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STAFF DATA ON
**PROGRAMS FOR FAMILIES
HEADED BY AN
EMPLOYABLE ADULT**

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



APRIL 24, 1972

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1972

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PROGRAMS FOR FAMILIES HEADED BY AN EMPLOYABLE ADULT

Work Incentive Program

The Work Incentive Program was created by the Congress as part of the Social Security Amendments of 1967 as an attempt to cope with the problem of rapidly growing dependency on welfare by dealing with the major barriers which prevented many of the women who headed families on welfare from becoming financially independent by working.

It is generally conceded that the Work Incentive Program during its first three years has failed to meet its objectives. A study conducted by the Auerbach Corporation for the Department of Labor detailed a number of shortcomings in the program which eventually led to the enactment of remedial amendments in December 1971, to improve the program. The following description of the program is based on the way it will operate under the newly enacted law.

Referral for work and training; supportive services.—Beginning July 1972, each recipient of Aid to Families with Dependent Children will be required to register with the Secretary of Labor as a condition for receiving welfare unless the individual is:

- (a) a child under age 16 or attending school;
- (b) ill, incapacitated, or of advanced age;
- (c) so remote from a Work Incentive Program project that his effective participation is precluded;
- (d) caring for another member of the household who is ill or incapacitated;
- (e) the mother or other relative of a child under age six who is caring for the child; or
- (f) a mother in a family where the father has registered.

Persons may volunteer to participate in the Work Incentive Program even if they are not required to register.

Each State welfare agency is required to set up a separate administrative unit to make arrangements for the supportive services that welfare recipients need in order to participate in the WIN program; this unit certifies to the Labor Department which recipients are ready for employment or training. The Federal Government pays 90 percent of the cost of these supportive services. In arranging for supportive services, the welfare agency must accord priority in the following order, taking into account employability potential:

- (a) unemployed fathers;
- (b) mothers who volunteer for participation;
- (c) other mothers under 19 years of age and pregnant women under 19 years of age;
- (d) dependent children and relatives age 16 or over who are not in school, working, or in training; and
- (e) all other persons.

A State which does not prepare and refer to the Labor Department at least 15 percent of the people who are required to register suffers a financial penalty; the Federal financial share of cash assistance payments under AFDC (which varies between 50 percent and 83 percent among the States) would be reduced by one percentage point for every percentage point the actual proportion of persons prepared for participation in work and training is below the 15 percent figure.

Work and training program.—The Labor Department is required to accord priority in the same order as that outlined above for the welfare agency. The Secretary of Labor places the participant either: (1) directly in regular employment; (2) in on-the-job training; (3) in public service employment; or (4) in institutional training. To encourage employment in the private sector, a tax credit is available to employers hiring WIN participants equal to 20 percent of the employee's wages in the first year. To provide for job development in the public sector, Federal matching for public service employment is provided at 100 percent of the cost of providing such employment to an individual in the first year of his employment, 75 percent in the second year, 50 percent in the third year, with no Federal funding after that. The Secretary of Labor is required to use at least one-third of total WIN expenditures for on-the-job training and public service employment. Another provision of the law requires that WIN institutional training be related only to preparation for jobs identified as available or likely to become available in the area; 90 percent Federal matching is available for training.

Penalty for refusal to participate.—The law states that 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 required to be continued, however, for the dependent children.

Despite these provisions of the law, actual operations under the WIN program have shown that refusal to participate seldom actually results in the loss of welfare.

Earned income disregard.—Under present law States are required, in determining need for Aid to Families with Dependent Children, to disregard the first \$30 monthly earned by an adult in the family 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; abuse of this provision, intended as a work incentive, stems principally from an overly liberal interpretation of what constitutes "work expenses," an interpretation not intended by the Congress.

Legislation Related to Employment Programs Currently Pending Before the Committee on Finance

H.R. 1 makes a distinction between families with an employable adult and families with no employable member; although both types of families would be eligible for welfare benefits on the same basis, employable recipients would be required to register with the Depart-

ment of Labor in order to receive welfare payments. In this respect H.R. 1 is no different from present law. The manpower provisions of H.R. 1 are also quite similar to those under present law.

Ribicoff Amendments No. 318 and No. 559 follow the pattern of H.R. 1, with some differences in the registration requirement and manpower provisions.

The Harris Bill (S. 2747) also contains work and training provisions along the lines of H.R. 1, but with certain major policy differences.

These legislative proposals, as well as alternative approaches the Committee may wish to consider, are discussed below on an issue-by-issue basis.

MAJOR ISSUES

Categories of Persons Considered Employable

Under present law an individual is not required to register with the Secretary of Labor if he or she is:

- (a) a child under age 16 or attending school;
- (b) ill, incapacitated, or of advanced age;
- (c) so remote from a WIN project that his effective participation is precluded;
- (d) caring for another member of the household who is ill or incapacitated;
- (e) the mother or other relative of a child under age six who is caring for the child; or
- (f) a mother in a family where the father has registered.

Persons not required to register may volunteer for participation in the Work Incentive Program.

Fathers.—All pending legislation assumes that fathers who are not disabled are employable. Present law requires both the welfare agency and the Labor Department to accord first priority to unemployed fathers in the Work Incentive Program.

Children.—Present law requires children ages 16 and 17 who are not attending school full time to register with the Department of Labor. However, they are placed so far down in order of priority (after unemployed fathers, volunteer mothers, and other mothers and pregnant women under 19 years of age) that it is unlikely that much will be done for them under the present law. The original Senate-approved Talmadge amendment accorded higher priority to out-of-school youth than to volunteer mothers on the grounds that it was highly desirable to provide employment opportunities for these teenage youths who have a very high rate of unemployment today.

The Harris bill exempts all children under the age of 18 from a registration requirement, whether or not they are in school.

Recommendation.—In any employment program the Committee approves, it is recommended that the Committee consider giving a high priority to out-of-school youth.

Mothers.—The greatest area of controversy in defining who is to be considered employable relates to mothers. Under present law, mothers are exempt from the registration requirement if they have a child under age 6. Experience under the Work Incentive Program, however, has shown that younger mothers are the ones who have volunteered

for participation in the program and are the most highly motivated toward employment. It was with this in mind that the Congress accorded the high priority for participation in the Work Incentive Program to mothers who volunteer. It appears likely that for the foreseeable future more mothers will volunteer than the program can accommodate. Thus the program will be largely a volunteer program, at least as far as mothers are concerned, and this is appropriate as long as the program can accommodate only a small portion of the employable caseload since these mothers will be the most highly motivated participants.

Looking at the present AFDC caseload, in 60 percent of the families receiving AFDC the youngest child is under age 6; for these families, full day child care would be required in order for the mother to work. In 28 percent of the AFDC families, the youngest child is age 6 to 12, requiring before- and after-school and summer child care. In 12 percent of the families, the youngest child is above age 12 and probably would require very little in the way of child care.

H.R. 1 exempts from its registration requirement mothers in families where the father registers or in which the youngest child is under age 3 (under age 6 until July 1974). Mothers who register for work or training may be required to participate only if child care is available, as under present law.

Ribicoff Amendments No. 318 and 559 follow present law in exempting mothers with children under age 6 from the registration requirement. The Administration has also testified that it favors exempting mothers of children under age 6. The Harris bill exempts mothers with children under 18 from the registration requirement.

Elements of consideration.—If the Committee wishes to consider mothers with children below age 13 as employable, requiring their participation in an employment program will have to continue to be conditional on the availability of child care. It would appear reasonable to continue the policy of present law of making participation optional for mothers with children under age 6; it may be expected that a substantial number of mothers with younger children will volunteer to participate, probably as many as can be accommodated in the full-day child care that will be available, since under existing law many mothers have volunteered to participate in the Work Incentive Program, and since for mothers with one or two children, the income from participating in the work program will be higher than the welfare benefits they receive. It may be anticipated that eventually before- and after-school and summer child care can be made available for all children, but this will not be true during the next few years. During this transitional period, participation in work and training programs by mothers with school-age children age 6 to 12 might most usefully be tailored to the hours when the children are in school. For example, mothers in this category might be required to participate only in part-time programs of 20 to 30 hours a week during school year, with participation in a full-time program or full-time employment voluntary.

Persons in remote areas.—Present law exempts from the registration requirement persons so remote from a Work Incentive Program project that their effective participation is precluded. H.R. 1 would delete this exemption, but as a practical matter the Department of Labor

would have complete discretion in assigning priorities for participation and it would be expected that persons in remote areas would be given very low priority.

Recommendation.—If the Committee wishes to make employable persons eligible not for welfare but instead for a separate employment program, it may wish to consider some kind of exemption for persons so remote from an employment program that they are unable to participate.

Other persons considered unemployable.—It is recommended that the Committee continue to consider unemployable, as does present law, an individual who is:

- (1) a child under age 16 or attending school;
- (2) ill, incapacitated, or of advanced age;
- (3) caring for another member of the household who is ill or incapacitated; and
- (4) a mother in a family where the father is registered.

The Committee may also wish to consider permitting a mother to remain eligible for welfare if she is attending school on a substantially full-time basis even if she does not have children under age 6.

Incentives To Work: The Welfare Approach vs. The Employment-Based Approach

Under present law a mother who is eligible for welfare is guaranteed a certain monthly income (at a level set by the State) if she has no other source of income; if she begins to work, her welfare payment is reduced. Specifically, in addition to an allowance for work expenses, her welfare payment is reduced \$2 for each \$3 earned in excess of \$30 a month. Generally, then, for each dollar earned and reported to the welfare agency, the family's income is increased by 33 cents. Families headed by unemployed fathers are currently eligible for Aid to Families with Dependent Children in 23 States. For these fathers, the same earnings exemption (work expenses plus \$30 plus one-third of earnings above \$30) applies if they work part-time, but once they are no longer unemployed (defined as working less than 100 hours a month), they are no longer eligible to receive any welfare assistance.

H.R. 1 uses the same basic approach as present law but substitutes a flat \$60 exemption plus one-third of additional earnings for the present \$30 plus work expenses plus one-third of additional earnings. For families headed by fathers, the same earned income exemption would apply as for mothers; thus even if a father worked full-time he would continue to be eligible for a welfare payment if total family income is not too high. For example, a family of four is guaranteed a minimum income of \$2,400 annually; a family with earnings of \$4,320 will no longer be eligible for welfare benefits. (The first \$720 earned is disregarded; \$4,320 minus \$720 equals \$3,600. Only two-thirds of the remaining \$3,600 is counted; thus \$4,320 of earnings is treated for welfare purposes as though it were only \$2,400, reducing the welfare entitlement of \$2,400 to zero.)

Ribicoff Amendment No. 559 would guarantee a family of four an income of \$3,000 (rising by 1976 to the poverty level, currently about \$4,000 and estimated by then to be \$5,150). The amendment would

reduce the welfare payment 60 cents for each dollar earned in excess of \$60 monthly (rather than 67 cents as in H.R. 1).

The Harris bill (S. 2747) would guarantee a minimum income of \$4,000 to a family of four (rising by 1976 to the cost of family consumption component of the Bureau of Labor Statistics national lower living standard, currently \$6,500 and estimated by 1976 to be \$7,300). The bill would reduce the welfare payment 60 cents for each dollar earned in excess of work expenses broadly defined.

The McGovern bill (S. 2372) would guarantee a minimum income of \$6,500 to a family of four with cost-of-living increases thereafter. The bill would reduce the welfare payment 67 cents for each dollar earned in excess of work expenses.

The guarantee levels, and number of persons eligible for welfare under the various proposals are shown in the table on facing page:

TABLE A.—Guaranteed Minimum Income Level, Portion of Earnings Disregarded, and Number of Persons Eligible for Welfare Under Various Proposals¹

Proposal	Guaranteed minimum income for a family of 4 in—		Portion of earnings disregarded	Persons eligible for welfare (in millions) in—		Federal cost (in billions) in—	
	Fiscal year 1973	Fiscal year 1977		Fiscal year 1973	Fiscal year 1977	Fiscal year 1973	Fiscal year 1977
Present AFDC program..	(²)	(²)	Work expenses plus \$30 monthly plus 33 cents of each additional dollar.	12	16	\$3.9	\$4.9
H.R. 1 (family program)	\$2,400	\$2,400	Child-care expenses plus \$60 monthly plus 33 cents of each additional dollar.	21	19	5.5	5.6
Ribicoff Amendment No. 559.	3,000	5,150	Child-care expenses plus \$60 monthly plus 40 cents of each additional dollar.	35	65	11.3	36.2
Harris bill (S. 2747).....	4,000	7,300	Work expenses plus 40 cents of each additional dollar.	67	91	31.5	61.2
McGovern bill (S. 2372).	6,500	7,800	Work expenses plus 33 cents of each additional dollar.	97	105	64.4	71.0

¹ Excludes aged, blind, and disabled recipients.

² Determined by State; currently ranges between \$720 and \$4,020.

Disadvantage of welfare approach.—The problem with the guaranteed income approach to helping low-income persons is that it offers little economic incentive to work. Under H.R. 1, for example, a \$1 increase in earnings if reported improves the family's economic position only 33 cents. This provides either a strong disincentive to work or at least an incentive not to report earnings, requiring a mammoth policing effort on the part of welfare agencies if recipients are not to be paid more than they are entitled to. And indeed, failure to report earnings represents one of the largest causes of detected overpayments.

The higher the guaranteed minimum income level for an employable person, the more difficult it is to provide an economic incentive to work while making millions of persons eligible for welfare at a cost of many billions of dollars. For persons who are considered to be employable, therefore, it would be desirable to create a system under which the beneficiary would have a strong incentive to increase his work efforts, and to do so in the private sector, as well as to report rather than conceal earnings. This can be done if benefits are related to work efforts so that they increase rather than decrease as work efforts increase.

The elements of a possible guaranteed employment program are discussed below.

AN ALTERNATIVE PROPOSAL: A GUARANTEED EMPLOYMENT PROGRAM

Outline of the Approach

Under a guaranteed employment program, persons considered employable would not be eligible for Aid to Families with Dependent Children but would be eligible on a voluntary basis to participate in a wholly Federal employment program. Thus employable family heads would not be eligible for a guaranteed welfare income, but would be guaranteed an opportunity to work. Three kinds of employment would be envisioned:

1. Regular employment in the private sector or in jobs in public or nonprofit private agencies, with no subsidy;
2. Partially subsidized private or public employment; and
3. Newly developed jobs, with the Federal Government bearing the full cost of the salary.

Placement in regular employment.—Some participants with little or no preparation could be placed immediately in regular employment involving no Government subsidy. These jobs would all pay at least the minimum wage (currently \$1.60 an hour).

Subsidized public or private employment.—In this category would be jobs not covered by the Federal minimum wage law, in which the employer paid less than the minimum wage but at least three-quarters of the minimum wage (currently \$1.60 per hour and \$1.20 per hour, respectively). No subsidy would be paid if the employer reduced pay

for the job because of the subsidy. Thus no jobs presently paying the minimum wage would be downgraded under the proposal, and the minimum wage itself would not be affected. Rather, the proposal relates solely to those jobs not covered today under the minimum wage law. Some of these include:

Small retail stores:

Sales clerk
Cashier
Cleanup man

Small service establishments:

Beautician assistant
Waiter
Waitress
Busboy
Cashier
Cook
Porter
Chambermaid
Counterman

Domestic service:

Gardener
Handyman
Cook
Household aide
Child attendant
Attendant for aged or disabled person

Outside salesmen in any industry.

For these jobs, the Federal Government would make a payment to any employee who is the head of a household equal to three quarters of the difference between what the employer pays him and the minimum wage. Thus if an employer paid \$1.20 an hour the Federal subsidy would amount to 30 cents an hour (three-quarters of the 40-cent difference between \$1.20 and \$1.60).

Federally funded jobs.—For persons who could not be placed in either regular or subsidized public or private employment, jobs would be created which would pay at the rate of three-quarters of the minimum wage, (that is, \$1.20 per hour). An individual could work up to 40 hours a week (an annual rate of about \$2,400), and would be paid on the basis of hours worked just as in any other job; special provision might be made for mothers whose children were in school to allow them to work part-time (say 30 hours) and still receive a full salary.

Special payment to low-income workers.—In addition to the subsidy, persons who head families could be made eligible for a special payment of 10 percent of their wages under the social security program, if their incomes are below poverty level. This payment could be analogized to

Public sector:

Recreation aide
Swimming pool attendant
Park service worker
Environmental control aide
Ecology aide
Sanitation aide
Library assistant
Police aide
Fire department assistant
Social welfare service aide
Family planning aide
Child care assistant
Consumer protection aide
Caretaker
Home for the aged employee

Agricultural labor:

Jobs picking, packing, sorting, and grading crops; spraying, fertilizing, and other preparatory work; milking cows; caring for livestock

a refund to the employee of the social security tax generated by his efforts. The payment would be gradually reduced as income rises above the poverty level. This payment would not apply to the amounts earned in federally funded jobs, nor would it apply to the Federal wage subsidy. Social security taxes would continue to be collected by the employer and paid to the Social Security Trust Funds, and the employee would continue to earn social security wage credits.

Comparison of work incentives under the alternative proposal and under H.R. 1.—Tables 1 through 4 shows the work incentive effects under H.R. 1 and under the alternative proposal.

In table 1, three types of employment are compared under the guaranteed employment alternative proposal:

1. Employment by the Federal Government at a wage of \$1.20 per hour (three-quarters of the minimum wage);
2. Subsidized employment with a private employer of a job not covered by the Federal minimum wage which pays \$1.20 per hour; and
3. Employment at the minimum wage of \$1.60 per hour.

Since H.R. 1 does not contemplate direct employment by the Federal Government, tables 2, 3, and 4 show welfare benefits for the family if the father earns \$1.20 an hour or \$1.60 an hour in regular employment.

The tables also show what happens to total family income under H.R. 1 and under the alternative proposal if the father works 40 hours a week, 20 hours a week, or no hours a week.

The sources of income shown for the alternative proposal are: (a) wages paid by the employer, (b) wages paid by the Government, either as employer or in the form of a wage subsidy (for employees earning less than the minimum wage), and (c) the special payment equal to 10 percent of wages covered under social security.

Table 1 shows these major points about the alternative proposal:

(1) Since the participant is paid for working, his wages do not vary with family size (although the family would be eligible for a children's allowance for additional children born before July 1973, if the family has more than four members; the children's allowance would be decreased as work effort decreased). Thus a family with one child would have no economic incentive to have another child. This feature of the alternative proposal also preserves the principle of equal pay for equal work.

(2) As the employee's rate of pay increases, his total income increases.

(3) As the employee's income rises due to higher pay, the cost to the Government decreases. Transitional employment by the Government costs the taxpayer \$48 for a 40-hour week; working the same 40 hours for a private employer at a \$1.20 hourly rate gives the employee a \$17 boost in income while cutting the cost to the Government by \$21. Moving to an unsubsidized job at the minimum wage increases the employee's income another \$6 while saving the Government about \$10 more.

(4) The less the employee works, the less he gets. No matter what the type of employment, the employee who works 20 hours gets half of what he would get if he works 40 hours; he gets nothing if he fails to work at all.

(5) The value of working is increased rather than decreased. Working 40 hours for the Government is worth \$1.20 per hour; when a private employer pays \$1.20, the value of working to the employee is \$1.62 per hour; and working at the minimum wage is worth \$1.76 per hour to the employee. This will assure that any participant in private employment will receive more than the minimum wage of \$1.60.

(6) Earnings from other employment do not decrease the wages received for hours worked. Thus an individual able to work in private employment part of the time increases his income and saves the Government money. Virtually no policing mechanism is necessary to check up on his income from work. (Similarly, child support payments do not reduce the wages received for hours worked; support payments thus benefit the family in their entirety.)

These features of the alternative proposal stand out in stark contrast to the benefits available under H.R. 1. For example, as shown in Table 2 for a family of three:

(1) The less the individual works, the more the Government pays. For example, an individual working at the minimum wage for 20 hours receives \$16 more in welfare than an individual working 40 hours a week at that wage; if he does not work at all, his government benefit goes up by \$22.50.

(2) An individual cutting back on his work effort decreases his income by a relatively smaller amount, or, said another way, the value of work is substantially lower under H.R. 1 than under the alternative proposal. The total income of an individual working at the minimum wage for 20 hours under H.R. 1 is only about \$11 less than his total income if he works full time at that wage. An individual who works not at all receives only \$25 less than the \$64 received by an individual working 40 hours at \$1.60 an hour.

(3) The value of working is decreased rather than increased. Since the family is eligible for \$38.50 in welfare for doing nothing, the \$25.20 in additional family income for 40 hours of work at \$1.20 per hour amounts to a value of only 63¢ an hour for working. Working 40 hours a week at the minimum wage is worth only 76¢ per hour to the employee.

(4) Earnings from any employment (as well as child support payments), if reported, reduce the benefits received by the family.

Tables 3 and 4 similarly show income under H.R. 1 for a family with two members and for a family with four members.

In brief, the alternative proposal would pay more to the person who works more, and save the Government the most money if the individual increases his wages to the minimum wage level or above. H.R. 1, by way of contrast, would substantially diminish the value of an individual's work by paying him more if he works less and by allowing him to gain only slightly if his rate of pay is increased.

TABLE 1.—WORK INCENTIVES UNDER THE ALTERNATIVE PROPOSAL

	Employed by—		
	Government at \$1.20 per hour	Private employer at \$1.20 per hour	Private employer at mini- mum wage (\$1.60 per hour)
<i>40 hours worked:</i>			
Wages paid by:			
Employer.....		\$48.00	\$64.00
Government.....	\$48.00	12.00
Special 10-percent payment.....		4.80	6.40
Total Government payment...	48.00	16.80	6.40
Total income.....	48.00	64.80	70.40
<i>20 hours worked:</i>			
Wages paid by:			
Employer.....		24.00	32.00
Government.....	24.00	6.00
Special 10-percent payment.....		2.40	3.20
Total Government payment...	24.00	8.40	3.20
Total income.....	24.00	32.40	35.20
<i>No hours worked</i>	0	0	0
Hourly value of working 40 hours...	1.20	1.62	1.76

TABLE 2.—WORK DISINCENTIVES UNDER H.R. 1: INCOME FOR A FAMILY OF 3

	Employed by—	
	Private employer at \$1.20 per hour	Private employer at minimum wage (\$1.60 per hour)
<i>40 hours worked:</i>		
Wages.....	\$48.00	\$64.00
Welfare.....	15.70	5.00
Total income.....	63.70	69.00
<i>20 hours worked:</i>		
Wages.....	24.00	32.00
Welfare.....	31.70	26.40
Total income.....	55.70	58.40
<i>No hours worked:</i>		
Wages.....	0	0
Welfare.....	38.50	38.50
Total income.....	38.50	38.50
Hourly value of working 40 hours.	.63	.76

TABLE 3.—WORK DISINCENTIVES UNDER H.R. 1: INCOME FOR A
FAMILY OF 4

	Employed by—	
	Private employer at \$1.20 per hour	Private employer at minimum wage (\$1.60 per hour)
40 hours worked:		
Wages.....	\$48.00	\$64.00
Welfare.....	23.40	12.70
Total income.....	71.40	76.70
20 hours worked:		
Wages.....	24.00	32.00
Welfare.....	39.40	34.10
Total income.....	63.40	66.10
No hours worked:		
Wages.....	0	0
Welfare.....	46.20	46.20
Total income.....	46.20	46.20
Hourly value of working 40 hours....	.63	.76

TABLE 4.—WORK DISINCENTIVES UNDER H.R. 1: INCOME FOR A FAMILY OF 2

	Employed by—	
	Private employer at \$1.20 per hour	Private employer at minimum wage (\$1.60 per hour)
<i>40 hours worked:</i>		
Wages.....	\$48.00	\$64.00
Welfare.....	8.00	0
Total income.....	56.00	64.00
<i>20 hours worked:</i>		
Wages.....	24.00	32.00
Welfare.....	24.00	18.70
Total income.....	48.00	50.70
<i>No hours worked:</i>		
Wages.....	0	0
Welfare.....	30.80	30.80
Total income.....	30.80	30.80
Hourly value of working for 40 hours.	.63	.83

* * * * *

Tables 5 and 6 similarly contrast the value of working under H. R. 1 and under the alternative proposal, showing how the alternative proposal would increase the value of working while H. R. 1 would decrease the value of working substantially.

TABLE 5.—INCOME OF FAMILY OF 4 CONSISTING OF MAN, WIFE, AND 2 CHILDREN UNDER H.R. 1

[Assuming no State supplementation]

Hourly wage	Number of hours worked	Gross annual earnings	Welfare benefit	Gross annual income	Federal and State income tax	Social security tax	Net income	Net income for each hour worked	Net income for each hour worked as a percent of hourly wage
1.	None	0	\$2,400	\$2,400			\$2,400		
2. a. \$1.20	1,000	\$1,200	2,080	3,280		\$62	3,218	\$0.82	68%
b. \$1.20	2,000	2,400	1,280	3,680		125	3,555	.58	48%
3. a. \$1.60	1,000	1,600	1,813	3,413		83	3,330	.93	58%
b. \$1.60	2,000	3,200	747	3,947		166	3,781	.69	43%
4. a. \$2.00	1,000	2,000	1,547	3,547		104	3,443	1.04	52%
b. \$2.00	2,000	4,000	213	4,213		208	4,005	.80	40%
5. a. \$2.40	1,000	2,400	1,280	3,680		125	3,555	1.16	48%
b. \$2.40	2,000	4,800		4,800	\$187	250	4,363	.98	41%
6. a. \$2.80	1,000	2,800	1,013	3,813		146	3,667	1.27	45%
b. \$2.80	2,000	5,600		5,600	335	291	4,974	1.29	46%

TABLE 6.—INCOME OF FAMILY OF 4 CONSISTING OF MAN, WIFE, AND 2 CHILDREN UNDER ALTERNATIVE PROPOSAL

[Assuming no State supplementation]

Hourly wage	Number of hours worked	Gross annual earnings	Wage subsidy	10% special payment	Gross annual income	Federal and State income tax	Social security tax	Net income	Net income for each hour worked	Net income for each hour worked as a percent of hourly wage
1.	None	0								
2. a. \$1.20 as Government employee.	1,000	\$1,200			\$1,200			\$1,200	\$1.20	100%
b. \$1.20 as Government employee.	2,000	2,400			2,400			2,400	1.20	100%
c. \$1.20 (private employment)....	1,000	1,200	\$300	\$120	1,620		\$62	1,558	1.56	130%
d. \$1.20 (private employment)....	2,000	2,400	600	240	3,240		125	3,115	1.56	130%
3. a. \$1.60.....	1,000	1,600		160	1,760		83	1,677	1.68	105%
b. \$1.60.....	2,000	3,200		320	3,520		166	3,354	1.68	105%
4. a. \$2.00.....	1,000	2,000		200	2,200		104	2,096	2.10	105%
b. \$2.00.....	2,000	4,000		400	4,400		208	4,192	2.10	105%
5. a. \$2.40.....	1,000	2,400		240	2,640		125	2,515	2.52	105%
b. \$2.40.....	2,000	4,800		200	5,000	\$187	250	4,563	2.28	95%
6. a. \$2.80.....	1,000	2,800		280	3,080		146	2,934	2.93	105%
b. \$2.80.....	2,000	5,600			5,600	335	291	4,974	2.49	89%

In the paragraphs that follow, the elements of an employment program are set forth. In each case a number of alternatives are possible, and some of them are noted at the appropriate places.

Eligibility to Participate

Except as noted below, eligibility to participate in the employment program would be open to family heads who are U.S. citizens or aliens lawfully admitted for permanent residence with a child under age 18 (or under age 22 and attending school full time). Participation would be purely voluntary. Mothers with children under age 6 who were eligible for welfare would be eligible to participate in the employment program if they so chose, although any welfare payment to which they would be entitled would be reduced as a result of their participation.

Participation in work program.—Only one member of a family would be eligible to participate in the work program, the head of the household. This would be the father unless he was dead, absent, or incapacitated, in which case it would be the mother. The head of the household could not participate if he or she was a substantially full-time student.

At some point it might be desirable to allow more than one member of a family to participate in the employment program. In particular, the Committee might wish to consider making eligible children age 16 to 18 who are not in school. Out-of-school youth have a very high unemployment rate, and the community as well as the young persons themselves might benefit greatly by their employment. Of course, such a provision should be designed to avoid encouraging young persons to drop out of school purposely to participate in the employment program.

Recommendation.—It is recommended that a head of a household not be permitted to participate in the employment program as a \$1.20-per-hour Government employee if he or she:

- (1) is a substantially full time student;
- (2) is a striker;
- (3) is receiving unemployment compensation;
- (4) is a single person or is a member of a couple with no child under 18 (or under age 22 and attending school full time); or
- (5) has left employment without good cause during the prior 30 days.

In addition:

- (6) a family would be ineligible if it has unearned income in excess of \$300 monthly; and
- (7) the number of hours an individual may work Monday through Friday as a \$1.20-per-hour Government employee in combination with other weekday employment could not exceed 60 hours per week. (In no case could \$1.20 per hour Government employment exceed 40 hours per week.)

Eligible for services.—Since the purpose of the proposal is to improve the quality of life for children and their families, any member of a family whose head participates in the work program could be provided services to strengthen family life or reduce dependency—to the extent funds are available to pay for the services. Open-ended funding would be provided for family planning and child care services. The agency administering the employment program would refer family

members to other agencies in arranging for the provision of social and other services which they do not provide directly. For example, a disabled family member might be referred to the vocational rehabilitation agency, or a 16-year-old out-of-school youth might be referred to an appropriate work or training program, even though the cost of the services themselves would not be borne by the employment program.

Former participants in the work program would have access to free family planning services and to child care on a wholly or partly subsidized basis, depending on family income. Other services needed to continue in employment, including minor medical needs, could be provided by the agency administering the program.

Since mothers with children age 6 or older would generally not be eligible to receive Aid to Families with Dependent Children under the alternative proposal, and since it might be some time before a sufficient amount of child care is available for the hours and periods when children are not in school, it might be desirable at least for a transitional period to give mothers with children age 6 to 12 credit for 40 hours a week of participation in Government employment even though they actually participate only for the 30 hours a week that the children are in school. (Since the payment for the additional 10 hours in effect would represent a welfare payment, it could be considered an obligation of the father of the children if the Committee decides as it did in 1970 to consider welfare payments to families as constituting a debt of the father to the Government; the matter of child support in general will be discussed in a separate pamphlet.) Of course, any such mother could volunteer for full-time participation either as a Government employee in the employment program or for placement in regular employment, to the extent that child care is available.

Benefits

Wages while employed by Government.—A person participating in the employment program could work up to 40 hours a week for the Government; pay would be at three-quarters of the Federal minimum wage (currently \$1.20 per hour) for maximum earnings of \$48 a week (\$2,400 for 2,000 hours). There would generally be no pay for hours not worked; exceptions could be made for mothers caring for school-age children after school. Any earnings during non-work hours would be retained 100 percent by the employees (eliminating the need for attempting to police earnings).

The proposal assumes that the Federal Government will pay the full \$1.20 per hour, with no State sharing of the cost. While it might be desirable to require a State or local share when work is done for the benefit of a community, it is recognized that such a requirement might well be an obstacle to the creation of jobs. Since the success of the employment program depends on providing an opportunity for useful work, it would be preferable to create no barrier to job creation.

Any job in the regular economy paying \$1.20 per hour or more, even a part-time job, would yield a greater income than \$1.20-per-hour Government employment and it would be anticipated that this would serve as an incentive for participants to seek regular employment. In addition, the cost to the Government would be substantially less for an individual in regular employment.

Recommendation.—It is recommended that participants working at \$1.20 per hour in Government employment be given 2 hours of leave for each 40 hours worked. This would cover sickness of the employee as well as times the employee must stay home to take care of a sick spouse or child, as well as absence not related to illness. Perhaps participants could be allowed to make up such time missed in excess of the leave to which they are entitled, if this is feasible.

Training under the Work Incentive Program.—Participants in the employment program would be eligible to volunteer for training to improve their skills under the Work Incentive Program administered by the Department of Labor. The Labor Department would accept an individual for enrollment to the extent funds are available and only if they are satisfied that the individual is:

1. Capable of completing training; and
2. Able to become independent through employment at the end of the training and as a result of the training.

The Work Incentive Program under the alternative proposal would differ from that under present law to the extent that it would not attempt to place persons directly in either private or public service employment.

Employees under the employment program who wished to participate in training under the Work Incentive Program would be strongly motivated, for they would be paid only \$1.00 rather than \$1.20 for each hour of training. Following the successful completion of training (which could not exceed 1 year in duration), the trainee would receive a lump-sum bonus equal to 10 cents for each hour of training—in effect, a refund of one-half the difference between the hourly training stipend and the hourly wage.

Government subsidy.—Persons in regular employment at less than the minimum wage would receive a Government subsidy for each hour worked (up to 40 hours), providing they receive at least \$1.20 per hour from the employer.

If the subsidy were set at three-quarters of the difference between the employer's wage and the minimum wage, the subsidy (in combination with the 10 percent special payment described below) would result in the employee receiving at least \$1.62 for each hour worked, slightly more than the Federal minimum wage (this is the alternative shown in Table 1 on page 12). Alternatively, the subsidy level could be set at 50 percent or some other proportion of the difference between the employer's wage and the minimum wage. In order for the employee to have some stake in the wages paid him by his employer, it is important that the subsidy not represent 100 percent of the difference between the employer's wage and the minimum wage.

Special 10 percent payment.—The special payment for low-income workers equal to 10 percent of wages covered under the social security program is discussed separately on page 22 below.

State supplementary payments.—No State supplementation would be required nor would there be Federal matching if it were provided. However, in order to prevent the State welfare program from undermining the objectives of the Federal employment program the State would have to assume that individuals eligible for the State supplement who are also eligible to participate in the employment program

(but no longer eligible for federally matched AFDC) are actually participating full time and thus receiving \$200 per month. A similar rule would apply to mothers with children under age 6 who volunteer.

Furthermore, the State would be required to disregard any earnings between \$200 a month and \$300 a month (the amount an employee would earn working 40 hours a week at the minimum wage) to ensure that the incentive system of the alternative plan is preserved. These earnings disregards would be a flat requirement; States would not be required to take into account work expenses. States would be free to treat income above \$300 monthly in any way they wished as long as the first \$300 earned is treated as though it were \$200. The effect of this requirement would be to give a participant in the work program a strong incentive to work full time (since earnings of \$200 will be attributed to him in any case), and it would not interfere with the strong incentives he would have to seek regular employment rather than working for the Government at \$1.20 per hour.

The table below shows how wages under the employment program would be treated for State welfare purposes:

Hours worked per week.....	None	20	40	40
Hourly wage.....		\$1.20	\$1.20	\$1.60
Approximate actual monthly income..	0	\$100	\$200	\$300
Income deemed available for State welfare purposes.....	\$200	\$200	\$200	\$200

Ineligibility for food stamps.—Persons eligibility to participate in the employment program would not be eligible to participate in the food stamp program. However, as in H.R. 1, States would be assured that there would be no additional expense to them if they adjust their supplementation levels to take into account loss of entitlement to food stamps.

Children's allowance.—The \$1.20 wage would apply to all work performed under the guaranteed employment program, and no other Federal cash benefit would be available under the program for participating families with four or fewer members. However, children's allowances would be payable to families who now have or soon will have five or more members (no more than two adults would be considered family members). The allowance would be \$25 monthly for the fifth family member, \$15 for the sixth family member, and \$10 for each additional family member.

These children's allowances would be payable only for family members born no later than June 30, 1973. The children's allowance would be payable until total family income reaches \$300 monthly (roughly the amount earned working at the minimum wage for a full month); above this amount the allowances would decrease \$1 for each \$2 of income. An individual would be entitled to the full children's allowance only if he worked substantially full-time (more than a hundred hours a month). An individual working between 50 and 100 hours a month would be eligible for half of the allowance, and an individual working less than 50 hours a month would not be eligible for the children's allowance. This simple rule does provide a considerably higher allowance for a person working 101 hours than for one working 99 hours; if the Committee deems it worthwhile, it could

consider a closer relationship between hours worked and the amount of the allowance.

Other levels of children's allowances could be provided, at a lower or higher cost; however, it is recommended that any children's allowance provision incorporate these elements:

- (1) The allowance would only apply to children born before a specified date;
- (2) Receipt of the children's allowance would depend at least in some measure on work effort;
- (3) Low-wage workers who have not participated in the employment program would be eligible on the same basis as those who have; and
- (4) If a court rules that the provision is unconstitutional on the grounds that it arbitrarily distinguishes between children based on date of birth, the authorization for any children's allowance payments will expire.

Supportive services.—The agency administering the employment program would be authorized to arrange for any supportive services needed to permit an individual to participate in employment, specifically including child care and birth control services. Entitlement to utilize child care facilities would continue to be open to any former participant in the employment program, as it would for wives of working husbands, although the parents would be required to pay all or a portion of the cost of child care. The administering agency would be required to offer birth control services to appropriate members of all participating families and to assure that these services were provided when desired. Those minor medical needs that are employment-related (such as a medical examination or provision of eye glasses) could be paid for 100 percent as a supportive service.

Special Payments to Low-Income Working Persons

Any family with children under age 18 (or under age 22 attending school full time) would be eligible for a special payment equal to 10 percent of the husband's and wife's wages covered by social security. The payment would not apply to self-employment income. Eligibility for unreduced benefits would be limited to families where the wage income (whether or not covered under social security) of the husband and wife was \$4,000 or less. For families where the husband's and wife's wage income exceeds \$4,000, the special payment would be equal to \$400 minus one-quarter of the amount by which the husband's and wife's wage income exceeds \$4,000.

The program would be administered by the Internal Revenue Service; an individual would have to apply for benefits.

The special payment could be taken as a tax credit when an individual files his annual tax return (this would most likely be done if an individual is entitled to only a small payment). However, the payment could be applied for on a quarterly basis if the family's entitlement (either for the quarter or cumulatively) exceeded \$30. For example, a family head earning the minimum wage (where the family has no other income) would be eligible for about \$80 quarterly, and he could apply for and receive the payment quarterly. If the family head earns \$100 a week (and the family has no other income), annual income will

total \$5,200 and he will be entitled to a special payment of \$100 annually (\$5,200 exceeds \$4,000 by \$1,200; one-quarter of \$1,200 is \$300, which subtracted from \$400 leaves \$100). In this case, he may receive \$50 in July and \$50 the following January since his entitlement in each of the first and third quarters is less than \$30.

The size of the special payment is shown on the table below for selected examples:

Annual earnings of family taxed under social security	Special payment
\$2,000.....	\$200
3,000.....	300
4,000.....	400
5,000.....	150
5,600.....	0

The proposal described above incorporates the features of (1) not varying benefits by family size, but only by income, providing no economic incentive for having additional children; and (2) having a gradual phaseout of the amount of the payment as income rises above \$4,000 so as not to create a work disincentive. The proposal would cost an estimated \$1.1 billion.

The cost could be varied by setting the maximum payment at a higher or lower level, by relating benefits to family size, or by providing a less gradual or more gradual phaseout of benefits when family income exceeds the maximum payment level.

The proposal described here would apply the 10 percent only to earnings taxed under the social security and railroad retirement programs. They thus may be viewed as a kind of rebate of these taxes for low-income workers (including a substantial portion of the tax paid by the employer on the employee's wages). However, the employer would continue to withhold social security taxes from the employee's earnings for deposit into the trust funds, and the employee would continue to receive credit for these earnings for social security purposes—in other words, the social security program would not be affected in any way by the special payments.

The cost of the proposal would be increased if the 10-percent payment applied to all earnings, whether or not covered under the social security or railroad retirement programs; the administrative burden would also be increased considerably.

Administration of the Alternative Proposal

Special 10 percent payment.—As noted above, the special 10 percent payment would be administered by the Internal Revenue Service.

Subsidized employment.—It is suggested that the subsidy payments for persons working in jobs which are not covered by the minimum wage be administered by the local employment service offices. These offices already have developed relationships with employers and,

although there is a time lag, they maintain earnings records on employees for unemployment insurance purposes.

Employment program.—A new Federal Employment Corporation would be created with the responsibility of administering the employment program. The Corporation's goals would be (1) to improve the quality of life of the children of participating families, (2) to place participants in unsubsidized or subsidized regular employment, and (3) until this is possible, to serve as temporary employer of participants with the objective of preparing participants for and placing them in regular employment at the earliest possible time.

On the national level, the Corporation would be headed by a board appointed by the President with the advice and consent of the Senate. Liaison with other agencies would be maintained through an inter-agency committee, and a national advisory committee (with representatives from industry, organized labor, State and local government, nonprofit employers, social service organizations, minority groups, etc.) would make policy recommendations to the board.

The actual operations of the Corporation would be locally based, with the bulk of the local employees being persons who are currently participating or who were former participants in the employment program. On the local level, the Corporation would be organized along the same lines as the national office. Coordination with other local service agencies, local government, and local employers, labor organizations, etc., and their cooperation would be critical to the success of local operations.

The local Corporation office would hire individuals applying to participate, would develop employability plans for participants, engage in job development and job preparation activities, arrange for child care and other supportive services needed for persons to participate, and operate programs utilizing participants which are designed to improve the quality of life for the children of participants in the employment program. It seems clear that the example of self-discipline and self-sufficiency resulting from regular employment are factors which would enhance the quality of life of the children involved.

Children's allowance.—The children's allowance would be paid by the Federal Employment Corporation. Since the children's allowance would be related to the individual's work effort, the Corporation would be responsible for checking with the employment service or (if the individual is working at least at the minimum wage) with the employer to ascertain the number of hours worked.

State supplementary payment.—Administration of any State supplementary welfare payment would be up to the States.

Kinds of Employment

Transitional Corporation employees.—Persons applying to participate in the employment program would immediately become transitional employees of the Federal Employment Corporation at a wage of \$1.20 an hour (three-quarters of the Federal minimum wage of \$1.60) for up to 40 hours a week. As long as they remain transitional employees of the Corporation, the Corporation would provide work for them, including the following activities:

1. For individuals the Corporation is unable to place immediately in regular employment at a rate of pay at least equal to the minimum wage, or in subsidized private employment, the major emphasis would be on having them perform useful work which can contribute to the betterment of the community. A large number of such activities are currently going undone because of the lack of individuals or funds to do them. With a large body of participants for whom useful work will have to be arranged, many of these community improvement activities could now be done. At the same time, it is recognized that safeguards are needed so that the program meets the goal of opening up new job opportunities and does not simply replace existing employees, whether in the public or private sector.

2. For mothers with younger children particularly, the Corporation could provide training and other activities designed to improve the quality of life for the children of participants through improvement of home, neighborhood, and other environmental conditions in which the children live. For example, mothers can be trained in skills to improve their homemaking and upgrade the physical conditions in which the children live. This would include cleaning up and beautifying their apartments or homes, perhaps in groups with other participant mothers, as well as training in consumer skills and providing a pleasing home atmosphere with child-centered activities in the home in which the child can join and have fun. Many of these activities could occur in the home and in the neighborhood with other participant mothers to provide a social life for participants as well. A major goal of this type of activity would be to impress upon participants that they have the ability to improve the living conditions of their children and to increase and reward their desire to do so. Participants engaged in this type of activity as part of their "employment" during the week would be required to "report for work" to a participant or regular Corporation employee serving as a supervisor. Since expansion of child care will be an immediate need, a number of mothers will be trained initially in providing good child care.

3. Training for specific jobs, including training for regular full-time employment with the Corporation as well as for other jobs, would be employment-based, although as mentioned above, an individual could volunteer to participate in the Work Incentive Program (though at a financial sacrifice), and institutional training would be available under that program.

4. Temporary employment could be arranged with private employers on a "Kelly Girl" basis. During such temporary employment, participants would continue to be transitional employees of the Corporation; that is, they would continue to be paid by the Corporation. The employee would be paid the prevailing wage for the job, and the Corporation would bill the private employer for the employee's wages and other costs associated with making those services available. Unlike other forms of transitional employment by the Corporation, such temporary employment with private employers would be covered under social security if the employment would ordinarily be covered by social security.

Zero tax rate.—Money earned during hours that an individual is not working for the Corporation would not reduce the wages paid the

participant—in economist jargon, they would be subject to a “zero tax rate.” Since the children’s allowance would not be reduced until an individual is earning more than \$1.60 an hour for a 40-hour week, this additional employment would generally not affect the children’s allowance.

Transitional employees of the Corporation would not be considered Federal employees, nor would they be covered by social security, unemployment compensation or workmen’s compensation. The 10 percent special payment would not apply to their salary.

The Corporation would attempt to the greatest possible extent to place participants in the employment program into permanent employment. The following categories of regular permanent employment are envisioned:

1. Full time employment as staff for the Federal Employment Corporation;
2. Regular employment without Federal subsidy; and
3. Regular employment with a wage subsidy.

Employment in any of these categories would pay more than the \$48 paid transitional employees for working a 40-hour week.

Regular employment for the Federal Employment Corporation.—The Corporation will have need of a great number of employees, including the following:

1. Administrative employees to determine eligibility, process payments, etc.;
2. Persons to develop employability plans designed to lead participants into regular employment;
3. Staff to wage a massive effort to develop jobs;
4. Supervisors to oversee the work activities of transitional employees;
5. Family planning aides;
6. Persons arranging for supportive services for participants; and
7. Persons to direct training activities designed to improve the quality of life of children of participants.

Though a number of the Corporation’s employees would be regular civil service employees, it is contemplated that a substantial majority would be drawn from participants in the employment program.

Placement in subsidized private employment.—Participants in the work program could be placed in private employment in jobs not covered by the minimum wage (currently \$1.60 an hour) and have their wages subsidized by the Federal Government, as discussed earlier.

Once the Federal Employment Corporation placed an employee in regular subsidized employment, they would inform him of his

opportunity to receive wage subsidies by applying to the employment service, but the Corporation itself would not subsidize the employee's wages. The 10-percent special payment would not apply to the wage subsidy.

Federally funded public service employment.—H.R. 1 provides for the funding of 200,000 public service jobs for welfare recipients. Under the House bill, these jobs are actually conceived of as a kind of training opportunity rather than as permanent employment. Specifically, 100-percent Federal matching is provided for the first year a recipient is employed, 75-percent matching for the second year, 50-percent matching for the third year, and no matching for subsequent years. The Secretary of Labor is to review every 6 months the employment record of each recipient placed in public service employment to "determine the feasibility of placing such individual in regular employment or in on-the-job, institutional, or other training." Very likely under this approach employees would be turned over every year in order to qualify the State for continued 100 percent matching.

The Chairman has sent a telegram to each Governor asking them for a list of the kinds of public service employment that could usefully be offered welfare recipients. Some of the responses make it clear that public service job opportunities will be sharply reduced if any State funding is required. The public service training provision in H.R. 1 is not consistent with the general aim of creating job opportunities rather than training opportunities. On the other hand, it would be appropriate to limit the amount of time any one individual could remain in a federally funded job paying more than \$1.60 per hour.

If the committee wishes to provide for job creation in the public sector beyond the \$1.20-per-hour employment by the Corporation, it is recommended that:

1. Funding for the jobs be on a long-term basis, with no termination of Federal matching;
2. These jobs not be eligible for the 10-percent special payment even if covered under social security;
3. The Federal Government pay 100 percent of the cost of the job, or \$4,000 annually, whichever is lower;
4. The jobs be open only to participants in the employment program; and
5. An individual could not occupy one of these positions (or a combination of positions) for more than 24 months.

Developing jobs in the private sector.—Under present law, an employer hiring a participant in the work incentive program is eligible for a tax credit as a way of developing employment opportunities in the private sector. The tax credit equals 20 percent of the employee's wages during the first 12 months of employment, with a recapture of the credit if the employer does not retain the employee for at least 1 year in addition (unless the employee voluntarily leaves or is terminated for good cause).

The identical provision is not practical for the employment program proposed here; enrollment in the program is so easy that it would be a simple matter for employers to cycle employees of virtually any salary through the Corporation in order to obtain a tax credit. A

more limited form of the tax credit approach could be retained, however, as a method of encouraging job creation in the private sector. The committee might wish to consider these kinds of limitations:

1. The credit might apply only with respect to individuals who have been working for the Corporation for at least 3 months.
2. The credit might not be applicable with respect to more than 10 percent of all employees of the employer in any 1 year (though he would always be permitted to take the credit for at least one employee).
3. The credit could be limited to new (that is, additional) jobs only.
4. The credit might not exceed \$800 in the case of any one employee (20 percent of \$4,000, approximately the amount of annual earnings at \$2 per hour).

A different approach to opening up job opportunities would be to exempt jobs from the minimum wage requirement for 1 year, with the same limitation as in items 1, 2, and 3 above. Under this approach, the employer would pay \$1.20 per hour for 12 months, with the employee receiving a 30 cent subsidy and a 12 cent special payment to bring the value of his working up to \$1.62 per hour.

It should be noted that the new provision in the tax law permitting parents with income of less than \$18,000 to deduct the cost of household help should also aid to some extent in creating employment opportunities. The committee may wish to consider increasing or removing this income limitation in order to create new jobs for domestics.

Penalties for refusal.—The Corporation would prepare an employability plan for each transitional employee. Based on the transitional employee's skills, qualifications, experience, and desires, the Corporation would attempt to direct the employability plan toward employment in an area of interest to the transitional employee. However, there would be no definition of "suitable" work; transitional employees of the Corporation would be required to accept any employment opportunity offered. After one month, an individual could request not to continue in that employment. The request would be handled by an appeals group which would include other participants in the employment program. The participant would not have the right to refuse an employment opportunity before hand. Penalty for refusal would be suspension of the right to participate in the employment program, for one day for the first refusal, one week for the second (including a second refusal of the same opportunity), and one month for the third.

Any person having once participated in the employment program would be eligible to become a participant again at any time providing he had not left his employment without good cause. If he has left his employment without good cause, he would not be eligible to participate for at least 2 months.

Funding of Employment Program

Under present law the following portions of the welfare programs are federally funded on a mandatory, open-ended basis: welfare payments, administrative costs, and social services. Training and child care under the Work Incentive Program, however, operate on a fixed appropriation basis.

Under the alternative proposal, it is suggested that the following items would be funded under mandatory, open-ended Federal appropriations:

1. Wages of transitional employees of Federal Employment Corporation;
2. Child care, family planning and other supportive services needed to participate in the employment program, and similar services to former participants in the program;
3. Subsidies for employment with private employers;
4. The ten percent special payment based on wages covered under social security; and
5. Children's allowances.

The following items would be funded to the extent that the Congress makes appropriations available:

1. Administrative costs of operating the Corporation;
2. Social services other than supportive services needed to be employed;
3. Training under the Work Incentive Program; and
4. Federal grants to States for social services (this grant program will be discussed separately in another pamphlet).