b>.80</b>	<b>.82</b>	<b>.96</b>	<b>1.31</b>	<b>1.33</b>

## H.R. 1: What Each Dollar Earned Will Cost a Family of Four in New York City, N.Y.

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This chart is similar to chart No. 12, but it shows the cost of each additional dollar of earnings at various earnings levels for a family composed of a mother and three children in New York City rather than in Wilmington, Del. The effects in both cities are comparable except that in New York there would be no medicaid deductible at earnings levels under \$5,000 on the assumption that New York continues its present practice of setting a medical assistance standard 33 percent above its payment level for cash assistance. Also, because of the assumption that New York will supplement the basic Federal assistance payment, the family would continue to receive assistance until its earnings exceeded \$7,000. As a result, income taxes could be a significant cost factor for some families getting assistance. Families in New York which get assistance are shown by this chart to have a net gain from their earnings at all earnings ranges below \$5,000. For families who do not live in public housing, the amount of this gain ranges from 75 cents on the dollar for earnings below \$1,000 to 10 cents on the dollar for earnings in the \$4,000 to \$5,000 range. Similarly, families in public housing have a net gain of 60 cents on the dollar for earnings below \$1,000 decreasing to 4 cents on the dollar for earnings between \$4,000 and \$5,000. Above \$5,000 for families

(whether or not in public housing) the added costs attributable to earnings exceed the amount of the increase in earnings.

The data in this chart with respect to the reduction in assistance, income taxes, and public housing are based on computations by the Department of Health, Education, and Welfare which assume that New York will maintain its January 1971 cash assistance levels with an increase to offset the loss of food stamps. The estimates also assume that the administration's public housing proposals will be enacted. Social security tax costs are based on the employee taxes provided for in present law for 1973 and later years.

The medicaid deductible would affect families to the extent that they have medical expenses. It is computed on the assumption that New York will set a medical assistance standard higher than the cash assistance payment level in the same ratio as its current medical assistance standard bears to its payment level. The chart also assumes that, in reducing the State supplemental assistance, New York will follow the Federal practice of reducing benefits by only 67 percent of earnings above \$720. H.R. 1 would, however, permit the State to increase the reduction rate to as much as 100 percent in earnings ranges above \$4,320.

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**THE WORK INCENTIVE PROGRAM AND  
RELATED PROVISIONS OF H.R. 1**

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## THE WORK INCENTIVE PROGRAM AND RELATED PROVISIONS OF H.R. 1

### Present law

The work incentive program was created by the Congress as part of the Social Security Amendments of 1967. It represents an attempt to cope with the problem of rapidly growing dependency on welfare by dealing with the three major barriers which prevented many of the women who headed families on welfare from becoming financially independent by working:

1. Many recipients lacked the skills necessary to find employment in today's labor market;
2. Day care was largely unavailable for the children of mothers on welfare who wished to work; and
3. Welfare reductions which generally equalled net wages provided little incentive to work.

The 1967 Social Security Amendments dealt with each of these barriers, establishing the new work incentive program for families receiving welfare payments administered partly by State welfare agencies and partly by the Department of Labor.

*Referral for work and training.*—The State welfare agencies were to determine which welfare recipients were appropriate for referral for work and training, but they could not require participation from persons in the following categories:

1. Children under age 16 or going to school;
2. Persons with illness, incapacity, advanced age, or such remoteness from a project that they would be precluded from effective participation in work or training; or
3. Persons whose substantially continuous presence in the home is required because of the illness or incapacity of another member of the household.

For all those referred, the welfare agency is required to assure necessary child care arrangements for the children involved. An individual who desires to participate in work or training is to be considered for assignment and, unless specifically disapproved, is to be referred to the program.

*Work and training program.*—Under the law the Secretary of Labor establishes an employability plan for each person referred. Persons referred by the State welfare agency to the Department of Labor must be handled according to three priorities. Under the first priority the Secretary of Labor places as many persons as possible without further preparation in employment or on-the-job training.

Under the second priority, all persons found suitable receive training appropriate to their needs and up to \$30 a month as a training incentive payment. After training as many persons as possible are placed in regular employment.

Under the third priority, the employment office is required to make arrangements for special work projects (public service employment)

to employ those who are found to be unsuitable for the training and those for whom no jobs in the regular economy can be found at the time. These special projects are to be set up by agreement between the employment office and public agencies or nonprofit private agencies organized for a public service purpose. It is required that workers receive at least the minimum wage (but not necessarily the prevailing wage) if the work they perform is covered under a minimum wage statute. In addition, the work performed under special projects may not result in the displacement of regularly employed workers.

A central idea of the public service employment program is that in most instances the recipient would no longer receive a check from the welfare agency. Instead, he would receive a payment from an employer for services performed. The entire check would be subject to income, social security, and unemployment compensation taxes, thus assuring that the individual would be accruing rights and responsibility just as other working people do. In those cases where an employee receives wages which are insufficient to raise his income to a level equal to (1) his welfare check plus (2) 20 percent of his wages, a welfare check equal to the difference would also be paid. In these instances the supplemental check would be issued by the welfare agency and sent to the worker.

*Penalty for refusal to participate.*—A refusal to accept work or undertake training without good cause by a person who has been referred must 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 is required to be terminated. Protective and vendor payments are to be continued, however, for the dependent children to protect them from the faults of others. Very little information is available as to how many people have lost payments under this provision (although it would appear that very few recipients have) and the extent to which protective or vendor payments have been used.

*Non-Federal share.*—The States have to meet 20 percent, in cash or in kind, of the total cost of the manpower training program (excluding the special arrangements related to public service employment).

*Earned income disregard.*—Under the 1967 amendments the earned income of each child recipient who is a full-time student, or is a part-time student not working full time, is excluded in determining need for assistance. In the case of any adult or child who is not a student, the first \$30 of earned income plus one-third of the remainder of such income for the month is disregarded.

### **Impact of the Work Incentive Program During Its First Two and One-Half Years**

Funds were first appropriated for the work incentive program in July 1968. Operations under the program since that time have been disappointing, and it has had almost no impact on soaring welfare rolls. According to administration figures 511,000 welfare recipients were found appropriate for referral to the work incentive program through December 1970. However, 22 percent of those found appropriate were never actually referred to the work incentive program; and another 33 percent were referred but not enrolled. Of the 229,000

actually enrolled in the work incentive program between July 1968 and January 1970, about 96,000 enrollees (42 percent of the total) had dropped out of the program; 24,000 were employed following the completion of their training; and 109,000 were still in training or in "holding" status (that is, waiting for training or placement). During this same period, the number of families on welfare increased by 1,169,000.

### *Auerbach report*

In 1969 the Department of Labor contracted with the Auerbach Corp. to study the operations of the work incentive program. The Auerbach Corp. conducted onsite evaluations in 23 cities and published a detailed report on each, as well as an overall appraisal of the work incentive program. The overall report has been reproduced by the committee in a committee print. The Auerbach report details the problems in implementing the work incentive program, and concludes: "The basic idea of WIN is workable—though some aspects of the legislation require modification" (p. 212 of the committee print). The Auerbach report points to the following as some of the reasons for the slow development of the work incentive program and its lack of impact on the welfare rolls:

1. On-the-job training, highly desirable because of its virtual guarantee of employment upon successful completion of training, has been largely ignored under the work incentive program.

2. Special work projects (public service employment) also provide actual employment for welfare recipients; although required by law to be established in all States, only one State has implemented this provision in a substantial way.

3. Lack of day care has had a great inhibiting effect on welfare mother participation in the program.

4. Lack of coordination between welfare and employment agencies has inhibited progress. In some cases, lack of referral of trainable people by some State welfare agencies has been a problem. Also, bureaucratic rivalry of long standing between welfare and employment agencies has been carried over to WIN in some States. This situation on the local level is compounded by some lack of coordination on the Federal level between the Department of Labor and the Department of Health, Education, and Welfare.

5. Lack of adequate transportation has been a serious problem for many WIN projects, affecting the enrollees' ability both to participate in the program and to secure employment.

6. Lack of medical supportive services (physical examinations and ability to remedy minor health problems) has been cited as a major problem.

7. Commenting on the need for job development, the Auerbach Corp. stated:

Although the WIN concept is built around jobs for welfare recipients, there has been little investigation of the labor market to determine exactly where and how jobs can be obtained, and how many jobs are actually available or likely to become available for WIN enrollees. Now that the program is underway, there is a growing feeling among local WIN staff that many participants, women in particular, will not obtain jobs in the already tightly restricted market existing in many communities.

## Comparison of 1970 Senate Bill and H.R. 1

*Referral for work and training.*—Under present law, all “appropriate” welfare recipients must be referred by the welfare agency to the Labor Department for participation in the work incentive program. The following categories of persons are statutorily considered inappropriate:

1. Children who are under age 16 or attending school;
2. Persons who are ill, incapacitated, or of advanced age;
3. Persons so remote from a WIN project that their effective participation is precluded; and
4. Persons whose presence in the home is required because of illness or incapacity of another member of the household.

Persons may volunteer to participate in the work incentive program even if the State welfare agency finds them inappropriate for mandatory referral.

Under H.R. 1 recipients who are found available for work would be required to register with the Labor Department under the OFF program as a condition of eligibility for welfare. They would be found available for work unless they fit within these categories:

1. Children who are under age 16 or attending school;
2. Persons who are ill, incapacitated, or of advanced age;
3. Persons whose presence in the home is required because of illness or incapacity of another member of the household.

4. A mother or other relative of a child under the age of 6 who is caring for the child (beginning July 1, 1974, mothers with children under age 3); and

5. The mother in a family in which the father registers.

The families with no employable member would be enrolled in the family assistance plan administered by the Department of Health, Education, and Welfare. As under present law, an individual not required to register may do so voluntarily.

Last year’s Senate bill, like H.R. 1, required registration of employable welfare recipients with the Labor Department as a condition of welfare eligibility. The Talmadge amendment from which the Senate bill derived would also have exempted from mandatory registration individuals already working full time on the grounds that there was no need to require a full-time employee to leave work in order to undergo training so that he may be employed. The Senate bill would have required that at least 15 percent of the registrants in each State actually participate in the work incentive program. No such requirement appears in H.R. 1.

The Senate bill would also have established a clear statutory direction in determining which individuals would receive employment or training by generally requiring the Secretary of Labor to accord priority in the following order, taking into account employability potential:

1. Unemployed fathers;
2. Dependent children and relatives age 16 or over who are not in school, working, or in training;
3. Mothers who volunteer for participation; and
4. All other persons.



Thus, under the Senate bill no mother would be required to participate until every person who volunteered was first placed. H.R. 1, on the other hand, gives the Secretary of Labor complete discretion in determining which categories of recipients will be given employment and training under the program with the one exception that a priority is given to mothers and pregnant women under 19 years of age.

The refusal to work or train requirements are virtually the same under both bills. The Senate bill, as existing law, requires Health, Education, and Welfare to cut off benefits after Labor Department notification of refusal without good cause. Under H.R. 1, presumably, the Labor Department alone will be able to cut off the payments of an individual who refuses to participate.

*Public service employment and on-the-job training.*—A major criticism contained in the Auerbach report cited the lack of development of on-the-job training and public service employment under the work incentive program and the frequent lack of leadership between WIN training programs and local labor market needs.

H.R. 1 provides a public service employment program which contemplates job opportunities for 200,000 people a year. During the first year of the program (fiscal 1973) an authorization of up to \$800 million would be provided. The amounts for later years are unstated. Public service projects would be related to the fields of health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facility, and similar activities.

Under both bills the Secretary of Labor would establish the programs through grants or contracts with public or nonprofit agencies and would provide safeguards for workers on such jobs. Under H.R. 1 wages could not be less than the higher of the prevailing or applicable minimum wage or the Federal minimum wage, whether or not the Federal minimum wage is applicable to the specific job. Under the Senate bill, as under existing law, for special work projects, no wages could be lower than the applicable minimum wage for the particular work concerned.

Federal participation in the costs of an individual's participation in a public service employment program under H.R. 1 would be 100 percent for the first year of his employment, 75 percent for the second year, and 50 percent for the third year.

The 1970 Senate bill would have required that 40 percent of the funds spent for the work incentive program be for on-the-job training and public service employment. The Senate bill would also have required the Secretary of Labor to establish local labor market advisory councils whose function would be to identify present and future local labor market needs. (H.R. 1 provides for local advisory committees to report on the "effectiveness of the training and employment programs" and related provisions.) The findings of this council, under the Senate bill, would have to serve as the basis for local training plans under the work incentive program to assure that training was related to actual labor market demands.

The Senate bill would also have encouraged the expansion of public service employment programs by providing 100-percent Federal funding for the first year and 90-percent Federal sharing of the costs in

subsequent years (if the project was in effect less than 3 years, Federal sharing for the first year would be cut back to 90 percent).

As an incentive for employers in the private sector to hire individuals placed in employment through the work incentive program, the Senate bill would have provided a tax credit equal to 20 percent of the wages paid these individuals, during their first 12 months of employment; the credit would be recaptured if the employer terminated employment of an individual before the end of 24 months. This recapture provision would not apply if the employee became disabled or left work voluntarily. No such tax incentive provision is provided in H.R. 1.

*Federal Administration of the WIN program.*—The problem of program coordination between the Department of Labor and the Department of Health, Education, and Welfare, at both the Federal and local level, has plagued the WIN program since its inception. Problems have arisen in coordinating the referral of recipients to the program, and in the provision of supportive services. Moreover, some questions have been raised as to the quality of administration of local manpower and welfare agencies. H.R. 1 would deal with this problem by placing authority and responsibility for the work and training program exclusively in the Secretary of Labor.

The House report on H.R. 1 states under the heading "Federalizing WIN":

Such authority and responsibility under the new program is clearly lodged with the Secretary of Labor, not in an office of a State or local government. The Secretary could never be limited in carrying out his responsibilities by decisions made at those levels. While the WIN program has helped some recipients to become independent, it was a mistake to rely solely on State agencies in the administration of the program. For under those circumstances it is not possible to hold the Secretary of Labor entirely responsible for the results. Under the bill, however, this responsibility could not be avoided.

Your committee would give the Secretary of Labor the authority to administer the program in whatever manner will achieve the greatest results in reducing dependency. If he believes a particular State's employment service is the most effective instrument, he is authorized to use. But first he must satisfy himself that that agency or any other non-Federal agency can do the job and achieve the necessary results. If no agency is available that meets his standards of performance the Secretary should administer the program directly.

H.R. 1 also centralizes responsibility for the provision of day care and other supportive services in the Department of Labor and provides that they be federally financed and administered. On the other hand, the Senate bill approached the problem by various mechanisms which would coordinate Labor and HEW activities at the local and national level, and by increasing the Federal matching share for training and supportive services to 90 percent. The Senate bill would have required that a joint Health, Education, and Welfare-Labor committee be set up to assure that WIN forms, reports, and other matters were handled consistently between the two Federal departments, that local welfare agencies set up units with the responsibility for arranging supportive services for WIN participants, and that local welfare and manpower

agencies set up joint operational plans which would specify the kinds of training to be provided and the kinds of job development to be undertaken. In addition, the Senate bill would have required local welfare and manpower agencies to jointly develop employability plans for individuals to assure that individuals receive the necessary supportive services and preparation for employment without unnecessary waiting.

*Earned income disregard.*—Under present law States are required, in determining need for AFDC, to disregard the first \$30 monthly earned by an adult, plus one-third of additional earnings. Costs related to work (such as transportation costs) are also deducted from earnings in calculating the amount of the welfare benefit.

Two problems have been raised concerning the earned-income disregard under present law. First, Federal law neither defines nor limits what may be considered a work-related expense, and under the very broad definition in Health, Education, and Welfare regulations this has led to a great variation among States, and to some cases of abuse. A woman in California was apparently able to successfully deduct \$300 per month, the cost of sending her son to a private school, as a necessary work expense. Secondly, some States have complained that the lack of an upper limit on the earned-income disregard has the effect of keeping people on welfare even after they are working full time at wages well above the poverty line. In New Jersey, for example, a mother with three children will ordinarily be able to remain eligible for welfare until her earnings are above \$7,000.

The Senate bill last year provided an earned-income disregard which offered a higher incentive for full time employment. It provided a disregard of \$30 per month plus one-third of additional earnings up to \$300, and one-fifth of amounts above \$300 for persons working part time. For individuals working full time, the disregard was \$60 plus one-third up to \$300 per month and one-fifth of amounts above \$300.

Under the provisions of H.R. 1, there would be a disregard, for Federal welfare payment purposes, of \$60 of monthly earnings plus one-third of earnings above \$60. The bill also provides that the State supplementary program could not undermine the Federal work incentive by providing that no reduction for earnings can be made in the State payment until the Federal breakeven point was reached. At that point, a reduction in benefits would be allowed, but not in excess of \$1 for each dollar earned.

H.R. 1 also provides a limit for the combined total earned-income exclusion for a family with respect to three items—student earnings, irregular earnings, and child care costs—of \$2,000 for a family of up to four members, with an increase of \$200 for each additional family member up to an absolute limit of \$3,000.

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**TABLES**

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TABLE 1.—*Work Incentive Program: Enrollment, Dropouts, and Placements*

	1970 actual	As of Dec. 31, 1970	1971 estimate	Percent change over 1970	1972 estimate	Percent change over 1971
<b>Training and incentives:</b>						
Cumulative number of welfare recipients found appropriate for referral.....	395, 215	534, 824	669, 000	+69. 3	989, 000	+47. 8
Cumulative enrollments to date.....	173, 300	228, 802	297, 800	+71. 8	484, 800	+62. 8
New enrollments.....	92, 400	55, 502	124, 500	+34. 7	187, 000	+50. 2
End-of-period enrollment.....	94, 500	109, 142	<sup>1</sup> 127, 000	+34. 4	191, 500	+50. 8
Average enrollment.....	80, 000		<sup>2</sup> 111, 500	+39. 4	160, 000	+43. 5
<b>Terminations:</b>						
Cumulative.....	78, 800	119, 660	170, 800	+116. 8	293, 300	+71. 7
During year.....	64, 000	40, 915	92, 000	+43. 7	122, 500	+33. 1
Cumulative placements.....	27, 000	35, 995	50, 000	+85. 2	90, 000	+80. 0
Cumulative terminations to jobs.....	(15, 000)	(23, 691)	(37, 000)	(+146. 6)	(65, 000)	(+75. 7)
Currently in follow-up status.....	(12, 000)	(12, 304)	(13, 000)	(+8. 3)	(25, 000)	(+92. 3)
Average earnings.....	\$4, 000	\$4, 000	\$4, 000	0	\$4, 000	0

<sup>1</sup> Staff note: As of May 31, 1971, enrollment totaled 113,630.

<sup>2</sup> Staff note: Actual average enrollment for the first 11 months of the fiscal year was 107,302.

Source: Department of Labor, table furnished to House Appropriations Committee reprinted in hearings on 1972 budget held in May 1971.

TABLE 2.—Work incentive program: Budget plan

Activity	1971			1972		
	Average Enrollment	Unit cost	Total cost	Average enrollment	Unit cost	Total cost
On-the-job training.....	1, 200	\$1, 300	\$1, 560, 000	8, 000	\$1, 300	\$10, 536, 000
Institutional training.....	50, 800	1, 800	91, 480, 000	70, 000	1, 800	127, 190, 000
Work experience and orientation.....	7, 400	1, 600	11, 840, 000	19, 000	1, 600	30, 033, 000
Special work projects.....	<sup>2</sup> 6, 000	400	2, 400, 000	8, 000	400	3, 336, 600
44 Employability planning, job development and follow-up <sup>3</sup> .....	46, 100	250	11, 523, 000	55, 000	400	19, 845, 000
Program direction and evaluation.....			7, 480, 000			8, 136, 400
Subtotal, training and incentives.....	111, 500		126, 283, 000	160, 000		199, 077, 000
Preschool child care.....	69, 126	<sup>1</sup> 395	27, 304, 000	144, 000	<sup>1</sup> 430	61, 900, 000
School age child care.....	48, 036	<sup>1</sup> 277	13, 285, 000	56, 000	<sup>1</sup> 283	16, 100, 000
Subtotal, child care.....	117, 162		40, 589, 000	200, 000		78, 000, 000
Total, program costs.....			166, 872, 000			277, 077, 000

<sup>1</sup> Based on States' estimates.

<sup>2</sup> Staff note: On April 30, 1971, there were 1,149 enrollees in special work projects (see table 5).

<sup>3</sup> Staff note: Includes persons waiting for training or placement.

Source: Department of Labor, table furnished to House Appropriations Committee, reprinted in hearings on 1972 budget held in May 1971.

TABLE 3.—*Status of WIN enrollees*

[Comparative data on enrollments in WIN for April 1970 and April 1971, with percent of change]

	April 1970	April 1971	Percent change
End of month enrollment.....	89, 445	112, 336	+25. 6
Participating in other manpower programs.....	4, 523	6, 122	+35. 4
Orientation and assessment.....	6, 517	8, 697	+33. 5
Other institutional training.....	42, 337	50, 746	+19. 9
Basic education.....	19, 450	(22, 714)	+16. 8
Vocational training.....	18, 901	(25, 860)	+36. 8
Other training.....	3, 986	(2, 172)	-45. 5
Employment-based training.....	NA	6, 063	-----
On-the-job training.....	661	1, 416	+114. 2
Special work projects.....	976	1, 149	+17. 7
Other types of work experience.....	NA	3, 498	-----
Waiting ("Holding").....	22, 149	27, 824	+25. 6
Initial waiting, before any training.....	7, 096	5, 240	-16. 6
Waiting in between training or waiting for placement in jobs after training.....	15, 053	22, 584	+50. 0
Trainees in jobs.....	25, 029	44, 119	+76. 3
In jobs (still in follow-up period).....	12, 282	12, 879	+4. 9
In jobs (after 6-month follow-up period).....	12, 747	31, 240	+145. 1

TABLE 4.—Work incentive program: Cumulative enrollees, terminations and end-of-month enrollment by State, actual June 30, 1970 and Dec. 31, 1970, and estimated June 30, 1971 and 1972

State or possession	As of June 30, 1970			As of Dec. 31, 1970			As of June 30, 1971			As of June 30, 1972		
	Cumulative		End of month enrollment	Cumulative		End of month enrollment	Cumulative		End of month enrollment	Cumulative		End of month enrollment
	Enrollees	Terminations		Enrollees	Terminations		Enrollees	Terminations		Enrollees	Terminations	
Alabama.....	1,544	752	792	1,058	1,122	836	2,600	1,700	900	4,200	2,800	1,400
Alaska.....	620	319	301	752	449	303	900	500	400	1,600	900	600
Arizona.....	2,118	1,066	1,052	2,646	1,585	1,061	3,400	2,200	1,200	5,500	3,700	1,900
Arkansas.....	704	228	536	1,203	458	745	1,600	700	900	2,600	1,200	1,400
California.....	39,372	22,931	16,441	48,141	29,982	18,189	62,600	41,700	20,900	101,900	70,500	31,400
Colorado.....	3,600	1,363	2,237	5,066	2,488	2,578	6,600	3,700	2,900	10,700	6,300	4,400
Connecticut.....	3,035	1,766	1,269	3,883	2,424	1,439	5,000	3,400	1,600	8,100	5,700	2,400
Delaware.....	357	72	285	451	117	334	600	200	400	1,000	400	600
District of Columbia.....	2,111	984	1,127	2,508	1,566	942	3,300	2,100	1,200	5,400	3,600	1,800
Florida.....	2,453	710	1,743	3,833	1,359	2,474	5,200	2,100	3,100	8,500	3,800	4,700
Georgia.....	1,380	190	1,190	1,866	601	1,265	2,500	1,200	1,300	4,100	2,100	2,000
Hawaii.....	555	310	245	795	450	345	1,000	600	400	1,600	1,000	600
Idaho.....	937	439	498	1,220	744	476	1,600	1,000	600	2,600	1,700	900
Illinois.....	4,138	1,772	2,366	7,471	2,785	4,686	10,800	3,800	7,000	17,600	7,000	10,500
Indiana.....	111	1	110	735	101	634	1,300	500	800	2,100	900	1,200
Iowa.....	1,301	526	885	1,751	865	885	2,300	1,300	1,000	3,700	2,200	1,500
Kansas.....	1,326	734	592	1,773	1,060	713	2,300	1,500	800	3,700	2,500	1,200
Kentucky.....	3,027	1,183	1,844	3,666	1,975	1,691	4,400	2,600	1,800	7,200	4,500	2,700
Louisiana.....	1,667	521	1,146	2,164	885	1,279	2,900	1,600	1,300	4,700	2,700	2,000
Maine.....	593	246	347	860	404	456	1,200	600	600	2,000	1,100	900
Maryland.....	3,535	1,064	2,471	4,425	1,864	2,571	5,500	2,800	2,700	8,900	4,800	4,100
Massachusetts.....	6,473	3,528	2,945	9,304	5,262	4,042	12,100	7,100	5,000	19,700	12,200	7,600
Michigan.....	8,451	3,425	5,026	11,019	5,316	5,703	14,100	7,700	6,400	23,000	13,300	9,700
Minnesota.....	1,573	455	1,118	2,307	862	1,445	3,000	1,300	1,700	4,900	2,300	2,600
Mississippi.....	597	309	288	680	345	335	900	400	500	1,600	700	800



Missouri.....	2,337	1,125	1,212	2,962	1,606	1,356	3,700	2,200	1,500	6,000	3,700	2,300
Montana.....	792	442	350	1,017	643	374	1,400	900	500	2,300	1,500	800
Nebraska.....				498	155	343	700	300	400	1,100	500	600
Nevada.....	20		20	99	14	85	150	50	100	400	200	200
New Hampshire.....							150	50	100	400	200	200
New Jersey.....	5,650	3,082	2,568	6,913	4,164	2,749	8,700	5,800	2,900	14,200	9,800	4,400
New Mexico.....	614	190	424	823	389	434	1,000	500	500	1,600	800	800
New York.....	16,737	4,495	12,242	24,370	9,749	14,621	31,700	14,800	16,900	51,600	26,100	25,500
North Carolina.....	538	78	460	828	225	603	1,100	400	700	1,800	700	1,100
North Dakota.....	590	308	282	741	464	277	900	600	300	1,500	1,000	500
Ohio.....	6,701	2,919	3,782	8,660	4,637	4,023	11,300	6,900	4,400	18,400	11,800	6,000
Oklahoma.....	431	98	333	618	276	342	800	400	400	1,300	700	600
Oregon.....	2,897	839	2,058	3,624	1,891	1,733	4,700	2,700	2,000	7,600	5,000	2,600
Pennsylvania.....	10,612	4,396	6,216	14,079	6,905	7,174	18,400	10,400	8,000	29,900	17,800	12,100
Rhode Island.....	1,533	917	616	2,041	1,321	720	2,600	1,700	900	4,200	2,800	1,400
South Carolina.....	138	34	104	248	134	114	400	200	200	600	300	300
South Dakota.....	694	254	440	962	462	520	1,300	700	600	2,100	1,200	900
Tennessee.....	2,483	910	1,543	2,744	1,609	1,135	3,500	2,200	1,300	5,700	3,700	2,000
Texas.....	721	192	529	1,773	531	1,222	2,700	1,300	1,400	4,400	2,300	2,100
Utah.....	3,154	1,381	1,773	3,758	2,096	1,662	4,800	2,900	1,900	7,800	5,300	2,600
Vermont.....	601	320	281	894	490	404	1,200	600	600	2,000	1,100	900
Virginia.....	1,438	375	1,063	1,960	642	1,218	2,600	1,000	1,600	4,200	1,800	2,400
Washington.....	5,677	2,861	2,716	7,455	4,113	3,342	9,800	5,900	3,900	15,900	10,100	5,800
West Virginia.....	8,616	5,337	3,278	10,150	6,894	3,256	12,200	8,500	3,700	19,900	14,300	5,600
Wisconsin.....	2,036	1,159	1,777	3,863	1,821	2,042	5,100	2,700	2,400	8,300	4,700	3,600
Wyoming.....	278	160	118	371	231	140	500	300	200	800	500	300
Guam.....	159	52	107	229	107	122	300	150	150	500	200	300
Puerto Rico.....	5,277	1,941	3,336	6,519	2,955	3,664	8,240	4,240	4,000	13,300	7,200	6,100
Virgin Islands.....	79	41	38	126	86	40	160	110	50	300	200	100
Total.....	173,000	78,800	94,500	228,802	110,660	109,142	297,800	170,800	127,000	484,800	293,300	102,500

<sup>1</sup> June data not available; Illinois—May and June not available.

<sup>2</sup> November and December figures not available.

<sup>3</sup> Staff note: As of May 31, 1971, enrollment totaled 113,630.

TABLE 5.—*Number of work incentive program enrollees in on-the-job training or in special work projects (public service employment), by State, April 1971*

	Enrollees in on-the-job training	Enrollees in special work projects
Total United States.....	1, 416	1, 149
Alabama.....	5	0
Alaska.....	0	0
Arizona.....	57	0
Arkansas.....	27	0
California.....	510	7
Colorado.....	5	0
Connecticut.....	8	0
Delaware.....	0	0
District of Columbia.....	0	0
Florida.....	7	0
Georgia.....	36	0
Hawaii.....	8	0
Idaho.....	2	0
Illinois.....	18	0
Indiana.....	5	0
Iowa.....	0	0
Kansas.....	2	0
Kentucky.....	3	0
Louisiana.....	9	0
Maine.....	20	0
Maryland.....	8	0
Massachusetts.....	14	0
Michigan.....	33	4
Minnesota.....	5	0
Mississippi.....	19	0
Missouri.....	1	0
Montana.....	2	0
Nebraska.....	5	0
Nevada.....	1	0
New Hampshire.....	0	0
New Jersey.....	6	0
New Mexico.....	25	0
New York.....	59	0
North Carolina.....	5	0

TABLE 5.—*Number of work incentive program enrollees in on-the-job training or in special work projects (public service employment), by State, April 1971—Continued*

	Enrollees in on-the-job training	Enrollees in special work projects
North Dakota.....	0	0
Ohio.....	12	0
Oklahoma.....	28	0
Oregon.....	111	4
Pennsylvania.....	32	0
Rhode Island.....	1	0
South Carolina.....	5	0
South Dakota.....	9	0
Tennessee.....	11	0
Texas.....	13	0
Utah.....	6	1
Vermont.....	13	0
Virginia.....	1	0
Washington.....	9	75
West Virginia.....	158	901
Wisconsin.....	19	0
Wyoming.....	0	0
Puerto Rico.....	20	157
Virgin Islands.....	0	0
Guam.....	43	0

TABLE 6.—Persons leaving the WIN program, by State, as of April 30, 1971

State	Total Terminations	In jobs		Dropped out without good cause		Other dropouts	
		Number	Percent	Number	Percent	Number	Percent
Alabama.....	1,350	266	19.7	399	29.5	685	50.7
Alaska.....	508	74	14.5	113	22.2	321	63.1
Arizona.....	2,791	452	15.1	600	21.4	1,739	62.3
Arkansas.....	670	109	16.2	149	22.2	412	61.4
California.....	36,090	6,666	18.4	7,677	21.2	21,747	60.2
Colorado.....	3,899	785	20.1	721	18.4	2,393	61.3
Connecticut.....	3,067	686	22.3	161	5.2	2,220	72.3
Delaware.....	193	44	22.7	20	10.3	129	66.8
District of Columbia.....	1,743	726	41.6	378	21.6	639	36.6
Florida.....	2,026	280	13.8	693	34.2	1,053	51.9
Georgia.....	935	183	19.5	262	28.0	490	52.4
Hawaii.....	559	119	21.2	103	18.4	337	60.2
Idaho.....	924	110	11.9	240	25.9	574	62.1
Illinois.....	4,243	893	21.0	1,458	34.3	1,892	44.5
Indiana.....	265	16	6.0	56	21.1	193	72.8
Iowa.....	1,208	378	31.2	244	20.1	386	48.5
Kansas.....	1,288	280	21.7	299	23.2	709	55.0
Kentucky.....	2,461	292	11.8	562	22.8	1,607	65.2
Louisiana.....	1,203	393	32.6	141	11.7	669	55.6
Maine.....	543	105	19.3	132	24.3	306	56.3

Maryland.....	2, 193	702	32. 0	308	14. 0	1, 183	53. 9
Massachusetts.....	6, 953	886	12. 7	1, 528	21. 9	4, 539	65. 2
Michigan.....	6, 672	1, 359	20. 3	701	10. 5	4, 612	69. 1
Minnesota.....	1, 176	317	26. 9	176	14. 9	683	58. 0
Mississippi.....	635	143	22. 5	142	22. 3	350	55. 1
Missouri.....	1, 916	511	26. 6	674	35. 1	731	38. 1
Montana.....	798	183	22. 9	158	19. 7	457	57. 2
Nebraska.....	213	23	10. 7	62	29. 3	128	60. 0
Nevada.....	49	5	10. 2	7	14. 2	37	75. 5
New Hampshire.....							
New Jersey.....	4, 748	970	20. 4	1, 227	25. 8	2, 551	53. 7
New Mexico.....	558	69	12. 3	155	27. 7	334	59. 8
New York.....	13, 237	2, 058	15. 5	2, 908	21. 9	8, 271	62. 4
North Carolina.....	404	115	28. 4	19	4. 7	270	66. 8
North Dakota.....	698	173	24. 7	91	13. 0	434	62. 1
Ohio.....	5, 793	1, 661	28. 6	1, 489	25. 7	2, 643	45. 6
Oklahoma.....	386	72	18. 6	70	18. 1	244	63. 2
Oregon.....	2, 523	533	21. 1	294	11. 6	1, 696	67. 2
Pennsylvania.....	8, 911	2, 268	25. 4	1, 872	21. 0	4, 771	53. 5
Rhode Island.....	1, 618	345	21. 3	356	22. 0	917	56. 6
South Carolina.....	193	12	6. 2	35	18. 1	146	75. 6
South Dakota.....	583	103	17. 6	151	25. 9	329	56. 4
Tennessee.....	1, 947	422	21. 6	190	9. 7	1, 335	68. 5
Texas.....	897	56	6. 2	374	41. 6	467	52. 0
Utah.....	2, 753	540	19. 6	794	28. 8	1, 919	51. 5

TABLE 6.—Persons leaving the WIN program, by State, as of April 30, 1971—Continued

State	Total Termina- tions	In jobs		Dropped out without good cause		Other dropouts	
		Number	Percent	Number	Percent	Number	Percent
Vermont.....	630	142	22.5	65	10.3	423	67.1
Virginia.....	920	141	15.3	44	4.7	735	79.8
Washington.....	6,480	1,034	15.9	1,838	28.3	3,608	55.6
West Virginia.....	7,888	2,308	29.2	850	10.7	4,730	59.9
Wisconsin.....	2,315	695	30.0	440	19.0	1,180	50.9
Wyoming.....	287	89	31.0	19	6.6	179	62.3

TABLE 7.—WIN enrollees ready for jobs, in jobs, and waiting for jobs

Month and year	Current WIN partici- pants ready for jobs, total	Current participants actually in jobs and receiving follow-up services		Current participants in "holding" because job cannot be found	
		Number	Percent of total	Number	Percent of total
1970:					
June.....	14, 576	12, 016	82. 4	2, 560	17. 6
August.....	16, 551	12, 261	74. 1	4, 290	25. 9
October.....	17, 296	12, 881	74. 5	4, 415	25. 5
December.....	18, 662	12, 304	65. 9	6, 358	34. 1
1971:					
February.....	18, 494	11, 586	62. 7	6, 908	37. 3
April.....	20, 324	12, 879	63. 4	7, 445	36. 6

TABLE 8.—Work incentive program: holding categories as a percent of end of month enrollment (E.O.M.), by month, May 1970–Apr. 1971

Month and year	End of month enrollment	Non-program related holding	Nonprogram related holding as percent of end-of-month enrollment	Program related holding	Program related holding as percent of end-of-month enrollment	Job entry holding	Job entry holding as percent of end-of-month enrollment	Intake phase	Intake phase as percent of end-of-month enrollment
1970:									
May.....	92,075	2,247	2.4	13,648	14.8	1,648	1.8	7,288	7.9
June.....	94,555	5,657	6.0	11,138	11.8	2,560	2.7	7,203	7.6
July.....	97,181	5,948	6.1	11,717	12.1	3,720	3.8	7,094	7.3
August.....	100,189	6,463	6.5	13,792	13.8	4,290	4.3	7,136	7.1
September.....	102,834	6,008	5.8	12,141	11.8	4,413	4.3	6,728	6.5
October.....	104,451	5,860	5.6	10,800	10.3	4,415	4.2	6,043	5.7
November.....	106,563	5,616	5.3	10,711	10.1	4,731	4.4	6,028	5.7
December.....	109,142	7,790	7.1	9,263	8.5	6,358	5.8	6,930	6.3
1971:									
January.....	110,059	7,968	7.2	8,450	7.7	6,677	6.1	6,428	5.8
February.....	111,751	8,478	7.6	7,830	7.0	6,908	6.2	5,921	5.3
March.....	112,191	8,247	7.4	7,520	6.7	7,177	6.4	5,725	5.1
April.....	112,336	7,821	7.0	7,318	6.5	7,445	6.6	5,240	4.7



TABLE 9.—Amount received by a family of 4 with 1 member in training\*

State	Federal welfare payment under H.R. 1 plus State supple- mental plus \$30	Current MDTA
Alabama.....	\$230	\$233. 98
Alaska.....	405	294. 64
Arizona.....	230	264. 31
Arkansas.....	230	233. 98
California.....	251	303. 31
Colorado.....	265	316. 31
Connecticut.....	360	324. 98
Delaware.....	230	281. 65
District of Columbia.....	268	298. 98
Florida.....	230	220. 98
Georgia.....	230	246. 98
Hawaii.....	293	311. 98
Idaho.....	272	272. 98
Illinois.....	312	290. 31
Indiana.....	230	242. 65
Iowa.....	273	294. 64
Kansas.....	274	285. 98
Kentucky.....	230	255. 65
Louisiana.....	230	259. 98
Maine.....	230	246. 98
Maryland.....	230	281. 65
Massachusetts.....	344	277. 31
Michigan.....	293	307. 64
Minnesota.....	329	281. 65
Mississippi.....	230	220. 98
Missouri.....	230	277. 31
Montana.....	258	229. 65
Nebraska.....	230	255. 65
Nevada.....	230	272. 98
New Hampshire.....	324	264. 31
New Jersey.....	377	316. 31
New Mexico.....	230	251. 31
New York.....	366	294. 64
North Carolina.....	230	225. 32
North Dakota.....	291	264. 31
Ohio.....	230	281. 65
Oklahoma.....	230	216. 65

See footnotes at end of table.

TABLE 9.—Amount received by a family of 4 with 1 member in training\*—Continued

State	Federal welfare payment under H.R. 1 plus State supplemental plus \$30	Current MDTA
Oregon.....	\$255	\$259. 98
Pennsylvania.....	343	285. 98
Rhode Island.....	293	281. 65
South Carolina.....	230	233. 98
South Dakota.....	330	229. 65
Tennessee.....	230	233. 98
Texas.....	230	242. 65
Utah.....	242	255. 65
Vermont.....	334	277. 31
Virginia.....	291	242. 65
Washington.....	333	277. 31
West Virginia.....	230	212. 32
Wisconsin.....	247	303. 31
Wyoming.....	257	259. 98

\*Under H.R. 1, a family with one member in training would get the higher of the two amounts shown.

TABLE 10.—Selected characteristics of WIN enrollees by year

Characteristics	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971 <sup>1</sup>
Total.....	100	100	100
Sex:			
Male.....	40	29	36
Female.....	60	71	64
Race:			
White.....	56	52	56
Negro.....	40	43	39
Other.....	4	5	5
Education:			
8th grade or less.....	31	24	19
9th through 11th.....	41	44	42
12th and over.....	28	32	39
Age:			
Under 22.....	16	22	27
22 to 44.....	74	71	68
45 and over.....	10	6	5
Head of household.....	91	85	85
Spanish surname.....	18	20	16

<sup>1</sup> To Mar. 31, 1971.

TABLE 11.—Number of WIN enrollees and graduates at work

	April 1970	April 1971
On-the-job training.....	661	1, 416
Special work projects.....	976	1, 149
Other work experience.....	NA	3, 503
At work and receiving follow-up services.....	12, 282	12, 879
At work* after 90 or 180 day follow-up.....	12, 747	31, 240
Subtotal.....		44, 119
Total.....	26, 666	50, 187

\*Staff note: Surveys of this group show that 80 percent are in jobs after 6 months.

TABLE 12.—*Work incentive program: New entrants, terminations, and month-end enrollments by month, May 1970 to Apr. 1971*

Month and year	New entrants	Terminations—			Dropouts without good cause	Other dropouts	End of month enrollment
		Total terminations	Completions				
1970:							
May.....	8,905	6,285	1,172	1,314	3,799	92,075	
June.....	8,909	6,429	1,152	1,488	3,789	94,555	
July.....	9,257	7,138	1,299	1,448	4,391	97,181	
August.....	9,377	6,369	1,320	1,341	3,708	100,189	
September.....	9,295	6,650	1,329	1,569	3,752	102,834	
October.....	8,068	6,445	1,378	1,388	3,679	104,457	
November.....	8,266	6,160	1,312	1,363	3,485	106,563	
December.....	10,732	8,153	1,982	1,716	4,455	109,142	
1971:							
January.....	10,856	9,152	1,975	2,039	5,138	110,050	
February.....	10,464	8,964	1,845	1,939	5,180	111,751	
March.....	9,099	8,659	2,032	1,846	4,781	112,161	
April.....	7,471	7,921	1,697	1,749	4,475	112,336	
Total <sup>1</sup> .....	266,649	154,313	31,240	32,052	91,021		
				123,073			

<sup>1</sup> Cumulative totals.

TABLE 13.—Average hourly wages and average hours worked per week of WIN employed graduates, by major occupational category, fiscal years 1971<sup>1</sup> and 1970<sup>2</sup>

Major occupational category	Reports for employed graduates				Average hourly wage		Average hours per week	
	Fiscal year 1971		Fiscal year 1970		1971	1970	1971	1970
	Number	Percent of total	Number	Percent of total				
United States total .....	6,904	100	6,021	100	2.28	2.31	38.7	39.7
1. Professional, technical, managerial.....	824	12	410	7	2.58	2.59	38.4	39.1
2. Clerical and sales.....	2,043	30	1,362	23	2.17	2.15	38.6	39.2
3. Service.....	1,705	25	1,200	20	1.91	1.94	38.0	39.2
4. Farming, fishery, forestry.....	106	2	103	2	2.38	1.98	40.2	41.7
5. Processing.....	217	3	301	5	2.48	2.48	39.4	39.8
6. Machine trades.....	311	4	325	5	2.55	2.48	40.0	40.4
7. Bench work.....	364	5	414	7	2.11	2.15	39.7	39.6
8. Structural work.....	504	7	778	13	2.92	2.75	38.9	40.3
9. Miscellaneous.....	632	9	809	13	2.56	2.52	39.7	40.3
Occupation not reported.....	198	3	319	5	2.30	2.25	39.3	40.1

<sup>1</sup> Based on MA-104 reports received from July 1, 1970 through Mar. 31, 1971.

<sup>2</sup> Based on MA-104 reports received from Jan. 1, 1969 through May 31, 1970.

TABLE 14.—Average hourly wages and average hours worked per week of WIN employed graduates by major occupational category, July 1, 1970–Mar. 31, 1971<sup>1</sup>

Major occupational category <sup>2</sup> and principal occupational groups within categories	Number of employed WIN graduates	Average hourly wage	Average hours per week
United States total.....	6, 904	\$2. 28	38. 7
1. Professional, technical, managerial <sup>3</sup> .....	824	2. 58	38. 4
Nursing.....	30	3. 65	38. 1
Medicine and health <sup>4</sup> .....	281	2. 55	39. 1
Primary school and kindergarten education.....	38	2. 75	36. 1
Education <sup>4</sup> .....	39	2. 15	33. 8
Social and welfare work.....	236	2. 42	38. 0
2. Clerical and sales.....	2, 043	2. 17	38. 6
Secretarial work.....	134	2. 31	38. 4
Stenography.....	53	2. 16	38. 0
Typing.....	63	2. 37	37. 3
Filing.....	44	1. 93	38. 9
Stenography, typing, and related <sup>4</sup> .....	616	2. 16	38. 9
Bookkeeping.....	52	2. 20	38. 9
Cashiering.....	34	1. 96	39. 5
Teller service.....	25	2. 12	38. 4
Automatic data processing.....	132	2. 17	39. 3
Computing and account recording <sup>4</sup> .....	297	2. 11	38. 5
Stock checking and related.....	53	2. 15	38. 7
Mail sorting, stamping, recording and related.....	29	2. 35	39. 7
Telephone work.....	67	2. 13	39. 1
Reception and information dispensing.....	46	2. 03	37. 7
Miscellaneous clerical work <sup>4</sup> .....	41	2. 15	39. 4
Saleswork, commodities <sup>4</sup> .....	34	1. 90	36. 9
Sales clerking.....	41	1. 89	38. 1
Miscellaneous merchandising work <sup>4</sup> .....	49	2. 24	36. 4
3. Service.....	1, 705	1. 91	38. 0
Housework, domestic.....	66	1. 83	38. 0
Food serving.....	124	1. 48	36. 1
Cooking, large hotels and restaurants.....	35	1. 81	38. 8
Kitchen work <sup>4</sup> .....	61	1. 81	38. 1
3. Maid and related services, hotels.....	65	1. 68	38. 4
Barbering and related services.....	37	1. 96	40. 9
Beautician services.....	185	1. 72	36. 0
Masseur and related services.....	38	2. 47	37. 4
Attendant work, hospitals, and related health services.....	547	1. 88	39. 3
Miscellaneous personal services <sup>4</sup> .....	91	2. 09	35. 6
Guard and related services.....	28	2. 18	39. 9
Cleaning and related services.....	144	2. 25	37. 9
Janitorial service.....	67	2. 20	39. 9
4. Farming, fishery, forestry.....	106	2. 38	40. 2
Gardening and groundskeeping.....	48	2. 63	40. 0
5. Processing.....	217	2. 48	39. 4
Metal processing <sup>4</sup> .....	35	2. 68	40. 0
Ore refining and foundry work <sup>4</sup> .....	25	2. 83	40. 3
6. Machine trades.....	311	2. 55	40. 0
Metal machining <sup>4</sup> .....	30	2. 58	40. 0
Motorized vehicle and eng. equipment repairing.....	97	2. 62	40. 1

See footnotes at end of table.

TABLE 14.—Average hourly wages and average hours worked per week of WIN employed graduates by major occupational category, July 1, 1970–Mar. 31, 1971<sup>1</sup>—Continued

Major occupational category <sup>2</sup> and principal occupational groups within categories	Number of employed WIN graduates	Average hourly wage	Average hours per week
7. Bench work.....	364	\$2. 11	39. 7
Metal unit assembling and adjusting.....	43	2. 19	40. 0
Assembly and repair of electronic components.....	43	2. 13	40. 0
Machine sewing, garment.....	30	1. 58	39. 5
Machine sewing, nongarment.....	50	1. 77	39. 4
8. Structural work.....	504	2. 92	38. 9
Transportation equipment assembling.....	26	3. 05	40. 0
Combination arc and gas welding.....	30	3. 09	40. 0
Excavating and grading.....	27	2. 67	41. 1
Carpentry and related work.....	55	3. 01	39. 8
Miscellaneous construction work <sup>4</sup> .....	52	3. 00	39. 9
Miscellaneous structural work <sup>4</sup> .....	48	2. 52	40. 1
9. Miscellaneous.....	632	2. 56	39. 7
Heavy truck driving.....	61	2. 89	39. 5
Light truck driving.....	46	2. 50	40. 2
Passenger transportation <sup>4</sup> .....	32	2. 42	36. 7
Parking lot and related service work.....	59	2. 11	41. 3
Packaging.....	98	2. 09	29. 7
Materials moving and storing <sup>4</sup> .....	78	2. 50	39. 4
Packaging and materials handling <sup>4</sup> .....	106	2. 51	39. 7
Extraction of minerals <sup>4</sup> .....	28	3. 73	40. 3
Occupations not reported.....	198	2. 30	39. 3

<sup>1</sup> Based on termination reports received July 1, 1970, through Mar. 31, 1971.

<sup>2</sup> Listed occupational groups are confined to occupations with 25 or more employed terminees and do not add to summary totals for major occupational categories.

<sup>3</sup> Includes categories which follow.

<sup>4</sup> N.e.c.—Nowhere else classified.

TABLE 15.—*Cumulative Federal dollar amounts obligated (for the period July 1, 1968, through Apr. 30, 1971) and authorized slot levels by State as of Apr. 30, 1971*

State or possession	Amount (in dollars)	Authorized slot levels
Total.....	<sup>1</sup> 268, 930, 704	127, 584
Total to States.....	218, 295, 580	-----
Alabama.....	2, 292, 547	1, 200
Alaska.....	1, 017, 460	360
Arizona.....	3, 772, 096	1, 680
Arkansas.....	1, 222, 299	950
California.....	41, 756, 948	16, 800
Colorado.....	4, 605, 880	2, 600
Connecticut.....	2, 663, 867	1, 600
Delaware.....	665, 991	350
District of Columbia.....	5, 090, 736	1, 440
Florida.....	4, 158, 580	3, 120
Georgia.....	1, 954, 053	1, 500
Guam.....	176, 264	120
Hawaii.....	644, 083	360
Idaho.....	815, 324	480
Illinois.....	6, 258, 032	5, 800
Indiana.....	947, 535	1, 000
Iowa.....	2, 219, 019	1, 260
Kansas.....	1, 845, 037	1, 060
Kentucky.....	5, 261, 270	2, 400
Louisiana.....	2, 170, 392	1, 500
Maine.....	910, 919	675
Maryland.....	4, 827, 372	3, 000
Massachusetts.....	5, 789, 567	5, 050
Michigan.....	9, 019, 724	6, 500
Minnesota.....	2, 645, 831	2, 075
Mississippi.....	783, 531	400
Missouri.....	4, 423, 992	1, 650
Montana.....	1, 021, 500	410
Nebraska.....	677, 253	480
Nevada.....	91, 000	100
New Hampshire.....	200, 000	200
New Jersey.....	7, 178, 137	3, 000
New Mexico.....	882, 550	450
New York.....	24, 981, 100	16, 800
North Carolina.....	1, 147, 926	800

See footnotes at end of table.



TABLE 15.—*Cumulative Federal dollar amounts obligated (for the period July 1, 1968, through Apr. 30, 1971) and authorized slot levels by State as of Apr. 30, 1971—Continued*

State or possession	Amount (in dollars)	Authorized slot levels
North Dakota.....	701, 591	300
Ohio.....	6, 880, 087	4, 600
Oklahoma.....	844, 237	450
Oregon.....	3, 125, 857	1, 800
Pennsylvania.....	8, 302, 421	8, 000
Puerto Rico.....	6, 117, 255	4, 300
Rhode Island.....	1, 686, 495	750
South Carolina.....	373, 949	250
South Dakota.....	1, 145, 082	650
Tennessee.....	3, 631, 538	2, 400
Texas.....	2, 599, 786	1, 600
Utah.....	4, 379, 514	2, 050
Vermont.....	604, 318	630
Virginia.....	2, 933, 179	1, 800
Virgin Islands.....	156, 692	59
Washington.....	6, 554, 855	3, 000
West Virginia.....	9, 922, 776	5, 000
Wisconsin.....	3, 944, 241	2, 840
Wyoming.....	273, 892	135
Workmen's compensation.....	2, 750, 770	-----
Research.....	2, 955, 044	-----
Evaluation.....	2, 520, 193	-----
Federal salaries and expenses (for Manpower activities).....	<sup>2</sup> 8, 706, 962	-----

<sup>1</sup> Approximately 35,000,000 remained in the 4th quarter which was to be obligated by June 30, 1971.

<sup>2</sup> Authorized Federal positions as of Apr. 30, 1971: 227.

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### **EXCERPT FROM 1971 AUERBACH REPORT**

[Note: In addition to the 1970 Auerbach study of the WIN program (described in an earlier section of this pamphlet), the Auerbach Corp., on April 30, 1971, submitted a second report on the WIN program. The following excerpt (pages 65-77 of the second report) deals with major deficiencies of the WIN organizational structure.]

## Excerpt From 1971 Auerbach Report

### MAJOR DEFICIENCIES OF THE WIN ORGANIZATIONAL STRUCTURE

The preceding Section describes the current organizational structure and staffing for WIN at all governmental levels within both agencies administering the program. This Section presents an analysis of that structure.

A major observation about the viability and effectiveness of WIN is that projects often operate successfully despite, rather than because of the organizational structure of the program. Because in most of the states visited for this study, the administrative system has negative and not positive effects upon WIN, this Section concentrates upon describing the major deficiencies of the organizational structure and relating them to program operations.

The three major weaknesses of the organization and staffing of the WIN program are:

- Organization of the program along administrative rather than programmatic lines, and the placement of the WIN administrative functions into the existing DoL and DHEW structures.
- No clear definition of roles and responsibilities of each level of government within each agency, and across agency lines.
- Inadequate staffing of the program throughout the system, with the exception of the staffing of the ES WIN teams.

#### *Administrative Organization Within the Existing Bureaucracy*

In creating any new program, two major organizational decisions must be made at the outset: (1) the relationship of the new program to existing agencies, and (2) the designation of a decision-making structure.

In the case of WIN, the decision was made to have the Department of Labor and the Department of Health, Education, and Welfare administer the program jointly, and to utilize the existing administrative management systems within these agencies to as great an extent as possible. Thus, in the majority of cases, responsibility for the various WIN program functions is divided according to the various administrative divisions of the national, regional, state and (to a lesser extent) the local DoL and DHEW agencies. Although WIN program units have, in most cases, been set up at all levels, these program units do not have authority over all WIN-related tasks. Consequently, the frequency with which decisions can be made primarily for programmatic considerations has been sharply curtailed.

Theoretically, there are many advantages to the type of overall program structuring by administrative function. This approach can make the most efficient use of the existing administrative divisions, and can aid in the process of closely coordinating a new program with the already existing functions of an agency. The cost of duplicating staff and equipment is eliminated for areas such as payments, budget, reporting, etc. Structuring the WIN program along administrative lines within the existing national, regional, state and local agency systems, however, has had negative results for three reasons.

First of all, *WIN is not like other programs run by DoL and DHEW.* The operating features of WIN are innovative and, in many respects, distinctly different from the operating features of other programs or

activities run by DoL or DHEW. The major difference is the inter-agency nature of the program. With the exception of the Title V and MDTA programs, the vast majority of DoL and DHEW programs are run exclusively by one agency or the other.

The special technical requirements of WIN program operation is the second feature which both distinguishes and isolates WIN from the majority of DoL and DHEW programs and makes the existing administrative structure inappropriate. Because WIN is a special inter-agency program dealing with a specific clientele, its procedures for budgeting, reporting, payments and provision of services to the client are not consistent with the procedures used in the majority of other programs. As a result, to fulfill WIN requirements, administrative division staff must perform special work which they may neither understand nor want to do.

Given these two major differences between WIN and other programs run by DoL and DHEW, the rationale for selecting a decision-making structure which utilizes line administrative units is not appropriate for this program.

The consequences of the failure to distinguish WIN functions from others carried on within the line agencies and their administrative divisions are numerous and seriously detrimental to program operations. Because at the national, regional, and state levels of government, line administrative personnel who perform such tasks as budgeting, monitoring, reporting, etc., cannot integrate WIN tasks into their work for other programs, they often ignore the unique requirements of WIN and fail either to produce the required documents, analyses and other outputs, or to produce accurate versions of their required work. In turn, the staff persons directly responsible for program planning and development cannot function effectively. At the local level, program personnel simply do not receive the support they need.

Or, in other cases, the misgivings of the existing bureaucracy about certain features of the WIN program make the line people reluctant to put forth their best effort in performing their WIN-related tasks. This tendency is particularly evident at the state level, where staff frequently confide that they ignore demands placed upon them because they do not consider the program to be worthwhile.

Still another consequence of the decision to place WIN within existing functional divisions is the total lack of coordination that exists even when a Coordinator, as at the state level, has overall programmatic responsibility. Regardless of where administrative tasks are performed, typically, no one person or unit has the formal responsibility or the necessary information to do planning, budgeting, monitoring and evaluation. Because this lack of coordination exists at all levels of government within each agency, one program unit can offer minimal assistance to another. Had WIN been structured so that management decision-making was based on programmatic considerations, this situation might never have come about.

The second key reason why the placement of WIN into the line agency bureaucracy was inappropriate is that *national and regional DoL and HEW have both been in the process of structural reorganization ever since the WIN program was initiated*. When WIN first began, the power and authority over program operations was lodged at the national office. During the course of the three year history of

the program, however, DoL and DHEW have been in the process of decentralizing this control to the regional level and of orienting the management structure of all regions to emphasize administrative rather than programmatic decision-making. As a result of this decentralization process, roles and responsibilities have shifted dramatically. This shifting has resulted in a great deal of confusion and misinterpretation of policies and procedures for the supervision of WIN operations in both agencies.

For example, although the reorganization of DoL increases regional responsibility for WIN, the DoL regions have not adjusted to their new role. Structurally, the Area Operations Offices, headed by Associate Regional Manpower Administrators, have most of the regional responsibility for WIN. At the present time, however, the Area Operations Offices are suffering from a lack of experience in WIN, from the shift from specialists to generalists and from the confusion caused by the recent reinstatement of a staff WIN specialist.

The effect of the DoL reorganization on state and local operations is very apparent. States are not receiving adequate information, training or technical assistance. The states, in turn, are not providing support to the local WIN offices. Staff from several states has been left to operate their WIN programs without any contact with regional or national personnel for a year at a time; several individuals stated that they do not even know the name of the persons at the regional offices with whom they should be working. It is not difficult to understand why these state personnel often express distress and dissatisfaction with Federal agencies in general and with this program in particular. Lacking national and/or regional direction, some states are violating numerous policies and procedures without even recognizing their mistakes.

The third reason why WIN is suffering from its submersion into the existing bureaucracy of DoL and DHEW is that *WIN is living in the shadow of a program not yet in existence*. The Administration's proposed Family Assistance Plan (FAP) has stolen the manpower-welfare limelight, not only in the public eye but to a large degree within the government as well. Although WIN is a little-known program with no public identity or "image", FAP has been subjected to very wide-ranging discussion in the media and is frequently regarded as a uniquely innovative approach to the welfare dilemma. (That WIN is, in some important respects, a "dry run" of FAP is almost entirely disregarded in the media.) The imminence of FAP's passage has had a demoralizing effect on agency staff. The feeling is widespread that WIN will soon be replaced by FAP, and that long-range planning for WIN, or efforts to improve WIN, are not warranted. The DHEW group charged with the pre-planning of FAP is much larger than the total of the agency's WIN-related apparatus; although the situation on the DoL side is not so striking, the WIN group has diminished in size and has lost some former members to the FAP Task Force. There is much more interest in FAP, up and down the government chain of command, than in WIN.

There is a clear sense in which some resolution of FAP's status is necessary to any serious discussion of how to improve WIN. If FAP does pass, will it put WIN out of business? If not, on what basis will WIN continue? If so, what will become of the present WIN machinery?

In the absence of any assurance that the program has a future, the task of whipping up interest—let alone enthusiasm—is nearly hopeless. And it scarcely makes sense to amend legislation, re-work guidelines, train staff, merge welfare and ES efforts, and undertake many of the other recommendations contained in this report and elsewhere, if the program is about to disappear.

It might be argued that this consideration is beyond the scope of an examination of the "WIN system," but it is painfully clear that the system is strongly affected by the anticipation of FAP. And until the future of FAP, and the relationship (if any) between FAP and the present WIN system is known, improving the WIN program is going to be an uphill struggle.

#### *Lack of Clear Definition of Roles and Responsibilities*

The second major deficiency of the WIN organizational structure is largely independent of the decision to place the program into the existing DoL and DHEW bureaucracy. In structuring the WIN program administration, both DoL and DHEW failed to clearly define and revise: (1) the definition of the functions which should be carried out by each agency level (national, regional, state, and local); and (2) what staff unit was responsible for each function. Irrespective of the type of management any decision structure selected (either an administrative structure as was chosen, or a programmatic orientation), the lack of a clear role definition for each component of the organization is a major deficiency causing numerous administrative problems. Given the administrative system selected, the efforts of this deficiency are magnified, since management function demands a very high level of coordination among the activities taking place within separate administrative divisions. Furthermore, the basis for this coordination lies in strict adherence to prescribed roles and interrelationships.

Within the national offices of both DoL and DHEW, there are a great number of divisions and bureaus which are theoretically contributing to the operation of WIN. Only a handful of these offices are actually staffed to accomplish their tasks, and as described earlier, several of these staff units have overlapping responsibilities for the program. As a result, certain tasks are not being performed because of lack of staff, and other functions are being duplicated or not performed because two or more staff units share responsibility for that function. Furthermore, many tasks which should be accomplished jointly by DoL and DHEW offices are often done separately or not performed at all.

The situation is no better at the regional offices. Restructuring has taken place at regional offices to correspond with the national office. The major responsibility for regional WIN liaison with the states now lies with the state generalists (even though the specialist concept has been revived). Because these generalists, who are not always familiar with WIN, are uncertain of their role, the scope of their WIN-related activity is typically determined by how much they desire to do or what pressures they receive from the national or state WIN staffs on a day-by-day basis.

On the state level the WIN staff in a majority of states admits that they do not have a clear definition of their responsibilities. As a result, the extent to which the state level of each agency contributes to the program varies dramatically. Some ES and welfare agencies funnel

a major portion of the responsibility to the local level ; others maintain heavily centralized WIN operations at the state level.

It is only at the local level that one finds a semblance of definition of role and responsibility. The responsibilities of WIN team members have been more clearly differentiated, and these ES teams have, in many cases, pressured local welfare departments to assume certain defined tasks.

From this review of the existing structure at the Federal and state levels, it should be evident that the current organizational structure cannot be relied upon to adequately support the local WIN staff. There is too great an opportunity for staff at either the Federal or state levels to assume that a particular task does not fall within his area of responsibility. The tendency to "pass the buck" is very evident in the performance of numerous substantive support tasks, such as monitoring, evaluation, and budgeting, etc. Each of these tasks will be discussed in the following sections of this report. It is sufficient to note that lack of clear definitions of tasks is one casual factor creating problems in these substantive areas.

### *Insufficient Staffing Throughout the System*

The third area of administrative weakness is the insufficient staffing of the program throughout the system. This weakness includes: (1) the total number of WIN staff; (2) the staffing arrangements; (3) civil service requirements; and (4) staff training.

#### *Number of Staff*

At the national level, both the DoL and DHEW program units have been reduced in size. Although the policy of decentralization in both agencies has emphasized an increase in regional as opposed to national authority, regional offices do not have sufficient staff to assume additional responsibility for WIN. The number of regional people in both agencies who are responsible for WIN is minimal. In the DHEW regional offices, for example, no one person assigned the WIN responsibilities works full-time on the program. In the DoL regional offices, between July and December 1970, no position of WIN Specialist existed.

At the state level, ES and welfare have somewhat different staffing problems. Those state ES offices which have assigned a sufficient number of people to WIN have frequently been plagued by job vacancies and by division of responsibility by administrative rather than programmatic considerations.

In contrast to the ES staffing problems, state welfare agencies definitely have not assigned the necessary numbers of staff to WIN.<sup>1</sup> Staff welfare functions for WIN are generally accomplished on a crisis basis by staff temporarily relieved of their regular duties to work on WIN. Limited by their lack of program knowledge as well as by their relationship with line welfare staff, the state welfare staff for WIN can exert minimal influence on the local welfare offices.

In most cases, the local level staffing parallels the state level. Local ES WIN teams are generally adequately staffed; local welfare offices, however, have allocated far too few personnel. The result is that wel-

<sup>1</sup> Whether they could fill the positions or not is an open question.

fare supportive services are either performed by ES personnel or are not performed at all.

### *Organization of Staff*

Compounding the problem of insufficient number of staff is the tendency, at all levels of administration, to organize staff inefficiently. In both agencies, there has been a general reluctance to take the initiative for WIN to develop workable staffing patterns that can function in spite of obstacles imposed by the governing laws, rules, and regulations.

Reluctance to initiate workable staffing patterns is particularly evident in local welfare offices, where regular AFDC caseworkers perform WIN duties as well. With few exceptions, this organizational pattern has rarely worked to the advantage of the program.<sup>1</sup> When this type of organization is selected over alternative approaches, the AFDC caseworkers are less informed about WIN and spend less time providing supportive services to WIN enrollees than do the WIN caseworkers whose sole responsibility is WIN clients.

### *Civil Service Requirements*

WIN must operate in accordance with the existing civil service requirements, as well as in accordance with the legislation and agency guidelines. In several respects, this requirement has had a negative effect on the program. At the local level, WIN team positions are often filled by young, inexperienced people who are more interested in career advancement than they are in WIN, and who leave the program once they have gained valuable experience. Furthermore, in many states, restrictive civil service requirements have not been waived to permit capable and committed para-professional staff to perform professional duties. Finally, although the civil service system prides itself on offering a fair opportunity for advancement to all interested persons, the lengthy process of testing and selection frequently has a detrimental effect on WIN. Both the oral examination portion and other aspects of the selection process have delayed actual hiring for as much as six to eight months. When WIN positions have been left vacant, such delays have had a definite negative impact on the quality of program operations.

### *Staff Training*

The fourth and final aspect of WIN's weakness in staffing is the insufficient training provided by both DoL and DHEW. Given that the number of staff assigned to WIN is, in many instances, appreciably below the level of need, and that staffing patterns and civil service requirements are frequently detrimental to smooth program operation, it is necessary that all staff receive comprehensive and frequent program training.

Staff training is deficient at all levels of government in both agencies. Although at the inception of WIN, the national level Inter-Agency Task Force provided extensive training all over the country, at the present time, the national program people in both DoL and DHEW

<sup>1</sup>The exception to this generalization is agencies where AFDC caseloads are small enough to allow workers to deal both with clients who require special services as well as with all other clients.



are not offering any training at the state level. The emphasis or decentralization which exists in both DoL and DHEW has meant that the responsibility for training of state personnel has been delegated to the regional offices.

Although regional offices are designated the responsibility for training state level personnel, at the present time both the frequency and comprehensiveness of any training which is offered vary widely by region. Some regional personnel take it upon themselves to develop and offer a very sophisticated training package. Topics covered may include: preparation of the annual State Comprehensive Plan and Budget; joint ES-welfare operations; reporting and funding. Other regional offices offer minimal training or no training at all. Because the training offered by the regional offices is, in many instances, infrequent and incomplete, many state WIN personnel lack a clear understanding of the purpose and operation of the program.

The amount of staff training which is performed at the state level in order to inform local personnel varies by state. Although the BWTP guidelines outline specific topics to be covered in team training (Section 304), the adherence to these suggestions is relegated to the prerogative of each state. Training can be provided by both ES personnel and by local universities. In many states, local team members are permitted and encouraged to take advantage of in-service training opportunities.

The quality of staff training for WIN which is available at each level of government is affected by the larger framework in which that training is offered. The interagency administration of WIN necessitates joint training yet complicates the development of a training program which is appropriate for all parties. The Federal-state nature of the program demands that individual levels communicate program knowledge to each other through intergovernmental training sessions, yet contains a built-in deterrent to a smooth flow of information. Finally, the administrative rather than programmatic division of responsibility for WIN nicely separates the various functions for which staff training might be offered, yet creates a need to train scattered rather than centralized personnel. The weaknesses which characterize staff training, like the weaknesses of number and pattern of staffing, are a function of the WIN system.

#### SYNOPSIS

Three major weaknesses have characterized the organizational structure of WIN at the Federal, state and local levels of government. First of all, the program has been staffed according to administrative, as opposed to programmatic considerations, and has been submerged into the existing structures of both DoL and DHEW. The results have been that: many WIN staff people have not been thoroughly trained in program procedures, the hostility toward WIN of many line agency personnel has had a negative effect on the program; that overall coordination of WIN has been hindered; that WIN has suffered from the labor and welfare agency reorganizations which have been occurring; and that WIN has, more recently competed with the Family Assistance Plan for attention and support.

The second weakness which has characterized the organizational structure of WIN has been the lack of clear definition of roles and responsibilities. At all levels of government in both agencies, the specification of duties has remained unclear. Only at the local level of the Employment Service has there been detailed specification of staff tasks.

The third and final weakness which has characterized the organizational structure of WIN is in staff. The number of people who have been assigned to the program is severely inadequate. Particularly welfare staff, who are not separately budgeted for WIN, have been hard-pressed to accommodate WIN as well as non-WIN participants. Even DoL staff, who are separately itemized in the budget, have suffered from their inability to institute appropriate organizational patterns. Furthermore, inadequate staff training and civil service requirements have further aggravated the staffing problem.

In light of these deficiencies in the existing organizational structure for WIN, an attempt should be made to at least revise the existing structure, or at best to develop a new organizational structure appropriate for both agencies at all levels of government. The revised or innovative approach which is selected should ensure that personnel responsible for WIN are able to perform their duties with minimal interference from the non-WIN personnel in DoL and DHEW; informed of the role which they play in the WIN system and of their relationship to the other personnel in the program at their own and at other levels of government; and are adequately assigned and trained to perform their duties effectively.

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## LABOR DEPARTMENT MEMORANDUM ON STATUS OF IMPLEMENTATION OF 1970 AUERBACH REPORT RECOMMENDATIONS

[NOTE: The Auerbach Corporation transmitted a report to the Labor Department "An Appraisal of the Work Incentive Program" on March 15, 1970. The findings of this report are summarized in the narrative description of WIN on page 35 of this pamphlet. The entire report is printed in the Committee Print "Reports on the Work Incentive Program," pages 195-345, August 2, 1970. The staff requested the Department of Labor to provide a status report on the implementation of the recommendations made by the Auerbach (1970) WIN study. The following memorandum for Jerome M. Rosow, Assistant Secretary of Labor for Policy, Evaluation, and Research was submitted in response to the staff request.]

## Labor Department Memorandum on Status of Implementation of 1970 Auerbach Report Recommendations

U.S. DEPARTMENT OF LABOR,  
OFFICE OF THE ASSISTANT SECRETARY FOR MANPOWER,  
*Washington, D.C., July 20, 1971.*

Memorandum for Jerome M. Rosow, Assistant Secretary for Policy,  
Evaluation and Research.

Subject: Implementation of Auerbach Recommendations.

This is in response to your memorandum of June 30, 1971, regarding a request from Mr. Fred Arner of the Legislative Reference Service for a status report on the implementation of the recommendations made in the Auerbach WIN Evaluation. The first recommendation made in the final report was for the improvement of interagency liaison. During fiscal year 1971, the Department of Labor and the Department of Health, Education, and Welfare made concerted efforts to improve coordination between the two agencies at both national and regional levels. A joint program committee, an outgrowth of the interagency task force established in 1970, met regularly, and joint task force visits were carried out by national office staff. A joint instruction to the ES and Welfare agencies on sources of in-kind contributions to meet the 20 percent State matching requirements is in the final stages of preparation. Another joint issuance will establish a HEW/DOL WIN interagency working group to assure maximum cooperation and coordination at both regional and local levels.

The second major recommendation concerns the strengthening of social supportive services and is the area with which HEW should be most concerned.

The third recommendation calls for more intensive labor market analysis and job development. Several things are being done to strengthen this activity. First, reorganization of the regional offices has been completed making more staff available for monitoring and providing technical assistance to all manpower programs. Increased monitoring activities have enabled regional offices to uncover problem areas, especially in job development, and to deal more effectively with the heavy workload that individual project monitoring demands. In addition, a regional monitoring handbook has been developed and will be distributed to the regional offices during August 1971. This handbook will provide a uniform system and method for monitoring and will improve the gathering of useful information with which to evaluate WIN program performance. As monitoring coverage expands, program problems at the project level should be more quickly identified and solved. To improve job development activity there has been a marked expansion of job banks in fiscal year 1971. They have been increased from 42 in fiscal year 1970 to 88 at the present time. Job development became more difficult in fiscal year 1971 because fewer job opportunities were available. Although 15,791 enrollees were placed in jobs and completed the follow-up period this year and an additional 12,900 have been placed in jobs and are still in follow-up, the number of enrollees in the job entry holding category has doubled since the beginning of fiscal year 1971.

The following comments concern the "other recommendations" starting on page 14 of the report. These recommendations are being divided into three categories.

## I. RECOMMENDATIONS BEING IMPLEMENTED BY THE WIN PROGRAM

Encouragement of Civil Service to adopt procedures and salary levels needed to recruit and retain personnel required to make programs such as WIN succeed and to develop career ladders for all WIN staff, including coaches and clerks.

*Comment.*—National office continued to encourage regional and State offices to work with State civil service commissions to change salary levels and procedures that hinder WIN operations. Progress has been made, particularly in regard to salary levels and career ladders for coaches.

Recruitment and employment of more minority group staff for WIN projects particularly those which serve minority clients.

*Comment.*—Although this is not a problem in all areas, efforts continue to liberalize hiring requirements imposed by State civil service structures. The need for minority group members on WIN teams has been part of the WIN "philosophy" from the beginning and is stressed during training sessions and monitoring visits.

Use of a combination-of-skills approach to employability development, whether through the use of teams or not, and where teams are used full utilization of all specializations in employability planning and development, including participation of coaches.

*Comment.*—Progress continues in the utilization of the combination of skills or team approach to employability development. In the past year, several additional States have either adopted this idea or are in the process of implementing it. A Manpower Administration-Indiana University study is now being completed on the factors relating to success in the employability development team approach in WIN and CEP projects. Different team approaches will also be tried in the five WIN models to be installed in fiscal year 1972.

Institution of experimental education components for enrollees, as alternatives to standardized basic education and GED courses.

*Comment.*—Several additional learning labs have been approved and national office continues to receive favorable reports on the usefulness of these laboratories. Through the monitoring process we are encouraging States to develop innovative training methods.

Regular WIN monitoring of the quality of subcontract components and careful monitoring of work experience components, to ensure that they are really related to employability development, and are not just "busy work."

*Comment.*—These recommendations will be covered by the increased monitoring activities mentioned in the comment on the third major recommendation.

More diversity in vocational training and substantially increased utilization of on-the-job training.

*Comment.*—The availability of diversified training including OJT is, of course, vital to the program; and both have been stressed in the past. A simplified OJT system has been devised for WIN and will be available shortly to the States. Comments received from job development staff in two States who have been trained in the use of the new WIN-OJT system indicate that the new procedures greatly improve staff capability to interest employers in OJT contracts.

Provision of WIN petty cash funds to meet the immediate emergency needs of enrollees, such as transportation and lunch.

*Comment.*—Authorization for States to set up petty cash funds has been issued under program letter No. 2517, dated November 10, 1969.

Provision of additional counselors for WIN, to alleviate the backjam observed in many projects; in projects using teams, this could mean provision of two counselors to a team.

*Comment.*—An enriched staffing pattern has been possible for a year, and there should be no shortage of counselors as a result of inadequate funding for staff.

Issuance of joint, interagency guidelines.

*Comment.*—As mentioned in the comment on the first major recommendation, the HEW/DOL Program Committee has been working jointly on issuance of guidelines.

Reduction of overlapping reporting requirements and other paperwork by the use of standardized forms, acceptable to varying agencies and levels of government.

*Comment.*—HEW and DOL have established separate reporting systems so that a long-range effort would be required to implement this recommendation. There is also a basic difference in the kind of data needed by each Department that would make the effort difficult. Some reduction of reporting has taken place within DOL. The WIN and CEP programs are presently using standardized reporting forms.

Ongoing inservice training for all welfare and manpower staff directly involved in WIN and inservice training in vocational guidance and the labor market for WIN counselors.

*Comment.*—While most staff training is still being conducted by State agencies, eight of the largest WIN States have received considerable training of teams and staff in fiscal year 1971 under a technical assistance contract. We are currently involved in the preparation of a staff development program for employability development teams which will be installed in fiscal year 1972.

Consideration of alternatives to child care, such as development of jobs which coincide with school hours.

*Comment.*—This approach could be stressed but there has been no discussion at the national office level concerning it. Locally, arrangements like this can be, and are, being considered in individual employability plans. Local labor market conditions, specifically shift workers, make implementation of this recommendation unrealistic in many areas.

Preenrollment contact of referred clients, preferably in the form of a personal visit to the client's home by a member of a WIN team.

*Comment.*—This is an excellent idea that serves to reduce the "no show" problem and facilitates the enrollment process where it can be worked out. While this procedure is being followed in some individual projects, a national policy requiring preenrollment contact has not been issued because the coaches in many projects are already overworked, and in some cases, Welfare feels that Labor has no role until after actual enrollment.

Institution of subtle screening procedures to insure that persons with considerable work experience are not assigned to world-of-work classes.

*Comment.*—This component is being increasingly monitored under the reorganization of the regional offices.

Reduction in pressure to bring project enrollments up to "authorized levels" in areas where the problem is lack of adequate services and components.

*Comment.*—This is not a universal problem with WIN, although we are still underenrolled nationally. Where there is good cooperation on the project level, this has been worked out locally through a paper referral process. It should be mentioned here that Welfare is required by law to refer all eligibles.

More careful and flexible use of testing in employability planning.

*Comment.*—Although no national policy has been issued, States do have the authority to contract with other agencies if a wider variety of tests are needed than are available in the Employment Service. WIN is also testing and evaluating the use of work samples as a flexible means of determining trainee potential.

Development of public sector employment options for WIN graduates, where needed, including more imaginative use of special work projects.

*Comment.*—Problems continue to arise in implementing the WIN Special Works Projects component largely because of the complex financial arrangements of the program and the necessity for the State to contribute a large share of the participants' wages. However, an innovative approach to these projects is an important component in a Vermont experimental program.

Improvement of WIN physical facilities where needed, including private counseling offices or booths.

*Comment.*—There should be no program problem preventing the securing of adequate facilities for WIN, as this is negotiable between the States and regional offices as a part of the State plans and budgets. Any State can request permission to obtain facilities for individual projects.

## II. RECOMMENDATIONS THAT ARE THE PRIMARY CONCERN OF HEW

Adoption of equitable income disregards for men as well as women.

Prereferral physical examinations for all clients selected for WIN.

Adoption of uniform screening, assessment and referral criteria.

Consideration of WIN child care needs as part of a national child care needs assessment.

Adherence to regulations requiring welfare department to develop adequate child care plans for mothers referred to WIN.

Provision of in-service training for persons charged with arranging child care.

Institution of national program to provide college courses in child care provision, and to encourage qualified persons to enter this field in greatly increased numbers.

## III. RECOMMENDATIONS THAT CANNOT BE IMPLEMENTED THROUGH ADMINISTRATIVE ACTIONS UNDER EXISTING LAW

Elimination of the provision for mandatory referral of mothers.

Elimination of the requirement to make referrals to WIN even if no components are available.

Change in legislation which removes youth from their families' welfare grants after the age of 18 if they fail to enroll; since many projects are backlogged at the enrollment point, youths referred but not enrolled should continue to be eligible.

Provision of a national allowance for AFDC recipients in training programs (possibly adjusted for area cost-of-living indexes) for such out-of-pocket expenses as transportation, lunch, etc.

Implementation of a single check payment system to cover grants, child care, special allowances and WIN incentives.

Full government funding for the wages of special work projects participants, at least initially, so that the sponsor bears no additional payroll cost.

MALCOLM R. LOVELL, Jr.,  
*Assistant Secretary for Manpower.*



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**Appendix C.—Material Related to H.R. 1—Welfare Programs  
For Families**

**(PREPARED BY THE STAFF OF THE COMMITTEE ON FINANCE)**

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**CHARTS AND DESCRIPTION OF H.R. 1**

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CHART 1.—FEDERALLY AIDED WELFARE RECIPIENTS UNDER PRESENT LAW AND NUMBER ELIGIBLE UNDER H.R. 1

The Department of Health, Education, and Welfare estimates that 26 million persons will be eligible for Federal welfare benefits in 1973 under H.R. 1 compared with 15 million recipients under present law.

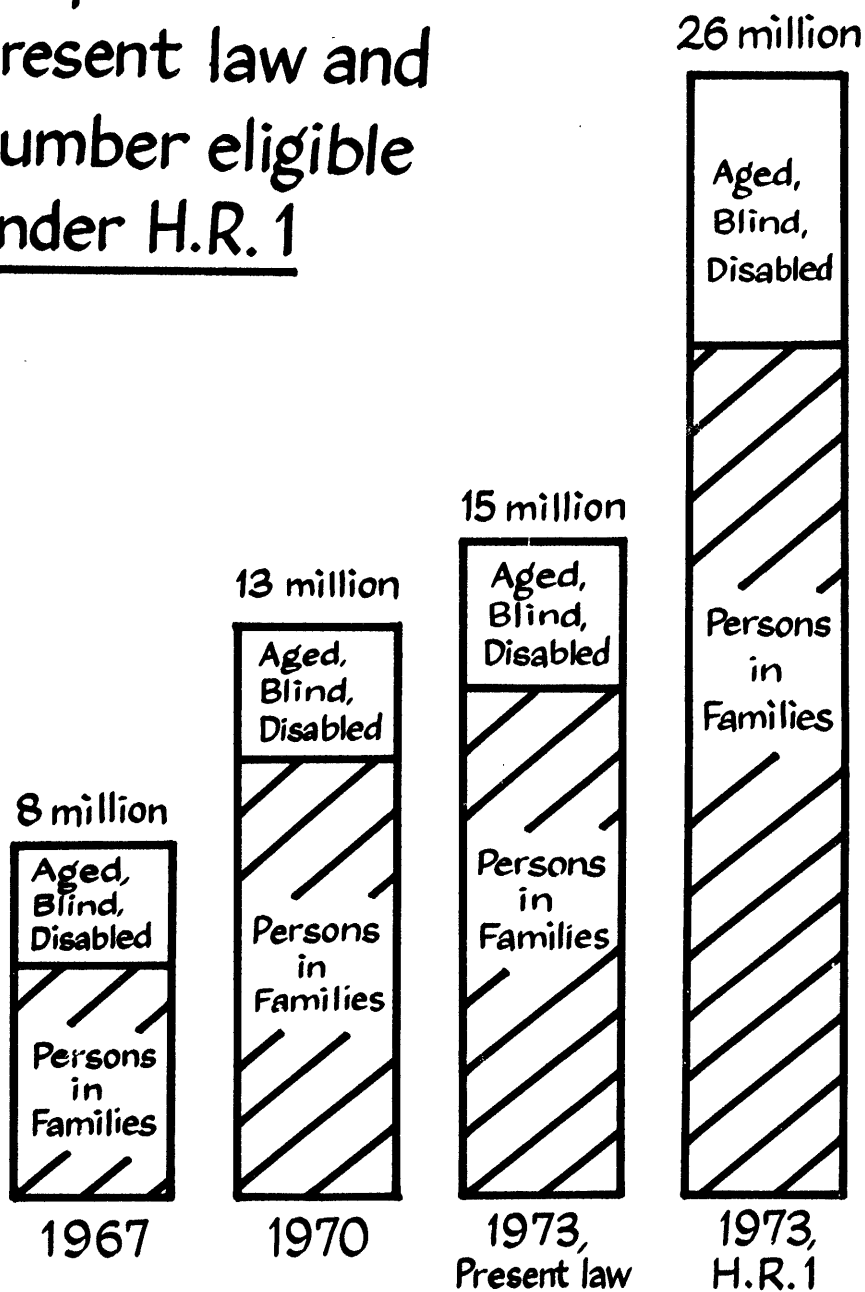
The chart shows the difference in the number of Federally aided welfare recipients under H.R. 1 as compared with present law in fiscal 1973, and also the tremendous growth of the Aid to Families with Dependent Children program since 1967. (The AFDC rolls stood at 5.3 million in 1967, 9.6 million in 1971; it is estimated by the Department of Health, Education, and Welfare that 11.6 million persons will be on the rolls in 1973.)

Of the 11 million recipients who would be added to the Federal welfare rolls under H.R. 1, about 8 million would be persons in families and three million would be aged, blind, or disabled. These statistics do not include an estimated additional 2.1 million welfare recipients who would receive State supplementary payments only (1.2 million people in families and 0.9 million aged, blind, and disabled persons). Thus the Department of Health, Education, and Welfare estimates that a total of about 28 million persons would be eligible for Federal and State welfare benefits in 1973 if H.R. 1 were enacted.

The Department estimates that 13½ million of the 19 million people in families who would be eligible for Federal welfare payments under H.R. 1 would be in the Opportunites For Families (OFF) program administered by the Department of Labor while about 5½ million recipients would be in the Family Assistance Program administered by the Department of Health, Education, and Welfare.

Chart 1

# Federally aided welfare recipients under present law and number eligible under H.R. 1



## CHART 2.—WELFARE PROGRAMS FOR FAMILIES

Under the present program of Aid to Families with Dependent Children, all families seeking assistance make application with the State welfare agency, which determines their eligibility, makes assistance payments, and refers any family members it finds appropriate to the State employment service for participation in employment or job training under the work incentive (WIN) program. Under H.R. 1 families applying for assistance would be divided into two groups, those including an employable member and those not including an employable member. The determination as to whether or not a family contains an employable member would be made by the Department of Health, Education, and Welfare in accordance with specific criteria set forth in H.R. 1.

Families which included an employable member would apply for assistance under the Opportunities For Families (OFF) program administered by the Department of Labor. A family member would be considered "employable" unless he were exempt from registration for work and training under one of certain specified conditions. Generally, all able-bodied adults—including children 16 and over who are not in school—would be considered employable except mothers of children under 3 (under 6 until June 1974), mothers of families in which the father is registered, and those needed at home to care for a sick or disabled family member.

A family member who was exempt from registration but nevertheless voluntarily registered for work or training would also be considered employable, and his family would accordingly come under the Labor Department OFF program.

Families which contained only members who were exempt from the registration requirement and who did not voluntarily register would apply for assistance under the Family Assistance Plan (FAP) administered by the Department of Health, Education, and Welfare.

The cash assistance provisions of H.R. 1, including benefit levels, are identical for the OFF and FAP programs.

The chart shows the benefit levels which would be payable for families of various sizes with no other income. The benefits payable to families which do have other income would be lower, with the amount of the reduction dependent upon the nature and amount of that other income. Generally, unearned income would cause a dollar-for-dollar reduction while earned income would cause a reduction on a less than dollar-for-dollar basis.

Chart 2

## Welfare Programs for Families

- If family includes an employable member (under criteria listed in H.R.1), family is eligible to receive benefits under OFF program administered by Labor Dept.
- If family does not include an employable member, family is eligible to receive benefits under FAP program administered by HEW
- Benefit levels under both programs are the same:

<u>Family size</u>	<u>Payment to family with no other income</u>
2	\$1,600 annually
3	2,000
4	2,400
5	2,800
6	3,100
7	3,400
8 or more	3,600

CHART 3.—WELFARE PROGRAMS FOR FAMILIES: FEDERAL  
ELIGIBILITY STANDARDS

The present program of Aid to Families with Dependent Children (AFDC) provides assistance only to families in which the father is dead, incapacitated, absent from the home, or (at the State's option) unemployed. For such families, assistance is provided if they meet the eligibility requirements established by each State with respect to such factors as level of income and amount of resources. Under H.R. 1, assistance would be extended to all families, including families in which the father is present, with at least one child under age 18 (or under age 22 and regularly attending school) if they met certain nationally uniform eligibility requirements specified in the bill.

To be eligible for a Federal welfare payment, a family's total countable income would have to be less than \$800 for each of the first two family members, plus \$400 each for the next three members, \$300 each for the next two, and \$200 for the eighth member.

In determining countable income, certain types and amounts of income would be excluded:

\$720 annually in family earnings plus one-third of the remainder;

Subject to certain limits, the earnings of school children, small amounts of earned and unearned income received infrequently or irregularly, and earnings used to obtain child care services required to permit a family member to work or take training;

Assistance based on need, including qualified State supplementary welfare payments but not including veterans' pensions;

Federal or State allowances for training programs under the bill;

Scholarships to cover tuition and fees;

The value of home produce;

One-third of any alimony or support payments; and

Amounts received for providing foster care.

Eligibility would be limited to families with total resources of \$1500 or less. In determining this limitation, the value of the home, household goods, personal effects, and property needed for self-support would, if found reasonable, be excluded. Also, life insurance policies would not be counted if the face value of all policies for each individual were less than \$1500.

A family could not receive assistance under H.R. 1 if the head of the household were a full-time undergraduate or graduate college student.

Individuals who would be required to register for work and training except for an incapacity caused (even in part) by drug or alcohol abuse would be ineligible for assistance unless they were undergoing appropriate treatment for these conditions at approved institutions. This limitation on eligibility would apply only if such treatment were available.



Chart 3

# Welfare Programs for Families

## Federal Eligibility Standards

- Family must include one child under age 18 (or under age 22 and in school)
- First \$720 of annual earnings and  $\frac{1}{3}$  of additional earnings not counted; certain other income exclusions specified
- Countable income must be below specified limits:

<u>Family size</u>	<u>Limit</u>	<u>Family size</u>	<u>Limit</u>
2	\$1,600	6	\$3,100
3	2,000	7	3,400
4	2,400	8 or more	3,600
5	2,800		

- Countable resources must be under \$1,500
- Head of household may not be full time college student
- All family members must apply for any other benefits for which they might be eligible
- Drug addicts and alcoholics eligible only if undergoing any treatment that may be appropriate

**CHART 4.—WELFARE PAYMENTS TO FAMILIES: ADMINISTRATIVE PROVISIONS**

Present programs of assistance to families with children are administered by State welfare agencies. Under H.R. 1, the Departments of Labor and of Health, Education, and Welfare would be directly responsible for the administration of the Federal welfare programs for families. The bill would require these Departments to prescribe such rules on the filing of applications, the furnishing of evidence and the reporting of changes in family circumstances as is necessary to determine eligibility for and the amount of assistance. The Departments could also require other Federal agencies to furnish any information they had which was needed to verify a family's eligibility or the amount of benefits due.

Families failing promptly to make required reports or to furnish requested evidence would be penalized by \$25 for the first failure, \$50 for the second and \$100 for each failure in excess of two. These penalties would be withheld from the family's assistance payments. At the end of each quarter, each family would be required to submit a report containing information concerning its income and other eligibility factors for that quarter. If the report were not filed within 30 days after the end of the quarter, no further payment to the family could be made until the report was received.

A family's benefit payment would be based on estimated income to be received during a quarter; but benefit entitlement would be based on the actual income it received during the quarter in which welfare payments were made, with further adjustment made for income, if any, above the eligibility limit during the 3 preceding quarters. Any difference between benefits received and benefits to which the family was entitled would represent overpayments or underpayments, with appropriate adjustment in subsequent benefits.

At the time a family initially applied for assistance, it could be paid an advance against future benefits of up to \$100 if it faced a financial emergency and was apparently eligible for assistance.

After a family had received assistance for a continuous period of 24 months, no further payments would be made unless the family filed a new application which would generally have to be processed as though the family were seeking assistance for the first time.

## Chart 4

## Welfare Payments to Families Administrative Provisions

- Federally administered; HEW, Labor to require such reports and evidence as are needed to establish eligibility; "simple declaration" method precluded
- Penalties of \$25 to \$100 for failure to make required reports or furnish evidence promptly
- Each family must file quarterly income report; welfare cut off if report not filed within 30 days of end of quarter
- Payments based on estimated income for quarter; entitlement based on actual income for quarter. In both cases, adjustment is made for excess income in 3 prior quarters.
- All Federal agencies required to furnish information needed to verify eligibility
- Up to \$100 may be advanced pending verification of eligibility
- Family must reapply after 2 years on welfare

**CHART 5.—STATE SUPPLEMENTATION OF FEDERAL WELFARE PAYMENTS TO FAMILIES**

The basic Federal levels of assistance established under H.R. 1 (\$2,400 for a family of 4) would in some States be higher than and in other States be lower than the current State payment levels; about 30 States presently provide more than \$2,400 in assistance annually for such families. In addition H.R. 1 would make welfare recipients ineligible to participate in the food stamp program. In all but 9 States, the value of food stamps together with welfare payments to a family of four with no other income exceeds \$2,400.

States wishing to supplement Federal welfare benefits would be required to follow the Federal rules for the treatment of income (for example, the first \$720 of annual earnings and one-third of earnings in excess of \$720 would have to be disregarded).

H.R. 1 would permit States to enter into agreements with the Secretary of Health, Education, and Welfare for Federal administration of State supplemental benefits. Under such an agreement, supplemental payments would have to be made to all families eligible for Federal assistance payments under H.R. 1 in which the father was dead, absent, or disabled, except that States could require a period of residence in the State as a condition of eligibility for benefits. In addition, State supplementation administered by the Federal government would have to follow rules prescribed by the Secretary of Health, Education, and Welfare as necessary "to achieve efficient and effective administration."

The States would not be required to reimburse the Federal government for any part of the costs of administering State supplementation. States would, however, have to pay for the full amount of the supplemental payments subject to a savings clause which limits the total amount of certain State expenditures for assistance to the aged, blind, and disabled and to families to 1971 levels.

If a State elected to administer its own supplemental payments, there would be no Federal sharing of administrative costs and the savings clause would not apply. The State would have to follow the Federal income exclusion rules but would otherwise be free to establish all terms and conditions of eligibility for supplementation.

H.R. 1 would require States to provide supplemental payments at a level sufficient to maintain current welfare payment levels (adjusted upward for the loss of food stamp eligibility) until the State government took some affirmative action to eliminate or set a different level of supplementation.

## Chart 5

## State Supplementation of Federal Welfare Payments to Families

- About 30 States currently pay more than \$2400 to a family of 4 with no other income
- If State chooses to supplement Federal welfare payment, Federal earned income disregard and other income exclusions must apply. State may choose Federal administration of supplementation program.

### If State-administered:

- State determines coverage and other eligibility rules
- State pays full administrative cost
- State pays full cost of supplementary payments

### If Federally administered:

- State must make eligible all families receiving Federal welfare payments
  - in which the father is dead, absent, or incapacitated
  - if family meets State duration or residence requirement (if any);
 Federal administrative procedures apply
- State pays no administrative cost
- Savings clause limits State welfare costs to current level if certain conditions are met

**CHART 6.—WELFARE RECIPIENTS IN FAMILIES UNDER PRESENT LAW AND NUMBER ELIGIBLE UNDER H.R. 1**

According to the projections of the Department of Health, Education, and Welfare, there will be 11.6 million recipients of Aid to Families with Dependent Children by fiscal year 1973. H.R. 1 would raise the number of persons in families eligible for Federal welfare payments to 19.4 million; the Department estimates that an additional 1.2 million persons would be eligible only for State supplementary payments.

The Department projects that under present law the AFDC rolls would continue to rise rapidly after 1973, reaching a caseload of 15.8 million by 1977. This projection is based on an assumption that poor quality control will continue and that efforts at training and job creation will continue to be minimal.

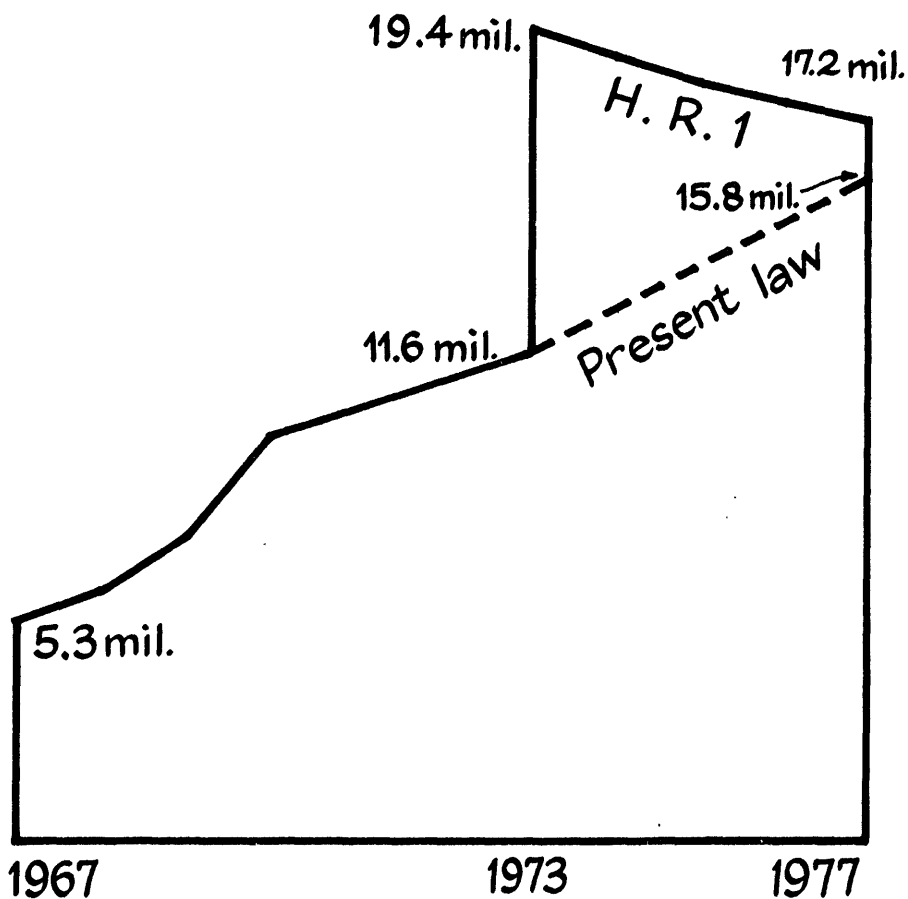
By way of contrast, the Department projects that the number of persons in families eligible for Federal welfare payments will decline steadily from 19.4 million in 1973 to 17.2 million in 1977. The Department maintains that the primary differences between AFDC and the proposed family program which lead to these different growth assumptions are:

- (1) Replacing a monthly with an annual accounting period;
- (2) Replacing poor quality control with an efficient, automated national system;
- (3) Changes in earnings disregards; and
- (4) Replacing minimal efforts at training and job creation with a much larger and more effective program.

The figures on the chart do not include recipients who are receiving State supplemental benefits only. The Department of Health, Education, and Welfare estimates that the number of these recipients will rise from 1.2 million in 1973 to 1.3 million in 1977.

Chart 6

# Welfare Recipients in Families Under Present Law and Number Eligible Under H.R. 1



## CHART 7.—FEDERAL WELFARE COSTS, FISCAL YEAR 1973

The chart shows the impact of H.R. 1 on Federal welfare costs in fiscal 1973.

Federal funds for welfare payments will rise by an estimated \$4.6 billion, partly offset by a reduction of \$1.4 billion in food stamp costs. An additional \$1.7 billion will go for increased Federal expenditures for child care, manpower training and supportive services, and public service jobs. Federal assumption of the costs of administering welfare will add another \$0.7 billion in costs in fiscal 1973. Finally, a savings of \$0.1 billion is projected in two programs, the assistance programs for Cuban refugees and for American Indians.

Thus the total additional Federal welfare costs for fiscal 1973 will be \$5.5 billion. This will bring the total Federal welfare costs for that year to about \$15 billion. Medicaid costs are not included within these calculations.



Chart 7

## Federal Welfare Costs, FY 1973

	<u>Current law</u>	<u>H.R.1</u>	<u>Increase</u>
Payments to families	\$3.9 bil.	\$5.5 bil.	+\$1.6 bil.
Payments to aged, blind, and disabled persons	2.2 bil.	4.1 bil.	+ 1.9 bil.
Payments to States under savings clause	---	1.1 bil.	+1.1 bil.
Food stamps	2.4 bil.	1.0 bil.	-1.4 bil.
Subtotal, benefit costs	<b>8.5 bil.</b>	<b>11.7 bil.</b>	<b>+3.2 bil.</b>
Child care	0.3 bil.	0.8 bil.	+0.5 bil.
Training	0.2 bil.	0.5 bil.	+0.3 bil.
Public service jobs	---	0.8 bil.	+0.8 bil.
Supportive services	---	0.1 bil.	+0.1 bil.
Administration	0.4 bil.	1.1 bil.	+0.7 bil.
Subtotal, related costs	<b>0.9 bil.</b>	<b>3.3 bil.</b>	<b>+2.4 bil.</b>
Impact on other programs	---	-0.1 bil.	-0.1 bil.
<b>TOTAL</b>	<b>9.4 bil.</b>	<b>14.9 bil.</b>	<b>+5.5 bil.</b>

## CHART 8.—DESERTING FATHERS

Under present law, States are required to attempt to obtain and enforce court orders for support against deserting parents of children in families eligible for Aid to Families with Dependent Children. Last year's Finance Committee bill would have authorized the Attorney General of the United States to seek to enforce any such State-obtained support orders and to refund to the States from the amounts he collected their share of any assistance payments made to the families involved. H.R. 1 contains no comparable provision concerning Federal enforcement of court orders, but the bill would increase from 50 to 75 percent the Federal matching for State costs incurred in securing and enforcing support orders.

The 1970 Finance Committee bill also would have made a deserting parent liable to repay to the United States the Federal share of welfare payments made to his family during the period of abandonment. (This liability would not, however, exceed the amount of support owed the family under a court order if one had been issued). The same type of liability to the United States for Federal welfare payments would be imposed upon deserting parents under the provisions of H.R. 1. However, where the Finance Committee bill directed the Attorney General to make recovery, H.R. 1 provides for the liability to be withheld from payments owed by the United States to the deserting parent such as, for example, income tax refunds or social security benefits.

Both H.R. 1 and last year's Committee bill would have made it a Federal crime for a parent to cross State lines in order to avoid his parental support responsibilities.

## Chart 8

## Deserting Fathers

1970 Finance Com. Bill

- Deserting father liable to U.S. for Federal share of welfare payments to his family; recovery to be obtained by Attorney General
- Criminal penalty for crossing State line to avoid parental responsibilities
- Attorney General to enforce State support orders and refund State share of welfare from amounts collected

H. R. 1

- Same, except recovery to be made by withholding from future payments owed individual by U.S.
- Same
- Federal matching raised from 50% to 75% for State efforts to obtain and enforce support orders

## CHART 9.—MEDICAID WORK DISINCENTIVE

H.R. 1 would require that welfare recipients with earnings pay a deductible under the Medicaid program; the amount of the deductible would increase as earnings increased.

In the 24 States which today extend Medicaid coverage only to cash assistance recipients, the Medicaid deductible would rise one dollar for every three dollars of earnings above \$60 monthly. However, since the Federal welfare payment would also be reduced two dollars for every three dollars earned, the net effect would be a three dollar reduction for each three dollars earned.

For States extending Medicaid coverage to persons not eligible for cash welfare payments, the same disincentive effect would occur, beginning with monthly earnings above a specified amount which would depend on State eligibility levels for cash assistance and for Medicaid.

## Chart 9

Medicaid Work Disincentive

Under H.R. 1, in 24 States, for every \$3 earned monthly above \$60,

-cash assistance is reduced	\$2
-Medicaid deductible is increased	\$1
	<hr/>
	\$3

In other States, for every \$3 earned monthly above a specified amount (depending on State eligibility levels for cash assistance and for Medicaid),

-cash assistance is reduced	\$2
-Medicaid deductible is increased	\$1
	<hr/>
	\$3

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T A B L E S

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TABLE 1.—NUMBER OF WELFARE RECIPIENTS UNDER CURRENT LAW AND NUMBER OF PERSONS ELIGIBLE FOR BENEFITS UNDER H.R. 1 BY STATE, FISCAL YEAR 1973

[In thousands]

State	Number of recipients under current law			Number of persons eligible for Federal benefits under H.R. 1		
	Total	Adult categories	Family category	Total	Adult categories	Family category
Alabama.....	408.2	149.0	259.2	761.9	174.8	587.1
Alaska.....	16.4	2.9	13.5	25.3	5.8	19.5
Arizona.....	97.7	24.3	73.4	163.2	55.0	108.2
Arkansas.....	149.0	75.6	73.4	404.5	114.5	290.0
California.....	2,335.6	599.7	1,735.9	2,444.4	608.7	1,835.7
Colorado.....	146.2	46.7	99.5	190.6	47.6	143.0
Connecticut.....	141.5	17.1	124.4	200.2	53.1	147.1
Delaware.....	36.1	5.0	31.1	58.5	10.4	48.1
District of Columbia.....	101.7	15.0	86.7	144.9	24.9	120.0
Florida.....	449.9	91.6	358.3	917.6	228.4	689.2
Georgia.....	485.1	140.8	344.3	961.0	231.0	730.0
Hawaii.....	43.8	4.7	39.1	63.0	13.4	49.6
Idaho.....	30.6	6.3	24.3	52.4	11.4	41.0
Illinois.....	639.5	90.9	548.6	959.4	226.9	732.5
Indiana.....	168.1	27.7	140.4	355.4	88.3	267.1

TABLE 1.—NUMBER OF WELFARE RECIPIENTS UNDER CURRENT LAW AND NUMBER OF PERSONS ELIGIBLE FOR BENEFITS UNDER H.R. 1 BY STATE, FISCAL YEAR 1973.—Continued

[In thousands]

State	Number of recipients under current law			Number of persons eligible for Federal benefits under H.R. 1		
	Total	Adult categories	Family category	Total	Adult categories	Family category
Iowa.....	116.2	26.9	89.3	241.7	45.6	196.1
Kansas.....	104.0	18.4	85.6	234.1	70.4	163.7
Kentucky.....	259.8	89.5	170.3	621.0	162.3	458.7
Louisiana.....	473.3	149.8	323.5	823.7	212.1	611.6
Maine.....	91.9	17.9	74.0	131.0	38.0	93.0
Maryland.....	217.5	28.3	189.2	388.5	71.7	316.8
Massachusetts.....	417.5	82.1	335.4	536.3	145.2	391.1
Michigan.....	517.5	72.5	445.0	841.7	217.3	624.4
Minnesota.....	159.5	33.0	126.5	346.1	93.6	252.5
Mississippi.....	269.4	111.7	157.7	626.3	174.7	451.6
Missouri.....	332.3	124.9	207.4	555.5	187.3	368.2
Montana.....	26.0	6.1	19.9	51.8	11.5	40.3
Nebraska.....	57.5	13.9	43.6	124.3	26.6	97.7
Nevada.....	23.1	3.7	19.4	37.8	14.0	23.8
New Hampshire.....	30.9	6.0	24.9	49.1	13.6	35.5



New Jersey.....	517.6	37.0	480.6	603.3	160.3	443.0
New Mexico.....	100.1	19.9	80.2	144.1	26.6	117.6
New York.....	1,550.0	201.7	1,348.3	2,067.2	499.1	1,568.1
North Carolina.....	248.2	77.0	171.2	821.6	186.2	635.4
North Dakota.....	20.4	6.3	14.1	58.4	12.3	46.1
Ohio.....	523.7	97.3	426.4	928.7	230.0	698.7
Oklahoma.....	218.6	106.7	111.9	400.7	108.1	292.6
Oregon.....	138.1	20.9	117.2	203.5	55.2	148.3
Pennsylvania.....	880.2	116.0	764.2	1,267.5	337.0	930.5
Rhode Island.....	68.2	7.7	60.5	103.4	27.9	75.5
South Carolina.....	142.3	34.8	107.5	466.8	94.4	372.4
South Dakota.....	32.4	6.7	25.7	76.8	13.9	62.9
Tennessee.....	358.1	98.1	260.0	830.4	222.0	608.4
Texas.....	771.6	287.0	484.6	1,571.3	373.0	1,198.3
Utah.....	57.6	9.4	48.2	95.3	25.5	69.8
Vermont.....	25.1	7.1	18.0	44.8	14.9	29.9
Virginia.....	185.4	26.6	158.8	566.5	120.1	446.4
Washington.....	217.2	40.7	176.5	276.8	57.5	219.3
West Virginia.....	128.1	25.2	102.9	326.8	69.4	257.4
Wisconsin.....	138.2	27.5	110.7	311.7	93.7	218.0
Wyoming.....	13.7	2.8	10.9	23.3	5.4	17.9
Guam.....	2.8	.5	2.3	3.5	.9	2.6
Puerto Rico.....	339.1	45.9	293.2	995.8	76.9	918.9
Virgin Islands.....	2.6	.5	2.1	3.9	.9	3.0
Total.....	15,025.1	3,385.3	11,639.8	25,503.3	6,189.2	19,314.1

TABLE 2.—PROPORTION OF POPULATION RECEIVING WELFARE UNDER CURRENT LAW AND PROPORTION OF POPULATION ELIGIBLE FOR BENEFITS UNDER H.R. 1 BY STATE, FISCAL YEAR 1973

[Persons in thousands]

	Civilian resident population, 1973	Federally aided welfare recipients, current law, fiscal year 1973		Persons eligible for welfare benefits under H.R. 1, fiscal year 1973	
		Number	Percent	Number	Percent
Alabama.....	3,449.5	408.2	11.8	761.9	22.1
Alaska.....	353.7	16.4	4.6	25.3	7.1
Arizona.....	2,151.3	97.7	4.5	163.2	7.6
Arkansas.....	1,958.6	149.0	7.6	404.5	20.7
California.....	23,052.0	2,335.6	10.1	2,444.4	10.6
Colorado.....	2,529.9	146.2	5.8	190.6	7.5
Connecticut.....	3,353.4	141.5	4.2	200.2	6.0
Delaware.....	621.9	36.1	5.8	58.5	9.4
District of Columbia.....	734.3	101.7	13.8	144.9	19.7
Florida.....	8,195.3	449.9	5.0	917.6	11.2
Georgia.....	4,914.6	485.1	9.9	961.0	19.6
Hawaii.....	840.7	43.8	5.2	63.0	7.5
Idaho.....	720.8	30.6	4.2	52.4	7.3
Illinois.....	11,643.9	639.5	5.5	959.4	8.2
Indiana.....	5,503.8	168.1	3.1	355.4	6.5

Iowa.....	2,813.0	116.2	4.1	241.7	8.6
Kansas.....	2,252.8	104.0	4.6	234.1	10.4
Kentucky.....	3,247.4	259.8	8.0	621.0	19.1
Louisiana.....	3,792.5	473.3	12.5	823.7	21.7
Maine.....	982.7	91.9	9.4	131.0	13.3
Maryland.....	4,520.4	217.5	4.8	388.5	8.6
Massachusetts.....	5,990.7	417.5	7.0	536.3	9.0
Michigan.....	9,504.7	517.5	5.4	841.7	8.9
Minnesota.....	4,034.5	159.5	4.0	346.1	8.6
Mississippi.....	2,145.4	269.4	12.6	626.3	29.2
Missouri.....	4,851.4	332.3	6.8	555.5	11.5
Montana.....	687.3	26.0	3.8	51.8	7.5
Nebraska.....	1,508.4	57.5	3.8	124.3	8.2
Nevada.....	692.1	23.1	3.3	37.8	5.5
New Hampshire.....	815.5	30.9	3.8	49.1	6.0
New Jersey.....	7,900.4	517.6	6.6	603.3	7.6
New Mexico.....	1,032.5	100.1	9.7	144.1	14.0
New York.....	18,929.5	1,550.0	8.0	2,067.2	10.9
North Carolina.....	5,273.2	248.2	4.7	821.6	15.6
North Dakota.....	597.6	20.4	3.4	58.4	9.8
Ohio.....	11,160.3	523.7	4.7	928.7	8.3
Oklahoma.....	2,623.0	218.6	8.3	400.7	15.3
Oregon.....	2,282.2	138.1	6.1	203.5	9.0
Pennsylvania.....	11,918.3	880.2	7.4	1,267.5	10.6
Rhode Island.....	968.5	68.2	7.0	103.4	10.7

TABLE 2.—PROPORTION OF POPULATION RECEIVING WELFARE UNDER CURRENT LAW AND PROPORTION OF POPULATION ELIGIBLE FOR BENEFITS UNDER H.R. 1 BY STATE, FISCAL YEAR 1973—Continued

[Persons in thousands]

	Civilian resident population, 1973	Federally aided welfare recipients, current law, fiscal year 1973		Persons eligible for welfare benefits under H.R. 1, fiscal year 1973	
		Number	Percent	Number	Percent
South Carolina.....	2,624.8	142.3	5.4	466.8	17.8
South Dakota.....	641.1	32.4	5.1	76.8	12.0
Tennessee.....	4,038.0	358.1	8.9	830.4	20.6
Texas.....	12,098.1	771.6	6.4	1,571.3	13.0
Utah.....	1,179.9	57.6	4.9	95.3	8.1
Vermont.....	474.3	25.1	5.3	44.8	9.4
Virginia.....	4,988.7	185.4	3.7	566.5	11.4
Washington.....	3,748.0	217.2	5.8	276.8	7.4
West Virginia.....	1,600.6	128.1	8.0	326.8	20.4
Wisconsin.....	4,678.6	138.2	3.0	311.7	6.7
Wyoming.....	327.5	13.7	4.2	23.3	7.1
Guam.....	104.0	2.8	2.7	3.5	3.4
Puerto Rico.....	2,953.7	339.1	11.5	995.8	33.7
Virgin Islands.....	100.9	2.6	2.6	3.9	3.9
<b>Total.....</b>	<b>220,106.1</b>	<b>15,025.1</b>	<b>6.8</b>	<b>25,503.3</b>	<b>11.6</b>

## ASSUMPTIONS USED IN FIVE-YEAR PROJECTIONS

The 5-year projections of maintenance payments costs under H.R. 1 as reported by the Ways and Means Committee result from separate projections of payments to families, payments to the aged, blind and disabled, and administrative costs.

The assumptions used and their rationale are discussed in the following paragraphs.

*Administrative costs.*—It was assumed that all States would turn administration of maintenance payments over to the Federal agency and would incur no administrative costs under the proposal. Administrative costs under current law were projected by assuming that the present State share of maintenance payments administrative costs would grow at the same rate as the expected growth rate for wage and salary income (6.3 percent per year).

*Payments to aged, blind, and disabled.*—The following annual growth rates were used in the projections:

[In percent]

	Current law	Proposal
Cases:		
Aged.....	2.0	2
Blind and disabled.....	5.0	2
Payments: Aged, blind and disabled.....	2.5	0

It was assumed that benefit levels would not change except as required by the proposal. For the proposed program, and for the current law aged program, it has been assumed that income increases will offset population growth. For the current law disabled program, it has been assumed that growth in both cases and payments will occur over the 5-year period as the program continues to mature.

Current law growth rates have been applied to estimated 1972 caseloads in developing projections. Projections of cases and payments under the proposal have been developed from census survey estimates of the entire universe of eligibles at each of the proposal's three stages.

*Payments to families.*—Projections of State payments to families under current and proposed law were based on the following annual growth rates for female-headed families:

[In percent]

	Current law	Proposal
Cases.....	8	3
Payments:		
Total.....	6	1
Federal.....	6	0

Benefit levels were assumed to remain constant over time for both the current and proposed programs.

The different growth rates for cases under current versus proposed law result from the following considerations. It was assumed that current law AFDC cases would grow at a rate which would use up 90 percent of the estimated potential caseload by 1977. The caseload growth rate for the proposal assumes that all eligible families have been included from an analysis of census surveys and that future growth will be limited to general population growth. The primary differences between AFDC and the proposed family program which lead to these different growth assumptions are:

- (1) replacing a monthly with an annual accounting period;
- (2) replacing poor quality control with an efficient, automated national system;
- (3) changes in earnings disregards;
- (4) replacing minimal efforts at training and job creation with a much larger and more effective program.

Payments are assumed to increase more slowly than cases as a result of expected increases in income.

The projections of families headed by working males, and the payments for which they would be eligible under H.R. 1, were developed on the basis of projected census data on all eligibles. This group of recipients would decline over time since wage increases would more than offset population growth.

(Prepared by the Department of Health, Education, and Welfare.)

**TABLE 3.—PROJECTED RECIPIENTS UNDER CURRENT LAW,  
PERSONS ELIGIBLE FOR FEDERAL PAYMENTS UNDER H.R. 1,  
AND PERSONS ELIGIBLE FOR STATE SUPPLEMENTARY PAY-  
MENTS ONLY, FISCAL YEAR 1973-1977**

	Fiscal year				
	1973	1974	1975	1976	1977
[In millions]					
<b>Recipients under current law:</b>					
Persons in families with dependent children . . . . .	11.6	12.6	13.6	14.7	15.8
Aged, blind and disabled . . . . .	3.4	3.4	3.5	3.5	3.6
<b>Total recipients under current law . . . . .</b>	<b>15.0</b>	<b>16.0</b>	<b>17.1</b>	<b>18.2</b>	<b>19.4</b>
<b>Persons eligible for Federal benefits under H.R. 1:</b>					
<b>Persons in families:</b>					
Not now covered under present programs . . . . .	9.1	8.1	7.2	6.4	5.7
Covered under present programs . . . . .	10.3	10.6	10.9	11.2	11.5
Aged, blind and disabled . . . . .	6.2	6.6	7.1	7.2	7.2
<b>Total eligibles under H.R. 1 . . . . .</b>	<b>25.6</b>	<b>25.3</b>	<b>25.2</b>	<b>24.8</b>	<b>24.4</b>
<b>Persons eligible for State supplementary payments only:</b>					
Persons in families with dependent children . . . . .	1.2	1.2	1.2	1.3	1.3
Aged, blind, and disabled . . . . .	.9	.7	.5	.5	.5
<b>Total, State supplementation . . . . .</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>
<b>Total persons eligible under H.R. 1:</b>					
Persons in families with dependent children . . . . .	20.6	19.9	19.3	18.9	18.5
Aged, blind, and disabled . . . . .	7.1	7.3	7.5	7.6	7.8
<b>Grand total . . . . .</b>	<b>27.7</b>	<b>27.2</b>	<b>26.8</b>	<b>26.5</b>	<b>26.3</b>

**TABLE 4.—PROJECTED PERSONS ELIGIBLE FOR FEDERAL FAMILY BENEFITS UNDER H.R. 1 AND PROJECTED AFDC RECIPIENTS UNDER CURRENT LAW, BY SEX OF FAMILY HEAD, 1973-77**

(In millions)

	Fiscal year				
	1973	1974	1975	1976	1977
<b>Persons in families eligible for Federal benefits under H.R. 1:</b>					
FAP, total.....	5.9	6.1	6.3	6.5	6.8
Male heads.....	1.6	1.6	1.7	1.7	1.8
Female heads.....	4.3	4.5	4.6	4.8	5.0
OFF, total.....	13.5	12.6	11.8	11.1	10.4
Male heads.....	8.8	7.8	7.0	6.2	5.5
Female heads.....	4.7	4.8	4.8	4.9	4.9
Proposed eligibles, total...	19.4	18.7	18.1	17.6	17.2
<b>Persons in recipient families under current law:</b>					
Male heads.....	1.7	1.9	2.0	2.2	2.4
Female heads.....	9.9	10.7	11.6	12.5	13.4
Current AFDC recipients, total.....	11.6	12.6	13.6	14.7	15.8



**TABLE 5.—PROJECTED NUMBERS OF ADULTS AND CHILDREN ELIGIBLE FOR FEDERAL BENEFITS TO FAMILIES UNDER H.R. 1 AND RECIPIENTS OF AFDC BENEFITS UNDER CURRENT LAW, 1973-77**

[In millions]

	Fiscal year				
	1973	1974	1975	1976	1977
<b>Persons in families eligible for Federal benefits under H.R. 1:</b>					
FAP (total).....	5.9	6.1	6.3	6.5	6.8
Adults.....	1.6	1.7	1.7	1.8	1.8
Children.....	4.3	4.4	4.6	4.7	5.0
OFF (total).....	13.5	12.6	11.8	11.1	10.4
Adults.....	4.8	4.2	3.9	3.5	3.4
Children.....	8.7	8.4	7.9	7.6	7.0
Proposed eligibles (total).....	19.4	18.7	18.1	17.6	17.2
<b>Persons in recipient families under current law:</b>					
Adults.....	3.1	3.4	3.7	4.0	4.3
Children.....	8.5	9.2	9.9	10.7	11.5
Current AFDC recipients (total).....	11.6	12.6	13.6	14.7	15.8

TABLE 6.—POTENTIAL FISCAL YEAR 1973 COSTS OF ASSISTANCE PROVISIONS UNDER H.R. 1

[In billions of dollars]

	Federal			State and local <sup>1</sup>			Net cost to all governments
	Current law	H.R. 1	Net cost	Current law	H.R. 1	Net cost	
Payments to families.....	3.9	<sup>2</sup> 5.8	1.9	3.3	3.1	-0.2	1.7
Less savings from public service jobs.....		-0.3	-0.3				-0.3
Subtotal.....	3.9	5.5	1.6	3.3	3.1	-0.2	1.4
Payments to adult categories.....	2.2	4.1	1.9	1.4	1.5	.1	2.0
Cost of cash assistance.....	6.1	9.6	3.5	4.7	4.6	-0.1	3.4
Federal cost of "hold harmless" provi- sion.....		1.1	1.1		-1.1	-1.1	
Food programs.....	2.4	1.0	-1.4				-1.4
Cost of maintenance payments....	8.5	11.7	3.2	4.7	3.5	-1.2	<sup>3</sup> 2.0

Child care.....	.3	.8	.5				.5
Training.....	.2	.5	.3				.3
Public service jobs.....		.8	.8				.8
Supportive services.....		.1	.1				.1
Administration.....	.4	1.1	.7	.4		-.4	.3
<hr/>							
Cost of related and support activities.....	.9	3.3	2.4	.4		-.4	2.0
<hr/>							
Total cost of program.....	9.4	15.0	5.6	5.1	3.5	-1.6	4.0
Impact on other programs <sup>4</sup> .....		-.1	-.1				-.1
<hr/>							
Grand total.....	9.4	14.9	5.5	5.1	3.5	-1.6	3.9

<sup>1</sup> Assumes that the States, through supplemental programs, maintain benefit levels including the value of food stamp bonuses.

<sup>2</sup> Includes only 6 months of payments to families in which both parents are present, neither is incapacitated, and the father is employed. The effective date for this provision is Jan. 1, 1973.

<sup>3</sup> Net benefit increases to recipients.

<sup>4</sup> The assistance programs for Cuban refugees and for American Indians.

TABLE 7.—PROJECTED POTENTIAL MAINTENANCE PAYMENTS  
UNDER H.R. 1 AND UNDER CURRENT LAW, FISCAL YEARS  
1973-77

[In billions of dollars]

	Fiscal year				
	1973	1974	1975	1976	1977
<b>Under H.R. 1: <sup>1</sup></b>					
Federal payments to families.	\$5.5	\$6.0	\$5.9	\$5.7	\$5.6
Federal payments to aged, blind, and disabled.....	4.1	4.6	5.4	5.4	5.4
Food stamps.....	1.0	.8	.8	.8	.9
Federal hold harmless payments to States.....	1.1	1.0	.8	.8	.9
<b>Total, proposed Federal payments.....</b>	<b>11.7</b>	<b>12.4</b>	<b>12.9</b>	<b>12.7</b>	<b>12.8</b>
<b>Non-Federal payments to</b>					
families.....	3.1	3.2	3.2	3.3	3.4
Non-Federal payments to aged, blind, and disabled..	1.5	1.2	.9	.9	.9
Hold harmless payments received from Federal Government.....	-1.1	-1.0	-.8	-.8	-.9
<b>Total, proposed non- Federal payments.....</b>	<b>3.5</b>	<b>3.4</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>
<b>Under current law: <sup>2</sup></b>					
Federal share of AFDC.....	3.9	4.1	4.4	4.6	4.9
Federal share of aid to aged, blind, and disabled..	2.2	2.2	2.3	2.3	2.4
Food stamps.....	2.4	2.5	2.6	2.7	2.8
<b>Total, current Federal payments.....</b>	<b>8.5</b>	<b>8.8</b>	<b>9.3</b>	<b>9.6</b>	<b>10.1</b>
<b>Non-Federal share of AFDC..</b>					
Non-Federal share of aid to aged, blind, and disabled.....	1.4	1.5	1.5	1.5	1.6
<b>Total, current non- Federal payments.....</b>	<b>4.7</b>	<b>5.0</b>	<b>5.2</b>	<b>5.4</b>	<b>5.7</b>

<sup>1</sup> Projected benefit payments if all eligibles participate.

<sup>2</sup> Projected benefit payments to actual recipients.

TABLE 8.—PERSONS IN FAMILIES ELIGIBLE ONLY FOR STATE SUPPLEMENTAL BENEFITS UNDER H.R. 1<sup>1</sup>

[Thousands]

State	1973	1974	1975	1976	1977
Alabama.....	8.4	8.7	9.0	9.2	9.5
Alaska.....	4.9	5.0	5.2	5.4	5.6
Arizona.....	4.5	4.6	4.7	4.8	4.9
Arkansas.....					
California.....	309.0	318.3	327.8	337.6	347.7
Colorado.....	5.2	5.4	5.6	5.8	6.0
Connecticut.....	25.4	26.2	27.0	27.8	28.6
Delaware.....	2.1	2.2	2.3	2.4	2.5
District of Columbia.....	3.2	3.3	3.4	3.5	3.6
Florida.....	.7	.7	.8	.8	.8
Georgia.....	.2	.2	.2	.2	.2
Hawaii.....	2.3	2.4	2.5	2.6	2.7
Idaho.....	1.9	2.0	2.1	2.2	2.3
Illinois.....	58.3	60.0	61.8	63.7	65.6
Indiana.....	39.6	40.8	42.0	43.3	44.6
Iowa.....	7.4	7.6	7.8	8.0	8.2
Kansas.....	5.6	5.8	6.0	6.2	6.4
Kentucky.....	.3	.3	.3	.3	.3
Louisiana.....	.2	.2	.2	.2	.2
Maine.....	21.4	22.0	22.7	23.4	24.1

See footnote at end of table.

TABLE 8.—PERSONS IN FAMILIES ELEGIBLE ONLY FOR STATE SUPPLEMENTAL BENEFITS UNDER  
H.R. 1<sup>1</sup>—Continued

[Thousands]

State	1973	1974	1975	1976	1977
Maryland.....					
Massachusetts.....	49.9	51.4	52.9	54.5	56.1
Michigan.....	32.7	33.7	34.7	35.7	36.8
Minnesota.....	19.8	20.4	21.0	21.6	22.2
Mississippi.....	3.8	3.9	4.0	4.1	4.2
Missouri.....	55.6	57.3	59.0	60.8	62.6
Montana.....	.1	.1	.1	.1	.1
Nebraska.....	12.2	12.6	13.0	13.4	13.8
Nevada.....	.5	.5	.5	.6	.6
New Hampshire.....	4.0	4.1	4.2	4.3	4.4
New Jersey.....	131.4	135.3	139.4	143.6	147.9
New Mexico.....					
New York.....	188.6	194.3	200.1	206.1	212.3
North Carolina.....					
North Dakota.....	1.5	1.6	1.6	1.7	1.7
Ohio.....	.6	.6	.7	.7	.7
Oklahoma.....					
Oregon.....	.5	.5	.5	.6	.6
Pennsylvania.....	111.7	115.1	118.6	122.2	125.9
Rhode Island.....	4.5	4.6	4.7	4.8	4.9

South Carolina.....					
South Dakota.....	4.4	4.5	4.6	4.7	4.8
Tennessee.....	.4	.4	.4	.4	.5
Texas.....					
Utah.....	.1	.1	.1	.1	.1
Vermont.....	3.5	3.6	3.7	3.8	3.9
Virginia.....	11.1	11.4	11.7	12.1	12.5
Washington.....	26.7	27.5	28.3	29.1	30.0
West Virginia.....					
Wisconsin.....	.4	.4	.4	.4	.5
Wyoming.....	1.0	1.0	1.0	1.0	1.0
Guam.....	.2	.2	.2	.2	.2
Puerto Rico.....	.2	.2	.2	.2	.2
Virgin Islands.....					
Total.....	1,166.0	1,201.0	1,237.0	1,274.2	1,312.3

<sup>1</sup> Assumes annual growth rate of 3 percent.

TABLE 9.—ANNUAL PER PERSON COSTS USED TO ESTIMATE  
TOTAL COST OF FOOD STAMP CASH OUT <sup>1</sup>

State	AFDC	Aged, blind and disabled
Total.....	\$83.67	\$53.28
Alabama.....		
Alaska.....	114.00	168.00
Arizona.....	99.00	
Arkansas.....		
California.....	138.00	120.00
Colorado.....	120.00	120.00
Connecticut.....	78.00	120.00
Delaware.....	135.00	120.00
District of Columbia.....	120.00	120.00
Florida.....	18.00	
Georgia.....	12.00	
Hawaii.....	102.00	84.00
Idaho.....	120.00	120.00
Illinois.....	102.00	120.00
Indiana.....	42.00	
Iowa.....	120.00	
Kansas.....	120.00	
Kentucky.....	135.00	
Louisiana.....		
Maine.....	96.00	
Maryland.....	144.00	
Massachusetts.....	78.00	120.00
Michigan.....	102.00	120.00
Minnesota.....	90.00	120.00
Mississippi.....		
Missouri.....	6.00	
Montana.....	138.00	
Nebraska.....	156.00	120.00
Nevada.....	36.00	120.00
New Hampshire.....	90.00	120.00
New Jersey.....	78.00	120.00
New Mexico.....	120.00	
New York.....	78.00	120.00
North Carolina.....	66.00	
North Dakota.....	102.00	120.00

See footnotes at end of table.



TABLE 9.—ANNUAL PER PERSON COSTS USED TO ESTIMATE  
TOTAL COST OF FOOD STAMP CASH OUT<sup>1</sup>—Continued

State	AFDC	Aged, blind and disabled
Ohio.....	156.00	24.00
Oklahoma.....	129.00	24.00
Oregon.....	138.00	.....
Pennsylvania.....	78.00	120.00
Rhode Island.....	102.00	120.00
South Carolina.....	.....	.....
South Dakota.....	90.00	120.00
Tennessee.....	12.00	.....
Texas.....	111.00	.....
Utah.....	138.00	.....
Vermont.....	90.00	120.00
Virginia.....	102.00	120.00
Washington.....	90.00	120.00
West Virginia.....	30.00	.....
Wisconsin.....	138.00	.....
Wyoming.....	138.00	.....
Guam.....	.....	.....
Puerto Rico.....	.....	.....
Virgin Islands.....	.....	.....

<sup>1</sup> These unit costs were developed by the Department of Agriculture before final legislative specifications were available. Thus, they do not exactly reflect the provisions of sec. 503. The primary differences are that the costs shown here assume: (1) a cashing out of both stamps and commodities; and (2) a cash out based on the complete food stamp schedule as in effect in January 1971. Unit costs are based on actual food stamp data for November 1970.

TABLE 10.—HIGHEST AMOUNT A FAMILY OF FOUR MAY EARN AND STILL BE ELIGIBLE FOR WELFARE, ASSUMING STATE SETS SUPPLEMENTAL PAYMENT LEVEL AT CURRENT AFDC MAXIMUM

State	Without food stamp cash out	With food stamp cash out
Alabama.....	<sup>1</sup> \$4,140	<sup>1</sup> \$4,140
Alaska.....	7,470	7,902
Arizona.....	<sup>1</sup> 4,140	<sup>1 2</sup> 4,140
Arkansas.....	<sup>1</sup> 4,140	<sup>1</sup> 4,140
California.....	4,698	5,526
Colorado.....	4,950	5,670
Connecticut.....	6,660	7,128
Delaware.....	<sup>1</sup> 4,140	<sup>1 2</sup> 4,140
District of Columbia.....	5,004	5,724
Florida.....	<sup>1</sup> 4,140	4,428
Georgia.....	<sup>1</sup> 4,140	4,410
Hawaii.....	5,454	6,066
Idaho.....	5,076	5,796
Illinois.....	5,796	6,408
Indiana.....	<sup>1</sup> 4,140	4,572
Iowa.....	5,094	5,814
Kansas.....	5,112	5,832
Kentucky.....	<sup>1</sup> 4,140	5,130
Louisiana.....	<sup>1</sup> 4,140	<sup>1</sup> 4,140
Maine.....	<sup>1</sup> 4,140	4,896
Maryland.....	4,248	5,184
Massachusetts.....	6,372	6,840
Michigan.....	5,454	6,066
Minnesota.....	6,102	6,642
Mississippi.....	<sup>1</sup> 4,140	<sup>1</sup> 4,140
Missouri.....	<sup>1</sup> 4,140	4,356
Montana.....	4,824	5,652
Nebraska.....	4,320	5,256
Nevada.....	<sup>1</sup> 4,140	<sup>1 2</sup> 4,140
New Hampshire.....	6,012	<sup>2</sup> 6,012
New Jersey.....	6,966	7,434
New Mexico.....	<sup>1</sup> 4,140	5,040
New York.....	6,768	7,236
North Carolina.....	<sup>1</sup> 4,140	4,716
North Dakota.....	5,418	6,030

See footnotes at end of table.

TABLE 10.—HIGHEST AMOUNT A FAMILY OF FOUR MAY EARN AND STILL BE ELIGIBLE FOR WELFARE, ASSUMING STATE SETS SUPPLEMENTAL PAYMENT LEVEL AT CURRENT AFDC MAXIMUM—Continued

State	Without food stamp cash out	With food stamp cash out
Ohio.....	4,320	5,256
Oklahoma.....	<sup>1</sup> 4,140	<sup>1 2</sup> 4,140
Oregon.....	4,770	5,598
Pennsylvania.....	6,354	6,822
Rhode Island.....	5,454	6,066
South Carolina.....	<sup>1</sup> 4,140	<sup>1</sup> 4,140
South Dakota.....	6,120	6,660
Tennessee.....	<sup>1</sup> 4,140	4,392
Texas.....	<sup>1</sup> 4,140	4,986
Utah.....	4,536	5,364
Vermont.....	6,192	6,732
Virginia.....	5,418	6,030
Washington.....	6,174	6,714
West Virginia.....	<sup>1</sup> 4,140	4,500
Wisconsin.....	4,626	5,454
Wyoming.....	4,806	5,634
Guam.....	5,346	<sup>2</sup> 5,346
Puerto Rico.....	<sup>1</sup> 3,060	<sup>1 2</sup> 3,060
Virgin Islands.....	<sup>1</sup> 4,140	<sup>1 2</sup> 4,140

<sup>1</sup> Federal break-even point; State would have no supplemental program.

<sup>2</sup> State does not now have food stamp program.

TABLE 11.—AID TO FAMILIES WITH DEPENDENT CHILDREN:  
ANNUAL AMOUNT FOR BASIC NEEDS UNDER PAYMENT  
STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS  
FOR A FAMILY CONSISTING OF FOUR RECIPIENTS, BY STATE,  
MAY 1971 <sup>1</sup>

State	Payment standard <sup>1</sup>	Maximum payment <sup>1</sup>
Alabama.....	2,760	972
Alaska.....	4,800	3,600
Arizona.....	3,192	2,076
Arkansas.....	3,060	1,212
California <sup>2</sup> .....	3,936	2,652
Colorado.....	2,820	2,820
Connecticut.....	4,020	4,020
Delaware.....	3,444	1,788
District of Columbia.....	3,912	2,934
Florida.....	2,676	1,608
Georgia.....	2,496	1,596
Hawaii.....	3,108	3,108
Idaho.....	3,264	2,892
Illinois.....	3,408	3,408
Indiana.....	4,356	2,100
Iowa.....	3,600	2,916
Kansas.....	3,384	3,012
Kentucky.....	3,168	2,316
Louisiana.....	2,448	1,248
Maine.....	4,188	2,016
Maryland.....	3,624	2,352
Massachusetts.....	3,402	3,402
Michigan.....	3,516	3,516
Minnesota.....	3,708	3,708
Mississippi.....	2,784	720
Missouri.....	4,176	1,560
Montana.....	2,700	2,472
Nebraska.....	4,151	2,712
Nevada.....	3,804	1,716
New Hampshire.....	3,768	3,768
New Jersey.....	4,164	4,164
New Mexico.....	2,436	2,148
New York.....	4,032	3,756
North Carolina.....	2,400	2,064
North Dakota.....	3,384	3,384

See footnotes at end of table.

TABLE 11.—AID TO FAMILIES WITH DEPENDENT CHILDREN:  
ANNUAL AMOUNT FOR BASIC NEEDS UNDER PAYMENT  
STANDARD AND LARGEST AMOUNT PAID FOR BASIC NEEDS  
FOR A FAMILY CONSISTING OF FOUR RECIPIENTS, BY STATE,  
MAY 1971 <sup>1</sup>—Continued

State	Payment standard <sup>1</sup>	Maximum payment <sup>1</sup>
Ohio.....	3,096	2,400
Oklahoma.....	2,616	2,220
Oregon.....	3,360	2,688
Pennsylvania <sup>3</sup> .....	3,612	3,612
Rhode Island.....	3,060	3,060
South Carolina.....	2,376	1,236
South Dakota.....	3,600	3,600
Tennessee.....	2,604	1,548
Texas.....	2,364	1,776
Utah.....	3,252	2,328
Vermont.....	3,732	3,732
Virginia.....	3,348	3,132
Washington <sup>4</sup> .....	3,384	3,240
West Virginia.....	3,180	1,656
Wisconsin.....	3,060	2,604
Wyoming.....	3,396	2,724

<sup>1</sup> Standards and maximum payments calculated for a mother with 3 children. In some cases, due to different assumptions about the age of the children, rent allowances, etc., these figures differ from those published by the National Center for Social Statistics.

<sup>2</sup> Los Angeles County.

<sup>3</sup> Philadelphia.

<sup>4</sup> King County.

TABLE 12.—CHILDREN RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN AS A PROPORTION OF CHILD POPULATION AND BY STATUS OF FATHER, 1940 TO 1970

[Number of children in thousands]

June of	Total children receiving AFDC		Number of children receiving AFDC by status of father <sup>1</sup>				
	Number	Number per 1,000 population under age 18	Dead	Absent from the home	Incapacitated	Unemployed	Other <sup>2</sup>
1940.....	835	20	347	253	227		8
1941.....	946	23	373	304	259		10
1942.....	952	23	354	325	262		11
1943.....	746	18	260	269	207		10
1944.....	651	16	213	247	181		10
1945.....	647	15	197	257	182		11
1946.....	799	19	225	334	225		15
1947.....	1,009	23	262	441	286		20
1948.....	1,146	25	272	522	327		25
1949.....	1,366	29	306	648	382		30
1950.....	1,660	34	350	818	455		37
1951.....	1,617	32	320	826	435		36
1952.....	1,527	30	283	808	402		34
1953.....	1,493	28	255	819	386		33
1954.....	1,566	29	245	884	404		33

1955.....	1,691	30	234	982	443	.....	32
1956.....	1,707	29	210	1,015	451	.....	31
1957.....	1,831	30	211	1,103	482	.....	35
1958.....	2,090	34	222	1,278	546	.....	44
1959.....	2,239	35	217	1,399	571	.....	52
1960.....	2,322	35	202	1,493	569	.....	58
1961.....	2,600	39	193	1,658	590	89	71
1962.....	2,819	41	198	1,774	594	179	74
1963.....	2,893	41	198	1,856	584	179	76
1964.....	3,097	43	203	1,990	583	238	83
1965.....	3,241	45	208	2,130	584	232	87
1966.....	3,382	47	212	2,282	583	213	92
1967.....	3,744	52	224	2,558	608	250	105
1968.....	4,207	58	246	2,956	652	234	119
1969.....	4,893	68	274	3,563	684	242	130
1970.....	6,092	85	340	4,414	847	329	162

<sup>1</sup> Based on information obtained from State agencies in October 1942, June 1948, November 1953, February-March 1956, October-December 1958, November-December 1961 and May 1969. Data based on 1942-56 studies adjusted to agree with later classification with respect to coverage of "absent from the home" and "other."

<sup>2</sup> Includes children with father in home as caretaker because of death, absence, or incapacity of mother.

Chart A

NUMBER OF CHILDREN RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN MONEY PAYMENTS BY STATUS OF FATHER, JUNE OF SELECTED YEARS, 1940 TO DATE

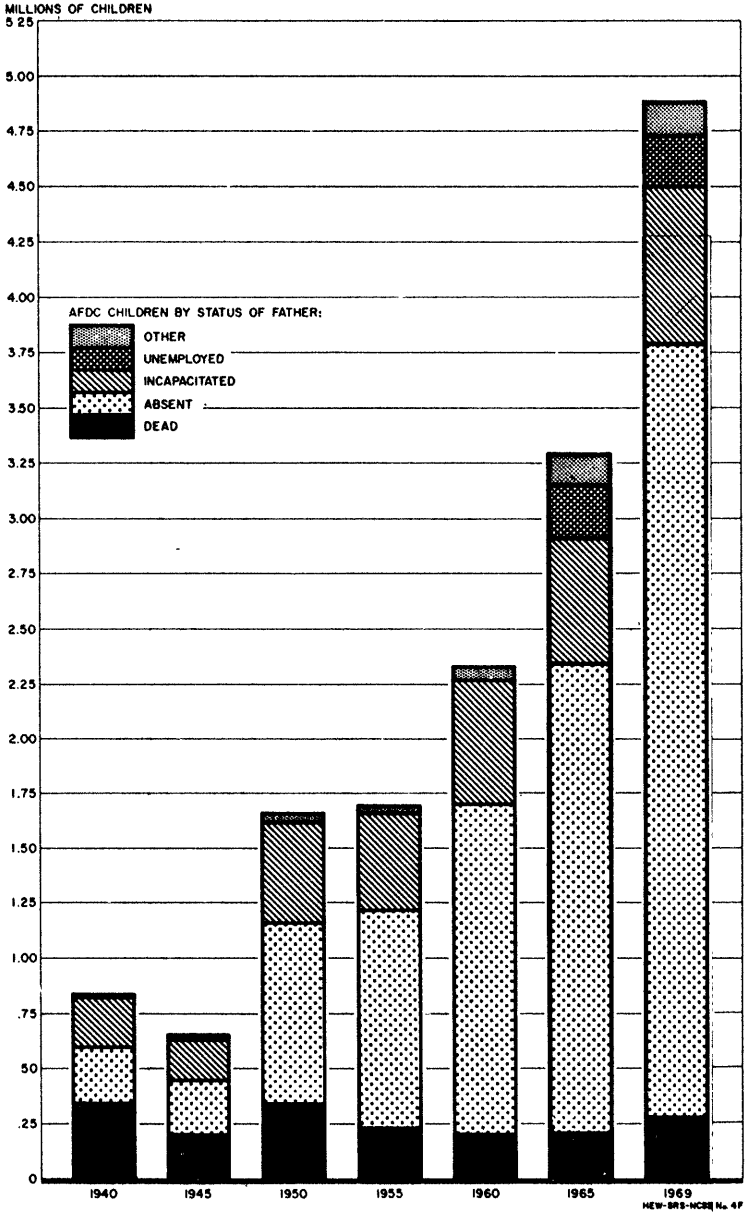
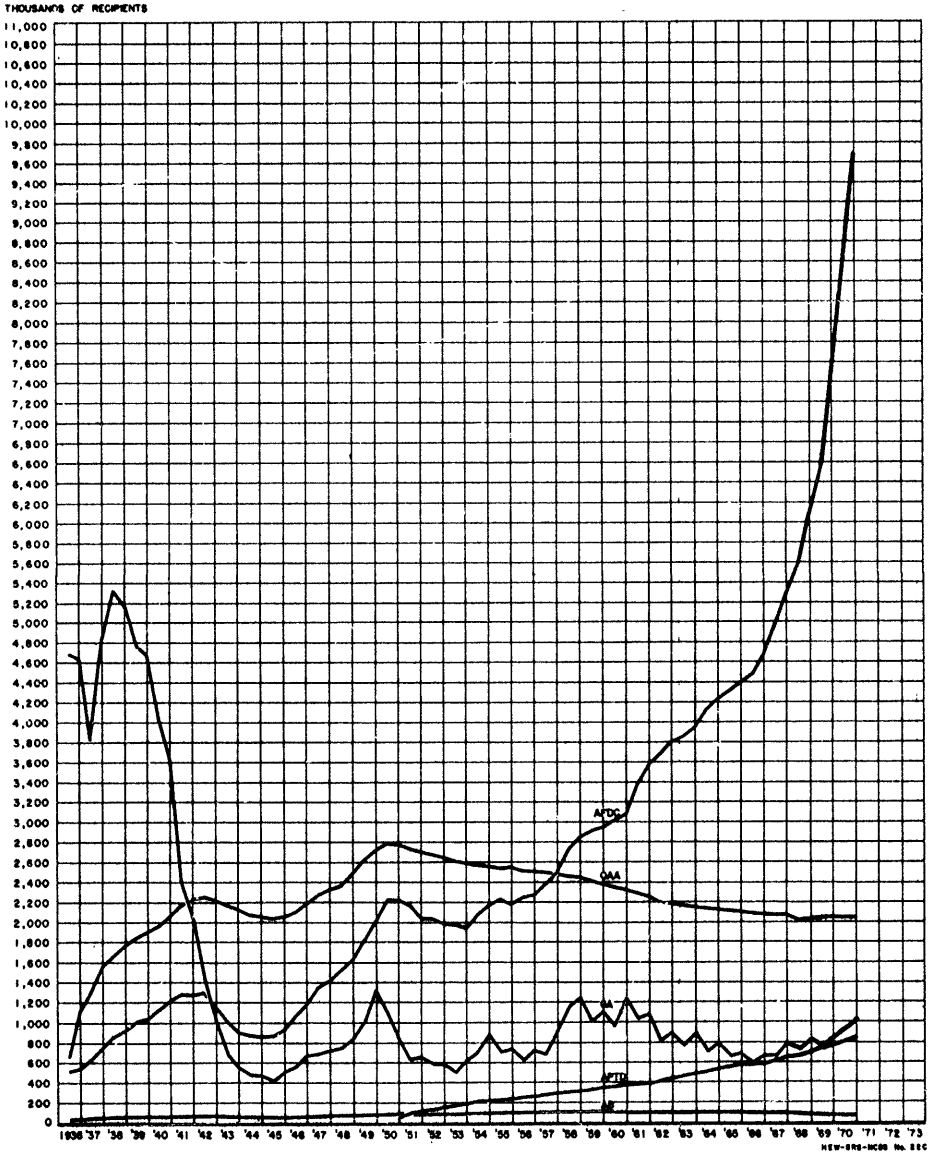




Chart B

NUMBER OF PUBLIC ASSISTANCE RECIPIENTS OF MONEY PAYMENTS BY PROGRAM,  
JUNE AND DECEMBER OF EACH YEAR, 1936 TO DATE



**COMPARISON OF 1970 AND 1971 WELFARE PROPOSALS***H.R. 16311, April 1970**H.R. 1, June 1971***I. PROVISIONS DEALING WITH ASSISTANCE FOR FAMILIES WITH CHILDREN***Eligibility for Assistance*

Families composed of related persons residing together and including at least one unmarried child under age 18 (or under age 21 and a student) would be eligible for benefits if total family income (other than excluded income) was less than the maximum benefit.

Same as H.R. 16311 except that a family could be eligible on the basis of having a child-student under age 22 and except that a family would not be eligible if the family head was an undergraduate or graduate college student or if the only child in the family was also the head of a household.

*Level of Assistance*

Would provide maximum annual payments of \$500 for each of the first two family members plus \$300 for each additional member. These maximum payments would be reduced by any family income other than excluded income. For a family of four payments would be \$1,600.

Would provide maximum annual payments of \$800 for each of the first two family members, \$400 each for the third, fourth, and fifth members, \$300 each for the sixth and seventh members, and \$200 for the eighth member. These maximum payments would be reduced by any family income not excluded. For a family of four payments would be \$2,400. No family could receive more than \$3,600. (Payments at a rate of less than \$10 per month would not be made.)

*Basic Earnings Disregard*

The first \$720 of a family's earnings each year and one-half of any earnings in excess of \$720 would be excluded (not counted in reducing benefits). This exclusion would apply only to earnings not excluded under other provisions. The \$720 and one-half disregard would enable a family of four to continue getting some benefits until its earnings reached a level of \$3,920 per year.

Same as H.R. 16311 except that one-third (rather than one-half) of earnings in excess of \$720 per year would be excluded. The \$720 and one-third disregard would enable a family of four to continue getting benefits until its income reached \$4,140 (at which point the benefit rate would have been reduced to the \$10 monthly minimum).

H.R. 16311, April 1970

H.R. 1, June 1971

*Other Income Exclusions*

Benefits would be reduced by an amount equal to the total amount of family income not excluded. In addition to the exclusions resulting from the basic earnings disregard, the following would be excluded; (1) earnings of a child attending school; (2) income (earned or unearned) received irregularly or infrequently up to \$30 earned and \$30 unearned per quarter; (3) earned income used to pay child care costs (Exclusions 1, 2, and 3 above would be subject to limits set by the Secretary of HEW.); (4) public or private assistance based on need, other than veterans' pensions; (5) training allowances under other provisions of the bill; (6) scholarships for tuition and fees; (7) home produce.

Same as H.R. 16311 except —exclusion of irregular or infrequent income limited to \$30 earned and \$60 unearned per quarter (Exclusions 1, 2, and 3 limited to a total of \$2,000 for a family of 4 or fewer persons plus \$200 for each family member over 4 up to an absolute annual maximum of \$3,000.) —training allowances up to \$30 monthly provided by States would be excluded as well as those provided under other provisions of the bill; —payments to the family for providing foster care to a child would be excluded; —one-third of amounts received as child support or alimony would be excluded.

*Limitation on Resources*

A family would be ineligible for any payments if it had resources in excess of \$1,500. The family's home, household goods, and personal effects would not be subject to this limitation. Within limits prescribed by the Secretary of HEW, other property essential to family self-support would also be exempt. Provision would be made for conditional payments while a family was disposing of excess resources.

Same as H.R. 16311 except that in applying the \$1,500 limit on resources, the home, household goods, and personal effects of a family would be excluded only to the extent that they were found to be of reasonable value. Also, life insurance policies would be taken into account (according to cash surrender value) only if the face value of the insurance on any person exceeded \$1,500.

*Accounting Period**H.R. 16311, April 1970**H.R. 1, June 1971*

The basis for payment would be the estimate of the Secretary of HEW as to the income which a family would have during each calendar quarter. For future payments, this estimate could be redetermined as the Secretary became aware of changed circumstances. The Secretary would also be authorized to allocate income received in one period to other periods and to declare payments to be overpayments because of the family's failure to make prompt and accurate reports of changed circumstances.

The basis for entitlement would be the income actually received by the family during each calendar quarter and during the preceding three calendar quarters. (Benefits for each quarter would be reduced by any nonexcluded income in that quarter and by any nonexcluded income in the previous three quarters which had not already been used to reduce benefits.)

*Registration for Work and Training*

Any member of an eligible family would be required to register with the local employment office of the State for employment or training except one who is: (1) ill, incapacitated, or of advanced age; (2) a mother or other relative of a child under 6 who is caring for the child; (3) the mother or other female caretaker of a child if the father is in the home and registers; (4) a child under age 16, or 21 if regularly attending school; (5) needed in the home because of the illness or incapacity of another member of the household. Persons not required to register could volunteer.

Same as H.R. 16311 except beginning July 1, 1974, would also require mothers with children age 3 and above to register. Registration would be with the Department of Labor. All families in which one member is registered would be in the Opportunities For Families program under the Department of Labor. All other families would be in the Family Assistance Plan under the Department of HEW. Persons not required to register could volunteer unless exempt because of illness, incapacity, or advanced age.

*Penalties for Failure to Register or Participate in Work or Training*

Provides \$300 a year reduction in the assistance payment for refusal to register or if referred to a job or training, for refusal to accept the job or training.

Increases the reduction in the assistance payment to \$800.

### *Requirements to Accept Work or Training*

*H.R. 16311, April 1970*

*H.R. 1, June 1971*

Provides that no benefit would be paid to an individual if he refused without good cause to participate in manpower services, training, or employment, or to accept suitable employment in which he is able to engage; individual may refuse work: (1) if the position offered is vacant due directly to a strike, lockout, or other labor dispute; (2) if the wages, hours, or other terms or conditions of work are contrary to or less than those prescribed by Federal, State, or local law or are substantially less favorable than those prevailing for similar work in the locality; (3) if the individual would be required to join a company union or resign from or refrain from joining any bona fide labor organization; (4) if the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work that would better enable him to achieve self-sufficiency.

Essentially the same as H.R. 16311. However, provision is added permitting an individual to refuse employment if the wages offered are at an hourly rate of less than  $\frac{3}{4}$  of the minimum wage specified in sec. 6(a)(1) of the Fair Labor Standards Act—which would be \$1.20 at the present time. In addition, condition no. 4 is changed to read “the individual has the demonstrated capacity, through other available training or employment opportunities, of securing work *available to him* that would better enable him to achieve self-sufficiency.” Persons not required to register solely because of incapacity would have to accept vocational rehabilitation services or be penalized through loss of benefits, unless there is good cause for refusal.

### *Work and Training Programs*

The Department of Labor would be required to provide employment and training services to persons registered with it. A variety of manpower services would be authorized, including on-the-job training, institutional training, relocation assistance, job placement, and special work projects. Requirements for special work projects relating to wages, work standards, displacement of other workers, etc. Wage rates would have to be no lower than the applicable minimum wage for the particular work concerned. Federal

Generally similar to H.R. 16311 but deletes provision for special work projects and adds provision for public service employment programs. Authorizes appropriation of \$800 million for public service employment jobs in fiscal year 1973 for persons registered. Payments under grants or contracts with public or private nonprofit agencies for public service employment jobs would be limited to 3 years with respect to any individual, and would be for 100 percent of the cost of providing employment to the individual in

*H.R. 16311, April 1970**H.R. 1, June 1971**Work and Training Programs—Continued*

matching would be 90 percent with the States required to provide 10 percent of the cost in cash or kind. Training allowances of at least \$30 a month would be provided. Authorization would be for "a sum sufficient for carrying out the purposes" of the work and training provisions. Requires the referral of individuals not required to register because of disability to a vocational rehabilitation program.

the first year, 75 percent in the second year, and 50 percent in the third year. Includes requirements relating to wages, work standards, displacement of other workers, etc. Wages to an individual in a public service employment program must be equal to the highest of: (1) the prevailing rate of wages in same market area for persons employed in similar public occupations; (2) the applicable minimum wage rate prescribed by Federal, State or local law; (3) \$1.60 an hour. Increases 90-percent Federal funding provision to 100 percent for manpower services. Specifies authorization of \$540 million for manpower services in fiscal 1973 (excluding public service employment). Authorizes a new Assistant Secretary of Labor to administer the work and training programs.

Provides for the establishment of local advisory committees to evaluate the effectiveness of manpower programs. Requires Secretary of Labor in developing employability plans to give first priority to mothers and pregnant women who are registered and who are under age 19. Both the Secretary of Labor and the Secretary of HEW would be required to refer persons who are determined to be incapacitated to State vocational rehabilitation programs.

H.R. 16311, April 1970

H.R. 1, June 1971

*Child Care*

<p>Authorizes the Secretary of HEW to provide services to persons in employment, training, or vocational rehabilitation programs either by making grants or contracts directly with public or private organizations, or through grants or contracts with public or private agencies designated by the appropriate elected or appointed official in a State or locality. Specifies that school children should be provided care through agreements with local educational agencies whenever possible. Increases Federal funding to provide up to 100 percent of the cost of projects. Amount of money to be appropriated not specified.</p>	<p>Requires the Secretary of Labor to provide child care services to those needing them in order to participate in work or training under the OFF program. Requires him to give priority in arranging for services to those provided in facilities developed by the Secretary of HEW, whenever this is feasible and appropriate. Requires the Secretary of HEW to provide services to those needing them in order to participate in vocational rehabilitation programs under the FAP program.</p> <p>Method of providing services would be the same as in H.R. 16311—through grants and contracts directly with public or private organizations or through grants or contracts with public or private agencies designated by the appropriate elected or appointed official in a State or locality. Authorizes \$750 million, including \$50 million for construction, for child care for recipients for the first year.</p>
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*Other Supportive Services*

<p>Requires States under penalty of loss of other Federal payments to make an agreement with the Department of HEW to provide health, vocational rehabilitation, counseling, social and other supportive services necessary for persons in employment or training. Authorizes 90 percent Federal matching.</p>	<p>Requires the Department of Labor to provide health, vocational rehabilitation, family planning, counseling, social and other supportive services which are necessary to permit an individual to participate in training or employment. Requires Department of HEW to provide supportive services necessary for persons in vocational rehabilitation programs. Authorizes \$100 million for supportive services in fiscal year 1973.</p>
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H.R. 16311, April 1970

H.R. 1, June 1971

*Administration*

Provides for three administrative alternatives for aid to families: (1) Federal administration of the Federal payment and under agreement with the State, of the State supplemental payment; (2) Federal administration of the Federal payment and State administration of the supplemental; (3) under agreement with HEW, the State could administer both payments.

The Federal Government would pay the cost of administering the Federal payment, and the States and Federal Government would share in the cost of administering supplementary payments. (If the Federal Government administered the State supplemental payments it would pay the full cost of administration.) For recipients of aid to the aged, blind, and disabled, the States could continue to administer the payments, or the Secretary of HEW could enter into an agreement with a State for Federal administration of the payments. The States and Federal Government would share the cost of administering the payment. (The Federal Government would pay the full cost of administering aid to the aged, blind, and disabled if the State made an agreement with the Secretary of HEW for Federal administration of this program.)

Provides for Federal responsibility for administration of payments to families and to recipients of aid to the aged, blind, and disabled. The Department of Labor would be responsible for administering the programs for families in which one member is employable, the Department of HEW would be responsible for administering the program for families which have no employable member, and the program for the aged, blind, and disabled.

Provides that if a State chooses to make supplemental payments, and contracts with the Federal Government for Federal administration of the supplemental payments, the Federal Government would pay the full cost of administration. If the State chooses to administer its own supplemental, it would have to pay the full cost of administering it. The Secretary of HEW would be authorized to enter into contracts with the States for Federal determination of eligibility for medicaid. The State would be required to pay 50 percent of the administrative costs incurred by the Federal Government in making the medicaid determination which are additional to the costs of making the determination for cash payment eligibility.)



*H.R. 16311, April 1970**H.R. 1, June 1971**State Supplementation*

State supplementation up to January 1970 AFDC levels would be mandatory for all families eligible under the bill including families headed by an unemployed father but not including families headed by a fully employed father; no requirement for supplementation in excess of a poverty line standard. States would generally be required to follow the provisions applicable to the basic Federal payments, including the disregard of the first \$720 of earned income. For earnings above \$720, however, the disregard would generally be one-third (rather than one-half). 30 percent Federal matching would be provided for State supplementation (but there would be no matching for payments above the poverty line or to families headed by a fully employed father). Administration could be either State or Federal, as agreed, with 50-50 State-Federal matching of administrative costs if State-administered; if supplemental payments were Federally administered, States would not be required to pay any part of the administrative costs.

State supplementation would not be required but, if provided, would have to follow Federal rules concerning income exclusions. If Federally administered, supplementation would have to follow other requirements prescribed by the Secretary of HEW or Labor and would have to be payable to all families eligible for Federal payments except families with a fully employed father or families with an employed or unemployed father. States could, however, impose duration of residence requirements. States would pay no part of the administrative costs if they elected Federal administration and would pay the full administrative costs if they elected State administration. States electing Federal administration would also be guaranteed against certain cost increases arising out of caseload growth (see "Fiscal Impact on the States" below.)

*Deserting Parents*

Provides that a deserting parent would be obligated to the United States for the amount of any Federal payments made to his family, reduced by the amount of any payment he made to his family during the period of desertion. In cases where there is a court order for payments, the obligation would be limited to the amount of the court order, if lower.

Same as H.R. 16311, but adds provision making a person who travels across State lines for the purpose of avoiding his parental support responsibility guilty of a misdemeanor and subject to a fine, or sentence, or both.

H.R. 16311, April 1970

H.R. 1, June 1971

## II.—OTHER PROVISIONS

*Assistance for the Aged, Blind, and Disabled*

State programs of aid for the aged, blind, and disabled would be required to assure each eligible individual a minimum monthly income of \$110. Federal standards would be established with respect to resource limitations, the definitions of blindness and disability, and certain other factors. Administration of payments could be performed either by Federal or State agencies, as agreed, with 50-50 State-Federal sharing of the costs of administration if State-administered, 100 percent Federal if federally administered. The Federal Government would pay 90 percent of the first \$65 of average assistance payments, and 25 percent of average payments over \$65 and up to a limit to be specified in regulations.

Present State programs of assistance for the aged, blind, and disabled would be replaced by a fully Federal program which would assure aged, blind, and disabled persons a total monthly income of \$130 for fiscal year 1973, \$140 for fiscal 1974, and \$150 for fiscal 1975 and thereafter (for married couples the amounts would be \$195 for fiscal 1973 and \$200 for fiscal 1974 and after). States could, at their option, provide supplemental payments above the Federal levels under the same conditions as apply to the family assistance programs (see State Supplementation above).

*Social Services*

Maintains present law, under which States receive 75 percent Federal matching for social services provided under State plans, with open-end appropriation.

Provides for closed-end appropriations for social services, except for child care and family planning, which would continue to be funded on an open-end basis. Federal matching for all services would continue to be 75 percent, with States required to provide 25 percent. Social services to be covered are defined in the bill. \$800 million is authorized for fiscal year 1973. The present child welfare services program would be continued with a separate additional authorization for foster care and adoption services.

*H.R. 16311, April 1970**H.R. 1, June 1971**Food Stamps and Surplus Commodities*

There would be no restriction against welfare recipients concurrently getting food stamps (or surplus commodities). Under the bill, and the existing food stamp laws, benefits received under the food programs would be ignored in determining eligibility for cash assistance, but any cash assistance received would be taken into account in determining eligibility under the food programs.

Persons eligible for cash assistance under either the family program or the program for the aged, blind, and disabled would be ineligible to participate in the food stamp program; they would not, however, be barred from receiving surplus commodities.

*Fiscal Impact on the States*

For fiscal years 1972 and 1973 each State would be assured that its net costs for required expenditures as supplemental family payments and as assistance for the aged, blind, and disabled would not exceed 100 percent of the net costs it would have incurred in the same years if its existing programs of regular cash assistance for families and for the aged, blind, and disabled had continued unchanged. This assurance would not apply with respect to expenditures caused by voluntary program liberalizations not required by this bill.

For each fiscal year, starting with 1973, each State would be assured that its net costs of providing supplemental payments administered by the Federal Government to families and to the aged, blind, and disabled would not exceed its net costs for regular cash assistance to persons in these categories in calendar year 1971. This assurance would apply only with respect to expenditures based on provisions no more liberal (with respect to payment levels and coverage) than those in effect in January 1971 except that the assurance would also cover an adjustment in January 1971 payment levels designed to offset the value of food stamps which recipients would lose under the bill.

*H.R. 16311, April 1970**H.R. 1, June 1971**Effective Dates*

Provisions effective on July 1, 1971. However, if a State would be prevented by statute from making supplementary payments to families or adults, the amendments would not apply in that State until the first July 1 following the end of the first regular session of the State legislature. Child care provisions would be effective upon enactment.

Provisions relating to assistance payments to families and adults effective July 1, 1972, except that payments to families in which there is an employed father (the working poor) would begin January 1, 1973. Provisions relating to child care and various changes affecting present law would be effective on enactment. Each State would be required to provide supplementation up to current payment levels (adjusted to compensate for the loss of food stamp eligibility) until it takes some positive action to set a different level or to eliminate supplementation.

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**APPENDIX—1969 STUDY OF AID TO FAMILIES  
WITH DEPENDENT CHILDREN**

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EXCERPTS FROM PRELIMINARY REPORT OF FINDINGS—1969  
STUDY OF AID TO FAMILIES WITH DEPENDENT CHILDREN BY  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

(This preliminary report is based upon incompletely edited data from the 1969 AFDC study for all States and jurisdictions except Guam. The survey was made of a sample of approximately 1 percent of the recipients in each State, and findings are inflated to represent all recipients during the study month.)

HIGHLIGHTS OF STUDY

1. In 1969 the typical AFDC family consisted of just 4 persons; 3 children and 1 adult. Only one-third of the families had 4 or more child recipients.

2. Most AFDC families were urban residents. Half of all recipients lived in cities of 100,000 or more; only one-seventh lived in rural areas.

3. Race was not reported for recipients in Puerto Rico and the Virgin Islands. Among all AFDC families in the 50 States and the District of Columbia, 49.2 percent were white, 46.2 percent Negro, 1.3 percent American Indian, 0.7 percent other, and 2.6 percent had race not reported.

4. The typical AFDC family was not a long-term public assistance case. The median length of time since the most recent opening for AFDC was 23 months. Close to 6 in 10 families had never received AFDC at any prior time.

5. AFDC children were most commonly found in the 4 to 12 year age group; relatively few were infants, and very few were age 17 and over. The median age was just under 9 years.

6. About 8 percent of all children under 21 years of age in AFDC homes were not AFDC recipients; they tended to be siblings or cousins of the recipient children who were not themselves eligible for assistance. A high proportion of these nonrecipient children were in the upper teens. The median age of all the nonrecipient children was 12 years.

7. All of the recipient children in two-thirds of AFDC families had the same father and mother. In 31 percent of the families there were 2 or more fathers involved.

8. Thirty-one percent of all child recipients were reported to have been born out of wedlock. Forty-four percent of all AFDC families included 1 or more children born out of wedlock; in almost half of these families there was just 1 child born out of wedlock.

9. In 1969, 92 percent of the families had mothers in the home, but only 18 percent had fathers residing with the children. A majority of the absent fathers were away from the family following divorce, separation, or desertion; almost half had left the home within the past 3 years. Twenty-eight percent of the fathers were not married to the mother.

10. Nearly all AFDC fathers in the home were either incapacitated or unemployed, but these two groups differed in characteristics. Compared with the incapacitated men, unemployed fathers were generally younger, better educated, and more likely to have been born in a region of the United States outside the South.

11. The median age of mothers in the home was 33.1 years. There was evidence of out-migration from the South by AFDC mothers—considerably more than from any other region, but their reasons for moving were not ascertainable from study data. Over 4 in 10 mothers in the home had been born in the South; however, during the study month only 26 percent of all AFDC families live in the South. About 6 in 10 mothers in the home were known to have formerly lived outside their present State of residence; one-third of these women had migrated from the South. Of all migrating mothers, 72 percent had moved to their present State 5 years or more ago.

12. The median number of years of school completed by AFDC mothers in the home was 10.1. Only 17 percent were known to be high school graduates; about 2 percent had attended college.

13. Just over 6 in 10 AFDC mothers in the home were not currently employable because of incapacity, lack of job skills, or full-time homemaker duties. One-fifth were in the labor force: 14.5 percent were employed and the remainder were looking for work. Another 7.5 percent were either enrolled or awaiting enrollment in a work or training program. Only 24 percent of mothers in the home had never been employed. Previous employment was relatively recent for over one-fourth of the women who had held jobs; they had left their last job during the past 2 years.

14. A sizable majority of all mothers who worked or were enrolled in a work or training program had their children cared for in a private home, most often their own. Babysitters for children from infants to age 14, cared for at home, were usually relatives. Group care was apparently not desired or not available for most of these mothers; this type of facility was used by only 5 percent with children under age 3, 11 percent with children aged 3 to 5, and 3 percent with children aged 6 to 14. About 15 percent of the mothers with children aged 6 to 14 let them look after themselves while the mother was working or being trained.

15. During the previous year, AFDC families had received a large variety of services from welfare agencies. In the area of health related services: over half had been helped to obtain or use medical or dental care; family planning, information, and counseling was furnished to 1 in 5 families without medical referral and to 1 in 10 with medical referral; one-seventh had received services to the physically or mentally handicapped. In the area of work or training: just over half of all families were counseled concerning employment or training for employment; over one-fourth had some member(s) referred for employment or work training; in one-tenth of the families, children had been helped to obtain summer employment or part-time employment during the school year. Children in over one-fourth of all families had been assisted to continue their education. In the area of management and finances, aside from assistance payments, over half of the families had received services to improve their home and

financial management, and well over a third had been helped to obtain child support. (For additional details regarding services, see table T.)

## TABLES

*Family and household*

- A. AFDC families by number of adult recipients, 1969.
- B. AFDC families by number of child recipients, 1969.
- C. AFDC families by total number of persons in assistance group, 1969.
- D. AFDC families by total number of persons in household, 1969.
- E. AFDC families by place of residence, 1969.
- F. AFDC families by race of payee, 1969.
- G. AFDC families by time since most recent opening, 1969.
- H. AFDC families by time AFDC received prior to most recent opening, 1969.
- I. AFDC families by time of first receipt of AFDC, 1969.

*Children*

- J. AFDC families by parentage of children, 1969.
- K. AFDC families with specified number of illegitimate recipient children, 1969.

*Father of the children*

- L. AFDC families by status of father, 1969.
- M. AFDC families by whereabouts of father, 1969.
- N. AFDC families in which father is absent because of divorce, separation, or desertion, by time father last left home, 1969.

*Mother of the children*

- O. AFDC families by status of mother, 1969.
- P. AFDC families with mother in home, by status of mother, 1969.
- Q. AFDC families with mother in home, by place of residence before mother last moved into State, 1969.
- R. AFDC families with mother in home, by years of schooling completed by mother, 1969.
- S. AFDC families with mother in home, by time mother left last job, 1969.

TABLE A.—AFDC FAMILIES BY NUMBER OF ADULT RECIPIENTS, 1969

Number of adults	Number	Percent
Total .....	1,630,400	100.0
None .....	157,300	9.6
1 .....	1,278,500	78.4
2 .....	194,200	11.9
Unknown .....	400	( <sup>1</sup> )

<sup>1</sup> Less than 0.05 percent.



TABLE B.—AFDC FAMILIES BY NUMBER OF CHILD RECIPIENTS,  
1969

Number of children	Number	Percent
Total .....	1,630,400	100.0
1 .....	435,100	26.7
2 .....	376,300	23.1
3 .....	287,100	17.6
4 .....	209,400	12.8
5 .....	138,100	8.5
6 .....	81,200	5.0
7 .....	49,600	3.0
8 .....	27,500	1.7
9 .....	15,000	.9
10 or more .....	10,900	.7
Not reported .....	200	( <sup>1</sup> )

<sup>1</sup> Less than 0.05 percent.

TABLE C.—AFDC FAMILIES BY TOTAL NUMBER OF PERSONS IN  
ASSISTANCE GROUP

Total .....	1,630,400	100.0
1 .....	70,100	4.3
2 .....	361,400	22.2
3 .....	352,900	21.6
4 .....	281,800	17.3
5 .....	212,800	13.1
6 .....	137,500	8.4
7 .....	88,700	5.4
8 .....	59,000	3.6
9 .....	29,400	1.8
10 .....	19,500	1.2
11 .....	9,700	.6
12 .....	3,300	.2
13 .....	1,500	.1
14 .....	1,400	.1
15 or more .....	200	( <sup>1</sup> )
Unknown .....	1,200	.1

<sup>1</sup> Less than 0.05 percent.

TABLE D.—AFDC FAMILIES BY TOTAL NUMBER OF PERSONS IN HOUSEHOLD, 1969

Number of persons	Number	Percent
Total .....	1,630,400	100.0
1 .....	2,200	.1
2 .....	208,100	12.8
3 .....	313,800	19.2
4 .....	299,100	18.3
5 .....	253,700	15.6
6 .....	186,500	11.4
7 .....	133,000	8.2
8 .....	89,200	5.5
9 .....	54,200	3.3
10 .....	36,200	2.2
11 .....	21,600	1.3
12 .....	11,400	.7
13 .....	7,000	.4
14 .....	4,100	.3
15 .....	3,000	.2
16 .....	700	( <sup>1</sup> )
17 .....	700	( <sup>1</sup> )
18 .....	500	( <sup>1</sup> )
19 .....	400	( <sup>1</sup> )
Unknown .....	5,000	.3

<sup>1</sup> Less than 0.05 percent.

TABLE E.—AFDC FAMILIES BY PLACE OF RESIDENCE, 1969

Place of residence	Number	Percent
Total .....	1,630,400	100.0
Resides in this State:		
In SMSA county and within the city limits of a central city of—		
400,000 or more .....	576,400	35.4
250,000 to 399,999 .....	89,700	5.5
100,000 to 249,999 .....	130,700	8.0
Less than 100,000 .....	116,200	7.1
Outside of the central city or cities..	267,300	16.4
Not in SMSA county, and—		
In a town or city of 2,500 or more...	211,300	13.0
On a farm .....	33,400	2.0
Neither on a farm nor in a town of 2,500 or more .....	199,000	12.2
Does not currently reside in this State ..	5,400	.3
Not reported .....	1,000	.1

TABLE F.—AFDC FAMILIES BY RACE OF PAYEE, 1969

Race	Number			Percent		
	Total	Puerto Rico and Virgin Islands	All other jurisdictions	Total	Puerto Rico and Virgin Islands	All other jurisdiction
⊗ Total.....	1,630,400	39,500	1,590,900	100.0	100.0	100.0
White.....	783,200	100	783,100	48.0	.3	49.2
Negro.....	735,900	400	735,500	45.1	1.0	46.2
American Indian.....	21,000		21,000	1.3		1.3
Other.....	10,700	100	10,600	.7	.3	.7
Unknown.....	79,600	38,900	40,700	4.9	98.4	2.6

TABLE G.—AFDC FAMILIES BY TIME SINCE MOST RECENT OPENING, 1969

Time	Number	Percent
Total.....	1,630,400	100.0
Less than 6 months.....	257,000	15.8
6 months but less than 1 year.....	267,500	16.4
1 year but less than 2.....	315,500	19.4
2 years but less than 3.....	192,100	11.8
3 years but less than 4.....	133,300	8.2
4 years but less than 5.....	92,400	5.7
5 years but less than 7.....	135,300	8.3
7 years but less than 10.....	117,400	7.2
10 years and over.....	118,000	7.2
Not reported.....	1,900	.1

TABLE H.—AFDC FAMILIES BY TIME AFDC RECEIVED PRIOR TO MOST RECENT OPENING, 1969

Time	Number	Percent
Total.....	1,630,400	100.0
AFDC received prior to most recent opening for:		
Less than 12 months.....	179,300	11.0
12 months but less than 24.....	101,700	6.2
2 years but less than 5.....	146,400	9.0
5 years but less than 10.....	89,700	5.5
10 years or more.....	56,400	3.5
Length of time unknown.....	47,700	2.9
AFDC not received prior to most recent opening.....	957,100	58.7
Unknown.....	52,100	3.2

TABLE I.—AFDC FAMILIES BY TIME OF FIRST RECEIPT OF AFDC, 1969

Time	Number	Percent
Total.....	1,630,400	100.0
This year.....	160,300	9.8
1 year ago.....	289,000	17.7
2 years ago.....	190,700	11.7
3 years ago.....	134,800	8.3
4 years ago.....	109,000	6.7
5 years ago.....	96,100	5.9
6 years ago.....	75,800	4.6
7 years ago.....	70,300	4.3
8 years ago.....	67,400	4.1
9 years ago.....	53,500	3.3
10 years ago.....	47,100	2.9
11 years ago.....	49,600	3.0
12 years ago.....	31,600	1.9
13 years ago.....	26,500	1.6
14 years ago.....	26,400	1.6
15 years ago.....	23,100	1.4
16 years ago.....	18,400	1.1
17 years ago.....	11,800	.7
18 years ago.....	10,800	.7
19 years ago.....	12,300	.8
20 or more years.....	34,800	2.1
Unknown.....	91,100	5.6

TABLE J.—AFDC FAMILIES BY PARENTAGE OF CHILDREN, 1969

Parentage	Number	Percent
Total.....	1,630,400	100.0
Same mother and same father.....	1,101,300	67.5
Same mother, but two or more different fathers.....	468,300	28.7
Same father, but two or more different mothers.....	4,500	.3
Two or more different mothers and two or more different fathers.....	39,600	2.4
Unknown.....	16,700	1.0

TABLE K.—AFDC FAMILIES WITH SPECIFIED NUMBER OF ILLEGITIMATE RECIPIENT CHILDREN, 1969

Number of children	Number	Percent
Total.....	1,630,400	100.0
None.....	906,900	55.6
1.....	346,600	21.3
2.....	174,800	10.7
3.....	89,500	5.5
4.....	50,500	3.1
5.....	27,100	1.7
6.....	15,200	.9
7.....	10,200	.6
8.....	4,200	.3
9.....	2,200	.1
10 or more.....	1,300	.1
Not reported.....	1,900	.1

TABLE L.—AFDC FAMILIES BY STATUS OF FATHER, 1969

Status	Number	Percent
Total.....	1,630,400	100.0
Dead.....	89,700	5.5
Incapacitated.....	187,900	11.5
Unemployed, or employed part time, and—		
Enrolled in work or training pro- gram.....	36,000	2.2
Awaiting enrollment after referral to WIN.....	14,800	.9
Neither enrolled nor awaiting en- rollment.....	28,200	1.7
Subtotal.....	79,000	4.8

See footnote at end of table.

TABLE L.--AFDC FAMILIES BY STATUS OF FATHER, 1969--Con.

Status	Number	Percent
<b>Absent from the home:</b>		
Divorced.....	223,600	13.7
Legally separated.....	45,200	2.8
Separated without court decree.....	177,500	10.9
Deserted.....	258,900	15.9
Not married to mother.....	454,800	27.9
In prison.....	42,100	2.6
Absent for another reason.....	26,700	1.6
Subtotal.....	1,228,800	75.4
<b>Other status:</b>		
Stepfather case.....	30,400	1.9
Children not deprived of support or care of father, but of mother.....	14,400	.9
Not reported.....	200	( <sup>1</sup> )

<sup>1</sup> Less than 0.05.

TABLE M.—AFDC FAMILIES BY WHEREABOUTS OF FATHER,  
1969

Whereabouts	Number	Percent
Total.....	1,630,400	100.0
In the home.....	297,500	18.2
In an institution:		
Mental institution.....	6,900	.4
Other medical institution.....	6,200	.4
Prison or reformatory.....	53,500	3.3
Other institution.....	1,300	.1
Not in the home or an institution; he is residing in:		
Same county.....	311,300	19.1
Different county; same State.....	86,200	5.3
Different State and in the United States.....	128,100	7.9
A foreign country.....	18,000	1.1
Whereabouts unknown.....	630,600	38.7
Inapplicable (father deceased).....	90,800	5.6

TABLE N.—AFDC FAMILIES IN WHICH FATHER IS ABSENT BECAUSE OF DIVORCE, SEPARATION, OR DESERTION, BY TIME FATHER LAST LEFT HOME, 1969

Time	Number	Percent
Total.....	1,630,400	.....
Absent because of divorce, separation, or desertion.....	705,200	100.0
This year.....	39,800	5.6
1 year ago.....	124,900	17.7
2 years ago.....	94,000	13.3
3 years ago.....	76,200	10.8
4 years ago.....	54,300	7.7
5 years ago.....	50,400	7.1
6 years ago.....	39,900	5.7
7 years ago.....	34,500	4.9
8 years ago.....	29,900	4.2
9 years ago.....	24,900	3.5
10 years ago.....	20,800	2.9
11 years ago.....	18,700	2.7
12 years ago.....	14,800	2.1
13 years ago.....	13,000	1.9
14 years ago.....	10,300	1.5
15 years ago.....	8,000	1.1
16 years ago.....	5,100	.7
17 years ago.....	7,000	1.0
18 years ago.....	2,700	.4
19 years ago.....	1,700	.2
20 years ago.....	400	.1
Unknown.....	33,900	4.8
Not absent because of divorce, separation, or desertion.....	925,000	.....
Unknown.....	200	.....



TABLE O.—AFDC FAMILIES BY STATUS OF MOTHER, 1969

Status	Number	Percent
Total.....	1,630,400	100.0
In the home and:		
Employed in regular job full time (35 hours or more per week).....	123,000	7.5
Employed in regular job part time (less than 35 hours per week).....	94,600	5.8
Enrolled in work or training pro- gram.....	64,400	3.9
Awaiting enrollment after referral to WIN.....	47,900	2.9
Neither employed, enrolled, nor awaiting enrollment, and:		
Physically or mentally incapac- itated for employment.....	224,100	13.7
No marketable skills, or suit- able employment not avail- able.....	112,600	6.9
Needed in the home full time as homemaker.....	578,200	35.5
None of the above factors ap- plies; she is: Actively seek- ing work.....	86,400	5.3
Not actively seeking work.....	165,600	10.2
Not in the home:		
Dead.....	38,600	2.4
Deserted.....	53,000	3.3
In a medical institution other than mental.....	2,700	.2
In a mental institution.....	3,700	.2
Absent for another reason.....	35,500	2.2
Not reported.....	100	( <sup>1</sup> )

<sup>1</sup> Less than 0.05.

TABLE P.—AFDC FAMILIES WITH MOTHER IN HOME, BY STATUS OF MOTHER, 1969

Status	Mother in home	
	Number	Percent
Total.....	1,496,800	100.0
Employed in regular job full time (35 hours or more per week).....	123,000	8.2
Employed in regular job part time (less than 35 hours per week).....	94,600	6.3
Enrolled in work or training program....	64,400	4.3
Awaiting enrollment after referral to WIN.....	47,900	3.2
Neither employed, enrolled, nor awaiting enrollment, and:		
Physically or mentally incapacitated for employment.....	224,100	15.0
No marketable skills, or suitable employment not available.....	112,600	7.5
Needed in home full time as homemaker.....	578,200	38.6
None of the above factors applies; she is:		
Actively seeking work.....	86,400	5.8
Not actively seeking work.....	165,600	11.1

TABLE Q.—AFDC FAMILIES WITH MOTHER IN HOME, BY PLACE OF RESIDENCE BEFORE MOTHER LAST MOVED INTO STATE, 1969

Former place of residence	Mother in home	
	Number	Percent
Total.....	1,496,800	100.0
Mother formerly lived elsewhere.....	885,200	59.1
Census division:		
New England.....	15,800	1.1
Middle Atlantic.....	42,600	2.8
East North Central.....	52,500	3.5
West North Central.....	28,100	1.9
South Atlantic.....	136,200	9.1
East South Central.....	96,600	6.5
West South Central.....	84,100	5.6
Mountain.....	35,100	2.3
Pacific.....	30,100	2.0
Puerto Rico and Virgin Islands.....	68,900	4.6
Other U.S. territory.....	600	( <sup>1</sup> )
Latin America.....	8,100	.5
Other foreign country.....	20,700	1.4
Unknown.....	265,800	17.8
Mother never lived in another State or country.....	611,600	40.9

<sup>1</sup> Less than 0.05 percent.

TABLE R.—AFDC FAMILIES WITH MOTHER IN HOME, BY YEARS OF SCHOOLING COMPLETED BY MOTHER, 1969

Years of schooling completed	Mother in home	
	Number	Percent
Total.....	1,496,800	100.0
Elementary school:		
Less than 5th grade (including none).....	127,000	8.5
5th to 7th grade.....	170,300	11.4
8th grade.....	161,500	10.8
High school:		
1st to 3d year.....	481,000	32.1
High school graduate.....	253,100	16.9
College:		
1st to 3d year.....	32,400	2.2
College graduate.....	2,800	.2
Unknown.....	268,700	18.0

TABLE S.—NUMBER OF AFDC FAMILIES WITH MOTHER IN HOME, BY TIME MOTHER LEFT LAST JOB, 1969

Time	Mother in home	
	Number	Percent
Total.....	1,496,800	100.0
Not now employed; previously employed.....	921,200	61.5
This year.....	78,500	5.2
1 year ago.....	166,900	11.2
2 years ago.....	94,100	22.7
3 years ago.....	63,700	4.3
4 years ago.....	43,200	2.9
5 years ago.....	31,600	2.1
6 years ago.....	22,800	1.5
7 years ago.....	19,800	1.3
8 years ago.....	16,200	1.1
9 years ago.....	13,700	.9
10 years ago.....	13,000	.9
11 years ago.....	11,200	.7
12 years ago.....	9,200	.6
13 years ago.....	8,500	.6
14 years ago.....	7,800	.5
15 years ago.....	5,500	.4
16 years ago.....	6,000	.4
17 years ago.....	3,800	.3
18 years ago.....	3,100	.2
19 years ago.....	2,700	.2
20 years ago or more.....	12,900	.9
Unknown.....	287,000	19.2
Never employed.....	357,900	23.9
Employed now.....	217,600	14.5
Not reported.....	100	( <sup>1</sup> )

<sup>1</sup> Less than 0.05 percent.

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**Appendix D.—“The Effect of Three Income Maintenance Programs on Work Effort,” a Report Prepared for the Chamber of Commerce of the United States of America, by Alfred and Dorothy Tella, July 1971**

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## ABOUT THE AUTHORS

ALFRED J. and DOROTHY M. TELLA work in Washington, D.C., where he is Research Professor of Economics at Georgetown University and she is an Economic Consultant with the University's Income Maintenance Project.

Prior to joining the Georgetown faculty in 1970, Professor Tella was Director of the Office of Labor Force Studies of the President's Commission on Income Maintenance Programs (1968-70); and economist with the Federal Reserve Board (1962-68) and the Conference Board (1957-62).

Mrs. Tella previously served as a Senior Associate with Planning Research Corporation (1968-70) and as an economist for the Social Security Administration (1967-68) and the C. I. A. (1961-67).

Professor Tella's publications include: THE RELATION OF LABOR FORCE TO EMPLOYMENT, *Industrial and Labor Relations Review*, April, 1964; LABOR FORCE SENSITIVITY TO EMPLOYMENT, BY AGE, SEX, *Industrial Relations*, February 1965; THE LABOR MARKET AND POTENTIAL OUTPUT OF THE FRB-MIT MODEL (co-author), *Annual Proceedings of the American Statistical Association*, 1967; LABOR RESERVES AND THE PHILLIPS CURVE (co-author), *Review of Economics and Statistics*, February 1968; EFFECT OF NONEMPLOYMENT INCOME AND WAGE RATES ON THE WORK INCENTIVES OF THE POOR (co-author), *Review of Economics and Statistics*, November 1969; editor, *Technical Studies*, The President's Commission on Income Maintenance Programs, 1970; and THE HOURS OF WORK AND FAMILY INCOME RESPONSE TO NEGATIVE INCOME TAX PLANS (co-author), unpublished, 1971.

In addition to co-authoring THE HOURS OF WORK AND FAMILY INCOME RESPONSE TO NEGATIVE INCOME TAX PLANS with her husband and Christopher Green, Mrs. Tella prepared several research studies for the C. I. A. and Planning Research Corporation.

In the preparation of this study the authors benefited from the comments of Professor Christopher Green of McGill University.

## SUMMARY

This study strongly suggests that H. R. 1, the Administration's Family Welfare Plan, as presently designed would discourage people from working.

The study, commissioned by the Chamber of Commerce of the United States, was prepared by economists Alfred and Dorothy Tella using the technique of simulation of the effects on low-income families of various income guarantee or negative income tax type plans.

The study raises serious questions as to (1) whether the Administration and the House of Representatives have given enough consideration to the "work disincentive" effects of the Family Welfare Plan, and (2) whether the cost of the Family Welfare Plan to the Federal Government and to the society may not have been significantly underestimated.

The authors draw upon existing research of relations between non-work income, wage rates, and hours worked by low-income family heads to predict what might occur under three different income guarantee plans including a plan similar to the Administration's H. R. 1 as passed by the House of Representatives. This plan calls for a \$2,400 guaranteed minimum income, a \$720 earnings exemption, and a benefit-reduction formula equivalent to a "marginal tax rate" of 67 per cent.

The study's findings show that:

- Each of the income payment plans analyzed would discourage work by low-income family heads.
- Male family heads would keep working but would work fewer hours.
- Female family heads, in large measure, would withdraw from the labor force.
- Because the reduced work would cause these families a loss of earnings, their family income would rise by much less than the amount of the income payment—by about half of the payment for male-headed households and one quarter of the payment for female headed households.
- Under each of the three plans, both the high (50 to 67 per cent) "marginal tax rate" and the income payment would dis-



courage work. Income payment plans reduce the amount of the payment in proportion to the amount of income earned by work. With a 67 per cent rate, for every \$3 of income earned by work, a family's benefit is reduced by \$2. The Tella study found that 70 to 80 per cent of the work disincentive that would occur would come from the "tax rate" on earned income and the remaining 20 to 30 per cent from the supplemental income payment.

Any income guarantee plan has to fit itself into the pattern of incomes that working families earn. If the income guarantee is \$2,400 a year, the "tax rate" on earned income is 67 per cent, and the earnings exemption is \$720 then a family continues to get some payment from the government, even though its head is working, up to a total family income of \$4,320, which is called the "cut off" income. Some workers in families above the cut-off income level could be expected to reduce their earnings by working less in order to qualify for an income payment under the plans.

The significance of the Tellas' finding that the "marginal tax rate" is a major discouragement to work is that if the "tax rate" is lowered the work disincentive becomes less severe, but then the plan must subsidize higher and higher incomes. For example, with a guarantee of \$2,400 and a "tax" rate of 50 per cent, incomes are supplemented by government up to a "cut off" level of \$4,800; if the "tax rate" is 25 per cent, the cut-off level becomes \$9,800. This, in turn, means that the plan would cover far more families and cost taxpayers a great deal more.

The Tellas' simulation study could not take into account the effect on low-income families of a legal requirement by government that the family head would be compelled to work, or a law penalizing the family head for failure to register with the government or to accept a suitable job. The study assumed that people would not be forced by government to work but would retain freedom of choice.

The study also did not measure the possible effects of providing day-care facilities for the children of low-income families. Higher "cut off" incomes would increase the cost of day-

care facilities and the resulting cost to taxpayers. And the cost of job training would probably vary for government and taxpayers depending on the general state of the economy, rising when times were bad and dropping in good times when jobs are plentiful.

The Tella study, which represents an important supplement to pilot programs for “testing” the effects of a legislative proposal in advance of its enactment can be a significant contribution to wise decision-making on this revolutionary new proposal for the Federal Government to guarantee the incomes of low-income people, both those now working and not working.

## INTRODUCTION

Widespread dissatisfaction with the existing welfare system has inspired proposals to replace the current system with an income maintenance program embodying negative income tax principles. Programs of this kind include the plan of the President's Commission on Income Maintenance Programs and the Family Assistance Plan. In the face of proposals for adoption of a negative tax-type plan, some concern has been expressed for the potential effect on work effort of bringing families with working members into a program that at once supplements family income and places a fairly high effective tax rate on the earnings of family members. Such concern is not groundless. Traditional economic theory suggests that both income supplements and compensated reductions in the wage rate, such as that produced by the tax rate of a negative tax plan, affect labor supply negatively, and recent empirical studies tend to confirm the theory. A decrease in labor supply, of course, results in some loss in total earnings and national output. The magnitude of the potential labor supply effects of a negative tax plan, however, is of particular interest because it bears on the effectiveness of the plan in raising low incomes and reducing poverty. To the extent that participants in a negative income tax plan take part of their increased consumption possibilities in the form of work reduction, family income will be increased by less than the full amount of the initial income supplement. At the same time, since any loss in earnings is partially filled in through an increase in the supplement, any reduction in work effort adds to the overall transfer cost of the plan. In view of the relationship between the labor supply effects of a negative income tax plan and its cost and effectiveness in raising income, estimates of the likely effect of a negative income tax plan on work effort would seem to be an essential ingredient in any major decision to reform the welfare system.

This paper offers estimates of the effects of three negative income tax plans with various guarantee levels, tax rates, and cutoffs on the annual hours of work of male and female house-

hold heads. Estimates of the changes in labor supply are in turn used to estimate changes in earnings and family income under each plan as well as the change in the supplement resulting from changes in work effort. The estimates of the impact on annual hours of work of income supplements and effective tax rates on earnings that are used in this paper are derived from a recent study by Tella, Tella, and Green [7] in which nonwork-related nonemployment income was used as a proxy for a negative income tax transfer. The study is inferential in nature, using existing relationships between market work, wage rates, and levels of nonemployment income as revealed in cross-sectional data to predict what might occur under income maintenance plans embodying negative income tax principles. This type of study is an important supplement to pilot experiments, and has the advantages of being less expensive and time consuming, of avoiding Hawthorne effects, of covering the nation as a whole rather than only a particular area, and of indicating ultimate rather than short-term effects.

## THE NEGATIVE INCOME TAX AND ECONOMIC THEORY

A negative income tax is an income conditioned transfer program. Under an income maintenance plan embodying negative income tax principles, a family whose initial or pre-tax income is below a specified breakeven or cutoff level receives an income supplement equal to a specified percentage of the difference between its pre-plan income and the cutoff level. Negative tax plans have three basic variables: a guarantee level, a tax rate, and a cutoff level. In the simplest form of negative income tax the guarantee level equals the cutoff times the tax rate. If a family has no earnings or other pre-plan income it receives a supplement equal to the guarantee level of the plan. If one or more family members are earners or if the family has nonemployment income, the family receives a supplement equal to the guarantee level reduced by a fraction (the tax rate) of its earnings or nonemployment income. At successively higher levels of pre-plan income the family's supplement becomes successively smaller, reaching zero at the plan cutoff level. An earnings exemption or disregard (a zero tax rate on earnings in a limited range) can be included in a negative income tax plan; such an exemption raises the cutoff level by the amount of exempted earnings.

A negative income tax plan both increases the income that an eligible family can attain with no change in the work effort of its members and reduces the gain in income derived from work. The income supplement under a negative income tax increases a family's total consumption possibilities. The family can allocate this increase in consumption possibilities as it chooses between higher income and reduced labor force activity by family members. The tax rate of the negative income tax plan in effect reduces the net marginal wage rate of workers in the family. For a family brought under a negative tax plan, additional work effort no longer increases family income by as much as before, since additional earnings now are accompanied by a reduction in the family's supplement. At the same time, a reduction in hours of work no longer reduces

family income by as much as before since any loss in earnings is partially filled in by an increase in the supplement. Thus, the introduction of a negative tax plan makes it less rewarding to work more and less costly in terms of lost income to work less.

Both the income supplement and the tax rate on earnings have a potential effect on the labor supply of members of families eligible for a negative income tax plan. In terms of economic theory, the initial supplement, which by itself enables families to increase their incomes without any change in their wages, carries a supplementary income effect. If leisure is a normal good, i.e. if it does not become less desirable as income increases, families could be expected to take some portion of their increased consumption possibilities in the form of work reduction. The tax rate on earnings under a negative income tax, which in effect reduces the net marginal wage rate that family members face in increasing or decreasing their hours of work, carries a compensated wage effect or pure substitution effect which also could be expected to be leisure-inducing. (The word leisure is used here and throughout the paper in its theoretical sense, meaning non-market activity, while work means paid market activity.) The total labor supply effect of the negative income tax plan is the sum of the income and substitution effects produced by the initial supplement and the tax rate on earnings, respectively.

Our study is based on the premise that the magnitudes of the two effects can be estimated using available data with nonwork-related nonwage income serving as a proxy for the negative income tax supplement. Differences in hours worked associated with various amounts of this nonwage income, *ceteris paribus*, are taken as a measure of the supplementary income effect, while supply differences associated with income compensated differences in wage rates serve as a measure of the substitution effect. Such an analysis is consistent with a labor supply function which relates hours worked to wage rates and family income based on the hypothesis that families maximize utility in terms of income and leisure.

## REVIEW OF UNDERLYING STUDY

The income and substitution effects that are used in this study to simulate alternative negative income tax plans were previously calculated from survey data provided by the Office of Economic Opportunity. The basic data source was the 1967 Survey of Economic Opportunity (SEO) which was carried out in February, 1967 by the Bureau of the Census for the Office of Economic Opportunity. Approximately 30,000 households were interviewed nationwide, with a special emphasis on low-income households. Unusually detailed data were collected on income by source, on assets, and on work experience, personal characteristics, and health of family members. Income data pertained to the calendar year 1966, while data on work experience related to the week prior to the survey (hours worked per week) and to the previous year (weeks worked per year). Based on these data it was possible to (1) estimate wage rates and annual hours worked for individual workers, (2) combine various sources of nonwage income in order to construct a reasonable proxy for a negative income tax supplement, (3) define alternative subpopulations in sufficient detail to control for the influence of non-income variables, and (4) estimate income and substitution effects in order to simulate the labor supply effects of alternative negative income tax plans. A detailed explanation of methodology appears in [7] which shows how various demographic subpopulations were defined in terms of the data, how the sample was stratified in order to capture the independent effect on labor supply of wage rates and nonwage income, and how supplementary income and compensated wage (substitution) effects were calculated. The study also briefly illustrates the application of these effects to hypothetical income supplement plans with identical breakeven levels. However, labor supply effects above the cutoff were not estimated, and it was assumed that all pre-plan income consisted of earnings. By comparison, in the present paper an estimate is made of the population above the statutory cutoff that could be expected to reduce their work effort, and actual earnings data are used.

The present analysis also uses a range of substitution effects in the simulations rather than only a single estimate.

We will briefly review the methodology of estimating income and substitution effects before turning to the main task of simulating the labor supply effects of three negative income tax plans with various breakeven levels, guarantee levels, and tax rates. In the earlier study a tabular analysis was used to isolate a homogeneous population of households and to estimate directly income and substitution effects. A population was defined which isolated the impact of nonwork-related nonwage income and wage rates on the number of hours worked. To do this the SEO population was divided into numerous categories, and observations that were likely to be influenced by variables other than wage rates and nonwage income were systematically excluded from the sample. From a population made up of civilian primary nonfarm households, households were excluded that contained self-employed or unpaid family workers, students, persons over age 64, youths under age 18, persons with any unemployment during the year, ill or disabled persons, and workers with irregular work patterns. Households were also eliminated which had sources of nonwage income that could be dependent on the work decision, such as households with public assistance, unemployment insurance, workmen's compensation, and social security. The accepted population consisted of a homogeneous group of households which had either wages, nonwork-related nonemployment income, or both. All nonaged adult heads in these households were either partly or fully employed or voluntarily not in the work force since unemployment and other involuntary factors were excluded from the sample. All were actual or potential full-time full-year workers whose decision to work or not to work could be made a direct function of wages and nonemployment income.

In order to capture the effect of possible total labor force withdrawal on the estimated changes in average annual hours of work, it was necessary to allocate nonworkers (potential workers) among the working population. The presence of persons outside the labor force because of nonemployment



income would be an *ex post* (after negative income tax) condition which must be made *ex ante*. This adjustment was carried out by estimating an imputed wage for each nonworker based on a characteristics match (by age, sex, education, race, SMSA, region) of nonworkers to workers, and then allocating nonworkers among cells containing the working population according to wage rate and amount of nonemployment income.

The supplementary income effect was estimated directly from the tables by comparing the mean annual hours worked by persons with the same wage rates (within 25 cent intervals) but with different levels of nonemployment income. This was done for different low-wage populations of household heads with wage rates less than \$3.00 per hour, \$2.00 per hour, and \$1.75 per hour. Two methods were used to estimate the substitution effect, the alternatives yielding similar results. Using the first method, a total wage effect was initially estimated by comparing the mean annual hours of persons with the same level of nonemployment income but with different hourly wage rates. Differences in hours due to the income effect of wage rate differences were calculated using estimates of the supplementary income effect and were subtracted from the total wage effect to derive the substitution effect. Using the second method, the substitution effect was estimated by comparing the annual hours of persons whose different levels of nonemployment income compensated for their different wage rates, i.e., whose total incomes would have been the same had those with various levels of nonemployment income worked the same number of hours as those with no unemployment income but at their own wage rates.

Consistent with theoretical expectations, the calculated estimates of income and substitution effects indicated that both the supplementation of income and the imposition of high marginal tax rates on earnings under a negative income tax could be expected to reduce the annual hours of market work of low-income family workers. Both increases in nonemployment income and compensated reductions in the individual's own wage rate were shown to be accompanied by reductions

in the annual hours worked by both male and female household heads. For low-wage male household heads, the study showed elasticities of annual hours worked to increases in *ex ante* family income, calculated by various methods, ranging between  $-.1$  and  $-.3$ . Nearly all of the decline in annual hours in response to increased amounts of nonemployment income resulted from a reduction in hours on the part of labor force participants; among males with very low wage rates there was little indication of total withdrawals from the labor force. The reduction in annual hours worked of female household heads in response to increases in nonemployment income was found to be much larger than that of males, the comparable elasticities ranging between  $-.5$  and  $-.7$ . In the case of female household heads, total withdrawals from the labor force accounted for a large part of the over-all reduction in hours worked, and those women remaining in the labor force appeared to reduce their annual hours moderately in response to increases in nonemployment income.

Since estimates of the substitution effect derived from the study were intended to be used primarily to simulate the effects of the fairly high tax rates on earnings under negative income tax plans, they were based on observations of compensated differences in wage rates of 25 percent or more, i.e., where the lower wage rate was at least 25 percent lower than the higher wage rate. For male household heads the average elasticity of substitution derived from such observations was about  $.18$ , i.e., for each percentage reduction in the wage rate, male household heads reduced their annual hours worked by about  $.18$  percent because of the substitution effect. The substitution effect, like the income effect, was found to be much larger for female household heads than for male. The average elasticity of substitution for wage rate reductions of over 25 percent was estimated to be close to unity, between about  $.9$  and  $1.1$ , for female household heads. When observations of percentage differences in wage rates were grouped into 10-point intervals, it was observed that the elasticities for both male and female household heads appeared to increase with successively larger reductions in the wage rate.

## SIMULATION OF THREE NEGATIVE TAX PLANS

The elasticities of income and substitution derived from the study summarized above are used in this paper to simulate the effects on male-headed and female-headed families of three negative income tax plans:

Plan 1 has a guarantee level of \$2400 a year for a family of four, an earnings exemption of \$720, and an effective tax rate of 66.7 percent on earnings above \$720 and on other income. The cutoff of the plan for a family of four with at least \$720 in earnings is \$4320. Plan 1 has the same guarantee level, earnings exemption, and effective tax rate as the version of the Family Assistance Plan reported by the Ways and Means Committee in May, 1971.

Plan 2 has a guarantee level of \$3000 for a family of four, an effective tax rate of 66.7 percent, no earnings exemption, and a cutoff of \$4500.

Plan 3 has a guarantee level of \$2400, an effective tax rate of 50 percent, no earnings exemption, and a cutoff of \$4800 for a family of four. Plan 3 has the same guarantee level, tax rate, and cutoff as the negative income tax plan recommended by the President's Commission on Income Maintenance Programs.

Elasticities of income and substitution derived from the study described above are first used to estimate the changes in the labor supply (annual hours worked) of male and female family heads induced by the income supplements and the effective tax rate of each of the three plans. Then, given these changes in labor supply, calculations are made of the loss of earnings or output that would occur among the recipients under each plan, the amount of the transfer paid out under each plan, and the change in the incomes of families receiving support under each plan. The effects of the three plans are simulated for four-person nonaged male-headed and female-headed families who are not initially recipients of income- or work-conditioned public transfers such as Aid to Families With Dependent Children (AFDC). For families not initially

receiving welfare support, the introduction of a negative income tax plan produces a net increase in consumption possibilities equal to their initial supplement and a net reduction in their effective marginal wage rates equal to the tax rate of the plan. (The potential effects of the plans on families currently receiving public assistance are discussed in a later section of the paper.)

Tables 1-3 show for each of Plans 1, 2, and 3 the initial supplements for which four-person families at various levels of pre-plan income would be eligible, the percentage increase in consumption possibilities afforded by these supplements, and the estimated percentage reduction in annual hours worked by male and female family heads. Under each plan a family whose pre-plan income is below the plan cutoff is eligible for an initial supplement, ISUP, equal to  $G-TR \cdot Y_1$  or, in the case of Plan 1 with a \$720 earnings exemption, to  $G-TR(Y_1-EEX)$ , where  $G$  is the guarantee level,  $TR$  the effective tax rate,  $Y_1$  the family's pre-plan income, and  $EEX$  the amount of the family's exempted earnings. The initial supplement represents the increase in consumption possibilities afforded each family below the cutoff, or the amount by which the family's income would be increased in the absence of any change in the labor supply of its members. The effect of the initial supplement on the annual hours worked by the family head is calculated by applying the appropriate income elasticity,  $e_1$ , to the percentage increase in consumption possibilities afforded by the initial supplement. The percentage change in annual hours due to the income effect equals  $e_1 \cdot ISUP/Y_1$ . In the simulations, the income elasticity  $-.16$  is used for male family heads and  $-.53$  for female family heads. These are the elasticities for male household heads with wage rates under \$2.00 and for female household heads with wage rates under \$1.75 derived by comparing the annual hours of those with little or no nonemployment income, i.e., whose income consisted almost entirely of earnings of the head, to the annual hours of those with various larger amounts of nonemployment income. Note that these elasticities are near the lower end of the ranges reported above.

The total percentage reduction in annual hours shown in Tables 1-3 is the sum of the percentage reduction due to the substitution effect and the percentage reduction due to the income effect. The simulations have been carried out using two estimates of the substitution effect. The "high" estimate is based on the actual percentage reduction in annual hours associated with the particular range of percentage reductions in the wage rate consistent with the tax rate of each plan. (For example, for the percentage reduction in annual hours associated with a 50 percent tax rate, we use the average percentage reduction in hours due to the substitution effect associated with wage rate reductions between 45 and 55 percent.) In deriving the "low" estimate, the overall average elasticity of substitution is applied to the tax rate of each plan. The latter estimate not only gives a lower estimate of the reduction in labor supply under all three plans but also reduces the estimated differential between plans with a 66.7 and with a 50 percent tax rate. The following estimates of percentage reductions in annual hours due to the substitution effect are used in the simulations:

	PLAN TAX RATE			
	50%		66.7%	
	HIGH	LOW	HIGH	LOW
Male family heads	11	9	19	12
Female family heads	62	45	95	59

Calculation of the reduction in annual hours under Plans 2 and 3 is straightforward since all participating families with pre-plan incomes below the cutoff of either plan face a constant marginal tax rate as they reduce their hours. Plan 1, however, places a marginal tax rate of 66.7 percent on earnings above \$720 and a zero tax rate on earnings below \$720. While two-thirds of any loss of earnings above \$720 is filled in through an increase in the transfer, any loss of earnings below \$720 represents a dollar-for-dollar loss of income. The presence of the earnings exemption means that family heads with very low pre-plan earnings are unaffected by the 66.7 percent

tax rate of the plan. Family heads would presumably not be influenced by the tax rate in making their labor-leisure decision if their pre-plan earnings are sufficiently low that a reduction in hours worked in response to a supplement equal to the \$2400 guarantee level of the plan would put their earnings below \$720. Such family heads can maximize utility under Plan 1 by reducing their hours by the same percentage that they would in response to a \$2400 supplement with no tax rate. The earnings exemption would definitely have no effect on those whose pre-plan earnings are sufficiently high that after reducing their hours in response to the 66.7 percent tax rate and income supplement their earnings would still be above \$720. Such family heads would respond fully to the tax rate and to their initial supplement. For a third group of family heads whose pre-plan earnings fall in between those of the groups just described, the effect of the earnings exemption is less clear. At minimum such individuals would reduce their hours just to the point where their earnings equal \$720. Therefore, we assume that family heads in the third group could maximize their utility under Plan 1 by working just enough hours that earnings equal \$720.

The efficacy of the \$720 earnings exemption in minimizing reductions in work effort is greater the larger the substitution effect for the group upon which it is imposed. Only male household heads with very low pre-plan earnings are likely to be affected by the earnings exemption; men with pre-plan earnings above \$1197 using the low estimate and \$1288 using the high estimate could reduce their annual hours under Plan 1 in response both to their initial income supplement and to the 66.7 percent tax rate without reducing their earnings below \$720. The effect of the earnings exemption would appear to be much more important for female family heads because of their higher elasticity of substitution. According to the low estimate, female family heads with pre-plan earnings of less than \$2940 would on average reduce their earnings below \$720 in combined response to their initial income supplement and to a 66.7 percent tax rate. According to the high estimate, even female family heads with pre-plan earnings at the cutoff

of Plan 1 would, in reducing their hours of work in response to the 66.7 percent tax rate, fall into the range of the earnings exemption.

As Tables 1-3 show, the work disincentive of all three plans is moderate for male family heads, but quite large for female family heads. Male family heads with a pre-plan income of \$2750, for example, could be expected to reduce their annual hours of work by an estimated 19-26 percent under Plan 2 (the two values represent the low and high estimates respectively), by 18-25 percent under Plan 1, and by 15-17 percent under Plan 3. Female family heads with the same pre-plan income would reduce their hours of work by an estimated 82-100 percent under Plan 2, 74 percent under Plan 1, and 65-82 percent under Plan 3.

Under all three plans, the tax rate poses a more important work disincentive for most family heads than does the initial income supplement. Except for families with very low pre-plan incomes who receive very large supplements, the reduction in annual hours due to the substitution effect is larger than the reduction due to the income effect. The percentage reduction in annual hours due to the income effect decreases with successively higher levels of pre-plan income, approaching zero at the cutoff of each plan. However, even heads of families with pre-plan income at the cutoff are enabled by the tax rate to reduce their annual hours of work with a much smaller loss of income than before the introduction of the plan. Whereas before the introduction of the plan a dollar loss of earnings meant a dollar loss of income, with the introduction of the plan, each dollar reduction in earnings is accompanied by only a 50 cent or a 33 cent loss of income. Male heads of families with pre-plan incomes at the respective cutoffs of the three plans could be expected to reduce their hours by an estimated 12-19 percent under Plans 1 and 2 and by 9-11 percent under Plan 3. Female heads of families with the same pre-plan incomes reduce their hours by an estimated 59-83 percent under Plan 1, 59-95 percent under Plan 2, and 45-62 percent under Plan 3.

The reduction in annual hours worked by heads of families

**TABLE 1.** Effect of Plan 1 (G = \$2400, earnings exemption = \$720, TR = 66.7%, cutoff = \$4320) on the Annual Hours of Work of Male and Female Family Heads, by Pre-plan Income Level

<i>Pre-plan Income (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Percent Increase in Consumption Possibilities</i>	<b>PERCENT REDUCTION IN ANNUAL HOURS OF WORK</b>			
			<b>MALE HEADS</b>		<b>FEMALE HEADS</b>	
			<i>High Estimate</i>	<i>Low Estimate</i>	<i>High Estimate</i>	<i>Low Estimate</i>
0	2400	—	0	0	0	0
750	2380	317.3	51	51	100	100
1250	2047	163.8	42	38	100	100
1750	1713	97.9	35	28	73	73
2250	1380	61.3	29	22	68	68
2750	1047	38.1	25	18	74	74
3250	713	21.9	23	16	78	71
3750	380	10.1	21	14	81	64
4250	47	1.1	19	12	83	60
4320	0	0	19	12	83	59

**NOTE:** In calculating the initial supplement and the percentage reduction in hours under Plan 1, the \$720 earnings exemption is treated as an income exemption.



**TABLE 2.** Effect of Plan 2 (G = \$3000, TR = 66.7%, cutoff = \$4500) on the Annual Hours of Work of Male and Female Family Heads, by Pre-plan Income Level

<i>Pre-plan Income (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Percent Increase in Consumption Possibilities</i>	<b>PERCENT REDUCTION IN ANNUAL HOURS OF WORK</b>			
			<b>MALE HEADS</b>		<b>FEMALE HEADS</b>	
			<i>High Estimate</i>	<i>Low Estimate</i>	<i>High Estimate</i>	<i>Low Estimate</i>
0	3000	—	0	0	0	0
750	2500	333.3	72	65	100	100
1250	2167	173.4	47	40	100	100
1750	1833	104.7	36	29	100	100
2250	1500	66.7	30	23	100	94
2750	1167	42.4	26	19	100	82
3250	833	25.6	23	16	100	73
3750	500	13.3	21	14	100	66
4250	167	3.9	20	13	97	61
4500	0	0	19	12	95	59

**TABLE 3. Effect of Plan 3 (G = \$2400, TR = 50%, cutoff = \$4800) on the Annual Hours of Work of Male and Female Family Heads, by Pre-plan Income Level**

<i>Pre-plan Income (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Percent Increase in Consumption Possibilities</i>	<b>PERCENT REDUCTION IN ANNUAL HOURS OF WORK</b>			
			<b>MALE HEADS</b>		<b>FEMALE HEADS</b>	
			<i>High Estimate</i>	<i>Low Estimate</i>	<i>High Estimate</i>	<i>Low Estimate</i>
0	2400	—	0	0	0	0
750	2025	270.0	54	52	100	100
1250	1775	142.0	34	32	100	100
1750	1525	87.1	25	23	100	91
2250	1275	56.7	20	18	92	75
2750	1025	37.3	17	15	82	65
3250	775	23.8	15	13	75	58
3750	525	14.0	13	11	69	52
4250	275	6.5	12	10	65	48
4750	25	0.5	11	9	62	45
4800	0	0	11	9	62	45

that are below the cutoffs of all three plans is in all cases greatest under Plan 2. For male family heads covered by all three plans, the reduction in labor supply is least under Plan 3. Because the earnings exemption has little effect on male family heads, the difference in effects of Plans 1 and 2 on the labor supply of male family heads is small, attributable mainly to the difference in the size of the income supplements provided by the two plans. The difference between the effects on labor supply of Plans 1 and 3 is larger than that between Plans 2 and 1 and is due mainly to the difference in tax rates of the plans. For female family heads with fairly low pre-plan incomes, the \$720 earnings exemption of Plan 1 would appear to be more work-saving than the lower tax rate of Plan 3, although this conclusion may result from the assumption made about behavior in response to the earnings exemption. For those with higher pre-plan incomes, the percentage reduction in annual hours is less under Plan 3 than under Plan 1.

As has been discussed earlier in the paper, reductions in labor supply in response to the income supplement and tax rate on earnings of a negative income tax plan result in a loss of output, increase the transfer cost of the negative income tax plan itself, and diminish the efficacy of the plan in raising low incomes. In the tables that follow we use the estimates of the changes in annual hours worked by family heads under Plans 1, 2, and 3, as shown in Tables 1-3, to estimate the reduction in earnings, the increase in the supplement due to reductions in labor supply, and the change in family income under each of the three plans. Tables 4 and 5 show by selected levels of pre-plan income the estimated effects of the three plans on male-headed and female-headed families who in the absence of a negative tax plan are dependent entirely on the earnings of the family head, i.e., families whose sole source of pre-plan income is the earnings of the family head. Table 6 shows the estimated income level under each plan at which the income of such families would be unchanged by the plan, i.e., where pre-plan and post-plan income are equal. Tables 7 and 8 show the estimated effects of each plan for the average participating male-headed and female-headed family,

taking into account the effective cutoffs of the three plans and the average share of earnings in the total income of participating families.

For families who in the absence of a negative income tax plan are entirely dependent on the earnings of the family head, the loss of earnings equals the percentage reduction in the annual hours of the head times pre-plan income. On the assumption that the pre-plan wage rates of family heads equal their marginal productivity, the reduction in earnings represents the loss in output or GNP due to reduction in labor supply. The loss of family income is of course less than the loss in earnings since the family's supplement is increased by TR times the loss in earnings. (Under Plan 1, the loss in earnings is filled in at a 66.7 percent rate only to the point where the total supplement equals \$2400.) The change in family income under each plan is equal to the initial supplement minus  $(1-TR)$  times the loss in earnings.

Although the percentage reduction in annual hours induced by the three plans generally diminishes for successively higher levels of pre-plan incomes, Tables 4 and 5 suggest that the absolute loss of earnings and output is greater for families near the cutoff of each plan than for those with lower pre-plan incomes. Their smaller reduction in annual hours due to the income effect fails to compensate for their higher initial earnings. It would appear that the major loss in output under any of the three plans comes from placing high effective tax rates on participants near the plan cutoff who have moderately high pre-plan earnings. Both because their reduction in earnings is larger and because their initial supplements are much smaller, families with pre-plan incomes near the cutoff take a smaller proportion of their increased consumption possibilities in higher income than do families with very low pre-plan incomes. At the same time, the percentage increase in the supplement due to work reduction is higher for those near the cutoff than for those with lower pre-plan incomes. For example, under all three plans the increase in income of male-headed families with pre-plan income of \$1250 is close to 90% of their initial supplement. For male-headed families with

**TABLE 4. Effect of Three Plans on the Earnings and Income of Male-Headed Families, Where Earnings of the Head Are the Sole Source of Pre-plan Income, by Selected Pre-plan Levels**

<i>Pre-plan Income = Earnings of Family Head (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Loss of Earnings Due to Reduction in Annual Hours Worked</i>		<i>Increase in Transfer to Fill in Loss of Earnings</i>		<i>Change in Family Income</i>	
		<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>	<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>	<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>
<b>PLAN 1</b>							
1250	2047	530	478	353	318	1870	1887
2250	1380	648	491	432	327	1164	1216
3250	713	731	504	488	336	470	545
4250	47	816	519	544	346	-225	-126
<b>PLAN 2</b>							
1250	2167	584	496	389	331	1972	2002
2250	1500	668	511	446	341	1278	1330
3250	833	751	523	501	349	583	659
4250	167	833	536	555	357	-111	-12
<b>PLAN 3</b>							
1250	1775	421	396	211	198	1565	1577
2250	1275	455	410	227	205	1047	1070
3250	775	481	416	241	208	535	567
4250	275	510	425	255	213	20	63

**TABLE 5.** Effect of Three Plans on the Earnings and Income of Female-Headed Families, Where Earnings of the Head Are the Sole Source of Pre-plan Income, by Selected Pre-plan Income Levels

<i>Pre-plan Income = Earnings of Family Head (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Loss of Earnings Due to Reduction in Annual Hours Worked</i>		<i>Increase in Transfer to Fill in Loss of Earnings</i>		<i>Change in Family Income</i>	
		<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>	<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>	<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>
<b>PLAN 1</b>							
1250	2047	1250	1250	353	353	1150	1150
2250	1380	1530	1530	1020	1020	870	870
3250	713	2529	2295	1687	1530	-129	-52
4250	47	3532	2533	2353	1689	-1132	-797
<b>PLAN 2</b>							
1250	2167	1250	1250	833	833	1750	1750
2250	1500	2250	2124	1500	1416	750	792
3250	833	3250	2360	2167	1573	-250	46
4250	167	4127	2597	2751	1731	-1209	-699
<b>PLAN 3</b>							
1250	1775	1250	1250	625	625	1150	1150
2250	1275	2072	1690	1036	845	239	430
3250	775	2425	1872	1212	936	-438	-161
4250	275	2780	2057	1390	1029	-1115	-753

pre-plan incomes of \$3250 the comparable ratios range between 65 and 80 percent. For the former group the reduction in work effort adds about 10-20 percent to the supplement under all three plans; for the latter, reductions in work effort add 30-70 percent to the plan supplements.

While each of the three plans increases the incomes of recipient families with very low pre-plan incomes, all three plans bring about a reduction in the income of some families with pre-plan incomes near the cutoff. For some families with pre-plan incomes near the cutoff of each plan, the loss of earnings due to a reduction in labor supply, even when partially filled in through an increase in the supplement, results in a loss of income in excess of the initial income supplement; for such families, post-plan income is less than pre-plan income. Table 6 shows the income levels at which, given estimated reductions in hours worked, the income of families entirely dependent on the earnings of the head would be unchanged by each plan, i.e., at which the loss in income due to the reduction in earnings would just equal the family's initial supplement. Below this level incomes of such families would on average go up; above this level they on average would decline. (For families that have nonemployment income in addition to earnings, the levels of equality between pre-plan and post-plan income would be somewhat higher than those shown in Table 6.)

Tables 7 and 8 show the effects of the three plans on male- and female-headed families whose pre-plan income is equal to the mean pre-plan income of participating male- and female-

**TABLE 6.** Level at Which Pre-plan and Post-plan Incomes are Equal, for Families Where Earnings Are the Sole Source of Pre-plan Income

	<b>MALE-HEADED FAMILIES</b>		<b>FEMALE-HEADED FAMILIES</b>	
	<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>	<i>High Estimate (\$)</i>	<i>Low Estimate (\$)</i>
<b>PLAN 1</b>	3929	4063	3120	3183
<b>PLAN 2</b>	4092	4232	3000	3315
<b>PLAN 3</b>	4287	4372	2606	2980

**TABLE 7. Effects of Three Plans on the Average Male-Headed Family Below the Effective Cutoff**

	<i>Pre-plan Income (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Percent Reduction in Annual Hours Worked by Family Head</i>	<i>Earnings Loss (\$)</i>	<i>Percent Increase in Supplement Due to Work Reduction</i>	<u>Change in Family Income</u>		
						<i>(\$)</i>	<i>(%)</i>	<i>Per \$ of Transfer (\$)</i>
<b>PLAN 1</b>								
High estimate	2975	897	24	694	52	666	22	.49
Low estimate	2975	897	17	490	37	734	25	.60
<b>PLAN 2</b>								
High estimate	3125	917	24	726	53	675	22	.48
Low estimate	3125	917	17	522	38	743	24	.59
<b>PLAN 3</b>								
High estimate	3325	738	15	476	32	500	15	.51
Low estimate	3325	738	13	411	28	532	16	.56



headed families. In calculating the mean pre-plan income of participants, we have included families above the statutory cutoff of each plan who according to our estimates could be expected to reduce their earnings sufficiently to qualify for an income supplement. The mean incomes in Tables 7 and 8, therefore, are estimated mean incomes below what will be called the "effective cutoff" of each plan, i.e., the level of pre-plan income below which families could be expected to participate in each plan.

We have estimated that male heads of families with pre-plan incomes up to three percent above the cutoffs of Plans 1 and 2 and about two percent above the cutoff of Plan 3 might be expected to reduce their hours worked and qualify for income supplementation. Female-headed families with incomes 17-21 percent above the cutoffs of Plans 1 and 2 and 12-13 percent above the cutoff of Plan 3 would, according to our estimates, be potential participants.

Although families with pre-plan incomes above the statutory cutoff of a negative income tax plan lose a dollar in income for every dollar reduction in earnings above the cutoff, each dollar reduction below the cutoff is filled in at the plan's tax rate. The further earnings are reduced below the cutoff, the higher the average rate at which the supplement fills in the total loss of earnings. Without knowing the form of utility functions it is difficult to determine the extent to which families with pre-plan incomes above the cutoff could maximize utility by reducing earnings sufficiently to qualify for a supplement. However, since it is important to make some estimate of the extent of effects above the cutoff, we made the following assumption: that the head of a family with pre-plan income above the statutory cutoff of a negative income tax plan would find it advantageous to reduce his hours of work sufficiently to enable the family to qualify for a supplement if there is a level of earnings below the cutoff at which the supplement divided by the loss in earnings is equal to a tax rate that, given our estimated substitution effect of various tax rates, would induce him to reduce his earnings to that level.

The mean incomes shown in Tables 7 and 8 are the esti-

mated mean incomes in 1969 of nonaged four-person families that received no transfer income from Public Assistance, Social Security, Unemployment Insurance, Workmen's Compensation, or Veterans Compensation. Means were calculated from the 1969 income distribution of families with husband, wife, and two children and families with a female head and three children as reported in Current Population Reports, Series P-60, no. 75. The distributions were adjusted to exclude recipients of public transfer payments by applying ratios of transfer recipients to the total number of families with nonaged male and female heads in each income class taken from special tabulations of the 1966 SBO. Because of the higher effective cutoff of each plan for female-headed than for male-headed families, the mean incomes of the two groups are fairly close, although the mean income of female-headed families below the statutory cutoffs is considerably lower than that of male-headed families.

In calculating the reduction in earnings and output due to changes in labor supply in Tables 7 and 8, account has been taken of the average share of earnings in the total family income of participants. In male-headed families earnings account for a larger percentage of family income than in female-headed families. Some of the earnings of the male-headed families are the earnings of the wife. Analysis of the behavior of the wife in response to income supplements and compensated reductions in her wage rate in the Tella, Tella, and Green Study [7] indicated that the elasticity of the wife's annual hours of work to both increases in nonemployment income and to a compensated reduction in her wage rate are larger than that of the male household head. However, since the wife's earnings account for a relatively small share of total earnings in low-income families with a working male head, the elasticity of total family earnings to change in nonemployment income and to reductions in the effective wage rates of earners is not substantially larger for families in which both husband and wife are earners than in families where the husband is the sole earner. For this reason, the total reduction in earnings in male-headed families has been calculated by

multiplying the percentage reduction in annual hours of the head by total family earnings. This procedure may result in a slight underestimate of the reduction in earnings in families where both husband and wife are earners.

The male head of a family with income equal to the mean of all participating male-headed families could be expected, as indicated in Table 7, to reduce his annual hours of work by an estimated 13-15 percent under Plan 3 and 17-24 percent under Plans 1 and 2. The income effect accounts for between 20 and 30 percent of the total reduction in hours under all three plans. The average male family head would be unaffected by the earnings exemption of Plan 1. The reduction in earnings and output in the average male-headed family is in the range of \$400-475 under Plan 3 and \$500-700 under Plans 1 and 2. The estimates suggest that the income of the average male-headed family would increase by 22-25 percent under Plans 1 and 2, and by 15-16 percent under Plan 3. Comparison of the actual increase in family income under each plan with the initial income supplement indicates that under Plans 1 and 2 the increase in income is about 75 percent of increased consumption possibilities (initial supplement) afforded by each plan, or about three-fourths of the increase that would have taken place in the absence of any changes in labor supply. The ratio is slightly smaller under Plan 3. While the income of the average male-headed family increases by more under Plans 1 and 2, reductions in work effort add somewhat more to the transfer cost of these two plans than to that of Plan 3. Reductions in work effort add an estimated 35-50 percent to the transfer cost of Plans 1 and 2, and about 30 percent to that of Plan 3. Under all three plans, a dollar of transfer adds about 50-60 cents to the income of the average participating male-headed family.

The work disincentive of all three plans is substantially higher for the average participating female family head than for the average male, the impact of all three plans on the incomes of female-headed families is less, and the addition to the transfer cost considerably higher. Given the higher elasticity of substitution for females than for males, the earnings

exemption of Plan 1 would appear to have a greater work saving effect for female family heads than for male. As a result, Plan 1 looks somewhat more attractive relative to the other plans for female-headed families than for male. However, the apparent superiority of Plan 1 over Plans 2 and 3 in terms of raising income both absolutely and per dollar of transfer may be due to the assumptions made about behavior in response to the earnings disregard.

The estimates shown in Table 8 suggest that the average female family head participating in each plan would reduce her annual hours by 80-100 percent under Plan 2 and by 60-80 percent under Plan 3. It would appear that the effects of Plan 1 on the labor supply of the average female participant are in the same range as those of Plan 3. The estimated loss in earnings due to work reduction is about \$1900-2400 under Plan 2, \$1500-1900 under Plan 3, and \$1600-1650 under Plan 1.

The income of the average participating female-headed family increases by an estimated 15-17 percent under Plan 1, 9-16 percent under Plan 2, and 0-7 percent under Plan 3. All three plans raise the consumption possibilities of the average female-headed family by 33-38 percent. At best the actual increase in family income is less than 50 percent of the initial supplement. Reductions in work effort add substantially to the transfer cost of all three plans for female-headed families, the final transfer exceeding the initial supplement by about 80-100 percent under Plan 3 and by over 100 percent under Plans 1 and 2. None of the three plans is particularly efficient in raising the income of female-headed families. It is estimated that a dollar of transfer would add 21-23 cents to the income of female-headed families under Plan 1, 10-20 cents under Plan 2, and less than 12 cents under Plan 3.

**TABLE 8. Effects of Three Plans on the Average Female-Headed Family Below the Effective Cutoff**

	<i>Pre-plan Income (\$)</i>	<i>Initial Supplement (\$)</i>	<i>Percent Reduction in Annual Hours Worked by Family Head</i>	<i>Earnings Loss (\$)</i>	<i>Percent Increase in Supplement Due to Work Reduction</i>	<i>Change in Family Income</i>		
						<i>(\$)</i>	<i>(%)</i>	<i>Per \$ of Transfer (\$)</i>
<b>PLAN 1</b>								
High estimate	2842	985	70	1640	111	438	15	.21
Low estimate	2798	1015	69	1602	105	481	17	.23
<b>PLAN 2</b>								
High estimate	2901	1066	100	2408	151	263	9	.10
Low estimate	2857	1095	79	1880	114	468	16	.20
<b>PLAN 3</b>								
High estimate	2899	951	79	1910	100	-4	0	0
Low estimate	2891	955	63	1500	79	205	7	.12

## OTHER STUDIES

Table 9 summarizes the findings of three recently published studies that have attempted to estimate the effects of negative income tax plans on the work effort of male family heads. Like our own, these studies are inferential in nature and draw on existing census data. Interestingly, all of the studies predict reductions in the annual hours of work of male working heads in response to a range of negative income tax plans. For the plans shown in the table, which have tax rates of 50 percent or greater, the estimated reductions in annual hours vary between 12 percent and 24 percent. Our analysis predicts similar reductions in the work effort of male family heads. Since nonaged male family heads frequently work extended hours, reductions in their work effort in response to a moderate-sized negative income tax plan would probably not reduce their annual hours sharply below 2000 [4,7]. The general consistency of these results, including our own, is impressive considering that variations in methodology were used from study to study, that different data were used (Current Population Survey, Survey of Economic Opportunity), and that the period of analysis was not always the same (income years 1965, 1966).

**TABLE 9.** Results of Other Studies

<i>Authors</i>	<i>Description of Plan (family of four)</i>	<i>Percent Reduction in Annual Hours Worked of Male Family Heads</i>
Green and Tella [3]	G = \$1500, TR = 50%	12
Greenberg and Kosters [4]	G = \$1600, TR = 50%	19*
	G = \$2400, TR = 50%	15
	G = \$3500, TR = 75%	24
Cohen, Rea, and Lerman [2]	G = \$3000, TR = 50%	15

**NOTE:** G = guarantee level, TR = tax rate.

\*Result includes the work disincentive effect of a food stamp plan with a guarantee level of approximately \$1000.

## CONCLUSIONS

Based on the available evidence from inferential studies, it would appear that negative tax-type plans of even moderate generosity will have a negative effect on labor supply. Such plans are likely to result in significant reductions in the work effort of low-income nonaged family heads who are not currently welfare recipients, particularly female workers. In the range of plans considered, 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. Among male family heads, it is likely that reductions in work effort would primarily take the form of reduced hours, including reductions in moonlighting and overtime, with the family head remaining in the labor force. Among working female family heads, however, because of the large estimated reductions in their labor supply, it is likely that a considerable portion of reductions in work effort would take the form of complete withdrawal from the labor force. For the three plans analyzed in this paper, the estimated reductions in annual hours of work ranged from 13 to 24 percent for the average participating male family head, and from 60 to 100 percent for the average participating female family head.

Because of the loss in earnings produced by work reductions, family incomes rise by less than the amount of the income supplement. For the three plans analyzed, the incomes of male-headed families rose by 50-60 cents per dollar of transfer. For female-headed families, incomes rose by less than 25 cents per dollar of transfer. Plan-induced reductions in earnings have the effect of automatically qualifying families for a larger income supplement, which increases plan costs. Projections of plan costs which do not take into account the effect of work reductions will be seriously underestimated.

## CAVEATS

Several caveats should be mentioned regarding the results of the simulations. The first pertains to the nature of the original study on which the present estimates of labor supply effects are based. The basic assumption underlying the study is that individuals will respond to the income supplements and effective tax rates of a negative income tax plan in much the same way that they respond to the receipt of nonwork-related non-employment income and to income-compensated reductions in their wage rates. The accuracy with which the simulations represent what would happen under a nationwide negative income tax plan depends very much on the validity of this underlying assumption. In addition, estimates derived from this and similar studies are inevitably subject to measurement error. Moreover, in studies of this kind not all factors that influence labor supply can be taken into account.

Another caveat pertains to the applicability of the results of the simulations. The effects of the three negative income tax plans were simulated in a voluntary environment, i.e., on the assumption that individuals are free to allocate their time between work and non-market activity as they choose. Implicit in the simulations also is the assumption that a dollar of supplement has the same utility as a dollar of any other kind of income.

The estimates do not take account of the possible impact on work effort of a work requirement, a penalty for failure to register for or accept a job, the provision of day care facilities, interactions between income maintenance and other programs, such as manpower programs, or supplemental welfare payments. Our results do suggest that a work requirement would have little relevance for male family heads since, even after reducing their work effort under the plans simulated, most male family heads without unemployment could still be expected to work close to full-time hours. It should be mentioned that the larger elasticity of income and substitution for female household heads may be partially explained by the costs and difficulties of job holding for such women; it is



possible that greater availability or lower cost of child care facilities would somewhat reduce the relatively high preference that female household heads have for non-market activity. Such payments as state supplements to federal payments under a negative income tax plan could be expected to result in an additional reduction in work effort.

Although our estimates of income and substitution effects are based on 1966 income data and are estimated for a population from which the unemployed were excluded, there is no strong *a priori* reason to expect that the elasticities would change very much in one direction or another over time, or that they are not representative of all employable household heads eligible for income supplementation. Over time, increases in real income could be expected to reduce the percentage of the population that would fall below any given cutoff. On the other hand, population growth might partially or totally offset the effects of economic growth on the absolute number of people with incomes below any given level. Although the numbers of participants may change over time, our results should still provide a reasonable estimate of the effect on those who remain participants. No attempt was made in this paper to simulate the aggregate effects of negative income tax plans.

Our simulations applied to a population of families that were not public assistance recipients. The work effort of public assistance recipients, mainly AFDC mothers, would probably also be affected by the introduction of a negative income tax plan. But it is unlikely that the work response of AFDC mothers who become absorbed into a new plan would be as great as the response of workers who were not previously welfare recipients. Programs such as AFDC, General Assistance, and various inkind programs would have already had their effect in reducing the work effort of recipients [1,5]. Therefore, existing work disincentives would be wholly or partially preserved, and perhaps increased, depending on the generosity of the new plan and the manner in which it is administered. If the new plan were to have a tax rate on earnings significantly less than the 67 percent AFDC rate (such

as Plan 3, above), then, *ceteris paribus*, work effort would be expected to improve. If the basic guarantee level were higher under the new than under the old plan, then work effort would be further reduced.

Variation in program administration would also affect work effort. Under locally administered AFDC programs the effective tax rate on earnings is often less than the statutory rate. If a 67 percent tax rate under a new plan were to be enforced, the effect would be to increase the effective tax rate which would result in a reduction in work effort. Also, under AFDC there may be administrative pressures on recipients to work. If a new plan allowed a greater degree of voluntary labor-leisure choice, the probable effect of lessening administrative pressure would be to further reduce labor force participation.

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**Appendix E.—Responses of the Department of Labor to Questions Submitted by Senator Abraham Ribicoff (See p. 125)**

*Question 1: How many Americans are unemployed?*

July 1971:

Number unemployed (actual).....	5,330,000
Unemployment rate (seasonally adjusted).....	5.8 percent

*How many Americans are underemployed?*

Underemployment is an extreme form of the underutilization of workers. In theory, any worker who is functioning at less than his full productive potential could be regarded as underutilized. We can distinguish between two basic kinds of underutilization or underemployment. The first, which is readily measurable, relates to the number of workers who desire full-time work, but work only part-time. In July 1971, the latest data available, there were 3,033,000 Americans in this category. They were on shorter hours because of such factors as slack work, inability to find a full-time job, beginning or ending a job, material shortages and repairs.

The second type of underemployment relates to persons working below their educational or skill level. This is an area that has not been precisely quantified, although the Bureau of Labor Statistics is currently engaged in a pilot study in Houston, Texas, to establish ways of gauging this factor. We believe that some proportion of the approximately 1.3 million "working poor" who are potential recipients under the Opportunities for Families program would meet this latter definition of underemployment. The Department of Labor will be working with these people to upgrade their skills, their job situations, and their career opportunities to increase the extent of their utilization.

*How many are eligible for OFF and how many are required to participate in the program? How many would voluntarily agree to participate?*

All adults who are eligible for welfare reform benefits are either required to register in the OFF program, or many volunteer to register—with the exception of the aged, ill, and disabled who are prohibited from doing so by the legislation.

Our current estimate is that, if all eligible families were in fact to apply for benefits 2.8 million people would be required to register with OFF in the first year (of whom 1.3 million would be working poor). Since the entire family becomes the responsibility of the Department of Labor, a total of approximately 13.5 million individuals would be in the OFF program. We estimate, in addition, that approximately 200,000 individuals who are not required to register would volunteer for training and job opportunities provided through the OFF program.

*Show the present levels of training and education of those eligible for the OFF program.*

We do not have any data on the training level of "eligibles". However, the following table shows the educational distribution of the FAP/OFF population, by sex or head:

Years of school completed	Percent of distribution	
	Male head	Female head
Less than 8.....	36	24
8.....	16	14
9 to 11.....	20	32
12.....	19	35
13 and over.....	9	5

*How many of these individuals are eligible for existing manpower programs?*

We see no reasons why all of the OFF registrants could not be eligible for one or more of the currently authorized manpower programs.

*How many have already been processed through other programs? With what results?*

We have no way of knowing this information about the new welfare reform population. We do know that of the one million enrollees in manpower programs during FY '70 some 30 percent were on some form of public assistance. By program, this ranged from 100 percent in the WIN program to much lower figures in some other categorical programs—particularly under MDTA authorizations where the constraint of poverty (and thus welfare) status is not so operative as with EOA funded programs.

*Question 2a: What percent (estimated) of the individuals required/eligible to participate in OFF are minorities?*

*Response:* The overall estimate for non-white eligibles for the family programs (OFF/FAP) is approximately 38% of all families. We are currently working with HEW on estimating separate OFF and and FAP minority percentages, but those figures have not yet been determined.

*Question 2b: What measures are you taking now to insure equal opportunity? (please provide the Committee with annual reports on EEO enforcement for DOL Manpower programs for the past two years showing how enforcement is administered at DOL regions and locally, size of budget, number of staff, volume of complaints and agreements handled, etc.)*

*Response:* Attached is a copy of the Report of the Office of Equal Employment Opportunity for Nov. 1, 1967–Dec. 31, 1970.

The 117 compliance reviews, 96 complaint investigations, 930 complaints received and 46 negotiations completed between November 1, 1967 and December 31, 1970 are listed on a State by State basis in the back of the Report of the Office of Equal Employment Opportunity.

Staffing in that office and in the regions was as follows:

	Allocated	Number of staff	
		National office	Regional office
Fiscal year 1970.....	\$617,000	22	13
Fiscal year 1971.....	761,000	10	25

Various measures are being taken to insure equal opportunity.

One of these is to insure equal employment opportunity for minority group persons in State Employment Security Agencies. Over the past four years the employment of minority group persons has been showing steady gains going from 6,835 (11.8%) minority employment in 1967 to 11,062 (16.2%) minority employees as of August of 1970. In 1967, the first year the Department conducted a survey, 6.5 percent of

the minority employees were in managerial-supervisory positions. By 1970, this figure has risen to 8.2 percent. Another 10.6 percent were in professional and technical positions in 1970, up from 9.3 in 1967.

The States now have approximately 3,500 disadvantaged, mostly minority, individuals employed as aides and coaches. These workers are being provided training to enable them to move up the career ladder. The States now have funds for a New Careers in Employment Security program which will enable the entry level training of 1,000 disadvantaged individuals and the upgrading of 2,000 persons already employed.

The following policy has been issued to State agencies:

“It is the policy of the Manpower Administration that the State Employment Security Agencies should employ such numbers of workers from minority groups as will assure that all agencies and offices can operate effectively in responding to the manpower and employment needs of the community being served.”

To implement this policy, State agencies were asked to develop detailed plans of action for making improvements in minority staffing for both new hires and the upgrade of existing minority staff. A major requirement in the development of these plans was the establishment of minority staffing goals which the States expected to attain during FY 1971 and FY 1972.

All States have now submitted plans which have been approved by the Manpower Administration. At this time, we are now receiving status reports from the States and of the 26 States that have reported the majority have shown substantial increases in minority staffing since they began implementing their minority staffing plans.

A recent innovation in ES operations is the Job Bank. —a method of computerized job placement. As of August 6 there were 92 Job Banks in operation in 40 States. By June of 1972, it is anticipated there will be State-wide Job Bank systems in all 50 States and all 2200 local employment service offices will be served by a Job Bank. One side benefit of this system is that it assures that all job orders are available to all applicants.

ES testing practices are in accord with Section 703 (h) of the Civil Rights Act. The USTES Nonreading Aptitude Test Battery (NATB) was developed for ES use in measuring the aptitudes of individuals who cannot take written tests because they lack sufficient literacy skills. It is being introduced for operational use in the Manpower delivery system. Training of about 4,000 local office test administrators and counselors will be completed by the end of the calendar year. Work has started on the development of a Mexican-Spanish edition of the GATB and an alternate form of the Puerto Rican-Spanish GATB.

State Agencies are required to display the poster “Federal Law Prohibits Discrimination by State Employment Service Offices”. This is available in Southwest Spanish and East Coast Spanish as well as English.

2(b) A project monitoring handbook has recently been prepared and will be issued to the field in August. It has an extensive section on



equal employment opportunity. This handbook is intended to be the definitive guide for the Government Authorized Representative's (GAR) use in monitoring manpower projects. The handbook calls for determining whether the contractor is an equal opportunity employer or moving in that direction, whether EEO posters and other required informational materials have been posted or distributed, whether records on project staff and their work assignments indicate any evidence of discriminatory practices, whether project enrollment reflects the population of the target area and whether the racial and ethnic origins of the project staff reflect that of the project participants. Visits to worksites, classrooms and counseling sessions are to be conducted to assure compliance with EEO policies and project staff and participants are to be interviewed to determine if they are being afforded their rights and privileges under the laws and regulations concerning civil rights. Other interviews are to be conducted to assure that the contractor is aware of his responsibilities concerning civil rights.

## ES SERVICES TO OTHER THAN WHITE

[In thousands]

	Fiscal year 1969		Fiscal year 1970	
	Number	Percent of total	Number	Percent of total
New applications.....	2,207.1	22	2,304.8	23
Initial counseling.....	374.0	32	371.6	34
Nonfarm placements.....	1,197.7	34	1,664.6	36

Of applicants on Employment Service rolls during FY 1971 a little over one-fifth were Negro. These Negro applicants represented nearly a third of those counseled, nearly two-fifths of those enrolled in some type of training for jobs, and over one quarter of those actually placed in a job. Similar special service was provided for other minority groups.

Not all minority applicants need employability development services, but many do. More than one-fifth of recent applicants were identified as needing special employability development services when they registered with the Employment Service. Nearly nine out of ten persons counseled or enrolled in training were from this group. Of all individuals placed, more than one quarter had originally been identified as needing special help in getting a job.

Based on reports from 45 States ES Agencies, July 1970 through May 1971:

	Applicants available	Per-cent	Counseled	Per-cent	Placed	Per-cent	Enrolled in training	Per-cent
Total.....	10,042,215	100.0	903,165	100.0	1,338,614	100.0	245,194	100.0
Negro.....	2,077,951	20.7	297,590	32.9	345,378	25.8	93,326	38.1
American Indian.....	74,781	.7	10,272	1.1	13,934	1.0	5,150	2.1
Spanish surname.....	627,336	6.2	71,285	7.9	108,491	8.1	28,726	11.7
Emp. develop.....	2,194,881	21.9	780,899	86.5	353,262	26.5	222,799	90.9

## MINORITY GROUP PARTICIPATION IN MANPOWER PROGRAMS

	Fiscal year 1969			Fiscal year 1970			Fiscal year 1971		
	Negro	Spanish surname	Other	Negro	Spanish surname	Other	Negro	Spanish surname	Other
Percent of population.....	111	15	14						
MDTA.....									
Inst.....	39.7	(*)	4.4	36.0	12.8	4.8	*38.9	*12.1	*4.8
OJT.....	35.4	(*)	3.5	30.3	8.3	3.0	*27.5	*11.6	*5.6
NYC.....									
In school and summer.....				42.0			(*)	(*)	(*)
Out of school.....				44.0			438.2	439.8	45.8
Operation Mainstream.....	20.8	(*)	11.7	24.6	12.2	13.8	*31.6	*26.0	*11.1
New Careers.....	61.1	(*)	5.8	63.0			*40.3	*32.1	*1.3
CEP.....	65.0	12.0	7.0	67.4	20.5	6.5	*59.9	*19.7	*8.9
JOBS (federally financed).....	77.5	12.1	9.8	72.2	12.3	5.6	*57.0	(*)	*7.9
WIN.....	40.0	18.0	4.0	42.7	19.9	5.4	*39.1	*15.8	*4.8
Job Corps.....				60.0	(*)	13.3	(*)	(*)	(*)

<sup>1</sup> Census Bureau report on 1960-70 decade.

<sup>2</sup> Not available.

<sup>3</sup> Cumulative through Mar. 31, 1971.

<sup>4</sup> Cumulative through Dec. 31, 1970.

<sup>5</sup> Current enrollment in active contracts as of Mar. 31, 1971.

*Question 2c: How do you plan to adjust your EEO enforcement program to accommodate the new responsibilities?*

*Response:* Since it is anticipated that a substantial proportion of OFP recipients will be minority group members, EEO activities will of necessity be an integral and strong part of the new program. The current thrust toward equal treatment of minority clients will be continued. In addition, emphasis on minority staffing will be stressed to all deliverers of services under OFP. It should be noted that steps are now being taken within the Welfare Reform Planning Staff to assure substantial minority representation among its employees, and this is indicative of the commitment to continue such efforts throughout the implementation of the new program.

REPORT OF THE OFFICE  
OF  
EQUAL EMPLOYMENT  
OPPORTUNITY

November 1, 1967 through December 31, 1970

U.S. DEPARTMENT OF LABOR  
Manpower Administration

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## PREFACE

Despite the gains minority groups have made in the past 20 years, they still remain behind America's white majority in the race for equality in employment and job status. Discrimination still exists against Negroes, Mexican Americans, Indians, and others--including women. It may be in the form of refusal to hire, paying smaller salaries; or failing to promote.

During the sixties a great variety of Federal legislation was passed to cure the social ill of discrimination. One of the most notable pieces of legislation is the Civil Rights Act of 1964, which seeks, among other aims, to eliminate discriminatory practices in federally assisted programs based on race, color, or national origin. Other legislation, such as the Age Discrimination in Employment Act, and certain regulations aim at preventing discrimination based on age or sex.

The Office of Equal Employment Opportunity, in the Department of Labor's Manpower Administration, is responsible for the coordination of departmental activities under these various laws and regulations. Working with other components of the Department of Labor and the Regional Equal Employment Opportunity Offices, it provides leadership in promoting equal opportunity through voluntary compliance and affirmative action.

This is a report of program activities for 1970, prepared under the direction of Arthur A. Chapin, Director of the Office of Equal Employment Opportunity. Significant contributions were made by Regional Manpower Administrators, State Employment Service Directors, and staff of the U.S. Training and Employment Service. Nelson S. Burke, Deputy Director of the OEEO, and Alfred E. Simons, formerly of that office, gathered much of the data and prepared the major portion of the report.

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## INTRODUCTION

The Office of Equal Employment Opportunity has undergone several organizational changes within the past few years. The most recent change, on July 1, 1970, was to decentralize many of its activities and transfer more responsibility to the 10 regional offices and the District of Columbia. The EEO unit in each region now works directly under the Regional Manpower Administrator, who is responsible for such major functions as compliance reviews, complaint investigations, negotiations for corrective actions, promoting voluntary compliance through affirmative action with State agencies and other sponsors, and maintaining liaison with other governmental agencies.

Functions remaining in the national office include developing policy, drawing up procedural guidelines, providing technical assistance, training staff, and monitoring regional activities.

Under decentralization, the mission of the OEEO is to develop and support a program for carrying out the Department's responsibilities under Title VI of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, as it affects manpower programs and for implementing the Department's policies and regulations concerned with the elimination of discriminatory practices. Its specific functions are to:

1. Develop and recommend Department policies, goals, objectives, regulations, procedures, and guidelines and promote leadership for a unified and integrated program for equal employment opportunity.
2. Inform the Department's national and regional staff, State agencies, sponsors, and other recipients of departmental assistance of their responsibilities in the equal opportunity program.
3. Develop and administer an effective system for receiving and investigating complaints of discrimination and for conducting preaward and compliance reviews.
4. Maintain liaison and coordinate with the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission, and other government agencies and private organizations concerned with equal opportunity.

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5. Monitor the equal opportunity activities of the Manpower Administration by field visits and review and analyze management data and operating reports.

The regional EEO staff has a mission to implement, within the jurisdiction of the region, an equal employment opportunity program to fulfill Title VI of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, and the Manpower Administration policies and regulations concerned with the elimination of discriminatory employment practices. Its functions are to:

1. Assist the Office of Equal Employment Opportunity in the development of policies, goals, objectives, regulations, procedures, and guidelines for a unified and integrated program for equal employment opportunity and act on the behalf of the Regional Manpower Administrator to implement these policies.

2. Promote equal employment opportunity in coordination with the OEEO in order to obtain voluntary compliance and affirmative action.

3. Implement a system for receiving and investigating complaints of discrimination in employment and for conducting preaward and compliance reviews.

4. Keep the RMA apprised of equal employment opportunity activities of the region and review and analyze management data and operating reports.

5. Provide training and information to regional staff, sponsors, and State agencies concerning their responsibilities in the equal employment opportunity program.

6. Establish and maintain liaison with other regional office components, local government agencies, and private organizations concerned with equal employment opportunity.

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## PROGRESS AND PROBLEMS

Through its reviews and investigations and the resulting negotiations and conciliations, the Office of Equal Employment Opportunity and the regional EEO staff have brought about changes in overt behavior and, in some instances, changes in attitudes. Many persons in manpower programs have been made aware of discriminatory practices which unconsciously stem from either custom or deep-seated prejudices. Through routine compliance reviews, many individuals in minority groups have been helped to gain employment or entrance into manpower programs. Contacts between the personnel of the OEEEO and participants in manpower programs throughout the Nation have led to discernible inroads into the problem of unequal opportunity.

Yet chronic disparities continue to exist in opportunities for whites and those for minorities. For example, the unemployment rate in 1970 for black workers was 8.2 percent; for white workers, it was 4.5 percent. The unemployment rate for black youth--ages 16 to 19--was 29.1 percent; for white youth, 13.5 percent.

While the sphere of responsibility of the Manpower Administration does not cover the entire field of employment, its efforts can eventually help to alleviate this imbalance by assuring equality of opportunity in federally funded manpower programs and in the operations of the State employment service system. Some progress has been realized, and there have been some outstanding successes. However, much remains to be done because of the difficulty in changing the attitude of many Americans who directly control the employment destinies of minority people.

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## ACCOMPLISHMENTS

When weighed against the formidable task the OEEC has been given, the accomplishments have been significant. In many localities where 3 years ago there was massive resistance and hostility on the part of State and local officials--both with the State employment service and in manpower programs--there is cooperation and an honest effort to bring about compliance.

1. Joint Investigations with States

The OEEC has been trying to develop means by which it could secure greater voluntary compliance with Title VI of the Civil Rights Act, which prohibits discrimination in federally assisted programs--not only by compliance with the letter of the law but through dedication to its spirit as well. The most successful method prior to decentralization was conducting compliance reviews in conjunction with the State. With the move to decentralization, this method has set a pattern for smooth transition in conducting investigations at the local level. The procedure was to inform the State officials of anticipated reviews and to request that they supply representatives of authority to work with the compliance officers. The results were exceptionally good. In all of the States where violations or irregularities were found, onsite corrections were usually made. The States were more inclined to accept the findings of these joint investigations and to initiate statewide changes.

--After a compliance review was made in one State where previous efforts had not been very successful, the State administrator expressed his willingness to comply with the recommendations. He wanted to have the findings of these reviews presented and explained to his central office and field supervisors to train them to identify discriminatory practices and maintain proper surveillance over the civil rights aspect of program operations.

--A letter sent to the OEEC Director from one of the States assured compliance activity:

"This is to reinforce the position the State Employment Service is taking toward job discrimination. Employees are constantly reminded that it is their responsibility to serve the public without regard to personal feelings. Should any complaint be lodged

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against an interviewer, we examine the complaint and our interviewers are reminded of the unlawful pre-employment inquiries set by the Civil Rights Commission. Employer job orders are refused when they are discriminatory. I might also add that I am personally checking with different groups in the community to find any problems relating to discrimination in employment."

--Following a joint State-national office review throughout one State, the State administrator sent a copy of Guide for Compliance with Civil Rights Laws and Policies to his section heads, unit heads, district supervisors, and area office managers. A copy of this guide was sent to the OEEEO Director. Its contents make it clear, that this administrator means to bring his State employment service into full compliance.

These communications are typical of those received from a growing number of States showing what they are doing voluntarily to promote civil rights and equal opportunity.

In addition to joint reviews, the personnel of States and regions have been making investigations of complaints and giving assistance to individual citizens who had difficulty in finding employment or in obtaining unemployment insurance benefits. This proved to be another very successful technique in resolving problems--and at a lower cost to the Government.

States began to look into their civil rights practices on their own as a result of participating in compliance reviews with the national office, often using some of the techniques used by national office compliance officers.

## 2. Negotiations

Prior to decentralization, negotiations were held with States to find solutions to problems uncovered during complaint investigations or compliance reviews. This function has now been decentralized to the regions. Through negotiations, States promised to make numerous corrections. In one State, which had been recalcitrant for the past 3 years, an agreement was reached between its Employment Commission and the United States acting through the Attorney General and the Secretary of Labor. This agreement included the following items:

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- a. Each local office must assign occupational classifications to applicants without discrimination on the basis of race, color, or national origin.
- b. Each local office must select and refer applicants for employment without regard for race, color, or national origin.
- c. All applicants registered in the central city offices and in the peripheral offices will receive equal exposure to incoming job orders.
- d. The Commission will insure that local ES offices follow the instructions and procedures set forth in the Employment Security Manual.
- e. The Commission will require the Apprenticeship Information Center and each local office servicing apprenticeship programs to select and refer applicants to apprenticeship programs on a non-discriminatory basis.
- f. No entry will be made on the application form relating to personal traits of the applicant. In addition, any such entries on all active or reactivated applications must be obliterated.
- g. Each local office must initiate and implement programs for effective communication with minority group communities in order to disseminate information regarding job openings and training and apprenticeship programs.
- h. The Commission will conduct training sessions as necessary to acquaint all district and local office personnel with their responsibilities.
- i. The Commission, in conjunction with the U.S. Training and Employment Service, will develop and put into effect any additional practices and procedures relating to counseling and testing that may be necessary to give the fullest possible service to minority group applicants.
- j. The Commission will follow up to determine whether the local offices have complied with the requirements of the agreement.

Similar, though not as extensive, agreements were negotiated in many other States (see appendix, p. 30).

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### 3. Merit Staffing in Es Agencies

One of the crucial juncture points to achieve equal opportunities in the delivery system for the various manpower programs is the State Employment Security Agency.

The lack of representative numbers of minority people on State employment security agency staffs has long been a serious problem in assuring equal employment opportunity in Manpower Administration programs. This lack has pervaded all categories of positions, except custodial, but has been extremely severe in the executive-managerial category, where policy is made and the authority for implementing equal employment opportunity rests. The representation of minority employees in the professional-technical and clerical categories is only slightly better.

Without adequate minority representation, the agencies are deprived of personnel who are really sensitive to the nature of equal employment opportunity. They are also denied credibility as proponents and practitioners of equal employment opportunity.

State agencies generally attribute their failure to employ more minority people to their State merit systems. There is substantial evidence that State merit systems often impede, and in some cases virtually exclude, minority people despite the fact that such systems are operated under Federal standards for a merit system of personnel administration.

The Manpower Administration and the Office of Equal Employment Opportunity have worked with State agencies and with the Office of State Merit Systems, of the Department of Health, Education, and Welfare, which administers Federal standards for State merit systems, to improve employment opportunities for minority workers at all levels in State agencies.

During 1970 the Office of Equal Employment Opportunity became increasingly concerned with the lack of minorities on Employment Security offices staffs. It discovered that State testing procedures are often archaic, preventing minorities from entering State service, with the test itself having little connection with subsequent performance requirements. Recruitment methods are often inadequate to reach minority schools and minority communities.

Often State employment security officials desire to reform State merit staffing procedures. As a result of a national office equal opportunity evaluation of the Nevada State Employment Security Department, the Nevada State Personnel Division created a study group to explore minority staffing on a statewide basis. An indepth

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review is to be made into minimum qualifications, testing procedures, and the selection process now in use. There will also be a proposal in Nevada for a new classification to enforce Federal guidelines for the "coach" position used in the Concentrated Employment Program. These plans of action enable State ES agencies to meet goals for increased minority staffing in such areas as job restructuring, staff replacement planning, and recruitment.

The OEEO recognized in the expansion of manpower programs an opportunity for utilizing minority people in subprofessional jobs. Accordingly, the office worked with the Manpower Administration, State agencies, and contractors to stimulate the recruitment, training, and hiring of such people for this kind of work. Much of the numerical increase that has been achieved lately in minority employment on agency staff has been due to the hiring of such persons for auxiliary and aide positions. On the other hand, increases of minority employees in management, professional, and clerical categories have not been sufficient to assure permanent improvement.

Continued efforts culminated in the issuance on March 25, 1970, of a Manpower Administration policy statement "that the State employment security agencies should employ such numbers of workers from minority groups as will assure that all agencies and offices can operate effectively in responding to the manpower and employment needs of the community being served."

To implement this policy, State agencies were required to develop plans for improving minority staffing and upgrading in each local employment service and unemployment insurance office and to formulate a State plan for making necessary changes in policies and practices, for cooperating with the merit system agency to see that its policies and practices insure full equality of opportunity, and for dealing with anticipated problems. The State plans are required to be incorporated in the State Agency Plans of Service upon approval by the national office. Specific procedures for developing the State plans and for incorporating them into the Plans of Service were furnished by the national office.

The new policy and the improvement plans for its implementation constitute a foundation upon which the Manpower Administration and the State agencies can support their activities for improving minority employment, but the goals and objectives of the new policy must be

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assiduously pursued. The responsibility rests heavily upon the Manpower Administration to maintain continuous surveillance over State implementation to see that it is performed aggressively and to provide guidance and technical assistance when needed. In the Manpower Administration's operations, this responsibility will fall largely upon the regional offices. The OEEO provides support and strength to regional office activity in working with State agencies to make the policy viable and the attainment of its goals a reality.

#### 4. Other Accomplishments

Subsequent to decentralization in July 1970, the national office conducted training sessions for the entire professional staff in six regions regarding their new responsibilities.

Training sessions were also conducted for the RMA's, and in New York City for Regional Equal Employment Opportunity Program Specialists, State Administrators, and Minority Group Representatives.

A reporting system was developed and field tested, and a manual, Directions for Reporting, was distributed to all RMA's and Regional EEO staff to enable the national OEEO to obtain a complete picture of EEO activities on a regional basis.

Techniques for investigating each of the manpower programs were developed, and appropriate materials were distributed to all RMA's and Regional EEO staff.

Considerable staff time was spent for an investigation of the Mississippi Delta CEP and for onsite compliance reviews of ES offices in Juneau and Anchorage, Alaska, where special problems of discrimination exist.

Review and evaluations were made of all regional reports of EEO activities, and the Office participated in the evaluation of State plans for improving minority employment in ES agencies. Technical assistance and program guidance has been provided on a continuing basis to all regions.

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During 1970, the equal opportunity units engaged in various activities to assist minorities. They included: (1) Soliciting research proposals from predominantly black colleges, which helped to increase governmental financial assistance to hard-pressed minority institutions, and (2) conducting compliance reviews in areas where Spanish American and Indian needs were greatest, particularly in the Southwest, in order to increase the awareness of ES agencies of the unique needs of these minority groups.

### COMPLIANCE REVIEWS

From November 1967 to December 1970, \* the Office of Equal Employment Opportunity conducted 117 full compliance reviews in 29 States. In five States, the reviews were made jointly with State officials. Through these joint investigations, many obvious violations found in local offices were corrected at once. The OEEO worked closely with States to provide the technical assistance to insure a program of continued compliance.

No compliance review can be complete without an examination of the community as well as the agency being evaluated. Community groups or agencies are contacted in order to determine community patterns and practices and the community's relationships with and attitudes toward the employment service.

### Progress

Civil Rights Act Title VI violations which were generally common in employment service offices when the OEEO began making compliance reviews but which now have been almost completely eliminated are as follows:

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\* This report generally covers calendar year 1970. However, figures here and in the appendix are for the period from November 1967 through December 1970 since the last report of the OEEO included statistics through October 1967.



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1. Segregated facilities. Segregated facilities such as seating areas, restrooms, lines for unemployment compensation, or drinking fountains are no longer found. The only segregated facilities still existing are in a few small southern communities where the itinerant station is sometimes in a courthouse or other building that still has segregated restrooms. Recommendations have gone to the State agencies that these, too, should be eliminated.

2. Posters not prominently displayed. Nearly 100 percent of the offices now have the equal employment opportunity posters displayed where all can see them. Prior to the compliance reviews many offices put them in inconspicuous places or did not display them at all.

3. Acceptance of discriminatory job orders. During the past year there has been a significant and continuing decrease in the number of discriminatory job orders accepted in employment service offices.

In a few cases where persons were discovered accepting and servicing discriminatory job orders, corrections or promises of corrections were made on the spot. More order takers and office managers are becoming familiar with the provisions of the revised Employment Security Manual, which spells out in detail how to handle discriminatory job orders.

Many of these job orders called for a minority group person. Some employers specifically said they wanted to hire a Negro to bring their staff into racial balance. Order takers who took these orders and serviced them and managers who approved of this action did not consider them to be discriminatory. In more than one office, order takers were told by the managers that if the order specified a white applicant, it would be considered discriminatory, but if the order called for a Negro, it could be serviced. Where this was discovered, the regulations which tell how to handle orders for minority group referrals were pointed out to the office manager. In every case, the manager agreed to comply.

Areas in which substantial improvements have been made include:

1. Inappropriate remarks such as "fat", "beady eyes", or "peculiar odor on breath." These comments had nothing to do with either the job specifications or the applicant's qualifications. In the States in

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which compliance reviews were made and these kinds of remarks were found, they have for the most part disappeared from application cards.

2. Discourteous treatment of minority group applicants. There has been an improvement in the treatment of minorities, especially Negroes, in many of the employment service offices as a result of compliance reviews and complaint investigations. Traditionally, especially in but not confined to the South, Negroes have been called by their first name or "boy", "girl", or "hey, you". In some offices, Negro and white applicants were called by their first names. In these offices, the point was made that while this did not represent a difference in treatment between whites and Negroes, Negroes have always resented not being called Mr., Miss, or Mrs., and they consider being called by their first names or "boy" by a white person who does not know them personally a deliberate sign of disrespect. Further, it was pointed out that it would be a matter of courtesy to address every applicant, regardless of race or color, by his or her proper title and surname. This matter has been discussed at the local and State level, and there has been considerable improvement.

Other incidents of discourteous treatment of minorities were:

Making a minority member wait an unreasonable length of time, serving first a white applicant who had come into the office after the minority applicant, and looking at a minority applicant with contempt or speaking "down" to him.

In one case, a Latin American applicant was told by a placement interviewer that he was only a stock clerk and that was the only job he would be referred to, even though he asked to be referred to other job opportunities in order to put his education and training to optimum use.

Complaints such as these are decreasing and are seldom received about an office recently subject to a compliance review.

### Problems

There is growing awareness of equal employment opportunity responsibilities and an increasing concern on the part of State and local administrators that manpower programs be brought into compliance with Title VI of the Civil Rights Act of 1964, the ADEA of 1967, the Secretary's Order on sex discrimination, and the departmental regulations that pertain to the legislation. Yet, discriminatory practices are still

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prevalent in manpower programs, even after compliance reviews have been made and sometimes after agreements have been negotiated. These are:

1. Coding and classification.

a. Undercoding of minority applicants. Minority applicants were given laborer codes when their education, skills, and experience showed that they were qualified for high classifications.

b. Overcoding of white applicants. While minority applicants were assigned occupational classifications that did not fully reflect their education, skills, abilities, and experience, white applicants were assigned classifications that reflected all of their education, skills, abilities, and interests, and in some cases, even more.

c. Irrelevant coding of minority applicants. In addition to being given lower codes than their experience and ability warrant, minority applicants are sometimes given codes that are not related to their talents at all.

In cases where tests were given to applicants, white applicants were classified on the basis of their test results but minority group members were not, even when they met test norms. When minority and white applicants both failed to meet test norms, white applicants were given clerical entry codes while minority applicants received miscellaneous personal service entry classifications.

d. Classifications are not given to some applicants. In a number of casual labor offices, some applicants are given no classification other than "casual laborers." In addition, no work applications are made for them; therefore, they are not in any file, and they are not given any service other than referrals to short-term jobs. These applicants are predominantly and sometimes entirely from minority groups. Not informing them of the advantage of having an application in the active file deprives these applicants of numerous job and training opportunities.

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2. Referrals.

a. Minorities were referred to so-called "traditional" jobs. Minority applicants were often referred only to certain positions such as laundry worker, maid, porter, janitor, babysitter, or laborer, regardless of their education, skills, experience, or potential. No white persons were referred to these positions.

b. Minorities were referred to certain employers only. Generally, minority applicants were referred only to employers that the office knew or had reason to believe would hire minorities. If an employer had hired a few minority group employees, he was then flooded with minority group applicants by the employment service office. Likewise, if the employer advertised as an "equal opportunity employer", all of the applicants sent to him thereafter were members of minority groups.

c. Discrimination occurs in the difference in referral services supplied to white and minority applicants. In a community where there were two minority groups, it was found that qualified Negro and Mexican American applicants were not selected and referred to job openings on the same basis as were white applicants. White applicants who did not meet the specifications of the job orders were referred in preference to Negro and Mexican American applicants who met such specifications.

d. Discrimination exists in referral to manpower development and training, on-the-job training, and other training programs and in training allowances. In one OJT program, local office staff referred applicants of the race known or believed to be acceptable to employers and did not refer persons of other races or ethnic groups. In an Operation Mainstream project, all Negro enrollees were digging ditches, repairing streets, collecting trash, and working on beautification projects with white city supervisors standing over them.

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In a local MDTA center, all of the enrollees were white. It was found that the local office did not refer Negroes to the local MDTA facility; rather, they were referred to similar training in undersized classes at an out-of-town facility.

In more than one community, minority applicants were tested before being admitted to MDTA training, thereby eliminating a great number of such applicants. White applicants were not tested before being referred.

In some places there was no dissemination of information to the minority community concerning MDTA, OJT, and other training programs. Consequently, all of the referrals to these programs were white. Disparities have been found also in MDTA training allowances, with whites receiving higher training allowances than minorities with the same economic situation in the same program.

There is resistance to admitting minorities to apprenticeship programs--sometimes by the unions, sometimes by the employment service, and sometimes by the public schools. Minorities are kept out in many ways. The simplest method is just not referring a minority applicant to an apprenticeship program. In addition, tests may screen out the majority of minority applicants who might want to enter the program. If the minority applicant passes the test, he must get by the Joint Apprenticeship Committee, which often excludes him on the basis of an oral examination. Even if he overcomes all of these obstacles, the employer might turn him down for other reasons.

e. Discrimination exists in referral of training graduates to jobs. In many programs, minority graduates were still classified in the same code they received before they had taken the course, usually a menial classification based on previous experience. On completion of an MDTA welder course, five Negroes and five whites returned to the employment service office for placement assistance. All of the white graduates were given training-related jobs. In another case concerning a group of welder graduates, all whites were referred as welders, while all Negroes were referred as assemblers.

In a clerk-typist course, four white and 20 Negro graduates returned to the ES office for placement. Three of the four white applicants were referred to training-related positions and the fourth failed to report for a proficiency test. Only three of the 20 Negroes were referred to training-related jobs, although several who received no referrals at all were shown to have a better skill than the referred white applicants. Several of the Negroes were

referred as maids or for other menial positions.

### 3. Service to discriminatory employers.

Local offices seldom service orders containing discriminatory specifications and more and more office managers are becoming familiar with the provisions of the Employment Security Manual outlawing the practices. However, violations still occur and discriminatory employers are sometimes being serviced by local employment service offices.

One of the main problems is that too often local offices do not keep a list of suspected discriminatory employers. Nor do they follow up on employers who give, and then withdraw, discriminatory job orders. Often, when a compliance officer asks a local office manager or a State official which employers in the area are discriminatory, the answer is, "I don't know of any."

Further, some employers feel that they don't discriminate in employment practices when in reality they do. Some overt and some covert acts of discrimination on the part of employers who are serviced by local offices include:

- a. Newspaper advertisements for employees of a specific race or color are often used by employers.
- b. The employer may hire minorities in his own shop but will not send them out on jobs elsewhere.
- c. Some employers hire workers of certain races only for particular jobs.
- d. Some employers hire only for tokenism or on a quota system.

### 4. Denial of equal access for all job openings to minority applicants.

a. Failing to share job orders. In localities where there is more than one employment service office, at least one of these or a Youth Opportunity Center is located in a predominantly minority neighborhood. There generally is no exchange of job orders among the offices, and this lack of job opening information in the outreach offices prevents the majority of registered minority applicants from being exposed to the widest possible range of jobs.

b. Referring most minority applicants to poverty programs. In more than one locality, most of the minority youth were referred to poverty programs, and few, and in some cases no, minority youth were referred to regular jobs.

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c. Filling orders before sending them to outreach offices. Another practice, discovered in an office which claimed it shared job orders, was to fill the orders before sending them to the YOC and outreach offices.

5. Employment of minority workers in the State employment service.

a. Few minority members on ES staff. The Office of Equal Employment Opportunity looks at the staffing patterns of employment service offices. Except in a few localities, relatively few minorities are found on employment service staffs and most are employed in menial jobs such as janitor or clerical aide--even when the office is located in an area with a considerable number of minority residents.

However, recent surveys concerning employment service staffing revealed that minorities are making steady advances. For example, in an effort to determine how many Negroes, Spanish Americans, Indians, and Orientals were employed in the 2,400 employment service offices, the Department of Labor conducted surveys over a 3-year period. The general conclusion was that minority members accounted for about 40 percent of the increase in total staff, with the most rapid gains made in clerical-office and professional-technical positions. There was a small drop in the number of minority members in custodial-service jobs.

While these developments are encouraging, an equitable distribution of minority staff at every level of employment service operation will continue to be a major thrust of the Department of Labor.

b. Failure to promote qualified minority group employees. Where minorities are hired in employment service offices, promotions come few and far between. One Negro employee in a West Coast city complained that a new white employee with 2 weeks training was given a promotion and authority over her although she (the Negro employee) had 4 years of experience and had been doing the particular job for 3 months.

6. Lack of civil rights training for employment service staff.

The extent of the problems encountered in compliance reviews and complaint investigations brought out the need for more extensive training of ES staff as to their responsibilities under the Civil Rights Act of 1964 and the sex discrimination prohibitions under Sec. Order 16-66. Many discriminatory practices come about as a result of untrained local office employees who

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are unaware of the law's provisions. In fact, many State employment service employees are not even aware of the existence of these laws.

Increasingly, our experience strengthens the belief that expanded activities to educate State officials at the local level to identify and eliminate discriminatory practices in manpower programs will result in attainment of full compliance with Title VI.

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## OTHER ACTIVITIES

In addition to making complaint investigations and compliance reviews, the Office of Equal Employment Opportunity and the Regional EEO staff have other functions, such as investigating claims of discrimination against federally funded, privately sponsored manpower training programs, making preaward reviews of contracts before refunding is authorized, and others listed below.

1. Investigation of other Manpower Programs. Investigations are initiated with a minority member who complains that he is being fired because of his race. While these complaints cannot always be settled by the OEEO, other problems needing attention are often discovered. Certain commitments are requested from the sponsors before refunding of the program is recommended. These include such requests as taking affirmative action to strengthen minority staffing at all levels of the program, including the policymaking and decisionmaking levels, paying equal salaries for all persons performing equal work, and developing specific placement plans to insure equal efforts for all graduates.

2. Joint Investigations with other Agencies. The OEEO made joint investigations with the Department of Health, Education, and Welfare; the Department of Justice; and the Office of the Solicitor in the Labor Department.

3. Participation in Preaward Contract Reviews. Before a company is awarded a Manpower Administration contract, its entire operation should be reviewed to determine the extent of its compliance or capability to comply with the Civil Rights Act. When involved in the preaward review the EEO program specialist from the regional office will:

a. Review the contract proposal.

b. Contact State and Federal agencies that have equal employment opportunity responsibilities such as the Human Rights Commission, the Solicitor's Office, the Equal Employment Opportunity Commission, and the Office of the Federal Contract Compliance.

c. Contact the State employment service, confer with the minority groups representative, and review the job order placed by the subject firm.

d. Hold a conference with plant manager and other company officials, make a tour of the plant, and review company records and other documents pertaining to employment policies and practices.

The preaward review gives the EEO program specialist an opportunity to help an employer to come into full compliance with Federal contract requirements before negotiation of his contract. The EEO program specialist works on the assumption that an employer who applies for a Manpower Administration contract is already making a start toward equal employment opportunity regardless of what his past employment practices have been.

The program specialist can point out to the employer ways in which he is still discriminating even though he thinks he is not. The purpose of the review is not to attempt to disqualify the employer but to help him become a true equal opportunity employer.

4. Participation in Civic Events. The Director of the Office of Equal Employment Opportunity is frequently invited to participate in conferences, seminars, hearings, commencements, and other events, as principal speaker or in a variety of other roles. He or his representatives attended a number of these affairs which precipitated a two-way flow of information: Information went to the public concerning the activities and functions of this office and how the public can help in bringing about equal opportunity, and significant information came back from communities and organizations about situations and conditions in areas where equal opportunity is being promoted.

EEO program specialists representing the Director at conferences or other meetings brought back written reports of the proceedings. These reports contain valuable information, sometimes about the conditions of a locality where compliance reviews are scheduled. Often such reports may precipitate a review.

5. Response to Citizen's Complaints. The OEEO receives hundreds of letters complaining or inquiring about matters that ordinarily do not fall within the range of its responsibility. These letters are referred, when possible, to the proper agency and the writer is so notified or answered with the best knowledge available.

6. Keeping Abreast of Civil Rights and Equal Opportunity Activities. In order to keep the staff informed, all available information concerning the activities of other agencies, both public and private, in their efforts to bring about equal opportunities is obtained and circulated. Staff members share newspaper clippings, magazine

articles, and books which they come across and feel are particularly pertinent to equal opportunity work and also maintain a continuing dialogue about their review experiences. Also, the OEEO solicits and receives opinions from individuals and organizations.

7. Instruction of Employees from other Agencies. The Office of Equal Employment Opportunity designed a civil rights training program and administered it to the professional personnel of the District of Columbia Employment Service. This training covered Title VI of the Civil Rights Act of 1964, laws on sex and age discrimination, and departmental rules and regulations implementing these acts. Building on the experience in the District of Columbia, a more comprehensive training program was designed and given to the regional manpower staffs in Philadelphia, New York, and Boston in 1-day training sessions. It was emphasized that equal opportunity was everybody's responsibility and not limited to the equal employment opportunity representative. The Office is now improving this training program and plans to take it to other regions.

8. Responsibility in the Area of Age Discrimination. Secretary's Order No. 10-68 provides for the delegation of authority and assignment of responsibilities for the administration and enforcement of the Age Discrimination in Employment Act of 1967, which prohibits discrimination based upon age, in the operation of the U. S. Training and Employment Service and its system of State and local employment service offices receiving Federal financial assistance.

Certain responsibilities under the act were assigned to the Assistant Secretary for Manpower, with other responsibilities assigned to the Administrator of the Wage and Hour and Public Contracts Divisions. The responsibility and authority for enforcement of the act as it applies to the employment service and other manpower programs was assigned to the Office of Equal Employment Opportunity.

9. Review of Reports and Proposals. The Department of Labor awards many contracts to educational institutions, individual professors, doctoral students, and others to conduct research which will be beneficial to the Department in carrying out its objectives. The Labor Department also enters into contracts with organizations and individuals who propose programs or projects to upgrade the skills and educational levels of less fortunate citizens. Many of these reports and proposals are reviewed by the OEEO.

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#### OUTLOOK FOR THE FUTURE

Decentralization of many OEEEO activities to the regions is commensurate with the "New Federalism" which attempts to bring the control and operation of programs closer to the people they serve. While it is recognized that local mores and customs may compromise to an extent the achievement of Civil Rights objectives, decentralization places the major responsibility for furthering equality in job opportunity precisely at the regional and local levels.

If strong EEO policies are developed at the national level, and effective training and program monitoring are also provided from that level, the prospects for widening the impact of the Department's EEO program under decentralization appear to be bright. America must of necessity provide this equality to all of its citizens.

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## APPENDIXES

Appendix 1. Routine Compliance Reviews, by city and state,  
Nov. 1, 1967 to Dec. 31, 1970

<u>Total</u>	117		
Alabama.....	3	Louisiana.....	5
Birmingham.....	2	Alexandria.....	1
Jackson.....	1	Gretna.....	1
Alaska.....	2	Lake Charles.....	1
Anchorage.....	1	Monroe.....	1
Juneau.....	1	Natchitoches.....	1
California.....	7	Maryland.....	6
Colton.....	1	Hyattsville.....	1
El Centro.....	1	La Plata.....	1
Hollywood.....	1	Leonardtown.....	1
Oakland.....	1	Silver Spring.....	1
Riverside.....	1	Wheaton.....	2
San Jose.....	1	Massachusetts.....	9
Santa Cruz.....	1	Boston.....	5
Connecticut.....	5	New Bedford.....	1
Hartford.....	5	Pittsfield.....	1
Delaware.....	1	Springfield.....	2
Wilmington.....	1	Michigan.....	2
District of Columbia.....	3	Muskegon.....	1
Florida.....	2	Pontiac.....	1
Jacksonville.....	1	Minnesota.....	5
Key West.....	1	Duluth.....	1
Illinois.....	3	Minneapolis.....	4
Champaign.....	1	Mississippi.....	4
Chicago.....	1	Aberdeen.....	1
Joliet.....	1	Amory.....	1
Iowa.....	1	Greenwood.....	1
Waterloo.....	1	Jackson.....	1
Kansas.....	3	Missouri.....	1
Kansas City.....	1	St. Louis.....	1
Lawrence.....	1	Nevada.....	3
Manhattan.....	1	Carson City.....	1
		Las Vegas.....	1
		Reno.....	1

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New Jersey.....	5	Virginia.....	4
Burlington.....	1	Alexandria.....	1
Camden.....	1	Danville.....	1
Englewood.....	1	South Boston.....	1
Hackensack.....	1	Woodbridge.....	1
Jersey City.....	1	Washington.....	1
New York.....	2	Spokane.....	1
Buffalo.....	2	West Virginia.....	2
North Carolina.....	3	Charleston.....	1
Durham.....	1	Huntington.....	1
Rocky Mount.....	1	Wisconsin.....	2
Wilmington.....	1	Milwaukee.....	2
Ohio.....	5		
Canton.....	2		
Cincinnati.....	3		
Oklahoma.....	7		
Oklahoma City.....	4		
Tulsa.....	3		
Pennsylvania.....	8		
Johnstown.....	1		
Pittsburg.....	6		
Washington.....	1		
Rhode Island.....	4		
Providence.....	4		
South Carolina.....	3		
Charleston.....	1		
Columbia.....	1		
Greenville.....	1		
Tennessee.....	3		
Athens.....	1		
Knoxville.....	1		
Memphis.....	1		
Texas.....	3		
Houston.....	1		
Marshall.....	1		
Waco.....	1		

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Appendix 2. Complaint investigations completed, by city and state,  
Nov. 1, 1967 to Dec. 31, 1970

<u>Total</u>	96		
Alabama.....	11	Indiana.....	1
Abbeville.....	1	Evansville.....	1
Birmingham.....	1		
Decatur.....	1	Iowa.....	2
Demopolis.....	1	Davenport.....	1
Elmore.....	1	Des Moines.....	1
Enterprise.....	1		
Huntsville.....	2	Kansas.....	4
Jackson.....	1	Atchison.....	1
Montgomery.....	1	Davenport.....	1
Selma.....	2	Kansas City.....	1
		Salina.....	1
Arizona.....	2		
Phoenix.....	1	Kentucky.....	1
Tucson.....	1	Louisville.....	1
California.....	9	Louisiana.....	3
Alhambra.....	1	Bogalusa.....	1
Los Angeles.....	1	Minden.....	1
Oakland.....	1	Shreveport.....	1
Placenta.....	1		
San Francisco.....	1	Minnesota.....	2
San Diego.....	1	Minneapolis.....	2
Stockton.....	1		
Ukiah.....	1	Mississippi.....	7
Visalia.....	1	Clarksville.....	1
		Greenville.....	1
Connecticut.....	1	Greenwood.....	1
Brooklyn.....	1	Indianola.....	1
		Nesbit.....	1
Colorado.....	1	Vicksburg.....	1
Ft. Collins.....	1	Yazoon.....	1
District of Columbia.....	4	Missouri.....	4
		Kansas.....	1
Florida.....	1	Kennett.....	1
Pensacola.....	1	Poplar.....	1
		St. Louis.....	1
Georgia.....	2		
Atlanta.....	1	New Mexico.....	1
Waycross.....	1	Alamogordo.....	1

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New York.....	5	Utah.....	1
Buffalo.....	2	Ogden.....	1
Long Island.....	1	Virginia.....	3
Mt. Vernon.....	1	Alexandria.....	1
New York City.....	1	Danville.....	1
North Carolina.....	5	South Boston.....	1
Jacksonville.....	1		
Raleigh.....	2		
Shelby.....	1		
Wilson.....	1		
Ohio.....	2		
Cincinnati.....	1		
Dayton.....	1		
Oklahoma.....	1		
Lawton.....	1		
Pennsylvania.....	4		
Philadelphia.....	2		
Pittsburgh.....	1		
Tamaqua.....	1		
South Carolina.....	4		
Abbeville.....	1		
Anderson.....	1		
Bennettsville.....	1		
Greenville.....	1		
South Dakota.....	1		
Sioux Falls.....	1		
Tennessee.....	7		
Harriman.....	1		
Knoxville.....	2		
Nashville.....	3		
Oak Ridge.....	1		
Texas.....	7		
Fort Worth.....	1		
Longview.....	1		
Marshall.....	1		
Paris.....	1		
San Antonio.....	1		
Waco.....	1		
Wichita.....	1		



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Appendix 3. Complaints Received by States,  
Nov. 1, 1967 to Dec. 31, 1970

<u>Total</u>	930		
Alabama.....	58	Nebraska.....	10
Alaska.....	2	Nevada.....	5
Arizona.....	20	New Hampshire.....	1
Arkansas.....	15	New Jersey.....	13
California.....	91	New Mexico.....	8
Colorado.....	11	New York.....	41
Connecticut.....	6	North Carolina.....	42
Delaware.....	1	North Dakota.....	0
District of Columbia.....	12	Ohio.....	37
Florida.....	30	Oklahoma.....	21
Georgia.....	28	Oregon.....	1
Hawaii.....	0	Pennsylvania.....	32
Idaho.....	0	Rhode Island.....	3
Illinois.....	23	South Carolina.....	27
Indiana.....	19	South Dakota.....	3
Iowa.....	12	Tennessee.....	29
Kansas.....	4	Texas.....	85
Kentucky.....	13	Utah.....	4
Louisiana.....	30	Vermont.....	1
Maine.....	3	Virgin Islands.....	1
Maryland.....	13	Virginia.....	47
Massachusetts.....	17	Washington.....	6
Michigan.....	36	West Virginia.....	6
Minnesota.....	3	Wisconsin.....	13
Mississippi.....	21	Wyoming.....	0
Missouri.....	24		
Montana.....	2		

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Appendix 4. Negotiations, by State,  
Nov. 1, 1967 to Dec. 31, 1970

<u>Total</u>	46		
Alabama.....	1	Missouri.....	1
Arizona.....	1	Montana.....	1
California.....	3	Nebraska.....	1
Connecticut.....	2	New York.....	1
Delaware.....	2	North Carolina.....	2
District of Columbia.....	1	Oklahoma.....	2
Florida.....	2	Pennsylvania.....	1
Indiana.....	2	Rhode Island.....	1
Kansas.....	2	South Carolina.....	1
Kentucky.....	2	South Dakota.....	1
Maryland.....	2	Tennessee.....	2
Massachusetts.....	1	Texas.....	2
Michigan.....	1	Utah.....	1
Minnesota.....	1	West Virginia.....	1
Mississippi.....	4	Wisconsin.....	1

*Question 3a: What percentage of OFF enrollees reside in rural areas (give breakdown by region)?*

*Response:* Of the 4.0 million FAP/OFP families, some 2.8 million are expected to be defined "available" for employment and manpower services. The following represents the distribution of the "available" population by geographic region and probable urban-rural break as reflected by those residing in or out of a Standard Metropolitan Statistical Area (SMSA).

THE OFP POPULATION BY REGION AND URBAN/RURAL DISTRIBUTION

Region	Total	Percent	Urban (in thousands)	In SMSA (percent)	Rural (in thousands)	Outside SMSA (percent)
Northeast.....	498.4	17.8	402.2	80.7	96.2	19.3
Northcentral.....	579.6	20.7	278.2	480.0	403.4	52.0
South.....	1,316.0	47.1	436.9	33.2	879.1	66.8
West.....	406.0	14.5	252.1	62.1	153.9	37.1
U.S. total.....	2,800.0	100.0	1,369.4	48.9	1,430.6	51.1

*Question: 3(b) What manpower programs do you presently have in those areas (name specific program, size of investment, administrative agency, show present as well as cumulative figures)?*

*Response:* People in rural areas are generally at a disadvantage in seeking occupational training, as well as other manpower services. Not merely the scattered population but also the inadequacy of training facilities and the lack of local employment demand have hampered the development of Federally assisted training and work-experience programs in rural areas, particularly those not close to cities.

Altogether, 250,000 people in rural counties were enrolled during fiscal 1970 in training and work-experience programs administered by the Department of Labor, representing about one-fourth of total enrollments throughout the country. (See the attached chart). This proportion was in line with the areas' share of the total population, but much below their share of the poverty population.

It has been estimated that as many as three million poor rural residents may be in need of training and other services to upgrade their skills and increase their employability. However, manpower programs served only about eight percent of this number in 1970, compared with over 10 percent of the much larger number of urban residents in need of such help.

The goal of the Department of Labor and the affiliated State employment service agencies is to bring to rural residents the same array of manpower services that is available in urban centers. Because of dispersion of population, costs of serving rural areas are likely to be greater than for urban areas. Several innovative programs have been launched in the search for the most effective and economical methods of delivering manpower services to rural areas:

*Operation Hitchhike* is designed to improve manpower services in remote rural areas by developing agreements for certain manpower services to be provided by agencies, such as the Cooperative Extension Service, which already have established offices in these communities.

While the ES will provide intensive employability development services, cooperating agencies will provide direct services to the job ready.

At a total cost of approximately \$1,300,000 ten hitchhike projects will be operational in 10 different States. One began operation in FY 1971 (Michigan) and the others (Virginia, Kentucky, North Dakota, Iowa, New Mexico, New York, Washington, Idaho, and Oregon) will be phased in during FY 1972. *Area Concept Expansion (ACE)* involves realignment and reorganization of State employment service offices in rural localities. Sets of carefully placed outlying satellite offices are linked by telecommunications with a central office at the economic hub of a widespread rural area, thus providing geographically expanded opportunities to applicants and employers. Another advantage is that specialists from the central office can provide manpower services not previously available in any of the local offices.

Twelve ACE projects were funded in FY 1971: Idaho, South Dakota, Vermont, West Virginia, Oklahoma, Missouri, New Jersey, Nevada, Oregon, Wisconsin, Maine, and Georgia. The approximate cost was \$670,000.

Another experimental effort is the *COMO (Comprehensive Model)* project for a rural area, one of several models being tested to determine the most feasible methods of meeting manpower needs. As an experimental operation, it encompasses a five (5) county area of North Central Washington State. It is estimated that 141,000 rural residents will be served.

*Smaller Communities Program.* Mobile teams of State employment service specialists able to provide the full range of manpower and supportive services that would be available in a full-functioning local office travel to rural communities. Featuring close cooperation with local leaders, the team helps them to analyze area employment problems, prepare manpower reports, and to initiate projects of community assistance, including various training and employment programs. Interviewing, counseling, testing, and job development services are provided to individuals.

During FY 1971, Smaller Communities Program mobile teams operated in 19 States: Alabama, Alaska, Arkansas, Iowa, Kentucky, Maine, Michigan, Minnesota, Mississippi, New Mexico, New York, North Carolina, Oklahoma, Oregon, Texas, Vermont, Virginia, West Virginia, and Wisconsin. Approximate cost of this operation for FY 1971 was \$1,575,000.

*Concerted Services in Training and Education (CSTE)* A broader approach to coordination of manpower, educational, and economic development activities is the aim of the CSTE. Projects are sponsored jointly by the Departments of Labor, Agriculture, and Health, Education, and Welfare. In each area a local coordinator works with community leaders and citizens groups, as well as representatives of Federal, State, and local government agencies, to identify needs and to plan for suitable ways (including finding funding sources) for providing training, remedial education, and other services to disadvantaged workers and developing more employment opportunities.

At the end of FY 1971, there were 17 demonstration areas in 14 different States: Arkansas (two areas), Minnesota, New Mexico (two areas), Oklahoma (two areas), West Virginia, Kentucky, Illinois, Montana, Georgia, Maryland, Texas, Nebraska, Maine, and Arizona. Approximate cost of FY 1971 operation was \$235,000.

*Migrant ED Project.* This was a test of methods of providing job training and other supportive services to about 750 migrant families both in their home base areas in the lower Rio Grande Valley of Texas and in areas of employment in nine northern States. A secondary aim was to assist them to settle out of the migratory stream. State employment service agencies of ten States participated in the project: Texas, Idaho, Oregon, Washington, Indiana, Illinois, Ohio, Minnesota, Michigan, and Wisconsin. Approximate costs for FY 1971 were \$500,000.

*Comprehensive Migrant Manpower Program.* Under this program migrants are offered personal assistance in relocation training and placement in permanent nonagricultural jobs both in home base and migrant stream areas. The \$20.2 million set aside for this purpose will permit establishment of projects in California, Colorado, Utah, Texas, Florida, Indiana, Wisconsin, Michigan, Ohio and probably other States later in FY 1972. It is estimated that 5,800 will be served. In some of these States, the projects will be operated by State employment service agencies. In other States, the projects will be subcontracted to community action groups.

*Other Programs.* Except for the Smaller Communities Program, programs described above have initiated in the last year or two and are exclusively rural. In addition, most of the other training and work experience programs administered by the Department of Labor are represented in rural areas.

The Work Incentive Program serves 901 counties, of which 489 or 54.3% are rural and 412 or 45.7% are urban. Only New York has no WIN program in rural counties. However, since urban population has a density much greater than rural, this does not mean the program is serving more rural people. In fact, the majority of enrollees are urban residents. All WIN programs are administered by the State Employment Service. There are no figures available to indicate amounts of money invested in rural versus urban enrollees. In FY 1970, 20 percent of the enrollees or 18,500 were in rural areas.

Of 82 Concentrated Employment Programs delivering services to target areas, 13 are rural. There are three projects sponsored by the Employment Service, eight by Community Action Agencies, one by a private nonprofit organization, and one by a State vocational education agency.

Where CAA's are the prime sponsor they have final responsibility for the project, although the State Employment Services, through the local employment offices, are the suppliers of all manpower services for CEP. These manpower services are outreach, orientation, assessment and counseling, coaching, referral to employability development services, including training, referral to supportive services, job development, placement and intensive follow-up.

If the negotiations between prime sponsor and the State employment service suggest the possibility that another organization can better or more easily perform outreach, coaching, orientation, or intensive follow-up, such activities may be handled through subcontract with other agencies as approved by the Regional Manpower Administrator. The ES has overall responsibility for coordination and monitoring all manpower services subcontracted.

Rural CEPs are located in Mississippi, South Carolina, North Carolina, Tennessee, Kentucky, Michigan, Wisconsin, Minnesota, Arkansas,

New Mexico, Missouri Montana and Arizona. For these areas planned program year 1971 funding is \$23,705,794 and enrollment is 15,097.

The Public Service Careers (PSC) Program, through five plans (A-E), provides on-the-job training and supportive services to enable disadvantaged persons to obtain placement and training in entry jobs and for upgrading, within merit principles in public service agencies. It is estimated for Plan A, administered by State, county and local governments, that 11 out of 70 projects are in rural areas and are presently serving approximately 500 persons for \$3.4 million; for Plan B, administered by Federal agencies receiving grants-in-aid, 48 out of 200 projects are in rural areas serving approximately 600 people at \$1.7 million; for Plan C, usually administered by CAAs, 10 out of 98 projects are in rural areas serving 800 people at a cost of \$2 million. No break-outs are available for Plans D and E.

Operation Mainstream is another program which is almost entirely rural. Its objective is to give unemployed workers meaningful work experience in projects that will, for example, enhance the beauty of rural areas, help to expand recreational and other community facilities, rehabilitate housing, and improve care for the elderly. The enrollees are typically displaced farm workers or other older rural workers who lack formal training and nonfarm work experience, have little education, and are in effect "boxed in" in their rural areas. Work in the projects is often combined with basic education and counseling service. During fiscal 1970, some 8,400 adults in rural areas were newly enrolled in this program. Projects are sponsored by such organization as the National Farmers' Union, the National Council of Senior Citizens, the National Retired Teachers Association and the National Council on the Aging.

The Department of Labor Manpower Administration contracts with a public agency or nonprofit organization to operate projects in a specified area. At the present time about 80% of the 300 OM projects and 21,600 enrollees are based in rural areas.

Federal obligations (based on 80% rural) in the past were:

Fiscal year:	<i>In millions</i>
1970 -----	\$40.8
1969 -----	32.8
1968 -----	17.9

The Federal obligation in rural areas for fiscal 1971 is estimated to be \$41.3 million.

The Neighborhood Youth Corps operates through sponsor contractors. Sponsors may be public agencies or private nonprofit organizations, including Community Action Agencies.

The Neighborhood Youth Corps (NYC) has three major programs:

a program for high school dropouts from poor families, ages 16 through 21;

a program for high school students from poor families who need to earn money in order to continue or resume their education;

a program for high school students from poor families during their summer vacation periods;

NYC programs provide work experience, skill training, remedial education and supportive services to enrollees. The mix of these components and services will vary with the project, the type of component and the needs of individual enrollees. In all cases the objective of the

program is to assist the poor youth to obtain a higher degree of education and employability than he would receive without NYC assistance.

During the fiscal year 1970, NYC programs offered poor youths 492,000 training opportunities; 349,600 being in the summer program. Of all training opportunities, it is estimated about 40% were in rural areas. During the 8 years 1963-70, NYC projects enrolled 2,888,400 poor youths; 1,725,000 of which were in the summer program. Federal obligations during the 8 year period totaled \$1,650,522,000. Present investment through March 31, 1971 is: Out-of-school, \$38,922,200; In-School, \$45,404,418; Summer, \$3,357,915.

Institutional and on-the-job training programs (the JOBS Optional Program has since encompassed the MDTA OJT component) conducted under the MDTA enrolled about 42,000 unemployed and underemployed persons in rural areas in 1970, about a fifth of the total number of first-time enrollments that year. Their training has covered a variety of occupations, oriented mostly toward nonagricultural industries. Relatively few have been trained for skilled jobs in mechanized farming operations. The possibilities in this latter area need to be explored fully, however, to aid in the readjustment of workers likely to be displaced by mechanization in the next few years, especially in fruit, vegetable, and tobacco activities. It is important that such training emphasize transferable skills so that workers can be prepared for both farm and nonfarm employment and that basic education be included along with skill training to help offset farmworkers' present educational handicaps.

Of special benefit to the unemployed and underemployed in rural areas is that provision of the act which authorizes training projects linked to economic development efforts in areas of chronic labor surplus. This small program is operated in places designated by the Department of Commerce as redevelopment areas under the Public Works and Economic Development Act, which are for the most part rural counties. During fiscal 1970, training opportunities in this program numbered about 14,000 in 45 States. This figure included 1,700 training opportunities for Indians on reservations in Arizona and, to a lesser extent, in Idaho, Colorado, North and South Dakota, Utah, Montana, Wisconsin, Wyoming, and Oregon.

In FY 1971, 4,806 training opportunities were funded in redevelopment areas for \$12,335,470 in 33 States.

The Job Opportunities in the Business Sector (JOBS) program, administered by the Department of Labor and the National Alliance of Businessmen, and the JOBS Optional Program, administered by State one-the-job training agencies (usually the Employment Service) have a proportion of their contracts and job opportunities in rural areas and serving rural residents, especially the Jobs Optional Program. However, there are no figures available on an urban rural breakout.

The Job Corps administered by the Department of Labor provides basic education and job training to poor, out-of-school, youths between 16 and 21. For FY 1971, there were 32 civilian conservation centers including two in Puerto Rico. Collectively, they received a total of 14,516 new arrivals and generated 5,713 man-years of enrollees training. Funding for these 32 centers including capital center operation and program direction was about \$39 million.

While the percentage of rural youth in the total Job Corps program is approximately 15 percent, the percentage in the 32 civilian conservation center is approximately 20 percent. This means that of the 50,000 new arrivals to Job Corps in FY 1971, approximately 7,500 were rural youth of which nearly 3,000 went to civilian conservation centers.

The Departments of Labor and Health, Education and Welfare administer the following national contracts involving rural areas:

(1) Green Thumb, Inc., a nonprofit corporation sponsored by the National Farmers Union for the sole purpose of contracting and administering programs for the benefit of the rural poor. (This contract is not included in Mainstream above.) Green Thumb develops subcontracts to train and employ older disadvantaged workers and older workers in and from rural areas. Efforts are being made to develop on-the-job training for those who are particularly disadvantaged by virtue of their age, lack of skills and isolation caused by living in rural areas where there is little or no industry. Priority is being given heads of households.

The contract was funded for \$199,970 to provide 290 training opportunities in the following States: Arkansas, Indiana, Kentucky, Minnesota, New Jersey, New York, Oklahoma, Pennsylvania, Utah, Virginia and Wisconsin.

(2) The AFL-CIO Appalachian Council to develop subcontracts in 11 Appalachian States with employers to provide employment and training in numerous types of occupations for 2,300 trainees. The contract is for \$2,450,000 and involves the States of Alabama, Georgia, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia.

(3) The Cooperative League of the USA to provide opportunities for development of 220 job trainees and to upgrade trainees. The contract is for \$279,416 and involves rural areas in Colorado, Iowa, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, Texas and Wisconsin.

One component of the national office, the Rural Manpower Service, directs a nationwide program of services to workers and employers in rural areas, particularly those in agriculture and the woods industries. These services include placement in farm jobs, assistance to migrant workers in locating seasonal jobs through an interstate clearance system, and special recruitment activities such as day-haul operations to utilize local labor. During peak periods, high school and college students are recruited for farm work. Estimated actual FY 1971 agricultural placements were 3,350,000. The Rural Manpower Service administers for the Secretary of Labor regulations governing agricultural and woods industry interstate recruitment. The regulations cover standards for housing and wages, the use of temporary foreign agricultural and woods workers, and the certification of need for the employment of foreign workers in rural areas under the Immigration and Nationality Act.

According to 1971 Plans of Service submitted by State agencies, nearly 16 percent of all staff is providing services to rural areas. This represented approximately 6,700 of the total 38,000 grants positions, 2,000 of these are farm labor positions.



As to the request for cumulative figures, the attached table showing urban-rural enrollees for FY 1970 are the earliest estimates available. For your information, we have also attached a table from the 1971 *Manpower Report of the President* showing total Enrollment Opportunities, First-Time Enrollments, and Federal Obligations for Work and Training Programs Administered by the Department of Labor for Fiscal Years 1963-1970.

ENROLLEES IN TRAINING AND WORK EXPERIENCE PROGRAMS ADMINISTERED BY DEPARTMENT OF LABOR, BY URBAN AND RURAL AREAS, FISCAL YEAR 1970<sup>1</sup>

[Number in thousands]

	Total	Urban areas		Rural areas	
		Number	Percent of total	Number	Percent of total
Total.....	1,051.4	799.9	76	251.5	24
Manpower Development and Training Act:					
Institutional training.....	130.0	105.3	81	24.7	19
On-the-job training.....	91.0	73.7	81	17.3	19
Neighborhood Youth Corps:					
In school.....	74.4	43.2	58	31.2	42
Out of school.....	46.2	31.9	69	14.3	31
Summer.....	361.5	245.8	68	115.7	32
Operation Mainstream.....	12.5	4.1	33	8.4	67
Public Service Careers (New Careers).....	3.6	3.2	89	.4	11
Concentrated employment program.....	110.1	98.0	89	12.1	11
JOBS (federally financed).....	86.8	86.8	100	-----	-----
Work incentive program.....	92.7	74.2	80	18.5	20
Job Corps.....	42.6	33.7	79	8.9	21

<sup>1</sup> Preliminary.

Source: From 1971 Manpower Report of the President, page 130.

ENROLLMENT OPPORTUNITIES, 1ST TIME ENROLLMENTS, AND FEDERAL OBLIGATIONS FOR WORK AND TRAINING PROGRAMS ADMINISTERED BY THE DEPARTMENT OF LABOR, BY PROGRAM, FISCAL YEARS 1963-70

[Thousands]

Program	Total	Fiscal year--							
		1970	1969	1968	1967	1966	1965	1964	1963
<b>ENROLLMENT OPPORTUNITIES</b>									
Total.....	5,018.7	971.7	910.7	823.8	808.4	808.8	510.2	125.8	59.2
Manpower Development and Training Act.....	1,598.6	201.4	198.5	229.9	270.9	281.1	231.8	125.8	59.2
Institutional training.....	981.8	121.8	110.9	123.6	126.0	163.0	167.1	112.5	56.9
On-the-job training.....	583.4	63.9	77.3	98.8	144.5	118.1	64.7	13.3	2.3
Part-time and other training.....	33.4	15.7	9.8	7.5	.4				
Neighborhood Youth Corps.....	2,888.4	492.1	539.7	537.7	512.8	527.7	278.4		
In school.....	762.7	97.1	100.6	135.0	139.0	188.8	102.2		
Out of school.....	397.7	45.4	50.0	62.7	79.3	98.6	61.7		
Summer.....	1,725.0	349.6	387.2	339.1	294.3	240.3	114.5		
Work training in industry.....	3.0		1.9	.9	.2				
Operation Mainstream.....	50.2	17.8	13.5	10.9	8.0				
Public Service Careers <sup>1</sup> .....	46.6	33.6	5.9	2.7	4.4				
Special impact.....	6.5		1.3	1.2	4.0				
Concentrated employment program <sup>2</sup> .....									
JOBS (federally financed).....	161.8	69.1	52.8	31.5	8.4				
Work incentive program.....	244.9	136.0	99.0	9.9					
Job Corps.....	21.7	21.7							
<b>1ST TIME ENROLLMENTS<sup>3</sup></b>									
Total.....	4,731.4	1,051.4	1,000.7	780.8	833.3	658.7	294.8	77.6	34.1
Manpower Development and Training Act.....	1,451.4	221.0	220.0	241.0	265.0	235.8	156.9	77.6	34.1
Institutional training.....	978.4	130.0	135.0	140.0	150.0	177.5	126.3	68.6	32.0
On-the-job training.....	473.0	91.0	85.0	101.0	115.0	58.3	36.6	9.0	2.1
Part-time and other training.....	(*)	(*)	(*)	(*)					

Neighborhood Youth Corps.....	2,570.6	482.1	504.1	467.3	556.3	422.9	137.9		
In school.....	659.3	74.4	84.3	118.3	166.8	160.8	54.7		
Out of school.....	578.6	46.2	74.5	93.8	161.6	166.9	35.6		
Summer.....	1,332.7	361.5	345.3	255.2	227.9	95.2	47.6		
Work training in industry.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )				
Operation Mainstream.....	47.4	12.5	11.3	12.6	11.0				
Public Service Careers <sup>2</sup> .....	12.7	3.6	3.8	4.3	1.0				
Special impact.....	5.3		2.7	2.6					
Concentrated employment program.....	290.1	110.1	127.0	53.0					
JOBS (federally financed).....	138.0	86.8	51.2						
Work incentive program.....	173.3	92.7	80.6						
Job Corps.....	42.6	42.6							
<b>FEDERAL OBLIGATIONS</b>									
Total.....	\$5,228,871	\$1,360,183	\$1,079,730	\$802,173	\$795,950	\$628,407	\$414,247	\$142,111	\$56,070
Manpower Development and Training Act.....	2,007,547	315,931	272,616	296,418	298,247	339,649	286,505	142,111	56,070
Institutional training.....	1,609,473	246,083	207,795	218,251	215,492	281,710	249,348	135,525	65,219
On-the-job training.....	378,734	59,860	59,111	74,571	87,658	57,939	37,157	6,586	851
Part-time and other training.....	19,390	9,988	5,710	3,596	96				
Neighborhood Youth Corps.....	1,450,572	308,050	320,596	281,864	348,833	263,237	127,742		
In school.....	( <sup>3</sup> )	59,242	49,748	58,908	67,448	( <sup>3</sup> )	( <sup>3</sup> )		
Out of school.....	( <sup>3</sup> )	97,923	122,746	95,889	147,876	( <sup>3</sup> )	( <sup>3</sup> )		
Summer.....	( <sup>3</sup> )	150,885	147,927	126,677	133,306	( <sup>3</sup> )	( <sup>3</sup> )		
Work training in industry.....	( <sup>3</sup> )		1,475	390	753	( <sup>3</sup> )	( <sup>3</sup> )		
Operation Mainstream.....	137,990	51,043	41,090	22,319	23,628				
Public service Careers <sup>2</sup> .....	126,657	87,067	18,460	7,557	15,573				
Special impact.....	10,138		1,100	2,038	7,000				
Concentrated employment program.....	498,410	187,301	114,220	93,057	78,411	25,421			
JOBS (federally financed).....	437,151	182,152	160,871	89,970	24,758				
Work incentive program.....	188,897	78,780	100,817	9,000					
Job Corps.....	169,859	169,859							

<sup>1</sup> Includes enrollment opportunities made available by MDTA supplemental funds; these were 64,500 in fiscal 1970, 38,200 in fiscal 1969, and 49,100 in fiscal 1968.

<sup>2</sup> Includes the New Careers program.

<sup>3</sup> Estimated. This program was transferred to the Office of Economic Opportunity effective July 1, 1969.

<sup>4</sup> Enrollment opportunities (slots) are not meaningful for CEP because the CEP approach utilizes a variety of program components—orientation, basic education, work experience, and other types of job training. An individual may be enrolled in 1 or in several components.

<sup>1</sup> These are new enrollees. Their number per fiscal year is generally larger than the number of enrollment opportunities (slots) programmed, as a slot may be used by more than 1 individual during the year because of turnover or short-term training. If openings are unfilled, the number of 1st-time enrollments may be smaller than the number of enrollment opportunities.

<sup>2</sup> Included in data for institutional training.

<sup>3</sup> Included in data for the out-of-school component of NYC.

<sup>4</sup> Data are not available for NYC components prior to fiscal 1967.

<sup>5</sup> Includes obligations made available by MDTA supplemental funds; these were \$26,367,800 in fiscal 1970, \$7,448,000 in fiscal 1969, and \$12,881,000 in fiscal 1968.

*Question: 3(c) What local delivery system do you have to implement rural programs? (What about community action agencies)?*

*Response:*

The answer to this question can be divided into two parts: (1) the rural delivery system currently used for manpower services, and (2) the delivery system planned for OFP services. (1) Beginning in the late 1960s, when there were approximately 640 Employment Service offices in rural counties, the Manpower Administration has introduced a number of new elements into rural employment service efforts, and has augmented this system with contractors who have expertise and program capacity in specific geographic areas, as described above: Operation Hitchhike, ACE, Smaller Communities Program, CSTIE, and the Comprehensive Migrant Manpower Program. Also added were the various manpower training and work experience programs.

The DOL has expanded considerably the use of contractors for delivery of rural services. In most cases, service agents have been spin-offs of OEO and foundation funded projects, which have local expertise and understanding of manpower development. For example, the migrant settling-out program will be operated by migrant organizations in the States involved. Rural community action groups were gathered into a consortium to operate some rural CEP's; many rural Neighborhood Youth Corps programs are run by community action programs. Operation Mainstream has dealt with local groups, and such organizations as the National Farmers Union, in establishing social service, conservation, and beautification projects. The Manpower Administration has learned to look to the representative, community-oriented institutions to find the most appropriate service agent for each area, particularly when new and broader manpower approaches are being tried.

(2) For OFP, local delivery of service will be arranged through Federal area offices, and operated by a variety of local institutions such as community action, school system, local industry, and citizen groups as well as the Employment Service. Regional development commissions such as the Appalachian Regional Commission might play a role in coordinating services and in job creation activity, as well as finding sources of supportive assistance for OFP families. Training, jobs and public service employment can be found in conservation, beautification, social service, repair and construction of housing and public facilities, and recreation. Groups representing special programs in these areas can be used for delivery of training, and for placement. Specific local groups, such as cooperatives, tribal councils, ethnic group organizations and churches, can be sources of manpower and supportive services.

For supportive services, the Department will be coordinating with D/HEW and other agencies in the use of existing facilities. When not available DOL will utilize a variety of delivery systems and agents. Transportation is one of the more difficult problems in rural areas. Some of the methods to be considered will be local transportation cooperatives (for car pool and repair, and bus systems), low interest loans for enrollees to repair or purchase personal transport, direct funding for regular pickup systems linking people with training and jobs, nego-

tiation with employers to set up small bus pools, off-time or coordinated use of publicly-owned buses.

*Question: 3(d) What steps are you taking to correct the problems detailed in the petition recently filed with the Secretary of Labor on behalf of migrant workers and their organizations, and in the National Urban Coalition-Lawyers' Committee publication "Falling Down on the Job"?*

*Response:*

A complaint was filed before the Secretary of Labor on behalf of 16 organizations and 398 specifically named farm workers charging that the State Farm Labor Services are guilty of discriminatory actions.

Some 17 State agencies are specifically named in the complaint and attached exhibits. They are: New York, New Jersey, Florida, Georgia, Mississippi, Illinois, Indiana, Michigan, Minnesota, Texas, Colorado, Montana, California, Idaho, Oregon, Washington and Puerto Rico. The petition accuses the Rural Manpower Service of exploiting migrant farm workers through discriminatory acts in violation of the Wagner-Peyser Act and Title VI of the Civil Rights Act. The Department regards these allegations of discriminatory practice as very serious and has instituted a thorough investigation into the specific charges in order to determine that all pertinent laws, regulations and policies are being followed and to assure that our current practices are operating in the best interests of farm workers. This review is being carried out by the Manpower Administration's Special Review Staff.

As to the National Urban Coalition-Lawyers' Committee publication "*Falling Down on the Job; the United States Employment Service and the Disadvantaged*" the thrust of the report is that ES farm service offices have worked as agents of growers rather than to provide services to rural residents and migrants.

Before and during the 1950s, the Farm Labor Service was advised by various grower groups and was a separate entity on both the national and State levels. This is no longer the case, and has not been since the early 1960s. Only one State, California, administers its farm labor offices as a separate entity. In all other States, the Farm Labor Service, or Rural Manpower Service (RMS) as it is now called in most States, is fully integrated into and administered as a part of the total ES operation.

In presenting its charge that the RMS is dominated by the growers, the report omits several counterbalancing factors. They do not mention the foreign labor program which, at one time, permitted close to 500,000 foreign workers to enter the United States. Because of this program, many American workers were either displaced from their jobs or they suffered from depressed wages and working conditions. The grower groups supported the foreign labor program and worked vigorously for its continuation. In 1965, the Department of Labor reduced admissions of foreign workers to less than 14,000 and admitted these only to supplement domestic workers in emergency crop situations. In CY 1970, 17,500 were admitted.

All local offices provide services to farm workers who register with them. According to the 1972 Plans of Service submitted by the State agencies, more than 16 percent of all staff will be providing services to rural areas.

In 1969 there was public recognition that rural areas have not been adequately served, not only by manpower programs, but also in housing, health, education and transportation, etc. Part of the problem is one of visibility. The major problem is one of geographic dispersion. It is extremely difficult and much more costly to provide services in rural areas which are comparable to those in urban areas. The Department is experimenting with some innovative approaches such as those mentioned above, which we believe will be helpful means of overcoming the difficulties inherent in serving rural areas.

The Lawyers Report says that because many rural manpower projects were run as "Experiment and Development" projects serious questions are raised about the "commitment to permanent reform." We would like to point out that these E&D projects are attempts to devise effective delivery systems. It would be a waste of taxpayers' money to simply transport programs designed for an urban population to a rural area. New systems suited to the needs of rural residents have to be developed. The Manpower Administration is doing more than just giving lip-service to this proposition. The Rural Manpower Service is directed to develop suitable rural manpower programs. Those which are successful will be expanded and will be placed in operation throughout the country.

In serving migrants, as mentioned above, a \$20.2 million Comprehensive Migrant Manpower Program is being implemented. The format for this program was developed partly from lessons learned in an experimental and demonstration project beginning in 1969. The project, conducted by State employment security agencies in Texas and nine labor-demand States, tested methods of providing in-stream supportive services and settle-out assistance to a sample of 750 migrant families based in the Lower Rio Grande Valley of Texas.

The report also states the Farm Labor Contractor Registration Act "has not been enforced despite constant, flagrant violations" and that only five persons are assigned to enforce it, with none in California.

The Act is generally difficult, if not impossible to enforce. There has been appropriated funds to finance a compliance staff of only five members. More investigators are needed (but not in California, where the migrant labor force operates within the State, and the crew leaders or labor contractors therefore, are not subject to coverage under the Act).

The penalty for violating the Act is a fine (maximum fine is \$500.00) and it is less than the cost of the insurance which compliance with the Act requires. Consequently, there are violations. The greatest problem in gathering evidence and bringing case to hearing is that the witness and the contractors are highly mobile people. It is rare that the whereabouts of the witnesses are known at the time of the hearing. In fact, frequently, by the time the investigator arrives on the scene of an alleged violation, the parties to the violation have left for other work.

The Department recognizes that the Act is deficient in several ways and is considering some possible alternatives, including seeking amendment of the Act.

The report also criticizes RMS enforcement of the Federal Housing Standards that have been imposed on growers whose workers are involved in interstate travel. These regulations were issued under the Wagner-Peyser Act after the 1969 court decision in *Gomez vs. Florida State Employment Service*, which held that the DOL was responsible

for insuring adequate housing for workers recruited through the interstate system.

Regulations concerning housing for agricultural workers were first published by the Department of Labor in July 1967. These regulations were revised in October of 1968 and they stand in this form at the present time. (20 CFR 620).

On April 2, 1968 South Florida Migrant Legal Services, Inc., entered a suit against the Florida State Employment Service and others in behalf of Pete Gomez, a crew leader, and 28 migrant farm laborers. The suit alleged that Gomez and his crew were recruited through interstate clearance and housed in housing that did not meet State and Federal regulations. The suit has been dismissed with parties agreeing to work to ensure enforcement of the above housing regulations.

With respect to enforcement of regulations governing housing of agricultural workers, the Employment Service is enabled to refuse job orders for out-of-State workers if housing is not up to Federal standards. It can refuse job orders for intrastate workers if housing is not up to State standards. Many States have no housing regulations for migrant workers and a number of others have minimal housing regulations. This obviously, is beyond the scope of the ES.

The report also cites the case of *Garcia vs. Michigan MESO*. This case has been dismissed based upon an agreement by MESO that it will conform with the requirements of the court when clearing orders for the interstate recruitment of agriculture and related workers, i.e., process only such orders where housing to be provided complies with provisions of 20 CFR Sec. 620 et seq., 29 U.S.C. Sec. 49 and 20 CFR Sec. 604(j).

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*Question 4a: What kinds of jobs are presently available in the private sector for OFF enrollees? (specify categories). With what salary levels? Provide documentation showing employability characteristics of those required to participate in OFF v. openings in the private labor market.*

*Response:*

There is no national system of job vacancies in the United States. Therefore, it is not possible to provide a direct answer to the question. In administering training programs, a variety of tools are used to estimate whether sufficient job openings would be available to warrant training in a particular occupation. These are applied at the local level and include:

Area Skill Surveys.

Industry-occupation matrix procedures for estimating developed by BLS.

Specific training needs surveys developed under the MDTA program.

"Annual Reports on State and Area Occupational Requirements for Vocational Education" prepared on a voluntary basis to assist in the development of curricula in the Vocational Education system.

Presently, job vacancy statistics are limited to manufacturing establishments, but will be expanded soon to include nonmanufacturing. While statistics on current job openings are not available, the Bureau of Labor Statistics does make estimates of average annual job openings in particular occupations, and estimates that there will be 2.4

million new openings each year between now and 1980, in clerical, sales, service, and operative occupations. Also, between 47 and 57 percent of unfilled Employment Service job openings are in clerical, sales, and service occupations. Another 31 percent are in industrial trades and processing activities. These jobs are already on file with the Public Employment Service.

The Bureau of Labor Statistics does have estimates of annual job openings by occupation, and the table below contains some representative jobs in which Opportunities for Families recipients might be placed in or trained for. Also, earnings and "typical" preparation requirements are estimated for each job opening category.

TABLE 1.—AVERAGE ANNUAL OPENINGS, EARNINGS, AND EDUCATIONAL REQUIREMENTS AND TRAINING TIME FOR SELECTED OCCUPATIONS IN THE PRIVATE SECTOR FOR OFF ENROLLEES

Occupational group and occupation	Employment 1970 <sup>1</sup>	Average annual openings 1968-80 <sup>2</sup>	Earnings 1970 <sup>1</sup>	Usual educational requirements and training time
<b>Clerical:</b>				
Bank clerk.....	500,000	29,500	\$70 per week.....	High school, several days or weeks.
Bank teller.....	150,000	20,000	\$100 per week.....	Do.
Bookkeeping worker.....	1,250,000	78,000	\$439 per month.....	High school, 6 months to 1 year.
Cashier.....	850,000	69,000	\$1.60 per hour.....	Several days.
Dental assistant.....	91,000	9,000	\$75 per week.....	1 to 2 years, usually on the job.
Electronic computer operating personnel <sup>3</sup> .....	200,000	20,400	\$113 per week.....	High school preferred, few weeks to 6 months training usually on the job.
Library technician.....	76,000	9,000	\$5,000 per year.....	High school, 1 to 2 years.
Office machine operator.....	365,000	25,000	\$92 per week.....	Several days to several weeks.
Receptionist.....	300,000	30,000	\$90 per week.....	Do.
Shipping and receiving clerk.....	380,000	12,400	\$3.07 per hour.....	Varies widely.
Stenographer and secretary.....	2,800,000	237,000	\$461 per month.....	High school, 1 year typing course
Telephone operator.....	400,000	28,000	\$2.16 per hour.....	High school preferred.
Typist.....	700,000	63,000	\$396 per month.....	6 months to 1 year.
Sales: Retail trade.....	2,500,000	150,000	\$1.60 per hour.....	Several hours or days.
<b>Craftsmen:</b>				
<b>Building trades:</b>				
Bricklayers.....	175,000	8,400	\$6.77 per hour.....	3-year apprenticeship recommended. <sup>4</sup>
Carpenters.....	830,000	39,300	\$6.42 per hour.....	4-year apprenticeship recommended. <sup>4</sup>
Electricians (construction).....	190,000	10,500	\$6.82 per hour.....	4-year apprenticeship recommended, high. <sup>4</sup>
Floor covering installers.....	40,000	1,700	\$4.50 per hour.....	3 to 4-year apprenticeship recommended. <sup>4</sup>
Operating engineers.....	310,000	14,800	\$4.70 per hour.....	3-year apprenticeship recommended, high. <sup>4</sup>
Painters and paperhangers.....	385,000	18,200	\$5.95 per hour.....	3-year apprenticeship recommended. <sup>4</sup>
Plumbers and pipefitters.....	350,000	19,500	\$6.93 per hour.....	5-year apprenticeship recommended. <sup>4</sup>
Roofers.....	60,000	3,000	\$6.17 per hour.....	3-year apprenticeship recommended. <sup>4</sup>
Sheet metal workers.....	60,000	2,500	\$6.75 per hour.....	4-year apprenticeship recommended, high. <sup>4</sup>
<b>Mechanics and repairmen:</b>				
Air conditioning, refrigeration, and heating mechanics.....	100,000	5,000	\$3.25 per hour.....	High school, most learn on-the-job.
Appliance servicemen.....	220,000	8,600	\$3.00 per hour.....	On-the-job.
Automobile body repairmen.....	100,000	3,500	\$5.51 per hour.....	On-the-job or 3 to 4 year apprenticeship.
Automobile mechanics.....	600,000	20,000	\$5.16 per hour.....	3- to 4-year apprenticeship or. <sup>4</sup>
Business machine servicemen.....	181,000	8,500	\$110 per week.....	On-the-job, high school.
Industrial machinery repairmen.....	180,000	7,550	\$3.02 per hour.....	On-the-job or apprenticeship.
Instrument repairmen.....	95,000	4,600	\$2.93 per hour.....	4-year apprenticeships, high school, other. <sup>4</sup>
Maintenance electricians.....	250,000	10,800	\$3.07 per hour.....	4-year apprenticeship. <sup>4</sup>
Television and radio service technicians.....	130,000	3,000	\$3.50 per hour.....	2 to 3 years training on-the-job.
Truck mechanics, bus mechanics.....	100,000	2,900	\$4.01 per hour.....	On-the-job or 4-year apprenticeship.
Other crafts occupations: Stationary engineers.....	200,000	7,050	\$4.14 per hour.....	Many learn on-the-job, 3- to 4-year apprenticeship recommended.



TABLE 1.—AVERAGE ANNUAL OPENINGS, EARNINGS, AND EDUCATIONAL REQUIREMENTS AND TRAINING TIME FOR SELECTED OCCUPATIONS IN THE PRIVATE SECTOR FOR OFF ENROLLEES

Occupational group and occupation	Employment 1970 <sup>1</sup>	Average annual openings 1968-80 <sup>2</sup>	Earnings 1970 <sup>1</sup>	Usual educational requirements and training time
<b>Operatives:</b>				
<b>Driving occupations:</b>				
Routemen.....	240,000	3,800	\$100 per week.....	Chauffeur's licenses often required. <sup>3</sup>
Truckdrivers, local.....	1,200,000	37,000	\$4.41 per hour.....	Chauffeur's license.
Truckdrivers, over-the-road.....	655,000	21,600	\$200 per week.....	Do.
<b>Other operative occupations:</b>				
Assemblers.....	965,000	26,000	\$2.15 per hour.....	Several hours to several days. <sup>4</sup>
Gasoline service attendants.....	410,000	10,900	\$1.80 per hour.....	Drivers license.
Inspectors (manufacturing).....	665,000	19,200	\$1.95 per hour.....	Several hours to several days.
Machine tool operators.....	425,000	10,500	\$3.33 per hour.....	( <sup>5</sup> ).
Meat cutters.....	190,000	4,500	\$3.45 per hour.....	Apprenticeship or on the job.
Power truck operators.....	200,000	4,100	\$3.27 per hour.....	Short term training. <sup>6</sup>
Production painters.....	115,000	4,000	\$2.05 per hour.....	( <sup>5</sup> ).
Waste water treatment plant operators.....	30,000	2,500	\$3,600 per year.....	( <sup>5</sup> ).
Welders and oxygen and arc cutters.....	535,000	23,000	\$3.29 per hour.....	Several months to several years. <sup>6</sup>
Laborers, nonfarm: Construction laborers and hod carriers.....	815,000	29,000	\$5.06.....	Several hours.
<b>Service occupations:</b>				
Barbers.....	180,000	12,800	\$150 per week.....	6 months to 1 year, or 1 to 2 years apprentice.
Building custodians.....	1,100,000	80,000	\$2.14 per hour.....	Several days-shop courses. <sup>4</sup>
Cooks and chefs.....	740,000	48,000	\$2.02 per hour.....	Several weeks to 2 years.
Cosmetologist.....	485,000	38,000	\$65 per week.....	6 to 12 months, apprenticeship 1 to 2 years.
Licensed practical nurses.....	370,000	48,000	\$110 per week.....	1 year.
Hospital attendants, nurse aids.....	830,000	100,000	\$80.50 per week.....	Several days to several months. <sup>6</sup>
Housekeepers, assistants, hotels.....	30,000	2,400	Not available.....	Short term. <sup>6</sup>
Private household workers.....	1,500,000	121,000	\$90 per hour.....	Usually on-the-job.
Waiters and waitresses.....	1,000,000	67,000	\$0.82 per hour.....	Several days, on-the-job.
Farmworkers.....	3,110,000	25,000	Not available.....	On-the-job.

<sup>1</sup> Estimated—some minimum, some average.

<sup>2</sup> Projected.

<sup>3</sup> Includes auxiliary equipment operators, console operators, and key punch operators.

<sup>4</sup> Can be learned on the job.

<sup>5</sup> Varies widely.

<sup>6</sup> On-the-job.

More specific characteristics of persons desired by employers are not available, and would only be available if the U.S. had a national job vacancy program that also collected information on what employer requirements were in terms of the age, education, etc. of the persons they want to fill the jobs.

However, the information that is available establishes clearly that there are large numbers of private sector jobs for which OFP recipients can qualify immediately or be trained for. The new provisions requiring Federal contractors to list their openings with the ES should issue the quantity and quality of private sectors jobs which would be available to OFP recipients after priority is given to Vietnam era veterans.

*Question 4b: Please provide documentation on the WIN experience to date, with detailed breakdowns on: kinds of jobs placed, salary levels, kinds of training and special services received before placement.*

*Response:*

Average hourly earning of WIN terminates in FY 1971 were approximately \$2.28.

Over half of the employed terminees were in the clerical and sales and service categories.

The bulk of the remaining employed terminees were scattered in several categories. About one-eighth of the overall total were engaged in the professional, technical and managerial category with another 9 percent in the "miscellaneous" group (including such activities as motor freight transportation, packaging and materials handling, etc.). Structural work accounted for 7 percent of the employed total while the machine trades and bench work provided employment for 4 and 5 percent, respectively.

Average hourly wages in major categories ranged from a low of \$1.91 in service work to a high of \$2.92 in a structural work. (See attached tables 1 and 2.)

TABLE 1.—AVERAGE HOURLY WAGES OF WIN EMPLOYED TERMINEES, BY MAJOR OCCUPATIONAL CATEGORY, FISCAL YEARS 1971<sup>1</sup> AND 1970<sup>2</sup>

Major occupational category	Reports for employed terminees				Average hourly wage	
	Fiscal year 1971		Fiscal year 1970		1971	1970
	Number	Percent of total	Number	Percent of total		
U.S. total.....	6,904	100	6,021	100	\$2.28	\$2.31
1. Professional, technical, managerial.....	824	12	410	7	2.58	2.59
2. Clerical and sales.....	2,043	30	1,362	23	2.17	2.15
3. Service.....	1,705	25	1,200	20	1.91	1.94
4. Farming, fishery, forestry.....	106	2	103	2	2.38	1.93
5. Processing.....	217	3	301	5	2.48	2.48
6. Machine trades.....	311	4	325	5	2.55	2.48
7. Bench work.....	364	5	414	7	2.11	2.15
8. Structural work.....	504	7	778	13	2.92	2.75
9. Miscellaneous.....	632	9	809	13	2.56	2.52
Occupation not reported.....	198	3	319	5	2.30	2.25

<sup>1</sup> Based on MA-104 reports received from July 1, 1970, through Mar. 31, 1971.

<sup>2</sup> Based on MA-104 reports received from Jan. 1, 1969, through May 31, 1970.

TABLE 2.—AVERAGE HOURLY WAGES OF WIN EMPLOYED TERMINEES BY MAJOR OCCUPATIONAL CATEGORY, FISCAL 1971<sup>1, 2</sup>

Major occupational category <sup>1</sup>	Number of reports for employed terminees	Average hourly wage
U.S. total.....	6,904	\$2.28
1. Professional, technical managerial.....	824	2.58
075—Nursing.....	30	3.65
079—Medicine and health, n.e.c.....	281	2.55
092—Primary school and kindergarten education.....	38	2.75
099—Education, n.e.c.....	39	2.15
195—Social and welfare work.....	236	2.42
2. Clerical and sales.....	2,043	2.17
201—Secretarial work.....	134	2.31
202—Stenography.....	53	2.16
203—Typing.....	63	2.37
206—Filing.....	44	1.93
209—Stenography, typing, and related, n.e.c.....	616	2.16
210—Bookkeeping.....	52	2.20
211—Cashiering.....	34	1.96
212—Teller service.....	25	2.12
213—Automatic data processing.....	132	2.17
219—Computing and account recording, n.e.c.....	297	2.11

TABLE 2.—AVERAGE HOURLY WAGES OF WIN EMPLOYED TERMINEES BY MAJOR OCCUPATIONAL CATEGORY, FISCAL 1971<sup>1,2</sup>—Continued

Major occupational category <sup>1</sup>	Number of reports for employed terminees	Average hourly wage
223—Stock checking and related.....	53	\$2.15
231—Mail sorting, stamping, recording, and related.....	29	2.35
235—Telephone work.....	67	2.13
237—Reception and information dispensing.....	46	2.03
249—Miscellaneous clerical work, n.e.c.....	41	2.15
289—Saleswork, commodities, n.e.c.....	34	1.90
290—Sales clerking.....	41	1.89
299—Miscellaneous merchandising work, n.e.c.....	49	2.24
3. Service.....	1,705	1.91
306—Housework, domestic.....	66	1.83
311—Food serving.....	124	1.48
313—Cooking, large hotels and restaurants.....	35	1.81
318—Kitchen work, n.e.c.....	61	1.81
323—Maid and related services, hotels.....	65	1.68
330—Barbering and related services.....	37	1.96
332—Beautician services.....	185	1.72
354—Masseur and related services.....	38	2.47
355—Attendant work, hospitals and related health services.....	547	1.88
359—Miscellaneous personal services, n.e.c.....	91	2.09
372—Guard and related services.....	28	2.18
381—Cleaning and related services.....	144	2.25
382—Janitorial service.....	67	2.20
4. Farming, fishery, forestry.....	106	2.38
407—Gardening and groundskeeping.....	48	2.63
5. Processing.....	217	2.48
509—Metal processing, n.e.c.....	35	2.68
519—Ore refining and foundry work, n.e.c.....	25	2.83
6. Machine trades.....	311	2.55
609—Metal machining, n.e.c.....	30	2.58
620—Motorized vehicle and engine equipment repairing.....	97	2.62
7. Bench work.....	364	2.11
706—Metal unit assembling and adjusting.....	42	2.19
726—Assembly and repair of electronic components.....	43	2.13
786—Machine sewing, garment.....	30	1.58
787—Machine sewing, nongarment.....	50	1.77
8. Structural work.....	504	2.92
806—Transportation equipment assembling.....	26	3.05
812—Combination arc and gas welding.....	30	3.09
850—Excavating and grading.....	27	2.67
860—Carpentry and related work.....	55	3.01
869—Miscellaneous construction work, n.e.c.....	52	3.00
899—Miscellaneous structural work, n.e.c.....	48	2.52
9. Miscellaneous.....	632	2.56
905—Heavy truck driving.....	61	2.89
906—Light truck driving.....	46	2.50
913—Passenger transportation, n.e.c.....	32	2.42
915—Parking lot and related service work.....	59	2.11
920—Packaging.....	98	2.09
922—Materials moving and storing, n.e.c.....	78	2.50
929—Packaging and materials handling, n.e.c.....	106	2.51
939—Extraction of minerals, n.e.c.....	28	3.73
Occupations not reported.....	198	2.30

<sup>1</sup> Based on MA-104 reports received July 1, 1970, through Mar. 31, 1971.

<sup>2</sup> Listed 3 digit DOT code groups are confined to occupations with 25 or more employed terminees and do not add to summary totals for major occupational categories.

As of June 30, 1971, the total number of persons enrolled in WIN was 115,996. Of this enrollment, approximately 48,000 were engaged in basic education, vocational education, on-the-job training, or other training. Approximately 5,000 enrollees were involved in job experience programs and about 10,360 were receiving orientation and/or assessment services. 6,800 were suspended from WIN while they were participating in Job Corps, MDTA training, NAB/JOBS programs or other similar programs. Another 15,040 had entered into employment and were receiving follow-up services.

There were over 30,850 enrollees who were in a "holding status," while awaiting availability of components. Those in "holding" as well as those engaged in training, work experience, orientation and assess-

ment, or those in follow-up status after entering into employment were receiving special services according to their individual needs. These special services might include any of the following or a combination of such services: Health or medical care; provision of prosthesis, eye glasses, hearing aids, etc; introduction to the world of work; vocational counseling; family counseling; personal counseling; group guidance sessions; provision of transportation services; relocation assistance; child care; supplement welfare payments; or other personalized services.

*Question 4c: Document the cost of training and services (including day care) measured against quality of job placement, and against cost of maintaining the same individual on welfare.*

*Response:*

Since the program began, the average cost of persons completing the WIN program has been \$1,200. However, this does not include the cost of those who started the program, but did not complete. When these costs are assigned to those of the completers, the total cost per successful completer is \$3,300.

Adding in the average cost of child care in the WIN program brings the cost to \$4,190.

The question of how this one time cost compares with the dollars saved from removing a person from the welfare rolls depends on how long the person would have remained on the rolls had they not been trained. Since our training is not designed to include those who seek welfare for only temporary emergencies, we can assume we are dealing with the longer duration people.

The amount saved, of course, also varies with the wage levels of the jobs people received—in terms of whether there is a partial reduction or elimination of the welfare payment—and with the amount of welfare paid in a particular State. Further, the amount saved by the government also involves complex calculations of how much Federal tax payments increase, and for example, how much less is paid out in unemployment insurance benefits resulting from training for higher skilled, and more stable, jobs.

Beyond the short-term cost reductions, there is the question of longer term savings in welfare costs, resulting from better care of children and more stable families.

Taking an average situation in our more populous States, with a welfare expenditure of \$3,000 per year, the cost *direct* reduction would be \$15,000 over a 5-year period, compared with WIN total unit cost figure of \$4,190 assuming, of course, that the person would have stayed on welfare over that 5-year period, and that the benefit levels remained constant.

*Question 4d: Analyze and recommend the kinds and levels of support (specifying type of training, etc.) needed for the jobs in which WIN enrollees have been placed.*

*Response:*

The Department does not have a standard "package" of supportive services to each individual. Instead, WIN employability teams make an on-the-spot evaluation of the needs of any particular individual, and that becomes a part of the "Employability Plan." Support con-

tinues after job placement for from 90 to 180 days. Examples of the kinds of supportive services provided are counseling, medical care, additional education, and child care.

*Question 4e: Show relationship of job placement of WIN participants and unemployment levels—for the 10 largest cities and for 5 to 10 rural areas.*

*Response:*

City	May 1971 rate of un- employment	May 1971 WIN placements	May 1970 rate of un- employment	May 1970 WIN placements
New York.....	5.1	798	4.0	596
Los Angeles, Calif.....	7.2	712	5.4	418
Chicago, Ill.....	4.3	313	4.2	155
Philadelphia, Pa.....	5.9	288	4.0	261
Detroit, Mich.....	6.1	141	4.6	87
San Francisco, Calif.....	5.8	99	4.8	43
Washington, D.C.....	2.8	121	2.4	194
Boston, Mass.....	6.0	124	3.9	187
Pittsburgh, Pa.....	4.1	216	3.7	162
St. Louis, Mo.....	6.0	83	6.2	82

Note: Comparable data for rural areas is not available at this time due to the fact that a new reporting system was just instituted in May of 1971.

*Question 4f: "Provide us with 'Internal Staff Briefing Paper—Work Incentive Program' prepared by the Welfare Reform Staff and 'Work Incentive Program' Second Annual Report of the Department of Labor to the Congress on Training and Employment under Title IV of the Social Security."*

*Response:* Copies attached.

## INTERNAL STAFF BRIEFING PAPER—WORK INCENTIVE PROGRAM

### General

The Work Incentive Program (WIN) is a training, employment, and rehabilitation program authorized by the Social Security Act, as amended in 1967. The goal of this program is to provide the necessary services and opportunities to Aid-to-Families-with-Dependent Children (AFDC) recipients to move these individuals into meaningful jobs and economic independence.

The Work Incentive Program is the joint responsibility of the Department of Health, Education and Welfare (D/HEW) and the Department of Labor (DOL). The D/HEW is responsible for referring suitable AFDC recipients to WIN for enrollment and for providing child care facilities, medical services, training and work related expenses, and other social services as required. The DOL is responsible for providing appropriate manpower services to enable recipients to become wage-earning members of society. State employment security agencies are prime sponsors for WIN.

WIN was an outgrowth of several earlier efforts to introduce the concept of occupational rehabilitation as a solution to the problems of welfare recipients. These earlier programs began with the passage of the 1962 amendments to the Social Security Act which established a Community Work and Training Program for AFDC recipients 18 years of age or older. Title V of the Economic Opportunity Act of

1964 expanded the concept and made it a part of the poverty program under the Work Experience and Training Program. Eligibility for this program was extended beyond welfare recipients to unemployed fathers in States that did not have an assistance program for families with unemployed fathers.

Experience with both these early efforts, and the Department of Labor programs, indicated that delivering effective manpower assistance to welfare recipients would require a much greater effort than was possible under existing programs. The result was the adoption of the 1967 amendments to the Social Security Act establishing the WIN program. The Secretary of Labor was to establish work incentive programs by July 1, 1968, in each political subdivision in each State in which he determined that there were significant numbers of individuals 16 years of age or older receiving AFDC. All appropriate persons in the AFDC caseload were to be referred to WIN with unemployed fathers required to be referred within 30 days of receipt of public assistance. The 1967 amendments also provided for phasing out Community Work and Training projects by July 1, 1968, and Title V projects by July 1, 1969.

#### *Program Objectives*

The 1967 amendments to the Social Security Act establish three major program objectives:

- a. Employment of AFDC individuals in the normal economy.
- b. Training AFDC individuals for employability in the normal economy.
- c. Participation of AFDC individuals in special work projects.

Priorities for achieving these objectives have been established as follows:

- a. *Priority One*—Furnishing job placement for enrollees who are job-ready or who are eligible for on-the-job training.
- b. *Priority Two*—Providing work experience or skills training for individuals requiring such assistance to qualify for a job.
- c. *Priority Three*—Establishing special work projects whereby public and private nonprofit organizations will provide employment which will motivate individuals to move into regular work situations or into a training component.

#### *Program Approach*

While the major thrust of the WIN program is to help individuals prepare for and obtain employment, the normal employment-related technical services such as basic education, training, job development and placement are usually not all that is required. WIN enrollees not only lack the skills and experience for steady jobs, but generally also have child-care responsibilities, health problems, transportation difficulties, and other problems. For this reason, additional services designed to alleviate these problems are integrated into the program.

Based on priorities established by D/HEW, the local welfare agency refers appropriate AFDC recipients to the local Employment Service (ES) for participation in the program. The local team to whom the enrollee is assigned, develops with the trainee, and employability plan which will enable the individual to qualify for a job he can perform and hold. This plan is designed after appropriate

testing and counseling, and provides for combinations of training and services to equip the enrollee with the necessary skills to attain his job goal.

Those participants in need of special preparation to ensure job readiness are moved into educational, work internship or work experience components, or into vocational and institutional training, and are provided such special technical and supportive services as may be required. As the employability plans develop, those identified as job ready are placed in a job or an on-the-job training situation. During job entry, enrollees continue to receive supportive services from the WIN team for a period of 180 days.

Where training is unsuitable for the enrollee and a job in the regular economy cannot be found, the ES agencies enter into agreements with public agencies or private nonprofit organizations for special work projects.

The employability plan is individually tailored for each enrollee and is made up of appropriate groupings of components to serve his specific needs. Appendix A lists WIN components and briefly explains their use.

APPENDIX B. NATIONAL FISCAL YEAR PROGRAM LEVELS BY PLANNED RATE AND END OF YEAR EXPERIENCE FROM PROGRAM INCEPTION THROUGH PROJECTED FISCAL YEAR 1972

	Fiscal year 1968 <sup>1</sup>	Fiscal year 1969		Fiscal year 1970		Fiscal year 1971		Fiscal year 1972
	Planned	Planned	Actual	Planned	Actual	Planned	Actual	Planned
Budget	\$ 90,000,000	\$ 100,200,000	\$ 109,200,000	\$ 80,532,000	\$ 161,532,000	\$ 52,000,000	\$ 135,800,000	\$ 197,000,000
Unit costs	904	1,500	1,361	1,000	1,978	1,133	( <sup>2</sup> )	1,200
Man-years of training provided	9,940	74,300	28,570	120,000	80,000	111,500	88,240	168,000
End of fiscal year enrollments	( <sup>3</sup> )	85,000	86,100	150,000	99,511	127,000	112,191	191,500
Completions	( <sup>3</sup> )	( <sup>3</sup> )	1,338	15,000	13,733	22,000	14,472	65,000

<sup>1</sup> Fiscal year 1968 appropriation actually received in fiscal year 1969. The budgets and plans for fiscal year 1968 and fiscal year 1969 operated concurrently during fiscal year 1969.

<sup>2</sup> Amounts actually appropriated by Congress.

<sup>3</sup> Total funds available for program operations - fiscal year appropriations plus carry-in funds from prior year or years.

<sup>4</sup> Cost data fragmented and unreliable.

<sup>5</sup> Not available.

<sup>6</sup> Data as of Mar. 31, 1971.



Welfare agencies continue to give assistance payments to recipients in training and furnish funds for carfare and out-of-pocket training expenses. Public assistance policy permits female recipients who become employed to retain the first \$30 of their monthly earnings plus one-third of the remainder and gives consideration to the expenses incurred in going to work (unemployed fathers who get jobs have these benefits only if they are not fully employed). The welfare agencies may continue to cover the expenses of child care until the mother is able to carry the cost. The individual is an enrollee of WIN throughout his employability plan, even during inactive periods between components. Consequently, some individuals are classified in "holding" status and counted in enrollment figures. A WIN participant remains enrolled for 90 to 180 days after being placed in employment, subject to follow-up and appropriate supporting services.

Probably the three most important and distinctive manpower tools or techniques of WIN are the employability development plan, the team concept, and program flexibility.

The employability development plan is the "blueprint" which assists enrollees in developing their occupational potential and guides their participation in program components and supportive services. A plan is developed for each individual who is not immediately referred to permanent placement. The initial plan developed during the original enrollment period is based on such items as evaluation of enrollee needs and testing of aptitudes, labor market conditions, and available resources for education and training. The initial plan is progressively amended as the enrollee's interests and aptitudes become better known to the WIN team.

The WIN employability team usually consists of a counselor, training specialist, job developer, job coach, and a clerk. These five persons work very closely with the enrollee, applying their specialized service as a team to each enrollee's problems. The team is "home base" for the enrollee from initial enrollment to termination from the program. The WIN team concept has been found to be particularly effective in working with the multi-faceted problems of welfare recipients; the enrollee is made aware of all the services available and each team member is able to expedite and coordinate his particular services to the enrollee with those of other team members.

The flexibility of the WIN concept is the program's third unique feature. In other manpower programs where services are usually provided in distinct packages, a trainee may or may not obtain supportive services depending on the particular program. Should the particular type of training be inappropriate or should the enrollee experience difficulties, there are few alternatives available. Under WIN, however, the enrollee may recycle or switch to other components if the counselor decides the course is not "working." Appendix A describes WIN components.

### *Program Development*

Initial funding of WIN projects began in mid-July of 1968, with significant enrollments and program operations beginning the following October. Early development of the program was hindered by legal barriers in State laws relating to public assistance and to legislative requirements to provide matching funds. Between July and

October 30, 1968, WIN programs were funded in 37 States and jurisdictions. By June of 1969, only New Hampshire and Nevada were outside the program. Nevada entered late in Fiscal Year 1970 and New Hampshire is seeking relief from the legal barriers which has restricted entry into the WIN program and expects to begin operations early in FY '72.

### *Funding*

WIN financial resources were allocated among the States on the basis of two criteria: Need and capacity. Work Incentive Program allocations of man-year slots for program operations in FY '69 (the program's initial year of operation) were based on each State's AFDC caseload, and the size of the Title V (EOA) and Community Work and Training programs to be replaced by WIN. Each State received money on the basis of training opportunities and costs experienced in previous training programs. Succeeding fiscal year allocations used the AFDC caseload but also took into account the State's WIN performance record and its capacity to expand operations. A limiting factor in the entire allocation process has been the requirement that State welfare agencies provide non-Federal funds or in-kind service amounting to 20 percent of the Federal allotment. Some State legislatures did not allocate enough to permit a Federal payment to the level they should have received under the above procedures. The lack of State matching funds severely restricts and limits WIN's capability to allocate program resources to areas of greatest need.

Initially, WIN funds were awarded to the States under a grant process similar to that used for Wagner-Peyser Title IV funding. During FY '69 the grant was converted to a contract in order to permit the carry-forward of the unused funds into FY '70. For FY '72, WIN staff and administrative costs are being included in the State ES plan of service and will be funded under a grant system. Contract services (i.e., training activities) and incentives remain under the contract. A summary of program allocations and operations by fiscal year is shown in Appendix B.

### *Problems and Issues*

The problems and issues identified below have been compiled from research, evaluations, and studies including those of Auerbach Corporation and Computing and Software, Inc., as well as monitoring experiences of regional and national office staff. They are grouped under three general headings; legislative, administrative and programmatic.

#### *Legislative*

1. Though the success of WIN depends on the legislative mandate for a coordinated activity of the national manpower and welfare delivery systems, it has been largely carried out as two separate programs. The result has been a misunderstanding between local welfare and manpower agencies since there has been little interagency liaison and little communication between agencies concerning lines of responsibility and program activities.

2. The lack of adequate matching funds for both the manpower operations and social services and the uncertainty of its provision has been a continuing WIN problem. Its first impact was to restrict the

initial size of manpower operations even where large numbers of WIN eligibles existed. Secondly, after modest beginnings, many State ES agencies wished to expand the size of projects or to extend into new areas but were unable to do so due to the lack of matching for either the manpower operations, social supportive services, or both. DOL and D/HEW have not yet established a joint policy on the provision of matching funds.

3. The failure to adequately fund and staff D/HEW and the State welfare agencies for supportive services, other than child care, meant that already understaffed and underfunded agencies were required to take on additional responsibilities by realigning overburdened resources.

4. D/HEW was required to provide child-care arrangements prior to referral to DOL but was granted no funds for the construction of child-care facilities.

5. The requirement that the costs of operating Priority Three (special work projects) programs be borne by the employing agencies and the State and local welfare agencies made it generally impossible to establish this needed program component.

#### *Administrative*

1. The administration of WIN in both the manpower and welfare systems was usually incorporated into ongoing organizational structures which often could not provide the emphasis required to assemble the necessary resources, personnel, and components and to convert them into a coherent network of services.

2. WIN management information systems, both D/HEW and DOL, were designed for national office administrative needs. Data received did not adequately reflect program implications.

3. The D/HEW ruling denying the 30 and one-third income disregard for employed male welfare recipients restricted efforts to get male-headed families off welfare.

4. Welfare agencies do not earmark funds to provide supportive services to WIN, and other program needs often deprive WIN operations of these support services.

5. State and local agencies often revise Federal guidelines and may add restrictive policies, procedures and practices nullifying the flexibility provided by Federal guidelines.

#### *Programatic*

1. The utilization of components appears to be dependent upon ease of development and the degree of familiarity of staff with similar activities. Basic and GED education, and MDTA type institutional training are most heavily used. On-the-job training is little used.

2. Local project planning is usually at the State office without reference to the local welfare agency, and without a thorough examination of local resources, client population, or labor market conditions.

3. Lack of coordination between local welfare and ES agencies leads to frequent disruption of EDP resulting in a significant number of enrollees being placed in holding while awaiting child care, medical or other welfare services.

4. EDP's tend to provide after-the-fact records of what has been accomplished rather than advanced planning based on an enrollee's goals, needs and capabilities.

5. There is little evidence of true team operations in the sense envisioned by the Federal guidelines. WIN teams are dominated by the counseling discipline and other members play only a subordinate role.

6. No effective rural WIN model has yet been established due to the known factors of poor transportation, lack of training resources and job opportunities.

7. Youth in WIN have not been referred in adequate numbers, therefore those relatively few enrolled have been absorbed in adult dominated components. Meaningful activities for youth were limited, therefore attrition has been high.

### *Summary*

While we do not necessarily agree with all of the charges in the following reference, we include it as a catalyst to the Welfare Reform Planning Staff's thinking as we begin the task of the WIN conversion.

Stephen F. Gold, in a recent article entitled "The Failure of the Work Incentive Program" in the Pennsylvania Law Review, states that WIN has failed due primarily to erroneous assumptions as to the way to eliminate poverty. He charges that it was erroneously assumed:

1. That a working parent provides a good example to children.
2. That many recipients were immediately employable or trainable for work.
3. That WIN training would raise the vocational skills of recipients to employable levels.
4. That jobs obtained through WIN would enable recipients to earn enough to leave welfare rolls.

Mr. Gold points to low referral rates, missed enrollment targets, training errors, staff malfeasance, a reliance upon "demand occupations which are the least in demand in the present labor market as proof that WIN provides little training experience and meaningless work experience." By viewing poverty solely as a manifestation of personal failure and not considering labor market constraints would be erroneous.

## APPENDIX A—WIN COMPONENTS

### *Intake and Assessment Phase*

During the initial enrollment process, the enrollee is evaluated to determine his particular needs. He is interviewed by the WIN team, which uses evaluative techniques including testing and work sampling. During this period the initial employability plan is developed which details the steps the individual will follow in his progress through the WIN program.

A period of "holding" during the intake phase may occur after enrollment and assessment, when training courses have not begun, or training opportunities or other services are not immediately available. Although the enrollee may not be actively in training during this time, he is still enrolled and is placed in the appropriate step of his employability plan as the opportunity arises.

### *Orientation*

This component includes all activity related to introducing the enrollee to WIN. It may include a description of the nature of WIN and

the types of training available, an explanation of the sponsor's rules, information about the enrollee's status while in WIN, and introduction to WIN staff. The employability portion of the orientation may include such subjects as motivation, job interviewing techniques, application writing, what to expect from employers, and other job-related subjects.

### *Education*

Educational services are provided to those recipients lacking the minimum education necessary to obtain a job or participate in further training. Major types of academic training are basic education and General Education Development leading to a high equivalency diploma.

### *Institutional Training*

This component consists of classroom vocational education in clerical, service, and semi-skilled to skilled occupations. Training may be provided by public or private agencies. Courses may be developed specifically for groups of WIN enrollees, or the enrollee may be referred on an individual basis to a particular course.

### *On-the-Job-Training*

This component is based on skill training provided by a public or private industry employer. The individual receives wages paid by the employer. The employer is reimbursed for some or all the training costs incurred. The enrollee may continue to receive an adjusted welfare payment depending on his or her earnings and welfare standards in the particular State. During on-the-job training, supportive services may continue.

### *Special Work Projects*

WIN legislation authorizes employment by public or private non-profit agencies of persons for whom jobs in the regular economy cannot be found. Such persons receive a wage which is made up of their welfare benefit and a partial payment by the employer. For a number of reasons, discussed later, this component has not been used extensively.

### *Component Holding*

Holding occurs when enrollees are between training phases or steps in their employability development plan. For instance, enrollees who have completed orientation and basic education may be waiting for a particular institutional skill training class to start. Component holding also includes those who have completed training and are awaiting job placement. During the component holding period, enrollees are counseled, may have interviews, and receive other services. Those in component holding are considered as enrollees.

### *Follow-Up*

For a period of 90 to 180 days after an enrollee has been placed in a permanent job, he remains enrolled and may be provided supportive services to assure stability of placement and the adjustment of the enrollee. Should the placement prove unsatisfactory, the enrollee may be re-cycled through additional services.

*Work Internship*

This technique permits enrollees to sample a variety of occupations and work situations during a 10-week period. It also allows the team to find out more about the enrollees' interests and aptitudes.

*Relocation Assistance*

The WIN program provides for relocation assistance where definite job offers have been obtained. WIN staff makes sure that adequate pay, appropriate housing, and schools for children are available.

*Para-Professional Training*

This component offers classroom vocational education and practical work experience geared to entry-level jobs in public service. Training is provided by public and private nonprofit agencies and in most cases will be coupled with remedial education and general educational development. Para-professional training emphasizes upward mobility through career ladders preceded by extensive job development and job engineering efforts.

*Suspense*

WIN participants are designated "in suspense" when they are enrolled in other manpower programs as a part of their employability plan. For example the WIN team may designate that a particular enrollee could become a fine upholsterer. If MDTA upholstery classes are about to begin, he will be placed in suspense while he attends MDTA skill training.

ATTACHMENT C—U.S. DEPARTMENT OF LAB OR MANPOWER ADMINISTRATION, WIN MANAGEMENT INFORMATION REPORT AS OF MARCH 31, 1971, U.S. SUMMARY

*WIN—National summary of activity*

Since inception of program :

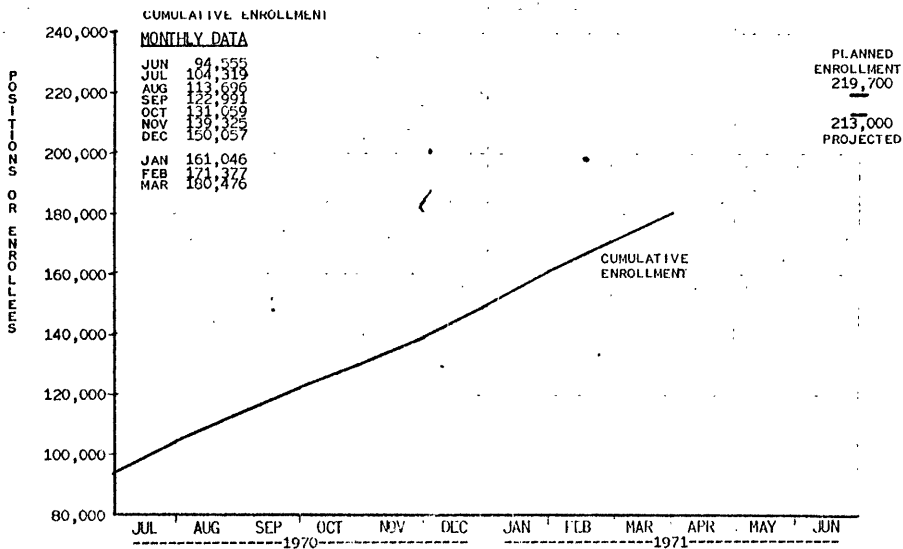
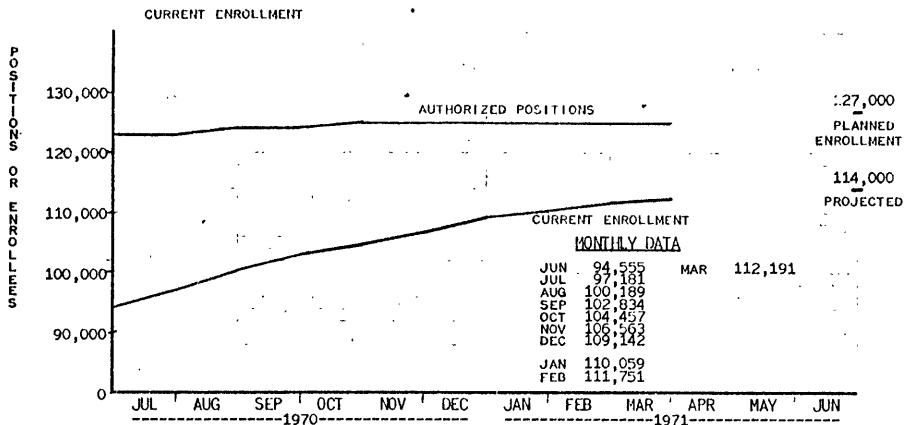
Cumulative enrollment.....	259, 178
Completed job entry.....	29, 543
Dropped out.....	30, 303
Left early for other reasons.....	86, 546
Currently enrolled.....	112, 191

## ACTUAL AGAINST PLANNED FOR FISCAL YEAR 1971

	Objectives for June 30, 1971	Actual to date	Projected for fiscal year 1971
Financial data (dollars in millions) carry-in=\$80.6:			
Allocation.....	\$53.7	\$40.7	-----
Obligations.....	53.7	28.3	-----
Costs.....	118.8	80.8	\$122.5
Enrollment data:			
Man-years.....	111, 500	70, 082	109, 000
Authorized man-year/slots.....	111, 500	127, 548	-----
Cumulative enrollment.....	219, 700	180, 476	213, 000
New enrollees.....	125, 145	85, 921	120, 000
Total terminations.....	92, 700	67, 690	99, 000
Completions.....	35, 000	14, 472	21, 500
Early terminations.....	57, 700	53, 218	77, 500
On-board, end of period.....	127, 000	112, 191	114, 000
Orientation and assessment.....	-----	8, 376	-----
Job training.....	-----	52, 907	-----
Work experience.....	-----	4, 405	-----
Job entry.....	-----	11, 829	-----
Suspense.....	-----	6, 005	-----
Residual (holding).....	-----	28, 669	-----

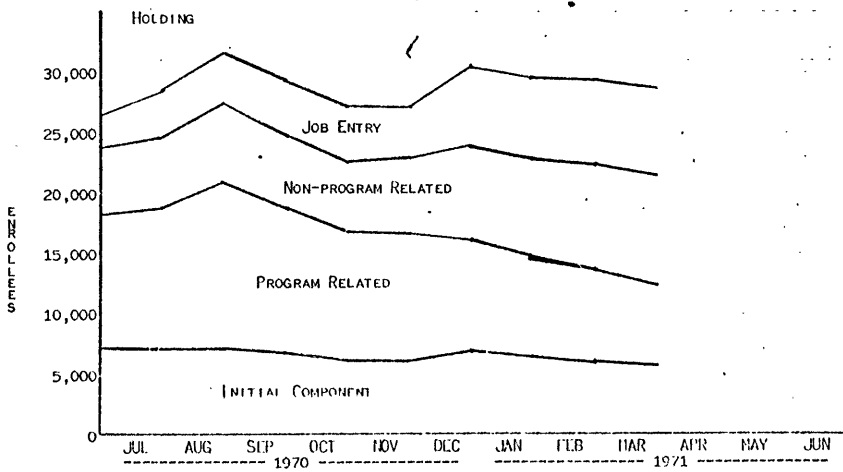
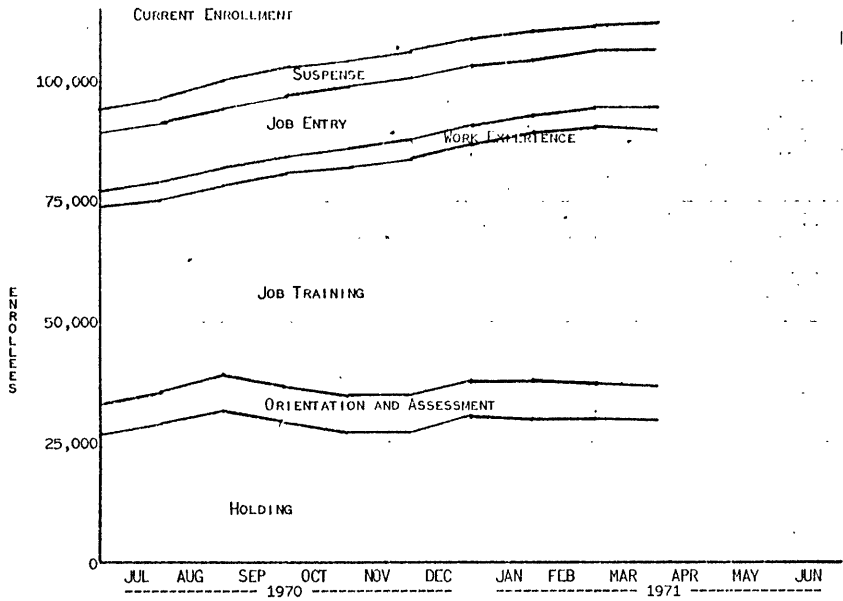
† Additional \$11,600,000 is to be reprogrammed from HEW.

MIN  
 ENROLLMENT DATA  
 PLANNED VS. ACTUAL FOR FY 1971



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WV  
TREND IN CURRENT ENROLLMENT & HOLDING COMPONENTS

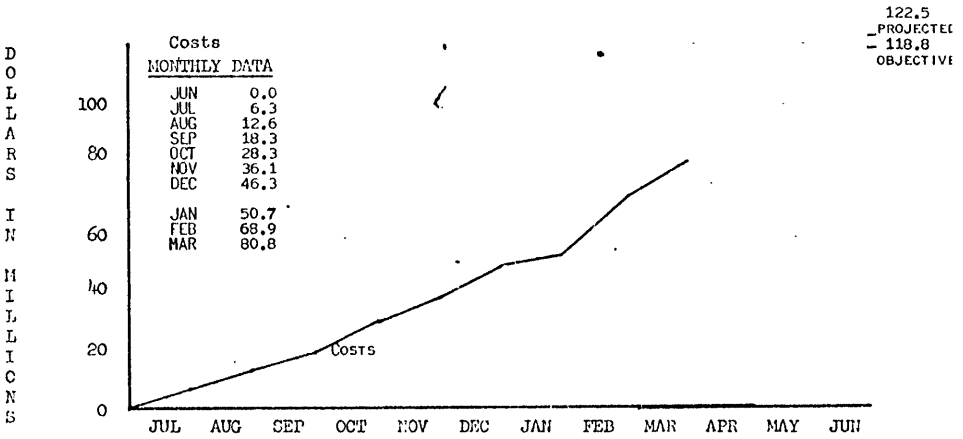
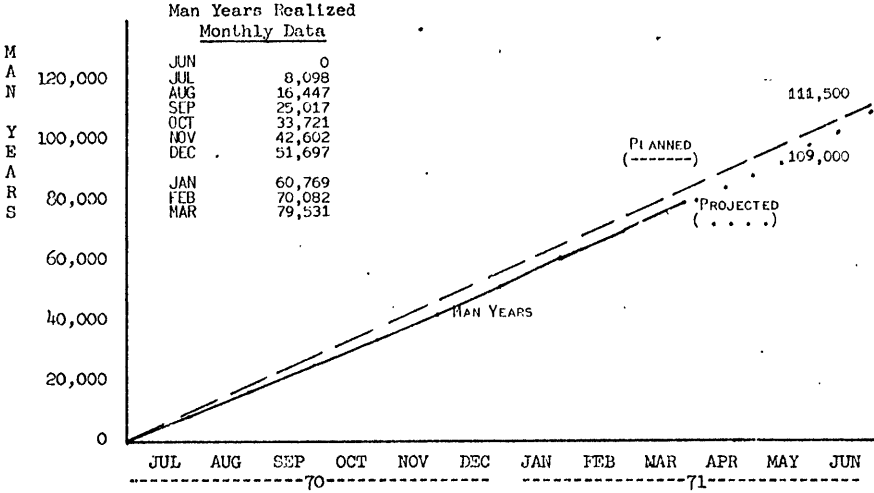


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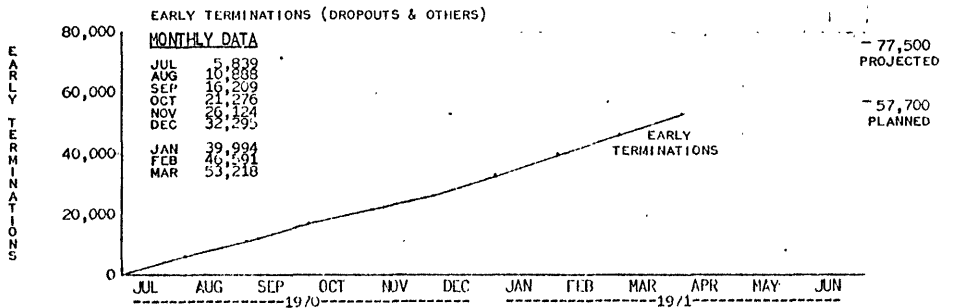
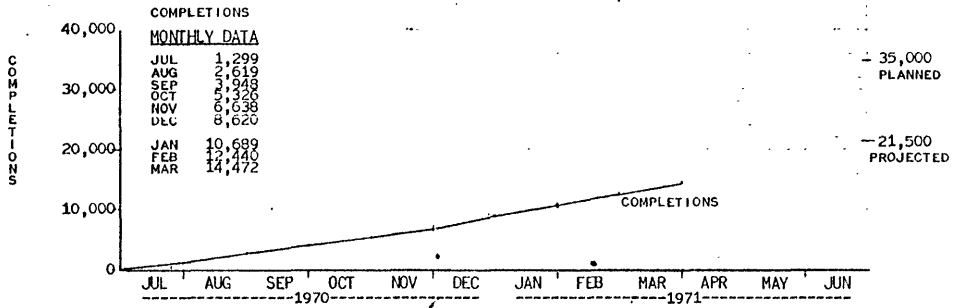
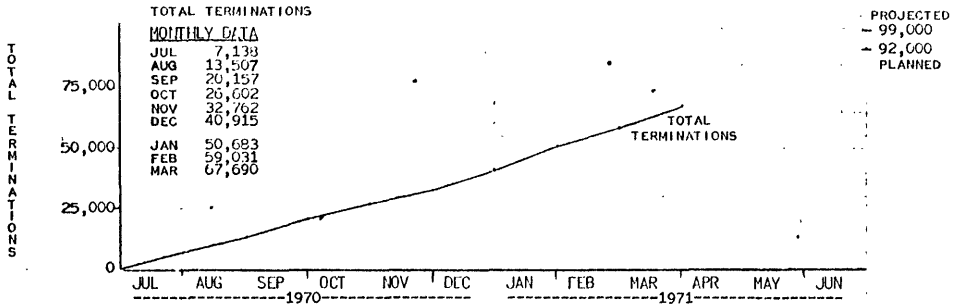
WII

MAN YEARS & COSTS DATA  
PLANNED VS. ACTUAL FOR FY 1971



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MIN  
TREND IN CUMULATIVE TERMINATIONS



## NATIONAL TOTAL.—WIN AUTHORIZED POSITIONS AND ENROLLMENT BY PROGRAM COMPONENT

	Authorized positions	Total current enrollment <sup>1</sup>	Applicant Holding	Component Holding	Participants in training	Job entry
1970:						
January.....	118,254	77,229	8,463	13,233	44,191	11,842
February.....	119,405	79,830	7,645	14,130	46,478	11,577
March.....	120,320	83,202	7,478	14,825	49,022	11,877
April.....	123,170	84,922	7,096	15,053	50,491	12,282
May.....	123,170	87,936	7,288	17,543	52,384	10,721
June.....	123,170	89,511	7,203	19,355	50,937	12,016
July.....	123,170	91,809	7,094	21,385	51,075	12,255
August.....	124,300	94,545	7,136	24,545	50,603	12,261
September.....	124,300	97,238	6,728	22,562	55,353	12,595
October.....	<sup>2</sup> 125,309	98,893	6,043	21,075	58,894	12,881
November.....	125,309	100,923	6,028	21,058	60,952	12,885
December.....	125,309	103,472	6,930	23,411	60,827	12,304
1971:						
January.....	125,309	104,410	6,430	23,091	63,158	11,731
February.....	127,584	106,048	5,921	23,216	65,325	11,586
March.....	127,584	106,186	5,725	22,944	65,688	11,829

<sup>1</sup> Excludes suspense.<sup>2</sup> Data as of Nov. 13, 1970.

WIN NATIONAL SUMMARY—WIN CUMULATIVE AND MONTHLY ENROLLMENT AND TERMINATIONS

	Cumulative				Monthly				Current	
	Enrollment with suspense	Employability plan completed	Dropouts	Other terminations	New enrollment	Employability plan completed	Dropouts	Other terminations	Enrollment without suspense	Suspense
1970:										
January.....	130,646	9,032	9,019	30,149	8,593	1,276	933	2,878	77,729	4,717
February.....	138,485	10,309	10,182	33,665	7,839	1,277	1,163	3,516	79,830	4,499
March.....	147,582	11,464	11,495	36,968	9,097	1,155	1,313	3,303	83,202	4,453
April.....	155,433	12,747	12,852	40,389	7,851	1,283	1,357	3,421	84,922	4,523
May.....	164,348	13,919	14,166	44,188	8,915	1,172	1,314	3,799	87,936	4,139
June.....	173,257	15,071	15,654	47,977	8,909	1,152	1,488	3,789	89,511	5,044
July.....	183,021	16,370	17,102	52,368	9,764	1,299	1,448	4,391	91,809	5,372
August.....	192,398	17,690	18,443	56,076	9,377	1,320	1,341	3,708	94,545	5,644
September.....	201,693	19,019	20,012	59,828	9,295	1,329	1,569	3,752	97,238	5,596
October.....	209,761	20,397	21,400	63,507	8,068	1,378	1,388	3,679	98,893	5,564
November.....	218,027	21,709	22,763	66,992	8,266	1,312	1,363	3,485	100,923	5,640
December.....	228,759	23,691	24,479	71,447	10,732	1,982	1,716	4,455	103,472	5,670
1971:										
January.....	239,748	25,760	26,573	77,052	10,989	2,069	2,094	5,605	104,410	5,649
February.....	250,079	27,511	28,457	81,765	10,331	1,751	1,884	4,713	106,048	5,703
March.....	259,178	29,543	30,303	86,546	9,099	2,032	1,846	4,781	106,186	6,005

## ATTACHMENT D

Public Law 90-248, 90th Congress, H.R. 12080, January 2, 1968

AN ACT To amend the Social Security Act to provide an increase in benefits under the old-age survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1967".

## TABLE OF CONTENTS

## TITLE II—PUBLIC WELFARE AMENDMENTS

## PART 1—PUBLIC ASSISTANCE AMENDMENTS

- Sec. 201. Programs of services furnished to families with dependent children.  
 Sec. 202. Earnings exemption for recipients of aid to families with dependent children.  
 Sec. 203. Dependent children of unemployed fathers.  
 Sec. 204. Work incentive program for recipients of aid under part A of title IV.

WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER PART A OF  
 TITLE IV

SEC. 204. (a) Title IV of the Social Security Act is amended by inserting after part B (hereinafter added to such title by section 240 of this Act) the following material:

"PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER  
 STATE PLAN APPROVED UNDER PART A

"PURPOSE

"SEC. 430. The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in special work projects, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

"APPROPRIATION

"SEC. 431. There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of

Health, Education, and Welfare shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

“ESTABLISHMENT OF PROGRAMS

“SEC. 432. (a) The Secretary of Labor (hereinafter in this part referred to as the Secretary) shall, in accordance with the provisions of this part, establish work incentive programs (as provided for in subsection (b)) in each State and in each political subdivision of a State in which he determines there is a significant number of individuals who have attained age 16 and are receiving aid to families with dependent children. In other political subdivisions, he shall use his best efforts to provide such programs either within such subdivisions or through the provision of transportation for such persons to political subdivisions of the State in which such programs are established.

“(b) Such programs shall include, but shall not be limited to, (1) a program placing as many individuals as is possible in employment, and utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3) a program of special work projects for individuals for whom a job in the regular economy cannot be found.

“(c) In carrying out the purposes of this part the Secretary may make grants to, or enter into agreements with, public or private agencies or organizations (including Indian tribes with respect to Indians on a reservation), except that no such grant or agreement shall be made to or with a private employer for profit or with a private non-profit employer not organized for a public purpose for purposes of the work experience program established by clause (2) of subsection (b).

“(d) Using funds appropriated under this part, the Secretary, in order to carry out the purposes of this part, shall utilize his authority under the Manpower Development and Training Act of 1962, the Act of June 6, 1933, as amended (48 Stat. 113), and other Acts, to the extent such authority is not inconsistent with this Act.

“(e) The Secretary shall take appropriate steps to assure that the present level of manpower services available under the authority of other statutes to recipients of aid to families with dependent children is not reduced as a result of programs under this part.

“SEC. 433. (a) The Secretary shall provide a program of testing and counseling for all persons referred to him by a State, pursuant to section 402, and shall select those persons whom he finds suitable for the programs established by clauses (1) and (2) of section 432(b). Those not so selected shall be deemed suitable for the program established by clause (3) of such section 432(b) unless the Secretary finds that there is good cause for an individual not to participate in such program.

“(b) The Secretary shall develop an employability plan for each suitable person referred to him under section 402 which shall describe the education, training, work experience, and orientation which it is determined that each such person needs to complete in order to enable him to become self-supporting.

“(c) The Secretary shall make maximum use of services available from other Federal and State agencies and, to the extent not otherwise available on a nonreimbursable basis, he may reimburse such agencies for services rendered to persons under this part.

“(d) To the extent practicable and where necessary, work incentive programs established by this part shall include, in addition to the regular counseling, testing, and referral available through the Federal-State Employment Service System, program orientation, basic education, training in communications and employability skills, work experience, institutional training, on-the-job training, job development, and special job placement and followup services, required to assist participants in securing and retaining employment and securing possibilities for advancement.

“(e) (1) In order to develop special work projects under the program established by section 432(b) (3), the Secretary shall enter into agreements with (A) public agencies, (B) private nonprofit organizations established to serve a public purpose, and (C) Indian tribes with respect to Indians on a reservation, under which individuals deemed suitable for participation in such a program will be provided work which serves a useful public purpose and which would not otherwise be performed by regular employees.

“(2) Such agreements shall provide—

“(A) for the payment by the Secretary to each employer a portion of the wages to be paid by the employer to the individuals for the work performed;

“(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work on special work projects of such employer;

“(C) that the Secretary will have such access to the premises of the employer as he finds necessary to determine whether such employer is carrying out his obligations under the agreement and this part; and

“(D) that the Secretary may terminate any agreement under this subsection at any time.

“(3) The Secretary shall establish one or more accounts in each State with respect to the special work projects established and maintained pursuant to this subsection and place into such accounts the amounts paid to him by the State agency pursuant to section 402(a) (19) (E). The amounts in such accounts shall be available for the payments specified in subparagraph (A) of paragraph (2). At the end of each fiscal year and for such period of time as he may establish, the Secretary shall determine how much of the amounts paid to him by the State agency pursuant to section 402(a) (19) (E) were not expended as provided by the preceding sentence of this paragraph and shall return such unexpended amounts to the State, which amounts shall be regarded as overpayments for purposes of section 403(b) (2).

“(4) No wage rates provided under any agreement entered into under this subsection shall be lower than the applicable minimum wage for the particular work concerned.

“(f) Before entering into a project under any of the programs established by this part, the Secretary shall have reasonable assurances that—

“(1) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

“(2) such project will not result in the displacement of employed workers,

“(3) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

“(4) appropriate workmen’s compensation protection is provided to all participants.

“(g) Where an individual, referred to the Secretary of Labor pursuant to section 402(a)(19)(A)(i) and (ii) refuses without good cause to accept employment or participate in a project under a program established by this part, the Secretary of Labor shall (after providing opportunity for fair hearing) notify the State agency which referred such individual and submit such other information as he may have with respect to such refusal.

“(h) With respect to individuals who are participants in special work projects under the program established by section 432(b)(3), the Secretary shall periodically (but at least once every six months) review the employment record of each such individual while on such special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment or on any of the projects under the programs established by section 432(b)(1) and (2).

#### “INCENTIVE PAYMENT

“SEC. 434. The Secretary is authorized to pay to any participant under a program established by section 432(b)(2) an incentive payment of not more than \$30 per month, payable in such amounts and at such times as the Secretary prescribes.

#### “FEDERAL ASSISTANCE

“SEC. 435. (a) Federal assistance under this part shall not exceed 80 per centum of the costs of carrying out this part. Non-Federal contributions may be cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

“(b) Costs of carrying out this part include costs of training, supervision, materials, administration, incentive payments, transportation, and other items as are authorized by the Secretary, but may not include any reimbursement for time spent by participants in work, training, or other participation in the program; except that with respect to special work projects under the program established by section 432(b)(3), the costs of carrying out this part shall include only the costs of administration.



“PERIOD OF ENROLLMENT

“SEC. 436. (a) The program established by section 432(b) (2) shall be designed by the Secretary so that the average period of enrollment under all projects under such program throughout any area of the United States will not exceed one year.

“(b) Services provided under this part may continue to be provided to an individual for such period as the Secretary determines (in accordance with regulations prescribed by the Secretary after consultation with the Secretary of Health, Education, and Welfare) is necessary to qualify him fully for employment even though his earnings disqualify him from aid under a State plan approved under section 402.

“RELOCATION OF PARTICIPANTS

“SEC. 437. The Secretary may assist participants to relocate their place of residence when he determines such relocation is necessary in order to enable them to become permanently employable and self-supporting. Such assistance shall be given only to participants who concur in their relocation and who will be employed at their place of relocation at wage rates which will meet at least their full need as determined by the State to which they will be relocated. Assistance under this section shall not exceed the reasonable costs of transportation for participants, their dependents, and their household belongings plus such relocation allowance as the Secretary determines to be reasonable.

“PARTICIPANTS NOT FEDERAL EMPLOYEES

“SEC. 438. Participants in projects under programs established by this part shall be deemed not to be Federal employees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

“RULES AND REGULATIONS

“SEC. 439. The Secretary may issue such rules and regulations as he finds necessary to carry out the purposes of this part: *Provided*, That in developing policies for programs established by this part the Secretary shall consult with the Secretary of Health, Education, and Welfare.

“ANNUAL REPORT

“SEC. 440. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the work incentive programs established by this part.

“EVALUATION AND RESEARCH

“SEC. 441. The Secretary shall (jointly with the Secretary of Health, Education, and Welfare) provide for the continuing evaluation of the work incentive programs established by this part, including their ef-

fectiveness in achieving stated goals and their impact on other related programs. He also may conduct research regarding ways to increase the effectiveness of such programs. He may, for this purpose, contract for independent evaluations of and research regarding such programs or individual projects under such programs. For purposes of sections 435 and 443, the costs of carrying out this section shall not be regarded as costs of carrying out work incentive programs established by this part.

“REVIEW OF SPECIAL WORK PROJECTS BY A STATE PANEL

“SEC. 442. (a) The Secretary shall make an agreement with any State which is able and willing to do so under which the Governor of the State will create one or more panels to review applications tentatively approved by the Secretary for the special work projects in such State to be established by the Secretary under the program established by section 432 (b) (3).

“(b) Each such panel shall consist of not more than five and not less than three members, appointed by the Governor. The members shall include one representative of employers and one representative of employees; the remainder shall be representatives of the general public. No special work project under such program developed by the Secretary pursuant to an agreement under section 433 (e) (1) shall, in any State which has an agreement under this section, be established or maintained under such program unless such project has first been approved by a panel created pursuant to this section.

“COLLECTION OF STATE SHARE

“SEC. 443. If a non-Federal contribution of 20 per centum of the costs of the work incentive programs established by this part is not made in any State (as specified in section 402 (a)), the Secretary of Health, Education, and Welfare may withhold any action under section 404 because of the State’s failure to comply substantially with a provision required by section 402. If the Secretary of Health, Education, and Welfare does withhold such action, he shall, after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 3 (a), 403 (a), 1003 (a), 1403 (a), 1603 (a), and 1903 (a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402 (a) (19) (C)) equals 20 per centum of the costs of such work incentive programs. Such withholding shall remain in effect until such time as the Secretary has assurances from the State that such 20 per centum will be contributed as required by section 402. Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health, Education, and Welfare to the Secretary. Such payment shall be considered a non-Federal contribution for purposes of section 435.

“AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO  
FAMILIES OF UNEMPLOYED PARENTS

“SEC. 444. (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section)

with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals referred by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals referred to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health, Education, and Welfare under part A of this title.

“(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

“(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

“(2) which is not established pursuant to part A of title IV of the Social Security Act,

“(3) which is financed entirely from funds appropriated by the Congress, and

“(4) none of the financing of which is made available under any program established pursuant to title V of the Economic Opportunity Act.

“(c) (1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(15) and section 402(a)(19)(F) in the same manner and to the same extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

“(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency, except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

“(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

“(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals rereferred to the Secretary, furnish to such agency the names of each individual on such list participating in a special work project under section 433(a)(3) whom the Secretary determines should continue to participate in such project.

The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been referred to the Secretary by such agency under such section 402(a)(15) for a period of at least six months."

(b) Section 402(a) of such Act is amended by adding at the end thereof before the period the following:

“(19) provide—

“(A) for the prompt referral to the Secretary of Labor or his representative for participation under a work incentive program established by part C of—

“(i) each appropriate child and relative who has attained age sixteen and is receiving aid to families with dependent children,

“(ii) each appropriate individual (living in the same home as a relative and child receiving such aid) who has attained such age and whose needs are taken into account in making the determination under section 402(a)(7), and

“(iii) any other person claiming aid under the plan (not included in clauses (i) and (ii)), who after being informed of the work incentive programs established by part C, requests such referral unless the State agency determines that participation in any of such programs would be inimical to the welfare of such person or the family;

except that the State agency shall not so refer a child, relative, or individual under clauses (i) and (ii) if such child, relative, or individual is—

“(iv) a person with illness, incapacity, or advanced age,

“(v) so remote from any of the projects under the work incentive programs established by part C that he cannot effectively participate under any of such programs,

“(vi) a child attending school full time, or

“(vii) a person whose presence in the home on a substantially continuous basis is required because of the illness or incapacity of another member of the household;

“(B) that aid under the plan will not be denied by reason of such referral or by reason of an individual's participation on a project under the program established by section 432(b)(2) or (3);

“(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 20 per centum of the cost of such programs, as specified in section 435(b);

“(D) that (i) training incentives authorized under section 434, and income derived from a special work project under the program established by section 432(b)(3) shall be disregarded in determining the needs of an individual under section 402(a)(7), and (ii) in determining such individual's

needs the additional expenses attributable to his participation in a program established by section 432(b) (2) or (3) shall be taken into account;

“(E) that, with respect to any individual referred pursuant to subparagraph (A) who is participating in a special work project under the program established by section 432(b) (3), (i) the State agency, after proper notification by the Secretary of Labor, will pay to such Secreta (at such times and in such manner as the Secretary of Health, Education, and Welfare prescribes) the money payments such State would otherwise make to or on behalf of such individual (including such money payments with respect to such individual’s family), or 80 per centum of such individual’s earnings under such program, whichever is lesser and (ii) the State agency will supplement any earnings received by such individual by payments to such individual (which payments shall be considered aid under the plan) to the extent that such payments when added to the individual’s earnings from his participation in such special work project will be equal to the amount of the aid that would have been payable by the State agency with respect to such individual’s family had he not participated in such special work project, plus 20 per centum of such individual’s earnings from such special work project; and

“(F) that if and for so long as any child, relative, or individual (referred to the Secretary of Labor pursuant to subparagraph (A) (i) and (ii) and section 407(b) (2)) has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

“(i) if the relative makes such refusal, such relative’s needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b) (2) (which in such a case shall be without regard to clauses (A) through (E) thereof) or section 408 will be made;

“(ii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

“(iii) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under clause (7)) if that child makes such refusal; and

“(iv) if such individual makes such refusal, such individual’s needs shall not be taken into account in making the determination under clause (7) ; except that the State agency shall, for a period of sixty days, make payments of the type described in section 406(b) (2) (without regard to clauses (A) through (E) thereof) on behalf of the relative specified in clause (i), or continue aid in the case of a child specified in clause (ii) or (iii), or take the individual’s needs into account in the case of an individual specified in clause (iv), but only if during such period such child, relative, or individual accepts counseling or other services (which the State agency shall make available to such child, relative, or individual) aimed at persuading such relative, child, or individual, as the case may be, to participate in such program in accordance with the determination of the Secretary of Labor”.

(c) (1) The amendment made by subsection (b) shall in the case of any State be effective on July 1, 1968, or if a statute of such State prevents it from complying with the requirements of such amendment on such date, such amendment shall with respect to such State be effective on July 1, 1969 ; except such amendment shall be effective earlier (in the case of any State), but not before April 1, 1968, if a modification of the State plan to comply with such amendment is approved on an earlier date.

(2) The provisions of section 409 of the Social Security Act shall not apply to any State with respect to any quarter beginning after June 30, 1968.

(d) During the fiscal year ending June 30, 1969, the Secretary of Labor may, notwithstanding the provisions of section 433(e) (2) (A) of the Social Security Act, pay all of the wages to be paid by the employer to the individuals for work performed for public agencies (including Indian tribes with respect to Indians on a reservation) under special work projects established under the program established by section 432(b) (3) of such Act and may transfer into accounts established pursuant to section 433(c) (3) of such Act such amounts as he finds necessary in addition to amounts paid into such accounts pursuant to section 402(a) (19) (E) of such Act.

(e) Section 402(a) (8) of the Social Security Act (as amended by section 202(b) of this Act) is further amended by striking out “; and” at the end of subparagraph (A) and inserting in lieu thereof: “(except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b) (2) and (3) ) ; and”.

THE WORK INCENTIVE PROGRAM

Second Annual Report of the  
Department of Labor  
to the Congress  
on Training and Employment  
Under Title IV of the Social Security Act

U. S. Department of Labor  
June, 1971

(615)

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SECOND ANNUAL REPORT TO THE CONGRESS  
WORK INCENTIVE PROGRAM (WIN)  
June 30, 1971

PART I - PROGRAM OUTLINE AND BACKGROUND

Program Description

The Work Incentive Program (WIN) is a training and employment program authorized by Part C of Title IV of the Social Security Act as amended. The goal of this program is to provide the necessary services and opportunities to Aid to Families with Dependent Children (AFDC) recipients to help these individuals into meaningful jobs and economic independence.

WIN is administered jointly by the Department of Health, Education, and Welfare and the Department of Labor. The Department of Health, Education, and Welfare--through State welfare agencies--refers suitable AFDC recipients to WIN for enrollment and provides child care, medical, and other social services as required. The Department of Labor--through the State Employment Security agencies--provides the manpower services to enable recipients to become wage-earning members of society.

WIN was an outgrowth of several earlier efforts to introduce the concept of manpower services as a way to mitigate the problem of welfare dependency. These earlier programs began with the passage of the 1962 amendments to the Social Security Act which established a Community Work and Training Program for AFDC recipients 18 years of age or older. Title V of the Economic Opportunity Act of 1964 expanded the concept through the Work Experience and Training Program. Eligibility for this program was extended beyond welfare recipients to include unemployed fathers in States that did not have an assistance program for families with unemployed fathers. Both of these programs

were administered by HEW. In 1965, Title V of the Economic Opportunity Act was amended to provide for DOL participation in the manpower aspects of the program. Also, in 1965, the Manpower Development and Training Act was amended to give increased emphasis and service priority to welfare clients.

WIN resulted from the experience with these programs and manpower programs generally which indicated that the effective delivery of manpower services for welfare recipients would require a greater effort. Under the WIN legislation, the Secretary of Labor was required to establish work incentive programs in all jurisdictions with significant numbers of AFDC recipients. Welfare agencies were required to refer AFDC recipients ready for work or training to WIN. Unemployed fathers were required to be referred within 30 days of receipt of public assistance. The legislation envisaged three groupings of enrollees. One group would require only job placement. A second group would require training and placement. A third group would require the provision of subsidized public employment.

#### Program Development

Initial funding of WIN projects began in mid-July of 1968, with significant enrollments and program operations beginning the following October. Early development of the program was hindered by legal barriers in State laws relating to public assistance and to legislative requirements to provide matching funds. Between July and October 31, 1968, WIN programs were funded in 37 States and jurisdictions.<sup>1/</sup> By June of 1969, only New Hampshire and

---

<sup>1/</sup> Includes District of Columbia, Puerto Rico, Virgin Islands, and Guam

Nevada were outside the program. Nevada entered late in fiscal year 1970. New Hampshire signed a WIN contract on June 15, 1971 and expects to begin operations early in fiscal year 1972.

#### Program Approach

While the major thrust of the WIN program is to help individuals prepare for and obtain employment, the traditional manpower services such as basic education, vocational training, job development and placement are not all that is required. WIN enrollees may not only lack the skills and experience for steady jobs, but may also have child-care responsibilities, health problems, transportation difficulties, and other problems.

Based on priorities established by the Department of Health, Education, and Welfare, the local welfare agency refers appropriate AFDC recipients to the local WIN unit of the State Employment Service for their participation in the program. The WIN employability team develops with each enrollee an employability development plan which will enable the individual to qualify for a job he can perform and hold. This plan is specifically tailored to the needs of each enrollee and is composed of appropriate groupings of components and services to meet his specific needs. Those participants in need of special preparation to ensure job readiness are assigned to educational, work internship or work experience components, or skills training. During this period participants receive a \$30.00 per month incentive allowance and such special technical and supportive services as may be required.

Enrollees identified as job ready are placed in a regular job or in on-the-job training. While on the job, enrollees continue to receive

supportive services from the WIN team for a period of from 90 to 180 days. Where no suitable training can be arranged and a job in the regular economy cannot be found, the WIN sponsor is authorized to enter into agreements with public agencies or private non-profit organizations for special work projects. During enrollment in the WIN program the welfare agency continues the basic assistance payment and furnishes funds for carfare and out-of-pocket training expenses.

The Social Security Act permits female recipients who become employed to retain the first \$30 of their monthly earnings, plus the cost of work-related expenses, plus one-third of the remainder. Unemployed fathers who get jobs have these benefits only if they are employed less than 35 hours per week. The welfare agencies may continue to pay for child-care until the mother is able to assume the cost.

The concept of enrollment in the WIN program is different from most manpower programs. The individual is a WIN enrollee throughout his employability plan, even during periods when he is not actively participating in training components. Consequently, some individuals are classified in "holding" status and counted in enrollment figures. Furthermore, a WIN participant remains enrolled for 90 to 180 days after being placed in employment.

The WIN model for program operations relies heavily upon three distinctive tools or techniques: the employability development plan, the team concept, and program flexibility.

The employability development plan is the outline of program components and supportive services developed jointly by the team and the enrollee to reach the enrollee's occupational goal. A plan is developed for each enrollee not imme-

diately referred to permanent placement. The initial plan, developed during the intake period, is based on such items as evaluation of enrollee needs, aptitude test results, labor market conditions, and the availability of appropriate training. This initial plan is progressively amended as the enrollee's interests and aptitudes become better known to the WIN team, or labor market conditions and other relevant factors change.

The WIN employability team usually consists of a counselor, work-training specialist, job developer, coach, and clerk. Sometimes a welfare case-worker is attached to the team. The team works closely with the enrollee, each member delivering his special service within the team setting. The team is "home base" for the enrollee from initial enrollment to termination from the program.

The flexibility of the WIN concept is, perhaps, the most unique WIN feature. Other manpower programs usually provided distinct service packages. In WIN, however, the kind and source of training are identified only after the employability plan is developed. WIN may use public, private non-private or private for profit training sources. Other programs may or may not provide manpower and social supportive services, while a variety of such services are available in WIN.

#### Program Elements

The WIN concept packages the complete range of manpower services available separately in other manpower programs. The following paragraphs describe the variety of manpower services available to a WIN enrollee. Normally, an enrollee does not participate in all of them. For instance, some enrollees enter employment and follow-up directly from orientation while others require basic education, training, etc., before being placed in employment.

### Intake and Assessment

During intake and assessment, the enrollee is evaluated to determine his particular needs. He is interviewed by the WIN team, which assesses him using tests, work sampling, and other evaluative tools. During this phase the initial employability plan is developed which details the steps the individual may follow in his progress through the WIN program.

A period of "holding" may follow enrollment and assessment, if training courses, opportunities or other services are not immediately available. Although the enrollee may not be actively in training during this time, he is still enrolled and, as the opportunity arises is placed in the appropriate step of his employability plan.

### Orientation

Orientation includes all activities related to introducing the enrollee to WIN. It might include a description of the nature of WIN and the types of training available, an explanation of the sponsor's rules, information about the enrollee's status while in WIN, and introduction to the WIN staff. The employability portion of the orientation may include such subjects as motivation, job interviewing techniques, application writing, what to expect from employers, and other job-related subject.

### Work Internship

Work internship permits enrollees to sample a variety of occupations and work situations during a 10-week period. It also allows the team to find out more about the enrollees' interests and aptitudes.

### Work Experience

Work experience emphasizes the development of basic work habits and knowledge of the world of work through job experience in actual work situations at public or private non-profit agencies.



### Education

Educational services are provided to those recipients lacking the minimum education necessary to obtain a job or participate in further training. Major types of academic training are basic education and General Education Development leading to a high school equivalency certificate.

### Institutional Training

Institutional training is classroom vocational education in clerical, service, and semi-skilled to skilled occupations. Training may be with public or private agencies. Courses may be developed specifically for groups of WIN enrollees, or the enrollee may be referred on an individual basis to a particular course.

### On-The-Job-Training

On-the-job-training is skill training provided by a public or private employer. The employer pays wages to the trainee and is reimbursed for some or all the training costs incurred. The enrollee may continue to receive an adjusted welfare payment depending on his or her earnings and welfare standards in the particular State. During on-the-job-training, supportive services may continue.

### Para-Professional Training

Para-professional training offers classroom vocational education and practical work experience geared to entry-level jobs in public service. Training is with public and private nonprofit agencies and in most cases is coupled with remedial education and general educational development.

### Follow-up

Follow-up is a series of team-enrollee contacts during the enrollee's first 90 to 180 days in a permanent job. The team sees that supportive services needed to assure enrollee adjustment are furnished when needed. The enrollee may even be recycled into other WIN training if the job proves unsatisfactory.

### Intensive Follow-up

Intensive follow-up is close supervision and assistance to those enrollees who are particularly inexperienced or unsure of themselves in their new job placement. WIN arranges for up to eight weeks of greater than normal supervision by the employer where a need is indicated.

### Special Work Projects

Special Work Projects are subsidized work with public or private non-profit agencies in unskilled or low-skilled jobs for enrollees who cannot benefit from work, experience, or training situations in the regular economy.

### Suspense

Suspense is a category for WIN participants who enroll in other manpower programs as part of their employability plan. For example, a WIN team determines that an enrollee has an aptitude and interest in upholstering and a Manpower Development and Training Act (MDTA) class in upholstering has space for the enrollee. He is placed in "suspense" for training with the MDTA program and continues to receive supportive services from his WIN team.

Relocation Assistance

Relocation assistance is aiding WIN participants to move, with their consent, to jobs in other areas that will enable them to become permanently employable and self supporting. Reasonable costs of transportation for participants, their dependants and household belongings, plus a relocation allowance are payable.

Holding

Holding is suspension of normal enrollee participation in WIN program activities due to personal or programmatic factors. Counseling, employment preparation or additional orientation activities are carried on during holding periods.

Appeals and Grievances

There are grievance and appeals systems available to WIN enrollees. During enrollment processing each enrollee is given a pamphlet and briefing on the appeals procedures and his rights while he is in the program.

## PART II - PROGRAM STATUS

Funding

A total of \$269 million has been appropriated for WIN manpower activities through fiscal year 1971. For fiscal year 1969, the cost for 29,100 man-years of training was \$31 million, or an average of \$1,069 per man-year. Federal administration costs were \$2,100,000. WIN provided 30,000 man-years of training in fiscal year 1970 at a cost of \$77.7 million, or an average of \$971 per man-year. Federal administration costs were \$5.28 million. During fiscal year 1971 it is estimated that 111,500 man-years of training was provided at a cost of \$118.8 million, or \$1,065 per man-year. Federal administrative costs were \$7.48 million.

WIN funds were initially allocated among the States on the basis of concentrations of AFDC recipients and demonstrated capacity to operate a manpower program. As the program has developed, however, more emphasis has been placed on the ability of the States to enroll and provide services to the clients and, most importantly, on the ability of each State to make contributions to "match" the Federal allocation. The WIN matching formulas require that the State provide 20 percent of the total WIN manpower costs and 25 percent of the costs of child-care, medical examinations, and other supportive services including certain work and training related expenses.

Enrollment

There have been nearly 267,000 enrollments in WIN from its beginning in August, 1968, through April 30, 1971. By that date end-of month enrollment

was 112,336, up 25% from 89,445 a year ago. During the first half of fiscal 1971 the net gain of enrollments over terminations averaged 2,400 per month. This expansion rate dropped sharply to only 750 per month during the period of January through April as terminations increased more rapidly than enrollments. A new regional office management information system has been put into use to help identify the causes of the reduced rate of growth and to institute corrective action.

A favorable aspect of the data in Table 1 is that "completions", one component of the total termination figure, increased from an average monthly rate of 1,436 in the first half of fiscal year 1971, to 1,887 in the 4-month period from January to April 30, 1971, an increase of about 33 percent. During the same period, "dropouts" and "other" terminations increased from 5,382 to 6,787, or about 26%.

#### Program Results as of April 30, 1971

WIN has placed more than 44,100 people in regular jobs since the program began. Some 12,900 of these workers have been placed within the past six months, and are still receiving follow-up services from the program. Another 31,200 have completed follow-up and have successfully terminated from the program (Table 2).

Because the WIN program began to reach substantial operating levels only recently, a large portion of these 267,000 enrollees (42 percent) are still in the program, a decrease from 56 percent a year ago. A WIN enrollee is counted as active in the program until he has been placed on a job for at least three months, or has been terminated for other reasons. Of the 267,000 who have entered the program, 99,457

TABLE 1  
New Entrants, Terminations, and Month-End Enrollments by Month, May 1970 to April 1971

Month and Year	New Entrants	Terminations				End of Month Enrollment
		Total Terminations	Completions	Dropouts	Other	
<u>1970</u>						
May	8,905	6,285	1,172	1,314	3,799	92,075
June	8,909	6,429	1,152	1,488	3,789	94,555
July	9,257	7,138	1,299	1,448	4,391	97,181
August	9,377	6,369	1,320	1,341	3,708	100,189
September	9,295	6,650	1,329	1,569	3,752	102,834
October	8,068	6,445	1,378	1,388	3,679	104,457
November	8,266	6,160	1,312	1,363	3,485	106,563
December	10,732	8,153	1,982	1,716	4,455	109,142
<u>1971</u>						
January	10,856	9,152	1,975	2,039	5,138	110,059
February	10,464	8,964	1,845	1,939	5,180	111,751
March	9,099	8,659	2,032	1,846	4,781	112,191
April	7,471	7,921	1,697	1,749	4,475	112,336
	<u>*266,649</u>	<u>154,313</u>	<u>31,240</u>	<u>32,052</u>	<u>91,021</u>	<u>---</u>

\*Cumulative Total  
7/1/68 - 4/30/71

(123,073)

TABLE 2

Number of WIN Enrollees and Graduates at Work

	<u>April 1970</u>	<u>April 1971</u>
On-the-job training.....	661	1,416
Special work projects.....	976	1,149
Other work experience.....	NA	3,503
At work and receiving follow- up services.....	12,282	12,879
At work after 90 or 180 day follow-up.....	<u>12,747</u>	<u>31,240</u>
		} 44,119
TOTAL	26,666	50,187

(33 percent) are presently in WIN training,<sup>1/</sup> 12,879 are working at jobs but still receive follow-up services from the program, 31,240 have successfully completed the program, and another 123,073 have left the program prior to completing their employability plan (Table 1). A number of these individuals have probably obtained jobs on their own.

Many of those who are working are still being assisted by the WIN program (Table 3). They are either in on-the-job-training (1,416), or in regular jobs but receiving follow-up counseling by WIN staff (12,879). About 4,650 persons are working in Special Work Projects and other subsidized jobs. Another 31,240 persons have been employed through the follow-up period and terminated from WIN. Altogether, the 50,187 persons working in jobs represent a WIN achievement; these workers - former welfare recipients - have been brought to the level of a wage-receiving, working situation.

Available fiscal 1971 reports (Table 4 and Appendix Table A-2) for nearly 7,000 employed terminees indicate relatively little overall change in hourly earnings over previous years. Average hourly wages in major categories ranged from a low of \$1.91 in service work to a high of \$2.92 in structural work. Average hours worked per week dropped by one hour over the year to a total of 38.7. For all occupational categories, average hourly earnings of WIN graduates approximated \$2.28 during the period July 1, 1970 through March 31, 1971.

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<sup>1/</sup> Including persons who are enrolled in other manpower programs and are in "suspense" status.



TABLE 3

## STATUS OF WIN ENROLLEES

Comparative data on enrollments in WIN for  
April 1970 and April 1971, with percent of change

	<u>April 1970</u>	<u>April 1971</u>	<u>% Change</u>
<u>Total</u>	<u>89,445</u>	<u>112,336</u>	+ 25.6
In other manpower Programs	4,523	6,122	+ 35.4
<u>Orientation and Assessment</u>	<u>6,517</u>	<u>8,697</u>	+ 33.5
<u>Training</u>	<u>42,998</u>	<u>52,162</u>	+ 21.3
Basic education	19,450	22,714	+ 16.8
Vocational training	18,901	25,860	+ 36.8
Other training	3,986	2,172	- 45.5
On-the-job-training	661	1,416	+114.2
<u>Job Experience</u>		<u>4,652</u>	
Special work projects	976	1,149	+ 17.7
Other types of work experience	NA	3,503	--
<u>Holding</u>	<u>22,149</u>	<u>27,824</u>	+ 25.6
Intake phase holding	7,096	5,240	- 26.2
<u>Component Holding</u>	<u>15,053</u>	<u>22,584</u>	+ 50.0
Program related (Holding between components)	NA	7,318	
Job ready (Awaiting job placement)	NA	7,445	
Holding due to problems not related to WIN program	NA	7,821	
<u>Follow-Up</u>	<u>12,282</u>	<u>12,879</u>	+ 4.9

Note: NA - Not Available

TABLE 4

Average Hourly Wages and Average Hours Worked Per Week of WIN  
Employed Terminees, by Major Occupational Category  
Fiscal Years 1971 <sup>1/</sup> & 1970 <sup>2/</sup>

Major Occupational Category	Reports for Employed Terminees				Average Hourly Wage		Average Hours Per Week	
	FY 1971		FY 1970		1971	1970	1971	1970
	Number	Percent of total	Number	Percent of total				
U.S. Total	6,904	100 %	6,021	100 %	2.28	2.31	39.7	39.7
1 - Professional, Technical, Managerial	824	12	410	7	2.58	2.59	38.4	39.1
2 - Clerical and Sales	2,043	30	1,362	23	2.17	2.15	38.6	39.2
3 - Service	1,705	25	1,200	20	1.91	1.94	38.0	39.2
4 - Farming, Fishery, Forestry	106	2	103	2	2.38	1.98	40.2	41.7
5 - Processing	217	3	301	5	2.48	2.48	39.4	39.8
6 - Machine Trades	311	4	325	5	2.55	2.48	40.0	40.4
7 - Bench Work	354	5	414	7	2.11	2.15	39.7	39.6
8 - Structural Work	504	7	778	13	2.92	2.75	38.9	40.3
9 - Miscellaneous	632	9	809	13	2.56	2.52	39.7	40.3
Occupation not reported	198	3	319	5	2.30	2.25	39.3	40.1

<sup>1/</sup> Based on MA-104 reports received from July 1, 1970 through March 31, 1971.

<sup>2/</sup> Based on MA-104 reports received from January 1, 1969 through May 31, 1970.

The slight downturn in hourly entry level earnings, from \$2.31 the previous year to \$2.28 for fiscal 1971 WIN graduates, was primarily due to substantially increased placements in clerical, sales, and service categories. These occupational groups -- employing more than half of the employed terminees reported on and largely filled by women -- reported wages appreciably below the national WIN average.

The bulk of the remaining employed terminees were spread over several categories. About one-eighth of the total were engaged in the professional, technical, and managerial field with another 9 percent in the "miscellaneous" group. Structural work accounted for 7 percent of the employed total while the machine trades and bench work account for 4 and 5 percent, respectively.

Job opportunities for female WIN enrollees are largely concentrated in the clerical and sales, service, social welfare, and health fields, with some opportunities in the professional, technical and management category. Thus WIN training emphasizes basic education, clerical skills, keypunch operations, licensed practical nursing, and nurses' aide training for the women. The job opportunities for male enrollees encompass the whole range of occupations normally found in the labor market. The most frequent types of placements for men are for jobs in structural, bench work, machine skills, processing, and farming skills areas. The largest reported group of male placements is in the miscellaneous category.

Enrollee Characteristics

Data for fiscal year 1971 (to March 31, 1971) indicate that the majority of WIN enrollees (64 percent) are women, down from 71 percent last year. More than half the enrollees (56 percent) are white, up from last year's 52 percent; 39 percent are Negro; 16 percent Spanish surnames (down from 20 percent last year); and 5 percent are members of other minority groups such as American Indians and orientals. (Table 5)

The typical WIN enrollee is a school drop-out, with 19 percent having completed eight grades or less; and another 42 percent have not completed high school. Severely under-educated enrollees--persons with no more than an eighth grade education were down from 32 percent in fiscal year 1969 and 24 percent in fiscal year 1970. The number of enrollees with better than high school education has increased from 28 percent in fiscal year 1969 and 32 percent in fiscal 1970, to 39 percent in fiscal year 1971.

About 68 percent of all enrollees are in prime working years--between ages 22 and 44; five percent are 45 and over; and 27 percent are under age 22. Participation of enrollees under age 22 has increased from 16 percent in 1969, 22 percent in 1970 to 1971's 27 percent. This rise in youthful participants may be due to the improved ability of caseworkers to deal with the special problems of this group.

The sharp jump in male enrollment from 29 percent in 1970 to 36 percent in 1971 reflects the impact of the recent economic downturn which forced them onto welfare after exhausting their unemployment insurance benefits.

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The sharp jump in male enrollment from 29 percent in 1970 to 36 percent in 1971 reflects the impact of the recent economic downturn which forced them onto welfare after exhausting their unemployment insurance benefits.

TABLE 5

## Selected Characteristics of WIN Enrollees by Year

<u>Characteristics</u>	<u>FY 1969 (percent)</u>	<u>FY 1970 (percent)</u>	<u>FY 1971 <sup>1/</sup> (percent)</u>
TOTAL	<u>100</u>	<u>100</u>	<u>100</u>
<u>Sex</u>			
Male	40	29	36
Female	60	71	64
<u>Race</u>			
White	56	52	56
Negro	40	43	39
Other	4	5	5
<u>Education</u>			
8th grade or less	31	24	<b>19</b>
9th thru 11th	41	44	<b>42</b>
12 th and over	28	32	39
<u>Age</u>			
Under 22	16	<b>22</b>	27
22 - 44	74	71	68
45 and over	10	6	5
Head of household	91	85	85
Spanish surname	18	20	16

<sup>1/</sup> To March 31, 1971

### "Holding" Categories

Although holding was a major problem in the early days of WIN, there has been a general improvement in the ability to move enrollees through their training plans without long delays. Table 6 shows decreasing percentages in the categories of "program-related" and "intake phase" holding. The tight labor market and increasing difficulties in finding suitable job opportunities for WIN graduates is displayed in the monthly increases in the "job-entry" holding category. "Non-program related" holding reflects enrollee problems of illness, child-care and other conditions associated with poverty. This category has remained stable as a percentage of current enrollment.

### Terminee Characteristics

Of the 154,313 enrollees who have terminated from the WIN program through April 30, 1971, about 123,000 left without completing their employability development plan. Some 20 percent (31,000) successfully completed WIN; another 21 percent (32,000) left early "without good cause". However, the bulk of early terminations, the 91,000 "other" terminations, resulted from good causes such as illness, family care problems, pregnancy, and many other justifiable reasons (Table 7).

Table 8 gives information about the characteristics of 60,000 enrollees who were terminated from the WIN program during fiscal year 1971 (through March 31, 1971). Selected characteristics of terminees are compared by category of termination--"completers", "other (good cause)", and "dropouts".



TABLE 6

Holding Categories as a Percent of End of Month Enrollment, by Month  
May 1970 - April 1971

<u>Month and Year</u>	<u>End of Month Enrollment</u>	<u>Non-Program Related Holding</u>	<u>Non-Program Related Holding as % of E.O.M. Enrollment</u>	<u>Program Related Holding</u>	<u>Program Related Holding as % of E.O.M. Enrollment</u>	<u>Job Entry Holding</u>	<u>Job Entry Holding as % of E.O.M. Enrollment</u>	<u>Intake Phase</u>	<u>Intake Phase as % of E.O.M. Enrollment</u>
<u>1970</u>									
May	92,075	2,247	2.4	13,648	14.8	1,648	1.8	7,288	7.9
June	94,555	5,657	6.0	11,138	11.8	2,560	2.7	7,203	7.6
July	97,181	5,948	6.1	11,717	12.1	3,720	3.8	7,094	7.3
August	100,189	6,463	6.5	13,792	13.8	4,290	4.3	7,136	7.1
September	102,834	6,008	5.8	12,141	11.8	4,413	4.3	6,728	6.5
October	104,451	5,860	5.6	10,800	10.3	4,415	4.2	6,043	5.7
November	106,563	5,616	5.3	10,711	10.1	4,731	4.4	6,028	5.7
December	109,142	7,790	7.1	9,263	8.5	6,358	5.8	6,930	6.3
<u>1971</u>									
January	110,059	7,968	7.2	8,450	7.7	6,677	6.1	6,428	5.8
February	111,751	8,478	7.6	7,830	7.0	6,908	6.2	5,921	5.3
March	112,191	8,247	7.4	7,520	6.7	7,177	6.4	5,725	5.1
April	112,336	7,821	7.0	7,318	6.5	7,445	6.6	5,240	4.7

TABLE 7

Reasons for Termination from the WIN Program  
December 31, 1970 <sup>1/</sup>  
(percent distribution)

Reason for Termination	Percent	Approximate Number of Enrollees <sup>2/</sup>
Total	<u>100</u>	
Completed employability plan	<u>20</u>	<u>31,240</u>
Dropouts	<u>20</u>	<u>32,050</u>
Cannot locate	4	6,200
Refuse to continue	13	20,050
Administrative separation	3	5,800
Other terminations	<u>60</u>	<u>91,000</u>
Full time school	1	1,300
Armed forces	<u>2/</u>	
Committed to institution	1	1,300
Illness	11	16,600
Pregnancy	4	6,000
Care of Family	10	15,100
Transportation problems	2	3,000
Moved from area	7	10,500
Death	<u>2/</u>	
Returned to welfare	3	4,200
Appeal accepted	<u>2/</u>	
Referred in error	2	3,000
Other	19	29,100

<sup>1/</sup> Based on a sample of 29,000 termination reports.

<sup>2/</sup> Less than  $\frac{1}{2}$  of one percent.

<sup>3/</sup> Extrapolated from percentages found in the sample of 29,000 termination reports.

TABLE 8

Distribution of Enrollees Terminated 7/1/70 to 3/31/71 by Category of Termination as Percentages of Selected Characteristics of All Terminations for Which Data Available

<u>Characteristics</u>	<u>Total Terminations</u>		<u>Completers</u>		<u>"Other Terminees"</u>		<u>"Dropouts"</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
TOTAL	60,044	100.0	13,184	22.0	34,020	56.6	12,840	21.4
<u>Sex</u>								
Male	20,104	100.0	4,411	21.9	10,503	52.2	5,190	25.8
Female	39,724	100.0	8,769	22.1	23,429	59.0	7,526	18.9
<u>Race</u>								
White	32,951	100.0	7,279	22.1	19,159	58.1	6,513	19.8
Negro	23,799	100.0	5,299	22.3	12,847	54.0	5,653	23.8
Other	2,086	100.0	431	20.7	1,204	57.7	451	21.6
<u>Education</u>								
8th grade or less	14,831	100.0	2,658	17.9	9,029	60.9	3,144	21.2
9th - 11th grade	25,798	100.0	4,724	18.3	14,670	56.9	6,104	24.8
12th grade or more	19,316	100.0	5,793	30.0	10,247	53.0	3,276	17.0
<u>Age</u>								
22 and under	12,869	100.0	1,652	12.8	7,485	58.2	3,732	29.0
22 - 44	42,428	100.0	10,132	23.9	23,792	56.1	8,504	20.0
45 and over	4,690	100.0	1,394	29.7	2,700	57.6	596	12.7
<u>Head of Household</u>	52,007	100.0	12,044	23.2	29,292	56.3	10,671	20.5

WIN Interagency Activity

During fiscal year 1971, the Department of Labor and the Department of Health, Education, and Welfare made concerted efforts to improve coordination between the two agencies at both the National and the regional levels. The interagency task force which had been established in fiscal year 1970, continued to meet regularly, and joint technical assistance visits have been carried out by National Office staff. A joint instruction to the Employment Service and Welfare agencies on sources of "in-kind" contributions to meet the 20 percent State matching requirements is the final stages of preparation. Another joint issuance would establish a HEW/DOL WIN interagency working group to assure maximum cooperation and coordination at both regional and local levels. The increasing delegation of decision making authority to the regional offices underscores the need for interagency work groups at all levels.

There was increased involvement of Vocational Rehabilitation agencies in WIN during fiscal year 1971. Two conferences involving manpower, social welfare and rehabilitation agency representatives were held to examine the interdependency of their programs, and to develop improved delivery systems for rehabilitation services and model services agreements for manpower agencies and rehabilitation facilities.

On the local level, several projects are engaged in joint Employment Service-Welfare-Vocational Rehabilitation assessment of referrals. Some of these interagency teams deal only with medical problems, while others

cover all aspects of the enrollee. In other projects, Vocational Rehabilitation agencies are cooperating with WIN teams in identifying medical problems of enrollees. Many welfare agencies have established special WIN units that work jointly with Employment Service WIN staff to improve WIN services.

Welfare Savings from WIN

According to HEW reports based on the complete history of the WIN program, State-compiled figures show that savings to public assistance agencies because of reduced payments attributable to employment or on-the-job-training was estimated to be about \$10 million dollars. Also, for all cases closed through December 1970 (20,000), the total estimated annual savings would be \$50 million dollars. For a case to be closed, there would need to be earnings at a rate to at least equal the assistance payments, work expenses, and the mandatory disregarding of earned income.

Table 9 shows maximum monthly welfare payments to AFDC recipients by States and the hourly earning levels required to remove AFDC recipients from welfare rolls in each State.

TABLE 9

State Welfare Payment and Earnings Levels Needed to Remove  
AFDC Recipients from Welfare Rolls (Family of Four) 2/

State	Highest Monthly Payments made by State Welfare to AFDC Recipients - March, 1971		Hourly Earnings Levels Required to Remove AFDC Recipient from Welfare Rolls 2/ 3/
	Monthly Payment	Hourly Equivalent	
1. Mississippi	\$ 60.00	\$0.35	\$0.77
2. Alabama	81.00	.47	.91
3. Arkansas	106.00	.58	1.04
4. South Carolina	103.00	.59	1.06
5. Louisiana	109.00	.63	1.12
6. Tennessee	129.00	.74	1.25
7. Missouri	130.00	.75	1.27
8. Florida	134.00	.77	1.30
9. Georgia	133.00	.77	1.30
10. West Virginia	138.00	.80	1.34
11. Nevada	143.00	.82	1.37
12. Indiana	150.00	.86	1.46
13. North Carolina	158.00	.93	1.52
14. Arizona	167.00	.96	1.60
15. Maine	168.00	.97	1.62
16. Texas	179.00	1.03	1.71
17. Oklahoma	185.00	1.05	1.73
18. New Mexico	182.00	1.05	1.73
19. Kentucky	187.00	1.08	1.78
20. Delaware	187.00	1.08	1.78
21. Utah	187.00	1.08	1.78
22. Maryland	196.00	1.13	1.83
23. Ohio	200.00	1.15	1.90
24. Nebraska	200.00	1.15	1.90
25. Wisconsin	217.00	1.25	2.05
26. California	221.00	1.27	2.08
27. Oregon	225.00	1.30	2.12
28. Wyoming	227.00	1.31	2.14
29. Montana	228.00	1.31	2.14

State	Highest Monthly Payments made by State Welfare to AFDC Recipients - March, 1971		Hourly Earnings Levels Required to Remove AFDC Recipient from Welfare Rolls 2/ 3/
	Monthly Payment	Hourly Equivalent	
30. Colorado	235.00	1.36	2.22
31. D.C.	238.00	1.37	2.23
32. Iowa	243.00	1.40	2.28
33. Idaho	242.00	1.40	2.28
34. Kansas	251.00	1.45	2.36
35. Virginia	261.00	1.50	2.40
36. Hawaii	263.00	1.52	2.42
37. Rhode Island	263.00	1.52	2.42
38. Illinois	284.00	1.63	2.61
39. North Dakota	284.00	1.63	2.61
40. Michigan	293.00	1.69	2.70
41. New Hampshire	294.00	1.70	2.72
42. Minnesota	299.00	1.72	2.75
43. South Dakota	300.00	1.73	2.77
44. Washington	303.00	1.75	2.80
45. Pennsylvania	313.00	1.80	2.87
46. Vermont	327.00	1.89	3.00
47. Connecticut	330.00	1.90	3.02
48. New York	336.00	1.94	3.08
49. New Jersey	347.00	2.00	3.16
50. Massachusetts	349.00	2.01	3.18
51. Alaska	375.00	2.16	3.26

- 1/ Based on HEW data: Table 4, Aid to Families with Dependent Children: Monthly Amount for basic needs under full standard and payment standard and largest amount paid for basic needs for a family consisting of four recipients by State, March 1971 NCSS May 1971.
- 2/ Hourly earnings levels required to remove persons from welfare with consideration of WIN program incentives and \$30 and 1/3 earnings disregarded.
- 3/ Applies for female heads of household only. If male works more than 35 hours a week at any wage his welfare services are terminated.

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## PART III - PROBLEMS AND PROGRESS

Introduction

As the WIN program has moved from start-up operations to maintaining program growth and improving program quality, some different problems have been encountered. In prior years, perhaps the most important problem was getting an adequate number of referrals from welfare agencies. A second major problem was that of moving the new enrollees directly into training or employment.

While the above problems still exist, they are limited to certain localities. Major issues now include the requirement that State welfare agencies provide matching funds for WIN manpower activities, child-care, and the other welfare supportive services required to maintain WIN enrollees. States generally are experiencing fiscal difficulties, particularly with regard to support for the welfare system. States are also tempted perhaps to look past present WIN needs to the proposed welfare reform program which will be less costly to them.

Holding, while not the critical national problem it was last year, continues to be a serious problem in some States. Nationally, only one aspect of holding increased significantly during fiscal year 1971, that is holding for job entry. No real improvement is expected in this area until there is a substantial improvement in the labor market.

The difficulties reported last year with regard to the establishment of Special Work Projects continued. No significant progress was made in getting States to establish them.

State Matching

A major problem in the WIN program has been the legal requirements that States provide matching funds. For the WIN manpower activities, States must pay



20 percent of total program costs. For welfare supportive services and child care costs 25 percent State matching is required; and for welfare administrative expenses, the State must provide 50 percent of the funds.

In fiscal year 1971 twenty-two States were forced to either cut back their WIN programs or were unable to expand their programs as desired due to the lack of State matching funds for manpower or social supportive services. To offset the lack of cash matching, the Departments of Labor and Health, Education, and Welfare are now preparing a joint issuance on WIN in-kind matching contributions. This issuance should speed the development of in-kind matching and provide for limited program expansion in those States that are short of funds. Regional offices in their monitoring activities will assist by helping to identify possible sources of in-kind contributions.

In those States without sufficient matching funds for welfare activities, WIN enrollee participation in training and employment has also been affected to the extent that there are insufficient funds to pay for child-care, transportation, and other supportive services. Staff shortages in welfare agencies due to lack of matching funds for administrative salaries has affected the ability of welfare agencies to screen referrals to WIN and to provide comprehensive supportive services to WIN enrollees.

#### Under-Utilization of On-The-Job Training (OJT)

WIN-OJT continues to be underutilized although enrollment has increased from 661 on April 30, 1970, to 1,416 on April 30, 1971. WIN enrollees now receive a 48 hour referral priority for all National Alliance of Businessmen--Job Opportunities in the Business Sector (NAB-JOBS) OJT openings.

There were 722 WIN enrollees suspended to NAB-JOBS OJT openings on April 30, 1971.

WIN-OJT expansion has been limited for the following reasons:

- (1) procedural difficulties within the States which require a time consuming State approval process for local OJT contracts
- (2) the failure of States to provide adequate training to WIN teams in OJT procedures
- (3) State organizational structures which separate OJT and WIN functions, thereby negating the WIN concept of job development tailored to meet the individual's needs
- (4) reluctance of States to develop WIN-OJT when it is easier to use other types of training.

A simplified OJT system has been devised for WIN and will be available shortly to the States. Comments received from job development staff in two States who have been trained in the use of the new WIN-OJT system indicate that the new procedures greatly improve staff capability to interest employers in OJT contracts.

#### Reporting Activities

Certain program problems were not readily identifiable under the original program reporting system. A more comprehensive information system tailored to current program components, and showing a breakdown of "holding" into initial component, program related, non-program related and job entry holding, was installed in May 1970. The new system permits more detailed analysis of enrollee trends and permits regional and national office staff to discover or anticipate problem areas. Training of State and regional

WIN staff in the new reporting system has led to more uniform reporting procedures. Decentralization of data collection to the regional offices with data verification by the regions, is underway and should facilitate problem identification and the initiation of corrective action.

A regional management control system was established in fiscal 1971 and will be expanded in fiscal 1972. This new system will enable regional managers to more realistically plan and manage programs under their jurisdiction. Deviation from established goals and plans can be noted and immediate corrective action initiated.

### Monitoring

The limited amount of Federal monitoring has contributed to the underdevelopment of the WIN program in many States and has denied the regional administrators the information necessary to carry out their responsibilities for program administration.

The individual nature of WIN projects in adapting to local conditions requires that each project be monitored regularly. Reorganization of the regional offices has been completed which makes more staff available for monitoring and providing technical assistance to all manpower programs. This permits regional office staff to deal more effectively with the heavy workload that individual project monitoring demands.

In addition, a Regional Monitoring Handbook is developed and will be distributed to the regional offices during August 1971. This handbook will provide a uniform system and method for monitoring and will improve the gathering of useful information with which to evaluate WIN program performance. As monitoring coverage expands, program problems at the project level should be more quickly identified and solved.

Early Terminations

The relatively high number of early terminations have offset gains toward the WIN goal of removing families from the AFDC rolls. As of April 30, 1971, 123,073 WIN enrollees, nearly 80% of all terminations had left prior to completion of their employability plans. The AFDC population has many problems which may affect adversely their participation in WIN. The factors contributing to welfare eligibility--unemployment, incapacity, absence or death of the breadwinner--suggest that most AFDC recipients have many difficult problems. The personal problems of recipients are often so pressing, necessitating immediate attention, that energies normally directed toward training and employment must be temporarily suspended. It may happen that the assistance check is stolen from the mailbox; injury or illness may strike a family member; or the building in which the family is living may be scheduled for demolition and new housing seems unavailable. A recent HEW nutritional survey revealed that one-fourth of the people with incomes below the poverty level were anemic to a degree requiring medical attention. Poor health is a major cause of irregular attendance during training and employment.

Another consideration in the problem of early terminations is the fact that a majority of the female WIN enrollees have volunteered to participate in the program. As volunteers they have the right to withdraw from the program without the application of sanctions. Quite often, a mother will leave the program because of a temporary crisis in the home and may or may not return later when the problem has been solved. Welfare agencies follow-up those recipients who are terminated and many have returned to the program after additional supportive services have been provided.

Regional office staffs have been asked to intensify their efforts to determine causes of early terminations. Increased monitoring of WIN projects by regional office staff is expected to modify the early termination rate.

## PART IV - MANPOWER SERVICES UNDER WELFARE REFORM LEGISLATION

Serious problems in the nation's welfare program led to recommendations by the President in 1969 for a major overhaul of the entire system. The Administration's welfare reform proposal was designed to furnish income to all needy families with children, and to provide training and employment opportunities for those individuals able to work. The essential concepts of the Administration's proposal are contained in H.R.1, the bill approved by the House of Representatives on June 22, 1971. Many of the problems encountered in the WIN program will be corrected by this new legislation.

The bill establishes a new Opportunities for Families Program (OFF) in the Department of Labor. Under OFF the Labor Department will have entire responsibility for those families in which at least one person is required or volunteers to be available for employment. Other families will be enrolled in the Family Assistance Plan administered by the Department of Health, Education, and Welfare. No longer will recipients be lumped together without any regard for their ability to enter the labor force. In addition, the divided administrative responsibility in the WIN program will be ended.

H.R.1 gives the Secretary of Labor flexible authority to administer the program in a manner that will achieve the greatest results in reducing dependency. State or local agencies--such as the State Employment Service--can be used whenever the Secretary believes them to be the most effective agency.

A strengthened work requirement is contained in the welfare reform bill. All individuals, except those specifically exempted by law, will be required to register for employment or training.<sup>1/</sup> Under WIN, the difficult task of deciding who would be required to take training or enter employment was left to State welfare agencies who were not always in sympathy with the program's work objective. Uniform national standards for mandatory registration for manpower services should greatly increase the number of persons who are available for employment. Refusal to accept work or training without "good cause" will result in a substantial loss of benefits.

H.R.1 also offers several stronger work incentives than those in WIN. For those enrollees in MDTA-like training the monthly \$30 OFF training allowance will be supplemented by an amount equal to the difference between the allowance payable under the Manpower Development and Training Act and the Family Assistance benefit. When the trainee is placed in permanent employment, the first \$60--instead of the present \$30--plus one-third of the remainder of his earnings will be "disregarded" in calculating the family's welfare benefit. The "income disregard" provision insures that the recipient will always be better off by going to work. Under the AFDC program, this work incentive was not available to two parent families; H.R.1 corrects this defeat.

For the first time, the "working poor"--poverty level families in which the head of household is working--will be covered by the new program. The inequity of the present system, where some working families have less income

<sup>1/</sup> Exempt from mandatory registration are (1) anyone ill, incapacitated or of advanced age; (2) a mother or relative of a child under age three (age six until 1974) who is caring for the child; (3) a mother of a child if the father or other adult male is registered; (4) a child under 16, or a person under 22 and a student regularly attending school or vocational training; (5) one caring for an ill or incapacitated family member. Those exempt under (2), (3), (4) or (5) may volunteer for manpower services and employment.

than those who receive welfare payments, will be eliminated. Thus, the incentive to drop out of the work force to go on welfare will be removed.

Greatly increased training opportunities will make it possible to move more recipients toward a self-support status. In addition to WIN, 225,000 OFF training opportunities will be provided in the first full year of the program. Federal funds will pay for the entire training program, ending the 20 percent State matching requirement that has handicapped the WIN program. The Secretary of Labor will also be authorized to utilize other manpower programs in order to fulfill the purposes of the Act.

The problems experienced in implementing the WIN Special Work Projects component arose largely from the complex financial arrangements of the program and the necessity for the State to contribute a large share of the participants' wages. Under the welfare reform bill, 200,000 public service jobs will be provided in the first full year. Through grants or contracts with public or private nonprofit agencies, employment will be provided in a wide variety of fields such as health, education, recreation, and environmental improvement.

To encourage movement of recipients into unsubsidized jobs, Federal funds will pay 100 percent of the cost of employing a recipient for one year, 75 percent during the second year of employment, and 50 percent during the third year. Training components and semi-annual review of the possibilities of moving individual recipients into unsubsidized employment will be utilized to insure that these jobs are transitional in nature.

The national shortage of child-care services has been a major impediment to the WIN program. Under H.R.1, child-care costs will be wholly financed with Federal funds, and States will be relieved of the 25% State matching requirement. The Department of Health, Education, and Welfare will be authorized to develop new child-care resources, including the construction or renovation of facilities, which has not been possible under WIN. The Secretary of Labor--under the Opportunities for Families Program--will be charged with the responsibility for locating and purchasing child-care and social supportive services for individuals registered for training and employment.

Under WIN, public subsidy of child-care is reduced according to the amount of earned income and may terminate shortly after employment commences. Under the welfare reform measure, child-care assistance could be continued to avoid the possibility that the training investment would be lost due to lack of adequate child-care arrangements.

Much has been learned from the WIN experience over the past two and one-half years. Solutions to the more significant program difficulties have been included in the welfare reform legislation now before the Congress. If this proposal is enacted promptly, the important task of moving welfare recipients out of dependency and into socially productive roles will be greatly advanced.



TABLE A-1

Cumulative Federal Dollar Amounts Obligated  
 (For the Period July 1, 1968 through April 30, 1971)  
 and Authorized Slot Levels by State as of April 30, 1971

State or Possession	Amount (In Dollars)	Authorized Slot Levels
TOTAL	** <u>268,930,704</u>	<u>127,584</u>
Alabama	2,292,547	1,200
Alaska	1,017,460	360
Arizona	3,772,096	1,680
Arkansas	1,222,299	950
California	41,756,948	16,800
Colorado	4,605,880	2,600
Connecticut	2,663,867	1,600
Delaware	665,991	350
District of Columbia	5,090,736	1,440
Florida	4,158,580	3,120
Georgia	1,954,053	1,500
Guam	176,264	120
Hawaii	644,083	360
Idaho	815,324	480
Illinois	6,258,032	5,800
Indiana	947,535	1,000
Iowa	2,219,019	1,260
Kansas	1,845,037	1,060
Kentucky	5,261,270	2,400
Louisiana	2,170,392	1,500
Maine	910,919	675
Maryland	4,827,372	3,000
Massachusetts	5,789,567	5,050
Michigan	9,019,724	6,500
Minnesota	2,645,831	2,075
Mississippi	783,531	400
Missouri	4,423,992	1,650
Montana	1,021,500	410
Nebraska	677,253	480
Nevada	91,000	100

State or Possession	Amount (In Dollars)	Authorized Slot Levels
New Hampshire	200,000	200
New Jersey	7,178,137	3,000
New Mexico	882,550	450
New York	24,981,100	16,800
North Carolina	1,147,926	800
North Dakota	701,591	300
Ohio	6,880,087	4,600
Oklahoma	844,237	450
Oregon	3,125,857	1,800
Pennsylvania	8,302,421	8,000
Puerto Rico	6,117,255	4,300
Rhode Island	1,686,495	750
South Carolina	373,949	250
South Dakota	1,145,082	650
Tennessee	3,631,538	2,400
Texas	2,599,786	1,600
Utah	4,379,514	2,000
Vermont	604,318	630
Virginia	2,933,179	1,800
Virgin Islands	156,692	59
Washington	6,554,855	3,000
West Virginia	9,922,776	5,000
Wisconsin	3,944,241	2,840
Wyoming	273,892	135
TOTAL TO STATES	<u>218,295,580</u>	
Workmen's Compensation	2,750,770	
Research	2,955,044	
Evaluation	2,520,193	
Federal Salaries and Expenses (for Manpower Activities)	8,706,962*	

\*\* Approximately 35 million remained in the 4th quarter which was to be obligated by June 30, 1971.

\* Authorized Federal positions as of April 30, 1971: 227

TABLE A-2

Average Hourly Wages and Average Hours Worked Per Week of WIN  
Employed Graduates by Major Occupational Category,  
July 1, 1970 - March 31, 1971 <sup>1/</sup>

Major Occupational Category <sup>2/</sup> and Principal Occupational Groups within Categories	Number of Employed WIN Graduates	Average Hourly Wage <sup>2/</sup>	Average Hours per Week
U. S. Total	<u>6,904</u>	<u>\$ 2.28</u>	<u>38.7</u>
1. Professional, Technical, Managerial	<u>824</u>	<u>2.58</u>	<u>38.4</u>
Nursing	30	3.65	38.1
Medicine and health*	281	2.55	39.1
Primary school and kindergarden education	38	2.75	36.1
Education*	39	2.15	33.8
Social and welfare work	236	2.42	38.0
2. Clerical and Sales	2,043	2.17	38.6
Secretarial work	134	2.31	38.4
Stenography	53	2.16	38.5
Typing	63	2.37	37.3
Filing	44	1.93	38.9
Stenography, typing and related*	616	2.16	38.9
Bookkeeping	52	2.20	38.9
Cashiering	34	1.96	39.5
Teller service	25	2.12	38.4
Automatic data processing	132	2.17	39.3
Computing and account recording *	297	2.11	38.5
Stock checking and related	53	2.15	38.7
Mail sorting, stamping, recording and related	29	2.35	39.7
Telephone work	67	2.13	39.1
Reception and information dispensing	46	2.03	37.7
Miscellaneous clerical work*	41	2.15	39.4
Saleswork, commodities*	34	1.90	36.9
Sales clerking	41	1.89	38.1
Miscellaneous merchandising work*	49	2.24	36.4
3. Service	<u>1,705</u>	<u>1.91</u>	<u>38.0</u>
Housework, domestic	66	1.83	38.0
Food serving	124	1.48	36.1
Cooking, large hotels and restaurants	35	1.81	38.8
Kitchen work*	61	1.81	38.1

\*N.E.C. - Nowhere else classified

Major Occupational Category <sup>2/</sup> and Principal Occupational Groups within Categories	Number of Employed WIN Graduates	Average Hourly Wage <sup>2/</sup>	Average Hours per Week
Maid and related services, hotels	65	1.68	38.4
Barbering and related services	37	1.96	40.9
Beautician services	185	1.72	36.0
Masseur and related services	38	2.47	37.4
Attendant work, hospitals & related health services	547	1.88	39.3
Miscellaneous personal services*	91	2.09	35.6
Guard & related services	28	2.18	39.9
Cleaning & related services	144	2.25	37.9
Janitorial service	67	2.20	39.9
4. Farming, fishery, forestry	<u>106</u>	<u>2.38</u>	<u>40.2</u>
Gardening & groundskeeping	48	2.63	40.0
5. Processing	217	2.48	39.4
Metal processing <sup>1</sup>	35	2.68	40.0
Ore refining & foundry work *	25	2.83	40.3
6. Machine trades	<u>311</u>	<u>2.55</u>	<u>40.0</u>
Metal machining*	30	2.58	40.0
Motorized vehicle and eng. equipment repairing	97	2.62	40.1
7. Bench work	<u>364</u>	<u>2.11</u>	<u>39.7</u>
Metal unit assembling and adjusting	43	2.19	40.0
Assembly and repair of electronic components	43	2.13	40.0
Machine sewing, garment	30	1.58	39.5
Machine sewing, non-garment	50	1.77	39.4
8. Structural work	<u>504</u>	<u>2.92</u>	<u>38.9</u>
Transportation equipment assembling	26	3.05	40.0
Combination arc and gas welding	30	3.09	40.0
Excavating and grading	27	2.67	41.1
Carpentry and related work	55	3.01	39.8
Miscellaneous construction work*	52	3.00	39.9
Miscellaneous structural work*	48	2.52	40.1

\* N.E.C. - Nowhere else classified

Major Occupational Category <sup>2/</sup> and Principal Occupational Groups within Categories	Number of Employed WIN Graduates	Average Hourly Wage <sup>2/</sup>	Average Hours per Week
9. Miscellaneous	632	2.56	39.7
Heavy truck driving	61	2.89	39.5
Light truck driving	46	2.50	40.2
Passenger transportation*	32	2.42	36.7
Parking lot and related service work	59	2.11	41.3
Packaging	98	2.09	29.7
Materials moving and storing*	78	2.50	39.4
Packaging and materials handling, n.e.c.	106	2.51	39.7
Extraction of minerals*	28	3.73	40.3
Occupations not reported	198	2.30	39.3

<sup>1/</sup>Based on termination reports received July 1, 1970 through March 31, 1971.

<sup>2/</sup>Listed occupational groups are confined to occupations with 25 or more employed terminees and do not add to summary totals for major occupational categories.

\* N.E.C. - Nowhere else classified

*Question 5: Based on your knowledge of the labor market, and of those eligible for OFF, please provide the Committee with a phased schedule suggesting how we might break down into priority of service categories the millions of people required to participate in the programs. Show why (if at all) proposed categories differ from those under WIN.*

*Response:*

Deciding what kinds of people to serve and what kinds of services those people should receive in order to best realize the program's objectives is a complex process. In broad terms the objective of OFP is to move families off of welfare and where this is not possible in the short run reduce their benefit dependency by placing individuals in employment where only reduced benefits are required. Based on initial overall priority guidance from Washington, OFP field managers will have to identify the individuals needing services under H.R. 1, and determine just what kind of services they need. At the same time, they will assess the demand side of the local labor market to see what job opportunities or job development possibilities there are. Then they will go through the process of matching up the supply and demand sides of the equation. The outcome of this process, together with factors bearing on the amount of training and supportive service funds necessary to affect the job match, and the amount of benefit payments that could be saved by moving the family out of dependence, will provide the priority of service schedules for the local area. Clearly, precise determinations of this nature can not be made from Washington, but rather must be made locally in light of the situation facing the responsible OFP official, and in the context of overall national guidance. The priority selections made by field officers will, of course, be carefully monitored and evaluated to insure that the national goals and objectives are adhered to.

*Question 6: Provide the Committee with a chart indicating by state the salary levels required to get an individual off welfare; also indicate the minimum wage level in each state. Compare the former with the data provided in (4) showing the kinds of jobs now available for OFF participants.*

*Response:* The information requested is provided in the attached chart. Wage rates of WIN graduates are used as an indicator of what OFP participants might receive. Also, a column is shown on what wage rate would be necessary to get a family of four *half* off welfare, since the savings in government expenditures occurs before wages reach the "breakdown point" for benefits.

State	Hourly earnings required to reduce or eliminate welfare payments (family of 4)		Average hourly earnings of employed WIN terminees (1st 3 quarters of fiscal year 1971)	State hourly minimum wage rates <sup>1</sup> Federal minimum wage \$1.60; agriculture \$1.30
	Eliminate welfare payments	Reduce welfare payments by half		
Alabama.....	\$2.43	\$1.22	\$1.62	None.
Alaska.....	3.96	2.61	3.01	\$2.10. <sup>2</sup>
Arizona.....	2.66	1.38	2.03	\$0.52 to 0.60 (women and minors only).
Arkansas.....	2.07	2.20	1.76	\$1.20.
California.....	3.31	2.32	2.64	\$1.65 (women and minors only).
Colorado.....	2.48	1.42	1.97	\$1.00 to \$1.25 (women and minors only).
Connecticut.....	3.33	1.87	2.18	\$1.61 (Oct. 1, 1971, at least \$1.85, agriculture \$1.70 until Oct. 1, 1973. <sup>3</sup>
Delaware.....	2.48	2.27	2.14	\$1.60.
District of Columbia.....	2.50	2.19	2.35	\$1.60 to \$2.25.
Florida.....	2.37	1.18	( <sup>4</sup> )	None.
Georgia.....	2.23	1.63	1.64	\$1.25.
Hawaii.....	2.73	1.52	( <sup>4</sup> )	\$1.60.
Idaho.....	2.54	1.72	1.88	\$1.40 (\$1.60 on July 1, 1972).
Illinois.....	2.90	1.64	2.60	None. <sup>6</sup>
Indiana.....	3.26	2.84	( <sup>4</sup> )	\$1.25.
Iowa.....	2.55	1.97	2.14	None.
Kansas.....	2.55	1.77	2.03	Do.
Kentucky.....	2.31	1.37	1.87	\$0.65 to \$0.75.
Louisiana.....	2.28	1.10	1.74	None.
Maine.....	3.50	2.74	1.92	\$1.60 (\$1.80 on Sept. 23, 1971). <sup>7</sup>
Maryland.....	2.13	2.20	2.14	\$1.60.
Massachusetts.....	3.19	1.64	2.42	Do.
Michigan.....	2.73	1.68	2.41	Do.
Minnesota.....	3.05	1.75	2.31	\$0.75 to \$1.60.
Mississippi.....	2.45	1.22	1.59	None.
Missouri.....	3.29	2.91	2.12	None.
Montana.....	2.41	1.46	2.04	\$1.60 (agriculture now \$1.20, \$1.40 on July 1, 1972, \$1.60 July 1, 1973)
Nebraska.....	3.33	2.46	( <sup>4</sup> )	\$1.00.
Nevada.....	3.21	2.57	( <sup>4</sup> )	\$1.60.
New Hampshire.....	3.01	1.77	( <sup>8</sup> )	\$1.60.
New Jersey.....	3.48	1.92	2.29	\$1.50.
New Mexico.....	2.19	1.09	1.75	\$1.60 (\$1.30 agriculture).
New York.....	3.38	1.98	2.44	\$1.85. <sup>9</sup>
North Carolina.....	2.07	1.08	1.75	\$1.45 (\$1.60 on July 1, 1972).
North Dakota.....	2.71	1.63	1.92	\$1.00 to \$1.45.
Ohio.....	2.17	1.78	2.16	\$0.75 to \$1.25 (women and minors only).
Oklahoma.....	2.07	1.49	( <sup>4</sup> )	\$1.40.
Oregon.....	2.38	1.87	2.50	\$1.25.
Pennsylvania.....	3.18	1.71	2.31	\$1.60.
Rhode Island.....	2.73	1.51	2.24	\$1.60.
South Carolina.....	2.14	1.07	( <sup>4</sup> )	None.
South Dakota.....	3.06	1.71	1.71	\$1.00.
Tennessee.....	2.31	1.73	1.72	None.
Texas.....	2.07	1.47	2.07	\$1.40 (\$1.10 agriculture).
Utah.....	2.26	1.93	2.18	\$1.20 to \$1.35 (women and minors only).
Vermont.....	3.10	1.75	2.02	\$1.60.
Virginia.....	2.72	1.69	1.74	None.
Washington.....	3.09	1.68	2.34	\$1.60.
West Virginia.....	2.07	1.22	2.30	\$1.20 (\$1.40 on July 1, 1972, \$1.60 on July 1, 1973).
Wisconsin.....	2.31	1.67	2.07	\$1.45 (women and minors only).
Wyoming.....	2.75	1.88	1.78	\$1.40 (\$1.50 on Jan. 1, 1972; \$1.60 on Jan. 1, 1973).

<sup>1</sup> Not shown on the table are a variety of exclusions, variations, and tolerances under applicable minimum wage laws and orders. For example, most states do not cover agricultural and domestic workers. Generally, however, most states do provide some coverage not subject to the minimum wage requirements of the FLSA.

<sup>2</sup> Alaska's rate 50 cents more than FLSA minimum.

<sup>3</sup> On Oct. 1, 1971 Connecticut's minimum wage will be \$1.85 or 1 cent more than FLSA minimum, whichever is higher.

<sup>4</sup> INA.

<sup>5</sup> Too few reports for average wage data to be considered reliable.

<sup>6</sup> Aug. 6, 1971 Illinois minimum wage bill awaiting Governor's signature.

<sup>7</sup> The projected \$1.80 rate in Maine will increase automatically to the highest Federal minimum wage, not to exceed \$2 an hour.

<sup>8</sup> No WIN program.

<sup>9</sup> New York's minimum wage shall be increased to \$1.90, \$1.95, and \$2 an hour if the Federal minimum wage increases to that amount.

*Question 7a. Public Sector Jobs—What is your position on the public service employment program proposed as part of OFF? How do you plan to relate it to the recently passed PSE bill? Do you agree with the bill as written, i.e. that it should provide low level jobs for the hardest to place. What are the greatest areas of growth in the public sector (leading to permanent jobs)? How many of these jobs require training (in regard to the individuals represented in the welfare population); detail.*

*Response:*

The Department endorses the provisions for a public service employment (PSE) program included in H.R. 1. We will coordinate the administration of the public service employment program established under the recently passed Emergency Employment Act (EEA) with any public service employment program enacted as part of welfare reform.

The Department of Labor will administer EEA funds through the State governments and the governments of cities and counties with 75,000 or more population. The Department is presently planning a coordinated OFP manpower delivery system, including PSE as one of the major components. PSE is viewed as one part of several manpower and other services which will be available to assist individuals and families to become self-supporting.

While the two programs should be coordinated to the maximum extent possible, it should be recognized that there are differences in their Objectives, duration, target populations and other major provisions. EEA is a two-year authorization intended only to provide temporary assistance during a period of economic downturn. OFP/PSE, on the other hand, is intended as a permanent program. Although the target populations of the two programs overlap in part, they are largely different. H.R. 1 is limited to welfare recipients and, within this group, to persons who "are not otherwise able to obtain employment or to be effectively placed in training programs." It, thus, focuses on a population with only limited educational and work experience backgrounds, who either cannot be immediately placed in employment or in training. Some PSE jobs are likely to be clustered at the lower skill levels." Others will be at higher skill levels and may require some training and supportive services. It is our intent under PSE to provide the most meaningful job possible.

EEA, on the other hand, is specifically geared to the state of the economy and, when "triggered" on by three consecutive months of a nationwide jobless rate of 4.5 percent (and in the case of the Act's Special Employment Assistance Program, 6.0 percent locally), unemployed and underemployed persons become eligible for the public service employment program. While these eligible persons include welfare recipients, the Act's benefits are by no means limited to this population. Indeed, the Act provides that special consideration shall be given to Viet Nam and Korea veterans and up to one-third of the enrollees may be employed in professional occupations.

H.R. 1 recognizes the need for employability development on the part of welfare recipients in not limiting the extent to which training and allied services may be incorporated into the PSE program. EEA, however, anticipating a generally more job-ready clientele during periods of high unemployment, limits to 15 percent of appropriations



the amount that may be spent for training and manpower services for persons employed in PSE under the program.

In our view, the role assigned to the public service employment program in H.R. 1 is an appropriate one. It is designed to serve as an approach to work preparation for welfare recipients for whom regular employment is not immediately available and for whom skills training, by itself, is not available or appropriate. In providing for periodic review by the Secretary of the individuals enrolled in PSE programs, enrollees may be assured of maximum opportunities for eventual placement in regular public or private jobs. PSE unlike EEA authorizes public service jobs in the private nonprofit sector which should open up a substantial number of job opportunities and new career fields. While some of the initial PSE placements under H.R. 1 may be in the lower-level occupations, imaginative accompanying job development and supportive service programs can make these jobs the first rung on career ladders of steadily improving and stable employment.

*Question 7b: How many non-skilled (no training required) jobs exist in the public sector? Break down both skilled and non-skilled jobs into temporary and permanent categories. Which (break down by training required, no training, temporary, long-term) of the jobs can lead directly to private employment? Which are appropriate for welfare recipients?*

*Response:*

In 1970, approximately 12.6 million persons were employed in Federal, State, and local governments. Of this total, roughly 2.7 million were employed by the Federal Government and 9.9 million by State and local government.

Although public employment is not expected to grow at the same rapid rate it did during the 1960's, manpower needs in the public sector will greatly exceed the number of anticipated openings in any major branch of private industry. Projections by the Bureau of Labor Statistics indicate that total government employment in 1980 will be 16.8 million, of which 10.3 million will be employed in local government, 3.5 million in State government and 3 million in the Federal Government.<sup>1</sup> Thus, for the 1970's, an annual increase of some 400,000 public sector jobs is anticipated—with the large majority of job increases located in State and local governments.

In addition to jobs created by employment growth, additional openings will also result from replacement needs arising from turnover, retirement and death. While precise information is not available, it is estimated that an additional 400,000 openings will occur annually to meet replacement needs, distributed among Federal, State and local jurisdictions roughly the same as openings due to growth. Thus, in the aggregate, a total of 800,000 annual openings are projected for the public sector.

Unfortunately, serious gaps exist in data on the occupational composition of projected government employment. Labor force data collected by the Census Bureau for State and local government are available only by function, such as education, hospitals, and highways—each of which includes the entire vertical structure of skills support-

<sup>1</sup> It should be noted that these projections are based on assumptions of a rapidly growing economy aimed at full employment of the Nation's manpower and productive resources, with a consequent fiscal capacity on the part of government to finance needed employment growth.

ing the activity. Detailed occupational data for government are not tabulated. This gap will be remedied, in part, by a research survey currently being conducted by the Census Bureau for the Manpower Administration in which ten states will be surveyed for detailed characteristics of their public sector employment: occupations; demographic characteristics of employees; educational attainment; as well as other related information.

For the present, only scanty information on the occupational distribution of government employment is available. For example, in 1968, the National Urban Coalition asked the Mayors of 50 large cities to estimate the number of additional personnel that would be needed to assure the adequate delivery of needed additional services in their cities and what proportion of these jobs could be filled by persons without prior technical or professional training. An analysis of the results of this survey concluded that at least one-half of these job possibilities could be filled, according to the Mayors and their agency heads by persons without technical or professional training.<sup>2</sup> Under the Department of Labor's Manpower Absorption Plan Project,<sup>3</sup> interviews conducted by the National Civil Service League in the city of Chicago indicated that of Chicago's required net increase in new public jobs during the three years ending in 1973, some 53 percent are for aides, assistants and other paraprofessionals requiring limited skills, 5 percent are for unskilled blue collar workers and 11 percent for clerical staff.

It would appear that roughly 50-70 percent of the estimated 800,000 annual state and local government job openings would be below the professional-technical-managerial and skilled blue collar levels and would generally require only a limited amount of specialized training. A very large proportion of these jobs would be appropriate for persons with the limited educational and work experience backgrounds associated with welfare status.

The initial training for these occupations is generally brief with proficiency in the skills required generally developed through experience on the job. For example, in an experimental new careers training program conducted by the Department of Labor, it was determined that only three months of training was required for aide positions in the human services. In this program, disadvantaged persons were trained as aides in the following fields: mental health, day care, geriatrics, education, welfare, recreation and other community services. In the clerical field, initial skills training in most occupations, such as typist, office machine operator and telephone operators, usually require only 3-5 months. A similar period of introductory training would also be needed in such blue collar occupations as auto mechanic and welder.

All but a few of the occupations in the public sector have counterparts outside of government and, thus, employment and related training in these fields may properly be viewed as transitional to employment in either the private for profit or nonprofit sectors as well as to employment in the government itself. Even where an occupation has

<sup>2</sup> Harold L. Sheppard, *The Nature of the Job Problem and the Role of New Public Service Employment*, Staff Paper, the W. E. Upjohn Institute (Washington, January 1969), p. 25.

<sup>3</sup> A joint DOL/NCSL effort based on studies in the city of Chicago and the State of Connecticut, the project involves development of guidelines to assist local jurisdictions in data collection and the formulation of manpower plans for public jobs. The MAP handbook will aid jurisdictions in defining manpower targets and priorities, skill needs, job restructuring, and support requirements.

only limited applicability to nongovernment work, such as teacher aide or welfare aide, the work experience gained provides a good preparation for stable employment generally.

In 1970, State and local government employment was distributed, functionally, as follows:

Function :

	<i>Employees (full-time equivalent)</i>
Total -----	100.0
Education -----	49.9
Local schools -----	39.3
Instructional staff -----	25.0
Non-instructional staff -----	14.3
Institutions of higher education -----	9.9
Others -----	0.8
Hospitals -----	9.7
Highways -----	6.7
Police protection -----	5.3
General control -----	3.0
Public welfare -----	2.9
Financial administration -----	2.5
Local fire protection -----	2.2
Local utilities other than water supply -----	1.8
Natural resources -----	1.8
Corrections -----	1.7
Sanitation other than sewerage -----	1.5
Health -----	1.4
Local parks and recreation -----	1.4
Water supply -----	1.3
Sewerage -----	0.7
All others -----	6.2

It is likely, therefore, that a substantial proportion of the subprofessional openings in public service employment for welfare recipients will be in schools and hospitals, but the large majority of jobs will be distributed among a wide range of functioning areas. We are not able to estimate what proportion of these jobs are temporary in nature.

*Question 7c.—Provide us with data on the operation of the Public Service Career program to date—placements, kinds of jobs, salary levels, kinds of private employment obtained after a PSC job etc.*

*Response:*

Cumulative enrollment in the Public Service Careers programs, excluding the Supplemental Training and Employment program (STEP), has reached approximately 31,000<sup>1</sup> by June 30, 1971. As in the private sector on-the-job training programs, PSC enrollees in Plans A, B and D are hired first and then trained. Job training covers a broad spectrum such as accounting clerks, clerk-typists, counselor aides; auto mechanics licensed practical nurses, police cadets, truck drivers, water treatment plant operators and zoo keepers.

Average hourly wages in entry level jobs through the State, county, and local government programs was calculated to be \$2.24 as of May 31, 1971. The upgrading portion of the program has increased average hourly earnings to \$2.83. For further details see attached tables covering Plans A and B.

<sup>1</sup> Includes nearly 16,000 new participants in the New Careers in Human Service program since fiscal 1969.

The objective of the PSC program is to secure permanent employment for the disadvantaged in the public sector within merit staffing principles. Private sector employment after a PSC job is not the prime objective although many successful trainees may find it personally advantageous. A recent assessment of New Careers in Human Services (Plan C) indicated that even early trainees who left the program did find employment at higher than pre-enrollment income. The more skilled enrollees often terminate the program after initial training to accept better job offers. Trainee follow-up data for Plans A, B, and D are being collected and processed for release by the end of this calendar year.

PUBLIC SERVICE CAREERS, PLAN A—NATIONAL SUMMARY REPORT AS OF MAY 31, 1971

	Entry level		Upgrade level	
	Authorized positions	Average hourly wage	Authorized positions	Average hourly wage
Total.....	3,973	\$2.24	2,350	\$2.83
Professional, technical and managerial.....	698	2.41	628	3.45
Clerical and sales.....	1,279	2.11	668	2.56
Service.....	1,274	2.31	570	2.50
Farming, fishing and forestry.....	102	2.18	68	2.46
Processing.....	7	1.82	2	3.16
Machine trades.....	96	2.29	85	3.29
Benchwork.....	4	2.35		
Structural work.....	358	2.15	192	2.76
Miscellaneous.....	155	2.25	137	2.74

PUBLIC SERVICE CAREERS, PLAN B—NATIONAL SUMMARY REPORT AS OF MAY 31, 1971

	Entry level		Upgrade level	
	Authorized positions	Average hourly wage	Authorized positions	Average hourly wage
Total.....	2,264	\$1.94	1,386	\$2.43
Professional, technical, and managerial.....	643	2.06	606	2.63
Clerical and sales.....	334	2.07	105	2.55
Service.....	666	1.73	172	2.10
Farming, fishing, and forestry.....	47	2.00		
Processing.....	7	2.65	9	3.75
Machine trades.....	16	2.61	5	2.91
Benchwork.....	18	2.48	6	2.83
Structural work.....	185	2.06	116	2.58
Miscellaneous.....	348	1.88	367	2.16

*Question 8a: The House Ways and Means Committee report states that responsibility for delivery of manpower services under the OFP program should not be assigned to local employment services where they have proved inadequate in handling the disadvantaged. What kinds of changes do you plan to make the ES more responsive?*

*Response:*

*Use of Employment Service in OFP Program*

The House Ways and Means Committee explicitly assigns to the Secretary of Labor complete responsibility for the successful delivery of OFP services; there are no presumptive agents in this bill, neither the Employment Service nor any other organization; the

choice of the appropriate delivery vehicle in each locale is the Secretary's responsibility

For any given local area, we will look to the most capable agents for delivery of manpower services. Therefore, in those places where the record has been successful the Department may well look to the local ES to perform manpower services for the OFP clientele. Clearly the ES with its network of Job Banks and other job market information will play a critical role in identifying and making job opportunities available to welfare reform recipients.

Two further notes are in order: the variety of steps being taken to improve the effectiveness and responsiveness of the Employment Service (see below) give promise that nationwide, this key manpower network will be increasingly suitable as a vehicle for delivery of OFP services; secondly, whatever delivery agent the Department looks to locally—the Employment Service or other—will be controlled by tight contractual arrangements with performance standards, and will be monitored by Federal personnel who will be stationed throughout the country.

#### *Improvements in ES*

There have been continuous efforts in recent years to expand Employment Service capability to provide comprehensive manpower services, especially to the disadvantaged and to Vietnam era veterans.

The concept of Human Resources Development was initially applied, starting in 1966, in redirecting the Federal-State Employment Service from concentrating on providing employers with applicants to providing service to those who need them to extent staff resources permit. Services include outreach, assessment, orientation, counseling, referral to supportive services, coaching, work training, job development, placement and post-placement support services.

ES staff connected with WIN and CEP programs utilize employability development teams made up of a counselor, a job developer, a manpower development specialist, a coach and a clerk and work with limited caseloads to ensure provisions of needed manpower services. In 10 urban and 1 rural areas, there are efforts to develop a "COMO" model which is a flexible approach to improve manpower and supportive services to assist individuals to become job ready. It includes three levels of applicant services to meet varying needs: (1) self-directed job information services; (2) employability exploration and job development services; and (3) intensive employability development services.

Services are being provided where they are accessible to the disadvantaged. Manpower services are provided by ES in the majority of CEPS, all of which are located in targeted disadvantaged areas, and this involves stationing ES manpower personnel in those locations. Other ES staff are outstationed in WIN program offices, in MDTA Skills Centers, as liaison in correctional institutions pre-release programs, and in a wide variety of community agencies, such as the Urban League, settlement houses and housing projects. Many are permanently assigned in these places. Others are there on regularly scheduled days. Between 100 and 150 mobile units serve rural areas, semirural and smaller communities on an itinerant basis.

As outlined in our response to Question 2 (b), the Department is energetically working to increase minority staff. A General Administration Letter has been issued stating that the establishment or the continuance of racially segregated local employment service offices would not be approved. And . . . "This applies to any offices labeled Negro or white, considered by the community to be Negro or white, or segregated de facto by virtue of location in an area where only one ethnic or racial group resides or frequents."

State ES staff receive training and indoctrination in effective ways of serving the disadvantaged, and they have become increasingly sensitive and technically proficient. Particular concentration has been given to recruiting and developing staff for outreach, coaching and job development. Personal qualities are sought of empathy and awareness of social problems.

Presently, 2,550 interviewers and coaches are involved in a counselor training program at 88 institutions. The program calls for 30 semester hours of specialized training over a 2½-3 year period. Ability to relate to disadvantaged poor was the primary selection criterion. A bachelor's degree was not required. The curriculum features counseling and interpersonal skills and exposure to life styles of urban and rural disadvantaged populations. In addition, a large percentage of ES counselors are participating in out-service training, most of whom are financed by State agencies.

An interviewing techniques program was standardized by the MA Experimental and Demonstration Division and is now being implemented through State agency training for local office staff. It is designed to sharpen the interviewer's ability to listen to applicant's "feeling and attitudes" as well as reports on his training and work experience. Improvements in testing practices are discussed under Question 2 (b).

Experimental use of a Work Sample Technique is underway in several locations throughout the United States. Work samples are standardized job performance tasks to assess capabilities of applicants for training and job placement. Preliminary results of evaluation will be available in the middle of FY 1972.

Also being developed is the USTES Basic Occupational Literacy Test (BOLT) which will be used to assess literacy skills of persons being considered for occupational training or placement and, through research on employed persons, to assess the literacy demands of various occupations. The BOLT will be introduced into State agencies late in FY 1972.

The Department of Labor has contracted for the development of a biographical information blank (BIB) for use in identifying persons in need of employability development before they are job ready. The BIB may add some needed measures of noncognitive factors relevant to job performance such as attitudes and habits.

Job Banks are another valuable tool. The basic concept of a Job Bank is to unify and distribute job order information within an identifiable labor market or commuting areas, regardless of State or regional jurisdictions. All applicants, all agencies serving the disadvantaged and all employment service personnel have equal access to all jobs and training opportunities available to the ES in a community on any given day.

As of the beginning of August, 1971, 92 Job Banks were operational covering approximately 53 percent of the work force of the Nation.

Our goal is to have Job Banks statewide in each state by the end of fiscal year 1972.

The Job Bank network is a base to which additional, more sophisticated features will be added, gradually extending computerized assistance from the dissemination of job orders, into the assessment, employer services, job development and placement functions of local officers. California, Utah, Wisconsin and New York City are currently experimenting with the feasibility of computerized man-job matching systems. Eight additional States (Connecticut, Pennsylvania, Florida, Kansas, Missouri, Texas, Nevada and Oregon) are now conducting controlled experiments of specific descriptor vocabularies for matching purposes, and Minnesota is experimenting with the use of computers in assessment and job development. Job Banks will also be used as the basis for a national clearance system of job orders.

These are some of the major efforts being made to develop tools for local office use, the staffing and the staff training to improve services to the disadvantaged.

*Question 8b: Does the Wagner-Peyser Act need to be amended?*

*Response:*

We see no need for amendment at this time.

*Question 8c: "What steps have you taken/do you intend to take to carry out President Nixon's directive that Federal contractors must list job openings with the ES?"*

*Response:*

Executive Order No. 11598 issued on June 16, 1971 declares it a policy of the Executive Branch of the government that Federal agencies and prime contractors and their first tier subcontractors engaged in the performance of Federal contracts shall list suitable job openings with the public employment service to help returning veterans get employment.

Preliminary regulations concerning this order have been drawn up by the DOL and were published in the Federal Register on July 24. Pending the effective date of the regulation, a number of action steps have been taken. The Department has issued a memorandum to all contracting agencies of the Federal Government and the District of Columbia asking them to urge their contractors and subcontractors to begin now voluntarily listing employment openings with the nearest office of their State Employment Service. All agencies have been most cooperative in this concept of voluntary listing. The Civil Service Commission has sent a directive to all agencies requiring them to list all suitable jobs for which they have the hiring authority. In addition, the Commission and the Department are developing a system of comprehensive job market information useful to the veteran who will be seeking career Federal Employment. Plans for this system indicate that perhaps for the first time there will be a composite listing of Federal job opportunities available to the job seekers in the 2,200 employment service offices. Agencies exempt from the Federal Civil Service, such as the U.S. Postal Service and TVA, are being contacted individually.

Operating guidelines for the local public employment offices are being developed and will be issued shortly. These guidelines cover procedures for incorporating the expanded volume of job openings into the Job Bank and Job Information Services, providing applicant services of interviewing and counseling, and working with employers to explain the details of implementing the order. In providing service to employers the ES will encourage them to arrive at realistic hiring requirements in terms of available applicants, to meet the intent of the order which was designed to focus on a human need—to increase employment opportunities for returning veterans. Every effort is being made to encourage voluntary job listings by contractors to begin immediately. Since the Executive Order applies to job listings of the entire company, not just the plant that has the responsibility for delivery on the contract, this in essence means that the veteran job-seeker will have access to information on a substantial part of the total job opportunities of the American economy during the latter half of FY 1972.

*Question 8d: Provide us with the analysis of the ES completed in the spring of 1971 and known as the ES, indicating your present plans regarding delivery of OFF services in that state (i.e., will they be delivered by ES, CAA, others?) Also provide us with the rebuttal to the Urban Coalition-Lawyers Committee report—"Falling Down on the Job: The US Employment Service and the Disadvantaged" prepared by William R. Ford of ICESA.*

*Response:*

William R. Ford was designated by the President of the Interstate Conference Employment of Security Agencies to chair a sub-committee that will prepare comments on the Urban Coalition-Lawyers' Committee report. As of this time, however, the comments are still being collected from State Agencies. The report is now scheduled for completion at the end of September. We are attaching a copy of the pertinent correspondence. We are also attaching the chart presentation analyzing the ES that was completed in the Spring of 1971.

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INTERSTATE CONFERENCE  
OF EMPLOYMENT SECURITY AGENCIES,  
*April 19, 1971.*

To: All State administrators.

Subject: Draft report "Falling Down on the Job—The United States Employment Service and The Disadvantaged."

A copy of the subject report is being sent to each of you today by the Iowa Employment Security Commission, who has duplicated it for us. The report prepared by the Lawyers' Committee for Civil Rights under Law purports to be an analysis of the Employment Service system. It includes a section on ICESA and makes statements and recommendations of concern to all state agencies and the Conference. Each



administrator, especially those of the fifteen states who are mentioned in the paragraph on the cover page of the report as having been reviewed, is asked to carefully analyze the report and provide me with comments by Monday, April 26, 1971. A copy also should be sent to Executive Secretary Gerald Foster.

It is the intention of the Executive Committee to use your comments as the basis for developing a criteria and position on the report which subsequently could be proposed to the states as a Conference position.

The Manpower Administration is also reviewing the report and will make their comments available to the Committee.

A Conference position on the report could be used as the basis for testimony before Congressional committees and for responding to the report if necessary.

Your full and immediate cooperation in this matter is requested. I realize the time allowance is short but the need is urgent. The report and its recommendations will be one of the principal items of discussion at our May 4-5 meeting in Dallas.

If you have any questions please call me.

Sincerely,

WILLIAM L. HEARTWELL, Jr., *President.*

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INTERSTATE CONFERENCE OF  
EMPLOYMENT SECURITY AGENCIES,  
*June 11, 1971.*

To: All State Administrators.

Subject: Reply to Report "Falling Down on the Job—The United States Employment Service and The Disadvantaged."

At the Mid-Year Meeting of the Interstate Conference of Employment Security Agencies held in Dallas, May 4-5, 1971, the Conference instructed the National Executive Committee to draft a reply to the abovementioned report. Mr. William Heartwell, Jr., President, ICESA, in turn, requested that I chair the subcommittee and have the responsibility for bringing together the data necessary for reply.

It is now necessary after analyzing the responses from some of the states to request that all Administrators again reply by using the attached list of points made in the Lawyers' Report. We would like specific information concerning the 12 allegations made in the report. We are asking that you be specific in answering, and to include any and all practices pertinent to these 12 points.

It will be necessary to receive your responses prior to June 30th because of the urgency in compiling and drafting a total response that includes information received from all of the states.

Thank you very much for your assistance in this matter.

Sincerely,

WILLIAM F. FORD,  
*Chairman, ICESA Subcommittee  
to Respond to Lawyers' Report.*

FALLING DOWN ON THE JOB: THE UNITED STATES EMPLOYMENT SERVICE AND THE DISADVANTAGED REPORT PREPARED BY THE LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER THE LAW AND THE NATIONAL URBAN COALITION

The following are 12 allegations to which State Administrators *MUST* respond. Also attached are the Manpower Administration's comments regarding each allegation which may guide you in making your responses.

1. The ES is not equipped to handle the problems of the disadvantaged.

2. The ES has been blatantly discriminatory toward minorities.

3. ES farm service offices work as agents of growers and have not sought to aid individual workers by developing new job opportunities.

4. ES serves only a small percentage of the work force and has access to only a limited segment of the labor market.

5. Job listings have decreased and represent only the lowest occupational levels of the economy.

6. Major responsibility for program failure rests with State and local offices. Services are uneven in quality and frequently ignore national priorities.

7. *State Agency Staff*: In addition to not having sufficient minority employees or persons experienced in dealing with the disadvantaged, as mentioned above, many agencies include too many people who have been on the job too long, at pay levels that are not competitive with private industry and under conditions that discourage vigorous, imaginative individuals.

8. *Tests and Job Classification System*: These are culturally biased, with too heavy reliance on past work experience, channeling applicants to similar jobs in the future.

9. *WIN*: Auerbach Report of 1969 prepared on request of DOL for an evaluation, documented many flaws, which reviews of State Agencies substantiate. For example, WIN has handled only a small percent of eligible AFDC population; services are fragmented; only 20 percent of participants get jobs—and many jobs are insufficient to insure removal from welfare rolls; cost per successful enrollee per year is \$4,000.

10. *Food Stamp Act and FAP*: Based on ES performance with the WIN program, it is clear that enlarging the ES role under FAP and the Food Stamp program—where it would be dealing with similar clients—would be a great disservice to those who expect substantial economies by moving large numbers of people off the welfare rolls and it could have large tragic consequences for the welfare recipients themselves who are expecting meaningful employment.

11. *Apprenticeship Information Centers*: The AICs role is primarily promotional and informational; they have no sanctions and feel no special responsibility to minorities seeking access to the lucrative construction jobs; and their performance to date has been unimpressive.

12. *ICESA*: The DOL should “recognize the group for what it is—representative of the vested interests in the State ES bu-

reaucracies—and that it should be separated physically and fiscally from the Department of Labor.

This paper summarizes the *conclusions* presented in the Lawyers' Committee Report. The Committee's *key points* are also summarized along with Manpower Administration comments on those points. The Committee's *recommendations* are also listed.

### *Committee's Conclusions*

Manpower programs have not achieved dramatic results in their goal of helping the poor obtain self-supporting employment. "Major responsibility for program failure rests with the State and local ES offices," which frequently disregard national priorities. The ES system is "not equipped to handle the problems of the disadvantaged" and many agencies have been "blatantly discriminatory" in dealing with minorities. In relation to farm services, the ES serves as "agents of growers." Moreover, it serves only a small percentage of the work force and has access to only a limited segment of the labor market. Job listings have decreased and mainly represent only the lowest occupational levels of the economy. Small DOL experiments (HRD, EDT, COMO, Job Banks, CAMPS, Management Reform) "have not brought about the much needed overhaul of the system." If basic welfare reform being considered by Congress is to be effective, manpower aspects must be delivered through a viable, effective system. "The ES is once again at a fork in the road: one path leads to dissolution, the other to reform."

### *Committee's Key Points*

1. The ES is not equipped to handle the problems of the disadvantaged.

*MA Comment:* In FY 1970, those applicants who met the poverty and other criteria of disadvantaged were 16.5 percent of all ES applicants, but they received 51.6% of the counseling interviews, and 20.9 percent of the nonagricultural placements. Qualitative improvements have been and are being made to strengthen ES service, including minority staffing increases, staff training, counselor training, employability development teams, CEPs located in target areas and outstationed ES staff. Approximately 3,500 disadvantaged are serving as coaches, increasing outreach efforts. A New Careers in the Employment Security System project will hire or upgrade 3,000 additional staff.

2. The ES has been blatantly discriminatory toward minorities.

*MA Comment:* In Calendar Year 1970, while "Other than Whites" totaled 12.6% of the population, they filed 22.7% of ES applications and constituted 34.8 percent of ES nonagricultural placements. Minority placements by occupation as a percent of total placements for CY 69 ranged from 22.6% of the professional and managerial placements to 52.7 percent of the service placements. Black people made up 50% of the FY 1970 enrollment in training programs (11.2% of the population); Spanish-surnamed, 15% (4.7% of the population<sup>1</sup>); Indians, 2% (.4% of the population).

<sup>1</sup> The Spanish-surnamed population figure is from a 1969 current population survey. Black and Indian figures are from preliminary 1970 census data. These three breakouts do not equal the "Other than White" total as most Spanish-surnamed persons are White.

MA minority staffing policy states State Employment Security offices "should employ such numbers of workers from minority groups as will assure that all agencies and offices can operate effectively in responding to the manpower and employment needs of the community being served." States have minority staffing goals they are expected to attain during FY '71 and '72.

Gains are being made. Minority employment increased from 11.8% in 1967 to 16.2% as of August 1970. Managerial-supervisory minority employees increased from 6.5% to 8.2%. Professional and technical staff from 9.3% to 10.6%. Departmental EEO representatives work full-time making general compliance reviews.

3. ES farm service offices work as agents of growers and have not sought to aid individual workers by developing new job opportunities.

*MA Comment:* Emphasis has shifted from Farm Services to a Rural Manpower Program. There are: 13 CEPs in rural areas; "Ottumwa" Projects in selected areas in 12 States; Operation Hitchhike; Smaller Communities Programs which have operated in 58 counties in 19 States; and the WIN Program in 489 rural counties. Pilot efforts to aid migratory workers are being developed as mobility facilitating service units.

4. ES serves only a small percentage of the work force and has access to only a limited segment of the labor market.

*MA Comment:* Work force includes both employed and unemployed. ES deals almost totally with unemployed. During Calendar Year 1969, 11.7 million workers suffered a period of unemployment; ES received 9.85 million new applications, (or an estimated 84.2% of the unemployed).

5. Job listings have decreased and represent only the lowest occupational levels of the economy.

*MA Comment:* ES redirection is away from order filling *per se* to services to the disadvantaged. However, a study of job openings on hand June 1, 1970 in ES offices located in 77 SMSAs showed 40 percent in professional, technical, managerial, clerical and sales occupations.

This generally reflects the percent of unfilled job openings in these occupations in all 77 areas. Also, ES placements in nonagricultural employment reflect the general employment spectrum in the United States. For example, in FY 69, 28.7% of the persons employed in non-agricultural occupations in the United States were in manufacturing; 30.0% of the ES placements were in manufacturing. Trade occupations made up 20.8 percent of the jobs and 26.2 percent of ES placements. Non-household services made up 16.0 percent of nonagricultural employment and 21.7 percent of ES placements.

6. Major responsibility for program failure rests with State and local offices. Services are uneven in quality and frequently ignore national priorities.

A. *Human Resources Development (HRD):* Citing an Auerbach Report of April 1969, "The HRD concept is not effectively realized—too feeble, deprived of funds and effective staff . . . The chronically disadvantaged are not reached by the program; when they are, they are seldom helped—".

*MA Comment:* The HRD concept was used as one step in redirecting ES to assist disadvantaged applicants to become job ready. Central to the concept was intensive employability development services. WIN

and CEP programs use ED Teams and COMO cities use three levels of services of ED Model, (presently being evaluated before general implementation). The three levels are self-directed job information services; employability exploration and job development services for applicants in need of some employability preparation and intensive employability development services for the most disadvantaged applicants. ES positions (Grants to States Funds) increased from FY '85 to FY '86 from 24,091 to 30,601.

The increase was targeted to serving Youth Opportunity Centers, which then evolved into HRD and redirection of the Employment Service to provide comprehensive manpower services for the disadvantaged and non-job ready unemployed. In FY 1967 there were approximately 30,286.

B. *COMO*: Does not give promise of affecting basic, massive changes in the ES operation, although it is a sound reform.

*MA Comment*: COMO is presently being evaluated to determine its effectiveness in using three levels of services to meet varying applicant needs.

C. *Job Banks*: The Job Bank program has unquestionably made ES operations more efficient and should make them more uniform. However, there is still the low level of ES job openings with which to contend. And the chief beneficiaries of Statewide job-matching will likely be the skilled mobile population.

*MA Comment*: Data from six early Job Bank cities (November 1971 JBOR Report) showed improved services to the disadvantaged not only in terms of increased referrals and placements, but also placements in higher-paying jobs (fewer under \$1.61 per hour and more over \$2.80).

Job-matching systems in process of development in Wisconsin and New York City are designed for entry-level, disadvantaged or non-professional workers, as well as experienced applicants. These matching systems are experimental and will not be implemented nationwide unless it is demonstrated they can serve all applicants better than Job Banks. The Wisconsin system matches on the basis of DOT worker-trait groups rather than specific DOT occupational codes—grouping according to worker traits (interests, education, experience) and potential rather than specific experience. In the New York City system, matching is not dependent on occupational classifications of any kind, although the DOT code can be used if appropriate. Matching can be made on any number or combination of 26 types of factors, including interests, aptitudes, temperments, and general educational development (not necessarily number of years in school).

D. *CAMPS*: Of fifteen State CAMPS committees surveyed, fourteen were ineffectual. By itself, CAMPS is insignificant, unless it is viewed as the initial step towards more drastic reform, such as increased local control over manpower funds.

*MA Comment*: CAMPS was designed to serve as part of a planning system, and to achieve better communication. Based on "Revenue Sharing" concept and our decentralization/decategorization thrust, CAMPS is being structurally overhauled to make it more responsive to State and local needs and to facilitate true planning.

E. *ES Plan of Service*: The planning concept has never taken meaningful root in the State agencies. Most plans read alike and

reflect current DOL rhetoric; plans are often contradicted by actual performance.

*MA Comment:* In FY '71 final review responsibility and allocation authority were decentralized to the regions. ESARS will provide data to help measure performance against plans. The Regional Operational Planning and Central System will be used in a regular review of operations. Better monitoring guidelines are being developed.

F. *Employment Security Automated Reporting System (ESARS):* It is too early to determine whether it will be an effective planning tool, although it provides opportunity for more effective Federal direction of State agencies. Basic shortcomings to date are tendency to over-document, and failure to include a number of basic performance standards.

*MA Comment:* ESARS contains data which can be used in gauging performance against plans; revisions to be effective December 1, 1971 will provide still better data. Reports are being obtained from all States except Maryland. Though there are still some reporting problems, the system is continually improving.

7. *State Agency Staff:* In addition to not having sufficient minority employees or persons experienced in dealing with the disadvantaged, as mentioned above, many agencies include too many people who have been on the job too long, at pay levels that are not competitive with private industry and under conditions that discourage vigorous, imaginative individuals.

*MA Comment:* Along with other Federal programs, we have supported and participated in two major efforts to help State agencies develop their personnel management capability: (1) the Intergovernment Personnel Act (PL 91-648) and (2) Revised Federal Merit System Standards (reissued March 6, 1971). The former provides such opportunities as grants for staff training and personnel management, improvement, technical assistance and intergovernmental cooperation in recruitment. The latter serves to encourage States to overhaul their merit system policies and procedures to better serve program agencies in accomplishing their missions.

8. *Tests and Job Classification System:* These are culturally biased, with too heavy reliance on past work experience, channeling applicants into similar jobs in the future.

*MA Comment:* GATB is recognized as the best validated multiple aptitude test battery in existence for use in vocational guidance. Also, we have developed a Spanish version language of the GATB for use by Spanish and Mexican Americans, plus the Nonreading Aptitude Test Battery and also now developing Work Sampling Techniques.

9. *WIN:* Auerbach Report of 1969 prepared on request of DOL for an evaluation, documented many flaws, which reviews of State agencies substantiate. For example, WIN has handled only a small percent of eligible AFDC population; services are fragmented; only 20 percent of participants get jobs—and many jobs are insufficient to insure removal from welfare rolls; cost per successful enrollee per year is \$4,000.

*MA Comment:* As of February 28, 1971, 90 percent of all WIN training slots were filled. While 20 percent of those who have terminated from the program were placed in jobs, 60 percent of other terminations were for "good cause:" return to school, death, loss of

child care, loss of eligibility, illness, pregnancy, etc. Average wage rate received by employed terminees was \$2.31 per hour—sufficient to completely remove family of 4 from AFDC rolls in 22 States and substantially reduce benefit payment levels in others. Also to be considered are social, economic, psychological benefits. The \$4,000 figure is derived by dividing the total expenditures by those successfully placed in jobs, which does not take account of cost for manpower services for those still participating. Average annual cost per WIN participant is \$1,200.

10. *Food Stamp Act and FAP*: Based on ES performance with the WIN program, it is clear that enlarging the ES role under FAP and the Food Stamp program—where it would be dealing with similar clients—would be a great disservice to those who expect substantial economies by moving large numbers of people off the welfare rolls and it could have tragic consequences for the welfare recipients themselves who are expecting meaningful employment.

*MA Comment*: The specifics of the Food Stamp program are still being worked on with USDA. The FAP legislation is still being developed in the Congress. The MA is studying what form ES participation might take. The extent to which people can be prepared for work and the extent to which there are available jobs will determine the degree to which goals will be achieved.

11. *Apprenticeship Information Centers (AICs)*: The AICs role is primarily promotional and informational; they have no sanctions and feel no special responsibility to minorities seeking access to the lucrative construction jobs; and their performance to date has been unimpressive.

*MA Comment*: AICs are deeply committed to serving minorities. The MA is itself reviewing the centers and working on more effective approaches, tying in with BAT and Construction Outreach programs.

12. *ICESA*: The DOL should “recognize the group for what it is—representative of the vested interests in the State ES bureaucracies—and that it should be separated physically and fiscally from the Department of Labor.”

*MA Comment*: As State agencies are 100 percent federally funded, any funds used for ICESA would be Federal funds. ICESA performs a valuable service in providing State agency viewpoints and input on policy consideration which would affect their operations. This is one of many groups and individuals consulted.

Following are the Lawyers' Committee's recommendations:

#### *Committee's Recommendations*

A. Data collection, job listing, job matching, placement and manpower projection functions performed by the ES should be totally separated from the basic personal service functions: interviewing, assessing, counseling, training, orientation, and other activities directed to helping individuals become employable.

B. The former functions on data collection, job listing, etc. in A above, should be given to the ES system which should be federalized. All services related to making individuals employable should be given to a new agency, which would in effect act as the “workers advocate,” and this agency should be a new Federal agency or a State or local government prime sponsor.

C. Federal, State, and local governments be required to list job openings with ES. Further, all private employers who are contractors with the Federal Government be required to list openings with the ES. Eventually, all employers engaged in interstate commerce be required to post job openings with the ES.

D. The Department of Labor should be given a resource for the creation of jobs in both the public and the private sectors; that it should be a flexible one which is adaptable to the crisis in the economy.

E. The resources and responsibilities of the ES for promoting and enforcing employer compliance with the Civil Rights laws should be increased.

F. The farm labor placement functions should be discontinued or that the service be separated from the Department of Labor and funded by the growers.

G. Specific appropriations should be earmarked for rural manpower programs and they should be greatly increased.

H. The Department should take steps (a) to insure public participation in major decisions on the operation of the ES and the delivery of manpower services and (b) to *build local constituent groups*, committed to *monitoring* and upgrading ES operations.

*MA Comments:* The Manpower Administration seeks input from all groups and will take these recommendations under consideration. Action will depend on assessment of many recommendations and studies and on legislation being worked on in Congress which may affect manpower programs.

Assistant Secretary Malcolm R. Lovell said "We recognize quite clearly that the Employment Service is not perfect. It has, however, made substantial progress in recent years, an encouraging development not given great prominence in the Urban Coalition Report . . . we are currently studying what form the Employment Services' participation will take under the President's proposed Family Assistance Program. Although they will clearly play a role it is still too early to define it in specific terms." (See attached release.)

*Committee's Research:* Interviews and document reviews conducted at both Federal and State levels, over six-month period, ending March 30, 1971. States reviewed: California, Indiana, Illinois, Louisiana, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas and Virginia. The committee cites several old reports (most which were DOL financed) to build its case against the ES, such as the report prepared by Charles Stewart, transmitted in the form of a memorandum to the Under Secretary, August 6, 1958, entitled "ORD Review of Major Aspects of the Public Employment Service, 1947-1957" which described the ES as having been through "eleven year of stalemate, if not progressive decline." Another example is an April 1968 report by Auerbach Corporation concluding "the chronically disadvantaged are not reached by the program." The Department funded these studies to uncover problems or weaknesses in the operation of the ES. In instances where the problem could be solved by action on the Department's part, or in cooperation with State agencies, action was taken or initiated. Where developmental work or studies were needed to find ways to help solve problems, these were undertaken or are planned. For example, in reference to the Stewart Report all of the reforms outlined under our comments to Key Point 6 were initiated; in reference to the Auerbach Report, see comments on Key Point 2.



STATEMENT BY ASSISTANT SECRETARY OF LABOR  
MALCOLM R. LOVELL, JR.

It is difficult to see how a manpower organization, such as the State Employment Service—which has found almost 6 million jobs for minority persons in the past three years—could be viewed with the contempt expressed in a report issued today by the Urban Coalition and the Lawyers' Committee for Civil Rights Under Law.

Thirty-seven percent of the job placements, made without charge by the Employment Service, from 1968 through 1970, were for persons other than white, even though such persons constitute only 13 percent of the nation's population. During this period nearly 14 million jobs were found for Americans in a wide variety of occupations.

The Employment Service is an institution in transition, moving from a strictly labor exchange operation in 1962 to the more comprehensive manpower agency it is today. We think the State agencies have made great progress in this very difficult task. This change, of course, has resulted in a number of problems, some of which need further attention.

Quite frankly, the emphasis of the Employment Services on placing the disadvantaged in jobs has met with disfavor on the part of some employers. Paradoxically, the Employment Service has been criticized by some employers for not referring qualified candidates and not being sensitive to their needs while being criticized by some of the disadvantaged for not providing adequate job placements in all cases.

We recognize quite clearly that the Employment Service is not perfect. It has, however, made substantial progress in recent years, an encouraging development not given great prominence in the Urban Coalition Report. The installation of a Job Bank system in 66 large communities across the country is but one step by the Employment Service to speed suitable job placements for all job seekers, including the disadvantaged.

We are currently studying what form the Employment Services' participation will take under the President's proposed Family Assistance Program. Although they will clearly play a role it is still too early to define it in specific terms.

Long criticized for its failure to include an adequate number of minorities in its staff, the Employment Service has boosted its minority representation from 6,835 persons (11.8 percent) in 1967 to 11,062 (16.2 percent) as of August, 1970. In 1966, 5.5 percent of minority employees were in managerial or supervisory positions. By 1970 this figure had risen to 8.2 percent. Another 10.6 percent were in professional and technical positions.

It should be noted that the Employment Service is a 100-percent federally-funded State agency that is being required to set goals and timetables for the hiring of minority group persons in its local offices.

Recently, the Labor Department made available \$10.1 million to these agencies to make possible the hiring or upgrading of 3,000 disadvantaged persons for their staffs. All the jobs for these individuals are ones with a professional future.

Certainly, these efforts, continuing and growing, will make the State Employment Service system a much better organization.

To look only at its weakness is a disservice to the Nation.

PART I. RECENT TRENDS:  
CAUSE FOR CONCERN?

PART II. WHAT SEEMS TO BE  
BEHIND THESE TRENDS

PART III. SOME IMMEDIATE  
POLICY TIE-INS

THE  
FEDERAL - STATE  
EMPLOYMENT SERVICE

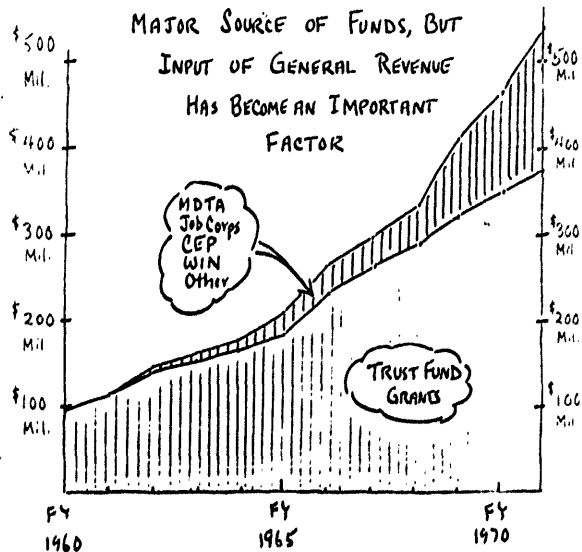
2,000 LOCAL OFFICES

37,000 EMPLOYEES

\$530 MILLION IN FY 1971.

A DRAMATIC INCREASE  
IN RESOURCES...

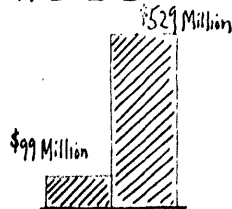
EARMARKED PAYROLL TAX IS STILL THE MAJOR SOURCE OF FUNDS, BUT INPUT OF GENERAL REVENUE HAS BECOME AN IMPORTANT FACTOR



## GROWTH OF THE ES

SINCE 1960--

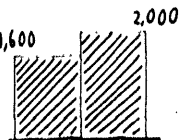
\* A FIVE-FOLD INCREASE IN AMOUNT OF FUNDS



\* A DOUBLING IN NUMBER OF POSITIONS

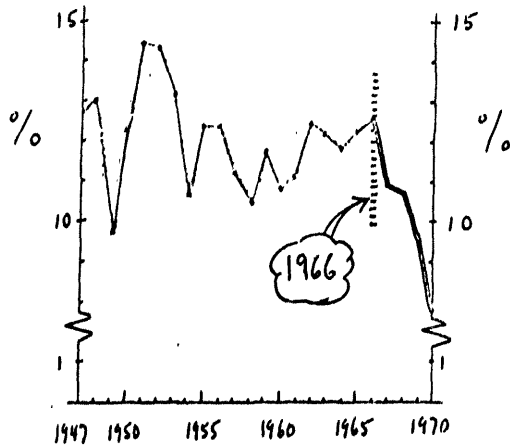


\* A ONE-FOURTH INCREASE IN NUMBER OF LOCAL OFFICES

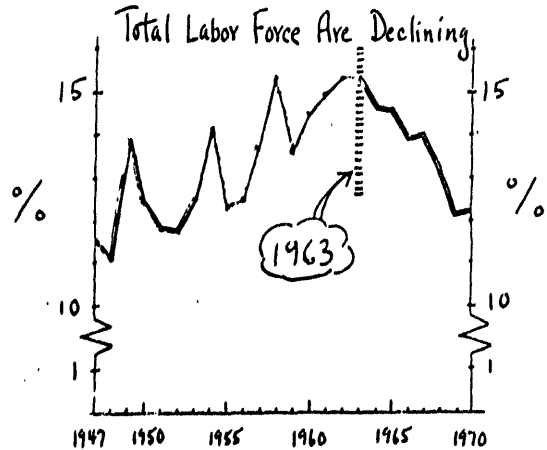


... BUT AT THE SAME TIME,  
A DECLINING SHARE OF  
THE LABOR MARKET  
ACTION...

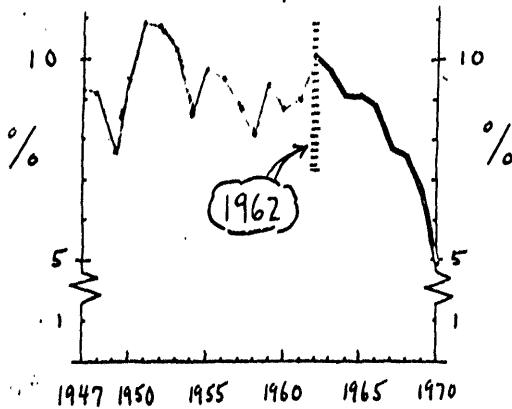
ON THE DEMAND SIDE:  
 ES Job Openings as Percent of  
 Total Employment Are Declining...



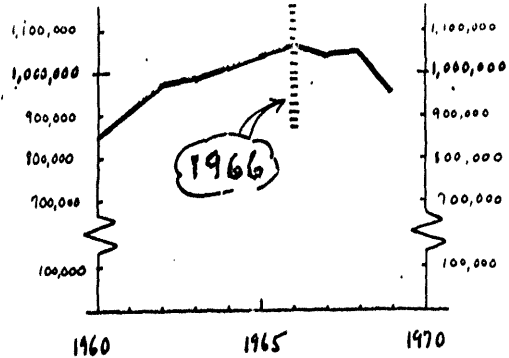
ON THE SUPPLY SIDE:  
 ES New Applications as Percent of



IN MATCHING PEOPLE AND JOBS:  
 ES Nonag Placements as Percent of  
 Total Employment Are Declining ...

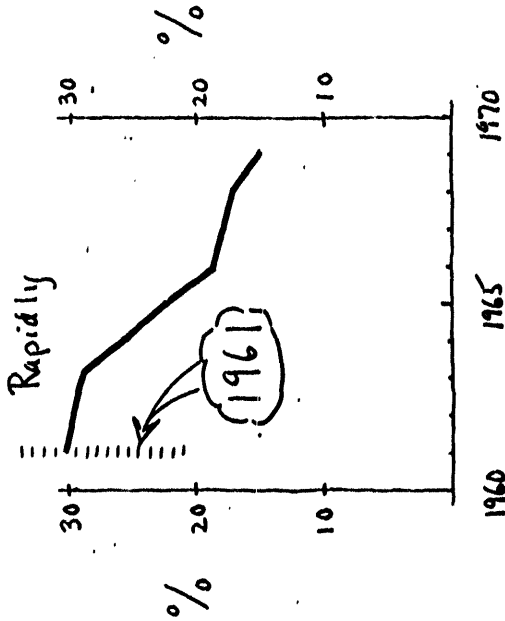


... and the Number of <sup>Employers</sup> ~~Employers~~  
 Using the ES is Falling Off





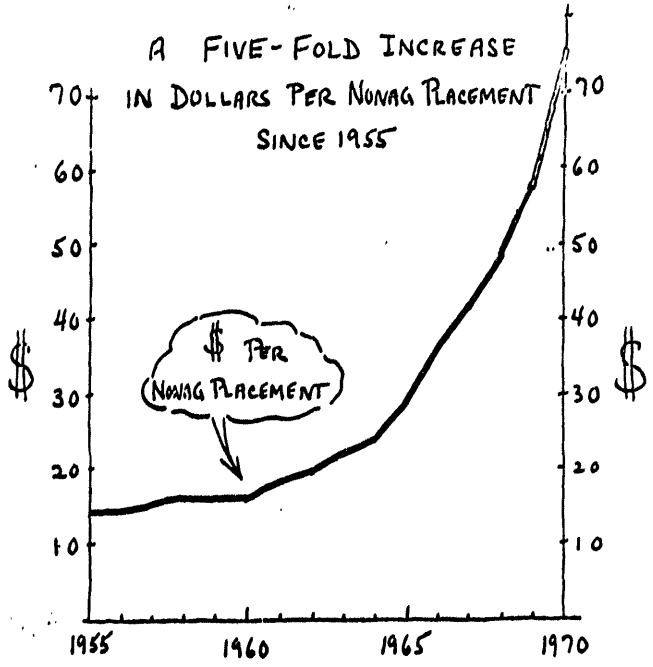
... and in Manufacturing,  
 ES Placements as Percent of  
 Total New Hires are Dropping



... SO THAT COSTS  
 PER PLACEMENT  
 ARE ZOOMING

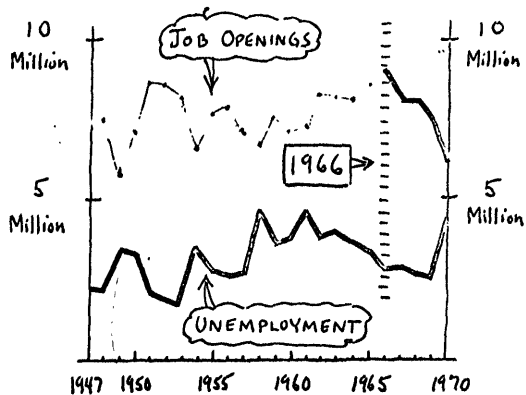
### EVEN IN CONSTANT DOLLARS

A FIVE-FOLD INCREASE  
IN DOLLARS PER NONAG PLACEMENT  
SINCE 1955

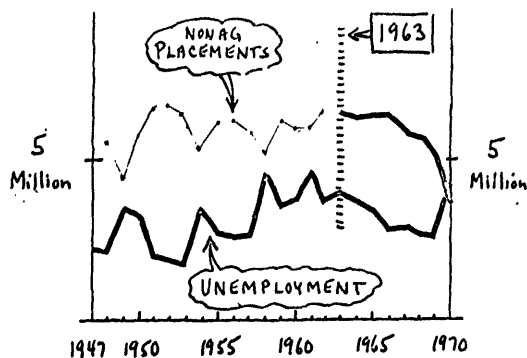


ALL OF THIS,  
IN SPITE OF AN ECONOMIC  
CLIMATE FAVORABLE TO  
EXPANSION OF ES ACTIVITIES  
IN THE LABOR MARKET

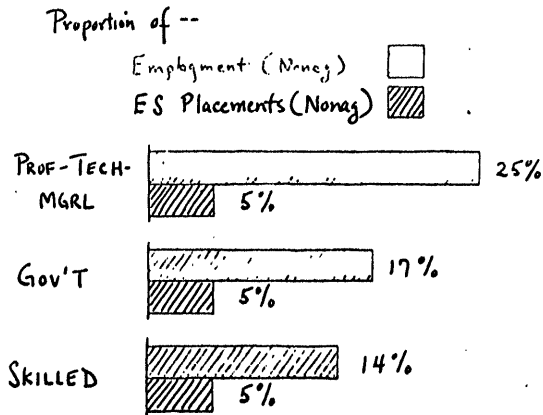
THE DECLINE IN PLACEMENTS  
 WAS RELATED TO  
 A DECLINE IN JOB OPENINGS  
 FILED WITH THE ES



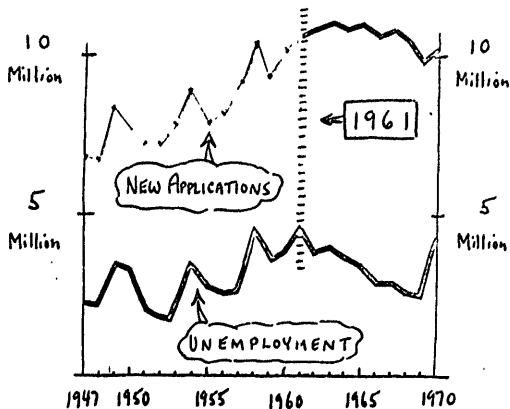
IN AN EXPANDING ECONOMY,  
 NONAG PLACEMENTS NORMALLY GO UP --  
 IN THE '60's, THEY HAVE GONE DOWN



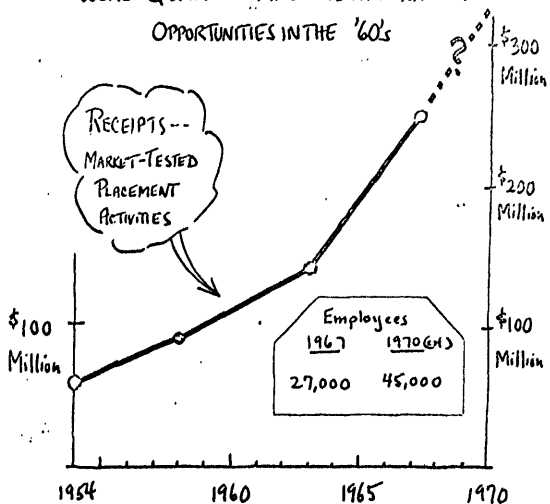
THE ES PENETRATION INTO  
HIGH-GROWTH INDUSTRIES AND OCCUPATIONS  
HAS BEEN SMALL



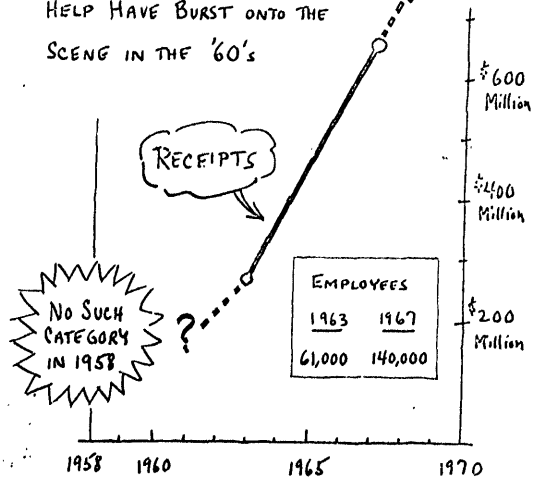
THE DECLINE IN PLACEMENTS  
APPARENTLY, DID NOT INVOLVE  
A LACK OF PEOPLE APPLYING TO  
THE ES



PRIVATE EMPLOYMENT AGENCIES  
WERE QUICK TO TAKE ADVANTAGE OF  
OPPORTUNITIES IN THE '60s



IN ADDITION, THOSE AGENCIES  
SPECIALIZING IN TEMPORARY  
HELP HAVE BURST ON THE  
SCENE IN THE '60's



PART I. RECENT TRENDS:

CAUSE FOR CONCERN?

PART II. WHAT SEEMS TO BE  
BEHIND THESE TRENDS

PART III. SOME IMMEDIATE

POLICY TIE-INS

THE NEW PROGRAMS  
AND RESPONSIBILITIES  
OF THE '60's



... AND HAVE PRESENTED AN IMMENSE  
ADMINISTRATIVE BURDEN

Each New Program Usually Meant --

- \* Changed PRIORITIES
- \* STAFF Adjustments
- \* Additional REPORTS
- \* New State + Fed'l PRESSURES
- \* More MEETINGS, CONFERENCES  
etc., etc.

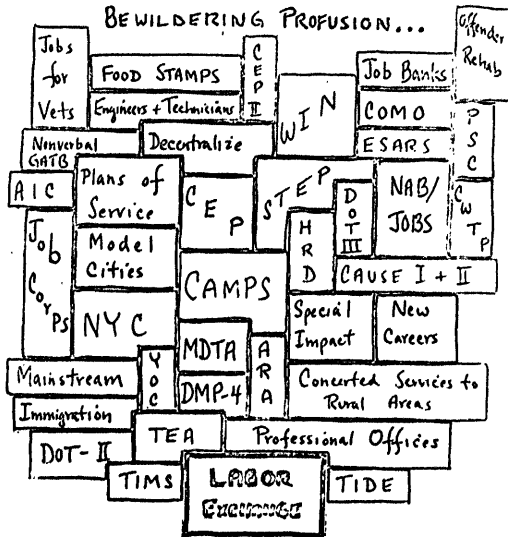
And Sometimes --

- \* Entirely New FUNCTIONS

SINCE 1960 -- 2300 PROGRAM AND  
ADMINISTRATIVE LETTERS, AN AVERAGE OF

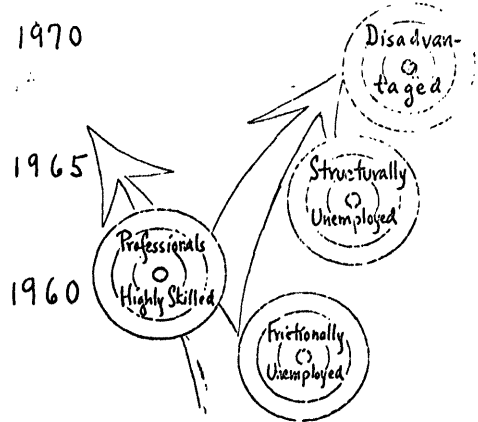
ONE FOR EVERY WORKING DAY!

THESE PROGRAMS HAVE COME IN A  
BEWILDERING PROFUSION...



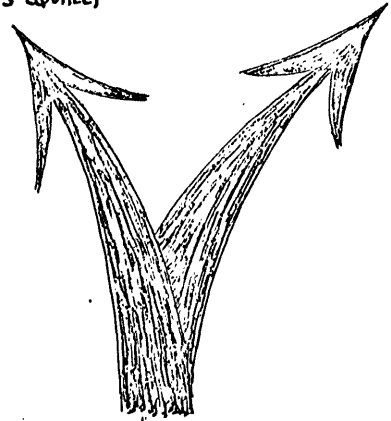
THESE NEW PROGRAMS  
HAVE CREATED A  
BIFURCATION  
IN ES GOALS AND OBJECTIVES

DIRECTIVES FROM WASHINGTON  
HAVE REFLECTED THIS,  
IN CHANGING PRIORITIES AMONG  
TARGET GROUPS

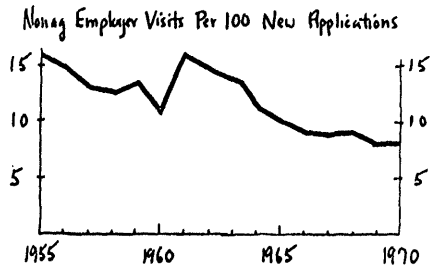
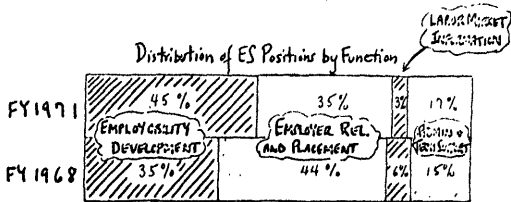


NEUTRAL  
LABOR EXCHANGE  
SERVING EMPLOYERS AND  
APPLICANTS EQUALLY

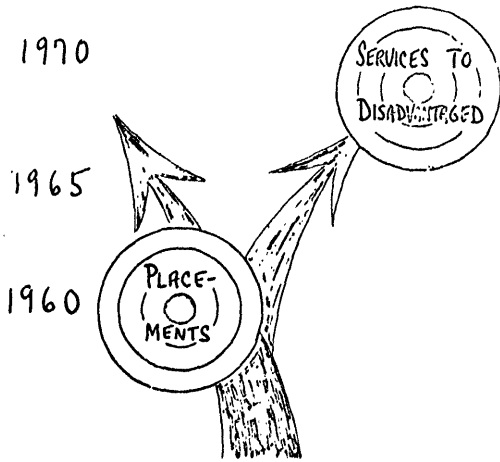
ACTIVE + INVOLVED  
PARTNER  
IN PROVIDING SERVICES  
TO DISADVANTAGED



THE LOCAL OFFICES HAVE TRIED  
TO RESPOND,  
CHANGING THEIR ACTIVITIES MIX ...

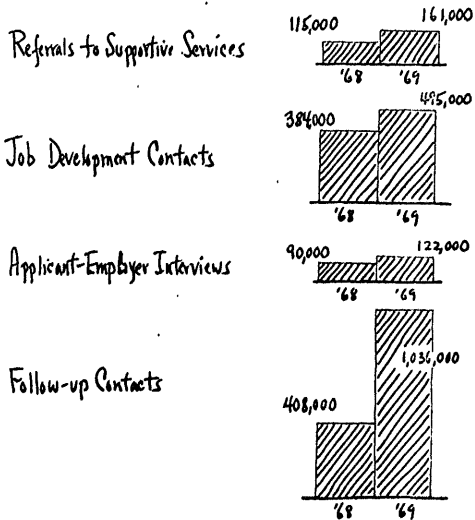


... AND IN PERFORMANCE CRITERIA

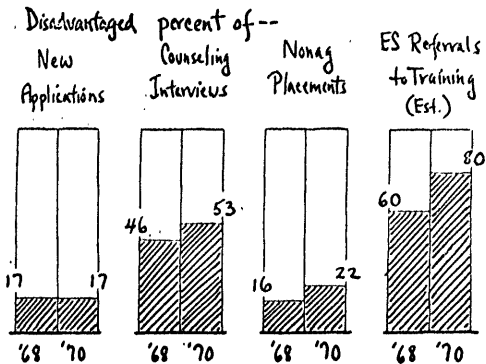


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OTHER SERVICES TO DISADVANTAGED



... AND FOCUSING MORE INTENSIVELY ON THE DISADVANTAGED



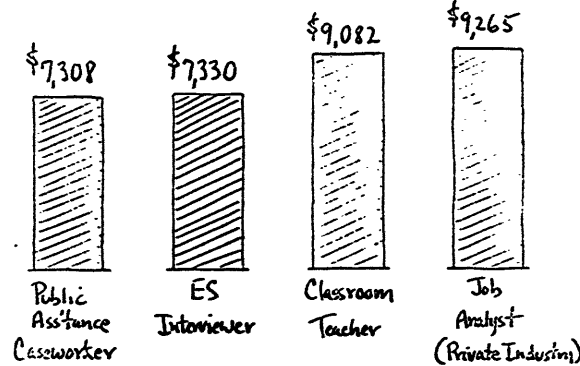
No DATA FOR YEARS PRIOR TO 1968 --  
BUT PROPORTIONS THOUGHT TO BE  
MUCH SMALLER

BEST COPY AVAILABLE

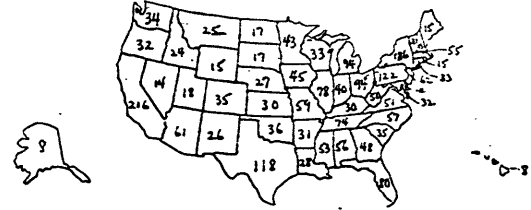
THE ES SYSTEM  
MAY NOT BE  
LARGE OR STRONG ENOUGH  
TO ACCOMPLISH  
BOTH MAJOR GOALS

FURTHER MORE,  
SALARIES OF STATE ES PERSONNEL  
ARE LOW...

Nat'l Average for:		GS Equivalent:
STATE DIRECTOR	\$16,351	GS-12
LOCAL OFFICE MGR	9,500	GS-7
EMPLOY. COUNSELOR	8,445	GS-6
EMPLOY. INTERVIEWER	7,330	GS-5



WHILE THERE IS A LARGE NETWORK OF  
2,455 LOCAL OFFICES...



... ONE-THIRD OF THEM HAVE 5 OR FEWER EMPLOYEES...

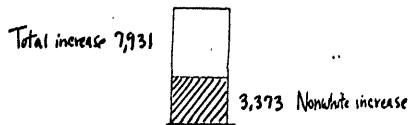
5 OR LESS	6-15	16-30	31+
30%	35%	19%	16%

... AND ONLY 1 IN 10 HAVE ES FUNCTIONS EXCLUSIVELY

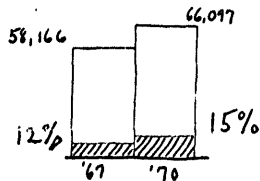
ES ONLY	UI ONLY	ES-UI COMBINED	ES-Form Only	Other
11%	13%	48%	20%	8%

THE ES HAS BEEN SUCCESSFUL, HOWEVER,  
IN RECRUITING A LARGER PROPORTION  
OF NONWHITE EMPLOYEES

Of the total increase in ES Staff since 1967,  
almost HALF have been NONWHITE

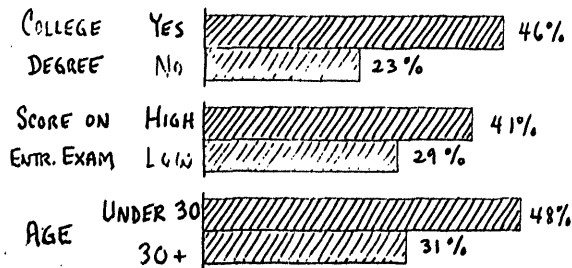


Nonwhites Now Account for 1 in 7 of ES Employees



... WHICH EXPLAINS, AT LEAST PARTLY, WHY  
THE BETTER ES PERSONNEL  
SEEM TO LEAVE MORE QUICKLY

Percent of Interviewers Appointed in 1964  
Who Were Separated by 1967:





PART I. RECENT TRENDS:  
CAUSE FOR CONCERN?

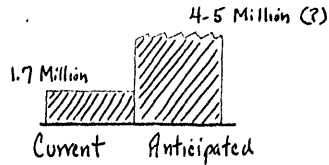
PART II. WHAT SEEMS TO BE  
BEHIND THESE TRENDS

PART III. SOME IMMEDIATE  
POLICY TIE-INS

WHAT SHOULD THE ES ROLE BE  
IN IMPENDING PROGRAMS?

- \* FOOD STAMPS
- \* FAP
- \* PUBLIC EMPLOYMENT

Assuming a Central Role for the ES,  
Service to Disadvantaged will be  
Doubled or Tripled



RECENT INITIATIVES TOWARD  
IMPROVING ES PERFORMANCE

Programmatic Changes --

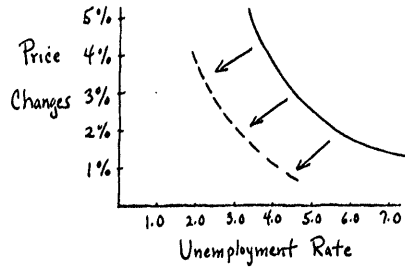
- \* JOB BANKS
- \* ES REDESIGN

Managerial Changes --

- \* PLANS OF SERVICE
- \* ESARS
- \* COST ACCOUNTING

## THE EMPLOYMENT SERVICE AND NATIONAL ECONOMIC POLICY

BETTER AND QUICKER MATCHING  
of People and Jobs  
Helps to Improve the Trade-off Between  
UNEMPLOYMENT AND PRICE INFLATION



## THE ES IN RELATION TO THE SHAPE OF NEW LEGISLATION

\* MANPOWER SPECIAL REVENUE  
SHARING

\* WAGNER-PEYSER (?)

\* WELFARE REFORM

\* REORGANIZATION OF  
EXECUTIVE DEPARTMENTS

IN THE '60's --

PUSH TO SERVE DISADVANTAGED --

LABOR EXCHANGE FUNCTION WEAKENED

IN THE EARLY '70's ---

FORCES ARE AT WORK FOR

FURTHER PROFOUND CHANGES IN THE ES

THESE FORCES MUST BE CHANNLED

SO THAT IMPORTANT GOALS

ARE NOT ADVERSELY AFFECTED

*Question 8e: "What percent of ES placements of the disadvantaged (or of welfare recipients, if known) have been in jobs below the minimum wage? Not covered by workmen's compensation? Less than 1 year? Agricultural?"*

*Response:*

As indicated in the response to question 4b, average entry hourly earnings for FY 1971 employed WIN terminees ranged from a low of \$1.91 to a high of \$2.92; average for the total group was \$2.28 per hour.

Data are not now available on ES placements in general by wage levels, or by workmen's compensation coverage. State ES agencies operate in compliance with Federal and State laws and regulations on these matters. Placements are reported on the basis of short time (3 days or less) or regular (all other placements). There is no data covering placements less than 1 year. Twenty-two percent of ES non-agricultural placements in FY 1971 were of disadvantaged.

No data are available on agricultural placements of the disadvantaged as an estimated 93 percent of agricultural placements are made of groups of workers and there is no in-depth interview with each applicant to obtain information on family income.

*Question 8f: "Recent DOL policy memoranda, state that the ES will become (or is) the "coordinator of manpower programs". What does this mean?"*

*Response:*

Manpower coordination in relation to the Concentrated Employment Program (CEP) relates to the grouping of manpower tasks into a single manpower services package which is usually subcontracted as an interrelated whole to the ES. The document which defined the task grouping and responsibility for it is Manpower Administration Order No. 14-69. Previous to the issuance of MAO 14-69, in delivery of manpower services in the CEP program there was some fragmenting, overlapping, and some confusion over duties and responsibilities. MAO 14-69 requires a single agency, usually the ES, to provide (and thus be totally and fully responsible for the administration of) the manpower services package.

These services are defined as:

- outreach
- intake
- orientation
- assessment and counseling
- coaching
- referral to employability development services, including training
- referral to supportive services
- job development
- placement
- intensive follow up

Outreach, coaching, orientation, and intensive follow up may be handled through subcontracts to other agencies if it is decided that other agencies can better or more easily perform these services.

The ES is responsible for the manpower services package in all but two CEPs. The two CEPs are Manchester, New Hampshire and Gary,

Indiana. The decision was made to not subcontract with the ES after a long series of negotiations from which agreements could not be reached.

In addition to being the subcontractor for Manpower services, the ES is the prime sponsor for four CEPs and therefore, responsible for the administration of the total program. These CEPs are Northern Michigan, East St. Louis, Mississippi Rural and Arkansas Rural.

A June 25, 1969 publication entitled "The Employment Service as a Comprehensive Manpower Agency" explains the ES reorientation to provide intensive employability development services for people most in need of them.

There have been several recent releases describing the Comprehensive Manpower Delivery System Model (COMO) which is being used experimentally in 10 cities and one rural area. TESPL No. 2607 dated November 10, 1970 states that the experiment should help improve "the local employment service as the focal point for local manpower activities." COMO is an effort to redirect local office operations and provide three levels of service based on applicant need" (self-service, employability exploration, and employability development).

In addition, there have been releases in relation to improving employer services activities the primary method of job finding and working with employers to encourage them to fill their manpower needs in terms of available workers, who are or could be trained. Coordination discussed in relation to employer services is generally, as stated in the attachment to TESPL 2637 dated April 1971, "coordinating employer services activities conducted under ES-grants with WIN, CEP, and other job development activities in which the State is involved and with community agencies."

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*Question 9: Program Management: What will the role of the CAA's be under the OFF program? What is your evaluation of and do you intend to stick with the "prime sponsorship" approach? What other private or public agencies are appropriate sponsors?*

*Response:*

1. The mandate of H.R. 1 is clear; the Department of Labor is to conduct its local OFP operations through those agencies or groups which have the demonstrated capability to perform in a responsive and efficient manner. The Department expects to look keenly at the nationwide system of CAA's, evaluate their prior manpower experience and performance, and determine their interest in participating as our agents. Where selected, such participation may range completely through the spectrum of responsibilities from management of a range of manpower development operations in some localities through advice and guidance about the needs and conditions of the welfare-eligible population in others.

2. *The "prime sponsorship" approach:* there is, unfortunately, no simple or single answer to the many problems with and advantages of the prime sponsorship approach to manpower program management. No area or community manpower program which is delivered through a multiplicity of contracts, is funded on an annual multi-million dollar basis and which must work with and respond to the great range of human needs and wants can remotely be viewed as easy to manage. Yet, it is management that is the duty and task of a prime sponsor. Our advisors and evaluators tell us that the order of management skill

required from manpower program managers is perhaps the most demanding in the nation today. It is against this level of management difficulty that the performance of DOL-affiliated prime sponsors must be viewed. Some have failed miserably and have been replaced; others have produced a high degree of coordination among their cooperating service deliverers, have kept costs aligned with productivity and have met their goals. If there is any consistent lesson emerging from the prime sponsor experience to date, however, it lies in the hard, clear evidence that the area planner/manager is the pivot on which an area's comprehensive manpower program swings; the consistent element on which success or failure depends.

At our present stage of thinking about OFP delivery systems we are considering that within an OFP administrative area (which may be as small as part of a major city or as large as a sparsely populated state, depending upon the geographic mandates) this critical planning/management function will, whenever feasible, be performed by Federal employees. Below the area level, however, it is entirely possible that it may become necessary to enter into prime sponsor-type relationships with agencies, groups or units of government to do the management/coordination task for a geographic subunit of the area or to manage an area-wide aggregation of services. Here again, the unique circumstance of the individual area will dictate the pattern of prime sponsor use. The capability of the proposed prime sponsor will determine their selection.

3. *Appropriate Prime Sponsors*: Insofar as our capacity to predict who these prime sponsors may be is concerned, we can only fall back on experience. To date comprehensive manpower program prime sponsors have included:<sup>1</sup>

Units of government.

CAA's: The variety of administrative variants here is large; CAA-type prime sponsors have included private, non-profit CAA's, CAA's run by mayors, Coalitions of county CAA's (in multi-county rural areas) and separate corporations whose directors are CAA staff members from a number of CAAs.

CDAs (The Mayor's Model City Agency).

State ES agencies (in both WIN and CEP).

Private, for profit organization (in Job Corps).

Clearly, any of these agencies or groups could serve as prime sponsors, along with a host of other, equally capable public and private groups. Again, the peculiar circumstances of the area involved will dictate; the area manager will, working within broad administrative guidelines, choose the particular management configuration required where the prime sponsor approach is to be used. In the development of the OFP delivery system new sources of prime sponsors, e.g. private nonprofit or combinations of the above sponsors may be developed.

*Question 9(b): How will the administration, sponsorship, etc., of the manpower programs under OFF be related to the administration etc. of existing manpower programs? (MDTA, CEP, NYC, etc.)*

*Response:*

This question opens one of the most difficult and complex administrative issues facing the Department's program planners, one made

<sup>1</sup> Please note that we are drawing largely from the CEP, WIN and Job Corps experience. Other manpower operations such as those found in MDTA, Operation Mainstream, New Careers, NYC, the JOBS program, etc., are more restricted in scope and limited in nature.

infinitely more difficult by the uncertain status of the proposed special manpower revenue-sharing legislation. Some methods and necessities are, however, emerging as we wrestle with the issue. One approach would be to establish a system that ensures that some appropriate portion of the non-OFP funded DOL manpower effort is made available for OFP recipients.

In addition, we are examining the problems and possibilities inherent in coordinated staff planning at the delivery level which would—  
develop a uniform assessment of manpower needs and resources;  
obtain uniform understanding and agreement on the enrollee priorities to be applied by each of the variously-funded and statutorily-authorized programs assigned to the Department and affiliates and active in the area (funded under such disparate statutes as the MDTA, the EOA, the EEA, the Wagner-Peyser Act and, H.R. 1).

obtain agreement on the manpower services needed by the various DOL program enrollees and on the agencies or groups to be used to deliver such services.

All of this would provide a common basis for each manpower program manager to plan and operate service delivery functions—through their own efforts or those of contractors—to accomplish their plans with a minimum of duplication and understanding of the necessary interrelationships. This coordination requires a very high level of management effort.

*Question 9(c): Provide us with a listing over the past 5 years of sponsorship of programs authorized by the EOA, showing specifically those which have been transferred from CAA's to mayors and indicating the reasons therefor.*

*Response:*

(Note:—A 170-page list of sponsors of EOA programs was submitted for the Committee files.)

CEP	Original sponsor	Current sponsor	Reason for change
Region II: Buffalo.....	Community Action Organization (CAA).	City of Buffalo.....	Failure to operate within Federal guidelines (MAO 14-69) and poor performance.
Region III: Philadelphia.	Philadelphia Employment Development Corp. (CAA multi-agency sponsorship).	City of Philadelphia.....	Multiagency sponsorship not satisfactory due to difficulty in defining responsibility and fragmented authority plus excessive subcontracting to member agencies of the sponsoring agency resulting in financial unaccountability.
Region IV: North Carolina, rural.	SEACAP (coalition of county CAP's).	Manpower Development Corp. (private non-profit organization which is offshoot of the North Carolina Fund).	Poor program performance and management resulting in lack of support from the business community.
Miami.....	Economic Opportunity Program, Inc. of Dade County (CAA).	Metropolitan Dade County Government (county government).	Disagreements and conflict between the administrative staff and consistently poor performance.
Region V: Northern Michigan.	NORCAP (coalition of county CAP's).	Michigan Employment Security Commission.	Inefficiency in program administration and consistently poor performance.
Minneapolis.....	Mobilization of Economic Resources, Inc. (CAA).	City of Minneapolis.....	Failure to follow guidelines and instructions as well as provide needed information to the regional office. Incompetent program administration.
Columbus.....	Columbus Metropolitan Area Community Action Organization (CAA).	City of Columbus.....	Consistently poor performance and fiscal irregularities.
Region VI: Houston.....	Harris County Community Action Association (CAA).	Harris County Commissioner's Court.	Poor program management, fiscal mismanagement, and failure to meet goals.
Region IX: Oakland.....	Oakland Economic Development Council, Inc. (CAA).	City of Oakland.....	Failure to operate within Federal guidelines (MAO 14-69) and poor performance.



*Question 9(d) How will the OFF Manpower Program relate to the CAMPS structure?*

*Response:*

In developing a model of OFF program management, the Department will wish to assure close interrelationships with the Cooperative Area Manpower Planning System (CAMPS), particularly in light of the recent revisions to that system. CAMPS is a fundamental tool for coordinating the delivery of manpower services in particular areas, for avoiding duplication of services, and generally for exchanging information on the plans of various agencies. As a major addition to the array of available manpower program services, OFF must be related to the coordinative process of CAMPS. A precise description of CAMPS-OFF relationships, however, must await further study of and decisions on the following areas of concern:

1. Criteria for the designation of OFF areas.
2. Design and structure of OFF delivery system.
3. Definition of the functions of the OFF advisory committees.

Despite these unresolved questions, there is a clear potential for substantial tie-ins between OFF and CAMPS Administrative and program efficiency require that, where possible, OFF and CAMPS planning areas be compatible. Further, the recent revisions to CAMPS, which prescribe a new, broadly representative membership model with delegates from manpower agencies, client groups and the general public, including business and labor, and which assign CAMPS councils a new program evaluation role, closely resemble the OFF committee standards set forth in Title XXI, Part D, Section 2178.

*Question 10a. What evidence do you have that training increases employability?*

*Response:*

There have now been a considerable number of formal cost-benefit evaluations of the various manpower training programs that go to the question of whether employability—in terms of actual success in the job market—was greater for those trained than those not trained. All of the studies that we are aware of showed positive benefits. This means that those trained did better than those not trained, and that the benefits resulting from increased earnings were greater than the cost of training. The attached tables list the studies that are evidence that training increases employability:

Authors	Program	Date of study
Systems Development Corp.	JOBS	1969
U.S. Senate	JOBS	1970
Greenleigh Associates	JOBS	1970
Hardin & Borus	MDTA—Institutional	1969
Department of Health, Education, and Welfare (Education and Training Doorway to the Seventies)	MDTA—Institutional and OJT	1970
Muir, et al. (Planning Research Corp.)	do	1967
Smith (Dissertation)	MDTA—Institutional	1970
Main (National Opinion Research Center)	do	1966
Stromsdorfer	State institutional training	1968
Systems Development Corp.	Concentrated employment program.	1970
Leasco Systems & Research Corp.	do	1969
Borus	Neighborhood youth corp (out of school).	1970
Waltman & Walton	do	1969
Cain	Job Corps	1967
Louis Harris & Associates	do	1969
Job Corp—research and evaluation	do	1966
Waltman & Waltman	do	1969

If more details are desired about the findings of these studies, the Department of Labor will be glad to supply it.

The second part of the question is "doesn't employability depend on the job market?" The answer is that it depends on the skills and education in relation to the job market—what employers are actually asking for in the market. That is why the test of a training program should be the results obtained through actual hiring and increased earnings, rather than simply numbers trained. The studies listed above are in terms of results achieved in the job market.

*Question 10(a) (cont.): Give placement results of DOI Training programs for the past 5 years indicating salary levels.*

*Response:*

Attached is a Table showing Placement Results of major Manpower Training Programs, FY's 1967-1971.

PLACEMENT RESULTS OF MAJOR MANPOWER TRAINING PROGRAMS ADMINISTERED  
BY THE DEPARTMENT OF LABOR, FISCAL YEAR'S 1967-71

	1971 <sup>1</sup>	1970	1969	1968	1967
<b>MDTA:</b>					
<b>Institutional:</b>					
Completions.....	85,500	85,000	95,000	91,000	109,000
Placements.....	62,650	62,000	71,000	64,500	80,000
Percent placed.....	70.0	72.9	74.7	70.9	73.4
Average hourly wage.....	(?)	\$2.12	\$2.12	\$2.04	\$2.04
<b>OJT:</b>					
Completions.....	50,000	62,000	65,000	73,200	83,600
Placements.....	43,000	53,300	53,000	63,000	73,700
Percent placed.....	86.0	86.0	81.5	86.1	88.2
Average hourly wage.....	(?)	(?)	(?)	\$2.29	\$2.29
<b>Job Corps:</b>					
Available for placement.....	28,376	37,993	55,073	58,599	22,956
Placements.....	21,538	30,788	42,368	31,904	15,208
Percent placed.....	75.9	81.0	76.9	54.0	45.5
Average hourly wage.....	\$1.87	\$1.84	\$1.72	\$1.59	\$1.56
<b>JOBS:</b>					
Completions.....	45,500	<sup>2</sup> 2,256	(?)	.....	.....
Placements.....	45,500	<sup>2</sup> 2,256	(?)	.....	.....
Average hourly wage.....	(?)	\$2.51	(?)	.....	.....
<b>CEP:</b>					
Completions.....	30,000	43,394	(?)	(?)	.....
Placements.....	30,000	43,394	(?)	(?)	.....
Average hourly wage.....	\$2.18	\$2.04	(?)	(?)	.....
<b>WIN:</b>					
Completions.....	20,000	13,733	1,550	.....	.....
Placements.....	20,000	13,733	1,550	.....	.....
Average hourly wage.....	\$2.28	\$2.31	(?)	.....	.....

<sup>1</sup> Enrollment and placement data for 1971 is preliminary.

<sup>2</sup> INA.

<sup>3</sup> Data available only since February 1970.

#### TECHNICAL NOTES

##### *Completions*

The various programs, depending on their nature and objectives, have differing concepts of completion. Some are training programs such as MDTA Institutional and OJT, and have a start and finish date of varying length and a *training objective*. Other programs such as WIN and CEP have an *employment objective*. These latter programs see that all appropriate services both training related and non-training related are provided so as to provide the expeditious placement of the enrollee in employment without regard to a specific enrollment period; thus in WIN and CEP, completions and placements are based on employability plan **completed** only. In Job Corps,

the concept of "available for placement" is used, excluding those completers who are not available for such reasons as family responsibilities (in the case of female enrollees only), illness or confinement.

#### *Placements and Wage Data*

For purposes of the table, placement is defined as a person placed in employment except for Job Corps which includes in placement: employment, entering full-time school, or joining the Armed Forces. The hourly wages shown are entry wages paid to the person placed when he enters employment, immediately upon completion of training, except for MDTA, for which program wage data is obtained from a follow-up form received 3 or 6 months after completion of training.

*Question 10(a) (Cont.) What has been your experience in terms of ultimate job placements under on-the-job training programs as compared with institutional training? (WIN)*

#### *Response:*

For a number of reasons on-the-job training did not become a significant part of the WIN program until F.Y. 1971. Simplification of procedures has stimulated enrollment in on-the-job training and enabled a considerable number of individuals to move into this component in recent months. Our experiences have been good and are continuing to improve in this area. We expect to rely heavily upon on-the-job training as a component in the new program which is presently being considered by the Congress.

In FY 1971, of the 7,209 WIN enrollees who participated in OJT training (including NAB-JOBS), 27 percent were placed in permanent jobs, 34 percent were still in training, 6 percent terminated from the program and the balance had transferred to another component or status, still within the WIN program.

In contrast, of the 65,049 participants in institutional training, 8 percent were placed in jobs, 36 percent were still in training, 9 percent had dropped out, and the balance—46 percent—were in other WIN components.

It should be noted that WIN is a comprehensive program without a specific enrollment period and enrollees may be cycled through various components as needed, in accordance with their employability plan. For example, they may go from OJT to a work experience component, or to another OJT component that may be more appropriate; they may go from institutional to OJT, or work experience, or to NAB-JOBS.

*Question 10b: What percent and at what levels (by training slots or funding) of the training under OFF will be OJT?*

#### *Response:*

We are still in the planning stages concerning types of training to be offered under OFF, and we have therefore not yet designated specific levels of activity for the various training influencing our choices for training which will lead to a strong emphasis on the OJT component. Some of these factors are:

1. An OJT slot brings the trainee much closer to the experience of an actual job situation than classroom training;

2. A new OJT system currently under development would encourage employers to participate by significantly simplifying and streamlining procedures in this type of program;

3. The expected upswing in the economy will provide many more opportunities for OJT than have been available in the recent past.

As a result of such considerations, we now anticipate an extensive OJT component under OFF in which more OJT training opportunities than institutional opportunities would be provided. At any moment of time, of course, the exact proportion in OJT will depend upon the state of the economy and the entry-level training opportunities available in the job market.

*Question 10(c): Provide us with a listing of major private firm participants (including non-profit corporations) in training to date, indicating amount of contract, kind of training, job placement and career advancement results (for MDTA, JOBS, and CEP). Indicate which of these firms are minority concerns, also provide a list of minority firms which have applied for and been denied such contracts.*

*Response:*

(Note: The Labor Department submitted for the Committee files a 1,216-page list of sponsors of JOBS contracts.)

*Question 10(c): Role of Private Firm Participants in CEP Training.*

*Response:*

Two CEPs, North Carolina Rural and Rochester, are sponsored by non-profit corporations. The former program is sponsored by Manpower Development Corporation, with a contract for \$1.3 million. Rochester Jobs, Inc. holds the \$1.7 million contract in New York. As prime sponsors, these organizations are responsible for the total administration and operation of their programs. While neither may be classified as a "minority concern," both are well integrated in their administration and operation.

In addition, the 82 CEPs have numerous subcontracts with public and private, profit and non-profit, corporations. Two corporations which frequently have CEP subcontracts are the Urban League and the Opportunity Industrialization Center (OIC), both minority managed. Generally these subcontracts are for orientation, basic education, and some training. Spanish speaking organizations hold subcontracts in areas with concentrations of Puerto Rican or Mexican-American persons. CEPs may also subcontract with private companies and schools to provide specific types of training. In addition, of course, CEPs may refer their enrollees to NAB-Jobs contractors.

Specific count is not kept of the proportion of CEP contracting which goes to what might be called "minority firms." It should be noted, however, that the nature of CEP sponsorship generally builds on full community participation.

Attached is a list of CAA's which are CEP prime contractors.

Obligation figures, as well as goals for training, job experience, and placements (job entry) are for Program Year 1971. In each case, therefore, the data cover the 12-month measurement period now in operation.

CEPs sponsored by Community Action Agencies (CAAs) are governed by CAA Boards set up according to OLEO guidelines. Adequate minority representation is therefore, assured.

The two CEPs, North Carolina (R) and Rochester, sponsored by private non-profit corporations cannot be called "minority firms". They are, however, well-integrated in both administration and operation.

*Albuquerque CEP*

Albuquerque-Bernalillo County Economic Opportunities Board:  
 Training: 687; Job Experience, 544.  
 Job Entry: 332.  
 Obligation: \$1,911,953.

*Arizona (R) CEP*

Office of Navajo Economic Opportunity:  
 Training: 628; Job Experience, 42.  
 Job Entry: 451.  
 Obligation: \$1,420,000.

*Atlanta*

Economic Opportunity of Atlanta, Inc.  
 Training: 382; Job Experience, 232.  
 Job Entry: 556.  
 Obligation: \$1,517,000.

*Baltimore*

City Council Community Action Agency  
 Training: 997; Job Experience, 784.  
 Job Entry: 1397.  
 Obligation: \$3,800,000.

*Birmingham*

Jefferson County Committee for Economic Opportunity:  
 Training: 335; Job Experience, 60.  
 Job Entry: 304.  
 Obligation: \$1,238,000.

*Boston*

Action for Boston Community Development, Inc. :  
 Training: 2400; Job Experience, 880; Suspension 700.  
 Job Entry: 2330.  
 Obligation: \$5,737,064.

*Bridgeport*

Action for Bridgeport Community Development, Inc. :  
 Training: 525; Job Experience 90; Suspensions, 186.  
 Job Entry: 540.  
 Obligation: \$1,962,595.

*Charlotte*

Charlotte Area Fund, Inc.  
 Training: 274; Job Experience, 157.  
 Job Entry: 536.  
 Obligation: \$1,550,000.

*Chicago*

Chicago Committee on Urban Opportunity :  
 Training : 259 ; Job Experience, 563.  
 Job Entry : 651.

*Cincinnati*

Community Action Commission of Cincinnati Area  
 Training : 381 ; Job Experience, 138.  
 Job Entry : 470.  
 Obligation : \$1,790,769.

*Detroit*

Mayor's Committee for Human Resources Development :  
 Training : 800 ; Job Experience, 570.  
 Job Entry : 2,400.  
 Obligation : \$4,000,000.

*Fresno*

Fresno County Economic Opportunities Commission :  
 Training : 699 ; Job Experience, 238.  
 Job Entry : 447.  
 Obligation : \$2,076,777.

*Gainesville*

Gainesville-Hall County Economic Opportunity Organization :  
 Training : 234 ; Job Experience, 50.  
 Job Entry : 333.  
 Obligation : \$7,000,000.

*Hartford*

Community Renewal Team of Greater Hartford, Inc. :  
 Training : 908 ; Job Experience, 223 ; Suspensions, 300.  
 Job Entry : 406.  
 Obligation : \$1,952,787.

*Hoboken*

Hoboken Organization Against Poverty and Economic Stress :  
 Training : 235 ; Job Experience, 250.  
 Job Entry : 550.  
 Obligation : \$696,408.

*Honolulu*

Honolulu Council of Social Agencies :  
 Training : 353 ; Job Experience, 301.  
 Job Entry : 502.  
 Obligation : \$1,713,000.

*Huntsville*

Huntsville-Madison Company ; C.A.C. Inc. :  
 Training : 286 ; Job Experience, 0.  
 Job Entry : 516.  
 Obligation : \$977,657.

*Jacksonville*

Greater Jacksonville Economic Opportunity, Inc. :  
 Training: 291 ; Job Experience, 60.  
 Job Entry : 291.  
 Obligation : \$900,000.

*Kansas City*

Human Resources Corporation :  
 Training: 107 ; Job Experience, 650.  
 Job Entry : 366.  
 Obligation : \$1,675,190.

*Kentucky (R)*

Eastern Kentucky CEP, Inc. :  
 Training: 761 ; Job Experience, 295.  
 Job Entry : 1,202.  
 Obligation : \$3,000,000.

*Las Vegas*

Economic Opportunity Board of Clark County, Nevada :  
 Training: 248 ; Job Experience, 254.  
 Job Entry : 275.  
 Obligation : \$1,370,000.

*Los Angeles*

Economic & Youth Opportunities Agency of Greater Los Angeles :  
 Training: 353 ; Job Experience, 1585.  
 Job Entry : 1266.  
 Obligation : \$5,304,558.

*Lowell*

Community Teamwork, Inc. :  
 Training: 405 ; Job Experience, 140 ; Suspensions, 150.  
 Job Entry : 400.  
 Obligation : \$1,298,127.

*Milwaukee*

Community Relations Social Development in Milwaukee :  
 Training: 623 ; Job Experience, 100.  
 Job Entry : 1166.  
 Obligation : \$2,210,000.

*Manchester*

The Manchester Community Action Program :  
 Training: 423 ; Job Experience, 415 ; Suspensions, 5.  
 Job Entry : 300.  
 Obligation : \$1,387,979.

*Missouri (R)*

Ozarks Area Community Action Corporation :  
 Training: 844 ; Job Experience, 305.  
 Job Entry : 630.  
 Obligation : \$1,900,000.

*Minnesota (R)*

Rural Minnesota-CEP, Inc. :

Training: 879; Job Experience, 590.

Job Entry: 623.

Obligation: \$1,852,158.

*Montana (R)*

Butte-Silver Bow Anti-poverty Council :

Training: 510; Job Experience, 300.

Job Entry: 189.

Obligation: \$1,402,612.

*New Bedford*

Onboard, Inc. :

Training: 635; Job Experience, 154; Suspensions, 70.

Job Entry: 285.

Obligation: \$1,600,000.

*New Orleans*

Total Community Action, Inc. :

Training: 1,053; Job Experience, 314.

Job Entry: 520.

Obligation: \$1,829,586.

*Newark*

United Community Corporation :

Training: 380; Job Experience, 233.

Job Entry: 1250 :

Obligation: \$2,452,312.

*Norfolk*

Southeastern Tidewater Opportunity Project, Inc. :

Training: 530; Job Experience, 366.

Job Entry: 700.

Obligation: \$2,057,900.

*North Carolina (R)*

North Carolina Manpower Development Corporation, Inc

Training: 241; Job Experience, 40.

Job Entry: 372.

Obligation: \$1,321,224.

*New Mexico (R)*

North Central New Mexico CEP Association :

Training: 426; Job Experience, 477.

Job Entry: 454.

Obligation: \$1,524,000.

*Pittsburgh*

Community Action Pittsburgh, Inc. :

Training: 1490; Job Experience, 648.

Job Entry: 1166.

Obligation: \$3,793,462.



*Portland, Me.*

## PINE CAP:

Training: 1161; Job Experience, 250; Suspensions, 735.

Job Entry: 535.

Obligation: \$2,237,305.

*Portland, Ore.*

## Portland Metropolitan Steering Committee EDA, Inc.:

Training: 345; Job Experience, 307.

Job Entry: 322.

Obligation: \$1,828,752.

*Providence*

## Progress for Providence, Inc.:

Training: 325; Job Experience, 335; Suspensions, 315.

Job Entry: 360.

Obligation: \$1,387,979.

*Rochester*

## Rochester Jobs, Inc.:

Training: 264; Job Experience, 172.

Job Entry: 550.

Obligations: \$1,753,000.

*St. Louis*

## The Human Development Corporation of Metropolitan St. Louis:

Training: 269; Job Experience, 692.

Job Entry: 750.

Obligation: \$2,168,003.

*San Francisco*

## Economic Opportunity Council:

Training: 206; Job Experience, 767.

Job Entry: 936.

Obligation: \$4,264,094.

*San Antonio*

## Economic Opportunity Development:

Training: 3131; Job Experience, 265.

Job Entry: 1118.

Obligation: \$3,405,700.

*Seattle*

## Seattle-King County Economic Opportunity Board, Inc.:

Training: 614; Job Experience, 137.

Job Entry: 773.

Obligation: \$1,941,000.

*Springfield*

## Springfield Action Commission, Inc.:

Training: 503; Job Experience, 110.

Job Entry: 400.

Obligation: \$1,942,788.

*Tampa*

Community Action Agency of Hillsborough County :

Training : 1073 ; Job Experience, 150.

Job Entry : 900

Obligation : \$2,400,000.

*Tennessee (R)*

LBJ + C Development Corporation :

Training : 649 ; Job Experience, 163.

Job Entry : 306.

Obligation : \$1,300,000.

*Texarkana*

Texarkana Manpower and Development Corp. :

Training : 450 ; Job Experience, 226.

Job Entry : 400.

Obligation : \$1,538,300.

*Toledo*

Economic Opportunity Planning Association of Greater Toledo, Inc. :

Training : 786 ; Job Experience, 284.

Job Entry : 870

Obligation : \$1,318,830.

*Trenton*

United Progress, Inc. :

Training : 230 ; Job Experience, 225.

Job Entry : 700.

Obligation : \$2,282,001.

*Tulsa*

Tulsa Economic Opportunities Task Force, Inc. :

Training : 715 ; Job Experience, 189.

Job Entry : 624.

Obligation : \$1,700,000.

*Washington*

United Planning Organization :

Training : 2000 ; Job Experience, 203.

Job Entry : 2500.

Obligation : \$5,672,314.

*Wilkes-Barre*

Commission on Economic Opportunity :

Training : 285 ; Job Experience, 930.

Job Entry : 550.

Obligation : \$1,800,000.

*Winston-Salem*

Experiment in Self-Reliance, Inc.

Training : 287 ; Job Experience, 250.

Job Entry : 469.

Obligation : \$1,440,000.

*Wisconsin (R)*

Northwest Wisconsin Community Action Agency :

Training : 183 ; Job Experience, 600.

Job Entry : 589.

Obligation : \$1,500,000.

Since CAA's represent the poor of a community, it can be said that all CAAs are minority concerns.

## MDTA INSTITUTIONAL

Region and State	Contractor	Amount of contract	Completers	In training	Occupational title/courses
I.....	None.....				
III.....	None.....				
VI:					
Arkansas.....	Southwest Technical Institute.	\$101,890		18	Sewage plant operation.
New Mexico.....	East New Mexico University.	113,325		26	Electronics mechanic.
	Jobs for Progress (SER).	242,784	1	44	Orientation, basic education.
	do	242,784	15	24	Clerical cluster.
Texas.....	Texas State Technical School (not a State school).	286,000	4	90	Multi-occupation basic education.
	Texas State Technical School.	143,000		40	Multi-occupation.
VII.....	None.....				
IX:					
Arizona.....	Operation SER, Jobs for Progress.	241,000	264	32	Orientation, basic education english as second language.
California.....	Chinese Community Center San Hindalgo Institute, California.	106,000	20	18	Health aides.
	Operation SER, California	561,000	0	106	Clerk-typist bilingual, groundsman, cooks, custodian.
	do	176,000	(1)	(1)	Prevocational orientation.
	do	174,000	(1)	(1)	Do.
	do	171,000	(1)	(1)	Do.
	do	196,000	(1)	(1)	Do.
	do	172,000	(1)	(1)	Do.

1 Information not available.

## MANPOWER DEVELOPMENT AND TRAINING ACT INSTITUTIONS

Region and state, contractor name, and contract number	Amount of contract	Cumulative enrollment	Completers	Occupational title
II				
New York:				
Training Resources for Youth, Inc., No. NY (B) 0010.	\$1,202,272	889	122	Meat cutter.
Adelphi Business School, No. NY (R) 1014.	123,332	45		Clerk typist.
RCA Institutes, Inc., No. NY (R) 1019.	301,928	50		TV service repairman.
Apex Technical School, No. NY (R) 1021.	209,160	52		Refrigerator mechanic.
NET Div. of Educ. Broadcasting Corp., No. NY (R) 1023.	104,355			TV and film making.
Group Relations Ongoing Workshop, No. NY (R) 1030.	134,840	20		Group worker.
New Jersey: RCA Technical Inst., No. NJ (R) 1014.	110,455	24		Computer mechanic.
IV				
Alabama: Alabama School of Trades, Gadsden, Ala., No. Ala. (M) 1005-00.	322,119	141	2	Clerk steno, auto mech., auto body repair, production mach., welder comb., clerk typist.
Florida:				
Santa Fe Junior College, Gainesville, Fla., 1005.	247,188	131	9	Pre-voc., auto mech., gen. office clerk, gas eng. rpr., nurse aide.
Pensacola Junior College, Pensacola, Fla., No. Fla. (M) 1006-00.	178,453	92	1	Steno type and rel., auto mech. and rel., lineman pre-appren., maintenance man, multi-occ.
Brevard Community College, Cocoa, Fla., No. Fla. (M) 1020-005.	150,000	90		Environ. sys. mgnt., environ. eng.

## MANPOWER DEVELOPMENT AND TRAINING ACT INSTITUTIONS—Continued

Region and state, contractor name, and contract number	Amount of contract	Cumulative enrollment	Completers	Occupational title
Georgia: None.				
Kentucky: None.				
Mississippi:				
Northeast Miss. Jr. Coll., Booneville, Miss., No. Miss. (M) 1001-000.	252,403	125	44	Prod. mach. opr., welder comb., woodwork mach. op.
Miss. Gulf Coast Jr. Coll., Perkinston, Miss., No. Miss. (OM) 1005-000.	591,500	220	57	Pre-voc., prod. mach. cluster, auto body repairman, diesel mechanic, clerical cluster, structural work cluster, draft cluster.
Hinds Jr. Coll., Raymond, Miss. No. Miss. (M) 1006-000.	162,340	77	28	House builder, welder comb., clerk general office.
Hinds Jr. Coll., Raymond, Miss. No. Miss. (M) 1007-00.	238,831	94		Motor vehicle cluster, clerical cluster, draftsman.
Itawaba Jr. Coll., Fulton, Miss. No. Miss. (M) 1009-000.	127,631	55	1	LPN, Elect. appliance repairman, general office clerk.
North Carolina: None.				
South Carolina: None.				
Tennessee: None.				
V				
Illinois:				
Victor Business School, Waukeegan, Ill. No. 71-0010.	INA	14	9	Calculating machine.
Waukeegan Business College, Waukeegan, Ill. No. 71-0011.	INA	25	12	Bookkeeper.
Marion Business College, Chicago, Ill. No. 71-0023.	180,952	136	2	Clerical cluster.
Bryant & Stratton College, Chicago, Ill. No. 71-0029.	387,158	146		Do.
Greer Technical Institute, Chicago, Ill. No. 71-0067.	198,397			Pipefitter.
Gradwohl School of Laboratory Technique, Poplar Grove, Ill. No. 70-0095.	107,230	25		Med. lab. assist.
Triton College, River Grove, Ill. No. 70-0081.	113,912	50		Nurse lic. practical.
Indiana: Allan Chapel Terrace Estates, Anderson, Ind. No. 71-0200.	2,567,924	31	14	Construct cluster.
Minnesota: None.				
Ohio: None.				
Wisconsin: None.				
VIII				
X				
None.				
None.				
DCMA: None.				

## MANPOWER DEVELOPMENT TRAINING ACT—ON THE JOB TRAINING

I				
Connecticut: Hosp. Res. & Ed. Fo 70-30C5	INA	164	125	Occupational therapy aid surgical technician nurse aid.
Maine: Me S. Fed Labor Council 68-3007.	560,437	516	85	INA.
II				
New York:				
Franklin Co. EOC 70-3001.....	103,546	385	208	Multioccupational.
Young Israel Emp.....	332,900	1,421	964	Do.
IV				
Alabama:				
Mob-Ala Fla Bct 71-0204.....	INA	175	20	INA.
Ala. Garage Owners 70-3002.....	132,529	190	108	Auto body repairman, auto mechanic.
Georgia: Ind. Garage Owners 70-3008....	140,000	88	31	Auto mechanic, auto body repairman.
Kentucky: IGO Kentucky.....	311,205	190	153	Multioccupational.
Mississippi: IGO of Miss. Inc. 70-3008...	108,300	132	20	Do.
North Carolina: Off. eq. Ser. Assn. 70-3C05.	139,764	101	44	Do.
V				
Illinois:				
All Auto Trades 68-3030.....	383,956	209	107	Do.
Afs Econ Op. 70-3002.....	295,946	421	270	Do.
Shawnee Ind. devel. 3011.....	122,242	206	138	Do.
Michigan: Upper Peninsula 70-3003....	107,010	146	64	Do.
Minnesota:				
Mesabi Jobs 70-3603.....	134,000	220	123	Do.
Minn Cac Job trn 3004.....	134,000	279	122	Do.
Ne Minn Cac Job 3005.....	165,000	258	101	Do.

## MANPOWER DEVELOPMENT AND TRAINING ACT INSTITUTIONS—Continued

Region and state, contractor name, and contract number	Amount of contract	Cumulative enrollment	Completers	Occupational title
VI				
New Mexico: Jobs for Progress 69-3004 .....		113	79	
Oklahoma: Congoleum Indust 70-3006 .....	130,980	262	167	Do.
Texas: Ind. Garagemens Assn. 70-3047 .....	INA	233	33	Do.
VII				
None.				
IX				
California:				
Southern Alameda 3011 .....	INA	235	107	Multi-Occup., instrument builder, auto radiator man and parts man body rep. mec.
San Diego Auto Apr. 3014 .....	INA	147	20	Multioccupational.
Found Res & Comm. D. 3022 .....	INA	448	127	Do.
Richmond Neighborhood .....	117,925	137	50	Do.
X				
Alaska: Alaska Fed Natre .....	143,000	77	32	Do.
I				
Massachusetts: Work Def Leagon .....		266	11	Do.
II				
New Jersey: United Prog. Inc. 71-0232 .....		473	5	Do.
New York:				
National Urban League 69-0011 .....		17,472	11,070	Do.
National Urban League 70-0001 .....	9,802,799	13,078	1,567	Do.
Train for Cons. 0 70-0300 .....		59	21	Do.
Bldg. Ind. Min. Em 70-0307 .....		13	0	Do.
Workers Def League 70-0206 .....		9,328	363	Do.
III				
Maryland:				
Balt. Urban League on 70-0308 .....		87	0	Do.
National Com for Car 71-0101 .....		17	0	Do.
Pennsylvania:				
Dental Lab Confe. 70-0102 .....		262	135	Do.
Harrisburg BCTC 70-0223 .....		92	4	Do.
NTULC Outreach P 70-0207 .....		132	68	Do.
Phil. Urb. Coalition 70-0306 .....		83	18	Do.
West Virginia:				
AFL-CIO App Con. 69-0030 .....	2,919,854	4,742	2,965	Do.
AFL-CIO App Coun 71-0109 .....		1,559	184	Do.
Virginia: N. Va. Bld. V 70-0224 .....		76	38	Do.
IV				
Georgia: American Rd. Build 69-2001 .....	254,586	717	220	Do.
Tennessee: Knox Tenn. Bldg Tr. 71-0205 .....		109	13	Do.
V				
Illinois:				
OP Plaster Cemen. 68-0004 .....	343,817	2,156	1,644	Do.
OP & CMIA Port Cem 70-0010 .....		1,240	786	Do.
Cooperative League 70-0111 .....		55	0	Do.
Tri-City Bldg. Tr. 71-0202 .....		136	0	Do.
Constr Act Comm 71-0300 .....		172	38	Do.
Ind. Plan Eq. Emp. 70-0309 .....		289	138	Do.
Northwest 1 BCT .....		341	0	Do.
V				
Michigan:				
Hoover Ball Ber. 70-0011 .....		655	423	Do.
United Auto Aer. & Ag. 70-0101 .....		1,887	677	Do.
Int Union Uaw On 70-0217 .....		1,475	99	Do.
Tr. Union Lead on 71-0231 .....		492	25	Do.
Ohio: 71-0216 .....		1,015	9	Do.
VI				
New Mexico:				
Journ. Ad Pr. 70-0303 .....		35	3	Do.
New Mexico BCYC 70-0210 .....		93	21	Do.
Oklahoma: So. West Okl. BCT 71-0225 .....		94	24	Do.

## MANPOWER DEVELOPMENT AND TRAINING ACT INSTITUTIONS - Continued

Region and state, contractor name, and contract number	Amount of contract	Cumulative enrollment	Completers	Occupational title
<b>Texas:</b>				
San Ant Bld. Tra. 70-0208		136	22	Do.
El Paso Bld. Con. 70-0215		103	55	Do.
Nat. Assn. Ret. Child 70-0110		290	99	Do.
S. Texas BCTC 70-0208		274	33	Do.
Houston Gulf Co. 70-0214		98	26	Do.
Ft. Worth BCTC 70-0219		96	7	Do.
Dallas Bldg. Trad. 70-0220		135	22	Do.
San Antonio BTO 70-0227		91	10	Do.
<b>VII</b>				
Iowa: Des Moines BCTC 71-0200		181	25	Do.
<b>Kansas:</b>				
BCTC of Cen. Kansas		60	3	Do.
Topeka Bld Con. O 71-0201		50	15	Do.
<b>VIII</b>				
Utah: Utah BOTC Outr. 71-0220		76	38	Do.
<b>Wyoming:</b>				
Wyoming Bld. Trade 70-0003		93	11	Do.
Cen. Wyoming BCTC 71-0209		100	18	Do.
<b>IX</b>				
<b>California:</b>				
Mex Amer App. Fo. 70-0211	INA	92	33	Do.
Bay Area Cons. On 70-0212	INA	602	68	Do.
App. Opp. Found On 70-0217	INA	700	70	Do.
<b>X</b>				
<b>Washington:</b>				
Oper. Eng. Loc No. 3 71-0104		63	31	Do.
Court Order Adv. 71-0303		178	90	Do.
Seattle King Pl. 71-0308		59	29	Do.
<b>District of Columbia:</b>				
United Brthrd. Corp. 68-0068	4,594,498	15,241	9,713	Do.
Nat'l Ass. of Home Bld. 69-0015	188,656	1,277	916	Do.
ATD & PM Ass. 70-0012		1,350	495	Do.
Inst Scrap Iron 70-0100		278	111	Do.
Nat Mach Tool Bf 70-0103		1,930	1,199	Do.
Inst Assn of Keh. 70-0104		473	189	Do.
Laborers Int Un. 70-0105		2,231	1,923	Do.
Nat Joint Pt.&DEC 70-0106		1,148	664	Do.
Proj. Build In 70-0304		321	229	Do.
Nat Iron Wkrs T 70-0310		279	2	Do.
Green Thumb Inc 71-0100		352	141	Do.
Int. Union Oper. 71-0105		391	0	Do.
Un. Bro. Corp. & Jo. 71-0108		1,240	59	Do.
Int. Un El. Wkrs 71-0112		18	0	Do.
Christ Child Act 71-0230		15	0	Do.

## MINORITY FIRMS AWARDED CONTRACTS

*Region I***JOBS:**

- (1) Blackside Corp.
- (2) Rocksburg Business Develp. Corp.
- (3) Springfield Corporation
- (4) S.S. Crayton
- (5) Stull Associates
- (6) Aemat Corporation
- (7) Urban League of Hartford
- (8) N.E. Merchants Bank
- (9) Unity Bank and Trust

*Region II*

## JOBS:

- (1) Tenco, Inc.
- (2) Garvin Electric
- (3) Jackie's Menswear
- (4) Jessco Iron Craftsmen
- (5) Custom Alarm Co.
- (6) Black People's Unity Movement
- (7) Newark Urban Associates

*MDTA-OJT National Contracts*

- (1) National Urban League [2]

*Region III*

## JOBS:

- (1) King's Karpet Klinik
- (2) Clarence R. Queen Autobody Repair
- (3) Johnson Shoe & Luggage
- (4) People's Neighborhood Medical Center
- (5) Walder Electrical Contractor
- (6) Wylie Center Industries Corp.
- (7) A. O. M. Company, Inc.
- (8) M. D. Co., Inc.
- (9) Northview Food Management
- (10) Hester's Grocery
- (11) Erie O.I.C. CAP Agency

## JOP:

- (1) Dr. Ernest A. Calvin
- (2) Associated Building Services
- (3) O.I.C., Baltimore, Md. (Consortium)
- (4) J/W Microelectronics

*NYC Summer*

- (1) Richmond O.I.C.

*MDTA-OJT National Contracts*

- (1) Baltimore Urban League
- (2) Phil. Urban Coalition

*Region IV*

## JOBS:

- (1) Jackson, Patterson & Parks
- (2) Angela's Consortium
- (3) Arlic Auto Center
- (4) W. James Wilson
- (5) Johnny Williams Masonry
- (6) Meharry Medical College
- (7) Hardaway and McKissach Training Program

## JOP:

- (1) Afro American Janitorial and Maintenance Co.
- (2) Ben Taylor, Masonry
- (3) Stobers Window Cleaning and Janitorial Service

Other: (1) A. L. Nellum and Associates

*Region V*

## JOBS:

- (1) Akron Afro-American Builders, Inc.
- (2) Community Products
- (3) Futon Corp.
- (4) Ray's Machine Shop
- (5) LeBon Homes Corp.
- (3) Metropolitan Home Builders
- (7) OIC, Illinois
- (8) Bread Basket Commercial Associates, Inc.
- (9) Bethany Brethren Hospital
- (10) Milwaukee Nursing Home

## MDTA-OJT:

- (1) Shawnee Ind. Devel.
- (2) Mesagi Jobs.

*Region VI*

## JOBS:

- (1) Accurate Scraping Metal
- (2) Mack's Enterprises
- (3) Casados Farms
- (4) Johnny's Auto Supply
- (5) Cocina De Carlos
- (6) Navajo Furniture Industry
- (7) Pachero-Graham, Inc.
- (8) Tewa Moulding Corporation
- (9) Wellborn Paint MFG Company
- (10) Yahtay Industries, Inc.
- (11) Rubel Sena
- (12) Jicarita Cabinet and Door
- (13) Foster Hotel and Cafe
- (14) Floyd's Gulf Serv. and Radiator
- (15) Bob's Pool Service and Supply
- (16) Allstate Carpet
- (17) Walt's Top Shop and Seat Covers
- (18) Anaya's Service Center
- (19) Grown Cleaners
- (20) Mountain Enterprises
- (21) Tewa Moulding Corporation
- (22) Main Tire Center
- (23) Yahtay Industries
- (24) Burnett-Delkids MFG Company
- (25) Leefac, Inc.
- (26) Trees of Houston
- (27) Christian Rescue Mission
- (28) Graham Barber College
- (29) Houston Training Service Association
- (30) Graham Barber College
- (31) Washington TV Sales and Service
- (32) Porter Poultry and Egg Company
- (33) E&S Sales Company, Inc.



- (34) Ideal Cabinet Shop
- (35) Division Laundry and Cleaners
- (36) Riudosa Market, Inc.
- (37) Vega Commercial and Household
- (38) Washco Plastics Corporation
- (39) Upper Valley Consortium
- (40) Adams Taylor Shop
- (41) Texas International Imports
- (42) Felix Auto Supply, Inc.
- (43) Do-Well Machine Shop
- (44) M. F. Canto
- (45) Shopper's World
- (46) Sadi Portrait
- (47) S-N-S Ice House
- (48) J. B. Sanchez and Association
- (49) U. C. Franchise Corporation
- (50) Imperial Electric Motor
- (51) Valley Auto Parts
- (52) A&A Auto Service
- (53) Astrp Motors
- (54) Los 4 Reyes
- (55) Walt Gorges Meats, Inc.
- (56) Ben's Food Store

MDTA-Institutional: (1) Jobs for Progress (SER) [2]

*Region VII*

**JOBS:**

- (1) Guard Service Co.
- (2) Pitts Commercial Janitorial Service, Inc.
- (3) Jack Witherspoon Tire Co.
- (4) Leon United Supermarket
- (5) Dr. Joseph Herman
- (6) Graphic Incentive
- (7) Burns Body Shop
- (8) Hill Enterprises
- (9) E-Tex Body Shop
- (10) Godoy Body Shop
- (11) Ward Rolee

*Region VIII*

- JOBS:**
- (1) Mt. View Heating
  - (2) Oscars Bar B-Q
  - (3) Copeland Animal Hosp.
  - (4) Robert W. Anderson
  - (5) Mastercraft Inc.
  - (6) Colo. Economic Dev. Ass'n.
  - (7) Charles S. Vigel
  - (8) Jesse C. Manzanais
  - (9) Los Panchos of Penrel
  - (10) Ute Indian Tribe
  - (11) Fort Peck Tribal Industries
  - (12) North Dakota

- (13) Pine Ridge Products
- (14) Rosebud Electronics
- MDTA <sup>1</sup>: (1) SER
- (2) CMC
- (3) SO. UTE
- (4) ALL RESERVATIONS
- (5) CROW
- (6) FORT PECK
- (7) FLATHEAD
- (8) FORT BERTHOLD
- (9) SIOUX SISSCION
- (10) ROSEBUD
- (11) NAVAJO

*Region IX*

- JOB**S: (1) Greater Watts Development Corp.
- (2) Watts Mfg. Corp.
  - (3) Los Angeles Chinatown Chamber of Commerce Consortium
  - (4) Disco Beauty Salon
  - (5) Lee Publishing Co. (2 contracts)
  - (6) Econo Auto Repair
  - (7) D & L Garage
  - (8) Renewal Body Works
  - (9) Edict Corp.
  - (10) Mt. Vernon Electric
  - (11) Tillie's Memorial Chapel
  - (12) Stewart's Photo Studio
  - (13) Casa De Nina
  - (14) Flynn Mont. Corp.
  - (15) Crescent Engineering
  - (16) East Los Angeles Community Union
  - (17) Bowers Cleaners
  - (18) Hillcrest Manufacturing
  - (19) Sir Speedy
  - (20) Temp-seal Southwest
  - (21) Alameda Animal Hosp.
  - (22) Upper One-Half K-9 Corp.
  - (23) Avi Mfg. (2 contracts)
  - (24) Montez Enco Service
  - (25) Food King Market
  - (26) Hong Kong Lo Restaurant
  - (27) Argas Mexican Restaurant
  - (28) Meca Co.
  - (29) Fairmont Furniture
  - (30) Dr. Theo. Evans
  - (31) Emmett Brown
  - (32) Southern California Mfg. Corp.
  - (33) Total Care Maintenance
  - (34) Sleeping Beauty Pre School
  - (35) Richmond Security Patrol
  - (36) Golden Gate Key
  - (37) Ocean View Medical Lab
  - (38) Air Cargo Expeditors

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<sup>1</sup> Full name of contractor not available at this time.

- (39) Art Associates West
- (40) Welbert Carney Floor Coverings
- (41) King Cab Co.
- (42) United Phillipino Assoc.
- (43) Sherwood Garden Shoe & Repair
- (44) Youth Patrol Service
- (45) Valdez Transfer
- (46) Pace Consultants
- (47) Garcia Bail Bonds

The following JOBS consortium contracts contain a large number of minority-operated participants:

- (1) Compton Chamber of Commerce
- (2) Inland Empire New Car Dealers Consortium
- (3) Sav-On Dry Cleaners
- (4) San Bernadino Chamber of Commerce
- (5) Palm Springs Chamber of Commerce

MDTA-OJT: (1) Navajo Tribe Util Authority, Ariz.

MDTA-OJT National Contracts: (1) Mex. Amer. Opp. Fo.

MDTA-Institutional:

- (1) operation SER, Jobs for Progress
- (2) Chinese Community Center
- (3) Operation SER, California [5]

*Region X*

JOBS: (1) Personal Maid Service

*District of Columbia*

JOBS:

- (1) Winston A. Burnett
- (2) Aiken Transport, Inc.
- (3) Fairmicco, Inc.
- (4) Greenwood Transfer & Storage Co.
- (5) Standard Electric
- (6) Urbanetics

#### MINORITY FIRMS WHICH HAVE BEEN DENIED CONTRACTS

Region I: None.

Region II: None.

Region III: Information not available.

Region IV: Hinds Junior College, Jackson, Mississippi.

Region V: United Brothers Consortium, Michigan.

Region VI: None.

Region VII: Midwest Barber College, Kansas.

Region VIII:

Fort Peck Tribal Industries

Mountain UTES, South Colorado Indian Reservation

Pueblo, Colorado SER

Opportunities Industrialization Center, Denver, Colorado

Antiones Apartment and Building Maintenance Company, Denver, Colorado

Freedom House Job Placement Center, Denver, Colorado

United Scholarship Services, Denver, Colorado

Region IX: None.

**Region X :**

Albina Corporation, Oregon

Coast Janitorial, Oregon

Personal Maid Service, Washington

Spokane United Development Company, Washington

DCMA : Information not available.

*Question 10.(d) : Submit all guidelines, models, regulations, etc. pertaining to the JOBS program and the NAB's network. Indicate the relevance, if any, of that program to OFF. (Note: JOBS is the fastest growing manpower program and the one over which the DOI and the Congress have exercised the least oversight. The GAO in "Evaluation of Results and the Administration of the Job Opportunities in the Business Sector Program in Five cities," March 24, 1971 documented the failing of the program.)*

*Response :*

The following printed materials were submitted for the Committee files:

(1) Current documents (FY 71) pertaining to the JOBS program conducted with the National Alliance of Businessmen, descriptions of the NAB network and organization and its relationship to the Department of Labor, and the National Alliance of Businessmen's First and Second Annual Reports.

(2) A copy of the Department of Labor's response (11-25-70) to the GAO report, "Evaluation of Results and the Administration of the Job Opportunities in the Business Sector Program in Five Cities." published March 24, 1971.

Also included is the Employer's Proposal Package of the JOBS Optional Program administered by State On-the-Job Training Agencies (usually the Employment Service.)

The formal relationship between OFF and JOBS is not yet definite, but some recipients of OFF would take part in the JOBS program with the same priority as other disadvantaged unemployed persons, not unlike the special preference that currently exists for WIN and CFP enrollees.

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*Question 11: Supportive Service H.R. 1 authorized you to spend \$100 million annually in supportive services for OFF participants. What services will you provide? Through what mechanism?*

*Response :*

As called for in H.R. 1, the supportive services authority available to the Department of Labor will be used to furnish and arrange health, vocational rehabilitation, counseling, social and other supportive services (including physical examinations and minor medical services) as well as family planning services. Child care, transportation (particularly in rural areas), and medical services will be priority services provided to enable registrants to become permanently selfsupporting. The focus of our concern will be on those services which OFF individuals selected for manpower training and jobs need to obtain, or retain, such positions. This is clearly a highly individualized situation.

The legislation speaks to an employability plan being developed for OFF registrants. We see a concomitant supportive service plan essential as well. We are planning that certain of these services be coordinated, at the local level, through the mechanism of newly designed Employability Development Teams which will be field tested in several locations during the next several months. DOI has benefited from in-

creasing experience in such activities. Since the early sixties, manpower programs have utilized counselors and/or coaches to provide support to disadvantaged work-seekers.

Since OFF registrants and their families will need these services in varying degrees of intensity our current thinking is to refer those people needing more intensive services to existing D/HEW/SRS services in the community, or if none are available, to private agencies providing such care. We are exploring the use of voucher payment systems for the provision of these services as well as the more familiar contracting procedures.

The Department, regardless of priorities, does not anticipate being able to provide anywhere near the full range of needed supportive services within the available \$100 million, but expects that through arrangements with HEW a substantial portion of the \$800 million authorized to HEW for services to the poor will also be made available to OFF families. Funds available to other public agencies (e.g. Rehabilitation Services Administration, State Welfare Offices) and private groups (Health and Welfare Councils) will also remain available for these people.

*Question 12(a): H.R. 1 provides for interstate transfers of workers. How would this work? Provide data showing how interstate system has worked to date for non-agricultural jobs.*

*Response:*

H.R. 1 authorizes relocation assistance for OFF families. The Department of Labor has experience in this type of activity, through operating demonstration projects which relocated over 14,000 workers to non-agricultural jobs during a five-year period (1965-1970). About 35 percent of these relocations were interstate. Since workers were moved only to confirmed job offers, the placement rate was 100 percent. About three-quarters of all relocated workers had remained in the area to which they moved in the follow-up period (3 months after the move). Project expenses averaged \$867 per relocated family, of which \$294 was given to the family to cover living expenses and \$573 covered all project services and the family's moving expenses (including transportation).

The projects reached out to unemployed and underemployed workers in weak labor markets, offered them help in locating jobs, in some cases provided interview trips to visit potential employers, counseled and followed up the family as it adjusted to the new community.

Under H.R. 1, the Department of Labor will offer voluntary relocation assistance to a labor shortage area, so that relocated workers will have employment security in their new community.

*Question 12(b): H.R. 1 provides for a new Ass't. Secretary for the OFF program. How will his responsibilities relate to those of the present Assistant Secretary for Manpower?*

*Response:*

The exact duties of an OFF Assistant Secretary, as contained in H.R. 1, are now under review in the Department of Labor. The objective of the Department is to achieve maximum accountability for administration on the one hand, and a minimum of duplication of delivery systems on the other. There are several responsibilities and functions under OFF which should be given special focus and direction, and if an Assistant Secretary is created by legislation, assignment of responsibility would be worked out to maximize the effectiveness of

the new program and at the same time tie it closely to the ongoing manpower program effort.

*Question 12(c): What criteria or benchmarks should the Congress apply in its oversight activities to determine if this program is a success?*

*Response:*

The most vital criteria used to measure the results of the Opportunities for Families Program stem from the goals and objectives which are established for the program. Thus, the following kinds of questions might be appropriate. Of the recipients referred to manpower training, how many were placed in employment? Of the recipients placed in employment, how many have become self-supporting, and how many family members have been effected thereby?—For those who were placed in employment and are not yet self-supporting, how much more money is available to their families than if they were receiving only benefits?—How much money in benefits has the Government saved for those who have been placed in employment?—What have been the effects of the program on family stability among the poor?

*Question 12(d): We have received data indicating that your manpower training programs are under-subscribed this year. To what do you attribute that?*

*Response:*

It's true that some of the training programs have been undersubscribed in fiscal 1971, principally, in private sector-on-the-job training. In large measure this has reflected the current economic situation. However, we believe that modifications in program administration and design will help to alleviate enrollment problems.

Specifically, the Job Opportunities in the Business Sector (JOBS) program has been the most vulnerable but we are presently redrafting program design. In the meantime, several intermediate actions have been undertaken to speed up enrollee phase-in, reduce funds in contracts and to stress quality in the selection of occupations in which training is contracted.

Regular on-the-job training programs have recently been transferred to State administration and are being well received. In a little under five months, almost 5,000 contracts were executed. Both State personnel and employers have been responding very favorably toward the program. Employers are especially attracted by the simplicity of the proposal and contracting process.

We expect that some of our other training programs such as Institutional Training under the MDTA, will have met or exceeded fiscal 1971 program goals when final June data are available.

*Question 12(e): How do you plan to involve the beneficiaries of H.R. 1 in program design, evaluation, etc.? (other than through possible contracts with CAA's)*

*Response:*

There are two primary means planned to involve beneficiaries. The first is through beneficiary representation on the local advisory committees established under H.R. 1. The second principal means will be through hiring beneficiaries as part of the staff administering H.R. 1. We expect to establish firm goals to insure participation of beneficiaries at various levels through both of these means.