

**PRESIDENT'S STATEMENT ON PRINCIPLES OF  
WELFARE REFORM**

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**HEARINGS**  
**BEFORE THE**  
**SUBCOMMITTEE ON PUBLIC ASSISTANCE**  
**OF THE**  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
**NINETY-FIFTH CONGRESS**  
**FIRST SESSION**

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**MAY 5 AND 12, 1977**



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# PRESIDENT'S STATEMENT ON PRINCIPLES OF WELFARE REFORM

THURSDAY, MAY 5, 1977

U.S. SENATE,  
SUBCOMMITTEE ON PUBLIC ASSISTANCE  
OF THE COMMITTEE ON FINANCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Long, Moynihan, Curtis, and Danforth.

Senator MOYNIHAN. I wish a very pleasant good morning to our witness, Secretary Califano and to Mr. Aaron, who is our guest, and express the honor which this subcommittee feels at its first hearing to have the chairman of our committee, who is also a member of this subcommittee, join us on this hopefully auspicious occasion.

We are here, of course, to hear from the Secretary of Health, Education, and Welfare—who is a friend, certainly of this committee and its members of longstanding—of the President's proposals, yet in the formulative stage, of the reform of the welfare system.

[The Committee on Finance press release announcing these hearings follows:]

## FINANCE SUBCOMMITTEE ON PUBLIC ASSISTANCE SETS HEARING ON PRESIDENT'S STATEMENT OF PRINCIPLES REGARDING WELFARE

Hon. Daniel Patrick Moynihan (Democrat of New York), chairman of the Subcommittee on Public Assistance of the Committee on Finance, announced today that the subcommittee will hold a hearing on welfare reform. The hearing will be held at 10 a.m. on Thursday, May 5, 1977, in room 2221, Dirksen Senate Office Building. Testifying on behalf of the administration will be Hon. Joseph A. Califano, Jr., Secretary of Health, Education, and Welfare. Secretary Califano will present an explanation of the principles of welfare reform as contained in the statement which President Carter made on the subject this week.

Senator MOYNIHAN. Mr. Secretary, in welcoming you, I would take the liberty of recalling an article which appeared on the first page of the *Washington Post* on July 2, 1970, which recounts a talk I gave to the Urban Coalition the preceding day and in which I stated simply: "If welfare reform were not enacted in that year, it would not be enacted in this decade." And I must say the administration has certainly been striving to prove me a prophet, and I am not insensible of that courtesy.

I would like to say two other things, however. I raise that with serious purpose to say that the reform of the welfare system is an object

to which the last four administrations, the last four Presidents, have addressed themselves, each of them seriously and some in great detail.

In 1967, at the time you were Chief Assistant to the President for Domestic Affairs, a plan was submitted by then-HEW Secretary Wilbur Cohen, your distinguished predecessor, and was put before you as President Johnson's Special Counsel.

In 1969, the Commission on Income Maintenance, which President Johnson had appointed, designed and drafted a welfare proposal very much like the one which Secretary Cohen had suggested. Prior to that, in terms of months, the new administration of President Nixon proposed to Congress the family assistance plan, virtually identical in its essentials.

In 1971, Congressman Ullman offered the program he called Reach to the Congress. In 1971, the Ways and Means Committee in H.R. 1 proposed a version of the family assistance plan with a separate plan for employable recipients.

In 1972, the work bonus was drafted by the distinguished chairman of this committee, Senator Long, and the Finance Committee proposed it to Congress. After 2 years of study, which produced 20 hefty volumes, the Joint Economic Committee of the Congress proposed an income maintenance bill which was again essentially the same in its details as the previous bills introduced into the Congress by former Congresswoman Griffith, who will appear before these hearings are over.

In 1974, your predecessor, Secretary Weinberger, submitted an income security program to President Ford, virtually identical to these earlier proposals.

In 1976, the Governors' Conference recommended again a comprehensive plan not different.

So we are not beginning here. What we are at, if we do not watch out, is the beginning of the belief that this is something that we cannot do. That troubles me, as I know it troubles you and troubles all of us, that this is something that this society is not, in fact, capable of, that you cannot get there from here.

That is why I mentioned 1970. Although few people realized it at the time, there are moments when these things are possible. That was such a moment. Indeed, we almost did. We came close.

This is another such moment. It is the only such moment to have occurred. We have a President who has come to office committed to welfare reform. He has not just a general proposition, he has a specific one. The Democratic platform that I had something to do with is detailed in this matter. In the course of the campaign, President—then Governor—Carter in Tonawanda, N.Y., outside of Buffalo, on September 30, stated he stood on that platform.

His long list of statements, which was compiled for him in great detail, states what he proposes to do. I will introduce into the record the Democratic platform and the President's statements.\* This not only comes when we have a President committed, but when we have a President with a party, his own party, with a large majority in both Houses of the Congress and a party committed to a platform on this matter with the leaders very much involved.

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\*The Democratic Platform and the President's statements appear in the appendix, p. 85.

Finally, we have a moment of social peace in our country in which we can perhaps be a little more thoughtful and a little more considerate of one another. Meg Greenfield of the Washington Post, who has written on this subject with a sensitivity and consistency that few journalists have brought—in a recent article in Newsweek—said the events of 1969 and 1970, brought out the absolute mindless worst, not just in the left and right but also in the President who proposed them.

I think this is not going to happen this time.

Finally, one of the advantages we have—and it may be the only advantage of the delay which we have to deal with—was alluded to by Chairman Long in a statement last Monday in which he noted that the way in which the President now proposes to proceed will give the Congress an opportunity to speak to the details of this legislation and the intention of this legislation.

Anybody who has studied the American system of government will have seen more than one occasion where a President of the United States sends a finely crafted wrist watch up to the Hill and has us take it apart, drop a few parts and replace a few parts and change a few parts and then put it back together and the damn thing somehow does not tick right.

This is an opportunity for legislation to respond to the concerns of the Congress. In that effect, this legislation is a plus and let us take advantage of every opportunity we have.

There are three points I make to you; first, this is not a new matter. It is a matter in which there has been an enormous amount of knowledge and research and a commitment of four administrations.

Second, this is a time when the Moon and the stars and the tides are in favorable conjunction.

Last, the Congress has the opportunity, through the hearings we are holding, that Congressman Corman is holding, to have something to say on how the legislation will finally reach us and hopefully to make it better received when the time comes.

Mr. Chairman, would you like to say something?

Senator LONG. No, I think I will reserve any statement that I might make. I would like to hear the witnesses.

Senator MOYNIHAN. Mr. Secretary?

#### **STATEMENT OF HON. JOSEPH A. CALIFANO, JR., SECRETARY OF HEALTH, EDUCATION, AND WELFARE**

Secretary CALIFANO. Mr. Chairman, let me comment briefly on what you said, because I think it is very important. I think you left out one critical element of why, in addition to the Sun and Moon and stars we also have, as chairman of the Senate subcommittee, one of the most knowledgeable people in our country on this subject. I think that that is another reason why we have a major opportunity, a once-in-a-decade opportunity, if you will, to rebuild the system.

I think, if you will bear with me, I would like briefly to make a couple of comments about poverty—I will submit my statement for the record—and then go through those charts so this committee can have the benefit, essentially, of the briefing, a summary, if you will, of the many briefings we went through with the President.

Senator MOYNIHAN. If I may interrupt for a moment to welcome Senator Curtis, who is kind enough to join us this morning, who is the ranking minority member of the Finance Committee itself.

Secretary CALIFANO. Mr. Chairman, the President, as he indicated, made a decision to fundamentally change a variety of programs that we combine under the rubric of welfare, as he put it, to scrap the welfare system and try to put something new in its place. I would like to underline that that decision should not be interpreted in any way as a reflection on the literally thousands of people since the New Deal in the days of Franklin Roosevelt who have, in one way or another, devised programs that, in and of themselves, often at the time that they were passed made abundantly good sense and also reflects no failure to recognize that there are billions of dollars and lots of in-kind aid and lots of health care being given to the poor people of this country that would not have otherwise been the case were it not for the host of dedicated State and local public servants.

I would like briefly to just run through some of the points about poverty in this country with which I think the Chair is familiar, but I think it is important to state as often as I can. I do not think there is a broad enough understanding of the poor in America, that the dialog about this subject is affected by a whole series of myths about poor people and poverty and the most widespread and pernicious myth is that people are poor because they do not work and do not want to work.

The facts are that the majority of household heads in poverty are working; that nearly a third work full-time and still remain poor. The poor are poor, not because they will not and do not work, but because when they do work they do not earn enough money to lift them out of poverty.

The second myth is that most of the poor are poor for life. The fact is that the poverty population is extremely fluid. Each year about 7.5 to 10 million people move above the poverty line and a like number become poor. This means that 30 to 40 percent of those who were poor in any given year are not poor the next year.

A third myth is that the poor are mostly nonwhite. The fact is that 69 percent of the American poor are white. Last year, a majority of the AFDC recipients were white.

A fourth myth is that the poor do not know how to spend their money. The evidence we have shows that low-income people spend about 88 percent of their income on food, clothing, housing, medical care and transportation—a somewhat greater proportion than do people with higher incomes.

A fifth myth is that most welfare families receive payments that are far too high. The fact is that in 24 States the combined benefits of AFDC and food stamps total less than three-fourths of the official poverty income level.

I would like, Mr. Chairman, if I may, to go to the charts and go through them.

Senator MOYNIHAN. I take this interval to welcome Senator Danforth to the committee.

Secretary CALIFANO. Mr. Chairman, this first chart is designed to provide a snapshot of the process we have been going through for

the past few months. We have had a group established about 6 days after the President took office, including the relevant Cabinet agencies and, for the first time, we involved the staffs of six congressional committees. No one has been more cooperative than Michael Stern who is staff director of this committee and few with more knowledge about this subject.

We have had representatives of the State, local and city governments and we have had representatives of the poor. They met weekly, and we held hearings all over this country.

We have had about 150 hearings. We have had mass town meetings in every single State, a tremendous amount of comment for average American citizens. I myself held hearings for about 10 hours 1 day.

It is clear when the President mentioned welfare reform in his campaign, and when any of us mentioned it, different people hear different things. For some, it is an increase in benefits; for others, it is a reduction in costs. For some, it is putting recipients to work and getting them off the roles; for Governors and mayors it is to provide fiscal relief; for others, it is better management of the programs; for some, it is restructuring the system.

There are some very difficult issues here, as everybody knows. These are just to highlight a few of them.

Should we guarantee jobs to any or all of this population? If we do, to what portions of that population? To two-parent families without children, to single-parent families with children, to children of what ages?

What, if any, kinds of work requirements or encouragements should there be for mothers who have young children? Presently, if the mother's children are all 18 years of age or over, she is not eligible for AFDC and is required to work. Should that age be lowered to 16, or 12, or 6? If that age is lowered, what is the responsibility for the Government to provide appropriate care for young children?

What should the benefit standard be around this Nation? Should it be equalized? Should there be a minimum standard?

What kind of reform, how far should we cast the net in terms of the cash assistance programs or in terms of the jobs programs?

What should be the nature and kind of fiscal relief, vis-a-vis States and cities?

Mr. Chairman, this illustrates all of the income maintenance programs, if you will, of the Federal Government. Roughly \$135 billion of programs are essentially social insurance programs. They are the social security program, medicare, unemployment insurance and other programs.

We began in considering that our focus was on this \$50 billion of programs here, the medicaid program, the aid for dependent children, the supplemental security program, the food stamp program, the veterans' pension program which is a program that provides income on a needs test, veterans for nonservice connected disabilities—nothing to do with veterans' compensation.

Senator MOYNIHAN. That goes back to President Hoover.

Secretary CALIFANO. The section 8 housing programs and some others that provide supplements to pay for rent; the Boggs program of educational assistance, a needs-tested grant program for needy col-



lege students; general assistance, which is entirely a State and local program, a significant program in New York City; and the earned income tax credit, which is an increasingly significant factor in our consideration which was, as we all know, devised by the chairman of the Finance Committee, Senator Long.

A snapshot of these programs, basically what they cost in fiscal 1977, the people receiving benefits—and this is a sense of the growth of these programs. As one can see, medicaid has been rising at points almost like a straight line with costs rising very, very rapidly.

The AFDC program, at the time, Mr. Chairman, that you were deeply involved in welfare reform in the 1970's was obviously a subject of great controversy because it was rising. It leveled off and began to come up again during the recession.

The supplemental security program started leveling off. Food stamps are rising again.

This map, Mr. Chairman, is designed to give a sense of the tremendous spread and variation. This is Federal spending for poor individuals in these States. It includes the AFDC program, medicaid, the SSI program, and food stamps and it makes one wonder how we can justify paying something between \$283 and \$575 of Federal money per poor person if they happen to live in the State of Texas and paying between \$1,125 and \$1,688 for a poor person if they happen to live in the State of Maine.

The disparity is tremendous. It is something we feel must be dealt with.

The largest reason for this basic variation is the aid to families with dependent children program. The States set the total amount that is to be paid, thus Mississippi sets \$720 per year as the total amount to be paid in that program in their aid for dependent children. Hawaii sets the highest amount, \$6,168.

There are other elements of Federal aid, the food stamp program and the insurance value of medicaid which increases the amount that poor people get, but the Federal portion of that basic benefit is determined by the per capita income in the State.

In Mississippi, the Federal Government is paying \$600 out of that \$720 per year, which means that the State of Mississippi only provides for its AFDC population, \$120 per year and you can contrast States like Vermont and others.

Another element of variation, if you live in Kansas City, Mo., and you are a family of four, your AFDC benefits and food stamps will total \$3,468. If you can get a boat or car and go across the wide Missouri, you can increase your income to \$4,668, by \$1,200.

If you live in Gainesville, Tex., you receive—a family of four—\$3,228 in aid, but if you can hitchhike 30 miles to Ardmore, Okla., you can increase your income to \$4,476. It is that kind of variation where the cost-of-living indexes are exactly the same that has been a concern to many people.

I think this committee does not need to be reminded of how much variety there is and how unintegrated, if you will, the cash assistance program as the AFDC program, SSI program, in cash, food stamps or coupons, medicaid services. The benefit reduction rates, as people begin to earn money, differs: 67 percent, 50 percent, 30 percent in

what is the flat cut-off. The eligible unit to which the Government pays money, the family, individual, household; all programs use a net income definition, but every one of them determines what net income is differently, with different assumptions and deductions, accounting periods are different, asset tests are different, policy controls are different.

These are the other programs, the less important programs, financially further indicated the scattered, buckshot aspect of this system.

As a result, a poor person in the United States gets benefits from many different programs. Of course, it is significant to note that 67 percent get benefits from two or more programs, but what was particularly striking to the President was that 12 percent of the American poor people get benefits from six or more of these assistance programs.

Finally, in this connection, lack of policy control that affects every level of government and every branch of government, at the national level we have 9 executive agencies and departments involved and 21 congressional committees have different pieces of these assistance programs.

We have the 50 States and territories, the welfare departments, and 3,000 welfare agencies in this country, all of them interpreting an array of complex rules.

A brief sense of what the poor population in this country is like. This study was done in 1960, prior to the influx of the Great Society in-kind programs. It is the best measurement we have at this point of how poor people spend their money.

If the amounts were brought up, the poor would be a family with about \$5,000 per year, the well-off would be a family with about \$35,000 a year. You will simply note, if you give the poor cash they spend their cash on food, housing, transportation, medical care, clothing and money is not squandered on alcohol or tobacco or what have you. They have to put a higher proportion of their money, and they do, on the basic necessities of life.

The dynamics of this population. The most recent study was done from 1967 to 1972. During that 6-year period, 21 percent of all Americans were poor at least one of those years; less than 3 percent were poor in all 6 years. Still, 6 million people.

The average was about 8 to 11 percent in any given year. As I indicated earlier, 30 to 40 percent escape poverty every year.

Senator MOYNIHAN. You say "poor." That is not the equivalent of dependent. There are persons who are on welfare who would not be qualified as "poor."

Secretary CALIFANO. That is correct. That means that not every one of these people are on welfare. The poor here is used essentially in the OMB Federal Government definition.

Two important implications: One, much fewer people than most Americans think are consistently poor. There is not something so wrong with somebody that they are going to be poor always.

Second, about 25 percent of our population can legitimately feel at risk in any given year of being in poverty.

Senator CURTIS. May I ask a question?

How did you arrive at those figures, by sampling?

Secretary CALIFANO. A sample, Senator Curtis. It was 5,000 families surveyed by the University of Michigan.

Senator CURTIS. Where were the families located?

Mr. AARON. All 50 States having a representative of the entire population.

Senator CURTIS. Have you ever taken the results of your sample and gone into a few given areas and checked it with all cases to see whether your sample is giving us a true picture?

Mr. AARON. We have compared that with national totals of the census and other surveys. The census results are essentially accurate.

Senator CURTIS. Does your sample also show that those people who are just occasionally poor all sought welfare?

Mr. AARON. No, sir, it does not.

Senator CURTIS. That is the point. It does not show that. There are many people who, one way or another, through relatives or friends or voluntary organizations or whatever, have a period of very rough going, but somehow they make it.

So this is not a survey of who asks for welfare, but this is a survey of income?

Secretary CALIFANO. That is correct. It is not intended to be a survey of who asks for welfare.

Senator CURTIS. It was not limited to welfare recipients?

Secretary CALIFANO. No. We are talking about the dynamics of our low-income population, as the chart indicates.

Senator MOYNIHAN. Senator Curtis, I believe this was done by the Survey Research Center at the University of Michigan. It would be useful to ask the authors of the study to come to the committee sometime and tell us a little bit more about what they found. It would be very interesting. It is the first study of its kind.

Senator CURTIS. I do not think a survey of people's economic status across the country constitutes a survey of welfare, because there are many people who get along—I do not know how some of them get along, many who never go near a welfare office.

I would like very much to inquire of the people who did this survey.

Senator MOYNIHAN. We will do that.

Secretary CALIFANO. Mr. Chairman, this deals with the question of, do the poor work, and the poor do work, as this demonstrates.

This is using 1975 census data for the year 1974; 85 percent poor have worked at least some percent of that year, almost 30, or 29 percent of them, were full time, year round.

Senator CURTIS. This is not limited to welfare recipients?

Secretary CALIFANO. No; but welfare recipients work too. This is the poor.

Forty-nine percent of poor female family heads worked during the year and 8 percent of them worked full time year round.

Nineteen percent of all poor family heads, not limited to those on welfare, are unemployed and looking for work, unemployed in the traditional Labor Department sense, counted in the statistics; and many of the poor people are people not ordinarily expected to work in our society, at least in the last couple of decades.

Eleven percent of the poor are over age 65; 5 percent of the poor are disabled adults and 44 percent of the poor are children.

Senator LONG. I would like to raise one point that has occurred to me many times. I see on your chart there that 85 percent of poor male heads of families work at some time during the year. And, in another place, you say that 49 percent of female heads of families worked during the year. So, according to those charts, there is a father or a mother who is able to do some gainful work and who would like to do so if provided the proper opportunity. It seems to me that that contradicts what has been the traditional view of your Department—of the people who were there before you came, and who will be there after you are gone, Mr. Califano.

What the majority of us on this committee want to do is to offer those people that opportunity. But we don't want to be offering them jobs on the basis that when they take the job it works out that there is a 70 percent tax on their earnings by the time you get through counting the welfare advantage they would have without working. If we offer jobs on that basis, it is so discouraging and so self-defeating that they will just quit. Under those same circumstances, the most highly motivated people in the country would not work.

So it seems to me that you will never work this thing out by saying you are going to pay these people for doing nothing and phase out those payments when they take a job. It looks to me like you are going to have to say: "We are not going to pay you on welfare if you are capable of working; but, if you are capable of working, here is a job you can take."

This is not a case of making them take a job. It is offering them an opportunity.

But if people will not take a job and they are not disabled and they are fully able to do it, how can you justify putting them on welfare?

Secretary CALIFANO. In the WIN program, 20 percent of the people are volunteers. Also, we are doing better having fathers pay their share in the family under your legislation in child support. As you know, that has become the most cost-effective, profitable program in the Government.

We are getting \$25 back to the American taxpayer.

Senator, you are talking about work disincentive. The next few charts are designed to illustrate—

Senator LONG. At the State level, you are finding you are more than getting every dollar back. You are making a profit on it.

Secretary CALIFANO. I meant to say \$125 for every \$100.

Senator LONG. \$125 back for every \$100 spent, and that is not taking the whole savings into account—that is not taking account of all those fellows who pay something because they know we are going to be out chasing them if they do not pay voluntarily.

There was an example in one county, they caught 10 fathers and highly publicized it. About 100 more came in on their own and started paying something.

Secretary CALIFANO. This illustrates another point you were making. These people do go to work, despite some tremendous disincentives in this system. One is if you are working part time in the State of Wisconsin at half the minimum wage—working halftime at the minimum wage in the State of Wisconsin, your total income would be \$7,020 including your AFDC and food stamp payments and your earned income

tax credit. But if you go to work full time for a family of four in the State of Wisconsin, your income will drop to \$5,678.

And that does not include the fact that the halftime worker has his medical costs paid by medicaid and the fulltime worker does not. That is not an atypical situation, unfortunately.

In California, if you work halftime at the minimum wage your total income will be \$6,468. If you work full time at the minimum wage, your income will drop to \$5,678 and again, the halftime worker has his medical costs for him and his family picked up by the Federal and State governments; the full-time worker loses that benefit.

Senator CURTIS. Would you elaborate on why that is?

Secretary CALIFANO. Because he becomes ineligible as his earnings get up for the AFDC payments, the welfare payments, and eligibility for medicaid is determined on the basis of whether or not you are eligible for the aid for dependent children program.

Senator CURTIS. What deduction is to be drawn from that?

Secretary CALIFANO. With that and the next chart, that we have a system now that is full of disincentives to work and this next chart illustrates the point that Senator Long was making, which is what happens, this is a composite average family, what happens to that family working at the minimum wage, a family of four—what is the incentive of that individual to go out and earn another \$100?

Of that \$100 that the individual earns, above the minimum wage, he loses \$66.67 of his AFDC payment; his net AFDC payment after the work-related expenses were deducted, he earns \$10 from his earned income tax credit. He loses \$9.90 in the food stamp program. If he is in a situation where he has housing assistance, he loses \$8.25 there.

The first \$100 an individual makes above the minimum wage, he loses \$94.86. His net reward is \$5.

As Senator Long indicated, that is not much of an incentive to go out and earn a little more money.

Senator MOYNIHAN. Would you put your previous chart up for 1 minute?

You are describing the work disincentives there. Note that the earned income tax credit on the full-time salary is a benefit without which the disincentive would even be greater. That earned income tax credit is important in a positive direction.

Secretary CALIFANO. That is exactly correct. It is also true that the food stamp payment is going up because the income is going down, because of the loss of AFDC.

Senator CURTIS. I think we all agree that every Government program is filled with disincentives to work. Something for nothing is always more attractive.

But I think I have a question about your terminology. What happens is a substitution of the source of income, if a person works, it does not mean they have fewer dollars in their pocket, but that they come from a different source. Is that not right?

Secretary CALIFANO. In those examples I gave, if the person goes to work more than half-time in those States to full-time, they literally will have fewer dollars in their pocket.

Senator CURTIS. Do they provide some benefits that they do not get if they worked?

Secretary CALIFANO. But they lose if they go from half-time employment to full employment. It is worse, if you will, than you thought in your question.

Senator LONG. We have situations where a person can go to work and make \$100 and he loses \$110 in welfare benefits. He loses more than the net salary.

Senator MOYNIHAN. I think Senator Curtis, one is always surprised at how dumb it is.

Senator CURTIS. My surprise is only exceeded by some of the reforms that are offered.

Senator MOYNIHAN. That is a fair point. You can live with this for a decade and still not believe your eyes when you come back and take a look at it.

Secretary CALIFANO. This is designed to illustrate two points: an equity problem and also the antifamily aspect of the program.

In Michigan, if you are a father working at the minimum wage full time, your total income, with benefits, will be \$5,678 for a family of four. If you are a nonworking mother with a family of four on aid for dependent children, food stamps, including the insurance value of medicaid, your total income is \$7,076.

If that mother decides to go to work in Michigan, her earnings will rise to \$9,322 as compared with the \$5,678 of the father.

Two points, really. The terrific inequity—it is quite easy to understand why that father gets a little angry when he looks at that mother. Secondly, what is the quickest way for that man to increase the income of his family? To get the hell out of the home and go someplace else. We have put an incentive of several thousand dollars on that.

Similarly, in the State of New Jersey, if you are the father of a family of four working on minimum wage, your total income will be \$5,678. A mother with a family of four, minimum wage, including the insurance value of medicaid, will have an income of \$8,634.

This chart just briefly goes to the point of who is unemployable in this country; simply to suggest who is employable and unemployable is very much a social, political, economic and human judgment and not something inherent to the individual involved.

These are all Americans, poor and nonpoor Americans. In 1974, 20 percent of the Americans over 65 worked at least part of the time and 6.5 percent worked full time year round.

Of the severely disabled, those unable to work, in 1971, 30.3 percent worked part time and 5.5 percent worked full time year round.

Of single parent families in 1974, female heads of families with children under 6, 57.7 worked at least part time; 20.4 percent worked full time year round.

Senator CURTIS. That is not limited to welfare recipients?

Secretary CALIFANO. All Americans, not poor Americans. Of those below the poverty line, those female heads with children under 6 below the poverty line, 41 percent worked and 5.7 worked full time year round.

This is simply to illustrate what you are all well familiar with, the dimensions of the problem in terms of financial resources. This is the poverty line in 1975 for a family of four in an urban setting,

nonagricultural setting: \$5,500. This is what a New York City family of four with AFDC, food stamps and the insurance value of medicaid: \$8,015, but the BLS low-income budget is \$9,720. That is a rock bottom budget, no entertainment, just enough food, just enough clothing.

The median-family income in our Nation is \$13,720.

Finally, just a quick snapshot of the dimensions of fiscal relief. In just the income assistance programs, the State and local governments are now paying \$15 billion. When we add in the social insurance programs, like workman's compensation, when they have unemployment insurance programs, \$21 billion. Their total is \$36 billion. Of that \$15 billion here which is what most Governors and mayors are talking about when they are talking about fiscal relief, a little more than half of it is their share of medicaid.

Senator MOYNIHAN. This committee is unanimous in thanking the Secretary for what I thought was an illuminating statement of the problem.

Now, I think, if the Secretary wishes to tell us what he is going to do about it, we will proceed.

Secretary CALIFANO. Mr. Chairman, as the President's statement indicates, there have been a few decisions about program parameters and a set of principles. That is where we stand right now.

Essentially the program decisions are: One, to consolidate into some single cash assistance program, at least—I underline at least—AFDC, SSI, and food stamps. That, of course, will have to give due recognition to the special problems of the disabled in the SSI program.

Second, to devise some kind of versatile training and jobs program directed at this population which is a difficult population in terms of productive work, in terms of the training they have received and the disadvantages from which they start.

Third, to retain the earned income tax credit, either by expanding that tax credit, increasing it, or by a combination of increasing it, leaving it as it is, some kind of cash supplement, continue to provide the kind of encouragement for those who work, but do not earn enough to bring themselves above the poverty line and go out and seek jobs.

The fourth element is the provision of some kind of an amount, a Federal amount that would vary only depending on the cost of living in different areas. I should say, total amount of money, and make that as uniform as possible with that variation for cost of living.

The other aspects of this, to try to devise a program that is pro-work rather than antiwork, profamily rather than antifamily and provide some fiscal relief as Federal resources permit, are things that I have been instructed by the President to take up with the Governors State by State.

One of the problems—I know the Chair is well aware that one of the difficult both human and political areas here is that we do not know exactly what happens to all individuals and families in any particular State under a particular program without literally going to that State and trying to piece it together as best we can with its welfare people and with its computers.

We want to be careful because there are millions of people, children involved, not to hurt those children in the course of any welfare reform proposal.

We would be planning over the next several weeks, hopefully, to talk to the Governors. I will be writing—my letter will be mailed to them today—to meet with them, have State by State know the impact of the program by the end of June.

During that same period of time, obviously I will be consulting with the Congress and to work with the staffs that we have worked with in the past in the hopes of producing a specific piece of legislation by the first week of August before the Congress goes home.

Our hope would be, Mr. Chairman, that that would give you and your staff the August so-called recess to work on that program, look at it—I think you will be familiar with it as it is developed all along the way. We would like very much to have hearings beginning right after the return of the Congress in September to move this program through the Congress if we could, or a program through by early 1978.

Senator MOYNIHAN. That is very encouraging, the proposition that you will have a bill to us the first week in August and we can begin hearings after the recess.

Mr. Chairman?

Senator LONG. Mr. Califano, when you speak of talking to the Governors, I am reminded of what happened when we had the family assistance plan before our committee. The State welfare administrators were getting new regulations from Washington, and the judgment of those welfare administrators was that the people in Washington—the people who served in that Department before you—were issuing those regulations to make it tougher and tougher to handle the program. They were saying, in effect, “We are going to make this thing hurt, and hurt, and hurt until you people come to Washington, begging for relief. Then we are going to give you relief, provided you support the way we want to do it.” That is how the people who were there before you seemed to be doing business.

Based on that experience, I believe you will find that the Governors are going to be willing to support anything that relieves them of this burden—that shifts this great multibillion dollar burden off of them and onto the Federal Government. But, if we want to have a good program, we have to have a program which works well—which really benefits the people the Governors represent, and these are the same people that I represent and you represent.

So, when you seek the advice of the Governors, I think you should make clear that, in any event, you are going to propose to lift that burden off the States. Having made that clear, then you should ask them how they think the program can be changed so that what we finally come up with is good for all of us.

I think that if you look at the pitfalls and failures and defeats of the family assistance plan, you will find a good case history of what not to do. When the administration proposed to reform the welfare system, some of us—and that includes me—had a favorable reaction. The fact that it would cost more money did not bother me. The estimate at the time was \$5 billion, and I told President Nixon that that did not put me off at all—as far as I was concerned it could be a lot more than that—it could be \$10 billion. (It turned out that the \$5 billion estimate was a little closer than the average estimate made by the Department—our estimate of their proposal was \$8 billion.)



But it was not the cost that bothered me. What bothered me, I told the President, was that you were going to pay people to do nothing rather than to pay people to do something useful—something to improve their lives. But the President would not go along with the committee on this point—that the money had to be paid to do something useful, something good for society, something good for the people involved. From our point of view, that is why the plan failed to get our support.

On the other side—with those who liked the general concept of the family assistance plan—it failed because it did not pay nearly enough. They were talking about guaranteeing people \$2,400—and the welfare rights organizations would not go along with them on that. They said it ought to be at least \$5,500. They were charging up and down the hall at that time saying: “\$5,500 or fight!”

So you had one group of people completely unhappy because the plan did not pay enough. And you had others unhappy, not because of the cost, but because the money was not going to be paid to encourage people to do the kind of thing that would be good for themselves and, in turn, good for society.

At that point, unfortunately, the administration was not able to move off of dead center. It would not go to the right to pick up those who were work-oriented, and it would not go to the left to pick up those who were not that work-oriented.

Now you have a chance to put together a welfare reform program to do what should be done. I think you are doing the right thing in trying to find out what would be best for the people involved and by offering people a chance to make their input. I am very hopeful that you are going to come up with something that everyone can agree is welfare reform.

Everybody is for welfare reform—for something that is a change for the better. But it is difficult to find a specific proposal that a majority on all sides—in the States, in the House and Senate, at the White House and in your Department—can agree on.

Many times I have felt that we were on the right track. The President was convinced that we were on the right track. The Secretary of HEW seemed to be convinced. I was convinced, and I am sure that a majority of this committee were convinced. Everything was going well—and then the Secretary went back and talked to that crowd who have been around the Department before I arrived and probably will be here long after I am gone (I have only been here 28 years). And somehow they talked him out of continuing down that right track.

I know some people will be disappointed that things are not going as fast or as far as they want. But, my view is, you must avoid getting locked into a position which you cannot yield from and you cannot modify but which you also cannot get enacted into law. That is what happened before. For 4 solid years, because they could not modify their proposal, although they were people of good will, they simply could not get together and achieve anything. I think that was very, very unfortunate.

Secretary CALIFANO. Mr. Chairman, I do not think we have any disagreement on the general points that you have made. I think that it is important to recognize that one of the things that may be helpful here, I think that in any program we must recognize that there is a

value to the work that a mother does in bringing up children. We also have to provide an opportunity for those mothers, mothers and children are a large part of that AFDC population, to be productive working members of society at whatever point their main function in life is, is no longer bringing up children.

Both of those elements are important to recognize. I think our society as a whole, thanks in large measure to many of the women's movements, is coming to recognize that that may be another asset in putting a plan together.

Senator LONG. I want to say this, too. Contrary to what some people may think, the conservatives on this committee—I do not have myself in mind at this point, those who view me as a conservative by their definition, I mean those well-regarded and recognized conservatives on this committee such as our ranking Republican member, Mr. Curtis—have every bit as much desire to do what is good for these people and what is good for the country as do any of us. I believe there is a good possibility if we were to discuss these things and have a chance to make input, if they are offered a chance to make that contribution, that we are going to get together on something that will have enormous, overwhelming vote. That is what we ought to do. If we do not, it is a failure of statesmanship.

It is not saying that everybody is entirely to blame.

Secretary CALIFANO. Mr. Chairman, I might say, as far as the Governors are concerned, we have heard from the Governors. We solicited their views. We have some of the most thoughtful suggestions that have come from Governors. They are not simple suggestions just to give them fiscal relief. They have lots of ideas on how these programs can be better run.

I wrote to you, every Member of Congress, when we began I heard from about 100. We intend to sit down with each member of this committee and each member of the House Ways and Means Committee one by one, with Mr. Aaron, so that we have a sense and a clear sense of the kinds of things that are of concern to people who have given an awful lot of time and energy and thought to this problem like yourself.

Senator LONG. I am called to the Commerce Committee on an emergency basis. I will be right back.

Senator MOYNIHAN. Before the chairman leaves, may I say, Mr. Secretary, you have heard some very wise counsel and very constructive counsel. I thank you, and I know that the Secretary thanks you.

Senator Curtis?

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Secretary, have you had, and do you still have, several alternative approaches to what kind of legislation you are going to bring in?

Secretary CALIFANO. I think, Senator, you can see there are, in the basic reports and the basic papers—there are five basic papers one of which is the so-called options paper and it includes several options, and there are lots of variations possible on it.

At the present time, we are open, within the confines—which are broad, in some respects—of the principles the President laid down in his statement on Monday.

Senator CURTIS. You have, on your right, a very scholarly gentleman who has spent time with this. Would you list, not at this time, but in your remarks, the books and pamphlets that he has written on the subject of welfare?

Secretary CALIFANO. Yes; we will supply them for the record—if they can fit in any record.

[The material referred to was subsequently supplied for the record.]

#### PUBLICATIONS OF HENRY AARON

"Shelter and Subsidies: Who Benefits from Federal Housing Policies?" *Brookings*, 1972; Chapter IV reprinted in Donald J. Reeb and James T. Kird, Jr., "Housing The Poor," Prager, 1973.

"Tax Reform and the Composition of Investment," *National Tax Journal*, March 1972 with Frank S. Russek, Jr., and Neil M. Singer; *Brookings Reprint* 228.

"The Honest Citizen's Guide to Revenue Sharing," *Proceeding of the Sixty-Fourth Annual Conference of the National Tax Association*, 1971; reprinted in *Tax Review*, October 1971, Vol. XXXII, No. 10, reprinted in Harold Hochman (ed.) "The Urban Economy, Norton, 1975.

"Inefficiency of Transfers in Kind: The Case of Housing Assistance," *Western Economic Journal*, June 1971 (with George M. von Furstenberg); *Brookings Institution Reprint* No. 210.

"Income Taxes and Housing," *American Economic Review*, December 1970; *Brookings Institution Reprint* No. 193.

"Inventory of Tax Incentives: Federal," in *Tax Institute of America, Tax Incentives*, (Lexington, Massachusetts; D.C. Health and Company, 1971), pp. 39-49; *Brookings Institution Reprint* No. 201.

"Local Public Expenditures and Migration Effect," *Western Economic Journal* December 1969.

"Public Goods and Income Distribution," *Econometrica*, November 1970 (with Martin C. McGuire); *Brookings Institution Reprint* No. 202.

"What is a Comprehensive Tax Base Anyway?" *National Tax Journal*, December 1969.

"Tax Exemptions—The Artful Dodge," *Transaction*, March 1968.

"Efficiency and Equity in the Optimal Supply of a Public Good," *Review of Economics and Statistics*, February 1969 (with Martin C. McGuire); *Brookings Institution Reprint* No. 154.

"Income Transfers for the Poor: A Quick Tour," *Monthly Labor Review*, March 1969.

"Social Security: Perspectives for Reform," *The Brookings Institution*, 1968 (with Joseph A. Pechman and Michael K. Taussig).

"Inflation and the Income Tax," *Brookings*, 1976, (editor).

"Inflation and the Income Tax," *American Economic Review*, May 1976.

"The New View of Property Taxation," *Brookings Institution*, 1975.

"Demographic Effects on the Equity of Social Security Benefits," in *The Economics of Public Services*, Martin Feldstein, editor, 1976.

"New Views on Property Tax Incidence," *American Economic Review*, May 1974.

"Why Is Welfare So Hard to Reform?" *Brookings*, 1973; reprinted in Irenebarie, ed. "Integrating Income Maintenance Program," *Academic Press*, 1975.

"A Mixed Strategy for Housing Policy: Comments on HR 10036 and HR 10688," statement before Subcommittee on Housing of the Committee on Banking and Currency, October 16, 1973.

"What Do Circuit Breaker Laws Accomplish?" in *Property Tax Reform*, George Peterson, ed., *Urban Institute* 1973.

"Review of The Politics of a Guaranteed Income" by Daniel P. Moynihan, *Yale Law Journal*, July 1973.

"Property Taxation: Reform and Relief, Comments on S 1255," statement before Subcommittee on Intergovernmental Relations, May 2, 1973.

"Financing Welfare Reform and Income Distribution," in *Welfare: A National Policy*, papers presented at a Conference at U.C.L.A., September 29, 1972, *Institute of Industrial Relations, U.C.L.A.*, 1973.

"Federal Housing Subsidies: History, Problems, and Alternatives," Statement before Joint Economic Committee, December 5, 1972; Brookings Institution Reprint No. 261.

"Federal Housing Subsidies," Compendium of Papers on the Economics of Federal Subsidy Programs (Joint Economic Committee, October 1972).

"Tax Changes and the Composition of Fixed Investment: An Aggregative Simulation," Review of Economics and Statistics (November 1972) (with Frank S. Russek, Jr., and Neil Singer); Brookings Institution Reprint No. 257.

"The Differential Price Effects of Value Added Tax," National Tax Journal, June 1968; Brookings Institution Reprint No. 150.

"The Foundations of the 'War on Poverty' Reexamined," American Economic Review, December 1967.

"Urban Finance and Economic Development: A Case Study of Mexico City," with Oliver Oldman, Richard Bird, and Stephan Kass, Harvard University Press, 1967.

"Some Observations of Property Tax Valuation and the Significance of Full Value Assessment," in Proceedings of the Sixth Conference of the Committee of Taxation Resources and Economic Development, Milwaukee, Wisconsin, July 7, 1967. University of Wisconsin Press, 1969.

"The Objectives of Social Security," in Old Age Income Assurance, Part III, Public Programs, A Compendium of Papers on Problems and Policy Issues in Public and Private Pension Systems, submitted to the Subcommittee on Fiscal Policy of the Joint Economic Committee, 90th Congress, 1st Session (1967); Brookings Institution Reprint No. 144 (with Joseph A. Pechman and Michael L. Taussig).

"The Social Insurance Paradox," The Canadian Journal of Economics and Political Science, August 1966, reprinted in Old Age Income Assurance (see citation above).

"The Structuralist-Monetarist Controversy: A Note on Evidence," Journal of Development Studies, January 1967.

"Social Security: Equities and Inequities under United States Social Security," and "International Comparison," in The Economics of Income Maintenance (Otto Eckstein, editor), Brookings Institution, December 1966.

"Rent Controls and Urban Development: A Case Study of Mexico City," Social and Economic Studies, December 1966.

"Rate Progressivity and the Direct Taxation of Personal Income," TAXES—The Tax Magazine, July 1966.

"Soak the Poor," The New Republic, September 4, 1965.

"Kaldor's Proposal for Limited Accelerated Depreciation: A Note," Indian Economic Journal, July-September 1965.

"Some Comments on Tax Burden Indices," National Tax Journal, September 1965.

"Assessment Sales Ratios Under the Boston Property Tax," with Oliver Oldman, National Tax Journal, March 1965.

"Alternative Ways to Increase Work Effort under Income Maintenance Systems," Integrating Income Maintenance Programs, (New York: Academic Press, Inc., 1975), pp. 161-88.

Senator CURTIS. I was impressed about your staff of consultants. Would you also supply for the record those individuals from congressional staffs who have participated as consultants?

Secretary CALIFANO. Yes, I will. They are listed in the welfare reform study that we submitted to this subcommittee, but we will get copies. I think we have copies for every member.

[The material referred to was subsequently supplied for the record.]

The following congressional staff members participated as members of the HEW Welfare Reform Consulting Group:

Kenneth Bowler, staff member, Ways and Means Public Assistance Subcommittee; Donald Baker, chief clerk and Associate Counsel, House Education and Labor Committee; Michael Stern, Staff Director, Senate Finance Committee; James Storey, Counsel, Senate Budget Committee; Alair Townsend, Senior Analyst, House Budget Committee; and Lisa Walker, Senate Human Resources Committee.

All meetings of the Consulting Group were public. Other congressional staff members participated in the three months of public meetings.

Senator CURTIS. Outside of the Federal Government, including employees of the House and Senate, who else were consulted?

Secretary CALIFANO. We had representatives, Senator, from the new coalition. They, in fact, had representatives from the States, the State legislatures, the cities, the counties.

Senator CURTIS. Representatives of the officials?

Secretary CALIFANO. That is correct.

Senator CURTIS. In other words, your consulting group were Federal officers or officials and employees and State and local officials and employees plus welfare recipients?

Secretary CALIFANO. That is correct. They were represented. They were both personally, and represented through the Legal Services Corporation.

Senator CURTIS. Did you consult with any groups outside of government except welfare recipients? Did you have any representation from business groups, women's clubs, taxpayer's groups, retailers, and on the basic question of how welfare money is spent, and so on?

Secretary CALIFANO. Senator, we had hundreds of meetings all over this country. We had meetings here in Washington with groups representing social workers, labor groups, representing rural America. In addition to writing every Member of Congress and soliciting their views, and talking to many, we got 100 letters from the 535 we sent to the Congress and the Governors. I wrote to about 150 other individuals ranging from my shadow Cabinet member in the Reagan camp to across the political spectrum, people who had dealt with this problem and had expressed an interest in it.

Senator CURTIS. I am directing my question to those who were called in to participate.

Secretary CALIFANO. The meeting of the welfare consulting group were public meetings, so there were lots of other people there. At the end of each meeting, an opportunity would be given to anyone in the audience to talk or present their views.

Senator CURTIS. As witnesses at your hearings?

Secretary CALIFANO. As witnesses, or just participants in the discussion.

Senator CURTIS. That is the only consultant group? You did not have a consultant group that you assembled here in Washington?

Secretary CALIFANO. That was the group that was here in Washington. I set up a group initially of Federal executive branch officials, representatives of the sixth Congressional committees, representatives of State and local governments, and representatives of the poor through the Legal Services Corporation.

We went out in each region. We announced in advance public hearings in town forums and a couple of the volumes here deal with reports that I think you will find quite interesting.

Every kind of citizen participated there. When I was in New York there were businessmen who testified and I, myself, held a 10½-hour hearing here in Washington.

Senator CURTIS. I assume from what you said, by consulting group, you did not intend to mean everybody who showed up at one of these meetings?

Secretary CALIFANO. The welfare reform consulting group which was announced on January 26 was a group that I first mentioned, Federal executive employees, staffs from six congressional committees, the representatives of the Legal Services Corporation representing the welfare recipients and that group would have their meetings. At the end of each meeting, we would give an opportunity for anybody in the audience, the AFL-CIO for example, was at every meeting of that group, and at one of the meetings I was at, Mr. Seidman, who is very knowledgeable in this area, commented.

Senator CURTIS. On another subject, I notice by your chart comparing Kansas City, Mo., with Kansas City, Kans., that the amount for food stamps varied as to the two cities. Yet the facts are that the food stamp program is a uniform national program. How do you account for that?

Secretary CALIFANO. It is based on income, Senator, and the AFDC portion of the income was different in one city than another, therefore the food stamp program varied because the income varied.

Senator CURTIS. The national standards for income are the same?

Secretary CALIFANO. The AFDC funds are counted in determining what amounts you are eligible for under the food stamps program as income, so, in fact, on that example, you will notice the discrepancy is even greater if you count in the AFDC payments.

Senator CURTIS. The point is you are urging for AFDC a national uniform program. We have that for food stamps now, and you still have your variation.

Secretary CALIFANO. What we are urging for the cash assistance programs that they be consolidated into a single cash assistance payment. That payment, either alone or adjusted for the cost of living or in combination with State or local supplements, constitute a decent income.

The only variation that we would like to see in the minimum amount that would be provided to an individual unable to work would be a variation based on the cost of living. The food stamp program is the amount you are entitled to under the food stamp program. One of the things that makes this thing such a crazy quilt is the fact that there are these variations. That amount is determined by the amount of income, and the amount of income includes the amount of AFDC income. So if the AFDC income is higher, the food stamp payment is going to be lower.

Senator MOYNIHAN. If the Senator would yield, I would like to say that I think Senator Curtis has made an important point, that this committee expects, when it establishes uniform national programs, that these will have uniform effects.

Senator CURTIS. I think that the food stamp program treats a dollar as a dollar. If somebody gets an AFDC payment, that should be counted in how much food stamps he receives.

The point is, the food stamp program is uniform in every State and locality, the same formula. One thing that disturbs me—and I gather from many sources, but one I was impressed with this morning—several of your charts did not deal with the welfare problem alone. It dealt with all of the poor in our population, and we are going to arrive at different answers if our objective in this program is to re-

distribute wealth or income, to do what various individuals believe to be justice to all poor, or whether we direct our attention as to what are the evils in our welfare program and what we can do about them.

I think that we should decide on a goal, and there were many things in presenting to us and the public these charts about the poor as a whole which would indicate that you are wrestling with a problem of what to do about all of those people.

I have a few questions here relating to cost. I will not go through them. They can be supplied for the record. The Chairman has been very generous on time.

Senator MOYNIHAN. Senator, take all the time you wish.

Senator CURTIS. These are for figures. What are the estimated costs of the family assistance program under consideration in 1970-71?

I also would like to know what were the estimated costs of the existing public assistance program for 1970-71.

Three, what has been the growth in public assistance costs from 1970-71 to the present, both in dollars and in caseload?

Four, of the five options reported in the press that you had under consideration, what is the eligibility cutoff for a family of four with no outside income? For a family of four with outside income?

Five, how do those levels compare with those of the family assistance plan?

Six, similarly, how do those levels compare with those in the so-called income supplement plan, the ISP forwarded to the White House in the Ford years by HEW, but never approved by President Ford. What were the estimated costs of ISP?

How is your estimating being done? Are you using the so-called transfer income model?

Is it being operated under contract by a firm called Mathematica, Inc.? If so, how reliable have its estimates been in the past?

If you would supply answers to those, I would appreciate it very much.

Secretary CALIFANO. We will.

[The questions and answers follow:]

QUESTIONS SUBMITTED BY SENATOR CURTIS AND ANSWERS OF SECRETARY CALIFANO

*Question. 1.* What were the estimated costs of the family assistance plan, under consideration in 1970-71?

*Question. 2.* What were the estimated costs of the existing public assistance programs in 1970-71?

*Answer.* We are providing cost estimates concerning the second version of the "FAP" proposal (more properly known as the "Family Programs: Opportunities for Families Program (OFF) and Family Assistance Program (FAP)"). The OFF-FAP proposal estimates are taken from House Report No. 92-231 on H.R.

1. These estimates were developed by an office of HEW which no longer exists. The zeroxed table gives both the estimated costs of the family assistance program and the estimated cost of the existing programs in fiscal year 1973.

TABLE 1.—POTENTIAL FISCAL YEAR 1973 COSTS OF ASSISTANCE PROVISIONS UNDER H.R. 1 AS REPORTED BY THE HOUSE COMMITTEE ON WAYS AND MEANS

[In billions of dollars]

	Federal			State and local <sup>1</sup>			Net cost to all governments
	Current law	H.R. 1	Net cost	Current law	H.R. 1	Net cost	
Payments to families.....	3.9	\$ 5.8	1.9	3.3	3.1	-.2	1.7
Less savings from public service jobs.....		-.3	-.3				-.3
Subtotal.....	3.9	5.5	1.6	3.3	3.1	-.2	1.4
Payments to adult categories.....	2.2	4.1	1.9	1.4	1.5	.1	2.0
Cost of cash assistance.....	6.1	9.6	3.5	4.7	4.6	-.1	3.4
Federal cost of "hold harmless" provision.....		1.1	1.1		-1.1	-1.1	
Food programs.....	2.4	1.0	-1.4				-1.4
Cost of maintenance payments.....	8.5	11.7	3.2	4.7	3.5	-1.2	\$ 2.0
Child care.....	.3	.8	.5				.5
Training.....	.2	.5	.3				.3
Public service jobs.....		.8	.8				.8
Supportive services.....		.1	.1				.1
Administration.....	.4	1.1	.7	.4		-.4	.3
Cost of related and support activities.....	.9	3.3	2.4	.4		-.4	2.0
Total cost of program.....	9.4	15.0	5.6	5.1	3.5	-1.6	4.0
Impact on other programs.....		-.1	-.1				-.1
Grand total.....	9.4	14.9	5.5	5.1	3.5	-1.6	3.9

<sup>1</sup> Assumes that the States, through supplemental programs, maintain benefit levels including the value of food stamp bonuses.

<sup>2</sup> Includes only 6 mo of payments to families in which both parents are present, neither is incapacitated, and the father is employed. The effective date for this provision is Jan. 1, 1973.

<sup>3</sup> Net benefit increases to recipients.

**Question 3.** What has been the growth in public assistance costs from 1970-71 to the present?<sup>1</sup> Caseload?<sup>2</sup>

Answer. Federal Budget Outlays.

	Fiscal year 1971		Fiscal year 1976	
	Costs (billions)	Persons (millions)	Costs (billions)	Persons (millions)
Food stamps.....	\$1.5	10.5	\$5.3	18.6
Maintenance payments.....	5.1	12.5	9.8	15.7
AFDC.....			5.3	11.4
EA.....				
OAA.....				
AB.....			4.5	4.3
APTD.....				
Medicaid.....	3.2	18.2	7.9	23.9
Housing.....	.7	1.1	2.7	7.8
Total.....	10.5		25.7	

**Question 4.** Of the five options reported in the press which you have under consideration, what is the eligibility cut-off for a family of four with no outside income?

For a family of four with outside income?

Answer. Generally the five options under consideration would have given \$4350 to a four person family with no outside income in 1976. There are, however, variations within the options which are detailed in Volume 2, Report on the 1977 Welfare Reform Study, pp. 339-406. (Attached)

<sup>1</sup> Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) or its predecessor programs (OAS, ATD, and AB), food stamps, and housing subsidies; also Medicaid.



Four person families would have become ineligible for any benefit when their earned income was in excess of \$8700 per year in 1976 dollars. Again, there are variations within the plans that are detailed in the attached volume.

*Question 5.* How do those levels compare with those in the family assistance plan?

Answer. The "Family Assistance Plan would have provided a family of four with no other income with a \$2400 benefit in 1973. This is equivalent to \$3072 in 1976 dollars. Consumer prices rose 28 percent between 1973 and 1976.

A family of four would have become ineligible for benefits when its earned income exceeded \$4300 unless the family required child care expenditures which could be deducted from earned income for the purposes of benefit and eligibility calculations. \$4300 in 1973 was equivalent to \$5500 in 1976.

*Question 6.* Similarly, how do those levels compare with those in the so-called Income Supplement Plan (ISP), forwarded to the White House in the Ford years by HEW, but never approved by President Ford? What were the estimated cost of I.S.P.?

Answer. The Income Supplement Plan (ISP) would have provided \$3600 to a four person family with no other income in 1974. In 1976 dollars, \$4150 is equivalent to \$3600 in 1974.

Four person families would have become ineligible when their earned income exceeded \$7200 in 1974 (\$8300 in 1976 dollars).

The Income Supplement Plan was estimated to have a net Federal cost of \$3.4 billion in 1974 or \$3.9 billion in 1976 dollars. These estimates are detailed in tab F of the Income Supplement Program. (Attached)

*Question 7.* How is your estimating being done? Are you using the so-called "trim" model (transfer income model)? Is it being operated under contract by a firm called Mathematica, Inc.?

How reliable have its estimates been in the past?

Answer. We are using models developed within the Office of the Assistant Secretary for planning and Evaluation to estimate the cost and caseload implications of several welfare reform options. Generally, we have not been relying on the "TRIM" model being operated under contract by Mathematica, Inc. We do, however, utilize similar logic and even some parts of the program.

We have no evidence on the reliability of TRIM estimates.

Senator CURTIS. That is all, Mr. Chairman.

Senator MOYNIHAN. Am I right that Secretary Weinberger's plan was called the income security program? In any event, I think that is a very good point. This committee would very much like to see that proposal.

Senator CURTIS. We are referring to the same proposal.

Senator MOYNIHAN. Thank you.

Senator DANFORTH?

Senator DANFORTH. Mr. Secretary, the President's statement, in point 2, indicates that one of the goals under this system is that every family with children and a member able to work should have access to a job. You also mentioned in your comments that one of your goals was a jobs program for this particular group of people.

I think that I read in the weekend newspapers that there was some kind of internal debate within the administration between you and Secretary Marshall or HEW and the Department of Labor on whether or not there should be a jobs program as a part of this.

Is that right?

Secretary CALIFANO. The discussion, debate, if you will, was not really a debate. It was not as to whether or not there should be a jobs program. The issue is, how many jobs should be provided, over what period of time, and there were widely variant estimates within the administration, among the staffs of Labor, HEW, Council of Economic Advisers, Bureau of the Budget. That is the problem.

This is a special and difficult population, a very disadvantaged group of people. In the last year, in 1968, in the last year of the Johnson administration when we had an unemployment rate of 3.2 percent, terrific pressure on the private sector to find workers, even with supplements of one kind or another to provide health care or special education or what have you from the Federal Government, the National Alliance of Businessmen that went out after a lot of this population, they were successful in many aspects, but they found it a very difficult task.

The point is, we do not want to overpromise our ability to train and to provide jobs for people at this economic level. It would just be taking up on the roller coaster again and then dropped off. We do not want that to happen.

Senator DANFORTH. The way this point 2 reads is that at least it is a guaranteed job type of approach with the Government as employer of last resort. That is not the approach?

Secretary CALIFANO. What the approach is is essentially this, Senator. We would like a program skewed to encourage employment in the private sector, to make it more economically desirable for an individual to work in the private sector rather than the public sector, for those individuals who want to work in a volunteer sense, and for other categories of individuals as we would be able to be counted and have jobs available.

We would like to be able to provide public jobs where there are not private jobs available.

What are your priorities there? You go after two-parent families, two-parent families with children, one-parent families with children, volunteers. How do you measure those priorities?

That is the kind of question that is now under discussion and the kind of question on which experts disagree. The President listed a whole host.

The other aspect of it is that the President feels quite strongly that the more we can make this local, the more you can get that program local whether it is in a neighborhood, a large city, the better able we are going to be, because they know what kinds of work needs to be done.

We could use lots of people in New York City, for example, where I come from and where Senator Moynihan comes from, to test the lead paint on walls and get that lead paint off the walls of schools and brownstones around the city. There are lots of jobs.

Senator DANFORTH. That is your goal, though? Your notion is that if people are going to receive a cash payment, you want them to test lead paint or pick up tin cans, or whatever?

Secretary CALIFANO. To the maximum extent we can provide jobs for people in this population, we would like to do it. I do not want to sit here and be in any way misleading.

This Nation is going to need a cash assistance program under the absolute best of circumstances. All history teaches us there are going to be elements in society that will be unable to work, in a disability sense, in an aged sense, in a small child sense, and I think there also are very social and human judgments to be made about the point at

which you would want to require or to encourage mothers with young children to work.

I think those are very difficult questions.

— Senator DANFORTH. Let us assume that there are a lot of people who cannot work, kids, disabled people, and elderly people who are on welfare. But we are talking about the middle group, the families which arguably have—that is the phrase you used here—a member able to work.

As you point out, you have a definitional problem right at the outset. What does that mean, able to work? You have to define that.

Really, the question I have, even if you can define “employability” is that you are absolutely clear within the administration that this is the line you want to pursue, that it is really worth the administrative effort, the redtape, the supervision, and so forth, to have people going out and testing lead paint and whatever?

Secretary CALIFANO. We are clear to the maximum extent we can get people to work and provide them jobs that we should do that. There is an element of human dignity associated with work and pride and self-satisfaction that is important and to the extent that we can, we have an obligation to provide that opportunity to people.

One of the reasons to try to do this locally, one of the things we are going to be talking to the Governors and some of the mayors about is doing this locally, not trying to sit in Washington and tell the mayor of Plains, Ga. or the mayor of New York City or the mayor of Kansas City what kinds of jobs are needed in his area to the extent that there are public jobs. Hopefully that will avoid a lot of the redtape.

Yesterday I met with Congressman Corman and 70, not 17, as the newspapers today reported—70 feet of welfare forms lying end to end, about half the applicants for welfare in Los Angeles County now have to either read or fill out. That is preposterous.

Senator MOYNIHAN. If these 70 feet of welfare forms were laid end to end, is it true they would not reach a determination?

Secretary CALIFANO. That is correct.

Senator DANFORTH. On the question of federalizing welfare, picking up a greater burden of what the States are doing, obviously that is going to be an expensive undertaking, is it not?

Secretary CALIFANO. Yes. It is both State and local.

As the President indicated, he feels that should be done as the Federal resources permit. I think he also indicated in the campaign that he thought that it should be done locally initially and even doing that has its own set of problems. Sixty-nine percent of the local share is in two States, New York and California have heavy, heavy caseloads there, and difficult problems.

On top of that, you have relief for the States. There are trade-offs; \$8 billion, basically \$7.5 billion, in AFDC and SSI payments involved. The SSI payments are voluntary by the States.

In the State of California, they pay more in supplemental income than the Federal Government does.

Senator DANFORTH. Obviously, the thing that has everybody buzzing and chuckling is, point 1, no higher initial cost for the present system and somebody would say, what is meant by the word “initial?” Does that mean the first day, but not the second?

If you talk about putting aside all of the problems of equity in the welfare system, and you talk about the purely geographical problem of federalizing and localizing, that is clearly going to be a very expensive undertaking, is it not?

Secretary CALIFANO. Let me answer that this way.

In the term "initial costs," that term includes the \$5.4 billion in countercyclical CETA money that would otherwise be phased out at the end of fiscal 1978 or 1979.

Senator MOYNIHAN. Would you say that again, sir?

Secretary CALIFANO. In the term "initial cost," does this include the \$5.4 billion portion of CETA money, the countercyclical CETA program that otherwise would have phased out, a dollar figure—I am not saying that dollar figure will be applied just to jobs, a dollar figure?

Senator MOYNIHAN. That is available under the term "initial cost."

I am sorry to interrupt you, but you gave the figure \$49.3 billion for income assistance programs, not all of which—I guess \$34 billion is Federal.

Secretary CALIFANO. That includes medicaid.

Senator MOYNIHAN. You consider that to be the whole range of programs that are available under the term "initial cost"?

Secretary CALIFANO. I would exclude the medicaid portion because I do not think as a part of this we will directly affect medicaid. I think medicaid will be handled more in connection with the national health insurance.

Senator MOYNIHAN. In your new reorganization.

Secretary CALIFANO. That is correct.

Then the \$5.4 billion in CETA money, which is not there and one other item which is, as Mr. Schlesinger indicated in his briefings on the energy program, the money to be raised by the wellhead tax will be returned to the American citizen. It will be returned to taxpayers at the lower end of the spectrum. It will also be returned to low-income people who pay no taxes.

The precise amount of that is something we have not yet computed and are still discussing in government. That money I also consider—

Senator DANFORTH. What is that?

Secretary CALIFANO. The wellhead tax proposed in the energy program. The President and Mr. Schlesinger indicated that that would be returned to the American taxpayer at the low end of the taxpaying spectrum and part of it to the nontaxpaying low income citizen.

Some of that money is available.

Senator DANFORTH. Let me raise pointblank what the question is I think our people are raising. It is exactly on this energy issue, and that is, people feel that the Government is going to increase the price of oil by taxing it rather than letting the marketplace take it. It is feared that the energy tax revenues will not be returned, but that the President's welfare program is going to be paid for by these energy taxes.

Secretary CALIFANO. That is not so.

When the Congress was considering the rebate and in their determination, the rebate was still economically necessary. As a matter of fact, had he given that rebate back to the American people, the two committees had reported were working on rebates that would have provided funds, I think, for taxpayers of \$30,000 or less, incomes of

\$30,000 or less—I forget the exact ceiling—as well as some rebate to those American citizens who were not paying any taxes.

Now, that, it is that same kind of judgment that is being made now in connection with the wellhead tax. I do not think it involves as much money as the rebate did, so it is not designed to do that.

Senator DANFORTH. The theory, as I understand it, of the recycling of the wellhead taxes is that you increase people's cost of living by increasing the cost of energy and it is simply to return some of that back to people. Is that correct?

Secretary CALIFANO. That is right.

Senator DANFORTH. It is not to use the energy tax as a transfer payment?

Secretary CALIFANO. That is correct.

Senator DANFORTH. It is to assume that people with low incomes or no incomes still have costs for energy, so you are going to pay that group of people to compensate them for necessary uses of energy where their cost per Btu has increased, but not to utilize this energy tax as a form of transfer payment?

Secretary CALIFANO. That is correct.

There is, in the energy proposal also, to round out the whole picture, an emergency assistance program which would provide, on some kind of a contingent basis for a situation of the kind we had this past winter so that there would be enough flexibility and authority in the law to pay for ordinary energy costs of poor people.

Senator DANFORTH. Nobody is going to be better off because of the increase on energy, it is just a question of mitigating damage?

Secretary CALIFANO. A problem for the people most hurt.

Senator DANFORTH. For everybody, but particularly for people who are most hurt?

Secretary CALIFANO. That is right. That is my understanding of it.

Senator DANFORTH. You still have the problem of paying for the welfare program itself without any money to accomplish these objectives coming from the increased costs in oil.

Secretary CALIFANO. Initially.

Senator DANFORTH. What does initially mean? That is the problem. Is this a trap? Initially means the first day, but after that, watch out?

Secretary CALIFANO. What was meant by "initially," the President was very concerned on subjecting things to a rigorous analysis. One of the analyses we went through in connection with the options was what would you do at zero costs, what would you do if you had no costs at all that you could add to the welfare programs, and those options in this paper I discussed have been discussed in that context. Where would you add money if you had an extra \$5 billion to spend? Where would you put it?

Would you put it in fiscal relief? Would you put it in jobs?

I think that is part of what we are going through. We will hopefully start and set as a goal—not an unwavering objective, you will notice—what would you do, what can you do, to begin a program to revamp this system without increasing the costs over and above it, with the caveat I mentioned that we have always included in the initial costs the \$5.4 billion and whatever we get out of the wellhead tax.

Senator DANFORTH. You cannot include that wellhead tax. You just cannot do it. That is an entirely different matter, is it not?

This is really of great concern to a lot of people as to what is being done. This is the same committee that is going to be addressing itself to the energy tax situation.

If you recognize that you are going to have a realistic cost on a barrel of oil, the question is what are you going to do with it. Are you going to try to put some of this money or all of the money or most of the money back so you make it possible for people to pay the costs of energy?

That is one question. But what is really sending chills, I think, up and down the spines of people is that that is not what is going to happen. They fear that the energy tax will be seen as a wonderful new source of additional Federal revenue. In fact through this vehicle, an increased percentage of gross national product is going to be spent by government than is the case now. I know it has caused great concern for a lot of people.

Secretary CALIFANO. My understanding of the rebate or return to the American people of the wellhead tax is that it is to ease for those most hurt by it, the increased costs of their energy, and not to pay, if you will, for a welfare reform proposal or national health insurance proposal.

Senator MOYNIHAN. If the Senator would yield, it may be that some of this money will move through the welfare system in order to get to that portion of the population, but without in any way doing anything more than offsetting the increase of the wellhead tax itself.

Would it be useful for us to ask Dr. Schlesinger to come and talk to us? Senator Danforth has raised a very clear point.

Senator DANFORTH. He is going to have to, anyway, on the energy proposals.

Secretary CALIFANO. As you know, on the tax rebate, when that was in motion, the way money was going to be rebated to people who were not paying taxes was using some existing problems, SSI, food stamps, or AFDC, so that the technique by the way you return the fair share representing the increased energy costs to these people is in the programs. They are in place, and that is the most efficient way to do it.

Senator DANFORTH. I understand that, but it is a little bit of concern to me, when you talk about no initial increased costs other than the countercyclical jobs money I do not think it is doable, I think it is pie in the sky unless you have some other source of income that you are talking about. That is what I am trying to smoke out.

Secretary CALIFANO. I do not have any other source of income. I would like to have all the money that I could get my hands on to put together a welfare reform proposal.

Senator DANFORTH. You are very candid.

Secretary CALIFANO. I do not have any other source of income other than those. Whether that no initial cost goal can be met is something we will find out in the next 2 months when we run these computations.

Senator DANFORTH. Let me just say, in conclusion, first of all I am not surprised that you were not able to solve all of the problems of the welfare system by the 1st of May. It really is a swamp; and second, I am all for you. I think that this proposal and this outline—which, of course, is very sketchy—is really on the right track. But

moving from this very sketchy list of a dozen objectives to something that is concrete and specific that is not going to blow the top off the budget is going to be a tremendous undertaking. I wish you well.

Secretary CALIFANO. Thank you very much.

Senator MOYNIHAN. Senator Curtis.

Senator CURTIS. I will try to be brief.

In reference to the wellhead tax, now, if the return of that is to all citizens for all or a part of their added energy costs, then that would clearly not be a transfer of payments, would it?

Secretary CALIFANO. No.

Senator CURTIS. If the return of that money is based upon their income, that is the yardstick to which you determine the payment, and then it does become a transfer payment, does it not?

Secretary CALIFANO. Senator, the word transfer payment means a lot of different things to a lot of different people. I do not know where and the precise nature of what Dr. Schlesinger is going to propose in terms of the return of that tax. I do not think that a man who makes \$1 million a year or a quarter of a million dollars a year needs to get a little money back from the Federal Government because he is paying a little bit more for energy costs. You have to have some recognition that that is necessary. I would hope that whatever he proposes that that is there.

Senator CURTIS. What is the average annual wage for working women?

Secretary CALIFANO. I cannot answer that question. We can submit it for the record.

Senator CURTIS. I wonder if we could look at that one chart there that has the Michigan case. It had a working father. My question goes to the nonworking mother and the working mother.

My question relates to the case of the two mothers. The nonworking mother draws \$7,076 from the sources indicated. The working mother draws AFDC of \$2,604 and brings her total income up to \$9,322.

Secretary CALIFANO. That includes the insurance value of medicaid.

Senator CURTIS. How much total wages could she draw under existing law before she would no longer be eligible for AFDC?

Secretary CALIFANO. We can supply that for the record. It varies State by State.

Senator CURTIS. This case right here.

Secretary CALIFANO. I do not know the answer in this case. I will get that for you for the State of Michigan.

Senator CURTIS. It would be \$11,000, would it not?

Secretary CALIFANO. Not that high, Senator. I cannot give you the number. We can provide it for the record. We will get it as fast as we can.

Senator CURTIS. I believe it would be quite a bit more than that before that AFDC payment would be zero.

Secretary CALIFANO. We will get the number, Senator.

Senator CURTIS. All right.

Is that, what you are proposing in your plan, a ceiling—

Secretary CALIFANO. I am not sure I understand the question.

Senator CURTIS. Whatever the figure is that she could earn and draw some AFDC before it was cut off entirely, is your plan going above or below that?

Secretary CALIFANO. We do not have any proposals as far as the Federal payment is concerned, no proposal whatsoever. We just have those principles.

When we come here, one of the things we will do is talk to the Governors of the variety of ways of doing this.

Senator CURTIS. That is all.

Senator MOYNIHAN. I know that this committee will want to be kept abreast of your thinking and precisely with respect to what the Senator raised.

Senator CURTIS. Thank you, Mr. Chairman.

Senator MOYNIHAN. Mr. Secretary, I do not think that this should be another 10-hour hearing. We can get you back to the planning board quicker than that.

You went to Harvard Law School, and may remember that famous professor who one year got tired of grading all of the papers and gave a multiple choice examination instead. He was very pleased with the results and the following year he told his class this experiment had worked and once again he was going to give a multiple choice examination at the end of the term. He said, as a matter of fact, I am going to give the same examination this year as I gave last year, but this year the answers will be different.

I want to see how some of your answers vary from some of the earlier answers.

I want to make two points. First of all, on the question of resources, you said something that is important, that the CETA money would be considered available for this purpose, but there is one point that we really have to hear from the administration if we are going to judge the clear commitment that solid budgets are going to be met, and that is if it would take time to bring this program, such whatever it is as it finally develops into effect. The administration tells us, if we are to take it seriously—and we are taking it seriously—that you are prepared to have an increment of growth of Federal revenues to this purpose. Do you follow me, Mr. Secretary?

Secretary CALIFANO. I think I follow you. I cannot answer that question.

Senator MOYNIHAN. I do not expect you to.

I put to you the question, you cannot do it by reorganization, there has to be a commitment to commit some portion of that normal increment of Federal revenues from the normal growth of the economy to this large and primary focal purpose.

I want to ask you one other thing. As you know, the President was never in the campaign more explicit than in his statement that there would be relief to the State and local governments. In that compilation of promises that was prepared for the President under welfare, which is page 41, under section (f), it says, "Removing welfare burden from cities with welfare costs being paid by the Federal and State governments."

On the principles which the President gave to us last week, the next to the last principle he stated was that the unpredictable and growing financial burden on State and local governments should be reduced as rapidly as Federal resources permit.

I could read that to mean since Federal resources do permit it, they could eliminate it tomorrow.



Would you want to speak to that matter in your present plans, even though they are necessarily tentative?

Secretary CALIFANO. Mr. Chairman, I cannot answer what the wind is, if you will, of that question, but if it is related to the extent that Federal resources—you want to make Federal resources available of the kind you mentioned if you committed a certain amount of the national gross economy, whether it is related to whether or not the people want some new Federal tax that they would propose to impose to provide that \$15 billion, if you will.

Some of it is related to the extent that you give Federal relief and trading off against the income you gave or the number of jobs that you give, or what have you.

I think that all of those considerations go into the phrase, "as soon as Federal resources permit." I do not know where we will end up on this question. We will be specific on this question in August after we have talked to Governors and mayors.

Senator MOYNIHAN. We are not asking you to answer it. I understand that exactly.

Secretary CALIFANO. I think I should make it clear, as you all know, that the President talked about fiscal relief when he talked during the campaign in this context, but also he made a distinction between local and State fiscal relief.

Senator MOYNIHAN. He did, that is right.

Just a point of information. Mr. Stern would be the best source for this.

What is the normal growth in the Federal revenue? We will get that for the record.<sup>1</sup>

I would like to make one last remark which is that, Mr. Secretary, you said, speaking of jobs earlier on, of the element of human dignity that is involved in having work, and I think no member of this committee would wish to deprecate or depreciate that.

You know, work is not just therapy. I hope the Department of Health, Education, and Welfare will remember that there is an element of social responsibility in working. It is not dust because it makes you feel good, it is because we all have to work for a living.

We expect work for work's sake, which is one thing; also, work for the sake of the product. And you will remember we do not think of work as something that is a form of therapy. We think of it as a social responsibility, that people who can perform, must.

Secretary CALIFANO. I agree 100 percent with that.

Senator MOYNIHAN. I think the whole country is getting a little bit into more perspective on this. What Senator Long said earlier, there was a great battle 10 years ago, a very emotional, not very rational one. I think we are having a lot more success.

Senator Long, you have returned.

Senator LONG. I would like to raise one point with you, Mr. Califano. It seems to me that some of the things that you would like to do differ from some of the things that I would like to, we will never know who is right about it unless we try it one way and then try it the other way.

<sup>1</sup> See p. 42.

When the family assistance plan came down here, the majority of us on this committee made this proposition to Mr. Richardson, the Secretary of HEW: "We are willing to try your plan on the condition that you will try something that we think makes a lot better sense. We would like to see which works the better."

I recall that I challenged the Under Secretary. I said, "I challenge you to try your plan. We will give you the money right now. We would like to try our plan somewhere, too, but you try your plan. I want you to try it right here in the District of Columbia where we can see how it works."

He said, "That is the last place we will try it."

Those people had so little confidence in what they were proposing to us, from my point of view, that they were not willing to let us see how it worked.

I do not know of anything that would be more convincing to someone than to have the kind of thing that you think might work actually tried—actually field tested somewhere to see how it really works. If it is good, I do not think you would have any difficulty at all in selling it.

So it seems to me, that during this period while we are working on the welfare problem, we should give the States an opportunity so that some of them could implement the kind of thing you are talking about and we could see just how it works right in the field while we are talking about it.

It may be that some aspects of what you would like to do are things that the States themselves would like to do now—all you would have to do is to loosen some of the Federal restrictions and let them do it.

For example, with all the problems that New York is having, New York might want to try to save some money by doing a few things that they cannot do now. They have already been forced to reduce their expenditures, but as far as I know they have not made any cuts that really treat anybody unfairly. But they might want to take a closer look at the rolls. If they can find a way to save something by better administration of their program, I do not know why we should not let them have the full benefit of their savings. If they can save \$50 million, let them keep that \$50 million rather than having the Federal Government take it back.

Do you find that objectionable?

Secretary CALIFANO. The program is so complex now, Senator, I am not sure that that would be an appropriate thing to do. I am not sure we would know how much was being saved and not being saved or how it was being done. I am not sure what kind of terrific pressure you want to put somebody to throw people off the welfare rolls.

Senator LONG. I am not talking about putting pressure on anybody. My concern is just that it is not adequately rewarding for a State to take a look at whether people should be on the rolls or not.

In Maryland, for example, we had some stories that you undoubtedly read in the Washington newspapers about a bunch of welfare cheaters, a ring of them. Some fellow—I forgot what his name was—was driving these ladies around in a big automobile to different welfare offices to go in and apply for welfare payments. They even had wigs and other disguises.

To defend themselves against this sort of thing, Maryland did not have a single investigator outside of the city of Baltimore. They had no defense against this man driving these ladies around making applications for multiple benefits.

But, then the State came up with this idea. They asked people, if they wanted to continue to be on welfare and get their food stamps, to come in and get an identification card that would identify them as being eligible for the program; 11 percent of the people did not show up, did not show up at all. If a simple request for people to get themselves an identification card would reduce the rolls by 11 percent, that is a way to save a lot of money right there.

What is wrong with letting the States just doing a few things like that to improve the program?

Secretary CALIFANO. Senator, let me make a couple of points. Obviously there is nothing wrong with people doing things to improve the program and the administration of this program leaves much to be desired. Our best estimate is that there is about a 9-percent error rate, that the bulk of that error rate comes, not from somebody cheated but from mistakes that are made by the people administering the program. It becomes so complex that you cannot tell who is eligible and who is ineligible and all the ways you go about picking out assets and income disregards and what have you.

Anything anybody can do, I think they should do, and I think that one of the things we hope to propose is a much simpler program which will sharply, in and of itself, assure substantial reduction in those error rates.

But I think, if people are not entitled to receive welfare payments and they are receiving them and we discover them, I think that that is less money for the Federal Government to pay and less money for the city to pay. They have a share in that. As that money is returned, it puts terrific pressures on everybody.

Senator LONG. This is the Democratic platform. I did not write this platform, Mr. Moynihan did.

Let me read this—Mr. Carter certainly knows about it.

As an interim step, as a means of providing immediate fiscal relief to State and local governments, local governments should no longer be required to bear the burden of welfare costs.

What I am talking about is just letting them have the full benefit of whatever they can save by a close, responsible management of their own program or by making some modifications of their program that they think are in the interests of the people.

How can you justify, if you feel committed to this platform and you are speaking for the President, how can you justify declining to let the States even have the benefit of what they can save by better administration of their program when you have a commitment here in this platform to take the whole thing off their back?

Secretary CALIFANO. Local government, not States. You notice, the President, in every statement he made—

Senator LONG. Do you call the city of New York a local government?

Secretary CALIFANO. You bet.

Senator LONG. In the State of New York, I believe, the arrangement between the State and the city is that the city will take care of the welfare costs.

Senator MOYNIHAN. The State pays half and the city pays half of the share, yes, sir.

Secretary CALIFANO. Let me say, as far as better administration of these programs is concerned, one piece of the HEW reorganization is directed at that point, getting SSI and welfare together, and you know we discussed the problem and our ability to get these computers going to eliminate double dipping. Anything the States can do to clean up their programs, I would encourage them to do. They have plenty of encouragement now.

Governor Dukakis in Massachusetts has freedom to move, and he is moving in much tougher ways than many other States are on this problem. He has moved on the medicaid part of the problem by setting up a rate commission up there that is indeed driving those hospital cost increases down to about 9 percent a year and 10 percent a year.

There is plenty of flexibility out there, plenty of room for State and local people to move on this problem.

I think if the Governor of Maryland thinks it is worthwhile to have investigators in places other than Baltimore, that is a judgment the Governor of Maryland is going to make and he ought to put some investigators there, if he thinks it will pay off.

We think it is worthwhile to put people into this child support enforcement program. It clearly pays off.

Senator LONG. There is one thing that you can do for the city of New York that nobody on this committee would object to as far as I know. I, for one, would recommend it.

What I am suggesting is that your Department let the States pay money to some of these people for work rather than paying them for doing nothing.

Do you have any objection to giving the States that option—to pay people to do something rather than to pay them for doing nothing?

Secretary CALIFANO. It is the extent that we can do that in regulations and the extent that the law permits that; it is obviously better on the whole to have people working who want to work rather than have them receive cash income for not working. We all agree on that.

Senator LONG. One of the people who had a high responsibility in your Department under the previous administration told me that the most effective way to improve the welfare program is for States to pay money to put people to work. I am talking about paying the same person, but you pay him to work.

Apparently, some people in your Department construe the welfare laws—I do not think they have any decisions to back this up—as requiring that you pay people for doing zero, for being idle. They view it as immoral to pay people to work. I do not think you share that view.

Secretary CALIFANO. No, I do not.

Senator LONG. Then I think that is one of the things that we ought to be able to try. It seems to me we ought to give States that right, if they want to do it, immediately. We should just say: "If you want to pay some of this money to somebody to work, there is no reason why not. Go right ahead. It is all right with us."

This may be one of the answers to the welfare program. Take a poor family that has never been able to succeed in anything but has always gotten the worst of it. Instead of paying the welfare money to them,

pay it to someone who will put the head of that family to work and will pay him twice what the welfare money would be.

We are setting the stage for that approval in the tax bill we just agreed to yesterday. In that bill we say, "If you increase the number of employees, we will provide you a tax advantage." We did the same kind of thing previously, with the Talmadge amendment, which provides a 20-percent tax credit if you hire somebody who is on the welfare rolls.

There are some areas where you may find yourself at issue with the majority on this committee. But those issues can be resolved very easily if you can prove to these people that your proposal will work in a fashion that is convincing. I do not know anything more convincing than having something in place where you can look at it and see that it actually works. If you will do that, then they will buy it.

I would buy it, if you can do that. Show me that this works. If it works, I will go along with it.

But if you have something you have tried and it does not work or if I challenge you to try it somewhere and you say to me, as the previous Under Secretary did, "That is the last thing we will do—to try it somewhere where you can look at it"—then you can understand why people at that point would not be willing to buy your proposal.

Secretary CALIFANO. Senator, there have been many demonstrations during the last couple of years, and we should submit them for the record of this subcommittee.

Senator MOYNIHAN. The Chair would appreciate that. I think it is the case that some of those experiments have had results that moved in different directions.

[The following was subsequently supplied for the record:]

#### INCOME MAINTENANCE EXPERIMENTS PROGRAM

PRIMARY PURPOSE OF THE EXPERIMENTS: TO PROVIDE INFORMATION ON THE BEHAVIORAL EFFECTS OF ALTERNATIVE INCOME MAINTENANCE POLICIES, PARTICULARLY LABOR SUPPLY EFFECTS

The income maintenance experiments were designed primarily to yield statistically reliable results on the major behavioral and societal effects of alternative income maintenance policies, with particular emphasis on work incentive effects. Research results from these experiments will help determine the desirable direction of both short term and long term reform of the welfare system by providing statistically reliable information on the impact of changing such program parameters as benefit levels and tax rates, and of expanding program coverage. Except for the data being generated by these experiments, no other hard data are available on the likely responses of individuals to changes within our income maintenance system. The ability to predict such responses is of great importance since alternative policy decisions in the welfare area can result in the saving or expenditure of hundreds of millions, or even billions, of dollars.

In addition to measuring work incentive effects, the experiments are also designed to provide reliable information on other behavioral responses to changes in income maintenance policies such as: (a) Will family stability be enhanced, and if so, what types of plans and variations within them will serve this purpose best? (b) How will the demand for social services, both public and private, be affected? (c) Will consumption patterns change among low income families? (d) How will family mobility and family size be affected? and (e) To what extent will the integration of income maintenance and manpower programs yield greater benefits than would otherwise be achieved?

*Other Important Information from the Experiments.*—The experiments are also the source of three other important types of information:

*Information on Improving the Administration of the Welfare System.*—One important experimental finding shows that the use of monthly retrospective reporting<sup>1</sup> (the administrative procedure used in the experiments) in the AFDC program would result in substantial reductions in the rates of ineligibility and amount of overpayments, and thereby produce savings of about \$800 million to \$1 billion in AFDC program costs each year.

*A Unique Data Base for the Analysis of Important Policy Issues.*—Another major product of the experiments that will have a lasting impact on HEW policy development is the creation of a unique data base which has many potential uses in the analysis of current and future welfare issues. Unlike virtually all other data sources available, the experimental data bases provide detailed information on month to month changes in income sources, welfare program participation, and family status and composition over a period of several years. No other national or large-scale data base is available in this form, despite the fact that virtually all cash and in-kind transfer programs determine eligibility and benefits on the basis of monthly income. Analysis of these data has shown that such intra-year changes are frequent among lower income families and are important in explaining and predicting trends in welfare program costs and caseloads.

*Information on Related Federal Programs and Policies.*—The experiments are a source of important information on related programs such as day care, social services, manpower training, education, and housing.

*Description of the Four Experiments.*—The experimental program consists of four closely coordinated experiments, the New Jersey Graduated Work Incentive Experiment, the Rural Income Maintenance Experiment, the Seattle/Denver Income Maintenance Experiment, and the Gary Income Maintenance Experiment. All of the experiments focus on what is generally considered to be the most important question—How do alternative income maintenance programs affect the incentive to work? Each of the experiments examines this question in terms of its impact on different population groups so that, taken together, the results from all the experiments will provide a reliable national picture of the effects of various income maintenance policies.

*Many Variations in Program Design Have Been Tested.*—A large range of programs have been tested. The tested programs included benefit levels ranging from 50 percent of the poverty level to 135 percent of the poverty and benefit reduction rates (the inverse of disregards) ranging from 30 percent to 80 percent. In addition, a combined income maintenance manpower program is being tested in the Seattle/Denver Experiment and a combined income maintenance-day care program was tested in Gary.

	New Jersey	Rural	Gary	Seattle/Denver
Status.....	Completed; final report issued.	Completed; final report issued.	Completed; Initial report to be released next week. Final report early in 1978.	Ongoing; Initial report on labor supply results next month.
Cost.....	\$7,800,000.....	\$6,000,000.....	\$20,000,000.....	Seattle, \$33,000,000 to date; Denver, \$27,000,000 to date; future costs about \$15,000,000.
Number of families in the experiments.	1,200 <sup>1</sup> .....	800 <sup>2</sup> .....	1,800 <sup>3</sup> .....	4,900 <sup>4</sup>

<sup>1</sup> Nonaged, male-headed families; blacks, whites, and Puerto Ricans.

<sup>2</sup> Black and white male-headed families.

<sup>3</sup> Black male- and female-headed families.

<sup>4</sup> Black, white, and Chicano male- and female-headed families.

### Labor Supply Responses

Preliminary results from the Seattle, Denver, and Gary Experiments, and final results from the Rural and New Jersey Experiments are now available. Taken together they indicate that: (1) the response of male heads of households to a moderate income support program (75 percent of poverty level grantee—50 percent rate), is not large with estimates of the reduction in work effort for such heads ranging between 1 and 7 percent; (2) the response of wives and

<sup>1</sup> Sometimes referred to as Prior Month Reporting or Budgeting Systems.

other secondary workers, who generally work considerably fewer hours than husbands, was more substantial, with estimates of the reduction in work effort for wives ranging between 17 and 27 percent; and (3) the response of female headed families was about a 6 percent reduction in work effort. However, it is important to note the evidence from the largest and best of these experiments, the Seattle/Denver Experiment, shows conclusively that the response of individuals to alternative income maintenance programs varies greatly and depends upon the program support levels and tax rates being considered.

Two examples of how these findings are useful to policymakers are as follows:

We are now able to provide statistically reliable estimates of the effects of different program tax rates (benefit reduction rates) or support levels which take full account of labor supply responses on costs, caseloads, and work effort for a variety of income maintenance plans. For example, the labor supply effects of increasing the program benefit level from \$3,000 to \$4,000 or the program tax rate from 60 percent to 70 percent can now be reliably estimated. Preliminary research with this new capability shows that the magnitude of labor supply response varies greatly and depends upon the program support levels and tax rates being considered. In addition it shows that the costs of labor supply responses of different plans vary greatly and by hundreds of millions to billions of dollars.

The results indicate that the most substantial reductions in labor supply at least in percentage terms are centered among secondary workers. This implies that a simple work requirement aimed at male heads of families could not be fully effective as a means of offsetting the overall reduction in family labor supply.

#### *Other Findings from the Experiment*

Other findings from the experiment show that income support programs of the types tested in the experiments have positive effects among the lowest income families on the school performance of children, on the educational attainment of male teenagers, on nutrition, and on home ownership. In addition the experimental data suggests that such support payments reduce the demand for social services (by 9 percent) and for public housing.

#### *Important Future Research*

Two important future studies will analyze the impact of income maintenance programs on family stability and on the interaction of income maintenance and manpower training programs.

### SUMMARY OF RESEARCH ON MONTHLY RETROSPECTIVE REPORTING IN INCOME MAINTENANCE PROGRAMS

Earlier research from the income maintenance experiments suggested that requiring AFDC recipients to report their income and family circumstances on a monthly retrospective basis (i.e., reports of income for the preceding month) would result in substantial reductions in the rates of ineligibility and amounts of overpayments, while at the same time improving program responsiveness to the neediest families. Thus it appeared that monthly retrospective reporting could produce substantial savings in program costs and generally increase the accuracy of all payments to recipients. In order to validate these preliminary findings and to provide related information on administrative feasibility and costs, at the request of P, SRS funded a field test of monthly retrospective reporting in a regular AFDC program. Preliminary results from this project, called the Colorado Monthly Reporting Experiment, are now available.

#### PRELIMINARY RESULTS FROM THE COLORADO PROJECT

(1) The Colorado results confirm that substantial savings of about 8-10 percent of payments costs can be achieved through use of the monthly retrospective reporting system, and that such a system can be implemented with only about a 5-percent increase in administrative costs. Most of these cost savings appear to be attributable to the fact that the system identifies and discontinues ineligible cases more promptly than the regular AFDC system.

(2) Extrapolation of these results to the national level suggests that the potential net savings (reduction in overpayments minus the increase in administrative costs) from full implementation of monthly retrospective reporting could

be about \$800-million to \$1 billion. In addition, elimination of ineligible from the AFDC caseload would also result in savings in medicaid costs. Slightly more than half of these savings would be in Federal funds. Additional research indicates that use of this system in the Food Stamp program could result in Federal savings of about \$500 million.

(3) There is strong evidence that the monthly reporting system is significantly more responsive to changes in the needs status of individual recipients, and similar evidence that benefits paid under the monthly reporting system are more accurate than those paid under the regular AFDC system. In addition, recipients appear to have had few problems in complying with the additional requirements of the system.

(4) The monthly reporting system has been able to handle the increased quantity of forms to be processed on a timely basis, and with virtually no increase in staffing, because many functions which had previously been performed manually are now automated. Administration costs increased only by about 5 percent to pay for increased data entry and processing costs.

#### RESEARCH ON MONTHLY RETROSPECTIVE REPORTING IN INCOME MAINTENANCE PROGRAMS

In the course of designing the income maintenance experiments, it became clear that various administrative details that had been frequently ignored were among the most important determinants of the character and impact of an income maintenance system.<sup>1</sup> One such administrative detail in particular appeared to be important: The method and frequency of recipient reporting of income and circumstances. Given this insight, research was subsequently carried out that simulated the operation of alternative recipient reporting systems. That research yielded the finding that monthly retrospective reporting would result in more accurate and responsive payments to recipients and would save about 10 percent of AFDC payments.<sup>2</sup>

The reason such savings are achievable through the simple introduction of monthly retrospective reporting is that although vast changes have occurred in the characteristics of the welfare population over the course of 30-40 years, the administrative structure of the AFDC system has failed to respond. Current administrative procedures are still based on outmoded notions that the income and circumstances of welfare recipients change infrequently and that recipients have little attachment to the labor force. Given these assumptions, it seemed reasonable to design an administrative system that determined the amount of payments on a prospective basis and required infrequent redetermination of eligibility and benefits. Hence, we presently have an AFDC system in which benefit payments are based on a prospective estimate of a family's monthly income and are only redetermined once every 6 months.

In practice this means that grants are based on predictions of the future income and circumstances of recipients. These predictions remain unchanged for at least 6 months, even when recipients' incomes change. In fact, most States do not even comply with the 6-month redetermination requirement. In between the 6-month redeterminations, recipients are supposed to voluntarily report significant changes in circumstances. Few such reports are filed, however, and even when they are most welfare agencies take several months to adjust grants to reflect reported changes.

It is now known that earlier assumptions about the stability of the circumstances and lack of attachment to the labor force of the welfare population were incorrect. For example, Census statistics show that 55 percent of welfare eligible female heads of families work at some time during the year. More importantly, data from the income maintenance experiments show that the incomes and circumstances of lower income families vary considerably from month to month. This latter finding clearly implies that if payments are to be responsive to changing family needs, welfare recipients should be required to report their income and circumstances on a monthly retrospective basis and benefits should

<sup>1</sup> For the most useful and interesting analysis of this subject see Jodie T. Allen, "Designing Income Maintenance Systems: The Income Accounting Problem," "Studies in Public Welfare," paper No. 5, part 3, Subcommittee on Fiscal Policy, Joint Economic Committee, Mar. 12, 1973. See particularly pp. 47-60.

<sup>2</sup> For details, see Jodie T. Allen, "Simulation of the Impact of Income Reporting and Accounting Procedures on AFDC Costs and Caseloads," Mathematic A Policy Research Working Paper No. E-39, December 1975.



be adjusted promptly on the basis of these reports. Corroboration for the need for more frequent reporting of income and circumstances is also provided by various quality control studies, which show about 10 percent of all payments are the result of overpayments or payments to ineligible.

Despite research from the income maintenance experiments suggesting large potential cost savings in the AFDC program from use of monthly retrospective reporting and other strong evidence, many State welfare administrators have been skeptical that they could implement such a system without great difficulty or high costs. This is because many States have considerable difficulty in even redetermining eligibility once every 6 months. Others have been unconvinced that a system that bases payments on the previous month's circumstances could be responsive enough to recipients' current needs. To deal with these concerns and to provide a real world test of retrospective reporting, the Colorado Monthly Reporting project was instituted.

The Colorado project is a two-phase test of monthly retrospective reporting.<sup>1</sup> One phase is a controlled experiment in Denver in which a randomly selected 10 percent of all regular AFDC recipients are subject to the new reporting procedures. The objective of this phase is to provide statistically reliable estimates of the amount of savings in AFDC payments which would result from the use of monthly reporting procedures, and to assess the effects of the system on responsiveness to recipient needs. This research is carried out by comparing costs and responsiveness of the new system for the experimental group with a control group of equal size that is subject to normal AFDC reporting procedures.

The second phase consists of a county-wide implementation of the monthly reporting system for all AFDC households in Boulder County. The primary objectives of the Boulder phase are to measure the impact of the monthly reporting system on administrative costs, and to determine the administrative feasibility of introducing a monthly reporting system on a larger scale.

In contrast to the prospective nature of the current system, the monthly retrospective reporting system being tested in Colorado works in the following manner. Recipients are required to mail in a report of their prior month's income and family circumstances by the 5th of each month. Based on the information contained in that report, a grant is calculated and sent to the recipient on the 16th of the month. Thus the grant is calculated on the basis of actual rather than projected circumstances. A highly automated support system enables quick payment of benefits based on these reports. Timely and adequate notices are sent to recipients whose benefits are being reduced or eliminated. Adequate provisions are also contained in the system for handling late or incorrect filing of reports.

Preliminary results from the Colorado project are as follows:

(1) The new system is saving between 8-10 percent of AFDC grant costs. Most of these cost savings appear to be attributable to the fact that the system identifies and discontinues ineligible cases more promptly than the regular AFDC system. That the system discontinues eligibles at a substantially higher rate than regular procedures is evidenced by the fact that after 8 months of operations there were 8 percent fewer experimental cases than control cases, although initially there had been an equal number. The system also appears to result in savings on overpayments as well.

(2) There is strong evidence that the monthly reporting system is significantly more responsive to changes in the needs status of individual recipients. Changes in payments for experimentals are two and one-half times the number of changes in payments for controls. Excluding those for approvals or discontinuances, payment changes occur each month for about 20 percent of the experimentals and only 8 percent of the controls. The higher rate of grant changes for monthly reporting implies that this system reacts more quickly to changes in recipient needs. This is true for changes in both directions, since the value of grant increases under the new system exceeds the amount under the old system by 75 percent, while the value of decreases exceed the old system's amount by 100 percent.

(3) The higher rate of grant changes for experimental households also strongly suggests that benefits paid under the monthly reporting system are more accurate than those paid under the regular AFDC system. It appears that the regular system, with its six month reporting period, is missing many changes in

<sup>1</sup> For a more detailed description of this project and its preliminary research findings, see Williams et al., "Colorado Monthly Reporting Experiment and Pretest: Preliminary Research Results. Mathematica Policy Research, February 1977.

recipient circumstances and when it does respond, it does so with substantial delay.

(4) Recipients in the monthly reporting system in Denver has shown a high degree of proficiency in completing the required forms. Moreover, more than 90 percent of families who file do so by the first filing deadline. After three months had elapsed, all but a very few recipients were able to fill out their forms with no assistance and with minimal errors. There is no evidence that any family, who would otherwise be eligible for assistance, has been forced off the program by the filing requirements.

(5) The system provides recipients with more information about how their reports have been used to calculate their grants, and also appears to give recipients a better understanding of agency procedures and program rules. Because agency contact with recipients has increased under the monthly system and because eligibility technicians have a more complete and current understanding of recipient circumstances, more referrals are being made for social services than formerly.

(6) The monthly reporting system has been able to handle the increased flow of information and the quantity of forms to be processed on a timely basis, and with virtually no increase in staffing, because many functions which had previously been performed manually—including computation of grants and preparation of reduction and discontinuance notices—are now automated. With careful planning, it is feasible to convert a moderate size county program to the monthly reporting system in six to nine months without major difficulty or substantial increases in administrative costs. Administration costs under monthly reporting would only increase by about five percent to pay for increased data entry and processing costs. Further, joint use of this system by the Food Stamp program would make possible significant economies in the costs of administering both programs.

In addition to direct savings in AFDC transfers, utilization of the monthly retrospective reporting system in the AFDC program should produce substantial indirect savings in the Medicaid and Food Stamp programs. Elimination of ineligible from the AFDC program results in savings in Medicaid and Food Stamp benefits because such ineligible simultaneously lose their categorical eligibility for these related program benefits. Since the Colorado results indicate that the reduction in transfers achieved with monthly reporting arise primarily from the elimination of ineligible, these indirect savings are potentially as large as the direct savings in cash transfers.

Because it was obvious that monthly retrospective reporting might also be appropriate for use in other needs tested programs, simulation research was recently carried out that analyzed the impact of alternative recipient reporting systems for the Food Stamp program.<sup>4</sup> That research suggests that the use of monthly retrospective reporting in the Food Stamp program would result in a savings of about \$500 million annually. This study has been made available to the Agriculture Department and distributed to appropriate Congressional Committees as well.

Secretary CALIFANO. That is right. Some worked and some do not work. That will be a part of the case we make to you in connection with whatever plan the President ultimately proposes.

Senator LONG. Surely you can see my point. I am glad to look at those studies to see what they show and what they do not show. If they were conclusive, we probably would not be arguing about this now, or discussing it. I, for one, would like to see some things that I would regard as conclusive.

If we have something that looks good, I do not know why we cannot put it in place somewhere and see if it works. I do not think it would take that long. We do not know precisely what it is that we are trying to do at this point, but we have some ideas as to the bits and

<sup>4</sup> See Jodie T. Allen and Ricardo Springs, "Simulation of the Impact of Income Reporting and Accounting Procedures on Food Stamps Costs and Caseloads, Mathematica Policy Research, November 1976.

pieces of it that we think might work. We ought to give them a try and see how they work.

Take the earned income credit. That is part of what this committee suggested when we were looking at H.R. 1. We said, if they will not go along with our whole proposal, we will put that part of it in the tax law and see how it works.

We also wanted to have a credit for employers to hire people, and that is in the law now. We decided to put it in there to see how it works. It certainly is not doing any harm, and, if we were more aggressive in using it, it would do more good. We had this welfare problem before us on other occasions and we have had people say that you cannot find the jobs. The Secretary of Labor says that he can find the jobs. Just give him the money to go, and he will find the jobs. So in the matter of jobs we have already made a lot of headway.

Child support is another area where we have already made some progress. We have a law now to enforce the father's obligation to support his children and to pursue him until he does.

So, in some respects, a lot of the problems have been solved for you, Mr. Califano. All I want to do is to work with you on the basis that, if we have an idea which we think might work and you do not, you would be willing to try it out. Likewise I want to offer you the same opportunity. If you have an idea and we have some doubts about it, we will offer you the chance to try it. I do not see why it should be tried nationwide, why you have to try something in 50 States if you have some doubts as to whether it would work.

I think you could test it in one State and see what happens, especially if, in that particular State, the welfare administrator and Governor and all the people who had to work on it think it would work and would like to try it. I think that could be done immediately. It does not take that long to change a regulation if the will is there.

I would hope you are running that Department—although that may be too much to ask—I would hope you are in charge of things over there.

Secretary CALIFANO. I am trying.

Senator, I think we have talked about this before and I am sure we will be talking about it some more. There are a lot of programs that we are trying now. We would like to submit our report to the subcommittee on those programs.

I also would hope that we can come forward with a program in August in which the elements that we can demonstrate satisfactorily to you and the subcommittee to put a program into effect. There is already a lot of discussion about the delay in the moving on this. It is a very complicated subject. I would hope we could move promptly with a nationwide program, if we can.

If we cannot make a case, I am sure that you will be the first, and others will, to say that we have not demonstrated that this is the kind of program that is going to work. I think that we can make that case.

As a prelude to that, I would like to submit to the Chair of the subcommittee and to you a report on those programs and elements of programs that have been tried over the last several years.<sup>1</sup>

<sup>1</sup> A seven-volume report submitted by the Secretary was made a part of the official committee files.

Senator LONG. Mr. Califano, I just want to speak for me. I am only one person in this regard.

I personally am pleased about the way in which you are going about it. If you did what some people would like you to do, you would go back to the Department, take that old family assistance plan, call it something else—just change the name of it, and maybe change about one paragraph of it—and come charging back up here saying, “Here is our welfare plan and this is what we are committed to do, and we want the Congress to vote it through.”

I do not think we would pass it. By the time you get through, you might muscle it through the House; that would not be easy though. Mr. Ullman is chairman over there now. He tends to agree with some of us over here that, if you can put people to work, you should not have them sitting there doing nothing.

But assuming you could muscle it on through the House, when you got to the Senate, you would be in for a very rough time. And, when you were all done, I think you would have gotten about the same results as Mr. Nixon did. After 2 years, you would find yourself back at the drawing board trying to work out something better.

I think you will have more success if you take this approach: Look at what your objectives are; look at the objections which have been raised in the past and consider other alternatives. And be ready to make changes in your program when you find something wrong with it. Then, you can bring us a plan that makes sense, that will enable people to lead better lives, and that the majority of the people in this country can applaud. If you can do that, I would enthusiastically support that plan, and I think a majority of the House and the Senate would also support it.

I think you would do well to offer Senators, Congressmen, Governors—conservatives as well as liberals—a chance to make their suggestions as to what appears to be the best answer as you try to decide each issue. If you do that, you may just be able to bring us a plan that will go through Congress by an overwhelming majority. I hope that it works out that way.

Secretary CALIFANO. Thank you very much, Senator. We are going to try, as best we know how, and we will need your help and Senator Moynihan’s and others.

Senator LONG. In Senator Moynihan, you have a good leader—a true diplomat to lead the charge for you when you get your plan together. If he cannot sell it, it is because the product is no good. I would hope, though, that this time we can arrive at a product that we are all very proud of.

I hope that we will have the cooperation of our Republican friends by the time we are all through with this. I would hate to see the Republican Party completely disappear from the scene because they could not participate in something that was good for the country. I think they ought to make their input, and I am sure they will have some good suggestions. And at the time when President Carter runs for reelection 4 years from now, they can say “What a fine job we have all done. It would not have succeeded without our support, and that is all right. That is good for the country.”

Thank you.

Senator MOYNIHAN. Mr. Secretary, we could not possibly end these hearings on a more hopeful statement. I trust you realize what Senator Long has said to you.

This effort, that has eluded three administrations, is now yours triumphantly to resolve, to create the right program, and the first word of that program is work and the second word is jobs.

And if there is one other thing—I do not want to speak for the chairman of this committee, but I would like you to take a message back to the Director of Management and Budget when you next see him. He has sent you up here to do miracles, to make bricks without straw, and it is not easy to do. No increase in initial costs.

Mr. Stern has given me the numbers I was looking for with respect to the President's pledge, the party pledge, to assume local costs of welfare. That would come to about \$2 billion a year, taking out all county payments.

The cash receipts under the current Federal tax laws are projected to rise by \$50 to \$60 billion a year for the next few years and outlays are projected to rise \$20 to \$30 billion, and this means that the President has \$30 billion a year of uncommitted revenues, of which we really must assume he is going to allocate some portion to fulfilling and redeeming this pledge that he and our party have made.

You have every opportunity to do it. I do not ask you to speak now. When you speak to the Director of OMB, tell him that we said hello. Go do well. We will no doubt see you before August and we very much look forward to that.

We want to work with you regularly. Senator Long has made an important point. You can produce a bill that will be overwhelmingly approved by this Congress and if you can, you should.

Secretary CALIFANO. Mr. Chairman, thank you very much, and Senator Long.

I think that this hearing was helpful, very helpful, as I did think the one in the House was yesterday. I think it is important to keep the feet to the fire on this subject because it is something that I think we have a shot at resolving in this Congress and I think, Mr. Chairman, if you would like to directly deliver the message to the Director of the Office of Management and Budget, I would be delighted.

Senator MOYNIHAN. I might just do that.

Thank you and Dr. Aaron for coming. The hearing is now concluded. [The prepared statement of Secretary Califano follows:]

STATEMENT BY JOSEPH A. CALIFANO, JR., SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman and Members of the Subcommittee, President Carter has made a pledge to the American people to undertake a major reform of our welfare system.

In accordance with that pledge, he asked me to complete a comprehensive study of welfare reform by May 1.

Today I am presenting to your Subcommittee what we learned and what we believe are the next steps to achieve reform.

In preparing our report, we did not confine ourselves to an in-house effort. We opened our deliberations to the public and actively sought opinions from people in all walks of life in all parts of America.

Our outreach effort, which is described fully in the report was, in our judgment, quite successful.

Over the last three and a half months our Welfare Reform Consulting Group, made up of federal, state and local officials, welfare recipients, and public interest organizations has held weekly public meetings to seek advice.

On March 10, 1977, I conducted a ten-hour public hearing and heard from 57 witnesses.

Views were sought from Congress, the Governors, hundreds of state and local officials, and other experts in the social welfare field.

I asked our ten regional offices to reach out for the views of citizens within their area. As a result, 145 meetings were held, including 70 open town meetings. More than 15,000 people responded to our regional outreach program.

What have we learned from all this?

First, despite the faults of our present welfare system, the American people—and Federal, state and local governments—have shown their compassion for those unable to provide for themselves. Without these programs, many more people would be mired in poverty. Expenditures for assistance programs including AFDC, Food Stamps, SSI and other programs now totals almost \$50 billion.

Given this financial commitment, I have been appalled at our current welfare system and surprised at some of the facts about poverty.

Past debates about welfare have too often focused on myths about the poor in America.

The most widespread myth is that people are poor because they don't work and don't want to work.

The facts are that the majority of household heads in poverty are working; that nearly a third work full-time and still remain poor. The poor are poor, not because they won't and don't work, but because when they do work they do not earn enough money to lift them out of poverty.

A second myth is that most of the poor are poor for life. The fact is that the poverty population is extremely fluid. Each year about 7.5 to 10 million people move above the poverty line and a like number become poor. This means that 30 to 40 percent of those who were poor in any given year are not poor the next year.

A third myth is that the poor are mostly non-white. The fact is that 69 percent of the American poor are white.

A fourth myth is that the poor don't know how to spend their money. The evidence we have shows that low-income people spend about 88 percent of their income on food, clothing, housing, medical care, and transportation—a somewhat greater proportion than do people with higher income.

A fifth myth is that most welfare families receive payments that are far too high. The fact is that in 24 states the combined benefits of AFDC and food stamps total less than three-fourths of the official poverty income level.

We cannot and must not develop and legislate a welfare reform program based upon myth. We must center the welfare debate around blunt talk about real facts.

What are some of these facts?

First, we must recognize that our array of assistance programs have been enacted piecemeal over a period of many years, each perhaps making sense in isolation, but no clear and consistent rationale underlies the system as a whole.

#### INADEQUACY

We know that in many states the welfare system provides inadequate assistance. In twenty-four states the combined benefits from AFDC and food stamps amount to less than three quarters of the poverty line. No system should ignore the plight of those in need.

#### UNEQUAL TREATMENT

We know that the present welfare system is unfair, treating people with equivalent needs differently.

Take the case of Kansas City, Missouri and Kansas City, Kansas: Both have the same cost of living. A family of four residing in Kansas City, Missouri is eligible for \$2,040 per year in AFDC benefits. If the family moves across the river to Kansas City, Kansas, its benefits will rise to \$3,540 per year. If the family is also eligible for food stamps, the comparison is \$3,468 versus \$4,536.

Nationally, benefits vary from just over \$700 for a family of four to almost \$8,000.

No system should treat people with equivalent needs so differently.

## ANTIWORK

We know that the present welfare system is antiwork. Take the case of a man in Ohio with a wife and two children. If he works 20 hours per week at \$2.30 per hour, his annual income including assistance is as follows:

Earnings .....	\$2,400
AFDC-UF—after allowance for work expenses equal to 15 percent of earnings .....	2,052
Food stamps .....	852
Earned income tax credit .....	240
Gross income .....	5,544
Work-related expenses .....	-360
Net income .....	5,184

Now assume that the man doubles his earnings by working 40 hours per week rather than 20 hours. His income will be as follows:

Earnings .....	\$4,800
AFDC .....	0
Food stamps .....	852
Earned income tax credit .....	324
Gross income .....	5,976
Work-related expenses .....	-720
Net income .....	5,256

By increasing weekly work from 20 hours to 40 hours each week, the man can increase his net annual income by \$72, but his family loses eligibility for Medi-cald worth several hundred dollars per year on the average!

No system should make it financially more rewarding to be on welfare than in a job.

## ANTIFAMILY

We know that the present system is antifamily. In 26 states, for example, cash assistance is provided only to single-parent families. Too often under the present system, it makes financial sense for the man to leave the house so that the family will become eligible for benefits. No system should provide financial incentives for a family to split up.

## ADMINISTRATIVE CHAOS

We know that our present welfare system is an administrative nightmare. Administration and policy control for existing programs fall within the jurisdiction of nine federal executive departments, 21 Congressional Committees, 54 state welfare agencies, and more than 3,000 local welfare offices.

The complexity of the rules and regulations is legendary. The forms used by the Los Angeles welfare department, for example, measure 70 feet long when laid end to end—the manuals stack six feet high. In Atlanta, 29 separate forms are used in the AFDC application process. Welfare offices and poor Americans are buried in a demoralizing blizzard of paper all over the country. And each assistance program has separate and different forms, eligibility requirements, benefit schedules, regulations, and administrative policies and procedures. No system should be so complicated.

We know the myths and facts. We understand the problems.

Devising a new program, however, won't be easy. There are no simple solutions. The tradeoffs in designing welfare reform are excruciatingly tough.

How do we set benefits at adequate assistance levels and introduce an overriding incentive to work?

What is the tradeoff between fiscal relief and adequate benefits?

How rapidly should benefits be reduced as earnings rise? As the incentive to work increases, the program's cost and coverage rises rapidly.

Which recipients should be required to work?

Should public jobs be guaranteed? If so, to whom?

My recommendation to President Carter and to you is that trying to make incremental changes in the existing hodge-podge of income assistance programs—is not the proper course to follow.

We must, instead, view the income assistance system as a whole and we must completely restructure that system so that it is comprehensive, fair and efficient. Given the inequities and administrative chaos caused by a welter of inconsistent and confusing programs, nothing less than a total effort at welfare reform will do.

As President Carter said on Monday of this week—and I want to emphasize this point—we will work closely with Congress and with state, and local and community leaders in developing the specifics of our welfare reform proposal.

If the new legislation can be adopted in 1978, an additional three years will be required to implement the program.

We look forward to working with you on welfare reform in the months ahead.

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## THE WHITE HOUSE

### STATEMENT BY THE PRESIDENT

Shortly after becoming President, I announced that a comprehensive reform of the nation's welfare system would be one of our first priorities. Under the general leadership of HEW Secretary Califano, we have worked with other private and government agencies during the last three months to assess the present welfare system and to propose improvements to it. It is worse than we thought.

The most important unanimous conclusion is that the present welfare programs should be scrapped and a totally new system implemented.

This conclusion in no way is meant to disparage the great value of the separate and individual programs enacted by the Congress over the past decade and a half. These include food stamps for all low income persons, the supplemental security income floor for our aged and disabled, work incentives for welfare families with children, increased housing assistance, tax credits, unemployment insurance extensions, enlarged jobs programs, and the indexing of social security payments to counter the biggest enemy of the poor—inflation.

This conclusion is only to say that these many separate programs, taken together, still do not constitute a rational, coherent system that is adequate and fair for all the poor. They are still overly wasteful, capricious, and subject to fraud. They violate many desirable and necessary principles. We have established the following goals:

1. No higher initial cost than the present systems;
2. Under this system every family with children and a member able to work should have access to a job;
3. Incentives should always encourage full-time and part-time private sector employment;
4. Public training and employment programs should be provided when private employment is unavailable;
5. A family should have more income if it works than if it does not;
6. Incentives should be designed to keep families together;
7. Earned income tax credits should be continued to help the working poor;
8. A decent income should be provided also for those who cannot work or earn adequate income, with federal benefits consolidated into a simple cash payment, varying in amount only to accommodate differences in costs of living from one area to another;
9. The programs should be simpler and easier to administer;
10. There should be incentives to be honest and to eliminate fraud;
11. The unpredictable and growing financial burden on state and local governments should be reduced as rapidly as federal resources permit; and
12. Local administration of public job programs should be emphasized.

We believe these principles and goals can be met.

There will be a heavy emphasis on jobs, simplicity of administration, financial incentive to work, adequate assistance for those who cannot work, equitable benefits for all needy American families, and close cooperation between private groups and officials at all levels of government.

The more jobs that are available, the less cash supplement we will need.

We will work closely with Congress and with state, local and community leaders, and will have legislative proposals completed by the first week in August. Consultations with each of the fifty states are necessary. If the new legislation can be adopted early in 1978, an additional three years will be re-



quired to implement the program. The extremely complicated changes must be made carefully and responsibly.

Scheduled Congressional hearings will permit the nature of the tasks ahead to be explained and debated.

In the meantime, the administration's proposed reforms for the food stamp program should be enacted.

[Thereupon, at 12:20 p.m. the hearing in the above-entitled matter was recessed to reconvene at 10 a.m., May 12, 1977.]

# PRESIDENT'S STATEMENT ON PRINCIPLES OF WELFARE REFORM

THURSDAY, MAY 12, 1977

U.S. SENATE,  
SUBCOMMITTEE ON PUBLIC ASSISTANCE OF THE  
COMMITTEE ON SENATE FINANCE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan, presiding.  
Present: Senators Long, Moynihan, and Dole.

Senator MOYNIHAN. A very pleasant good morning to our witnesses and to our guests today. We have appearing before us on this occasion the new team at the Labor Department, from whence I came, and it is a great pleasure to welcome Ray Marshall, Secretary of Labor, and Mr. Arnold Packer, who is the Assistant Secretary of Labor for Policy, Evaluation and Research, the fifth successor to a position that I held.

I wonder if it would not be most useful to go directly to the Secretary's testimony.

Mr. Secretary, we welcome you.

## STATEMENT OF HON. RAY MARSHALL, SECRETARY OF LABOR, ACCOMPANIED BY ARNOLD PACKER, ASSISTANT SECRETARY OF LABOR FOR POLICY, EVALUATION, AND RESEARCH

Secretary MARSHALL. I appreciate the opportunity to appear before you, Mr. Chairman, to present my analysis of welfare reform issues as they relate to the Department of Labor.

This administration believes that cash assistance in the form of unemployment compensation for able-bodied unemployed workers and welfare benefits for dependent individuals and families are necessary social costs. But when income maintenance programs are used too frequently by too many people who could be working, or for too long a period of time, then something is wrong.

We do not believe they are an acceptable alternative to self-support through work. Use of income transfer programs by those who could be working means that the economy is not providing sufficient jobs for the citizens of this country.

It is that view which lies behind the 12 principles that the President stated on May 2, to guide our efforts in designing a new system.

I would like to concentrate my remarks on a few of those principles. Goal 2 states that "under the system every family with children and

a member able to work should have access to a job." Goal 7 states that "the earned income tax credits should be continued to help the working poor."

What will accomplishment of these two goals mean? The answer to that question requires some understanding of the poverty population.

Let me begin with those families with two able-bodied parents—a group that has been very much neglected by the public assistance programs. In 1974, the last year for which the Bureau of Labor Statistics has provided data, there were 2.8 million two-parent families in poverty and two-thirds of them contained children. In the majority of these two-parent families—about 2 million—there was at least one wage earner, and in 800,000 of them the family head worked full time year round. Clearly, both low wages and a lack of employment opportunities cause such families to be in poverty.

Let me emphasize the significance of achieving goals 2 and 7. If they can be achieved, over a period of years, we will bring out of poverty all families with children who can provide someone to work full time.

I would next like to talk about the President's goal 4 which states that "public training and employment programs should be provided when private employment is unavailable."

This administration intends to do its best to provide training or employment opportunities to families who should work and otherwise would rely on public assistance. Regular employment, especially in the private sector, will always be stressed first, but if no such employment can be found, then public service employment or training should be provided to families with children.

There is considerable untapped potential for activities in the public interest that are conducted by private nonprofit organizations. Private nonprofit hospitals and nursing homes are a potential source of employment. There is clearly an unmet need to undertake the weatherization of low-income homes, to serve the mentally and physically disabled, to undertake the removal of lead paint from the homes of the poor, or to improve the local community environment.

The employment effort to which we are committed is an awesome undertaking. This challenge raises a whole series of questions about the kind of jobs to be created, who would create these jobs, how appropriate incentives can be maintained so that people will prefer work to welfare and work in the private sector over work in a special job, how to keep the size of the public sector within acceptable bounds, and how to avoid substitution of low-income workers for regular workers in the public sector? We will seek the advice of the Congress, mayors, and Governors.

Let me speak for a few moments about the opportunities such a program provides.

These opportunities will benefit individual families, and they will benefit the communities, and the Nation's economic and social system. Let me deal with each one of these issues in turn.

Providing the poor with the opportunity to work themselves out of poverty is to provide the poor with the same opportunities that most of us use to achieve our economic place in the sun. This provides all the psychological and motivational and social benefits that are so often spoken about in our discussions of full employment and the need to provide work opportunities.

The second opportunity is to provide economic development in the communities where the poor live. The long-term solution is not continued public service employment, but to create viable economic communities of independent, taxpaying status. We think that the programs that will be required to meet the President's principles will help achieve this.

The President's first goal is that welfare reform cause no additional cost. This does not mean no additional cost over what might have been anticipated once the unemployment rate receded further to acceptable levels. The administration's original planning was to phase out much of the stimulus package as the economy recovers. We now intend to retain the roughly \$5.5 billion of the stimulus that is in titles II and VI of CETA. This additional money will generate income in those regions, thereby providing more private jobs and tax revenue.

But now let me turn to potential problems that might be encountered in creating more jobs for low-income people. Let me emphasize that we in the Department of Labor have very little doubt about the fact that jobs can be created. We have already constructed a very long list of projects to put people to work doing useful things that will not be done, unless they are done through such programs as this, or other public service employment programs.

We also have no doubt at all from our experience about the ability to find people who can do this work and who are willing to do it. The main problem that we face, and most of these problems relate primarily to the question of organization and the administration of the program, in order to see to it that people who want to work are brought together with the jobs that need to be done.

A major question, of course, has been: What kinds of jobs will be created and will these jobs be meaningful and useful? I certainly cannot give you a final answer to this question, but the analysis done to date indicates that there is significant potential for creating jobs for poor people.

Possible areas of job creation include weatherization of low-income homes, teacher aides, environmental cleanup projects, improvements of parks and recreation areas and services for the aged. I might add services for people now on welfare who could go to work, like child care. We could provide a large number of jobs in this area.

Who will manage this program? The President's goal 12 states that "local administration of public jobs programs should be emphasized." The management and administration of these special public service jobs will always heavily involve elected officials in order to insure that the jobs are useful and meaningful. The actual administrative structure, for which the details remain to be worked out, will involve some Federal oversight but will rely primarily on the existing apparatus that includes State and local elected officials—principally Governors, county commissioners, and mayors.

We will probably rely on them to organize and direct the job creation effort in their respective jurisdictions. Other community institutions, including hospitals and schools, will be given an equal opportunity to participate in the job creation programs directed by the chief elected officials.

We think what has to happen, Mr. Chairman, is that we need to develop a flexible mechanism to be sure that the programs are ade-

quately administered, that we avoid creating an unnecessary bureaucracy to take up a lot of the resources in the form of overhead.

We think by using the existing mechanisms, elected officials as well as private, nonprofit organizations, that it will be possible to create such a flexible mechanism to adequately administer the program.

How will incentives to work in regular jobs be maintained and how can unwarranted increases in the public sector be avoided? The President's goal 3 states that "incentives should always encourage full-time and part-time, private sector employment." The jobs to be created under this program will always be used only in the event that a private job for a person cannot be found.

The program emphasis on regular jobs would be reinforced by financial incentives making regular jobs more attractive than public in a public service job, for a temporary period, only if no regular job can be found. A person would not remain in the public service job indefinitely. A sustained effort would be made to place that person in a regular job as soon as possible.

The program emphasis on regular jobs would be reinforced by financial incentives making regular jobs more attractive than public service jobs. With these incentives together with the expected economic recovery, we will have increasing opportunities to place people in the private sector.

We certainly do not have all the problems worked out, but I am confident that we can develop a viable jobs program for the low-income population.

Mr. Chairman, this concludes my prepared statement. At this time, I would be pleased to respond to any questions you may have.

Senator MOYNIHAN. Thank you, Mr. Secretary. You have given us a great deal to begin with.

I know that the chairman of our committee is going to have to be at another committee shortly. I wonder if he would like to begin the questioning.

Senator LONG. I appreciate that very much, Mr. Chairman.

I am extremely pleased by the statement that you have made here, Mr. Secretary; there is no doubt in my mind that you are on the right track when you talk about finding jobs to lift families out of poverty and to let those people be a part of America's mainstream and enjoy some of the good things in life.

How much do you anticipate average job would pay?

Secretary MARSHALL. The average job would pay the minimum wage, or the prevailing wage, depending on the characteristics of the job. In order to make the money go as far as we can, we concentrate on labor-intensive type jobs at or near the minimum wage.

If there were some other jobs, say, supervising those people or requiring a higher skill, the prevailing wage would be paid.

Senator LONG. Are you thinking about a job of \$6,000 or \$5,000 for starters? You are going to start somebody out—a family on welfare—you are going to try to give them a better opportunity by offering them a job.

What level of salary do you have in mind paying them—\$5,000, \$6,000? For starters, that is?

Secretary MARSHALL. For starters, it would be about \$5,200, depending on what the level of the minimum wage is, and that would be a public service employment job at the beginning level.

Senator LONG. I assume that you may be thinking along these lines. You may offer a person a job, which is not too good a job to begin with, but it would offer the opportunity of advancement. In effect, you will tell him: "If you do a good job, if you do well, then you are going to have an opportunity to move ahead into something better." That sort of approach appeals to me.

Is that a part of your hope?

Secretary MARSHALL. That is a part of the reason that we tried to emphasize training and employment. People who have not been in the labor market have a variety of needs. One of them is simply to get some work experience and build up a work record.

If you can do that, we think your ability to move on into better jobs in the private sector will be greatly enhanced. Some people will need training and can benefit from training.

We think, by having meaningful training programs as well as employment programs, we can make it possible for people to advance themselves.

Senator LONG. If you use the earned income credit and you use the 20-percent credit that we already have for hiring people who are in the work incentive program, you can both add to the income of the employee and also make it more attractive for the employer to hire these people. This can help us move them into private industry.

Are you thinking about using those aspects as well?

Secretary MARSHALL. Yes, sir.

We think that the earned income tax credit is a valuable device to maintain the incentive system, to move people from welfare to the private sector. We think it is a fairly flexible mechanism that can be used to help meet that incentive and objective.

Senator LONG. Do you have in mind that those people would be eligible for food stamps?

Secretary MARSHALL. The food stamp part of the program can provide an additional incentive, depending on how we would work that out. That is one aspect of the program that we are still working on.

Of course, the President's commitment was to cash out food stamps, but an amount equal to food stamps would provide some ability to provide cash assistance to those families.

Senator LONG. You are going to have to decide whether you are going to leave people the option to turn the job down and still get welfare payments. Apparently you have not crossed the Rubicon on that yet?

Secretary MARSHALL. We have been trying to cross it. This is a serious problem that concerns us a great deal.

Senator LONG. Let me tell you something that I am aware of, and I believe you are aware of it. I would like to know your reaction.

Let us assume that a family can draw \$4,000 including food stamps and cash benefits without doing anything. If the head of that family takes a job which pays \$5,200, and they lose that \$4,000, it is the point of view of that family that they are only making \$100 a month for

all that work. Frankly, in such a case, you cannot blame a welfare person for taking the view that he is only making \$100 a month because he was entitled to the \$4,000 for doing nothing.

It is not just people on welfare who look at things in that way. Take Larry Woodworth, for example. He just went over there to be Assistant Secretary of the Treasury. He told me he really is only making \$5,000. He is eligible to receive enough in retirement benefits so that, when you take the taxes and everything else into consideration, his salary as an Assistant Secretary is only about \$5,000 more than he would make if he retired.

I had a secretary who was the champion in shorthand and the champion in typing for both accuracy and speed for the entire State of Illinois when she came here about 30 years ago. She retired a few years back, and, when she came in to tell me she was going to retire, she said, "Senator, I am working for you for practically nothing. I am working for you for free if you look at what it cost me to come to work, what it costs me to buy better clothes, what it costs me to have my hair done more often because I work." And she was making a salary approaching \$30,000.

When you have the most highly-motivated, work-oriented people that you can find—people who have never know anything but hard work and overtime work all their lives—looking at it that way, you cannot blame a welfare client for looking at it the same way, can you?

Secretary MARSHALL. You cannot, that is right.

Senator LONG. They say: "If I didn't take a job or work at all, I would get \$4,000. You offer me \$5,200 for all that hard work."

You know, work is not all that much fun, Mr. Secretary. Work is a real pain in the neck. So expecting people to go out and do all of this work for \$100 a month is not very realistic.

It seems to me, if your program is going to be a success, you are going to have to make it look to those people as if they are making \$400 a month rather than \$100 a month. I do not see how you are going to do that without taking the approach of saying: "There is a job. You ought to take it. If you do not want the job, you can turn it down, but you do not have the option of getting \$4,000 a year if you turn down that \$5,200 job." I guess we will have to feed those little children and see that you yourself do not starve to death, but it is not going to be comfortable for you if you turn it down.

What is your thought about that approach?

Secretary MARSHALL. I think this is absolutely the reason that we are concerned about the incentive system, the reason that we are worried about being sure that you do not create an income-maintenance system that will not destroy the incentive to work.

Our jobs program will not work very effectively, as you say, if the return for work is very low. We are worried about being sure that we work out an incentive system that will encourage people to work, that will not tax them too heavily for their earnings. That is one of the things that we are currently working very hard to try to prevent.

Senator LONG. The last time we were trying to deal with welfare reform, we had some tables prepared showing what happens in those States with high welfare payments. Under both existing law and under the proposed reform legislation, the tables showed how a person

taking a job would be losing money. A man would go to work and earn \$1. This would reduce his welfare benefits by \$1.30. So the harder he would work, the less he would make. I take it you are going to try to avoid that in your proposal?

Secretary MARSHALL. Yes, sir. I think we can do that.

Senator LONG. Furthermore, it seems to me that you have to do better than just avoid a net loss situation. If he loses as much as 50 cents on the dollar when he goes to work, that is very, very discouraging.

Secretary MARSHALL. It is.

Senator LONG. If you have to phase out some of these welfare benefits, it seems to me you have to phase them out sufficiently gradually that it does not work out as though it were a 50- or 60-percent tax. You will find that your most highly motivated businessmen and the most successful men in America start engaging in tax avoidance rather than pay tax at those high rates.

If you are ever going to make it work, you will have to find a way to cut it down to something more like \$1 out of \$4.

If you give the person the option of having a high welfare payment for doing absolutely nothing and then you offer him a job at something around the minimum wage level, it seems to me as though you run into a hopeless situation.

Likewise, if you start out with what the welfare rights organization wanted in 1972—they used to say \$5,500 or \$6,500—then you phase it out on a two for one basis you get up to \$11,000 or \$12,000 before you get the family off the welfare rolls. It does not seem to me that that is going to work either.

To make it work, it seems to me at some point you are going to have to offer people a job. And I hope you can offer them the choice of a variety of jobs. But, then you will have to tell them: Look, we are not saying that you have to take any of those jobs, but there are people working at those very kinds of jobs—and jobs not even that good. Those people are paying taxes to help support you and you do not have any right to live a lot better than those people do. If you want to turn down all the work opportunities we can offer you, then we are just not going to be able to pay you for doing nothing."

I believe you realize that some States are now paying in welfare benefits more than what you are proposing to pay a family to work. Do you know that?

Secretary MARSHALL. Yes, sir.

Senator LONG. When you go to put your program into effect in a State like that, I can anticipate the kind of uproar you are going to run into from some people who are badly spoiled by receiving a very comfortable living without doing anything to better their own condition.

Now, the thought occurs to me that you might do well to try your plan out in some places on an experimental basis first. For example, if you start with one of the low payments States, the people would be tickled to death to get a job paying \$5,200. Mr. Secretary, you come from Texas. You might start off in Texas and find that people then would be tickled to have a job.

If you try it in one of these high payment States, I hate to think, what they will say to you. You had them pull a strike on you when



you went into one of those unemployment offices awhile back. I hate to think what you are in for if you try this program in a high payment State unless you have convincing evidence that it will work.

It seems to me as though you might get that convincing evidence by piloting your plan out in a low payment State rather than in those areas where you can be sure that you are going to run into protests.

How are you going to handle that?

Secretary MARSHALL. Our thought is to learn as much as we can about what works in the existing program. We have had a good deal of experience in the Labor Department in putting low income people to work, and under the recovery program we will mount an even more significant expansion in public service employment.

We can learn a lot from what we have already done. We have learned a lot from the WIN program, even though many of the programs that we have now do not provide a fair test because there is disincentive to work built into many of the welfare programs.

That means that you learn, but you have to look at the disabilities imposed on the system. That is what we are doing. We are hard at work trying to learn as much as we can.

We also intend to listen to a lot of people who have had experience in these programs in the States, in local areas. We want to get some estimate of their view of the problems involved. We have learned that we cannot sit up here in Washington and think up everything that is going to happen, and all the problems we are going to have; but we can go out to talk to people who will be basically responsible for these programs, and learn a lot from them by the kind of things we need to do in order to make them work.

Over this next 2-year period, if we think we have enough evidence to go forward with it, we will recommend a definite program. If we do not think we have enough evidence to go forward with it, we will have to recommend some experimentation and gradual approach to it.

Senator LONG. I want you to know, Secretary Marshall, I do not want to contribute to any failure in this Carter administration. I would like to contribute to its success, not to its failure.

I hope to support your program, but for me to support it, you will have to convince me that it is good for the country. If you bring up something I do not think is good—that I think will not work—I will be compelled to offer you the same proposition I offered President Nixon. We said:

All right, in my opinion, what you propose will not work, but I am willing for you to try it. I will provide you with whatever it takes to try it, \$500 million, \$1 billion. Pick a State. where you want to try it. I predict it will be one colossal flop, but I want you to try it.

Now, I have something that I think will work. My proposition has a second part to it. I want you also to try something that I think will work.

As far as I am concerned, it does not make any difference whether you are right or I am right or someone else is right. What is important is what is right. That is what we ought to try to achieve.

But I was very disappointed under the Nixon administration when we offered them the chance to test out their program. They could try it right in Washington, D.C. They could pick any State in the Union they wanted to try it—to see if they could make it work—but they turned us down. They were not willing to put it to a fair test where we could look at it and see whether we wanted to buy it.

I told the Under Secretary of Health, Education, and Welfare: "Why do you not try your plan right here in the District of Columbia. If it is good, we can try it right here under the nose of Congress to see if it works."

He said: "That is the last place we will ever try it," because they did not want to give us the opportunity to pass judgment on what they were offering before we bought it.

The result was that it failed. Senator Ribicoff led the charge for me at that time. He said that if he had been the Secretary of HEW, which he had been previously, he would have jumped at that chance to test that proposal out to see how it worked. If it was not good, he would not want to stick the people with it. If it was good, he would want the public to buy it. I hope that we can have that approach with these suggestions that are being made now.

Some of these things may work beautifully. Or it may be that what you are suggesting is part right but it might have a few flaws in it; and what somebody else is advocating is part right but might have a few flaws in it. Maybe the best program would be a combination of your ideas and someone else's ideas.

Would you personally have any objection to trying some of these things out on a test basis in some States of the Union, just to see how these various components work before we try to implement it fully nationwide?

Secretary MARSHALL. I think that if we have doubts we ought to try them. We ought to test them out before we go to a national program.

Senator LONG. I am going to try to speak to the President before this thing is over with and convince him to think in terms of letting people try certain elements of this thing—not necessarily the full-blown plan—but try certain aspects and see if it works during this interim while you are studying these proposals.

For example, I think that, at some point, you are going to have to test out the question of whether you can get people to take these jobs. You think you can, and I think you can. You have given me some pretty convincing evidence of that. But, in fairness to people who are getting a fairly substantial check for doing nothing, do you not really have to try to see if you can get people to take the job?

Secretary MARSHALL. I think that is right. Of course, if you are going to give them the option of getting a substantial check for doing nothing—

Senator LONG. If you are going to tell them: "If you do not take the job, you are going to have less income than you had heretofore," do you not think it might be well to get—on a lesser scale—a feeling for the sort of explosion that you are in for when you make that a national policy? Some of them are going to be very unhappy about it.

Secretary MARSHALL. I think that is right. We need to work the program out, as things stand, on two levels. In some areas we are fairly confident they will work. There will be other areas of the program in which the results will be more doubtful.

When we collect all the evidence that we have, if we have serious doubts, we ought to try it out and check it out before we go forward.

Senator LONG. Mr. Secretary, what you have said here and what you have told me when we met and discussed this subject down at

the White House and elsewhere really is tremendously encouraging to me. It makes me believe that we may be able to work out something here that is going to solve this problem. I wish you all the luck in the world with it. I hope you get cooperation from your associates down there in that Cabinet to help put the kind of program into effect that you are advocating here.

Secretary MARSHALL. I think we will get that cooperation. Thank you, sir.

Senator LONG. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Mr. Chairman.

May I just say, introducing a quick possibility, that while we are experimenting with the income maintenance job creation aspects of the President's program in some States which are particularly attracted to the possibility, I wonder if we could not experiment with the President's proposal to assume the local cost of welfare in some other States? The thought occurs to me, Mr. Chairman.

Senator LONG. Or some additional share of the costs. As the Senator knows, I have been trying to help him work out something.

Senator MOYNIHAN. I thank the Chairman. I see Senator Dole has joined us. We welcome you.

Senator DOLE. Will Secretary Bergland be testifying this morning?

Senator MOYNIHAN. Not this morning. We will arrange for it.

Senator DOLE. We have been working a great deal on food stamps in the Agriculture Committee and are trying to work out a way to make stamps available to those truly in need. So far we have been able to eliminate the purchase requirement and that is an important part of your total consideration. How do we handle the food stamp program when it is cashed out?

In a broader sense, if the President's program comes to the Congress and is passed, who is going to have the responsibility for administering that program? HEW, your Department, or the Treasury?

Who is going to be in charge of the program? Do you have any thoughts on that?

Secretary MARSHALL. This is an area that we are still working on. Undoubtedly, the jobs and training part will be the responsibility of the Department of Labor.

The income maintenance part of the program will be the Department of Health, Education, and Welfare.

Senator DOLE. Shared responsibility?

Secretary MARSHALL. Shared responsibility, yes, sir.

Senator DOLE. You still have not determined who would have the leadership role, or if there will be a leader?

Secretary MARSHALL. I think there need not necessarily be a leader. We can see that the jobs and training program is fairly distinct, and it is the kind of program we have been operating, and income payments are responsibility of HEW and the tax parts, like the earned income tax credit, would be the Internal Revenue Service and trade.

Senator DOLE. I am sorry I missed some of the earlier questioning. There have been some estimates on what the additional costs of such a program may be. I believe with all the options included HEW has estimated a range of \$10 to \$40 billion.

Are those figures in the ballpark?

Secretary MARSHALL. Of the total program, or the jobs program?

Senator DOLE. Total program.

**Mr. PACKER.** As you know, the President's goal is to keep the cost no higher than the current welfare program and the jobs component of the current situation in fiscal 1978.

I think there are no additional costs except for the \$5.5 million that is in the stimulus portion of the jobs program that would be retained. Other than that, it is the existing cost of SSI and food stamps, the earned income tax credit and the AFDC program.

**Secretary MARSHALL.** I might add that our assumption all along was the public service employment part of the stimulus package was temporary and it would phase out as unemployment declined, and therefore the decision to retain that means that we retain that part of it for the jobs program under welfare reform, but that was initially planned to be phased out.

**Senator DOLE.** Is there a real demand for the public service type jobs you mentioned in your statement?

**Secretary MARSHALL.** Yes, sir, there is a considerable demand. We have learned a good bit about the demand for the jobs. There are many jobs that are not ordinarily done in the private sector, like working in national parks and national forests, doing things for low-income people, and removing lead paint which we currently have underway which we think should be expanded. Weatherization of homes of low-income people would not ordinarily be done without such a program as this, partly because low-income people could not pay for it. On public lands where the natural resources are available to the national, State, or local park services, they simply do not have the other resources to do these things now.

We think that through a variety of interagency agreements and working through local elected officials that there will be no question about the demand for the jobs.

We already have, under our build-up and our expansion of titles II and VI of the CETA program, demands for many more workers than we will have positions available.

**Senator DOLE.** What is the average cost of those jobs?

**Secretary MARSHALL.** The total cost now is \$6,800, including administration. The net cost is about \$5,000.

The reason the net cost is lower is that you reduce some other expenditures, like unemployment insurance and welfare payments as you put people to work.

**Senator DOLE.** Is that a better arrangement than just the cash grants to that family as far as the standpoint of cost is concerned?

**Secretary MARSHALL.** I think it is, if you count the value of the work that they do. If you have a program that is adequately administered and you try to guarantee that people will be put to work doing things that need to be done, and in meaningful jobs, then we gain a benefit, a public benefit from that work that you would not gain if you had simply unemployment insurance or an income maintenance program.

I think from the standpoint, also, of our concern about productivity and inflation in the system, it makes a whole lot more sense to me to have people working who can work and who are expected to work than to have them on income maintenance.

**Senator DOLE.** Do you envision having a suitability exception as they have in the AFDC program as far as work requirements are concerned?

Is there going to be an option for the person to accept employment or accept some revised welfare program, or would there be a stringent work requirement?

Secretary MARSHALL. My thinking is that we would have certain categories of people who are expected to work and income maintenance would not be available for them. It might be available for their families if they refuse the work.

They would be expected to take one of these jobs. In terms of suitability of the job, we would try to see to it that the job is suitable to the characteristics of the people we are trying to deal with as a target population.

Senator DOLE. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator.

Mr. Secretary, it has been very helpful for you to come here in the same spirit as Secretary Califano did. We are learning a lot about your thoughts, and I think you are learning something about ours.

Senator Dole and Senator Long have indicated the direction of their thinking. I hope you would feel it is a positive direction, and that not a negative word has been said in any of these hearings.

My job is less to give you advice than to try to keep you honest, and that has to do with the statements of the administration. I have been a little bit concerned about the variation in the language that we get out of the executive branch these days.

You said that the President's first goal is that welfare reform cause no additional cost. Now, I have consulted the 12 principles of the chairman, and I find that the first principle is not that there be no additional cost, but I read to you, "We have established the following goals"—this is from the President's statement of May 2—"No higher initial cost than the present systems."

There is a difference between "no additional cost" and "no higher initial cost."

Secretary MARSHALL. Yes.

Senator MOYNIHAN. Yes is a good enough answer.

Secretary MARSHALL. No higher initial cost than in the present system is the way it should be. That is the way the President said it.

Senator MOYNIHAN. That is the spirit.

The point is, the way the President said it and the way it comes out keeps varying. Last Saturday, May 7, in an excellent article entitled "Carter's Welfare Statement," in the New York Times by Mr. David E. Rosenbaum, the passage appeared:

Jody Powell, the President's Press Secretary, said at the White House today that contrary to the impression that Mr. Carter left in the campaign, he had never favored a Federal assumption of local welfare costs but merely thought that the States should bear a greater share of the burden.

[The article referred to by Senator Moynihan follows:]

[From the New York Times, May 7, 1977]

**CARTER'S WELFARE STATEMENT—IT ANSWERS QUERIES ON NATURE AND COST OF PLAN BUT NOT ON ITS EFFECT ON PEOPLE AND LOCALITIES**

(by David E. Rosenbaum)

WASHINGTON, May 6—President Carter's statement this week on welfare changes answered some important questions about his Administration's policy, but it left many more unresolved. The statement provided a better idea of the

nature, the timing and, to some extent, the cost of the changes that the President wants to make. On the other hand, little more is known than before about how the President's plans would affect individuals and communities.

The three main elements of the Carter statement were as follows: He plans to offer some jobs to all those able to work and a single payment of cash to those who cannot work or who cannot earn a minimum income by working; he does not intend the program to become effective until at least 1981, and he does not want the initial cost of his proposals to exceed what the Government now spends on welfare and jobs.

#### SOME QUESTIONS REMAIN

Within the framework, a number of questions are begging for answers that will probably not be given until the President sends his legislation to Congress in August. Here are some of those questions:

*Question.* To what extent would the program provide fiscal relief to New York City?

In his campaign for the Presidency, Mr. Carter proposed that the Federal Government assume the entire cost of welfare benefits paid by local governments and gradually take over the states' share of payments.

In his statement this week, however, he seemed to pull back somewhat from that campaign pledge. He said only that the "financial burden on state and local governments should be reduced as rapidly as Federal resources permit."

Jody Powell, the President's press secretary, said at the White House today that, contrary to the impression that Mr. Carter left in the campaign, he had never favored a Federal assumption of local welfare costs but merely thought that the states should bear a greater share of the burden.

New York City is one of three cities in the country (Denver and Washington are the others) that pick up a sizable share of their residents' welfare benefits. It costs New York more than \$500 million a year to do so, and Mayor Beame and other city officials have said that Federal assistance in meeting that burden is essential to the city's financial health.

*Question.* More broadly, what would be the effect of the program on residents of the industrial Northeastern and Middle-Western states who already receive relatively generous welfare benefits?

Mr. Carter said this week that the Federal payment to those on welfare should be standard from state to state, varying only according to the cost of living in each state. He also produced a multicolored chart showing that the Federal contribution to assistance payments now ranged from hearty \$1,700 per recipient in some industrial states to less than \$300 in some Southern and Plains states.

If the payments to those in the poorer states were raised to the level of those in states at the upper end of the scale, it would be impossible for Mr. Carter to meet his goal of not increasing the overall cost of welfare to the Federal Government.

On the other hand, if the Federal welfare assistance to states like New York, New Jersey and Illinois is reduced in order to increase assistance to other states, it would mean either that the poor in the industrial states would get less or that those states, already strapped for funds, would have to contribute more.

In an interview this week, Ray Marshall, the secretary of Labor, said that it was implicit in the Carter proposal that "some people will be worse off than they are now." Pressed further, he gave the tentative assessment that the rural poor would probably fare better under the Carter plan and those in urban areas worse.

*Question.* Who would be guaranteed public jobs if they could not find private jobs?

Mr. Carter said this week that a job would be offered to every family where there were children and some one able to work.

However, Joseph A. Califano Jr., the Secretary of Health, Education and Welfare, pointed out that 10.5 million of the 11.2 million people now on welfare were children or their mothers.

Thus, the Government would have to decide at what age children should be given jobs. And it would have to determine how old children should be before their mothers were offered jobs.

Moreover, it was not made clear whether public jobs would be offered to single people and childless couples. If they were Mr. Marshall said today, it would be impossible to hold to the current level of spending.

Finally, Mr. Carter's statement did not say who would get the job in families where both parents were physically able to work.

**Question.** What happens to the Medicaid program?

Under present law, poor people receiving assistance under the Aid to Families With Dependent Children program are automatically eligible for Medicaid, the Government program that pays for the cost of health care.

Mr. Carter did not explain whether people taken off welfare and placed in Government-financed jobs would remain eligible for Medicaid. If they are to lose Medicaid assistance, they would be much worse off than they are now.

However, if those in public jobs are to be eligible for Medicaid, it would significantly increase the cost of the health program, since it would be difficult to distinguish between people who would otherwise be on welfare and the millions of other Americans in public service employment.

**Question.** To what degree would a person's welfare payment be reduced as he began to earn money?

Mr. Carter insisted that one of his goals was to make sure that a family "have more income if it works than if it does not." One of the major criticisms of the present system is that, in many cases, people can get more from welfare than they can earn from a job.

However, a person working full time at the minimum wage of \$2.30 an hour for 40 hours a week for 52 weeks earns only \$4,784 a year, well below the official poverty line. If a "decent income" is to be provided for everyone, some people who work would still need public assistance.

If a person's welfare payment is reduced by, say, only 10 cents for each dollar he earns, the result would be that some people with relatively high incomes could still be getting public relief. On the other hand, if the payment is cut by, say, 90 cents for every dollar earned, the result would be that a poor person would be able to take home from his job only 10 cents on the dollar, hardly a worthwhile proposition.

Mr. Carter did not say how he would strike a balance.

Senator MOYNIHAN. I am happy to say that later that same day a statement was posted on the White House press room bulletin board that said, and I must note the Sinology or Sinophilic influence in our time:

Principle Number 11 in the May 2d welfare reform statement. (The unpredictable and growing financial burden on state and local governments should be reduced as rapidly as Federal resources permits) is entirely consistent with the President's position during the campaign. The President stated during the campaign that the first priority in reducing the financial burden will be the elimination of the local share of welfare costs as soon as possible. [See Associated Press interview September 17, 1976; Fortune Magazine interview, May 1976; and Black News Editors interview, October 2, 1976.]

As the President said at a press briefing in Plains on August 16, 1976, "Over a period of time, there ought to be a shifting of responsibilities for financing welfare away from the local government to the Federal government. Later on, a shifting from state governments toward the Federal government."

So we now have those principles in order, have we?

I would like to ask you a couple of questions. The first has to do with a point which troubled me ever so little; that is, in your testimony, you listed the kinds of jobs that you were thinking of for this kind of work, the kind of job provisions that might be made. To put it straight out, Mr. Secretary, I have been in this business a long time and I am struck that this list of jobs that are available changes from time to time, but it always has been consistent in one respect only. It reflects those things that the professional, upper middle class thinks ought to be done at that moment.

I congratulate you on coming up with the weatherization of low income homes. That is sure to be a thoroughly fashionable thing to have done by somebody else in Georgetown. In Georgetown, it is something that other people should be doing somewhere.

I am quite serious about this. There has been much talk about consulting people. Has anyone ever asked welfare recipients what jobs they think should be done that they can do?

I remember in 1965, at a time when the poverty program was being put together, I then had Mr. Packer's position, we then met in the Director's office, the Secretary of Labor and I. At that time the most fashionable thing that upper-middle-class professionals thought working people should do, instead of being on welfare, was to collect garbage. That was very fashionable. Clean up the city.

Kermit Gordon—it was not very nice of him, but he was the Director of the Budget—went over to a bookshelf and got the statistical abstract of the United States. He looked up garbage collectors. He said, do you know how many of these jobs there are in the United States? And it turned out to be very few, a tiny number. If you quadrupled it, you would not make a dent in the numbers that we were talking about.

In a friendly spirit, I am saying weatherization of low income homes is, first of all, carpenters' work.

Secretary MARSHALL. You do not have to be a skilled carpenter to do it.

Senator MOYNIHAN. You had better be when you are on a 14-foot ladder.

I am all for you. I am just saying, watch the chic business of what the poor should be doing this season.

Secretary MARSHALL. Let me tell you how we came to that with this list which illustrate some examples. Many local communities have very good programs. They arrive at these programs through trying to deal with a particular problem in, for example, the low income areas of Cambridge and Boston. We only tried to give a few illustrations. The determination of what would be done in many cases would be by local communities.

[The following was subsequently supplied for the record:]

*Question.* Provide information on the types of jobs being requested under the Title VI expansion.

*Answer.* As the implementation of the Title VI expansion gets underway, DOI will be receiving information on the nature of the jobs and projects created. In addition to the regular reports on numbers of enrollees and expenditures, sponsors will be supplying single-sheet summaries of each project which will include the following information: Number of participants, start date, length of project and type of agency (public or non-profit). This information will be tallied for the universe of projects. In addition, these Project Data Summaries (PDS) contain information on the purpose of the project, the public service areas, job titles and wage rates, which will be analyzed on a sample basis.

It is expected that by the middle of June the flow of PDS information should be sufficient to permit initiation of a monthly report.

There is information available in the Continuous Longitudinal Manpower Sample (CLMS) on the occupations of persons who are employed in public service jobs under Titles I, II and VI and this is summarized in the following table.

OCCUPATIONAL DISTRIBUTION OF PSE CETA ENROLLEES FISCAL YEAR 1976

[In percent]

	Total all jobs	Local government	State government	Federal Government	Nonprofits
Professional, technical.....	15	14	24	16	14
Managerial, administrative.....	4	4	3	4	4
Clerical and related.....	25	26	30	33	17
Crafts.....	9	8	3	6	16
Service.....	40	40	29	31	47
Protective.....	8	8	11	10	3
<b>Total.....</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Number of jobs.....	239,539	172,705	20,389	8,400	38,066



Secretary MARSHALL. The reason for the emphasis on weatherization is the finding by the energy people that conservation is one of the best ways to save energy costs, also by the finding that energy costs hit low-income people very heavily. Therefore, if you can do something like that, that would simultaneously meet a national need—namely, to deal with the energy problem—and provide a job. With rising energy costs, this is the thing that low-income people apparently perceive to be a very important problem, to be able to make their homes warmer at relatively low costs.

Senator MOYNIHAN. In Cambridge, Mass., the very-low-income people live in public housing. The ordinary working fellow lives in a four-story, four-decker wooden building, and God help the person who gets on the top of that building and starts weatherizing. It does not sound to me like unskilled work.

Secretary MARSHALL. This is an important concern that we have. It is important not to do things that will take jobs away from people in the private sector.

Many of these things are components of a carpenter's work, but here we are talking about doing some things that will not take long, like the lead paint removal program which is another possible job.

Senator MOYNIHAN. I am sure that is a good thing to do. How many jobs? What does lead paint removal involve?

Secretary MARSHALL. I am told by the experts it takes you about a week to learn how to remove the paint.

Senator MOYNIHAN. You burn?

Secretary MARSHALL. I really do not know all that they do.

Senator MOYNIHAN. Let's find out.

Secretary MARSHALL. I am told by the people who do it that it takes about 1 week to learn how to do it. Secretary Califano is concerned about this particular health hazard. He has told us it is not a thing that requires a great deal of skills. It very much needs to be done.

[The following was subsequently supplied for the record:]

*Question.* Describe the procedures for removing leadbase paint. What are the skills necessary?

*Answer.* The procedures and, consequently, the skill levels required for removing lead-base paint vary appreciably. Basically, lead-base paint (or any other kind of painted finish) can be removed by sandblasting (mostly exterior work), by heat, use of a chemical solvent, or by scraping. The procedure used will depend on the type of painted surface and size of job. Application of a blow torch is fast but it also represents an obvious fire hazard and requires a considerable skill level. Chemical removers are highly flammable and the paint fumes are very toxic, requiring protective clothing and cautious use. Use of standblasting equipment also takes considerable skill and respirators are needed to avoid inhalation of dust. Scraping involves minimal skills but the process is laborious and time consuming.

Under CETA, the Employment and Training Administration is sponsoring a number of demonstration projects using unemployed low-income workers in a supported work concept, including the removal of lead-base paint. In Massachusetts, for example, CETA funds are being used to support a 1-year project aimed at rehabilitating public housing and low-income homes throughout the State. About 120-125 employees will be used on these projects, most of them welfare recipients, ex-offenders, high school dropouts and alcoholics. Many are recruited from housing units in need of rehabilitation. Projects are operated by community-based organizations, e.g., Transitional Employment Enterprises and other supported work organizations. Heating elements are used to remove paint from interior partitions (less dangerous than below torches) or sometimes walls are simply covered over by wallboard. Heating elements are applied close to the surface until the paint blisters (protective gloves are worn) and the

softened residual is removed by scraping or sanding. Two people are usually required to lift and install wallboard (4' x 8' sheets) after which it is taped, nail holes are covered with a spackling compound, sanded and painted, using an oil-base or latex paint. Since the work may involve the use of ladders or scaffolds, considerable care is necessary. Employees have urine and blood tests periodically to screen for health problems. About 60-70 percent of the work involves entry level skills and the rest can be acquired after about 3-4 weeks, all of it by on-the-job training. Crew leaders are hired from unemployed construction crafts, with their pay set at a maximum of \$12,000. Wages are paid at the rate of \$2.65 an hour plus incentives for above standard performance, up to a maximum of around \$3.38 an hour.

Secretary MARSHALL. In other cases, we can enter into interagency agreements between the Department of Labor and other Federal agencies, like Agriculture and Interior. We have done this in connection with our youth program putting people to work in national parks and national forests.

Senator MOYNIHAN. Why should we be putting anybody to work in a national park? As somebody who was not hired through the ordinary way by the Park Service—

Secretary MARSHALL. We really do not have the resources in the Park Service. You really do not have to be a forest professional in order to do much of this work. They tell us there are a lot of things that need to be done there that will not get done otherwise. They have not been able to get the resources to do it.

Senator MOYNIHAN. Mr. Secretary, I am not trying to be difficult. I have been there. I have been where you are—or where Mr. Packer is. The chairman has made it clear, we want this thing to work this time.

I would like you to tell me who it is in 1 week can learn to remove lead paint, having recognized it, et cetera. Is it hard physical work? Is it something I could learn well when I was 18, 19 and would find hard to learn today because I am older? Or can I learn it today but my back is not what it was when I was 19, and I can not do it?

Is it grunt hard work? Does a man have to be careful he does not burn the house down when he is doing it? How many houses are there? How much of a career is this?

Are we going to go around painting with lead while we take off lead? Is this a one-time job?

Be dead serious.

On the Park Service. Forest work is serious work, dangerous work. I guess, next to mines or after mines, it has the highest accident rate in the country. Injuries are first in forestry and second in mines, or first in mines and second in forestry, which is it? Mr. Packer, do you know?

Mr. PACKER. No, sir.

Senator MOYNIHAN. Find out.

[The following was subsequently supplied for the record:]

	Injury rate		Lost workdays	
	1974	1975	1974	1975
Metal mining.....	7.5	6.5	70.3	69.2
Anthracite.....	22.3	28.4	115.9	211.3
Bituminous.....	10.6	10.8	96.4	101.5
Logging.....	29.2	26.1	296.2	281.3
Sawmills.....	22.7	21.4	164.8	173.3

Senator MOYNIHAN. You want to put people into the second highest or the highest risk work. The highest in being crushed to death in the forests, or the second highest.

Secretary MARSHALL. Let me answer that.

We have had a lot of experience with the young adult conservation program, putting people to work, doing specialized work. They are not going to be working in logging, which you are talking about. They are going to be working in making trails.

We have had some applications for people to maintain trails, improving campsites in the national parks and forests. We had great experience with this program in the 1930's with the Civilian Conservation Corps. We can learn some things, I think, in that experience, so we are not really starting out in all of these things fresh.

As I indicated to Senator Long earlier, what we hope to do before we ever get underway. We have just started working on this and have not worked out the details, but we will have worked out all of the details on all of these jobs before we propose it as a plan.

Right now, we have simply started thinking. We do have enough information, though, to know that many of these things are useful things that need to be done, that they do not require a lot of skill, because a lot of people are already doing them with 1 week's training.

I think what we will find that there is considerable variation in learning ability and skills and we will know a great deal more about them by actually examining the results of existing projects.

I have been trying to get out and find out about as many of these things as I can by actually observing them, in many cases, doing them myself, and I intend to continue to do that. So by the time that we come to you with a suggestion, we also will have a list that we can make available to you of the kinds of things people have already applied to us for under the recovery program, under the expansion of titles VI and II of CETA.

We have talked to a variety of people in a variety of States and all sections of the country that actually have been running these programs through the CETA system, and have asked them the question, What they think they can do, how many people they think they can accommodate? We are examining the evidence on the flexibility of the system.

[The following was subsequently supplied for the record:]

*Question.* What kind of jobs are involved in park and forestry projects? Are they dangerous?

*Answer.* Park and forestry jobs have been used as public service or work experience slots for adults and youth under ETA programs, frequently under programs operated by the Departments of Agriculture and Interior. Injuries are infrequent and more likely to occur in vehicles while being transported, than during the actual work.

The basic reason for this is twofold. First, the youth programs—particularly those addressed to youth under 18—are governed by the child labor laws and this means that the participants are limited in terms of activities in which they can engage. For example, they do not operate any power equipment or any vehicles. Second, the program sponsors are well aware of a possible propensity toward haste and carelessness among their participants, so they particularly emphasize safety.

The Department of Interior estimates that more than half the time of all participants in the summer youth programs (the Youth Conservation Corps) is spent in trail maintenance and construction and in ground maintenance and

cleanup at camp sites and parks. Trail construction is a particular favorite, according to the Department of Agriculture, because ordinarily money is not included in regular agency budgets for this. Trail construction involves clearing out dead wood or underbrush, using hand tools—such as axes or saws—and may involve some rough carpentry such as building a foot bridge. In addition, these participants may be employed in simple earth moving tasks, involving hand tools such as picks, shovels and wheelbarrows in order to clear out or improve stream beds or control erosion. Also, they may be marking timber for future cutting, clearing fence rows by manual mowing of grass and so on. Nationally, 49 percent of the participants in the Youth Conservation Corps programs run by the Departments of Agriculture and Interior are female. They work alongside the men and do the same jobs.

*Other assignments within the Forest Service*

Under Title VI, the Department of Agriculture receives CETA participants who then work under the supervision of District Rangers of the Forest Service. This "host" arrangement accommodated about 3,000 participants in fiscal year 1976. Although this work is not confined to youth, most of the activities are similar to those of the Youth Conservation Corps in that they involve trail construction and maintenance, roadside maintenance, clearing out underbrush and thinning out trees. The Forest Service, as an institution, is particularly safety conscious and emphasizes appropriate precautions, the use of proper equipment and so on.

For example, the rural Minnesota CEP, a CETA prime sponsor covering a 19-county area, funds work experience and PSE positions in the Chippewa National Forest, under the Department of Agriculture, and with the State of Minnesota Department of Natural Resources. These projects include such activities as tree planting, brush cutting, cleaning out scrub forest land, maintenance of camp grounds and trail construction and maintenance. All participants are over 18, and, therefore, these tasks may involve use of power tools such as chain saws and power brushcutting machines. Both the Department of Agriculture and the State Agency provide basic safety and first aid training to participants in these programs and the participants, which include both men and women, work in small closely supervised teams. The single largest occupational category is basically that of a common laborer, although the title is "forestry aide."

Senator MOYNIHAN. Mr. Secretary, the chairman has a question and I know he has another appointment.

Senator LONG. I did want to put this thought out, Mr. Secretary.

If you want to provide these jobs to people on welfare, you ought to use your power wherever it is necessary to earmark for them as many of these jobs as you can. Where we control the money—either by the tax credits that we are going to give or by direct Federal expenditures that we are going to make, we should earmark the jobs we provide for these people.

For example one of the most logical places to provide employment is for a mother to take a job in the day care center. She can take the child to work with her. If you let these retired high schoolteachers have their way, they are going to hog all of those jobs in those day care centers at \$10,000 apiece. Instead of making it a \$10,000 job for one of these people, you can let a welfare mother bring her child to the day care center and she can work about a half day. Then another mother can come in the afternoon, work another half day. For about the same amount that it would cost you, to have that retired high school teacher there, those two mothers could both have a job and you could pay them enough so that both families would be out of poverty. That way you are taking two families out of poverty rather than putting to work a retired high schoolteacher who is married to a man who already has a good income.

If you earmark some of these jobs for these mothers—and they are jobs they would like to have—you would move those families out of poverty and improve their situation. That is the kind of work that Mama knows how to do to begin with. She knows how to look after children if she is a good mother, and most of them are.

There is also a tremendous demand for help in providing proper care for the aged. When people get old, their memory gets bad, sometimes, they cannot recall where the kitchen is in their own home. For dear people like that, someone needs to be around to help take care of them. That is something else a welfare mother can do.

As a matter of fact, if she wants to, a mother can bring her little child right there with her to the home and be around these old people to see if they need some help. She is available to help them, and most of the time there is nothing to be done except clean the place up a little bit or sweep it out. She knows how to do that. So she can help out in situations like that. She earns money to move her family ahead, and you are providing needed services where otherwise they would not be attractive.

You are not going to put many people to work in New York picking up garbage for a very simple reason: that garbage job is about \$15,000 a year. That garbage collector is not going to let Mama get in on that one. But you can find a lot of jobs where people can help one another—people are needed to work in hospitals, for example.

When people go to work, you ought to try to offer them an opportunity to move on up the ladder. They may have to start out as the low person on the totem pole but you ought to try to work it—and I believe you will, if you do a good job—in a way that offers them an opportunity to advance.

That is part of your planning; is it not?

Secretary MARSHALL. Yes; it is.

Senator LONG. Have you made some plans in trying to provide some opportunities for these younger people, for example, a young person in a family, 17 or 18 years old? Those young people can do some jobs to help bring income to the family and also learn good work habits while they are at it. Do you have any plans along that line?

Secretary MARSHALL. Yes, sir. That is what our youth program is primarily designed to do, to give training and work experience and work to young people because half of the unemployed, of course, are under 24 years of age.

In our targeting concept, we think it is extremely important to try to devise programs that fit the needs of people.

Senator LONG. Thank you very much, Mr. Chairman, and Mr. Secretary. I have got to go to the Commerce Committee where a battle is brewing over there. I appreciate very much the opportunity to attend this meeting.

Again, I want to congratulate the chairman of this subcommittee, Mr. Moynihan, for the fine job that he is doing. We want to move ahead with this welfare reform. We want to get a plan together and give everybody an opportunity to have input on it.

I want to congratulate you, Mr. Secretary, for stressing that jobs can be provided for these people. That is a real answer, to provide opportunities.

Also, you are going to have to find a way to provide a little bit of inspiration to these people. A lot of them have been defeated many times in life. They just seem to have had the worst of it all their lives. They never had much of a break, and when they did, that soured in their mouth, too. Those people are going to have to be encouraged to believe that they can live a better life, too. I am sure that is part of your plan.

Secretary MARSHALL. Yes, sir. Thank you very much.

Senator MOYNIHAN. Mr. Secretary, we are going to keep you here a little longer. There are some things that we want to ask of you, and I think that the first point I would like to make is that it has not overwhelmed us, or rather, we have not been overwhelmed, by the candor of the witnesses so far, up until this point, or—let me withdraw the word “candor,” and say that we have heard a great deal of who is not on welfare and very little about who is.

As a matter of fact, we heard a great deal about who is not on welfare from Secretary Califano in the New York Times of April 20, 1967, in that enviable circumstance as a White House aide, he was the off-lead in the New York Times. He says the United States finds only 1 percent of those on welfare are unemployable. President Johnson gives a new systems study, innovation stressed. “Revolution in “Management of Government Ascribed to the Administration,” by Robert B. Sample, Jr., a serious journalist.

APRIL 19.—Less than 1 percent of the 7.3 million Americans on public welfare are capable of getting off the relief rolls and going to work, according to a Government analysis. The results of the analysis represented the first systematic attempt to determine the number of employables on welfare were disclosed tonight by a presidential aide, Joseph A. Califano, Jr., in a speech at the National Press Club.

Mr. Califano asserted, at any given moment, only 50,000 of the 7.3 million on welfare are capable of being given job skills and training that will make themselves efficient. Mr. Califano, generally regarded as President Johnson's top aide on domestic matters, used the welfare study to illustrate what he called the administration's new systems approach to familiar problems, such as transportation, urban blight, and education.

In a dissertation of what he termed the largely unwritten story of the administration, Mr. Califano said Mr. Johnson's willingness to ask the hard questions, seek new alternatives to the old ways of doing things, has led us to abandon many old slogans and conduct our national dialog on the basis of facts.

Well, are those still the facts, Mr. Secretary?

Secretary MARSHALL. I doubt it. An awful lot has happened since 1967. Unemployment is much higher now.

Senator MOYNIHAN. What are the facts? Could I just ask you, the one group of people you talked about in your testimony were the 2.8 million two-parent families in poverty, of which about 2 million, with at least one wage earner; 800,000 as having worked full-time jobs.

How many of that 2.8 million, how many would you describe as persons on welfare in the general range?

Secretary MARSHALL. I will let Mr. Packer answer that.

Mr. PACKER. First, I think—although much of the welfare discussion is in terms of all the individuals on welfare, the 7 million number you have there and the over 10 million number that is used now, I think analytically it is preferable to talk about families.

Senator MOYNIHAN. Yes, of course.

Mr. PACKER. The number is really—

Senator MOYNIHAN. Of those 2.8 million, you are referring to families?

Mr. PACKER. That is right. That number is families. There are 150,000 or so families on AFDC-UF, two-parent families where there is not a disabled person. Of course, many—I think a great portion of the 150,000 would presumably be in this group of 800,000.

Senator MOYNIHAN. Now, sir, if it is the case that you have come before this committee to tell us about welfare reform, and you have chosen for your population, as the demographers would say, a group of 2.8 million people, families, rather, of which 2.65 million are not among those.

Mr. PACKER. A part of the debate recognizes that the welfare reform problem is a differential treatment of those on welfare.

Senator MOYNIHAN. Right. I quite agree with you. I want to applaud you on that.

You have 150,000 families on AFDC-UF. We know they are defined as two-parent families with an unemployed head. Then you have this group of people who have incomes below the poverty line. I will not ask the Secretary how many would be above the poverty line if we raised the minimum wage to an acceptable standard. That is not the subject of this hearing.

These are people who are not on welfare. Mr. Secretary, who is on welfare?

What proportion of AFDC families are headed by someone who is now working?

Mr. PACKER. About half the people on AFDC work now.

To get to the heart of your question—I realize, now, I am speaking to an expert on the subject—as we believe it in our estimates, we might be able to reduce the welfare rolls by approximately 20 percent. Some of that would be 150,000 on AFDC-UF and the remaining portion of that would be single-parent families in which the head did take a full-time job.

Those are rough estimates of the kinds of numbers that we are talking about. It is somewhere between 1 and 2 million jobs, 1½ million jobs. Perhaps half of those would go to single parent families, the other half to two-parent families. Some of the second half, the 150,000 on AFDC-UF would also be on welfare.

Senator MOYNIHAN. I think that is good, because that is the clear answer to a proposition. Let me restate it and go once again.

I will tell you what I am getting at. I hope it does not seem to be too roundabout.

Traditionally, from the very earliest days of the Department, the question of work for women has been a concern of the Department of Labor. You would really not give a full statement of your task, Mr. Secretary, if you simply came here and told us about the 2.8 million male heads of families, or two-parent families, in the country. We know they are there.

The problem of welfare is the persons on AFDC, other than AFDC-UF. They are, by definition, one-parent families, are they not?

This is not an unusual phenomena. The Census Bureau has been good enough to do some projections for me and we can now estimate that of the cohort of children born in this country today, by the time

they reach 18, 45 percent will have lived in a one-parent family. It is now normal. In a city, you would probably find that go up to 70 or 75 percent.

On the question of welfare, the population sample you brought to me is not a welfare population. If I get your figures correct, about 3 percent of the families you talked about, Mr. Secretary, receive public assistance.

Ninety percent of this population does not seek public assistance. Let's talk about the population that does receive public assistance. This is a population that is made up of one-parent families, not two-parent families.

Secretary MARSHALL. There are many two-parent families on food stamps, 1.5 million.

Senator MOYNIHAN. That is quite correct, but it is not public assistance in the same sense.

Secretary MARSHALL. We include the food stamp population in our calculations of people who we are concerned about.

Senator MOYNIHAN. Let's talk about AFDC. What is the size of the AFDC population?

Mr. PACKER. About 3.6 million families, including AFDC-UF.

Senator MOYNIHAN. 3.45 million. Of those 3.45 million families, I would suppose that 3.3, 3.25 million are headed by women, females, right?

Mr. PACKER. I would suppose. I do not have the figures. Most of those are headed by females, that is right.

Senator MOYNIHAN. Of this population, in half of those families, the family head does some work?

Mr. PACKER. That is right.

Senator MOYNIHAN. This is a very important event, is it not? This would not have been the case 10 years ago.

Mr. PACKER. I do not know how that ratio has changed. I think we have, since 1969, built in greater incentives to work.

Senator MOYNIHAN. Among other things, the WIN program.

Mr. PACKER. I was thinking about food stamps and the \$30 disregard—

Senator MOYNIHAN. The earned income credit that Senator Long is an author of. Could we talk a little about the first specific effort by the Congress—it was a congressional effort, not departmental—to provide employment opportunities for otherwise dependent families. It was WIN and it is operated by the Department of Labor. How has it been doing?

Secretary MARSHALL. I think the evidence we have got that operating under very difficult circumstances, namely very high levels of unemployment—

Senator MOYNIHAN. There have not been high levels of unemployment since it began.

Secretary MARSHALL. There have been since I've been there.

Senator MOYNIHAN. You've only been there 3 months.

Secretary MARSHALL. To answer the question, the ability of the WIN program to succeed depends heavily on the level of unemployment. In spite of relatively high levels of unemployment, we think the WIN program has been moderately successful in putting people to work.



Mr. PACKER. It has been successful, most successful when PSE jobs were available. When the public service jobs have been available, we have had a work test in which there was a job to be provided.

Senator MOYNIHAN. You have not had that much success in the private sector. Why do you not send us something—let it all hang out, is that not what they say? Why do you not really tell us what WIN has done?

You have a friendly committee here. We want to help, and we want to find out. There is nothing wrong in saying that it did not work. The only thing that brings any discredit is to conceal failure.

You learn something from something that doesn't work. I am not saying that WIN has not worked, I think it has, just like the Manpower program which was begun rather bravely in 1962. Obviously there was some success.

Secretary MARSHALL. That is the way the WIN program is. It has had success if you could provide a job. It did not have success when you could not.

Senator MOYNIHAN. That is saying something important, I believe, because the Government, by definition, can create a job and establish whatever standards it wishes, put everybody to work in that sense.

Is that an economic solution?

Secretary MARSHALL. I think it is an economic solution, partly because if people can work and ought to work, then I think they are better off working than simply having straight income maintenance. It is better for the economy, because you are getting the benefits of that work.

It is a lot less inflationary to do things that way for the most part, because you are getting a product as well as an income and I think if you organize the work in the right way to provide an incentive system, that it will move people off the public service jobs and into the private sector where most of the jobs are. If you provide training opportunities for people who can and want to take the opportunity of those training opportunities, you want to give them some skills. As you point out, we have learned some things from the training program. Some were very successful, some were not.

What we are trying to do with our program is emphasize those programs that have demonstrated success and put much of our activity and emphasis on those kinds of programs.

Senator MOYNIHAN. You have learned some things. I am glad to hear it. I have never yet seen anything come out of a Department and say, we have tried this and it did not work.

This would be a historic first.

Secretary MARSHALL. I can give you a long list of things that we tried.

Senator MOYNIHAN. I wish you would. There is nothing the matter with saying we tried it and it did not work.

I think you have said something that is important, that WIN has not been very successful in the private sector.

Secretary MARSHALL. There have been all kinds of programs that we have tried initially and thought they would be good ideas, and they turned out not to be. For example, the concentrated employment program: we thought it would be a good program, it turned out not to be.

[The following was subsequently supplied for the record:]

**Question.** Provide an analysis of the WIN program, including its successes and failures.

**Answer.** The report, *The Impact of WIN II: A Longitudinal Evaluation*, prepared by Pacific Consultants, is the most recent and richest source of information we have on the WIN program. The evaluation, which involved three waves of extensive interviews with WIN participants and a comparison group of non-participating WIN registrants, was designed to determine to what extent WIN participants experienced a net gain in earnings and employment stability and reductions in welfare payments as a result of WIN participation.

The study yielded a number of findings, some more favorable to the current program than others. Overall it found that WIN participation resulted in earnings gains of \$330-\$470 more than those of comparable non-participants. Although it is difficult to attribute the gains to any particular service (since most participants received combinations of services), the least effective services were direct placement and education while institutional training, on-the-job training (OJT) and public service employment (PSE) were most effective (in cost-benefit terms and in raising participants' earnings).

Unfortunately, however, the study has one serious flaw: its reported results are based on data which relate to not more than one year's post-program experience for PSE and OJT. This means that most of the individuals studied were still in subsidized positions and that the associated earnings gains cannot be attributed to behavioral changes resulting from program treatments. To overcome this problem, the Department of Labor is about to undertake further analysis of the data already collected and, probably more important, to expand the data base by launching a fourth wave of interviews of both the participant and comparison groups in the study.

Senator MOYNIHAN. There is nothing the matter, there is nothing but honor that comes to a public administrator who comes forward and says, that did not work.

On CETA, how many former welfare recipients or present welfare recipients are in CETA?

Secretary MARSHALL. We have a chart showing that that we could put in the record.

Senator MOYNIHAN. The place where charts originate on manpower is the Department of Labor. The talent and the energy seems to have migrated to HEW. Mr. Califano was over here—

Secretary MARSHALL. We have a lot of charts but I did not bring them with me.

Mr. PACKER. According to the most recent data for title VI public service employment, about 16 percent are on public assistance.

Senator MOYNIHAN. About 16 percent.

Secretary MARSHALL. I think it is about 16 or 17 percent.

Senator MOYNIHAN. That is a respectable proportion.

Mr. PACKER. Mr. Chairman, in talking about CETA, there has been a great departure in title VI targeting. The fact that only 16 percent of those in CETA are public assistance recipients and only 49 percent of the individuals were below the poverty line in previous CETA programs is, I think, disappointing to the Congress and would be disappointing to this administration.

Therefore, a restriction was added to title VI so that certain individuals who come on to programs under this title would have to be at the 70 percent BLS low income standard or less. And I think, as we go into this stimulus program, that the percentage of the CETA population, previously in poverty, will be much higher, and so should the percentage of people under AFDC.

Senator MOYNIHAN. I do not know how you would expect to pick up more than that in what is a fundamentally countercyclical pro-

gram and in the times we are in a recession. The Rand Corporation has just published an absorbing study of welfare recipients in California. Are you familiar with this study and their work experience?

Mr. PACKER. I am not sure. I think I saw a study but I have not had a chance to look at it. There was one on WIN. There was a California study on WIN.

Senator MOYNIHAN. This has just been published. AFDC caseload and the job market in California: Selected Issues. It has that wonderful designation R-2115-CDOBP.

It is by Abrahamse, de Ferranti, Fleischauer and Lipson. I have read it and the summary. I think they learned something. They learned a very great deal, and they learned it about a population that we did not talk about this morning.

[The study referred to by Senator Moynihan follows:]

#### AFDC CASELOAD AND THE JOB MARKET IN CALIFORNIA: SELECTED ISSUES

(Prepared for the California Department of Benefit Payments by Allan F. Abrahamse, David M. de Ferranti, Patricia D. Fleischauer, Albert Lipson)

#### PREFACE

The research in this report was performed during a seven-month period beginning January 23, 1970, under contract with the Department of Benefit Payments (DBP) of the State of California. The study's primary objective was to derive more and better information about selected aspects of the relation between the Aid to Families with Dependent Children (AFDC) program and economic conditions in California. The Department conceived and commissioned the study in the expectation that the findings would enhance the understanding of issues involved in forecasting caseload changes and planning new policies. The analysis should also be useful to other states, certain federal agencies, and those individuals generally interested in welfare research.

The study was the second such effort performed by the authors for the Department. The results of the earlier study are reported in *Welfare Caseload Estimating Techniques: A Survey and Evaluation*, The Rand Corporation, R-1016-CDOBP, January 1970.

#### SUMMARY

This is a study of selected issues concerning the dependence of California's AFDC caseload on economic conditions. That caseload depends in some way on the economy and, more particularly, on employment has been widely noted. The nature of the dependence, however, remains unclear from past studies. Among the many unanswered questions, the Department of Benefit Payments (DBP) drew our attention to these especially: Which sectors of the economy do recipients come from and go to? Do certain sectors influence the size and composition of the caseload appreciably more than other sectors do? And do the bulk of recipients, in fact, come from jobs at all—or is the impact of economic conditions on AFDC much more indirect? How employable are recipients, anyway, considering their family situations, experience, skills, educational attainment, etc.?

Our analytic methods and the nature of our results reflect several guidelines chosen by DBP. The study was to take no more than seven months. Specified data sources were to be used, on the grounds that much recently collected data have not yet been exploited to full advantage. Descriptive, rather than abstractly theoretical, techniques were requested, and the study specifically was not to produce either a formal caseload forecasting procedure or a "model" of the interdependence between AFDC and the economy.

The analysis consists of four substudies. One substudy examines the types of work (skill level, wage, occupational designation, etc.) recipients do before, during, and after being AFDC. A central question of these investigations is whether recipients appear to come to AFDC from different jobs than they go to when leaving AFDC rolls. Very little previous evidence exists on these matters because few if any data sources in the past have had detailed job history data matched with movement to and off welfare. One of our data sources (DBP's

Work History Survey), however, did have the necessary information, and we found it sufficiently usable to deduce some important (but because of small sample size, still tentative) conclusions.

A second substudy considered which industries recipients come from and go to most; and whether, on that or some other account, certain industries' employment levels are significantly correlated with caseload levels over time. Our data for this effort were cross-sectional evidence from two sources for three years (1971, 1973, and 1975) and time-series evidence for ten years (1966-1975) by months or employment in each of 38 industry sectors. Our findings, besides describing individual industries' impacts on caseload, also provide insights on the relationship of caseload to employment as a whole.

A third substudy analyzed recipients' work histories, family composition, schooling, training, and demographic characteristics, and asked: how employable are they? Because our sources permitted more direct and detailed comparison of recipients and nonrecipients than has usually been possible before, we were able to add to the conventional statistics in this area new evidence of a different sort—called "reciency rates." Derived in response to an explicit interest of DBP's, reciency rates indicate the proportion of AFDC recipients among individuals in California with given attributes (i.e., within a given subpopulation); and by implication, how likely an individual with these attributes is to receive aid and how crucial the attributes are as determinants of caseload. For example, the reciency rate among family heads who did not complete high school is approximately 30 percent in California—i.e., nearly a third of such individuals receive AFDC.

A fourth and final substudy explored whether a relatively simple technique could be devised which, though not expected to trace subtleties, could at least indicate in approximate terms how various salient factors (such as employment levels, population growth, and the incidence of single-parent families) have affected caseload in the recent past. To suit DBP's requirements, the technique would have to: be usable regularly with frequently updated, existing data sources; not be a regression model; and have potential for predictive or planning applications, although this potential was not to be developed yet.

Highlights of the study findings follow. A more complete, but still largely non-technical summary is given in Part A of the main text; technical and methodological details appear in Part B.<sup>1</sup>

*What kinds of jobs do AFDC recipients have before, during, and after being on welfare?*

Evidence from this substudy suggests the following tentative conclusions.<sup>2</sup>

If a recipient has recently worked before enrolling for AFDC, the job typically was very low-skilled and low-paid compared to California and national averages. Jobs held at the time of or soon after discontinuing aid are also well below average pay and skill levels; but these "after" jobs are appreciably better paid and more highly skilled than "before" jobs. Thus, insofar as recipients have jobs at all, they predominantly come to welfare from the lowest rungs of skill and pay ladders, but, on leaving welfare, they reenter the work force at a rung or two higher.

<sup>1</sup> The following definitions and conventions are assumed here and throughout subsequent chapters. The AFDC caseload's two components, "Family Group" cases and "Unemployed Parent" cases, are referred to as FG and U cases, respectively. Families in the state's population are considered either FG-type families or U-type families, depending on which component of AFDC they would be enrolled in if eligible. Although most readers will know, it is worth repeating that FG cases and FG-type families generally consist of a mother and children under 18. A few such families have a disabled father present as well; and a very few have a father but no mother present or both present with the mother disabled. U cases and U-type families have both parents present and neither disabled.

In FG-type families, we treat the mother as the family head, unless only a father is present, in which case he is taken as the head. In U-type families, we consider the father as the family head. Finally, unlike many welfare administrative reports, we use the term "recipients" to mean family heads only. Also, the terms "AFDC" and "Welfare" are used interchangeably as an expositional convenience.

<sup>2</sup> We say "suggests" and "tentative" because our samples were small—under 200 cases—for reasons explained in the text. Nevertheless, the conclusions are supported by common statistical tests using 85-to-90 percent confidence levels—not the usual 95 percent level, but still noteworthy. With more data, it is our conjecture, based on various indications in the present findings, that the same conclusions would be verified at higher confidence levels. But as yet they cannot be regarded as definitely confirmed.

It should be noted that in the other substudies below, where we did have more data relative to the need, 95-percent levels or higher are used throughout.

Here are the quantitative differences. "Before" jobs in our 1972-73 data had an average wage of \$2.59. For "after" jobs, the corresponding figure was \$3.79. For all California manufacturing jobs (a common proxy for the overall wage level), it was \$4.36. On skill level, 46 percent of the "before" jobs were unskilled according to our use of that term. Among "after" jobs, this figure was 36 percent. Among California employment generally, it was under 30 percent. More detailed data, describing the distribution underlying these summary statistics, show that exceptional cases (e.g., a well-paid "before" job or a very low-skilled "after" job) are rare, but do occur.

These findings conceivably could have several alternative explanations. We found, however, that several likely explanations could not account for all of the evidence. For example, the findings cannot be attributed solely to trends in economic conditions at the time the data were collected, nor to changes in the minimum wage. They cannot be entirely due, either, to differences between cases coming on and those going off aid at any one time. Furthermore, although some recipients doubtless enhance their employability through training programs while on welfare, that phenomenon, too, according to our analysis, cannot be the full explanation of our results.

Evidently, some further factors are involved. One possible theory to account for the difference between "before" and "after" jobs is that recipients are more selective in their job search "after" than "before." That is, in the months prior to their welfare reciprocity, they settle for a very low-paying, low-skilled job; but when considering the job they will have in the months following their discontinuance of aid, they hold out for something better. Reasons why they should make this distinction are not hard to find. Before welfare, their choice is severely constrained by the fact that, with no other income usually, they cannot afford to search long for the best available job open to them. Once on aid, though, the "cost of search" to them is much less: they have welfare payments to rely on while they are looking.

There undoubtedly will be some who read sinister implications into this behavior—such as that welfare undermines recipients' zeal to find work. Others will say that such behavior simply means welfare is serving its intended purposes: to help families through periods of difficulty until they can locate an appropriate job at an adequate wage. Wherever one's proclivities lie, it is at least clear that being more selective when the search costs less is an eminently rational course of action—which is followed by middle- and upper-income earners no less than by welfare recipients. Furthermore, given that recipients' response to the situation is rational, the object of greatest policy concern should be not recipients' motives, but the situation. In other words, if there is a hero or villain here, it is income maintenance programs generally, with all their inherent conflicts of incentives and purposes.

For welfare policy in California, all this means that, insofar as the AFDC caseload depends on employment at all, it may be influenced in special ways by conditions at (a) the lowest and (b) the next lowest rungs of pay and skill ladders. Certain "twists" in the mix of jobs available may have more important consequences for caseload size and composition than has heretofore been recognized. For example, an increase in employment among very low-paying, low-skilled jobs, with no concomitant changes among slightly better jobs, might reduce case openings; but as long as recipients require better jobs before they are willing to leave the rolls, there would be no increase in case closings. Considerations of this kind could be crucial in evaluations of the likely consequences of job-creation programs targeted at specific segments of the labor market.

Why, it might be asked, are "before" jobs so extremely low-paying and low-skilled? Conflicting theories have been put forward in the past on the types of jobs recipients have prior to seeking welfare. According to one view, employable individuals come to welfare only as a last resort. By way of elaboration, proponents of this view might be inclined to argue that if all of the labor force could be ranked in one long queue with those most likely to be hired first at the head and those with the poorest chances at the opposite end, then it is the latter who eventually become welfare recipients. According to another view, welfare serves as a haven for individuals whose chief distinguishing characteristic is that they are more willing to accept public assistance than to take a job "beneath" them in some sense. To continue the queue metaphor, recipients then would come from all portions of the queue, depending on their personal job preferences. Holders of this view who approve of welfare might cite the case of displaced aerospace

engineers in the early 1970s; those who disapprove might use terms like "chiselers" for recipients with skilled work experience.

Both theories, in all probability, aptly describe at least a few AFDC case histories in recent years. However, one wants to know not about isolated instances, but rather about the majority of the caseload. Our "before" jobs evidence suggests that of the two, the first theory is more nearly accurate. Thus, the "last resort" concept is still a useful one, despite the many changes that have occurred since the inception of the current AFDC programs; and some of the "harboring chiselers" arguments may be exaggerated.

Several qualifications must be kept in mind when reflecting on the discussion so far. First, these results pertain only to cases moving on and off welfare. Second, among these "movers," the data include a much higher representation of short-term cases (on aid for eighteen months or less) than of longer-term cases. We therefore cannot say whether the same conclusions would hold for cases aided over long periods. A first hypothesis, suggested by other evidence we examined on the characteristics of "movers" versus "stayers," is that longer-term cases indeed are different to some degree. This, however, is not the serious drawback to the present findings that one first might think. For purposes of accounting for changes in the caseload—the central concern in this study—longer-term cases are relatively unimportant, despite their large number in the overall recipient population. It is the "movers" who are responsible for changes; thus, they should be much more highly represented than others. In short, although the findings do not describe all recipients, they apply to the right subset of the recipient population for analysis of caseload movement.

It should also be kept in mind that the findings pertain only to those who work. Many recipients arrive on welfare without having worked recently, or leave the rolls for some reason other than that they located a job. They are excluded here—but figure in the discussions of the other substudies.

Our analysis covered several additional topics not yet touched on, which can be very briefly summarized as follows.

Are "during" jobs—the jobs recipients hold while on aid—distinctive in any way? No. "During" jobs in our data look very much like "before" jobs in many respects.

Are the occupational breakdowns of "before," "during," and "after" jobs exceptional in any way, compared to the occupational mix of California employment generally? Yes, but only because of skill level differences. Once skill distinctions are controlled for, the data are not especially noteworthy. Hence, the next points can be inferred.

Do recipients predominantly work in just a few occupations? No.

Do some occupations, independently of skill level effects, "lead" to or from welfare appreciably more than others? No.

*Does the AFDC caseload depend on some industrial sectors appreciably more than others?*

It has become increasingly apparent in recent years that the next step toward better forecasting and enhanced understanding of caseload changes may lie in the direction of resolving whether (a) caseload depends mostly on overall conditions in the economy as a whole, or (b) that plus conditions within particular sectors.<sup>8</sup> This is an issue largely about correlation over time between caseload size and employment levels; and the focus is mostly on industrial (rather than, say, occupational) sectors, in part because good time-series data are available by industries but not many other ways. As auxiliary evidence, industrial breakdowns from the kind of "before," "during," and "after" data discussed above are also helpful.

The hypothesis that only overall conditions matter has a simple rationale. The central argument is that if labor markets adjust fairly quickly to economic changes, then aggregate employment ought to reflect most of what is important in sectoral shifts, as far as caseload increases and decreases are concerned. If

<sup>8</sup>The question that naturally precedes this one—does caseload depend on economic conditions at all has been extensively dealt with in previous studies.

On the pertinence of this issue, see, for example, the evolution of caseload forecasting techniques as discussed in our previous report (op. cit., R-1916-CDOB). Of course, there is an obvious antecedent question: does caseload depend on economic conditions at all? That question has been extensively dealt with before, and the implied conclusion of our earlier report is: yes, caseload is influenced by the economy. We have some further findings here (in Part B) providing additional support for that view.

that is true, then forecasting and analysis of the caseload could ignore difficult-to-work-with and not-readily-available sectoral data, and concentrate instead on the more familiar gross employment statistics.

The alternative hypothesis—that sectors do matter in addition to the total situation—stresses several other considerations. Some sectors may “lead” to or from welfare more than others in the sense that workers in these “feeder” sectors are more welfare-prone than others due to the skill mix, pay level, or other aspects of the work. Other sectors, though not feeders themselves, may induce chain reactions through the rest of the economy which ultimately result in caseload changes. Still other sectors, though not the primary source of changes, may be a regular bellwether—reflecting rather than affecting economic shifts. Assuming these effects are strong enough and that labor markets adjust slowly enough (due, perhaps, to insufficient information exchange or frictions in occupational mobility), sectors might indeed influence caseload in various ways not captured by aggregate data.

The central conclusions of our analysis is that present evidence supports the second hypothesis. Thus, sectoral evidence is important; and investigations based only on overall economic indicators may miss noteworthy developments. To arrive at this conclusion, we used a multivariate regression approach, with caseload as the dependent variable and various combinations of employment levels and other items as independent variables. As the text explains, our tests of significance were conservative in the sense that sectors were deemed to be of no particular consequence unless the evidence to the contrary was very strong. In effect we assumed the first hypothesis to be true until convincingly persuaded otherwise—and, still, the second hypothesis prevailed.

Given this much, one wants to know which sectors are important. On that question, our findings are less clearcut for the following two reasons. First, as a byproduct of guarding assiduously against inferring a sector is significant when in fact it is not, our tests increase the chances of the opposite error: treating some sectors as not noteworthy when in reality they are. Hence, we may not have found all the industries that have some distinctive influence on caseload. Second, the list of key sectors doubtless changes from decade to decade as the structure of California's economy changes. In the recent past, for instance, the scaling down of the ordnance industry at the conclusion of the Vietnam War had major ramifications; but in the future, other industries, responding to other phenomena, may take its place. This analysis controls for some such considerations, but by no means all.

With these qualifications, the list below is presented as a partial inventory of industrial sectors that clearly have had a distinctive impact on caseload during the period 1968 through 1975 and are therefore likely to be similarly significant in the future to the extent that recent trends continue to be relevant for prediction of future developments.<sup>4</sup>

*For the FG caseload*

Services, generally hotel and restaurant services, personal services, medical services

Trade, generally wholesale trade

Government, federal

Government, city and county

Agriculture

Transport (other than rail, trucking and warehousing)

Utilities

Real estate and insurance

Manufacturing, generally textiles and clothing, paper products, printing, and publishing, chemical, rubber, plastic and leather products, ordnance, fabricated metal products, communication equipment

Mineral extraction and refining

*For the U caseload*

Services, generally personal services, medical services

Government, city and county

Agriculture

Real estate and insurance

Manufacturing, generally textiles and clothing, chemical, rubber, plastic, and other leather products, primary metal products, fabricated metal products, aircraft and parts

Mineral extraction and refining

Many of these sectors are readily understandable in the sense that their emergence here as temporarily important is consistent with our other sub-studies' findings or might have been expected anyway on intuitive grounds.

<sup>4</sup> For definition of FG and U, see footnote 1, p. vii.

For example, it is no surprise in light of the data on the types of jobs held before, during, and after reciprocity that services turn out to have a distinctive temporal impact, nor that the particular types of services most outstanding are personal services, medical services, and in the case of FG, hotel and restaurant services. Government, too, is understandable, considering the tendency found for recipients' "after" jobs to include a high proportion of positions at institutions compared to their "before" jobs. And so is manufacturing, since that aggregate sector accounts for so large a percentage of all employment (including that of recipients).

At the same time, others of the sectors listed are not immediately explicable. Why should utilities, real estate and insurance, and mineral extraction and refining be significant? What is special about the particular kinds of manufacturing shown? With questions such as these in mind, we went on to consider why and how significant sectors influence caseload. Our analysis of this topic must be regarded as exploratory and very cursory. We were able only to examine which of these broad types of impacts a sector has—direct, chain, or bellwether—and even that incompletely.

Our conclusions are that the following sectors' impacts resemble a direct effect more closely than a chain or bellwether effect: services, trade, agriculture, and manufacturing as a whole (although not the specific types of manufacturing on our final list). The remaining sectors all have impacts more like chain or bellwether effects, but we could not distinguish which of these two. Those sectors are: government, transport, utilities, real estate and insurance, mineral extraction, and the manufacturing subcategories.

#### *How employable are AFDC recipients?*

The literature on the employability of welfare recipients is voluminous. Our goal in this substudy was a relatively limited one: to derive a descriptive profile specifically for California's recipient population, in a way that could be regularly repeated in subsequent years for updating from known sources.

We began by asking: How, if at all, do California's AFDC recipients differ from its other family heads in ways that possibly relate to employability? Our main conclusions are not new, but some of the numbers supporting them may come as a surprise. Here is a sampler.<sup>5</sup>

On educational attainment: nearly one out of three families in California whose head did not finish high school are on AFDC, but among families whose head did finish, the rate is only one out of twelve. On child care responsibilities: over four-fifths of FG-type families with pre-school children are on AFDC, compared to under half when there are no pre-schoolers. On recent work experience: 85 percent of FG-type families whose heads have not worked recently (i.e., within the last 12 months) are on AFDC, compared to 40 percent when the head has had a recent job. For U-type families, the corresponding figures are 13 percent and under 1 percent. On skill level: three-quarters of FG-type families whose head's most recent job was unskilled are on AFDC, compared to one-quarter when the job was skilled or semiskilled. The corresponding U figures are 17 and 3 percent.

Some other perspectives are also revealing. The following segments of the state population are mostly all on AFDC: FG-type families whose head is under 25 years of age (reciprocity rates decline steadily with increasing age); FG-type families whose head did not complete high school or has never worked; FG-type families whose head has not worked recently and has pre-school children. Among U-type families, those whose heads are under 25 are three times as likely to be on AFDC as those with older heads; those whose heads did not complete high school are five times as likely to be on AFDC as those with more schooling.

Given this kind of information, it is natural to wonder if recipients mostly have very little contact with the job market. Surprisingly, though, many do work. Our data show that in July 1973, 31 percent of FG recipients and 44

<sup>5</sup>To appreciate the significance of these data, the following background information is useful: slightly over 60 percent of all FG-type families in California are on AFDC. The rates for U-type families and all families together are 2 percent and 4 percent. Ignoring the relatively small BEI (boarding homes and institutions) component, California's AFDC caseload is 60 percent FG cases and 10 percent U cases. FG cases are mostly (85 percent) families where the father is alive but absent due to divorce or separation. Of the remaining 15 percent of the FG caseload, 10 percent are families where the father is present but incapacitated, 3 percent are families where the father is deceased, and 2 percent are families with a father present and healthy, but no mother. U cases are all intact families with some prior attachment to the labor force.



percent of U recipients had been less than a year without a job. Considering that others in addition to these have less recent work experience or, if inexperienced, may be seeking jobs actively, it would seem that recipients' attachment to the labor force is not inconsequential—at least not so much as has sometimes been supposed.

How many, then, should be regarded as employable? Assessing employability is no simple undertaking. Every estimate of the number of employable AFDC recipients presupposes certain criteria concerning when individuals both (a) are able to work and (b) have a reasonable prospect of obtaining work. Since no criteria are clearly acceptable to all on purely objective grounds, our analysis considers a range of plausible alternative sets of criteria.

It can be argued that all U recipients must be employable at least to some minimal degree, in view of the categorical restrictions on U eligibility. In later chapters, we explore some other possibilities; but the gist of our findings is that indeed most U recipients are employable according to many interpretations of data on their characteristics and work experience.

TABLE S-1.—EMPLOYABILITY DATA ON FG RECIPIENTS, 1973

Attributes of FG family heads				FG cases	
Children under 6?	Recent work experience? If yes; skill level	Completed high school?	In prime age bracket?	Percent	Cumulative Percent
No.	Yes; skilled or semiskilled.	Yes.	Yes.	2.1	2.1
No.	do.	Yes.	No.	.5	2.6
No.	do.	No.	Yes.	2.5	5.1
No.	do.	No.	No.	1.2	6.3
No.	Yes; unskilled.	Yes.	Yes.	3.9	10.2
No.	do.	Yes.	No.	.5	10.7
No.	do.	No.	Yes.	3.0	13.7
No.	do.	No.	No.	1.8	15.5
No.	No; but has worked sometime.	Yes.	Yes.	7.5	23.0
No.	do.	Yes.	No.	4.5	27.5
No.	do.	No.	Yes.	5.5	33.0
No.	do.	No.	No.	4.7	37.7
No.	No; never worked.	Yes.	Yes.	.6	38.3
No.	do.	Yes.	No.	.8	39.1
No.	do.	No.	Yes.	2.8	41.9
No.	do.	No.	No.	3.1	45.0
Yes.	Yes; skilled or semiskilled.	Yes.	Yes.	1.6	46.6
Yes.	do.	Yes.	No.	1.0	47.6
Yes.	do.	No.	Yes.	2.3	49.9
Yes.	do.	No.	No.	1.2	51.1
Yes.	Yes; unskilled.	Yes.	Yes.	3.2	54.3
Yes.	do.	Yes.	No.	2.2	56.5
Yes.	do.	No.	Yes.	2.5	59.0
Yes.	do.	No.	No.	1.6	60.6
Yes.	No; but has worked sometime.	Yes.	Yes.	9.5	70.1
Yes.	do.	Yes.	No.	7.5	77.6
Yes.	do.	No.	Yes.	6.3	83.9
Yes.	do.	No.	No.	4.7	88.6
Yes.	No; never worked.	Yes.	Yes.	1.1	89.7
Yes.	do.	Yes.	No.	1.7	91.4
Yes.	do.	No.	Yes.	5.0	96.4
Yes.	do.	No.	No.	3.6	100.0

Source: Department of Benefit Payments Work History Survey.

Notes: "Recent work experience" is defined to mean having had a paying job within the last 12 mo. Skill level was determined from aggregation of 3-digit occupation codes on most recent job, using criteria of our devising. "Prime age bracket" is 25 to 44. The relevant base total for the percentages is 384,000 FG cases. Sample size is 1,303.

For FG recipients, there is no easy answer. Table S-1 displays the distribution of FG recipients by attributes presumably indicative of employability.<sup>1</sup> The table has been organized so that, according to one possible interpretation, the categories shown are in order by decreasing employability. However, the data are primarily intended to be a resource for analysis based on many different interpretations of employability (e.g., by reordering rows or combining some).

<sup>1</sup> We selected these attributes from a longer list of candidates because they best combined the advantages of (1) reflecting variations in employability as revealed through observed work histories and (2) being tractable for DBI's use on a continuing basis (i.e., manageably few in number, available from existing data sources that are updated regularly, concrete enough to pose few measurement problems, and known from previous investigations to be sufficiently accurate for the need).

Using the table in that way, a variety of estimates of the number of employable recipients can be derived, of which a sampling follows:

If one believes that all FG family heads who have no children under six are employable, then 45 percent of the FG caseload qualify;

If one believes that all FG family heads who have recent work experience are employable, then 31 percent qualify;

If one believes that all FG family heads who have no children under six or recent work experience are employable, then 61 percent qualify;

If one believes that all FG family heads who completed high school are employable, then 48 percent qualify;

If one believes that all FG family heads in the prime working age bracket (25-44) are employable, then 59 percent qualify.

More complex constructions can also be considered, and may in fact be more appropriate.

One's conclusions from this evidence depend on the criteria preferred. For us, the salient point is that FG recipients are by no means virtually all unemployable—contrary to some popular beliefs.

Senator MOYNIHAN. This is what the welfare caseload is and that is its work experience. There is a great deal of industry work experience.

Mr. Secretary, you did not talk about that. Is that a patent avoidance that will spoil what is otherwise an enormously possible potential? You have heard Chairman Long say we want something to work here, and you have heard me say it, you have heard Senator Dole say it. Last week, Senator Curtis, Senator Danforth, and Senator Long were saying it to Secretary Califano. We want this thing to work, but we will not produce a successful program if we will not admit what the program has to be about. It will not happen. We will have another failure on our hands, and the failure will come because the initiative to do this cannot come but once a decade.

I saw some of the same patterns a decade ago. I said to Mr. Califano that on July 2, 1970, you could see on the front page of the Washington Post a story saying that I made a speech to the Urban Coalition here and said that if we do not get a guaranteed income this year, we will not get it in this decade. I thank the Secretary, in fact, the administration, for making a prophet out of me.

It was a very hard thing at that time to pose that this initiative, this large event would slip away. It did.

Now once again, the Sun, Moon, and stars have come into a favorable time. Do not let it slip away. Make your people tell you the truth. They will avoid the truth. They will send you up with testimony before a committee concerning welfare reform and they will have you talk about only 3 percent of the welfare population and they will not tell you about the first clear statement of the AFDC caseload and the job market we have had in our most populous State. They will not tell you about that.

It is patent avoidance. It is deep set—nothing to do with you, sir. It is there.

With the greatest respect, I hope that you will take this in the most friendly terms, because it is friendly. I want this to work. I have an enormous personal interest in seeing that the Office of the Assistant Secretary for Policy Evaluation and Research should be thought to be the center of the most creative and productive ideas in the Nation's Capital.

What else could I do but thank you, and say, is there anything you would like to add?

Secretary MARSHALL. I do have the numbers that I can leave with you on the characteristics of CETA participants.

Senator MOYNIHAN. Good. We would like to have that made a part of the record.

Secretary MARSHALL. This shows what portion are on public assistance, but I think that another point needs to be made and that is, as you know, the welfare population is not a stable population. It changes a good bit through time, so it is in considerable ferment, according to the numbers that we get from HEW.

[The material referred to by Secretary Marshall follows:]

## COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

### HOW IT WORKS

#### *Overview*

##### *Basic provisions*

In 1974 CETA replaced a wide range of special purpose categorical manpower programs that had accumulated over a decade, each with separate sets of guidelines, benefits and eligibility rules and all under direct Federal administration via contracts with a wide variety of organizations.

The distinctive features of the new structure under CETA are: (a) It shifts the major authority and decision making role from the Federal to the local level; (b) It allows priorities to be set based on local needs; and (c) the mix of services or programs are designed locally.

Under the new structure States and units of local government of populations of 100,000 or more are eligible to become prime sponsors of manpower programs. Eligible prime sponsors receive grants to carry out a locally designed program of employment and training activities. The amount of the grant is determined on a formula basis using unemployment and low income as criteria.

As a requirement for receipt of grants, local governments are required to submit and obtain approval of a comprehensive manpower plan. In general, Federal review of these plans is limited to assuring conformance with the law and avoids substituting Federal judgment for local decisions. For example, the law specifically prohibits the Secretary of Labor from rejecting a plan because of the percentage of funds directed to a specific activity.

Under the basic CETA legislation over 80 percent of all funds provided by the Act were designated for State and local programs with the balance reserved for the Secretary to carry out certain national activities such as research, evaluation, technical assistance and programs for special target groups.

##### *Structure of CETA by title*

Of the seven Titles to CETA, five provide training and employment services; the other Titles involve special activities such as the National Commission for Manpower Policy (Title V) and general provisions (Title VII).

Title I encompasses most of the traditional training activities provided under earlier categorical manpower programs. These include training in skilled occupations provided in classroom situations, training provided on the job by employers and programs for youth.

Title II of CETA represents a departure from earlier manpower activities in that it established a permanent program of public service employment. Originally envisioned as a program for facilitating entry of the disadvantaged to career civil service jobs and for areas of high unemployment, it has been used largely as a countercyclical tool since the establishment of CETA. With the economic decline, CETA public service employment was supplemented by the addition of a new Title (Title VI). One of the more significant development of recent years has been the growth of public service employment from a relatively minor role to a point where it accounts for the major share of employment and training funds.

The residual Federal responsibilities for direct program administration are found primarily in Titles III and IV. Title III provides for specialized programs

such as those for Indians and Migrants which can be administered more effectively at the national level. Title IV provides for the Job Corps which also requires national direction.

National programs under Title II have been substantially expanded to accommodate the economic stimulus package programs. However, a substantial part of these additional funds will be channeled through local prime sponsors.

#### *Details of program operations*

##### *Administration*

444 prime sponsors (primarily units of local government—cities, counties): 65 cities, 179 counties, 145 consortia, 51 balance of State, 4 rural CEP's.

Chief elected officials (CEO's) of prime sponsor areas are the decision makers.

Prime sponsor receives annual "block grant" (see "Funding" below) for Title I activities. May also receive block grant for PSE (Titles II and VI) depending on employment situation locally and nationally.

Prime sponsor has own administrative staff to plan and carry out programs—in effect, a local "Employment and Training Administration."

All prime sponsors maintain a planning council representative of community to advise and make recommendations on program.

Prime sponsor decides, subject to certain statutory provisions, who receives services and what kind of services will be provided.

Prime sponsor decides which agencies/institutions (e.g., CBO's, SESA's, schools, etc.) will provide what services.

Prime sponsor maintains program and financial records with only minimum required to meet legislative requirements for oversight and audit.

Federal role in State and local programs limited to assuring compliance with specific requirements of law and regulations and to providing technical assistance.

##### *Funding*

Prime sponsor receives program grants as follows:

Title I—annual grant to all eligible sponsors upon approval of prime sponsor comprehensive plan by DOI/ETA regional Administrators. Regional approval based primarily on compliance with statutory provisions.

Title I appropriation distributed by formula based on relative charts of unemployed and low-income persons residing in prime sponsor jurisdiction and previous years funding level.

Title II appropriation distributed by formula based on relative share of unemployed residing in areas of "substantial" unemployment within prime sponsor jurisdiction compared to all such unemployed. (Not all sponsors qualify.)

Title VI appropriation distributed by formula based on: a) Relative share of all unemployed; b) relative share of unemployed residing in areas of substantial unemployment; and c) the relative number of "excess unemployed" defined as that number in excess of 4.5 percent of the labor force.

Migrant and Seasonal Farmworker programs (Title III):

Act provides that an amount equal to 5 percent of amount allocated to prime sponsors under Title I be provided for migrant programs from Title III funds.

Eighty percent of funds reserved for migrant programs are allocated on State basis using best available data on distribution of migrant/seasonal farmworkers. Balance of reserve used at Secretary's discretion.

Indian and native American programs (Title III):

Act provides that an amount equal to 4 percent of Title I allocation be reserved from Title III funds for native American programs.

Funds allocated to Indian tribes, reservations and other eligible entities on basis of relative number of native American unemployed and low-income families in prime sponsor area.

Other national programs:

Job Corps—conducted under national direction. Amount of funding determined administratively. Funds for program derived from Secretary's discretionary money. Award of funds to eligible operators of Job Corps centers on a competitive basis. Eligible operators may be government, nonprofit and private profit organizations.

National training programs—variety of special purpose programs funded

through contracts with national organizations. Funding level determined administratively and derived from Secretary's discretionary funds under Title III.

Program support activities—includes research evaluation and technical assistance. Funds derived from Title III discretionary monies. Funds awarded on a competitive basis in form of contracts and grants.

#### *Services provided*

Prime sponsor can provide wide range of services under various Titles as described below:

Under Title I prime sponsors can provide a comprehensive program of employment and training services including: Outreach, counseling, classroom training, on-the-job training, work experience and public service employment. Determination of mix of services is made by sponsors.

Under Title II prime sponsors can provide public service employment jobs for the unemployed. Generally, these jobs are similar to regular civil service jobs and supplement regular public services such as police, fire, street maintenance, etc. However, prime sponsors at their discretion may use Title II funds for any of the training activities authorized under Title I or under Title III Part A (special target groups).

Title VI authorizes sponsors to provide public service employment jobs similar to those established under Title II. However, recent amendments require that additional jobs provided by expansion are to be in project-type activities limited to 12 months duration.

Under Title III prime sponsors are the deliverers of service for a number of nationally funded programs. For example, the summer youth program which is funded under Title III is administered through prime sponsors under an allocation system and special regulations. Similarly, special programs for groups designated for special emphasis are often administered by prime sponsors. Finally, several programs under the economic stimulus package will be administered by and through prime sponsors.

Prime sponsors have a considerable degree of discretion in the use of funds provided under the various Titles. Thus, although Title I funds were envisioned to provide a wide range of traditional manpower services, sponsors may elect to use such funds for public service employment. Conversely, sponsors may elect to use public service employment funds provided under Title II for traditional training programs.

National programs provide services as outlined below:

Job Corps provides residential training and education for disadvantaged youth in some 60 training centers located in 31 States and Puerto Rico. Specific services include intensive remedial education, health and dental care and counseling under closely supervised residential conditions.

Migrant and seasonal farmworker programs provide, in addition to traditional training for employment, medical services, child care, college training programs and self-help housing programs.

Indian and native American training programs provide training, public employment and work experience by and through Indian organizations and reservations.

Summer youth programs—each summer Federal funds are provided to local communities to support summer jobs for disadvantaged youth. In the coming summer some 1 million youth will be employed in these summer programs.

Other special programs under national direction provide: (a) Training through major national trade associations and labor unions; (b) research and evaluation studies of ongoing programs and problems; and (c) technical assistance to prime sponsors.

#### *Funding/service levels*

Fiscal year 1976:

Funding for State and local programs under Titles I, II and VI totaled \$3.8 billion. (Table I).

Funding for nationally directed programs totaled \$366 million (Table II).

Summer youth programs provided \$528 million for local summer programs.

State and local programs provided an estimated 415,000 years of services in training and related activities and 310,000 public service jobs.

**Fiscal year 1977:**

Fiscal year 1977 revised request provides for obligations of \$5.7 billion for State and local programs including carry-in from fiscal year 1976 (Table I).

The fiscal year 1977 requests for nationally directed programs totals \$2.0 billion, an increase of \$1.6 billion over fiscal year 1976 largely to support the economic stimulus package (Table II).

Public service jobs to increase from 310,000 in fiscal year 1976 to 600,000 in fiscal year 1977. Estimated years of service under Title I to increase from 415,000 to 442,000.

Job Corps capacity to increase from 22,000 to 30,000.

New programs under economic stimulus package to provide additional 200,000 enrollments under national programs in fiscal year 1977.

**Fiscal year 1978:**

Total CETA request in President's budget is \$10 billion including summer and temporary employment assistance (Title VI). See Tables I and II.

Number of public service employment jobs in fiscal year 1978 further increased to a total of 725,000 at a cost of \$5.9 billion.

Job Corps further expanded to a capacity of 44,000.

**Characteristics of CETA Enrollees**

Characteristics of enrollees in Title I programs, which generally provide training and employment services, differ markedly from those of enrollees in public service employment programs (Titles II and VI).

In general, participants in public service employment programs tend to be less disadvantaged, better educated and less likely to be youth or minorities. (Table III).

Recent changes in requirements for Title VI participation should tend to shift the public service employment program toward more emphasis on the long term unemployed, those with low income and persons on AFDC.

TABLE I.—STATE AND LOCAL PROGRAMS UNDER CETA

[Dollar amounts in thousands]

State and local programs	Fiscal year 1976		Fiscal year 1977		Fiscal year 1978	
	Obligations (actual)	Years of service/jobs	Obligations (estimate)	Years of service/jobs	Obligations (estimate)	Years of service/jobs
Title I.....	\$1,527,823	415,500	\$1,935,556	441,800	\$1,880,000	441,800
Titles II and VI (PSE)...	2,289,467	310,000	3,726,025	600,000	5,871,000	725,000

TABLE II.—NATIONAL PROGRAMS AND SUMMER YOUTH PROGRAM UNDER CETA

[Dollar amounts in thousands]

	Fiscal year 1976		Fiscal year 1977		Fiscal year 1978	
	Obligations (actual)	Estimated persons served	Obligations (estimate)	Estimated persons served	Obligations (estimate)	Estimated persons served
<b>National programs: Title III:</b>						
Migrant farmworker.....	\$71,734	245,000	\$92,036	245,000	\$111,200	290,000
Indian.....	50,812	39,000	65,366	43,000	91,160	50,000
Veteran.....			10,000	2,500	23,000	2,500
Youth.....			1,000,000	72,000	500,000	154,000
Skill training.....			250,000	58,000	200,000	58,000
HIRE.....			120,000	60,000	80,000	92,000
Other national programs.....	65,143	INA	111,292	INA	129,700	INA
Program support.....	44,161	NA	49,700	NA	44,870	NA
Title IV Job Corps.....	134,301	45,000	274,100	60,000	487,100	90,000
<b>Total national programs.....</b>	<b>366,511</b>		<b>1,972,494</b>		<b>1,667,030</b>	
<b>Summer youth (title III).....</b>	<b>528,420</b>	<b>888,100</b>	<b>595,000</b>	<b>1,000,000</b>	<b>595,000</b>	<b>1,000,000</b>

TABLE III.—CHARACTERISTICS OF CETA PARTICIPANTS, FISCAL YEAR 1976

Characteristic	Title I	Title II	Title VII
Total (percent).....	100.0	100.0	100.0
<b>Age:</b>			
Under 22.....	56.7	21.9	22.0
22 to 54.....	40.5	73.0	72.8
55 and over.....	2.8	5.1	5.2
<b>Years of school completed:</b>			
8 yr or less.....	11.9	8.0	8.1
9 to 11 yr.....	42.9	17.9	17.7
12 yr and over.....	45.2	74.1	74.2
<b>Public assistance:</b>			
AFDC.....	15.2	6.2	5.8
Other.....	10.9	8.9	6.9
<b>Economically disadvantaged:</b>	75.7	46.5	44.1
<b>Ethnic group:</b>			
White.....	55.3	61.4	68.2
Black.....	37.1	26.5	23.0
American Indian.....	1.4	1.3	1.8
Other.....	6.2	10.8	7.0
Spanish speaking.....	14.0	12.4	9.9
<b>Male.....</b>	54.1	63.8	65.1
<b>Female.....</b>	45.9	36.2	34.9

<sup>1</sup> Data reflect program participants prior to recent amendments targeting title VI on low income long-term unemployed

Senator MOYNIHAN. May I say on that matter, that the best paper I think has been done was done by Rainwater and Rein at the Joint Center for Urban Studies about 3 months ago. I asked them if they could establish the very considerable turnover in the population of the welfare population as such. I asked them if they thought that this population was in a sense randomly drawn from the larger population or whether it was simply a subset of what, in fact, was a stable population of people who go in and out. They said that they did not know, and that it was a good question. They need more research.

There is an enormous task. There are several generations of people who have come before this Congress to explain away a situation that gets more difficult every time. I remind you of what Mr. Califano said in 1967, that at any given time the welfare bureaucracy will produce different explanations. They are always with the fundamental thrust that there is nothing the matter here.

Mr. Secretary, there is something the matter here. That is why people like you and Mr. Packer come in, who can make us face the facts that we have an institutional disposition to avoid.

Assistant Secretary Packer is smiling ruefully.

Mr. PACKER. Gratefully.

Senator MOYNIHAN. I did not mean to cut you off, Mr. Secretary.

Secretary MARSHALL. That was the point that I was trying to make, that we are not dealing entirely with a population of AFDC.

Senator MOYNIHAN. You are taking the whole universe of people who are in economic need?

Secretary MARSHALL. That is what we would like to work with as our universe in providing jobs.

Senator MOYNIHAN. For general purposes, if you could say this is a dichotomous group of people, then we dealt with one half of the group today and we have the other half to whom we want to pay equal attention.

I thank you very much. I wish you well. We will expect to hear from you next, sir, in the first week of August, is that not the case?

We will follow anxiously the accounts of the titanic struggles going on between the Departments, and once again I say I have a desire out of institutional or personal concern that the Department of Labor will prevail.

[Thereupon, at 11:30 a.m. the hearings recessed to reconvene at the call of the Chair.]

# APPENDIX

## EXCERPT FROM THE NATIONAL DEMOCRATIC PLATFORM, 1976

### WELFARE REFORM

Fundamental welfare reform is necessary. The problems with our current chaotic and inequitable system of public assistance are notorious. Existing welfare programs encourage family instability. They have few meaningful work incentives. They do little or nothing for the working poor on substandard incomes. The patchwork of federal, state and local programs encourages unfair variations in benefit levels among the states, and benefits in many states are well below the standards for even lowest-income budgets.

Of the current programs, only Food Stamps give universal coverage to all Americans in financial need. Cash assistance, housing aid and health care subsidies divide recipients into arbitrary categories. People with real needs who do not fit existing categories are ignored altogether.

The current complexity of the welfare structure requires armies of bureaucrats at all levels of government. Food Stamps, Aid to Families with Dependent Children, and Medicaid are burdened by unbelievably complex regulations, statutes and court orders. Both the recipients of these benefits, and the citizen who pays for them, suffer as a result. The fact that our current system is administered and funded at different levels of government makes it difficult to take initiatives to improve the status of the poor.

We should move toward replacement of our existing inadequate and wasteful system with a simplified system of income maintenance, substantially financed by the federal government, which includes a requirement that those able to work be provided with appropriate available jobs or job training opportunities. Those persons who are physically able to work (other than mothers with dependent children) should be required to accept appropriate available jobs or job training. This maintenance system should embody certain basic principles. First and most important, it should provide an income floor both for the working poor and the poor not in the labor market. It must treat stable and broken families equally. It must incorporate a simple schedule of work incentives that guarantees equitable levels of assistance to the working poor. This reform may require an initial additional investment, but it offers the prospect of stabilization of welfare costs over the long run, and the assurance that the objectives of this expenditure will be accomplished.

As an interim step, and as a means of providing immediate federal fiscal relief to state and local governments, local governments should no longer be required to bear the burden of welfare costs. Further, there should be a phased reduction in the states' share of welfare costs.

### STATEMENT BY THE PRESIDENT

Shortly after becoming President, I announced that a comprehensive reform of the nation's welfare system would be one of our first priorities. Under the general leadership of HEW Secretary Callfano, we have worked with other private and government agencies during the last three months to assess the present welfare system and to propose improvements to it. It is worse than we thought.

The most important unanimous conclusion is that the present welfare programs should be scrapped and a totally new system implemented.

This conclusion in no way is meant to disparage the great value of the separate and individual programs enacted by the Congress over the past decade and a half. These include food stamps for all low income persons, the supple-



mental security income floor for our aged and disabled, work incentives for welfare families with children, increased housing assistance, tax credits, unemployment insurance extensions, enlarged jobs programs, and the indexing of social security payments to counter the biggest enemy of the poor—inflation.

This conclusion is only to say that these many separate programs, taken together, still do not constitute a rational, coherent system that is adequate and fair for all the poor. They are still overly wasteful, capricious, and subject to fraud. They violate many desirable and necessary principles. We have established the following goals:

1. No higher initial cost than the present systems;
2. Under this system every family with children and a member able to work should have access to a job;
3. Incentives should always encourage full-time and part-time private sector employment;
4. Public training and employment programs should be provided when private employment is unavailable;
5. A family should have more income if it works than if it does not;
6. Incentives should be designed to keep families together;
7. Earned income tax credits should be continued to help the working poor;
8. A decent income should be provided also for those who cannot work or earn adequate income, with federal benefits consolidated into a simple cash payment, varying in amount only to accommodate differences in costs of living from one area to another;
9. The programs should be simpler and easier to administer;
10. There should be incentives to be honest and to eliminate fraud;
11. The unpredictable and growing financial burden on state and local governments should be reduced as rapidly as federal resources permit; and
12. Local administration of public job programs should be emphasized.

We believe these principles and goals can be met.

There will be a heavy emphasis on jobs, simplicity of administration, financial incentive to work, adequate assistance for those who cannot work, equitable benefits for all needy American families, and close cooperation between private groups and officials at all levels of government.

The more jobs that are available, the less cash supplement we will need.

We will work closely with Congress and with state, local and community leaders, and will have legislative proposals completed by the first week in August. Consultations with each of the fifty states are necessary. If the new legislation can be adopted early in 1978, an additional three years will be required to implement the program. The extremely complicated changes must be made carefully and responsibly.

Scheduled Congressional hearings will permit the nature of the tasks ahead to be explained and debated.

In the meantime, the administration's proposed reforms for the food stamp program should be enacted.

#### EXCERPT FROM PRESIDENT'S MAY 2, 1977 STATEMENT ON WELFARE REFORM

We have established the following goals:

- (a) No higher initial cost than the present systems;
- (b) Under this system every family with children and a member able to work should have access to a job;
- (c) Incentives should always encourage full-time and part-time private sector employment;
- (d) Public training and employment programs should be provided when private employment is unavailable;
- (e) A family should have more income if it works than if it does not;
- (f) Incentives should be designed to keep families together;
- (g) Earned income tax credits should be continued to help the working poor;
- (h) A decent income should be provided also for those who cannot work, with Federal benefits consolidated into a simple cash payment, varying in amount only to accommodate differences in costs of living from one area to another;
- (i) The programs should be simpler and easier to administer;
- (j) There should be incentives to be honest and to eliminate fraud;

(k) The unpredictable and growing financial burden on State and local Governments should be reduced as rapidly as Federal resources permit; and  
(l) Local administration of public job programs should be emphasized.

We believe these principles and goals can be met.

"On May first Joe Califano, a tough, knowledgeable Administrator, who now is trying to bring order out of chaos in the Department of HEW will come forward after working with Mike Dukakis and many other governors and local officials and propose to the Congress a comprehensive revision of the entire welfare system."

SEPTEMBER 30, 1970, STATEMENT BY PRESIDENT CARTER IN TONAWANDA, N.Y.

"Pat Moynihan wrote the welfare plank in the Democratic platform and I stand on that plank."

