WORK INCENTIVE PROGRAM

HEARING

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

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WORK INCENTIVE PROGRAM

TUESDAY, JUNE 27, 1972

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

The committee met at 10 a.m., in room 2221, New Senate Office Building, Senator Herman E. Talmadge, presiding.

Present: Senators Long, Anderson, Talmadge, Fulbright and Ribicoff.

Senator TALMADGE. The committee will please come to order. Chairman Long has been detained. We hope he will be here shortly.

OPENING STATEMENT OF SENATOR TALMADGE

When the Congress created the work incentive program as part of the Social Security Amendments of 1967, we hoped to help employable welfare recipients prepare for employment and get jobs. The results of the first 3 years of operations under the program, however, earned the program its generally recognized reputation as a dismal failure.

It was to reverse this record of failure that I proposed major amendments to the work incentive program, which the President signed into law last December. The amendments were designed to provide the legislative changes needed to make the work incentive program effective.

Experience under the work incentive program today shows that many more welfare recipients volunteer to participate in the program than can be accommodated. The welfare recipients want jobs; the Congress wants to help them find employment. The administration of the work incentive program up to this point does not seem to have been carried out with the best interest of the recipients in mind, and new regulations are likely to continue preventing welfare recipients from working rather than helping them to work.

This is unfortunate because the Talmadge amendments have been described as a preview of the work requirements in the House version of H.R. 1, and if there is no inclination to make these amendments work, then we can expect there would be no inclination to make H.R. 1 work.

The purpose of this hearing today is to see what the Labor Department plans to do to implement the Talmadge amendments, and how these plans correspond with our intentions when we enacted the new law.

Our first witness will be Malcolm R. Lovell, Jr., Assistant Secretary of Labor, I would like to ask Senators to withhold their questions until we hear also from three State welfare directors who will describe the

difficulties they see with Labor Department plans for the Talmadge amendments. At that point, Senators can ask questions of either Mr. Lovell or the State welfare directors.

Mr. Lovell, we will be happy to have you proceed with your statement.

STATEMENT OF MALCOLM R. LOVELL, JR., ASSISTANT SECRETARY OF LABOR

Mr. LOVELL. I appreciate the opportunity to discuss with you the Department of Labor's progress in implementing Public Law 92–223, enacted December 28, 1971, which amended the work incentive program (WIN) under the Social Security Act. These WIN amendments, which are to become effective July 1, 1972, were specifically designed to correct many, though not all of the deficiencies of the old law and to strengthen the work requirements—and the work incentives—for people receiving welfare payments under the Aid to Families with Dependent Children (AFDC) program.

As President Nixon said when he signed Public Law 92–223:

> With passage of these amendments, a number of work fare ideas outlined in my welfare reform recommendations of 1969 and beyond have now become law. The principle of work requiiements is in place.

We recognize, of course, that the committee intended the WIN amendments as an interim action, pending enactment of more thoroughgoing reform of the welfare system.

The major shortcomings in the old WIN program which are corrected by the amendments are as follows:

Heretofore, State Departments of Public Welfare have screened AFDC caseloads and have referred to the employment service persons deemed to be appropriate for WIN in accordance with criteria established by the individual State. As a result, referral of welfare recipients to WIN has varied from State to State and, indeed, almost from caseworker to caseworker. Under the 1971 amendments, however, every able-bodied adult and child aged 16 or over must register for WIN as a condition of eligibility for AFDC, except those specifically exempted from registration by the law.

Previously, States paid 20 percent of total program costs for WIN manpower activities, as well as 25 percent of welfare supportive services and child care costs. This financial strain on State and local governments prevented many jurisdictions from participating in larger WIN programs. The amendments remove this obstacle to WIN programing by raising the Federal share of WIN funding to 90 percent, reducing the States' share to 10 percent of total costs.

The old law, relying on State financial capability to provide welfare services, did not get the WIN program to enough people. The new law requires that after individuals are registered and appraised as to employment potential, the State welfare agencies must provide the necessary supportive services to at least 15 percent of the registrants load, to enable them to accept employment or job training. These may include child care health services, counseling and vocational rehabilitation.

The original WIN program sought to provide employment for welfare clients through special work projects, the financing of which

was so complicated the idea never really got off the ground. The 1971 amendments authorize Federal funding of public service jobs for AFDC recipients. These jobs will be substituted for the unworkable special work projects. Public service employment will be used for clients who are immediately employable, but for whom no job is available to the regular labor market.

In the old law, great stress was placed on job training; training which was not always directly relevant to the existing labor market. The WIN amendments require the establishment of labor market advisory councils, whose function is to identify the types of jobs available or likely to become available in the area for which training may be appropriate.

Other important improvements made by the WIN amendments include requirements for greater coordination—at the national, regional, and State levels—and for stronger reporting requirements.

Mr. Chairman, implementation of the 1971 amendments has called for a complete redesign of the WIN program, with the job—the economic self-sufficiency of the individual participant—being the primary objective. The 1971 amendments address the most significant deficiency in the WIN program by emphasizing a work orientation—the principle of work requirements—that was previously lacking. Thus, the central concept of the new WIN program will be to refer to jobs as many individuals as possible. This is in marked contrast to the old WIN program which concentrated almost exclusively on providing employability development services to a necessarily much smaller group of welfare recipients.

The mandatory registration and progressive call-up and appraisal of all WIN registrants will result in exposing all employable AFDC recipients to work opportunities or training for work. The separate administrative unit of the State Welfare Agency must certify (to receive full funding) that at least 15 percent of all registrants have access to needed social services so they may accept a job or training leading to employment. It will then be the responsibility of the State manpower agency to develop employment opportunities or job-related training programs for all of those persons certified.

We plan to pursue vigorously the development of regular jobs for AFDC recipients. The employment opportunities we seek are permanent jobs, either directly on an employer's payroll, or through a temporary assistance contract with private or public employers. When a WIN participant is hired directly by a private employer, the employer may be eligible for a tax credit equal to 20 percent of the WIN employee's first 12 months' wages, provided that the employee remains employed for a period of 2 years. This "Job Development Tax Credit," under the Revenue Act of 1972, signed by the President on December 10, 1971, we hope will be a useful tool to help AFDC recipients find self-supporting jobs. During the first 6 months of the new WIN operation, this tax credit will be available to employers who hire WIN recipients certified as having the requisite social services.

In those instances where there is a contract with a private sector employer for a WIN on-the-job training program, the WIN employee is put on the payroll at the start of the program; this is a "hire first" program, similar to the JOBS program. When the contract is with a public or private nonprofit agency, underwriting the WIN employee's salary, there must be a commitment to hire that individual within a period of from 6 to 12 months.

We plan to work with all mandatory registrants as we call them in. We expect to reach 750,000, one-half of the total number, in fiscal year 1973. There will be several kinds of services, depending upon the situations of the different individuals. Our first emphasis, which will be applied to all call-ins, will be to place these people in existing available jobs. We will focus initially on the most job-ready individuals.

Opportunities for job training and orientation will be made available in those cases where there is some demonstrable evidence that job training would be effective in enhancing a registrant's employment opportunities and potential for advancement.

To insure both a speedy and equitable determination of any refusal of a job or job training, the adjudication process will be handled by the States, on the lower levels, but subject to Federal overview. State examiners independent of program interests, will conduct the initial hearings and appeals. A Federal review panel, however, will sit to hear appeals from the State systems, taking such appeals on its own motion, or upon certiorari. The objective of this system will be to promote consistency of legal interpretation, protect the integrity of the work test, and assure the constitutional and statutory rights of the individual.

To prevent removal from the program from being lightly regarded, an individual removed for good cause will not be permitted to apply for registration in WIN—and therefore for AFDC benefits—for 90 days after final adjudication.

The WIN budget submittal for fiscal year 1973 has placed a maximum emphasis on "real job" development. Reversing the trend of prior years, more positions, as related to man-years of service, are to be directed to regular job development and in arranging employ-through on-the-job training (OJT) and public service employment (PSE). Institutional or classroom training will be deemphasized. The total Labor Department side of the WIN budget is almost $319 million with most of these funds to support job development, employability planning and followup. The increase in funds will also allow an almost 50 percent increase in staff in the State agencies to carry out WIN program activities. State staff concerned with WIN will rise from approximately 4,800 to approximately 7,300 during fiscal year 1973.

Job development with both private and public employers will be the major emphasis of the program. The financially assisted OJT and PSE will be contracted only with employers giving firm commitments to hire for permanent employment. The institutional training must be tied in to local labor market needs as determined by labor market advisory councils. WIN operational staff are presently undergoing training that places greater stress on the need to match these jobs that exist with the capacities of WIN participants, rather than rely on expensive training programs.

Of the 750,000 registrants we hope to reach in fiscal year 1973, about 290,000 are expected to be scheduled to participate in WIN-financed-manpower programs. Another 123,000 will be referred to other manpower programs. It is also expected that 75,000 registrants will be placed directly in jobs without going into a manpower program, and it is anticipated that more than 100,000 manpower program participants will be placed in jobs.

A WIN management information system, developed in recent months, will measure performance outputs based on the successful placement of WIN participants in jobs that are not subsidized by program funds. Additionally, we will gage the real dollar savings that that increased employment will provide through the reduction of welfare costs to people who have been moved off welfare and into self-supporting jobs. If we are successful in moving more people on to jobs and off welfare payments than we are now budgeting for, we will ask the Congress for more money.

Consistent with the need for close coordination between the Department of Labor and the Department of Health, Education, and Welfare, a national coordinating committee has been established and is working regularly. In addition, the Federal level staff of the two agencies have cooperated in the preparation of joint regulations and implementing instructions. Similarly, the work in the field has been conducted jointly and progress has been made in developing a joint information system.

In conclusion, Mr. Chairman, I would note that the WIN amendments are a step in the right direction. The amendments correct a number of deficiencies in the old law, and they represent significant and highly desirable progress toward welfare reform. Many of the workfare ideas embodied in H.R. 1 have now become law.

However, the welfare system is in need of thorough reform, and that is why H.R. 1 should be passed. The incentive to work must be strengthened to complement the requirement to work. There are still disincentives to work in the system. We need coverage of the working poor as proposed in H.R. 1 to remedy this flaw. Additional economic incentives must be provided to keep families together and to encourage welfare recipients to take jobs, rather than to discourage them from working. The WIN amendments continue the inequitable AFDC situation where families headed by unemployed fathers are not covered in the majority of States. In essence, the WIN amendments perpetuate the welfare system which gives a working or unemployed father incentives to leave his family so they can receive benefits. In contrast, H.R. 1 extends coverage to all needy families with children, including the working poor.

H.R. 1 would make other important changes in the welfare system of manpower program concern. Two are:

Child care would be strengthened in H.R. 1. The manpower effort still relies on the State welfare agency in the critical matter of child care and supportive services. Under H.R. 1, a variety of child care suppliers could be used by a Federal HEW office, and a "failsafe" arrangement is provided under which Labor could purchase its own child care and supportive services when necessary. These essential features are not provided by the WIN amendments, and no authorization is provided for the construction of child care facilities.

The work test is strengthened in H.R. 1. Under the WIN amendments, we still must rely on the State welfare agency to apply the penalty. While the removal of the discretion of the welfare agency for making referrals will help, we have no way of knowing that the welfare agency will actually apply the financial penalty. Through HEW regulations, we can attempt stricter enforcement, but H.R. 1 is much more certain since the application of the penalty would be by a Federal agency.

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In addition, it would make substantial changes in the entire welfare system, with which this committee is already familiar.

We do not claim to have all of the answers to the problems involved in moving people from welfare to economic self-sufficiency, but we do believe that further reform of the Nation's welfare system is essential. In announcing his continuing strong support for welfare reform, the President recently stated:

> I want welfare reform and the country wants welfare reform, but we cannot have welfare reform that moves in the direction of increasing the cost and putting more people on, rather than getting them off.

We believe with the President, that H.R. 1 strikes an appropriate balance between workfare and providing incentives that will move people from welfare rolls to jobs. We will run the new WIN in a fashion which recognizes the need to continue learning about how a manpower program can be made to more effectively remedy our welfare problem. In doing so, we will encourage imaginative approaches by local sponsors, and we will carefully evaluate the results so that when major welfare reform is placed in operation, we can benefit from our experiences under the WIN amendments.

The CHAIRMAN. Thank you, Mr. Lovell.

As Senator Talmadge announced, I am going to ask that we hear the other witnesses, and then we will interrogate the group all at the same time. That will give you, as well as us, the opportunity to hear what the other witnesses will say.

The next witness will be Richard W. Heim, executive director, of the New Mexico Department of Health and Social Services.

STATEMENT OF RICHARD W. HEIM, EXECUTIVE DIRECTOR, NEW MEXICO HEALTH AND SOCIAL SERVICES DEPARTMENT; ACCOMPANIED BY DAVID FERRELL, DEPUTY DIRECTOR

Mr. HEIM. Mr. Chairman, I have a brief statement.

Senator TALMADGE. I would like to point out that Mr. Heim is formerly administrative assistant of our distinguished colleague, Mr. Clinton Anderson. He is doing an outstanding job in the State of New Mexico as director of health and social services.

I have had an opportunity to visit with him on the weakness of some regulations proposed by the Labor Department for the work incentive program. I think the information he will give to this Committee will be most helpful.

The CHAIRMAN. Mr. Heim comes from a very fine background in that regard. Senator Anderson's entry into government was with Harry Hopkins in a Federal work program, the old WPA program, where this Nation undertook what was then a revolutionary aspect of trying to provide jobs to some poor folks.

Mr. HEIM. Thank you, Mr. Chairman. With me this morning is Mr. Dave Ferrell, deputy director of the health and social services department, State of New Mexico, and under whose direction the operation of the Talmadge amendments in our department will be taken.

Mr. Chairman, I am going to make a very brief statement. I am going to direct my attention primarily to public service employment because we say in this a real opportunity to make the Talmadge

amendments work and work now, not 6 months from now or a year from now.

Mr. Chairman, in January of this year we received copies of the Talmadge amendment. We read it with great enthusiasm as we saw in the legislation a real opportunity to meet the needs of New Mexico, needs which have been identified and discussed concerning jobs in our State.

It is characteristic of New Mexico that government-related employment—city, county, State and Federal—comprises a heavier component in our economy than in many other States.

The public service employment aspect of the Talmadge amendment appeared to offer a bright hope to us, through creation of new jobs for welfare recipients in the public sector and funding aid and encouragement in the process of making these jobs permanent. Our department as well as other departments of the State government have exploited some of the Labor Department programs in the past as we used some of their career training programs in effect to get free labor. We would put people on the STEP program, the supplementary training and employment program, and they would work for 26 weeks and when the 26 weeks were over they would move out and we would bring in another group. This is not the kind of thing we are talking about when we talk of the Talmadge amendment.

We are talking here about the opportunity to bring an individual into State government and to train him in a job that would be permanent at the end of the 3-year training period.

With this in mind, as well as with the expectation that other agencies of government would be making plans for public service employment, we initially proposed a plan to create 100 jobs Statewide in the home health field within our agency.

Starting as homemaker or home health aides, we proposed a career ladder that would extend up to licensed practical nurse or into the social service fields. The regional medical program supported our idea and offered to provide the necessary specialized health training, recognizing that the development of local health resources, especially in rural areas, is a national priority.

The reason we directed our efforts into this field, Mr. Chairman, was because a year ago we made a survey of all patients in our long-term care institutions, skilled nursing homes and intermediate care facilities that were being supported under the State's medicaid program.

We found that 25 percent of the patients were there not for medical reasons but for social reasons. If there were a means to provide for their minor and predictable health needs in their home communities it would not cost the State and the Federal Government money to keep them in long-term care institutions.

The CHAIRMAN. Are you talking about mental institutions?

Mr. HEIM. We are talking about medical institutions, skilled nursing homes or intermediate care facilities. In addition to this we found that most of these patients would have preferred to stay in their home communities if there would have been a means for their care there.

Convinced that our concept had merit and fit the legislative intent, we proceeded to work with the local WIN sponsor, the New Mexico Employment Security Commission, and with the regional offices of

the Departments of Labor and Health, Education, and Welfare to carry it forward.

No one has told us that our plan is ill-conceived or contrary to legislation, but regretfully, we have met such resistance and obstacles in the joint planning process that our attempt to develop public service employment has been severely hampered. The primary obstacles we have encountered seem to be administrative decisions within the Department of Labor which tend to downgrade the importance of public service employment and, i. my opinion, tend to emasculate the legislation.

For example, the decision was reached that public service employment was a transitional program limited to 6 to 12 months duration rather than the 3-year duration specified by statute. This decision gives public agencies in New Mexico insufficient time to prepare for creation of new permanent positions and to assure on-going local funding.

Surely we could have taken the person on in 6 to 12 months the same way we employed people with the old STEP program and at the end of the program say, "We do not have a job for you, move out." We did not want to do this.

We wanted to create permanent positions in State government but we wanted the 3-year period specified in the statute in which we would get the 100 percent Federal funding the first year, 75 percent the second year and 50 percent the third year.

We were willing to go to our State legislature to get the necessary funds to continue this program with State funds after the third year ended. Under the present decision limiting public service employment to 6 to 12 months we cannot do this, Mr. Chairman.

Another decision reducing the impact of public service employment calls for setting up a fixed spending ratio for on-the-job training and public service employment. The statute requires at least one-third of all expenditures to be made for OJT and PSE.

Within that one-third an initial decision from DOL required approximately equal expenditures. The latest decisions coming out of Labor require greater spending for OJT than for PSE. When operating within a given budget, this cannot but downgrade PSE.

The legislation requiring joint planning was passed in December of 1971 but it was not until the second week of May that representatives of our agency as well as the ESC were called to Dallas to attend a tri-regional meeting held to explain the "new WIN program."

This was 1½ months before implementation. What was presented was not joint material but rather a set of HEW guidelines and a set of DOL guidelines. No joint regulations were available at that time nor have I seen any as yet.

The material that was presented was far more than we had been able to anticipate from the legislation. Further, it was generally incomplete, subject to change and several areas were indicated as still being decided on. This was a month and a half before implementation.

Mr. Chairman, we perceived in the Talmadge amendments an intent to change the course of the WIN program, to improve opportunities for employment of welfare recipients and an opportunity to provide a program to fit the special needs of New Mexico.

I don't think our perception was in error but we encountered a functioning system—the present WIN program—convinced of its own rightness, proud of past performance and concerned about statistics and not very amenable to change.

The State of New Mexico wants to carry out what we interpret to be the intent of Congress; that is, to place welfare recipients in jobs now. Administrative decisions on the part of the Department of Labor so far appear to be preventing this rather straightforward approach.

Our enthusiasm consequently has been reduced. Our approach now, 4 days from the effective date of the Talmadge amendment, is to do only as much as we must do to avoid financial penalty.

Thank you, Mr. Chairman.

The CHAIRMAN. The next witness will be Mr. Robert B. Carleson, director, California Department of Social Welfare.

STATEMENT OF ROBERT B. CARLESON, DIRECTOR OF SOCIAL WELFARE, STATE OF CALIFORNIA

Mr. CARLESON. I am Robert B. Carleson. I am director of social welfare for the State of California. I have with me my deputy director, John Svahn. The subject matter of this hearing, Public Law 92–223, the Talmadge amendments, is one that we in California have been vitally concerned with ever since their passage in late 1971.

Mr. Svahn of my staff and Mr. Peter Rank, assistant director of the California Department of Human Resources Development, the State manpower agency, have, since the first week in January, worked very closely with both Federal Departments in developing what was intended to be an implementation plan for the Talmadge amendments, as enacted, as a valuable tool in implementing the work requirement for welfare recipients. Unfortunately, the implementation plan as developed does not come nearly as close to that requirement as the statutory language.

As you know, California has been working for the past 22 months on a comprehensive welfare reform program. When Governor Reagan testified before this committee he indicated to you that our program has been highly successful. As of April of 1972, there were 144,607 fewer recipients on welfare in California than there were in March of 1971 when Governor Reagan's welfare reform program first showed its effect and the rolls began to decline.

It is estimated at this time that there are over 600,000 fewer on California's welfare rolls than there would have been at this time without a reform in the welfare program. A significant aspect of California's program is the work requirement. Essentially, it is a comprehensive program to enable welfare recipients to secure and to maintain employment, thereby removing themselves from the welfare rolls.

It includes an immediate separation of employable welfare recipients from nonemployable; prompt referral to available jobs in the private and public sector, training, and participation in community work experience program where no regular employment is available.

Our statistics show that in the implementation of the separation of employables from nonemployables, recipients who received the increased emphasis on employment services through our program had

significantly better opportunities for employment. This has been reflected in the number who have removed themselves from the rolls after having become gainfully employed.

On the other hand, through our reform program and increased emphasis on employment, we have increased our grants to the remaining AFDC cases by 30 percent. This increase has come about as a direct result of the savings associated with Governor Reagan's entire reform program.

The Talmadge amendments, as enacted, afforded the States the opportunity to enforce the separation of employables from nonemployables and to provide increased employment services with the goal of self-support for all able-bodied welfare recipients. In adopting those amendments, the Congress concurred with our observations that there are more able-bodied recipients on the welfare rolls than the permanent structure of the Department of Health, Education, and Welfare would like the public to believe.

We have found in our work program that many individuals who have been classified for so long as nonemployable are, in fact, employable and are, in fact, interested in securing employment and obtaining their own support.

With the enactment and signing of Public Law 92–223, the Congress adopted a requirement, quite simply stated, that all employable welfare recipients register for employment, manpower services, and training; that all welfare agencies establish a separate administrative unit to provide necessary social services to employable welfare recipients; that once these services have been provided or arranged for that the welfare agency certify to the Secretary of Labor that the recipient is ready for employment or training in the WIN program.

In addition, there are various other sections of this law which combine to make it one of the most explicit and well-stated amendments to the Social Security Act that I have seen. It is plain to us that it was the intent of Congress for the Talmadge amendments to cure some of the fatal defects in welfare employment programs and to establish a nationwide work requirement.

Unfortunately, the implementation of this law, attendant with Federal regulations, Federal handbooks and Federal guidelines will do little if anything to assist States in securing employment for welfare recipients. Instead, the plan, as envisioned in the latest guidelines and regulations which we have in our possession, will result in an increased bureaucracy at all levels, administrative chaos, and increased costs without resultant savings.

It appears that the overwhelming effect of the implementation will be nothing more than a paperwork shuffling problem of the greatest magnitude. During the past 5 months, we have heard conflicting and contradictory statements from both the Department of Labor and the Department of Health, Education, and Welfare.

We have attended meetings and submitted information geared toward a successful implementation of the Talmadge amendments; yet, until this month, we have had little impact upon the development of the implementation plan. It is very apparent that the overriding them in planning for the implementation of this program by the two Federal Departments has been that the Talmadge amendments should be used as a tool for securing and implementing certain federalization elements of H.R. 1.

In addition, it has been stated publicly by people in the Department of Health, Education, and Welfare that the Talmadge amendments can be used to advance the overall goals and strategy of the federalization elements of that proposed bill. This is evidence quite clearly by one of the earlier drafts of the Department of Labor handbook.

In referring to a proposed Federal fair hearing system which would have placed an additional burden on the States and the Federal Government, that Department said:

> The Talmadge Amendments to the Social Security Act provide an opportunity for moving in an orderly manner toward the federalized adjudication system which will be required by the proposed welfare reform act (H.R. 1) (Section 9364(1)).

Without commenting on H.R. 1, I believe that our position has been fully expressed by Governor Reagan. It is our position that the Talmadge amendments have been enacted in a quite explicit format and that the implementation of the amendments should be confined to the statutory language rather than using the implementation as a lead-in through the administrative process to a Federal welfare system. Our problems surrounding the implementation of these amendments are numerous. During the past month we have been in contact with the Under Secretaries of both departments and have found that as has occurred in so many past programs, the permanent structures in the departments have acted to frustrate the language of the law. In a number of the areas which were discussed at these recent meetings, the Under Secretaries have assisted the States by reviewing and changing some critical areas of implementation.

In other areas, problems still exist. Specifically, the regulations and latest guidelines call for registration under the Talmadge amendments to be done by the eligibility worker in the welfare department.

This registration will be a paper registration only, with no provision for registration to be done by the State manpower agency. If it is the intent of the Congress to assist welfare recipients in securing employment, it is critical that those who are best trained for doing that job be involved as much as possible.

Second, current implementation plans call for the States to work toward employment for only one-half of those persons registered. It is anticipated that nationwide 1.5 million recipients will be registered during the first year. Of this number, the latest draft guidelines that we have in our possession indicate that the States should work with only those recipients who have been on the rolls less than 2 years.

This, in effect, limits the States to working with approximately 750,000 recipients. The law on the other hand requires that the States certify 15 percent of the total registrant pool; that is, the 1.5 million. Under the proposed guidelines, in effect, States will be required to certify 30 percent of the de facto registrant pool of 750,000.

The act also calls for registration, by all those not exempt, for manpower services, training and employment. It is our belief that the intent of the Congress was to require registration for all employment programs and services and that efforts should be made by both Departments to provide those services with the goal of assisting the welfare recipients in achieving selfsupport through employment.

Under the current Federal joint regulations, registration, in addition to being limited to a paperback process as I indicated before, is solely

for those services provided for in the WIN program, and excludes placement into employment through exposure to the regular State manpower agency employment services.

Under the Talmadge amendments, as enacted, a welfare recipient before becoming eligible for aid would have had to register with the State manpower agency. If, at that time, he were referred to a job and secured employment, he would never become a welfare recipient.

Under the implementation as now suggested, before he could be referred to that job, he must be registered by the welfare agency; appraised by a combination of State welfare personnel and State manpower personnel; if it is determined that he needs a social service, the manpower agency must request that the separate administrative unit provide that social service; and upon provision of the social service, the manpower agency must request that the recipient be certified.

Upon certification, the individual is then ready for employment and may be referred to the job that was available the day that he walked into the office, if it still exists. The Talmadge amendments implementation has developed into an unnecessarily long and involved administrative process. As written in the statute, a recipient could be referred immediately to employment. As written in the draft guidelines, he must go through a myriad of bureaucratic steps before he can be required to accept a job.

It does not seem to us that it was the intent of Congress to make the referral to employment a long and difficult process. It is our belief that direct placement and increased employment services are written into Public Law 92-223 and that implementation should be along those lines. There are a number of other instances in which we believe problems have arisen in the implementation of these amendment. I have delineated them more specifically and this has been submitted to your staff today.

I thank the committee for the opportunity to express California's viewpoint on this subject.

The CHAIRMAN. Thank you very much. The next witness will be Mr. Con F. Shea, executive director of the Colorado Department of Social Services.

STATEMENT OF CON F. SHEA, EXECUTIVE DIRECTOR, COLORADO DEPARTMENT OF SOCIAL SERVICES; ACCOMPANIED BY GLENN BILLINGS, CHAIRMAN, RELIEF AND WALFARE COMMITTEE, COLORADO COUNTY COMMISSIONERS ASSOCIATION

Mr. SHEA. Mr. Chairman, members of the committee, I am the executive director of the Colorado Department of Social Services, which is the State welfare agency. We have a State-supervised and county-administered welfare program in Colorado.

Accompanying me this morning is Mr. Glenn Billings, chairman of the Relief and Welfare Committee of the Colorado County Commissioners Association. He is one of our elected county commissioners in Colorado. If you want the local flavor, Mr. Billings will be available for that.

My testimony will relate what one State, namely Colorado, is attempting to do in administering the new WIN program under Public

Law 92–223, the Talmadge amendments. I will be telling you some of the problems which we are having with Department of Labor guidelines, regulations, and requirements.

The Colorado Legislature, noting that at least one-third of the WIN expenditures under the Talmadge amendments must be spent on on-the-job training or public service employment, appropriated funds accordingly. In our State the general assembly appropriates Federal funds as well as State funds, so that the total budgets of the agencies are noted in the Appropriations Act.

The general assembly specified in the appropriation bill—House bill 1128—that of $4.3 million appropriated for WIN, $1.5 million, roughly one-third, shall be to employ 250 homemakers for the aged, to be recruited from aid to families with dependent children cases.

The remaining two-thirds of the appropriation, or $2.8 million, is to go to salaries, operating, training, incentive payments, and supportive services, mainly transportation.

The Department of Labor guidelines—DOL–WIN Handbook Section 9352(3)(c)—now, after the fact, specify that for every one public service job, the 250 homemakers in this case, there must be two on-the-job training slots. Such a regulation would add nearly $1.2 million to Colorado's WIN budget, and put it in a deficit position.

Furthermore, these DOL guidelines would limit Colorado to only 168 public service employment positions, and a further refinement would limit these to 25 percent in any one occupation, or 42.

Thus, the intent of the Colorado Legislature, approved by the Governor, for 250 homemakers for aged would be frustrated by the regulations, and only 42 homemakers would be allowed under the Labor Department guidelines. We believe the ratio of on-the-job training to public service employment, as propounded by Department of Labor, is not based on anything in Public Law 92–223.

The cost-benefit relationships of the homemaker program are as follows, as Colorado propounded it. The cost of 250 homemakers is $1,500,000, less savings in AFDC assistance costs by reducing AFDC rolls by 250 times $2,820 per year, $705,000, which leaves a balance of $795,000. The savings in medicaid if each homemaker keeps five aged persons from nursing homes is $3,225,000, which is a net savings to taxpayers of $2,430,000. Nursing home cost at $12 per day is $360 a month or $4,320 per year, less $1,740 old age assistance is $2,580 savings per person times 1,250 persons.

Another innovation of the Colorado Legislature, approved by the Governor, was to appropriate $223,673, from employment service funds for 17.25 full-time equivalent employment counselors for assignment to county public welfare offices to assist in finding employment for AFDC and other welfare recipients who cannot be included in WIN training and employment.

An employment counselor placed in county welfare offices could decrease welfare rolls by placing the applicants and/or recipients of public welfare into meaningful employment. Many persons, men and women, apply for assistance as they cannot find jobs or do not know where to look. In these instances, they may be placed in jobs rather than on public assistance.

The employment counselor should be an essential part of the intake process and available to applicants as soon as it is known that

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they request job placement. For those persons on AFDC–U, he could be the person who reinforces the provisions whereby an AFDC–U father should be actively seeking employment by assisting him through job referrals.

The counselor, as has been the case in prior years, can be that person who receives from employers requests for workers while at the same time selling the concept of hiring AFDC and AFDC–U recipients to employers in the community.

The counselor should be accessible to caseworkers so that teenagers who drop out of school and mothers who want jobs could be placed, considering not only where they live but the distance to a job, and whether or not a child must be placed in a day care center.

The counselor should also work closely with eligibility technicians so that correct and prompt budgetary adjustments can be made based upon a recipient being employed.

The employment counselor should work closely with other members of the division of employment and all manpower programs as each program though devised for the disadvantaged, places emphasis on a particular age group, occupational area, and so forth. The counselor would therefore be gaining, sharing knowledge and selling recipients to other programs as well as to potential employees.

The point of all this discussion is that in the welfare agencies we have felt that oftentimes the employment service would tend to favor other groups such as unemployment compensation recipients or the other various groups that they are supposed to be placing in preference to welfare recipients.

Our Colorado Legislature has now directed our employment service that welfare recipients are also a high priority item. To bring this discussion around to the WIN Talmadge amendments, Mr. Chairman, we in the States plead that we be allowed to have the maximum flexibility within the Federal law to innovate and accomplish our objective at the State and local level.

The CHAIRMAN. We have now had an opportunity to hear from all the witnesses here.

Senator Talmadge, you were the sponsor of this amendment. I would suggest that you ask any questions that you have in mind, and then perhaps, I will ask a few.

LABOR DEPARTMENT REGISTRATION PROCEDURE

Senator TALMADGE. Secretary Lovell, the law requires that welfare recipients register with the Department of Labor for manpower services, training and employment. The purpose of that registration is to help welfare clients find employment. What information do you need about a person's education and work history to enable you to determine his qualifications and abilities for employment?

Mr. LOVELL. The people who make the placement will talk to the individual to find out what his interests are, what his work experience and education are.

Senator TALMADGE. Why don't you try to get that information on your registration form?

Mr. LOVELL. Let me explain what we are trying to do with our registration form. As you know, as a result of the law, 1½ million people must be registered quickly. All the information about these people is

now in the hands of the social service agencies. Before they can be placed, they must be interviewed by placement people. Therefore, this registration process is to expedite the referral of people to the employment service while meeting the requirements of the law that they be registered. If they were not registered very quickly, they will not continue to be eligible for benefits.

The immediate problem then is to register 1½ million people, to interview as many of them as we can, and to refer as many of them to jobs as we can. This initial form is not meant to be the entire process. The people will be called in as fast as we can to be interviewed and referred to jobs.

Senator TALMADGE. I would think it be appropriate for the form to have something concerning the education and work experience of the applicant. That would be very helpful in any placement efforts, it seems to me.

Mr. LOVELL. The inclusion of work experience information on the form is a possibility; educational information is already included. We want to make it as short as possible and to eliminate as much paperwork as possible when making a decision as to who should be called in first. The number of children, the age of the individual and the length of time he has been on welfare would be the information most important in determining who should be called in first.

Once they are called in, you are right. We will then need to know what their education, background and experiences are.

Senator TALMADGE. The new amendments require that heads of families receiving AFDC register for participation in the work incentive program. When we enacted this provision we contemplated a registration procedure similar to the way persons register for unemployment compensation, namely, the individual would provide information on his or her work experience, and if ready to be placed in employment immediately, an attempt would be made to place the individual in a job.

Instead of this, you propose a complicated procedure involving a paper registration. Under this procedure, a job-ready individual doesn't even see the manpower agency until some considerable time has elapsed. The procedure is summarized on chart B, page 9, of the staff blue book.[1]

Why have you ignored the Congressional requirement of real registration for work and training? Why must a job-ready individual be subjected to such a complicated and time-consuming procedure before placement can take place?

Mr. LOVELL. I think, in all honesty, that the procedure is not as complicated as it may appear.

Senator TALMADGE. Have you seen the chart on page 9 prepared by our staff?

Mr. LOVELL. No, I have not.

Senator TALMADGE. Please hand Mr. Lovell a copy of that chart.

Mr. LOVELL. This is not really an accurate indication of what happens. Let me explain this.

Senator TALMADGE. That is what the State welfare directors testified to.

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[1] See p. 46.

LABOR DEPARTMENT FAILURE TO TRAIN STATE WELFARE DIRECTORS

Mr. LOVELL. After hearing some of our State welfare directors, I must admit we have not done as good a training job as we should have done because obviously they do not understand all the aspects of the process. That is our responsibility and I accept that. We will do better.

In addition to that, obviously there are bugs in this. However, this kind of testimony is going to be constructive in helping us find out just where we have created bugs and in some instances make changes.

If we had no unemployment compensation law but one were passed tomorrow, we would not be able to pay benefits to everybody right away. We would not have the staff for it. The problem we have now is how to take care of 1½ million people in an expeditious fashion. That is, first there is a paper registration and this is followed by a calling process as we build up.

Now, you could ask why aren't we prepared in 6 months to handle, as of July 1, 1½ half million people. I suppose conceivably we might be. Government does not always proceed with that kind of haste. In our public employment program we were able to employ 135,000 people in a 6-month period. However, to go through the complexities of implementing Public Law 92-223 in 6 months, in including hiring all the staff, getting budget authorizations, is unrealistic; it just takes more time. As you know, Senator, when the WIN program was originally enacted, it took several years to implement—and we are not proud of that. We are going to do better than that.

COMPLICATED RIGAMAROLE PRECEDING PLACEMENT

Senator TALMADGE. Let's look at the chart on page 8 .[1] This procedure was contemplated by the Talmadge amendments. A welfare recipient will register with the Labor Department and as under unemployment compensation he provides information on work history and job readiness. Your form does not even require that.

Then if there is a job available he would immediately be placed in the job. That is how Congress thought this should work.

Let's go to the chart on page 9.[2] Here is the rigamarole the Labor Department has set up. Welfare recipients register with the welfare agency which collects no information on work history or job readiness. That is step one. Step two, the records go to the registrants pool, whatever that is, and then step three, the records of this recipient are selected from pool for appriasal, though there is no prior work history information upon which selection can be based.

Then the next step. The recipient is appraised for job readiness or job preparation. And then another step. If ready for job, without further preparation, automatically certified as job ready and placed in a job.

Why all that rigamarole instead of doing something directly.

Mr. LOVELL. Senator, once we have registered all existing workloads, we will proceed in a more expiditious fashion, but the problem that you have not anticipated is the magnitude of he increase in the program.

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[1] See p. 45.
[2] See p. 46.

We have almost 120,000 people currently in WIN and we have to register 1½ million. Once that is done, all new registrants will follow the procedure you suggest. Now, they do have to be identified by the social service agencies as being required to register.

A judgment must be made by social service, according to the Talmadge amendments, that they are required to register. Some are excluded. If they have children under 6, if they are incapacitated, if they are ill, if they have people to care for at home, the law excludes them and that judgment has to be made by social service.

Then they will be sent immediately over to the manpower agency, but if we had 1½ million people arrive on July 1, it would be very difficult for us to handle them.

So we have tried to set up a process by which people can come in and be referred to jobs—and there aren't 1½ million jobs available——

Senator TALMADGE. You heard the testimony of some of these State directors. Why can't New Mexico proceed immediately with the program their director outlined, and save the State and Federal Government money doing it? You heard the same testimony by the director from California. He would save the State and Federal Government money by doing it.

You heard the same testimony from the director from Colorado. They want to proceed now and you won't let them.

EXPEDITING REGISTRATION IN CALIFORNIA

Mr. LOVELL. If the State of California can register all their eligible people in a fashion more expeditious than the one we outlined, we will be happy to sit down with them and see what we can work out.

Senator TALMADGE. I hope you will follow through.

Mr. LOVELL. While the State employment service people have the responsibility for registration, the welfare people have been delegated their agent.

Mr. CARLESON. We do represent them also.

Mr. LOVELL. If they can carry out the process in a more effective way, we have no desire to put obstacles in the way of rapid implementation. We are as interested as you and as they. We think we have set up a reasonably flexible procedure but if they think they can do it more quickly at a lower cost, we would appreciate their suggestions.

Senator TALMADGE. I sympathize with you in trying to work with HEW. When you mention work around any of that crowd it gives them the horrors.

EXPENDITURES FOR PUBLIC SERVICE EMPLOYMENT

Mr. Lovell, under the provision of these amendments, one-third of Labor Department expenditures for the WIN program must go for on-the-job training in public service employment. What are your estimated expenditures for 1973?

Mr. LOVELL. On those items?

Senator TALMADGE. Yes.

Mr. LOVELL. We expect our expenditures for public service employment to be almost $42 million.

Senator TALMADGE. How much for on-the-job training?

Mr. LOVELL. Our estimated expenditures for on-the-job training are about $49 million.

Senator TALMADGE. That is a total of $91 million?

Mr. LOVELL. Approximately

Senator TALMADGE. Out of a total of $455 million?

Mr. LOVELL. The $455 million includes the child care and social service estimated expenditures.

Senator TALMADGE. Are you allocating one-fifth for on-the-job training and public service employment instead of one-third?

Mr. LOVELL. No. One-third, Senator. We are allocating one-third of the manpower costs, not one-third of the total costs (including social services and child care), for on-the-job training and public service employment.

Senator TALMADGE. That was not the testimony before the Appropriations Committee of the House, was it?

Mr. LOVELL. I don't think there was any testimony on the Talmadge amendments before the House Appropriations Committee.

Senator TALMADGE. You have sent up a request for $455 million.

Mr. LOVELL. The $455 million is for both HEW and Labor, not just Labor. Almost $250 million is being requested for use by the Labor Department.

Senator TALMADGE. You intend to spend one-third of whatever Congress appropriates for the WIN program for on-the-job training and public service.

Mr. LOVELL. Yes, we certainly do.

TARDY SUBMISSION OF APPROPRIATION REQUEST

Senator TALMADGE. The WIN amendments were passed in December, 1971, and are scheduled to become effective July 1 of this year, but the appropriation request was not sent to Congress until June 19 of this year. How can you expect effective and timely implementation of these amendments under these circumstances?

Mr. LOVELL. Senator, we do not feel that the tardy submission of the appropriation request will impair the implementation of our operation. We will carry over into fiscal 1973 approximately $85 million which may be used immediately to put the Talmadge amendments into effect, and we will hopefully be able to operate under a continuing resolution until the Appropriations Committee meets the latter part of July on our revised budget.

So, we will not be coming in and blaming Congress for late appropriations.

Senator TALMADGE. That is exactly what the Administration did in 1967.

Mr. LOVELL. I did not defend the Administration then, and I will not now for what it did in 1967.

LABOR DEPARTMENT RESTRICTIONS ON PUBLIC SERVICE EMPLOYMENT

Senator TALMADGE. You have heard these State welfare directors testify about some of their problems in trying to expedite public service employment and the administrative roadblocks that have been thrown up. The amendments provide Federal sharing in the cost of public service jobs for a 3-year period. Why have you prohibited the

States of New Mexico and Colorado and California and others from initiating more than 1-year public service employment programs for WIN participants even when the States have assured you that they will hire the participant after the program is over?

Mr. LOVELL. Well, our objective, of course, is to make the best use of the public service money. We are trying to utilize the funds in a fashion that best meets the basic objective of the amendment, which is removing people from public assistance.

Senator TALMADGE. You heard the director from New Mexico say what he is trying to do.

Mr. LOVELL. We have no disagreement, except we would like the States to absorb them after a year and they want to absorb them after 3 years.

Senator TALMADGE. The law provides for up to 3 years, not just 1 year.

Mr. LOVELL. There is no question about it. The law does permit it. However, since we have fairly limited moneys, we thought we would give priority to those public agencies that can absorb them within a year. If public agencies refuse to do it, we may have to revise our budget and program estimates.

Senator TALMADGE. You are willing to carry out the law, are you not?

Mr. LOVELL. Of course.

Senator TALMADGE. You know what the law says, don't you, Mr. Secretary?

Mr. LOVELL. I am very familiar with the law. Indeed, I have spent most of my time in the last 6 months——

Senator TALMADGE. You have heard what the director from the State of New Mexico said. He is ready, willing and able to perform and you are not. Why aren't you?

Mr. LOVELL. Senator, we are. Our understanding is that this committee and you in initiating these amendments had an overriding objective. That objective is to cut down on the size of the welfare rolls. Your intention, as I understand it, was not to expand the number of health agents in the State of New Mexico, but rather primarily to get people off the rolls.

Now, we believe that our regulation will move more people off the welfare rolls more effectively than the plan the gentleman from New Mexico is suggesting. Now, your primary objective of using the money in the best way to move people off welfare is our objective too.

Now, we recognize that there are other social objectives that can be achieved through public service employment. However, we want to implement this law, sir, so as to get people off welfare. We do not have other basic objectives. I think that is what you all have been telling us.

USING TALMADGE AMENDMENTS AS A PILOT PROJECT FOR H.R. 1

Senator TALMADGE. We received communications from many States and material you have submitted to the Appropriations Committee indicates that you consider the Talmadge amendments as a pilot project for the implementation of the manpower provisions of H.R. 1. Precisely, what do you mean by pilot project for H.R. 1 and why don't you simply concentrate on making these amendments work?

Mr. LOVELL. Senator, our first objective is to make these amendments work and I commit myself and the Labor Department toward that end. Now in the process, this committee, as well as the House Ways and Means Committee, has been interested and has held numerous hearings and done a tremendous amount of work on comprehensive welfare reform.

It is our understanding that both of these bodies have recognized the need for such reform, although there has not been unanimity on what the nature of it should be. So, we feel that whatever we do in the way of manpower for welfare people should provide us with greater wisdom as we move down the road. There are no experts in this area who have all the answers. So, although our first objective is to make these amendments work, we still wish to evaluate what we do under their authority, and set up some experiments to demonstrate different approaches to the manpower problems of welfare recipients.

But, I assure you that any effort that we make as part of our learning process will not interfere with our basic objective of carrying out these amendments.

EFFECT OF TALMADGE TAX CREDIT

Senator TALMADGE. What is your estimate on the number of jobs for which the Talmadge tax credit will be taken and of the cost of that credit for the fiscal year 1973?

Mr. LOVELL. I wish I knew the answer to that. We have assigned major priority to analysis of that question within the Department of Labor. The tax credit is a highly imaginative and new concept in the area of manpower. I think it offers a very interesting opportunity for us. Now, this has been in effect since Januray 1, Internal Revenue Service has sent a brochure explaining the tax credit to employers, urging them to take advantage of it. However, IRS has not yet published their regulations and employers have been somewhat reticent to take advantage of the tax credit until they have read the regulations.

So, we do not have that kind of experience. We estimate that the tax credit will be available in the first 6 months of the operation of the new amendments to up to 200,000 people. How many employers will take advantage of it, I do not know. I would hope that they all would. Why shouldn't they? It is a very generous amendment. It allows 20 percent of the tax which—if the corporation is in the 50-percent bracket, as many are—constitutes a 40-percent reduction in the annual wage cost for that 1 year. That is a very real incentive.

I think as it gets better known, and as the regulations are published by IRS, that many employers will take advantage of it. How much it will cost, I just don't know now. We have designed our reporting system to answer that question and are watching the reports very closely.

Senator TALMADGE. It seems that the credit would be good all the way around. Every time the employer saves 20 cents, the Government will save 60.

Mr. LOVELL. I think that it is a good deal for both Government and employers. It is also a good deal for the welfare recipients.

Senator TALMADGE. It will place them in useful jobs, and I think the only opportunity for permanent employment is primarily in the private sector.

Mr. LOVELL. I agree with you. I think it would make looking for a job easier too. The tax incentive allows the individual to bargain for himself, to go to an employer and say, "Look, you hire me, and you are going to get a 40-percent saving of my first year's wages." If they don't hire him, he can go down the street to the next company.

Senator TALMADGE. I have seen some of the people trained in our State in the Jordan-Macon Furniture Co., making medical equipment. In Albany, they manufacture tires and in Columbus, Ga., they are performing other useful functions. Now, they are not only off welfare, but they are responsible taxpaying citizens.

TESTING A BROADER VERSION OF THE TAX CREDIT

I understand that you have started two pilot projects to test a broader version of this tax credit amendment in Hartford and Louisville. What is the nature of these two pilot projects, and how do they differ from the regular Talmadge tax credit?

Mr. LOVELL. What we are saying in these two projects is that everybody who will be registered under the Talmadge amendments—in other words, the equivalent of the whole 1.5 million—will be eligible for tax credit employment, whether they have been interviewed or not, whether they are taking any training program or not, whether or not child care is available. The purpose of these tests is consistent with the Talmadge amendments—to see whether we should broaden or narrow the eligibility for the tax credit as we move down the road in administering the program.

Senator TALMADGE. Mr. Secretary, I believe in your earlier testimony, you testified that during the first 6 months the new WIN operation, this tax credit will be available to employers who hire WIN recipients certified as having the requisite social service?

Mr. LOVELL. If the AFDC recipients need the services.

Senator TALMADGE. What does that mean?

Mr. LOVELL. Certification is a statement required by the amendments that adequate social service and child care are available, and that certification has to be prepared by the social service agency. And, even if none are needed, that statement has to be made so that the work tests could be exercised. In other words, once they are certified, we exercise the work test.

Senator TALMADGE. It is not intended to throw up another barrier to keep people from working?

Mr. LOVELL. No, it is the contrary. It is to move people more easily to work.

Senator TALMADGE. Mr. Chairman, I have already taken more than I should. I yield so that you and Senator Anderson may proceed.

LIMITING PLACEMENT EFFORTS TO PERSONS ON WELFARE LESS THAN TWO YEARS

The CHAIRMAN. I would like to clear this matter up to see if we can understand one another today and try to give you all the help we can and if it looks like you are not getting the job done to tell you where we think you are failing to do it.

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It is our understanding that a decision was made to work only with recipients who have been on the rolls less than 24 months. Is that correct?

Mr. LOVELL. No, sir.

The CHAIRMAN. Would you explain where we got that impression, if you know?

Mr. LOVELL. We have made a decision to try to work first with those who can be placed most easily and I think it is true that someone who has been on welfare over 2 years is less apt to be placed than an individual who has been on welfare for a shorter period of time. However, it is our intention to work with all of the people we register.

The CHAIRMAN. I would hope that anybody that looks like they might be able to do something would be referred to a job, and you would not automatically separate people out who have been on the welfare rolls 24 months.

Mr. LOVELL. No, Mr. Senator, I agree.

The CHAIRMAN. Are we then to understand that all these employable recipients whether they have been on the rolls for 2 years or less than 2 years, will all be referred to a job if it looks like any work potential is in them? Do you agree with that?

Mr. LOVELL. Yes, sir.

COMPLIANCE WITH FEDERAL HEALTH AND SAFETY STANDARDS

The CHAIRMAN. I am told that your regulations permit refusal of any job which is in violation of any Federal health and safety standard. I understand that only one-fourth of the establishments visited by your safety inspectors have been found to be in compliance with all of your health and safety standards.

Does this mean that three-quarters of all jobs could be refused as unsuitable by employable welfare recipients who did not want to work?

Mr. LOVELL. No, sir. Our regulations say that the establishments have to meet the appropriate standards that apply to that work. If they are not covered by Federal regulations then they obviously do not have to meet Federal standards. If they are covered by Federal regulations then they do have to meet Federal standards.

I don't think we would want to require people to take jobs which are flagrantly in violation of Federal regulations. I don't know how many are in violation of the standards but certainly a company that has merely been deemed in violation would not be made ineligible in that regard. Only after they had been deemed to have dangerous working conditions by our safety inspector would they be ineligible. I don't think that you need to fear that the regulation would restrict our ability to——

The CHAIRMAN. It would seem to me that if you want to make the WIN program work, if you want to put people in jobs, then if you go into an establishment and the establishment does not meet reasonable health and safety standards you tell the employer, "You have 30 days or even a couple months to meet these standards, otherwise we are closing you down."

If you take the enforcement of the health and safety standards as one job and the employment of welfare recipients as a separate job you would simply say:

All right, we will be back in here the day after tomorrow to see if you have corrected this particular situation, meanwhile we are referring this person to you to put to work.

Mr. LOVELL. Senator, I don't think this provision will represent a serious obstacle to providing job opportunities. We will follow it closely and watch it closely but I don't think we will find it to be a problem.

RESTRICTING PLACEMENT OF UNEMPLOYED FATHERS IN JOBS

The CHAIRMAN. The Labor Department regulations say that an unemployed father cannot be placed in a job unless the job pays as much as the family's welfare payment—and here is the important thing—plus work expenses.

Given the broad definition that is now applied to work expenses and given the relatively higher welfare payment levels in a number of States, isn't this requirement of the regulations a real restriction of jobs available for unemployed fathers?

Mr. LOVELL. No. This is a tough one, Senator, because, as you know, there is no disregard for the fathers so that, unlike women, a man who becomes employed loses all welfare benefits if he works over 100 hours a month.

Therefore, to require an individual to take a job which resulted in less money for the family would penalize him for working, which is not fair. We have not, however, required that other benefits such as medicaid and housing benefits be included in these calculations.

The work expenses are not that high. They include transportation and lunch expenses and they do not come to that much. He would not be required to take a job if it did not meet these criteria.

The CHAIRMAN. Suppose you had welfare payments of $5,000 in a State and a man has a job where you can put the man to work and he makes $4,000.

Why shouldn't you tell him that he is not eligible for welfare if he turns the job down? "Go earn the $4,000 and we will add $1,000 to it." This is how I would be trying to draft a law.

Mr. LOVELL. I think you are right. This is what we do for women. If they get $5,000 on welfare we would require them to take a job at $4,000 and we would pay the difference and a little extra with a disregard.

The CHAIRMAN. You can't do that for unemployed fathers? You can't require them to take the job and then add something to it?

Mr. LOVELL. That is right. There is no income disregard for unemployed fathers.

The CHAIRMAN. Then we should correct the law.

Mr. LOVELL. I agree.

FAILURE TO EXPAND PUBLIC SERVICE EMPLOYMENT

The CHAIRMAN. You testified both last year and the year before that the structure of the former public service employment provisions make it impossible to place enough people into such employment, and you also stated that you could operate a larger public service employment program if the law were simplified.

The Talmadge amendment provided you with the kind of public service program that you asked for, yet your revised budget, reprinted

on page 16 of this staff blue book material,[1] provides for the same 8,000 participants in public service employment that you already had estimated under the prior law.

Why haven't you increased the number of welfare recipients in public service employment jobs as a result of the Talmadge amendment?

Mr. LOVELL. It is not a matter of our ability to do so because it would be easy. We could put half a million people to work on public service jobs if we wanted to spend the money. It is a cost item and public service employment is the most costly way of putting public welfare people to work.

If we can do it in a less expensive way we think Congress would support that means. We are saying let's try to use this money for OJT, on-the-job training, in the private sector first and only if we are unable to accomplish our objectives in that way will we put a lot of money in the public sector.

We are asking for 8,000 public service employment jobs at a cost of almost $41 million. In addition to that we expect our various agents operating under the Emergency Employment Act to each earmark a certain number of slots for people on welfare as well. I do not think the answer to our welfare problem is moving welfare people to highly paid and desirable jobs. That would encourage people to go on welfare rather than discourage them.

The CHAIRMAN. Some of us don't think we need to provide only high paying public service jobs. We feel if you pay something at the minimum wage or something in excess of that, that should be adequate.

The idea is to put employable welfare recipients in jobs. If jobs can be found in government, put them in those jobs. I would think the minimum you ought to be asking for is 80,000 public service jobs rather than 8,000.

Mr. LOVELL. In our public service employment program it is costing almost $1 billion to put 140,000 people to work. On a welfare program we are estimating a lower unit cost. We are planning a unit cost of about $5,000 in WIN rather than $7,200 in PEP.

The CHAIRMAN. How much does that work out for each job? Have you calculated it?

Mr. LOVELL. Well, $40 million for 8,000 man-years is about $5,200 per man-year. Contrasted with OJT which we estimate to be about 6 months per participant, we estimate about $1,000 per person, $2,000 a man-year.

The CHAIRMAN. It would seem to me perhaps we could get by with a lower wage and provide more job opportunities.

Mr. LOVELL. I think that is why we lowered it from $7,000 to $5,000. Also, it is not a requirement that they pay $5,000, Senator. If States want to use this money to pay a lower public service wage that is OK. with us.

The CHAIRMAN. How many recipients do you have in public service jobs now?

Mr. LOVELL. Now under present law it is about 1,600, a very small number.

The CHAIRMAN. You are just not getting on with it. We want recipients placed in jobs; 1,400 is a paltry amount. I think that that number ought to be increased.

[1] See p. 53.

REQUIRING TWICE AS MUCH ON-THE-JOB TRAINING AS PUBLIC SERVICE EMPLOYMENT

Is it true that you have added a policy administratively that there be 2 man-years of on-the-job training positions for every 1 man-year of public service employment in every State with a manpower agency contract?

Mr. LOVELL. Yes; we have an administrative policy of 3 man-years of on-the-job training for each man-year of public service employment. What we are saying is that we would rather spend $1,000 a person to get an individual to work than $5,000. We think that the easy thing to do for the program administrator is to spend the money on public service jobs. They can hire 200 medical aids and say, "Look what we have done. We put 200 people to work." We say, "Work harder. Put 1,000 people to work with the same amount of money." You have to go out and dig for that. It is not just a matter of setting up a program with a sister agency.

Our objective is to move the maximum number of people off welfare with a given amount of money, so we are going to make it a little tougher for the program administrators.

The CHAIRMAN. Under the Talmadge amendments you say you are planning to increase the number of WIN enrollees who are going into jobs and on-the-job training. However, the budget material reprinted on page 16 of this blue book [1] shows no increase at all in the number of years worth of child care provided.

FAILURE TO SEEK EXPANSION OF CHILD CARE

Isn't it true that a basic barrier to employment for AFDC mothers has been the lack of child care? If so, how do you increase enrollment without increasing the amount of the child care?

Mr. LOVELL. The child care request has gone up, as I understand it on this chart, from $93 million to $134 million. It has been substantially increased.

The CHAIRMAN. If you look a few lines above there, you will note it says, "Original fiscal estimate 1973 request, 186,000." That is child care years?

Mr. LOVELL. Yes, sir.

The CHAIRMAN. Move across to the next column. Fiscal year 1973 revised request, 186,000, the same figure. Apparently, you are estimating a higher cost per unit but you are not estimating any more child care.

Mr. LOVELL. I don't have the child care figures for the current fiscal year, 1972, but I would imagine that 186,000 is substantially larger than we had this year, Senator.

I think that if child care is not available or there are people whom we cannot place without child care, we are going to have to come back and get more child care. If we do not provide child care for 15 percent of the registrants, which is almost 225,000 people, why then the State agencies are going to lose money on their grants. There is going to be a stronger motive than we had under legislation in the past to provide adequate child care.

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[1] See p. 53.

The CHAIRMAN. I suggest you check that. If you need more money, find out how much.

Mr. LOVELL. I think this certainly should be enough to give us a good start. I think we need more experience to make any judgment of the adequacy or inadequacy of this figure.

The CHAIRMAN. As you know, when we passed the Talmadge amendment we were concerned with both the situation in some States of mass "paper referrals" to nonexistent training slots and the situation in other States where the manpower agency could not get enough referrals of recipients from the welfare agency.

MANPOWER AGENCY CONTROL OVER CERTIFICATION OF RECIPIENTS

The Talmadge amendments envisioned a highly coordinated and cooperative operation whereby a high level of referrals and placements in WIN slots would result. Do you believe giving the manpower agencies "carte blanche" in deciding who and how many of the recipients will be certified by the welfare agencies meets this criteria?

Mr. LOVELL. Yes, you see, the position we are getting in is that we are going to be coming back before this committee a year from now to talk about our progress.

If we have not moved forward in an effective way and at a reasonable cost, I think we are going to be in trouble with Congress.

The Labor Department is going to have the responsibility of moving people and of indicating which people should receive the child care. We have set it up that way so that the major responsibility for this program's operation would be with one department rather than divided between two departments, in which case we would be blaming each other. It is very easy for a welfare agency to criticize the Department of Labor and for us to criticize them.

I am not going to participate in that. We are going to be responsible for the program. If it does not work it is either because it is our fault or there is some problem in the design of the program.

The CHAIRMAN. You are aware are you not of the fact that if the manpower agency does not request certification on a sufficient number of WIN recipients that the welfare agency would lose money?

Mr. LOVELL. Yes; but we are not going to let that happen.

FEDERALIZING THE WELFARE SYSTEM

The CHAIRMAN. Have you managed to disabuse your people as well as State administrators by now of the idea that this WIN program is a tool to bring about Federalization of the system?

Mr. LOVELL. I believe we have. If we have not we will continue to work on that.

The CHAIRMAN. I wish you would inform them to that effect.

Mr. LOVELL. I gather from some of the testimony this morning that we have not been completely successful.

The CHAIRMAN. It is the view of the majority of us on this committee—and we will make that view prevail—that this program of making payments to people who are unable to work, people we do not expect to put into a work program, should remain with the States.

Mr. LOVELL. I don't think we have done anything under this legislation to even suggest anything else, Senator.

The CHAIRMAN. Thank you, very much.

PENALTY FOR FAILURE TO CERTIFY ENOUGH RECIPIENTS

Senator TALMADGE. Mr. Secretary, pursuing the questions Senator Long asked a moment ago, these amendments clearly provide that after June 30, 1973 the Federal share of AFDC costs will be reduced unless 15 percent of the average number of individuals required to register are certified for employment or training.

Despite this clear language, I understand that Federal officials have stated they do not intend to enforce the 15 percent requirement until after July 1, 1974. Is it a coincidence that this date is 6 months beyond the date of the administration's proposal to expand welfare benefits?

Mr. LOVELL. No, sir; that is not correct.

Senator TALMADGE. In other words, you intend to comply with the law?

Mr. LOVELL. We certainly do. The Solicitor of Labor and the General Counsel of HEW have had discussions on this. The HEW people have argued that it cannot easily be done the first year because they need a year's experience in order to make effective judgments.

It is a question of whether the law requires enforcement at the beginning of fiscal 1974 or at the end of fiscal 1974. I recall that the judgment was made by the attorneys that it does not require enforcement until the end of fiscal 1974. The date has no other implications.

INCREASED COST OF ON-THE-JOB TRAINING

Senator TALMADGE. I see from the material you submitted in justification of your budget estimate reprinted on page 16 of the staff blue book,[1] that you intend to triple the man-years of on-the-job training.

I don't understand why you have increased the unit cost of on-the-job training from $1,300 per year to $2,020. What is the reason for this increase? Does it have anything to do with the Talmadge amendment?

Mr. LOVELL. Part of the reason is that there has been a change in the program design to equate it with the very successful State JOP program. The increased cost is due to a generally higher wage rate and requisite skill training.

Senator TALMADGE. It does not have anything to do with these amendments?

Mr. LOVELL. It might be slightly enriched but not substantially.

STATEMENT IN LABOR DEPARTMENT PRESS RELEASE

Senator TALMADGE. In the Labor Department press release of June 20, announcing the new WIN regulations, it is stated, "About 800,000 persons now receiving welfare will be signed up at the end of the year as a condition for receiving aid. The rest will be signed up as they come in to apply for aid in the next 12 months."

What does this statement mean?

Mr. LOVELL. It means that our press people were not as familiar with the law as those of us that operate the program. One and one-half million people are going to be called up, not the first year but as soon as we can, and after that all of those who register will be referred immediately to a manpower office.

[1] See p. 53.

INCREASED COST OF CLASSROOM TRAINING

Senator TALMADGE. One of the purposes of the amendments that Congress adopted was to reduce the emphasis on classroom training and increase the emphasis on employment-based training. I see from the material that you have submitted in your budget request for these amendments that you have reduced the number of man-years for classroom training called institutional training in the budget material reprinted on page 16 of the staff blue book.[1]

However, you propose to increase the unit cost to the Federal Government for this training from $1,800 and 10 to $2,388. Even when the non-Federal share is added this still represents a substantial increase in the unit cost from $2,262 to $2,653, a 17-percent increase since the budget was submitted 5 months ago.

What is the reason for this increase?

Mr. LOVELL. I think one reason might be the difference in matching requirements, Senator, but there also might be some enrichment.

Senator TALMADGE. But as I mentioned, even taking that into account there is still a 17-percent increase.

Mr. LOVELL. It might be an increase in unit cost because of the additional costs of——

Senator TALMADGE. Why would it be?

Mr. LOVELL. Because the cost of everything is higher, but there is nothing substantive that would cause such an increase. There is no program design change that we contemplate in the nature of the training. We do plan to cut down on institutional training vis-a-vis——

Senator TALMADGE. I complement you on this. I have heard nothing but disagreement from my State on this institutional training. In the first place, the enrollees don't stick with it. They drop out. If they don't drop out, they are being trained for nonexistent jobs, and when they get through with their training, they still do not have a job.

Mr. LOVELL. We share your concern about much of the institutional training that has taken place during the last decade. Although we are going to give the States a lot of flexibility in this program, we say first, that they should not train people unless they are sure there is a job at the other end, and second, that this training is necessary for that job.

COORDINATION BETWEEN LABOR AND HEW

Senator TALMADGE. I have only one final question, Mr. Secretary, and unfortunately HEW is not here to respond. These amendments were aimed at bringing consistency into the program, but HEW has been working in one direction and Labor has been working in another—the Congress mandated that you write joint resolutions and set up a joint board. Notwithstanding that fact, HEW has written one set of regulations, and the Labor Department has written another.

Can't you get together and make this thing work or is our Government too big for the Labor Department to work with HEW and vice versa?

Mr. LOVELL. No, Senator. I think that, as unbelievable as it may seem, HEW and Labor really are working together quite well in this regard.

[1] See p. 53.

Senator TALMADGE. Why didn't you write joint regulations?

Mr. LOVELL. Actually, they are joint. Not only the regulations, but the handbook—which goes into greater detail we've prepared with HEW. We worked very closely, holding meetings at the Assistant Secretary level at least once a week, and sometimes at the Secretary level of Under Secretary level. By and large we have resolved most of our problems. So the regulations which came out about the same time are regulations to which we both agreed. We are in complete agreement with HEW and they with us, so they are joint in almost every respect. Although I do not know specifically whether they were signed together or not, they are joint in every other regard.

Senator TALMADGE. Some of the provisions are inconsistent.

Mr. LOVELL. I am not aware of those inconsistencies, but I would be delighted to know about them so we can correct them.

Senator TALMADGE. We will be delighted to advise you. Thank you, Mr. Secretary, and thank, you Mr. Chairman.

Mr. LOVELL. I would not be surprised if some of our own regulations were inconsistent.

The CHAIRMAN. Why couldn't you have drafted up one set of regulations, all in one book, subject by subject, that could state exactly what you have to do, so you read one book instead of two?

Mr. LOVELL. Senator, the regulations were, in fact, published together in the Federal Register the same date, June 20, 1972.

The CHAIRMAN. I am going to excuse you for the moment, because I would like to call back one or two other witnesses.

LIMITING PLACEMENT EFFORTS TO PERSONS ON WELFARE LESS THAN TWO YEARS

Mr. Carleson, from your statement here, it looked to you as if from the beginning you were to limit your activities to those who have been on the rolls for less than 2 years or less than 24 months. I will read from information you supplied the committee: "A decision had been made to work only with recipients who have been on the rolls less than 24 months. While statistics may show these persons are easy to place, there does not appear to be any reason to limit the work requirement to only 50 percent of recipients."

How did you come to have that impression that you had to limit your activities to only one-half of those on the rolls?

Mr. CARLESON. First, I would like to correct a typographical error in my original statement. I think at that time I said 2 months, and of course I meant 2 years.

The CHAIRMAN. This material says 24 months.

Mr. CARLESON. Our understanding is 24 months or 2 years. In my written statement, and in my verbatim statement earlier, I said 2 months and I meant 2 years. This came from—I don't know whether it was called a training session or not—but this was the session that was held by Labor and HEW for the States in Denver, Colo.

It was a similar session to the one Mr. Heim referred to that was held in Dallas, Tex. Whether or not that was a training session for us, this is where we were notified. The States that were there were notified that the current decision was that there would be a 24-month cutoff. In other words, we would work with approximately half the recipients and those were those that had been on welfare fewer than 24 months.

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As Mr. Heim indicated in their session in Dallas, we had the same problem at our session in Denver. We were instructed and given instructions on proposed guidelines and regulations. Of course, as they indicated in Dallas, they indicated in Denver these were subject to change.

If since that time they have changed, and they are not going to have a 24-month cutoff, then we are pleased with that.

PROSPECT OF WIN PROGRAM WORKING

The CHAIRMAN. Has the testimony you have heard here caused you to think that there is greater prospect of the WIN program working as Congress intended than you thought when you came here?

Mr. CARLESON. Well, Mr. Chairman, as I indicated in my testimony, just even during the last few weeks, when we made contact with the two Under Secretaries, we got improvements in the regulations and guidelines, and the Secretaries' comment today that they are willing to grant California—I don't know if it is a waiver or a special dispensation to operate our own registration——

Mr. LOVELL. I did not say that.

Mr. CARLESON. In any event, if they would work with us, or whatever it was to be able to utilize our method, if our method would do the job as fast or faster than the method being developed by Labor, this is certainly something that we are glad to hear.

In our program, the separation of employables has been going on in several counties in California now for the better part of a year, and we have had very good statistics on this. As the Secretary indicated, nobody knows all the answers.

However, in California, we have already started the separation of employables in several of our counties. We believe it works. One other point that maybe I did not make it clear to the committee: Even though I am the State director of Social Welfare, I am representing Governor Reagan and the State of California, and am speaking not only for the welfare agency, but also for the employment of his agency in California.

We believe that we can utilize our sytsem, and that it will work within the time constraints.

The CHAIRMAN. Mr. Carleson, it might interest you to know that what you have been doing out in California, as well as the testimony of Governor Reagan, were two of the most significant things that impressed this committee. You will notice the bill we have recommended, amendments to H.R. 1, move in the direction of what you are trying to do out there, and what you have done to take the view that it is far better to pay somebody to do something useful than to pay them for doing absolutely nothing.

It is bad for the person on the receiving and, and it is bad for society to be paying this money out for people to do nothing. It is far better to pay them to do something constructive.

We were hoping that the experience that you would be having under this program here, would help to demonstrate what the potential is. We will be happy to have guidance as to the potential of moving people into private employment, but if you cannot find private jobs, it is better to put them on the Government payroll to do some constructive work.

But, I am not persuaded that we have to pay $5,000 per job if the person is so unproductive that even when you provide a tax credit for private employment, nobody will hire him.

FINANCE COMMITTEE WELFARE PROPOSALS

Are you aware of what we propose to do by providing a tax credit in private employment as well as the deduction for household services that presently exists, as well as the subsidy which we call the work bonus of additional 10 percent when a person goes into private employment. Are you aware of those suggestions in our bill?

Mr. CARLESON. Generally, I am aware of them. I am not up on it in complete detail at this point in time. We feel that this general concept, the concept of expecting work and requiring work is a concept that we subscribe to, and that Governor Reagan subscribes to.

The CHAIRMAN. Assume that, currently, you pay an employee $4,000 and the wages are deductible as a business expense. But then we add 20 percent tax credit. If you look at the total tax advantage, it can cost the Government in the first year as much money as it would cost for the person to stay on welfare.

But after the first year, the Government begins to save money because at that point, we would not provide the tax credit. The employers would only have the ordinary deduction available to him.

But if you cannot get the person into a job, even when you are providing tax advantages and subsidies, that must not be a very productive worker, and to expect us to pay him $5,000 when you could not get an employer to pay him even the minimum wage—wouldn't that look like it is asking too much of the Government to try to maintain that person at a level far beyond anything that person could produce, and even beyond the poverty level as applied to him.

Mr. CARLESON. Yes, Mr. Chairman. Here again, we think that some of these very innovative ideas, I think, as Governor Reagan indicated, if the States can be given more discretion by Congress to be able to not try out and implement these kind of ideas, but others, and to, in effect, make more of their own decisions in managing the welfare system, we think this is through half the welfare reform.

Any large-scale change on a Federal basis, we feel, of course, should follow a demonstration project or a pilot project. I think an overwhelming change without this kind of a test would not be the best way to do it.

The CHAIRMAN. Are you aware of the suggestion that has been made by the committee that we provide every State, including California, under a formula, with at least 10 percent more Federal funds than provided before in this welfare area, and make it a block grant instead of a matching grant—that is, simply provide the State their share of the money, and expect the State to use it as they think it could most effectively be used, without the matching incentive, to try to make them put up more and more of their money.

Mr. CARLESON. Yes, sir, but here again, Senator, this is one I am not familiar with in depth. If it is the proposal I am thinking of, is it the proposal that we would give the States an incentive to tighten up the welfare rules?

The CHAIRMAN. That is a part of it. We would give California a certain amount of money, at least 10 percent more than now. Then,

we say to you that we would expect California to take care of these people who are unemployed and cannot be put to work with the explicit understanding that California will administer this program, and if they can save anything, the State gets the benefit of 100 percent of the savings.

Mr. CARLESON. Mr. Chairman, I think that latter ingredient of your plan, the one that, in effect, gives incentive to the States to tighten up the rolls, and to in effect, reward them for the successful efforts, is a very creative approach, and is one that, certainly, we are glad to see.

The CHAIRMAN. Now, is there something else you would like to say on this matter of the Talmadge amendments? Is there anything you have not had a chance to say that you think you ought to leave with us?

Mr. CARLESON. No, except to say Governor Reagan has indicated it was his pleasure to be with you on February 1, before this committee. It was my pleasure to accompany him at that time, and he also would have me indicate to you that even since the time our reforms have been even more successful and he would, in effect, reiterate the position he made at that time.

The CHAIRMAN. You can tell the Governor for the chairman of the committee that as far as I am concerned, the contribution he made here was the best presentation of anybody in government, Federal, State, or local. He made some fine suggestions to us. I don't think he will find those suggestions were missed.

Thank you very much.

I would like to ask that Mr. Heim return to the stand for a moment. Mr. Heim, would you like to add something to what has been said here?

ADDITIONAL COMMENTS OF MR. HEIM

Mr. HEIM. Thank you, Mr. Chairman. I spoke earlier only to the public service employment aspect of the Talmadge amendment. I did not mean to suggest that we were not willing and anxious to cooperate with the Department of Labor, and the New Mexico Security Commission in implementing the entire program. I just want to restate our position as we see it, and why we feel that public service employment must be an important part of the program in New Mexico.

The unemployment rate in New Mexico is running quite high. Overall, about 7 percent, but in portions of the State, it is running in excess of 25 percent. So, there are parts of the State where there are no jobs in the private sector. We can send as many times around as possible, and there will still not be job investments. When we saw the Talmadge amendment we said, "Here is an opportunity to provide some jobs now." And we were not just talking about any jobs. We were talking about jobs that were needed to be performed, and which the State at this point in time, could not afford to hire people to perform. Second, we are willing to provide a career ladder so these would not be dead-end jobs. So that an AFDC mother could be trained adequately at the bottom rung of the ladder, and with additional on-the-job training, she could move up to a licensed practical nurse or up in the social-service fields. By doing this, of course, we would hope to meet the objections of the legislature to reduce welfare caseload. We have been doing a lot of work in the last year, Mr. Chairman, in

eliminating ineligibles for the rules in New Mexico, and our rules have been steady since March of last year.

Also, in the particular area that we wanted to start, in the public service employment field, in the home health aid, homemaker service, this would have an undesirable effect in reducing expenditures in our medicaid program where we are now paying to keep people in long-term-care institutions who do not require this care for medical reasons.

Lastly, and I did not mention this in my testimony originally, we are not just talking about public service employment. We are going to bring people in and they will be servants of the State from here on out. We have contacted the Hospital Association in New Mexico and the Nursing Home Association, and individual hospitals and nursing homes, and we asked them how they recruited their untrained help. They said they drag them off the street and then train them themselves.

We said if we go into this program and develop a good cadre of trained people in this field, would they be interested in looking to us as a primary source for their own job needs, and they said, "absolutely." So, we have the assurance from the private sector that they would cooperate in the program.

For this reason, Mr. Chairman, we feel, again, that our idea has some merit, and all we would like is an opportunity to try it out.

The CHAIRMAN. I think you have a good point. I wish I had Mr. Weinberg here, because I know that at the Bureau of Budget level, a dollar is a dollar, and every dollar you are out increases your deficit. But I think someone should keep in mind when you are paying somebody to do some public service work, if it is desirable work that should be done, society is getting the benefit of something. The public is benefiting, and you are getting a lot better return for your money than just to pay people the same amount of money to do nothing. That is one thing that some people seemed to have overlooked.

Mr. HEIM. Mr. Chairman. in New Mexico, the WIN program has been oversubscribed from the very start. We have more welfare recipients wanting to get into the program than there are training slots available. We think this would be the problem out in the State of New Mexico in having our welfare mothers interested in our concept. We have talked to some——

The CHAIRMAN. Unfortunately, we have people in the Bureau of Budget who look on people that you put to work in this WIN job as being a cost to Government without looking at what it would cost to keep that person on welfare. That is a dead-end expenditure, quite different from when you pay somebody for something where society benefits.

Mr. Shea, would you want to add any point? I am going to make available this pamphlet that was prepared by our staff on the implementation and amendment of the Talmadge amendments,[1] and provide each witness with a copy of it. I invite you to send comments on this, and if you want them printed in the record, I will be glad to print them.

ADDITIONAL COMMENTS OF MR. SHEA

Mr. SHEA. Mr. Chairman, I think that the point that I was making in my testimony is that we have a problem in arriving at our joint WIN plan in our State because of the way our Colorado Legislature

[1] See appendix A, p. 35.

has said the money should be spent. I believe my main plea is that if a State wishes to expend its money for public-service employment at a certain level and for on-the-job training at a certain level, that it ought to be allowed to do so, even though Mr. Lovell, in testifying, stated that they were putting in the Labor Department's budget side of it, more emphasis on the on-the-job training than on the public-service employment.

In our State we have this particular problem in making the joint plan with our employment service, and other than that issue, we have gotten together and are developing a joint plan between the two agencies. This problem has thrown a damper on it, however, and we believe that our State legislature ought to have something to say about it in our State, and that the Department of Labor ought to make a waiver to permit a State to do this if they choose to do it one way, rather than the other way.

One of our problems at the Federal level is that each department and agency has their categorical programs, and they view them top to bottom, just one program, without viewing the effect it has on all other Government programs. I believe if they would allow the States and the local units to be innovative in some of these programs, that we can make the money go much further. It is that kind of flexibility that we of the State and local level are pleading for.

The CHAIRMAN. Thank you very much. I hope those of you in the State end of the program will do what you can to try to obtain the best cooperation, and those in the Labor Department will give all the cooperation you can in trying to make this program work. If it will require further changes in the law, let us know.

The committee meets at 10 o'clock tomorrow morning to discuss the public debt.

(Whereupon, at 12:20 p.m. the committee recessed to reconvene at 10 a.m., Wednesday, June 28, 1972.)

APPENDIX A

Implementation of Amendments To Improve the Work Incentive Program

(Prepared by the Staff of the Committee on Finance—June 26, 1972)

IMPLEMENTATION OF AMENDMENTS TO IMPROVE THE WORK INCENTIVE PROGRAM

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IMPLEMENTATION OF AMENDMENTS TO IMPROVE THE WORK INCENTIVE PROGRAM

The Work Incentive Program as Originally Enacted

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 major barriers which prevented many of the women who headed families on welfare from becoming financially independent by working. Major features of the WIN program as originally enacted are outlined in the following paragraphs.

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 was required because of the illness or incapacity of another member of the household.

For all those referred, the welfare agency was required to assure necessary child care arrangements for the children involved. An individual who desired to participate in work or training was to be considered for assignment and, unless specifically disapproved, was to be referred to the program.

Work and training program.—The Secretary of Labor was required to establish an employability plan for each person referred. Persons referred by the State welfare agency to the Department of Labor were to be handled according to three priorities. Under the first priority, the Secretary of Labor was to place as many persons as possible directly in employment or on-the-job training, without further preparation.

Under the second priority, all persons found suitable were to receive training appropriate to their needs, and up to $30 a month as a training incentive payment. After training, as many persons as possible were to be placed in regular employment.

Under the third priority, the employment office was required to make arrangements for special work projects (public service employment) to employ those found to be unsuitable for training and those for whom no jobs in the regular economy could be found at the time. These special projects were to be set up by agreement between the employment office and public agencies or nonprofit private agencies organized for a public service purpose. It was required that workers receive at least the minimum wage (but not necessarily the prevailing wage) if the work they performed was covered under a minimum wage

statute. In addition, the work performed under special projects could not result in the displacement of regularly employed workers.

Auerbach Report on Operations of the Work Incentive Program

Funds were first appropriated for the Work Incentive Program in July 1968. Almost from the first, operations under the program were disappointing. In 1969 the Department of Labor contracted with the Auerbach Corporation to study the operations of the Work Incentive Program and to make recommendations for improving it. The Auerbach Corporation 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 Auerbach report detailed the problems in implementing the Work Incentive Program and concluded: "The basic idea of WIN is workable—though some aspects of the legislation require modification." The Auerbach report pointed 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, was largely ignored under the Work Incentive Program.
2. Special work projects (public service employment) also were aimed at providing actual employment for welfare recipients; but though the law required that they be established in all States, only one State had implemented this provision in a substantial way.
3. Lack of day care was having a great inhibiting effect on welfare mother participation in the program.
4. Lack of coordination between welfare and employment agencies was inhibiting progress. In some cases, lack of referral of trainable people by some State welfare agencies was a problem. Also, bureaucratic rivalry of long standing between welfare and employment agencies was carried over to WIN in some States. This situation on the local level was compounded by 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 was 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) was cited as a major problem.
7. Commenting on the need for job development, the Auerbach Corporation 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.

Legislative Action in 1971

In December 1971 the President signed into law legislation proposed by Senator Talmadge designed to improve the effectiveness of the Work Incentive Program. The new law, designed to take into account the problems outlined in the Auerbach Report, made these changes:

1. To end the problem of widely differing rates of referrals and program participation, States (instead of determining which cases are "appropriate" on an individual basis) are now required to have each individual who applies for AFDC register with the Secretary of Labor (as a condition for receiving assistance) 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 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.

2. Under prior law, each State was required to pay for 20% of the WIN funds allocated to the State. Under the amendment, this figure was reduced to 10%.

3. To assure that persons referred for work and training are ready to participate, each State welfare agency is now required to set up a separate administrative unit to make arrangements for supportive services needed by welfare recipients in order to participate in the WIN program and for certification to the Labor Department of those who are ready for employment or training. There was no comparable provision in prior law, and many referrals for participation were simply paper referrals.

4. To provide a financial incentive for States to provide the supportive services welfare recipients need in order to participate in the WIN program, any State which does not prepare and refer to the Labor Department at least 15% of the people who are required to register will suffer a financial penalty. Specifically, the Federal matching for cash assistance payments under AFDC (which varies between 50% and 83% among the States) will be reduced by one percentage point for every percentage point the actual proportion is below the 15% figure.

5. The Federal matching rate for supportive services, including child care, provided by the welfare department to enable its recipients to participate in the WIN program was increased from 75% under prior law to 90%.

6. To place greater emphasis on employment-based training (as opposed to classroom training), a minimum of 33⅓% of total expenditures under the WIN program is required to go for on-the-job training and public service employment. There was no comparable provision in prior law.

7. One-half of the appropriated WIN funds will be allotted to the States based on the number of registrants for the WIN program (in fiscal years 1973 and 1974, the allotment is based on the number of AFDC recipients).

8. The Labor Department is required to accord priority to those referred to the WIN program in the following order, taking into account employability potential:

(*a*) unemployed fathers;
(*b*) mothers who volunteer for participation;
(*c*) other mothers 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.

9. To simplify the funding of public service employment, the prior funding arrangement for special work projects was deleted and authorizations for public service employment will be provided for 100% of the wages in the first year of an individual's employment, 75% in the second year, 50% in the third year and no Federal funding after that.

10. To mandate coordination between the two Federal agencies involved, the Secretaries of Labor and Health, Education, and Welfare are required to issue joint regulations, which among other things provide for the establishment of:

(*a*) a national committee to coordinate uniform reporting and similar requirements for the administration of the WIN program; and
(*b*) a regional coordination committee to review and approve Statewide operational plans.

The welfare and manpower agencies are required to develop joint State operational plans detailing how the WIN program will be operated in the State.

11. The Department of Labor is authorized to pay allowances for travel and other costs necessary for and directly related to participation in the WIN program and to provide technical assistance to the providers of employment or training under the WIN program.

12. To relate training to actual jobs, the Secretary of Labor is required to establish in each State, municipality, or other geographical area with a significant number of WIN registrants a Labor Market Advisory Council whose function is to identify the types of jobs available or likely to become available in the area; no WIN institutional training can be established unless it is related to the jobs identified as being available.

13. It is made clear that the Secretary of Labor is to utilize existing manpower programs to the maximum possible extent in implementing the WIN program.

14. Federal matching for costs related to supervision and materials needed for public service employment is authorized.

15. The effective date of all of the provisions is July 1, 1972.

Problems With Implementation of the Talmadge Amendment to the Work Incentive Program

The amendments enacted by the Congress last year were intended to remove any legislative barriers that stood in the way of the success

of the Work Incentive Program. Unfortunately, there have been reports that rather than to remove barriers, the new law is being used to justify new administrative barriers which may frustrate both the welfare recipients who want to be placed in jobs and the Congress that wishes to help them find employment.

Major problems with implementation of the amendments to the WIN program are outlined in the paragraphs that follow.

1. Appropriation Request Delayed

The amendments were enacted in December 1971, and become effective in July 1972. Nevertheless, the appropriation request associated with the amendments was delayed until June 19, 1972 when it was submitted to the Congress; the budget justifications were not submitted to the Appropriations Committees until June 22. Because of this delay, the appropriation associated with the amendments will not be part of the regular 1973 Labor-Health, Education, and Welfare appropriation bill, but instead must await a later supplemental appropriation bill.

It might be noted by way of contrast that funds for the Occupational Health and Safety Act, passed in December 1970, were requested as part of the President's budget submitted to the Congress in January 1971.

The budget request associated with the original Work Incentive Program was similarly delayed in 1968. Later the Labor Department stated that one of the reasons for the slow start of the WIN program was congressional failure to appropriate funds promptly.

2. Using Enactment of the Talmadge Amendment as a Vehicle for Initiating Features of H.R. 1

Several States have complained that the new amendments are being used by the Labor Department as a pilot project for the implementation of some of the features of the welfare expansion proposal under H.R. 1. The Labor Department regularly describes the Talmadge amendment as a transitional step to H.R. 1, a view of the amendment not supported by the legislative history. Thus Assistant Secretary Lovell in his testimony to the House Appropriations Committee stated that the Department of Labor "will try to operate beginning July 1 under the amendment to this program in such a fashion as to provide experience in operating H.R. 1 when it becomes law."

In this regard, it might be noted that the Auerbach Corporation last year reported that one of the reasons for poor Labor Department performance in administering the Work Incentive Program was that persons had been moved from administration of the Work Incentive Program in order to work with the Labor Department's H.R. 1 planning group.

The elements noted below, as well as the budget request itself, appear to contemplate a move in the direction of a "federalization of WIN," as the manpower provisions of H.R. 1 were characterized in the report of the Committee on Ways and Means.

Wage levels.—Labor Department's regulations related to the Talmadge amendment require that wages paid on a job be not less than three-quarters of the Federal minimum wage, even if the prevailing rate for the occupation in the locality is lower than three-quarters of the minimum wage. There is no such requirement in present law, but there is such a requirement in H.R. 1.

Hearings process.—Persons threatened with a welfare cutoff because of failure without good cause to accept employment or participate in training may appeal the decision. This feature of the law was not changed by the Talmadge amendment, yet the Labor Department intends to use the Talmadge amendment as a vehicle for replacing State unemployment compensation referees (who have been handling appeals on whether or not refusal was for good cause) with Federal hearing examiners. The Labor Department justifies this move as follows:

> The Talmadge Amendment to the Social Security Act provides an opportunity for moving in an orderly manner towards the federalized adjudication system which will be required by the proposed Welfare Reform Act (H.R. 1). (Section 9364(1) of draft WIN Handbook.)

3. Restricting Job Opportunities

The regulations of the Labor Department incorporate a series of requirements whose cumulative effect is to restrict the possibility of placing WIN participants into private or public jobs. None of these requirements discussed below have any basis in the legislative history.

Length of working day.—The regulations state that a person is too remote from a WIN project (and thus does not even have to register for work and training) if it takes more than 10 hours for him or her to leave home, get to work and return. In the case of an 8-hour job with a 1-hour lunch period, this leaves only one-half hour each way for commuting, much less than the normal commuting time in a metropolitan area. This limit on commuting time will severely restrict job availability and training opportunities.

Imposition of Federal health and safety standards.—The regulations state that work and training sites must be in compliance with "established Federal . . . health and safety standards." Labor Department inspections under the Occupational Health and Safety Act have found that only one-fourth of employers are in compliance with the Labor Department regulations, and it would thus seem that three-fourths of all jobs would not be considered proper for placement of WIN enrollees. Furthermore, as this standard applies to the public service employment program, the effect of the regulation is to make the Labor Department safety and health regulations applicable to State and local governments even though the Occupational Health and Safety Act specifically exempts such governments from these regulations.

Minimum wage.—As mentioned earlier, the regulations require that wages paid on a job be not less than three-fourths of minimum wage, even if the prevailing rate for the occupation in the locality is lower than that. This is a requirement of H.R. 1, but is not contained in the Talmadge amendment.

Wages and welfare levels.—The Labor Department regulations (29 CFR 56.26(c)(2)) do not permit the placement of an unemployed father in a job unless the job pays as much as the family's AFDC payment plus employment-related expenses. In view of the very broad definition of work expenses now applicable under AFDC regulations, this provision of the WIN regulations would severely restrict placement possibilities in many States with relatively higher AFDC payment levels.

Nature of public service employment.—The law as amended provides 100 percent Federal funding of wages for public service employment in the first year of an individual's employment, 75 percent in the second year, 50 percent in the third year, and no Federal funding thereafter. Evidently, then, the Congress intended that public service employment could continue for at least three years. Yet the Labor Department WIN handbook contemplates requiring that each sponsor or employer under a public service employment program agree to hire each participant into his regular unsubsidized work force within 6 to 12 months of initial employment. By cutting off *all* Federal funds for a public service job after the first year, this feature of the Labor Department plans (with no basis in the legislation) would severely restrict public service employment opportunities for WIN participants. The State of New Mexico in particular has been frustrated by this restriction in its efforts to establish public service jobs for WIN participants. That State would like to hire welfare recipients in permanent jobs in the health area, with at least partial Federal funding for three years.

Limiting public service employment in relation to on-the-job training.—In order to reduce the WIN program's overemphasis on classroom training and to encourage job development, the Talmadge amendment requires that one-third of expenditures under the WIN program be for on-the-job training and public service employment. By grouping together these two kinds of employment, the Congress intended to allow States flexibility in meeting the requirement that one-third of expenditures be for on-the-job training and public service employment. The Labor Department, however, has established a policy administratively that there be two on-the-job training positions for every one public service employment position in every State WIN manpower agency contract. Thus the creation of public service jobs, for no apparent good reason, would be limited by the amount of on-the-job training that is available. This arbitrary administrative provision can only serve to limit the employment opportunities for WIN participants.

4. Obstacles to Quick Placement

The Talmadge amendment requires that every employable individual, as a condition of eligibility for welfare, register with the Labor Department for manpower services, training, and employment.

The Labor Department has interpreted this provision so that registration will be made by the welfare agency without any referral of the recipient to the employment office where some determination could be made as to the registrant's employability. The welfare agency then bundles up these forms and sends them to the manpower agency, but the registrant remains unseen by job placement personnel. Apart from the question of the apparent disregard for the intent of Congress that the recipient register with the Labor Department, this paper shuffling seems to delay for a considerable period of time the ability of the employment service to put a job-ready individual to work. Before the employment office will see these registrants, they will have to go through a separate appraisal and certification process. This process is portrayed on charts A and B.

CHART A

How a Welfare Recipient Ready for Immediate Employment is Placed in a Job

AS CONTEMPLATED BY THE CONGRESS:

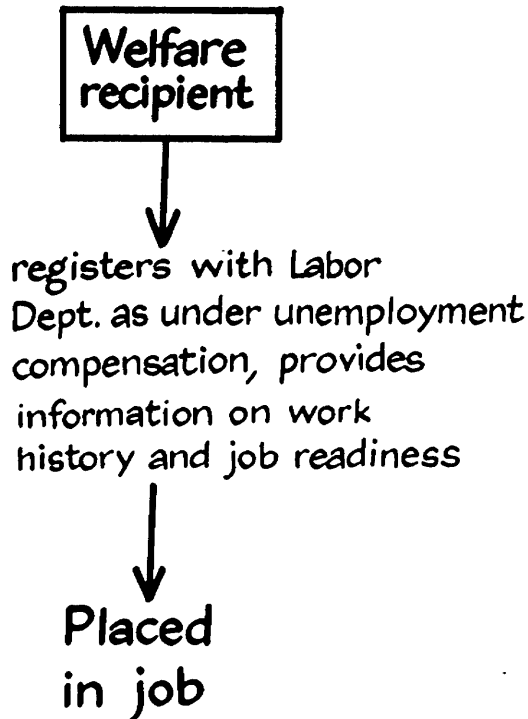
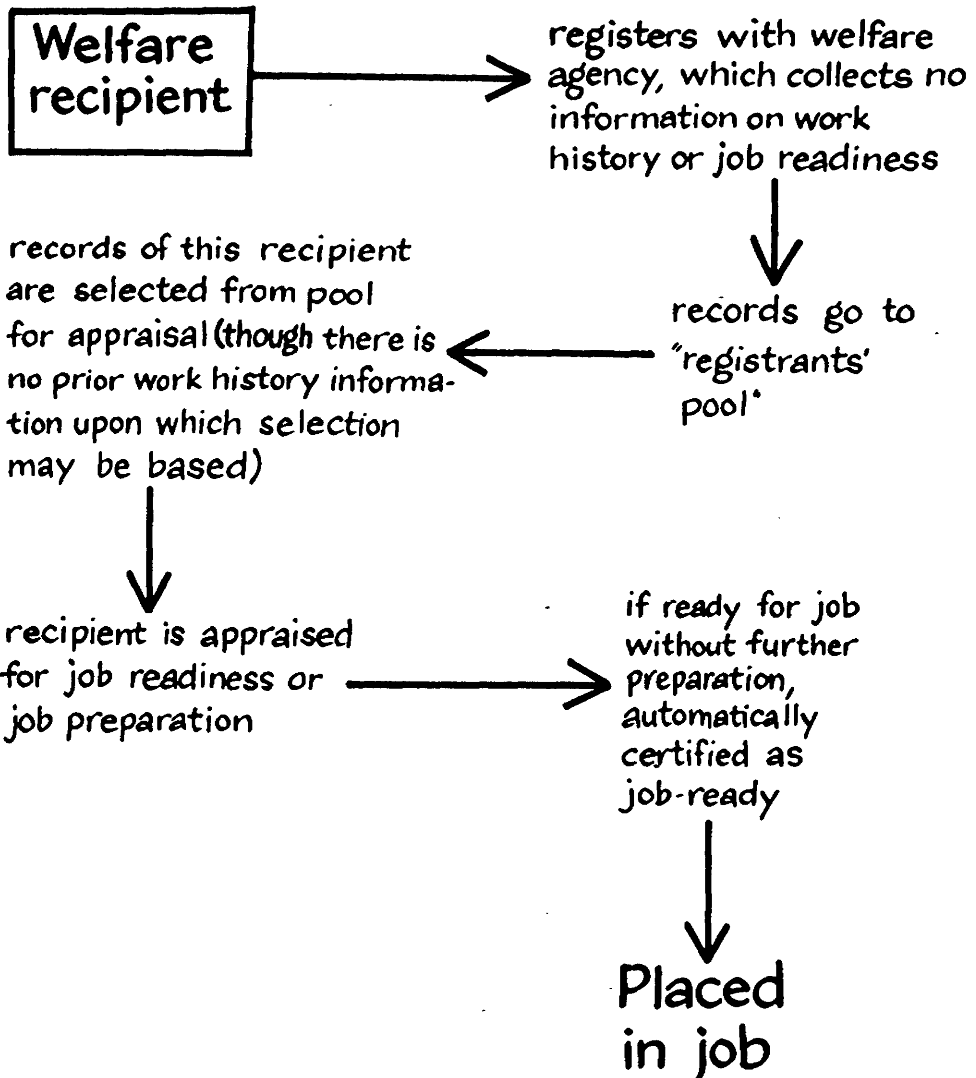


CHART B

How a Welfare Recipient Ready for Immediate Employment is Placed in a Job

AS CONTEMPLATED BY THE LABOR DEPARTMENT:



5. Restrictions on Participation in Work and Training

Certification procedure.—In enacting the Talmadge amendment, the Congress had been concerned about the situation in some States where there had been mass "paper referrals" to nonexisting training slots, while in other States not enough referrals were made by welfare agencies. To remedy this situation, the Talmadge amendment requires the welfare agency to certify to the Secretary of Labor those individuals who are ready to participate in the WIN Program. That certification can be made only when the welfare agency is in a position to provide child care and other supportive services. The amendment contemplated a close working relationship between the Labor Department and Welfare agencies so that supportive services permitting a welfare recipient to participate were ready when the work or training opportunity is available.

The Labor and HEW regulations, however, provide that the State welfare agencies will not certify an individual to the Labor Department *until the Labor Department requests a certification*. This means that the Labor Department may restrict the flow of eligibles into the program even where the welfare agency has many more persons that it could in good faith certify as ready for jobs. This is particularly critical since the welfare agency, not the manpower agency, is faced with a reduction in Federal AFDC matching if it does not certify at least 15 percent of its registrants to the Labor Department. But even if the manpower agency does call for the certification of more than 15 percent of the registrants, the effect of the regulation is to reduce participation in work and training to the level that the Labor Department determines unilaterally (rather than in consultation with the welfare agency)—regardless of the potential of the welfare recipients for employment.

Presumption that persons on welfare two years or more are unemployable.—The State of California reports that the Labor Department has decided that only recipients who have been on the welfare rolls less than 24 months will be certified for participation in the Work Incentive Program. While these persons may generally be easier to place, there seems little reason to eliminate in one stroke 50 percent of the registrants from possible placement.

6. Lack of Joint Administration by Federal Agencies

The cornerstone of the Talmadge amendment is the idea that a successful WIN program is dependent upon joint planning and the mutual cooperative efforts of the labor and welfare bureaucracies. Preliminary indications from the States are that unless strong leadership is exerted, the Talmadge amendment may, in the words of one State official, result only "in considerable increased administrative work, tremendous amounts of paper shuffling, and little placement."

Pointing to the continuing lack of joint effort at the national level are the two separate, but voluminous, manuals prepared by the Department of Labor and by the Department of HEW, respectively. The question can be legitimately asked as to why the Executive Branch is incapable of producing one document for use of all persons working on the WIN program. Moreover, in several respects the two manuals are inconsistent, and sometimes reflect differing philosophical approaches.

CHART C.—PROPOSED FORM FOR REGISTRATION OF WELFARE RECIPIENTS FOR WIN PROGRAM

PART A

1 WELFARE CASE NUMBER | WELFARE CASE NAME

2 LAST NAME FIRST NAME MIDDLE INITIAL | 3 SOCIAL SECURITY NUMBER | 4 M F SEX

5 ADDRESS CITY STATE ZIP | 6 COUNTY CODE | 7 MO YR DATE OF BIRTH

8 TELEPHONE | 9 HIGHEST SCHOOL GRADE | 10 EMP UNEM LABOR FORCE STA. | 11 YES NO UNEM FATHER | 12 YES NO VETERAN

13 GROUP: CHECK ONE — WHITE NEGRO AM IND ORIENTAL OTHER

14 SPANISH SURNAME: CHECK ONE — MEX AM PUERTO RICAN OTHER

15 FAMILY COMPOSITION — TOTAL; AGE UNDER 6; AGE 6-15; AGE 16-20; AGE 21-64; AGE 65 & Over

16 REGISTRANT'S STATUS — MANDATORY VOLUNTARY

17 DATE LAST REG IN WELFARE

WELFARE OFFICER - SIGNATURE DATE

REGISTRATION STATEMENT. I HEREBY REGISTER FOR MANPOWER SERVICES, TRAINING AND EMPLOYMENT AS REQUIRED BY SECTION 402(a)(19)(A) OF THE SOCIAL SECURITY ACT AS AMENDED IN 1971, AS A CONDITION OF ELIGIBILITY FOR AFDC BENEFITS.

SIGNATURE OF REGISTRANT | DATE OF SIGNATURE

18 ADDRESS OF ORIGINATING WELFARE OFFICE | ADDRESS OF WIN OFFICE

20 DATE OF CALL-IN

PART B

21 FOR TERMINATIONS PRIOR TO CALL-IN

21 REASON FOR TERMINATION - CHECK ONE:

EMP | LEFT WELFARE UNEMPLOYED

CHANGED TO EXEMPT STATUS:

- HEALTH REASONS
- FAMILY CHILD CARE
- MOVED FROM WORK AREA
- OTHER

Statistical Material

TABLE 1.—CURRENT ENROLLMENT IN THE WORK INCENTIVE PROGRAM

Month	Current enrollment
August 1968	387
December 1968	19,035
June 1969	61,847
December 1969	74,225
June 1970	89,511
December 1970	103,472
June 1971	109,182
December 1971	111,582
January 1972	113,485
February 1972	115,998
March 1972	119,136

TABLE 2.—AFDC RECIPIENTS EXEMPTED FROM REGISTRATION AND THOSE REQUIRED TO REGISTER FOR WORK AND TRAINING, FISCAL YEAR 1973

	Recipients	Percent of caseload
Not required to register:		
Children under age 16	8,050,000	63.8
Mothers caring for children under age 6	1,599,000	12.7
Children age 16 and older attending school	777,000	6.2
Adults ill, incapacitated, or of advanced age	675,000	5.3
Mothers in families where the father registers	163,000	1.3
Other adults so remote from a WIN project that effective participation is precluded; Other adults caring for an ill or incapacitated member of the household	150,000	1.2
Subtotal, not required to register	11,414,000	90.5
Persons not required to register but who volunteer to do so	—300,000	—2.4
Total recipients not registering	11,114,000	88.1
Required to register:		
Mothers not exempted from registration	905,000	7.2
Unemployed fathers	163,000	1.3
Children age 16 and older not attending school	138,000	1.1
Subtotal, required to register	1,206,000	9.6
Persons not required to register but who volunteer to do so	300,000	2.4
Total registrants	**1,506,000**	**12.0**
Total recipients	12,620,000	100.0

TABLE 3.—LABOR DEPARTMENT PLANS FOR REGISTRANTS

	Persons
1. Total registrants	1,506,000
2. Not ready for immediate employment or training	1,019,000
3. Ready for immediate employment or training	487,000
(a) Placed directly in employment	75,000
(b) Assigned to other manpower programs (36,800 man-years)	123,000
(c) Assigned to work and training opportunities under WIN program (138,800 man-years)	289,000
4. Recipients in work status on June 30, 1973	264,000
(a) Placed directly in employment	75,000
(b) Terminated WIN program and entered into employment	60,000
(c) Employed but in followup status	30,000
(d) In work-related components of WIN program	99,000
5. Average enrollment in WIN program:	
(a) On July 1, 1972	129,000
(b) On June 30, 1973	160,000
6. Number of children for whom child care will be provided in fiscal year 1973 (186,000 child care years)	1,177,000
(a) Children of recipients directly placed in jobs	618,000
(b) Children of enrollees assigned to other manpower programs	130,000
(c) Children of WIN participants	429,000

Source: Budget justification submitted to Appropriations Committee.

TABLE 4.—FISCAL YEAR 1973 BUDGET FOR WORK INCENTIVE PROGRAM (PROGRAM COSTS FUNDED)

	Original fiscal year 1973 request			Fiscal year 1973 revised request		
	Workload	Unit cost	Total cost	Workload	Unit cost	Total cost
Registration and adjudication (participants)				1,500,000		$12,572,000
Callup for job bank search, etc. (participants)				750,000	$15	11,000,000
Direct placement and followup (participants)				75,000	250	18,750,000
Adjudication-worktest (participants)				33,750	118	4,000,000
On-the-job training (man-years)	8,000	$1,300	$10,400,000	24,500	2,020	49,490,000
Institutional training (man-years)	63,000	1,810	114,030,000	40,300	2,388	96,222,000
Work experience and orientation (man years)	20,000	1,600	32,000,000	18,000	2,111	38,156,000
Special work project and public servicee mployment (man-years)	8,000	400	3,200,000	8,000	5,200	41,600,000
Employability planning, job development and follow-up (man-years)	50,000	400	20,000,000	48,000	605	29,040,000
Program direction and evaluation			[1] 8,503,000			[1] 18,103,000
Subtotal, training and incentives	149,000		188,133,000			318,933,000
Child care (child care years)	186,000	500	93,000,000	186,000	720	134,000,000
Other services and administration						99,600,000
Federal administration						4,600,000
Subtotal, child care, other services and administration, and Federal administration			93,000,000			238,200,000
Subtotal program costs funded			281,133,000			557,133,000
Available from prior year			—117,950,000			—142,450,000
Available for subsequent			41,950,000			40,450,000
Total obligations			205,133,000			455,133,000

[1] Includes annualized pay increase costs—effect ½ year ($62,000) full year 1973 ($133,000).

Source: Budget justification submitted to Appropriations Committee.

Excerpts From Title IV of the Social Security Act as Modified by Public Law 92–223

Excerpts From Title IV of the Social Security Act as Modified by Public Law 92-223

[Delete the matter enclosed in brackets and insert the matter printed in italic]

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

Sec. 401. Appropriation.
Sec. 402. State Plans for Aid and Services to Needy Families With Children.
Sec. 403. Payment to States.
Sec. 404. Operation of State Plans.
Sec. 405. Use of Payments for Benefit of Child.
Sec. 406. Definitions.
Sec. 407. Dependent Children of Unemployed Fathers.
Sec. 408. Federal Payments for Foster Home Care of Dependent Children.
Sec. 409. Community Work and Training Programs.
Sec. 410. Assistance by Internal Revenue Service in Locating Parents.

* * * * * * *

PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER STATE PLAN APPROVED UNDER PART A

Sec. 430. Purpose.
Sec. 431. Appropriation.
Sec. 432. Establishment of Programs.
Sec. 433. Operation of Program.
Sec. 434. Incentive Payment.
Sec. 435. Federal Assistance.
Sec. 436. Period of Enrollment.
Sec. 437. Relocation of Participants.
Sec. 438. Participants not Federal Employees.
Sec. 439. Rules and Regulations.
Sec. 440. Annual Report.
Sec. 441. Evaluation and Research.
Sec. 442. [Review of Special Work Projects by a State Panel] *Technical Assistance for Providers of Employment or Training.*
Sec. 443. Collection of State Share.
Sec. 444. Agreements With Other Agencies Providing Assistance to Families of Unemployed Parents.

Part A—Aid to Families With Dependent Children

Appropriation

Section 401. For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in such State, to needy dependent children and the parents or relatives with whom they are living to help maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and personal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare, State plans for aid and services to needy families with children.

State Plans for Aid and Services to Needy Families With Children

Sec. 402. (a) A State plan for aid and services to needy families with children must

* * * * * * *

(15) provide—

(A) for the development of a program, for each appropriate relative and dependent child receiving aid under the plan, and for each appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), [with the objective of—

(i) assuring, to the maximum extent possible, that such relative, child, and individual will enter the labor force and accept employment so that they will become self-sufficient, and

(ii)] *for* preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life,

[(B) for the implementation of such programs by—

(i) assuring that such relative, child, or individual who is referred to the Secretary of Labor pursuant to clause (19) is furnished child-care services and] *and for implementing such program by assuring* that in all appropriate cases family planning services are offered to them, [and

(ii) in appropriate cases, providing aid to families with dependent children in the form of payments of the types described in section 406(b)(2), and

(C) that the] *but* acceptance [by such child, relative, or individual] of family planning services provided under the plan shall be voluntary on the part of such [child, relative, or] *members and* individuals and shall not be a prerequisite to eligibility for or the receipt of any other service [or aid] under the plan[,]; *and*

[(D) for such review of each such program as may be necessary (as frequently as may be necessary, but at least once a year) to insure that it is being effectively implemented,

[(E) for furnishing the Secretary with such reports as he may specify showing the results of such programs, and

[(F)](*B*) to the extent that [such programs] *services provided* under this clause or clause (14) are [developed and implemented by services] furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;

* * * * * * *

(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;]

(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, and employment as provided by regulations of the Secretary of Labor, unless such individual is—

(i) a child who is under age 16 or attending school full time;

(ii) a person who is ill, incapacitated, or of advanced age;

(iii) a person so remote from a work incentive project that his effective participation is precluded;

(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

(v) a mother or other relative of a child under the age of six who is caring for the child; or

(vi) the mother or other female caretaker of a child, if the father or another adult male relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or 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 or accept employment as described in subparagraph (F) of this paragraph);

and that any individual referred to in clause (v) shall be advised of her option to register, if she so desires, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to her in the event she should decide so to register;

(B) that aid under the plan will not be denied by reason of such [referral] *registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph*, 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] *10* 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 Secretary (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] *certified* to the Secretary of Labor pursuant to subparagraph [(A) (i) and (ii) and section 407(b)(2)] *G*)) 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; *and*

(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A), in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under part C, and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under part C, (iii) will participate in the development of operational and employability plans under section 433(b); and (iv) provides for purposes of clause (ii), that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available;

* * * * * * *

Payment to States

Sec. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall (subject to subsection (d)) pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

* * * * * * *

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan—

(A) 75 per centum of so much of such expenditures as are for—

(i) any of the services described in clauses (14) and (15) of section 402(a) which are provided to any child or relative who is receiving aid under the plan, or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section,

(ii) any of the services described in clauses (14) and (15) of section 402(a) which are provided to any child or relative who is applying for aid to families with dependent children or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid, or

(iii) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus

(B) one-half of the remainder of such expenditures.

* * * * * * *

(c) Notwithstanding any other provision of this Act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under part C, is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

(d)(1) Notwithstanding subparagraph (A) of subsection (a)(3) the the rate specified in such subparagraph shall be 90 per centum (rather than 75 per centum) with respect to social and supportive services provided pursuant to section 402(a)(19)(G).

(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than $750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.

* * * * * * *

Dependent Children of Unemployed Fathers

Sec. 407. (a) The term "dependent child" shall, notwithstanding section 406(a), include a needy child who meets the requirements of section 406(a)(2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father, and who is living with any of the relatives specified in section 406(a)(1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

(1) requires the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

(A) such child's father has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

(B) such father has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

(C)(i) such father has 6 or more quarters of work (as defined in subsection (d)(1)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) he received unemployment compensation under an unemployment compensation law of a State or of the United States, or he was qualified (within the meaning of subsection (d)(3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

(2) provides—

(A) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) will be [referred] *certified* to the Secretary of Labor as provided in section 402(a)(19) within thirty days after receipt of aid with respect to such children;

(B) for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained; and

(C) for the denial of aid to families with dependent children to any child or relative specified in subsection (a) if, and for as long as, such child's father—

(i) is not currently registered with the public employment offices in the State, or

(ii) receives unemployment compensation under an unemployment compensation law of a State or of the United States.

(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or (ii) for any period prior to the time when the father satisfies subparagraph (B) of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subparagraph (A) of subsection (b)(1)), under the program therein specified, to [refer] *certify* such father to the Secretary of Labor pursuant to section 402(a)(19).

* * * * * * *

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] *public service employment,* 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. (*a*) 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.

(b) Of the amounts expended from funds appropriated pursuant to subsection (a) for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 33⅓ per centum therof shall be expended for carrying out the program of on-the-job training referred to in section 432(b)(1)(B) and for carrying out the program of public service employment referred to in section 432(b)(3).

(c) Of the sums appropriated pursuant to subsection (a) to carry out the provisions of this part for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 50 percent shall be allotted among the States in accordance with a formula under which each State

receives (from the total available for such allotment) an amount which bears the same ratio to such total as—

(1) in the case of the fiscal year ending June 30, 1973, and the fiscal year ending June 30, 1974, the average number of recipients of aid to families with dependent children in such State during the month of January last preceding the commencement of such fiscal year bears to the average number of such recipients during such month in all the States; and

(2) in the case of the fiscal year ending June 30, 1975, or in the case of any fiscal year thereafter, the average number of individuals in such State who, during the month of January last preceding the commencement of such fiscal year, are registered pursuant to section 402(a)(19)(A) bears to the average number of individuals in all States who, during such month, are so registered.

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*) a program placing as many individuals as is possible in employment, and *(B) a program* 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] *public service employment* 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 nonprofit 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.]

(d) In providing the manpower training and employment services and opportunities required by this part, the Secretary of Labor shall, to the maximum extent feasible, assure that such services and opportunities are provided by using all authority available to him under this or any other Act. In order to assure that the services and opportunities so required

are provided, the Secretary of Labor shall use the funds appropriated to him under this part to provide programs required by this part through such other Act, to the same extent and under the same conditions (except as regards the Federal matching percentage) as if appropriated under such other Act and, in making use of the programs of other Federal, State, or local agencies (public or private), the Secretary of Labor may reimburse such agencies for services rendered to persons under this part to the extent such services and opportunities are not otherwise available on a nonreimbursable basis.

(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.

(f)(1) The Secretary of Labor shall establish in each State, municipality, or other appropriate geographic area with a significant number of persons registered pursuant to section 402(a)(19)(A) a Labor Market Advisory Council the function of which will be to identify and advise the Secretary of the types of jobs available or likely to become available in the area served by the Council; except that if there is already located in any area an appropriate body to perform such function, the Secretary may designate such body as the Labor Market Advisory Council for such area.

(2) Any such Council shall include representatives of industry, labor, and public service employers from the area to be served by the Council.

(3) The Secretary shall not conduct, in any area, institutional training under any program established pursuant to subsection (b) of any type which is not related to jobs of the type which are or are likely to become available in such area as determined by the Secretary after taking into account information provided by the Labor Market Advisory Council for such area.

Operation of Program

Sec. 433. (a) The Secretary shall provide a program of testing and counseling for all persons [referred] *certified* to him by a State, pursuant to section 402(*a*)(*19*)(*G*), 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. *The Secretary, in carrying out such program for individuals certified to him under section 402(a)(19)(G), shall accord priority to such individuals in the following order, taking into account employability potential: first, unemployed fathers; second, mothers, whether or not required to register pursuant to section 402(a)(19)(A), who volunteer for participation under a work incentive program; third, other mothers, and pregnant women, registered pursuant to section 402(a)(19)(A), who are under 19 years of age; fourth, dependent children and relatives who have attained age 16 and who are not in school or engaged in work or manpower training; and fifth, all other individuals so certified to him.*

(b)*(1) For each State the Secretary shall develop jointly with the administrative unit of such State administering the special program referred to in section 402(a)(19)(G) a statewide operational plan.*

(2) The statewide operational plan shall prescribe how the work incentive program established by this part will be operated at the local level, and shall indicate (i) for each area within the State the number and

type of positions which will be provided for training, for on-the-job training, and for public service employment, (ii) the manner in which information provided by the Labor Market Advisory Council (established pursuant to section 432(f)) for any such area will be utilized in the operation of such program, and (iii) the particular State agency or administrative unit thereof which will be responsible for each of the various activities and functions to be performed under such program. Any such operational plan for any State must be approved by the Secretary, the administrative unit of such State administering the special program referred to in section 402(a)(19)(G), and the regional joint committee (established pursuant to section 439) for the area in which such State is located.

(3) The Secretary shall develop an employability plan for each suitable person [referred] *certified* to him under section 402(*a*)(*19*)(*G*) 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] *public service employment* 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;]

(A) for the payment by the Secretary to each employer, with respect to public service employment performed by any individual for such employer, of an amount not exceeding 100 percent of the cost of providing such employment to such individual during the first year of such employment, an amount not exceeding 75 percent of the cost of providing such employment to such individual during the second year of such employment, and an amount not exceeding 50 percent of the cost of providing such employment to such individual during the third year of such employment;

(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work [on special work projects of] *in public service employment for* 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] *section 432(b)(3)*, 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] *certified* to the Secretary of Labor pursuant to section 402(a)(19) [(A) (i) and (ii)] *(G)* 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] *certified* 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] *public service employment* 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. (*a*) 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.

(b) The Secretary of Labor is also authorized to pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs incurred by such member, to the extent such costs are necessary to and directly related to the participation by such member in such training.

Federal Assistance

Sec. 435. (a) Federal assistance under this part shall not exceed [80] *90* 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] *jointly by him and* 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.] *The Secretary and the Secretary of Health, Education, and Welfare shall, not later than July 1, 1972 issue regulations to carry out the purposes of this part. Such regulations shall provide for the establishment, jointly by the Secretary and the Secretary of Health, Education, and Welfare, of (1) a national coordination committee the duty of which shall be to establish uniform reporting and similar requirements for the administration of this part, and (2) a regional coordination committee for each region which shall be responsible for review and approval of statewide operational plans developed pursuant to section 433(b).*

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. (*a*) 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 effectiveness 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. *Nothing in this section shall be construed as authorizing the Secretary to enter into any contract with any organization after June 1, 1970, for the dissemination by such organization of information about programs authorized to be carried on under 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.]

Technical Assistance for Providers of Employment or Training

SEC. 442. The Secretary is authorized to provide technical assistance to providers of employment or training to enable them to participate in the establishment and operation of programs authorized to be established by section 432(b).

Collection of State Share

Sec. 443. If a non-Federal contribution of [20] *10* 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] *10* 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] *10* 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] *certified* 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] *certified* 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] *public service employment* under section 433(a)(3) whom the Secretary determines should continue to participate in such [project] *employment*. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been [referred] *certified* to the Secretary by such agency under such section 402(a)[(15)]*(19)(G)* for a period of at least six months.

APPENDIX B

Department of Labor Response to the Finance Committee Print Entitled "Implementation of Amendments To Improve the Work Incentive Program"

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE ASSISTANT SECRETARY FOR MANPOWER,
Washington, D.C., July 21, 1972.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Attached please find the Department of Labor response to the Committee Print, "Implementation of Amendments to Improve the Work Incentive Program", dated June 26, 1972. Our comments are forwarded for inclusion in the Committee Print of the Hearings held by your Committee on implementation of P.L. 92-223.

I want to express my appreciation to you and the other members of the Committee on Finance for allowing me to appear before you on June 27, 1972.

Sincerely,

MALCOLM R. LOVELL, JR.,
Assistant Secretary for Manpower.

Attachment.

DEPARTMENT OF LABOR RESPONSE TO COMMITTEE ON FINANCE COMMITTEE PRINT, "IMPLEMENTATION OF AMENDMENTS TO IMPROVE THE WORK INCENTIVE PROGRAM" DATED JUNE 26, 1972

The Committee staff document, "Implementation of Amendments to Improve the Work Incentive Program", outlines six major problems that the Committee views as impeding the implementation of the Work Incentive Program (WIN) Those problems are:

1. Appropriation Request Delayed;
2. Using Enactment of the Talmadge Amendment as a Vehicle for Initiating Features of H.R. 1;
3. Restricting Job Opportunities;
4. Obstacles to Quick Placement;
5. Restrictions on Participation in Work and Training; and
6. Lack of Joint Administration by Federal Agencies.

Many of the issues have long been resolved and the confusion resulted from various draft copies of the WIN Handbook. Some of the concern is the result of misinformation and misconceptions about the program guidelines and the intent of the Department of Labor. A discussion of each of the issues follows.

1. Appropriation Request Delayed.—The Committee document sets out the chronology of the WIN budget submission to the appropriations Committees and questions if the resultant program delays will be blamed on the Congress for its failure to appropriate funds promptly.

Carry-in funds from FY '72 are providing for continuing WIN activities pending appropriation of FY '73 WIN funds. The WIN budget submittal for FY '73 was delayed in an effort to redefined, to the extent possible, the roles and functions of the Departments of Labor and Health, Education and Welfare and their respective State agencies, and to place those roles and functions into a time-and-expenditure context. A decision was made that the existing problems in the WIN program could not be ameliorated by a massive infusion of dollars; that a controlled level of funding to support a well defined program was equally as important as the funds themselves. The coordination of elements within the Department of Labor and the requisite multi-level coordination with DHEW did take a protracted period of time. However, it is felt that this time spent in the planning stage will show more than commensurate dividends as the program gets underway.

2. Using Enactment of the Talmadge Amendment as a Vehicle for Initiating Features of H.R. 1.—The document suggests that the Labor Department views implementation of the Talmadge Amendment as a transitional step to H.R. 1, specifying two primary areas of concern—wage levels and the hearings process.

Our first objective is to effectively implement the Talmadge Amendment. The principle of work requirement is central to the Talmadge Amendment as it is

to H.R. 1. The changes in the WIN program, mandated by the Talmadge Amendment, represent significant and highly desirable progress toward welfare reform and provide an opportunity to implement some aspects of the total reform process. The need for reform of the Nation's welfare system is overwhelming. A great deal of staff time has been expended in anticipation of such legislation, and new concepts for strengthening the WIN program are being implemented.

The negative reactions of some State agencies to their increased accountability under the Amendment are not unexpected, but nevertheless regretable.

(a) *Wage levels.*—The minimum wage level of no less than three quarters of the Federal minimum wage was established in an effort to effectively move people off the welfare rolls, or at least substantially reduce their benefits. Without a reduction of welfare costs, the additional cost of administering WIN would be unwarranted. There is no minimum salary level when the income disregard (Sec. 402(A)(ii)) is not operative. In these instances, if a job can be secured that pays the individual an amount equal to his cash benefits plus the cost of going to work, the individual must accept the job or forfeit welfare benefits for failure to participate in the program. The minimum wage level is operative only in cases where the income disregard is applicable.

(b) *Hearings process.*—The Committee document quotes a section of a draft Handbook referencing the establishment of a Federalized adjudication process. This has subsequently been changed. It has never been the intent of WIN to "replace" the State Unemployment Insurance (UI) compensation referees.

Under the current system, State UI referees hear disputes. A Federal Hearing Review Panel has been established to develop basic adjudication policies. The objective of the system will be to promote consistency of legal interpretation, protect the integrity of the work test, and assure the rights of the individual.

3. Restricting Job Opportunities.—The Committee document notes a series of policies and administrative procedures which have been established by the Labor Department. None of these have been designed to restrict the possibility of placing WIN participants into private or public jobs. On the contrary, the Department has endeavored to design the program with the job and the economic self-sufficiency of the individual participants being the prime objectives, while assuring that the rights of participants are not violated.

(a) *Length of working day.*—The final regulations set the total commuting time to and from the work or training site at two hours, including the deposit and pick up of a child at an approved child care location, *unless* the norm for a community exceeds the two hours. It is the norm of a given community which will determine the appropriate commuting time limit for a local project.

(b) *Imposition of Federal health and safety standards.*—The Department of Labor guidelines require that work and training sites meet the *applicable* Federal, State or local health and safety standards. This does not extend Federal standards to facilities and areas which would not ordinarily be covered. It does, however, preclude the placing of a WIN participant at a site that is deemed by local, State or Federal standards inherently dangerous to his health and safety.

(c) *Minimum wage.*—As was stated earlier, the regulation requiring that wages paid on a job not be less than three-quarters of minimum wage, where the income disregard is in effect, was established in keeping with the goal of making people self-supporting and reducing the welfare rolls. It is presumed that the conditions under which this is required will enhance rather than impede the program.

(d) *Wage and welfare levels.*—It is true that in some States the AFDC payment levels are considerably higher than in others, and in some of those States the Labor Department regulations may make placement of unemployed fathers more difficult. However, the inclusion of employment-related expenses will not likely impose any restrictions. Work Expenses are generally regarded as transportation, lunches and, possibly special clothing. The first two items average $2 per work day. The special work clothes constitute a one time expenses and should not be deemed prohibitive. What would be prohibitive are the other welfare related services and benefits, but which are not within the definition of appropriate wages. The DHEW will continue to pay work related expenses.

(e) *Nature of public service employment.*—The success of the WIN program will be measured by the actual numbers of persons placed in employment and removed from the welfare rolls. It is only by setting program goals to achieve this purpose at the outset, and adhering to them, that there can be a reasonable expectation of attaining them. To initiate a revolving door employment process, without the commitment to hire, serves neither the individual nor society. The restriction to 12 months of public service employment (PSE) subsidy is not absolute, however.

The Regional Manpower Administrators may, at their discretion, grant waivers to extend PSE programs beyond the 12 month period. Experience has given little reason to assume that extended periods of training and subsidization lead to better employment opportunities being realized by significantly larger numbers of participants.

(f) *Limiting public service employment in relation to on-the-job training.*—The administrative decision that there be three on-the-job training (OTJ) positions for every one PSE position was made to both comply with the spirit of the Law which authorizes PSE as a last resort and requires a six month review of performance to determine if the PSE participant can be moved to regular employment or another WIN component, and in recognition of budget constraints. The relatively high cost of PSE would severely limit the number of persons who could participate in WIN, as it is estimated that the cost of each PSE slot is approximately five times greater than OJT slot. Job development, and the creation of new areas for on-the-job-training, is a major emphasis of the program.

4. Obstacles to quick placement.—As the Committee document indicates (Table 2), there are more than 12 million AFDC recipients and approximately only 1.5 million of them will become WIN registrants. The Income Maintenance Units (IMU) of the State Welfare agencies will register all AFDC recipients for WIN when they are entered on the AFDC rolls unless they are determined to be exempt using the exemption criteria established by the Department of Labor, pursuant to the 1971 Amendment. It should be noted that WIN registrants are not usually covered under UI and to register at that agency, as indicated on the Committee's chart, would only serve to add another step. All AFDC recipients are in contact with the IMU at the time of initial eligibility determinations and can be registered there in the normal course of events. If the WIN office were to call in all AFDC recipients for registration, the staff requirements would be exhorbitant. The Departments of Labor, and Health, Education, and Welfare are working closely so as to eliminate any extraneous paper shuffling and time lags. Registrants will not go through a separate appraisal and certification process before they are referred to an employment office. The registration cards completed for all registrants by the IMU will contain information to be utilized in the calling in of individuals to the WIN office. An initial screening will be made to select those persons who are presumed to be job ready. The WIN office and the Separate Administrative Unit (SAU) will arrange for appropriate manpower services and support services, respectively. Chart 1 indicates this process.

5. Restrictions on participation in work and training.—

(a) *Certification procedure.*—Both Departments have determined that the participants should not be certified until there is a work or training position available for the individual to move into. For example, if the welfare agency certifies an individual who requires child care before there is a work or training position, that certification may not be valid when the individual is ready and the child care is actually needed. It would not be expedient to certify participants for whom placement is not imminent. The WIN staff will be working closely with the SAU, and in many instances they will even be jointly housed, and assistance and services will be planned together with the participant. Except for unemployed fathers, no one can be certified using the 90–10 funds unless there is a request by the WIN agency. It is not likely, based on previous experience that the WIN staff will request certification on fewer than 15% of the caseload. DHEW does not appear to be concerned that this goal will not be met.

(b) *Presumption that persons on welfare two years or more are unemployable.*—The Department of Labor does not presume that persons on welfare for more than two years are unemployable, or that those persons will not be certified under WIN.

The length of time the person has been receiving welfare benefits will be one of many factors utilized in the screening of registrants. Time and dollar restraints make it necessary that those persons with the greatest employment potential be affored priority for services. As caseloads permit, all AFDC recipients will be appraised and certified.

6. Lack of Joint Administration by Federal Agencies.—The Committee document asserts that there has been a lack of joint effort at the National level. This is simply not accurate. While, as the document states, there are two Handbooks, both were closely reviewed by each Department. They are both in looseleaf form and can be easily combined. The DHEW Handbook is yet in draft status and there

have not been any significant problems or philosophical issues which would render the final versions of the Handbooks inconsistent. In addition, the Federal level staff of the two agencies have cooperated in the preparation of joint regulations, and progress is being made currently on the development of a joint information system. Consistent with the need for close cooperation and coordination, a National Coordinating Committee has been established and is meeting regularly, as directed by the Congress.

HOW A WELFARE RECIPIENT READY FOR IMMEDIATE PLACEMENT IS PLACED IN A JOB