

# SOCIAL SECURITY AMENDMENTS OF 1971

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## HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

NINETY-SECOND CONGRESS  
FIRST AND SECOND SESSIONS

ON  
**H.R. 1**

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

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JULY 27, 29; AUGUST 2 AND 3, 1971, AND  
JANUARY 20, 21, 24, 25, 26, 27, 28, 31; FEBRUARY 1, 2, 3, 4, 7, 8, AND 9, 1972

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### PART 3 OF 6 PARTS

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Public Witnesses  
(January 26 and 27, 1972)

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# SOCIAL SECURITY AMENDMENTS OF 1971

WEDNESDAY, JANUARY 26, 1972

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Senator Clinton P. Anderson, presiding.

Present: Senators Long (chairman), Anderson, Ribicoff, Byrd, Jr., of Virginia, Bennett, Curtis, Jordan of Idaho, Hansen, and Griffin.

Senator ANDERSON (presiding). Senator Long will be a few minutes late.

I am very happy to introduce my colleague, Senator Montoya. Go right ahead.

## STATEMENT OF HON. JOSEPH M. MONTOYA, U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator MONTOYA. Mr. Chairman and members of the committee, I want to thank the chairman of the committee and the members for affording me this time to testify on my amendment to H.R. 1 which would provide an out-of-hospital prescription drug program under Medicare.

I have a very lengthy statement which I would like to submit for the record and then I will proceed to summarize the contents of that statement.

Senator ANDERSON. That will be done.

Senator MONTOYA. There is no need for this testimony to be lengthy. The committee members are well aware of the long history of legislation to provide a drug program and the startling large volume of studies on the subject.

The distinguished chairman and Senators Nelson and Hartke have established admirable records of interest in the problems inherent in establishing drug programs.

I first introduced legislation to cover prescription drugs under medicare in 1967. At that time it was in no way a new idea but had been intensively considered in a number of forms for several years. That amendment was defeated on the floor of the Senate by only two votes. The rationale of the Congress and the administration at that time was that the subject needed further study.

At the direction of Congress, the Department of Health, Education, and Welfare proceeded to carry out an exhaustive study of problems relating to the coverage of outpatient prescription medications under medicare. Every conceivable aspect of such a program was reviewed over a 20-month period by a special task force on prescrip-

tion drugs. This task force sought and received the advice, guidance, support and criticism of more than 160 nongovernmental experts representing clinical medicine, pharmacology, pharmacy, medical and pharmacy teachers, professional health organizations, drug manufacturers; drug distributors, health insurance executives, and representatives from fields such as data processing, economics, law and a variety of consumer groups. In addition, this task force worked closely with members of various Federal and State agencies with knowledge useful to the study, such as people who had had experience with State formulary.

The results of all this work, time, and money I hold here in my hand—five interim reports, five massive background reports, and a final report which concludes in a clear and forthright manner:

... a drug insurance program under Medicare is needed by the elderly and would be both economically and medically feasible; and the recommendation is that such a program be instituted.

This is by the task force organized pursuant to law by the Department of HEW.

This conclusion was reached on February 7, 1969, nearly 3 years ago. In a report to Congress, as required by the 1967 amendments, the Secretary of HEW agreed with the findings and recommendations and urged Congress to consider the matter promptly. That was 3 years ago.

When the new Secretary of HEW was named following the change in administrations, unbelievable as it seems, another review committee was established to examine the conclusions of the task force reports and to review the study. This—the Dunlop Committee—again recommended that implementation of a drug insurance program begin at once. That was 29 months ago. There is still no proposal from the administration to carry out its own conclusions. It is clearly the responsibility of the Congress to implement this program which has so long been recommended.

I should like to very briefly review for the committee the major recommendations of the task force report.

First, they recommended that a drug program be adopted under Medicare.

Second, they recommended that the program be operated under part A, the hospital insurance program.

Third, they recommended that a vendor payment formula be utilized.

Fourth, they recommended that some kind of copayment be included in the program and, finally, the task force recommended that the program include a formulary.

Of course, there are many other very detailed recommendations included in the report and the subsequent studies of it; but these four are basic.

Mr. Chairman, my amendment incorporates all of these recommendations. Adoption of the amendment would provide for a program which is based on the recommendations which resulted from all of these years of study. It represents a part A program which, in turn, permits the program to build upon the medical copayment and adds the necessary cost controls of a formulary.

It retains many of the features of a formulary system contained in some of the earlier drug benefit programs suggested to Congress.

Basically, a formulary is simply a list of drugs organized in such a way as to assist prescribers in making sound and rational decisions regarding which drugs to prescribe for patients. In the case of most drug benefit programs that make use of a formulary system, inclusion of a drug on such a list also provides the initial basis upon which benefit payments are determined.

I believe these basic provisions are significant improvements over earlier legislation. It has been useful to have the benefit of these studies. Now is the time to adopt them.

There can be little question of the need for this kind of program. Nearly 25 percent of the 1.7 billion prescriptions filled yearly in the United States are for senior citizens who constitute only about 10 percent of our total population. One needs only to quickly examine the kinds of illnesses peculiar to the elderly to understand why their consumption of prescription drugs is greater than the population at large. Cardiovascular diseases alone create a need for ongoing out-of-hospital treatment for countless numbers of senior citizens; and these are people most likely to be living on severely limited incomes. They are likely to have the fewest resources for paying the cost of drugs. We have promised them relief. We have done nothing but study our promise. We have even studied the study of our promise. For an unknown number of our parents and grandparents we have literally studied the issue to death.

Mr. Chairman, the only question left to be considered, it seems to me, is one of costs. I have been trying since August to get an updated cost estimate from HEW. I submit for the record my letter which clearly asks them for a cost estimate which includes their basic assumption. I have received no reply from the Department. It would seem the administration prefers to toss around wild cost figures without having to defend them.

(The letter referred to follows:)

JULY 2, 1971.

Mr. WILLIAM C. HSIAO,  
Social Security Administration, Department of Health, Education, and Welfare,  
Washington, D.C.

DEAR Mr. HSIAO: Last November, my Legislative Assistant Michael James, received a response from your office concerning a request for an actuarial cost estimate of a prescription drug proposal for the aged. We now need a more thorough estimate. It should include the determinative figures used in the formulation of the final estimate. In addition, I will need a description of the assumption upon which your office proceeded in arriving at a final estimate.

I would appreciate a revision of the actuarial cost estimate my office received last November (I have included a copy of the proposed prescription drug bill to assist your office). I would also appreciate a financial explanation describing how your office arrived at the final estimate, the basis used in that financial explanation, and the assumptions upon which these basis was motivated. In short, I would like a very complete report.

Respectfully,

JOSEPH M. MONTOYA,  
U.S. Senator.

Senator MONTOYA. Many statements have been made regarding the astronomical costs of a drug program and yet no cost estimate seems to exist. This committee has also requested such a cost estimate; none has been forthcoming.

I have had very troublesome experiences with HEW on cost estimates in the past. I should like to submit that based on those experi-

ences any estimate will be inflated. I have documentary proof that their estimates have been inflated in the past, when we considered this legislation in 1967. At no time have they taken into consideration the experiences of such programs after the initiation of a formulary. We therefore must assume that the costs will be less than we will be asked to assume.

Furthermore, Mr. Chairman, although this program will undoubtedly be an expensive one, it is necessary. The increased wage base incorporated into H.R. 1 should eliminate the financial catastrophe currently faced by medicare. Our planning for expansion of the program into this critical area should not, therefore, be inhibited by the fear of deficits in the future. We must simply arrange proper priorities for the Hospital Insurance Program. Drug coverage most certainly must have the highest possible priority.

This legislation has been endorsed by many groups and organizations. These include the National Council of Senior Citizens, the Advisory Council on Social Security, the American Pharmaceutical Association, and the the Executive Council of the AFL-CIO. In each case the program has been carefully evaluated.

The American Pharmaceutical Association, in particular, has done years of study of drug insurance. They certainly represent some of the greatest expertise in the country and their support has been most welcome.

In this year, when this program has been introduced into the House of Representatives by Congressman Obey, with 113 co-sponsors, it seems to me that it is time to fulfill our promises to our senior citizens.

I might say that here in the Senate we have 23 co-sponsors of this particular amendment, including Senator Anderson, Senator Ribicoff and Senator Harris of this committee.

This legislation embraces the concept which the esteemed chairman of this committee brought to the forefront initially in trying to establish a national formulary.

The bill is designed to establish a formulary and such data under a National Formulary Committee so that the prescribing doctors will have compact information to prescribe the proper drugs under the proper generic name.

The CHAIRMAN (presiding). Thank you very much, Senator.

I believe I voted for your amendment in the past and as long as we are not paying two or four times too much for the drug I would favor providing drugs for those who need it. I think you and I tend to agree that if you are buying these drugs on a bid basis you would have no difficulty getting all the major drug companies to bid for the business; and as a practical matter in spite of all the hocus-pocus that they involve in this thing just calling it by some fancy proprietary name doesn't make the drug a bit better. A rose is still a rose no matter by what name you call it.

Senator MONTOYA. Under my bill the National Formulary Committee will conduct an evaluation of the different drugs under the same generic name and so state in establishing the formulary.

Now, in line with what the distinguished chairman has said, I would like to cite one example for the committee, and these examples are rampant all through the drug spectrum.



Now, let's take Prednisone. Examining the prices that the manufacturers charge the pharmacy, here is a glaring example: For example, per 1,000, Merck Sharpe & Dohme charge \$20.90. Parke, Davis: \$169.98; Schering: \$170.

Well, under the formulary provided in my bill, they will establish the quality of the different drugs and if they are of similar quality they will have the low-priced drugs in the formulary and the very expensive drugs go out of the formulary; and if they want to get back in they have to compete pricewise. I predict that if my amendment is adopted that we will achieve nationally a lower price of drugs, not only for those under medicare but also for those outside of medicare, the ordinary consumer in America.

The CHAIRMAN. Well, you and I know, Senator, that as often as not the drug that is sold by the generic name is coming off the same production line, made out of the same material and by the same workers; they just put one pill in one package and the next pill in the other package except they charge four times as much for the pill that is on the lefthand side as they do for the pill on the righthand side.

It sort of reminds me of that story my father used to tell when he was a patent medicine salesman. He had these two patent medicines, supposedly different. One was named High Popalorum and the other was named Low Popahirum.

One of them sold for 50 cents and the other sold for \$1, both bottles the same size. Folks practically always bought the \$1 bottle. The one difference was one was made from poplar bark skinned up the tree and the other made from poplar bark skinned down the tree. [Laughter.]

The CHAIRMAN. But in many instances there is not even that difference between a drug. It's all made from all the same material, comes off the same production line by the same worker to meet the same quality standards; and when the people are running it down a production line they don't know whether it is going to be in a package marked "prednisone" or a package marked something else. So it is all the same thing and it is the duty of the Pure Food and Drug people to see to it when it comes off the production line it is just exactly what it is supposed to be. All this talk about some doctor being able to observe how the drug works on his patient, how would he know if the patient would have gotten better sooner or would have gotten better not at all, if he had taken the other drug—how would he know? Or how does he know whether the patient would have gotten well anyway without the drug? So the best we can make of it, if you ask anybody that has no ax to grind, just as this fellow who was head of the drug association's committee on drugs, buying all those drugs for the charity hospital down there at New Orleans where they buy them practically by the ton—he will tell you that you ought to buy them from whoever will sell them to you the cheapest, provided they meet the same quality standard they expect of others; just buy them on a bid basis quite apart from buying them by the trade name.

Senator MONTONA. If the chairman will permit me, I will give you a good example under a formulary in the State of Kentucky. In the State of Kentucky if a drug on the formulary is available from 15 or more suppliers a median price is used; whereas, if a drug is avail-

able from less than 15 suppliers the price used is that of the major brand.

An example would be the drug Prednisone, available from more than 15 suppliers, and this is the Kentucky experience. In 1966, using the median price, the State of Kentucky paid \$9,300 for Prednisone prescriptions. Had the State paid the major brand price, the cost to the State would have been \$95,117.

There exists a big difference between \$9,300 and \$95,000, Mr. Chairman, and this bill which is before you now is designed to establish a formulary that physicians can rely on.

Right now when doctors prescribe they are usually disposed to prescribe the very drug that a fast-talking salesman has recommended to them and given samples to them of that drug. Right now the doctor has no information regarding the quality of different drugs under the same generic name; but this formulary under this bill will provide all the compact information so that that doctor when he prescribes looks for the generic name and then he can prescribe a drug that the patient can afford rather than a big brand name which is too costly for that patient.

The CHAIRMAN. Thank you very much, Senator.

Senator Anderson?

Senator ANDERSON. I am a cosponsor of your amendment.

Senator MONTOYA. Thank you very much.

(Senator Montoya's prepared statement follows:)

PREPARED STATEMENT OF HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM THE STATE OF NEW MEXICO, BEFORE THE SENATE COMMITTEE ON FINANCE

Mr. Chairman, I want to thank the Committee for affording me this time to testify on my amendment to H.R. 1, which would provide an out of hospital prescription drug program under Medicare. I will make my comments brief and request that the full statement I have prepared be included in the Hearing Record. There is no need for this testimony to be lengthy. The Committee members are well aware of the long history of legislation to provide a drug program and the startlingly large volumes of studies of the subject. The distinguished Chairman and Senators Nelson and Hartke have established admirable records of interest in the problems inherent in establishing drug programs.

I first introduced legislation to cover prescription drugs under Medicare in 1967. At that time it was in no way a new idea, but had been intensively considered in a number of forms for several years. That amendment was defeated on the floor of the Senate by only 2 votes. The rationale of the Congress and the Administration at that time was that the subject needed further study.

At the direction of Congress, the Department of Health, Education and Welfare proceeded to carry out an exhaustive study of problems relating to the coverage of outpatient prescription medications under Medicare. Every conceivable aspect of such a program was reviewed over a 20 month period by a special Task Force on Prescription Drugs. This Task Force sought and received the advice, guidance, support and criticism of more than 160 nongovernmental experts representing clinical medicine, pharmacology, pharmacy, medical and pharmacy teachers, professional health organizations, drug manufacturers, drug distributors, health insurance executives, and representatives from fields such as data processing, economics, law and a variety of consumer groups. In addition, this Task Force worked closely with members of various Federal and State agencies with knowledge useful to the study.

The results of all of this work, time, and money, I hold here in my hand—five interim reports, five massive background reports, and a final report which concludes, in a clear and forthright manner:

“. . . a drug insurance program under Medicare is needed by the elderly, and would be both economically and medically feasible, and the recommendation (is) that such a program be instituted.”

This conclusion was reached on February 7, 1969, nearly three years ago. In a report to Congress, as required by the 1967 Amendments, the Secretary of HEW agreed with these findings and recommendations and urged Congress to consider the matter promptly. *That* was three years ago.

When the new Secretary of HEW was named following the change in administrations, unbelievable as it seems, another review committee was established to examine the conclusions of the Task Force reports. This, the Dunlop Committee, again recommended that implementation of a drug insurance program begin at once. That was 29 months ago. There is still no proposal from the Administration to carry out its own conclusions. It is clearly the responsibility of the Congress to implement this program which has so long been recommended.

I should like to very briefly review for the Committee the major recommendations of the Task Force Report. First, they recommended that a drug program be adopted under Medicare. Second, they recommended that the program be operated under Part A, the Hospital Insurance Program. Third, they recommended that a vendor payment formula be utilized. Fourth, that some kind of co-payment be included in the program, and finally, the Task Force recommended that the program include a formulary.

Of course, there are many other very detailed recommendations included into the Report and the subsequent studies of it. But these four are basic.

Mr. Chairman, my amendment incorporates all of these recommendations. Adoption of the amendment would provide for a program which is based on the recommendations which resulted from all of these years of study. It represents a Part A program, which in turn permits the program to build upon the medical co-payment and adds the necessary cost controls of a formulary.

It retains many of the features of a formulary system contained in some of the earlier drug benefit programs suggested to Congress. Basically, a formulary is simply a list of drugs, organized in such a way as to assist prescribers in making sound and rational decisions regarding which drugs to prescribe for patients. In the case of most drug benefit programs that make use of a formulary system, inclusion of a drug on such a list also provides the initial basis upon which benefit payments are determined.

I believe these basic provisions are significant improvements over earlier legislation. It has been useful to have the benefit of these studies. Now is the time to adopt them.

There can be little question of the need for this kind of program. Nearly 25% of the 1.7 billion prescriptions filled yearly in the United States are for senior citizens, who constitute only about 10% of our total population. One only needs to quickly examine the kinds of illnesses peculiar to the elderly to understand why their consumption of prescription drugs is greater than the population at large. Cardiovascular diseases alone create a need for ongoing out-of-hospital treatment for countless numbers of senior citizens. And these are people most likely to be living on severely limited incomes. They are likely to have the fewest resources for paying the costs of drugs. We have promised them relief. We have done nothing but study our promise. We have even studied the study of our promise. For an unknown number of our parents and grandparents, we have literally studied the issue to death.

Mr. Chairman, the only question left to be considered, it seems to me, is one of costs. I have been trying since August to get an undated cost estimate from HEW. I submit for the record my letter which clearly asks them for a cost estimate which includes their basic assumption. I have received no reply from the Department. It would seem the Administration prefers to toss around wild cost figures without having to defend them.

Many statements have been made regarding the astronomical costs of a drug program, and yet no cost estimate seems to exist. As the Committee knows, I have had very troublesome experiences with HEW on cost estimates in the past. I should like to submit that, based on those experiences, any estimate will be inflated. At no time have they taken into consideration the experiences of such programs after the initiation of a formulary. We therefore must assume that the costs will be less than we will be asked to assume.

Furthermore, Mr. Chairman, although this program will undoubtedly be an expensive one, it is necessary. The increased wage base incorporated into H.R. 1 should eliminate the financial catastrophe currently faced by Medicare. Our planning for expansion of the program into this critical area should not, therefore, be inhibited by the fear of deficits in the future. We must simply arrange proper priorities for the Hospital Insurance Program. Drug coverage most certainly must have the highest possible priority.

This legislation has been endorsed by many groups and organizations. These include the National Council of Senior Citizens, the Advisory Council on Social Security, the American Pharmaceutical Association, and the Executive Council of the AFL-CIO. In each case, the program has been carefully evaluated.

The American Pharmaceutical Association, in particular, has done years of study of drug insurance. They certainly represent some of the greatest expertise in the country, and their support has been most welcome.

In this year, when this program has been introduced into the House of Representatives by Congressman Obey with 113 co-sponsors, it seems to me that it is time to fulfill our promises to our senior citizens.

#### SUMMARY OF TESTIMONY OF SENATOR JOSEPH M. MONTOYA

Amendment number 464 to H.R. 1 provides for an out of hospital prescription drug program under Medicare.

Legislation to provide such a program has been considered by Congress since 1965. Since 1967, when the legislation was narrowly defeated by the Senate, the program has been awaiting the finding of various HEW studies of the program.

In February of 1967, the Task Force on Prescription Drugs recommended that such a program be initiated. Instead of legislation, another study was proposed.

The "Dunlop Study", completed 29 months ago, recommended immediate implementation of a drug insurance program. No such program has been submitted by the Administration.

The need for a drug insurance program is very great. Nearly 25% of the 1.7 billion prescriptions filled yearly are for senior citizens, who constitute only about 10% of the total population.

The studies incorporated four basic characteristics which a drug program should include. All of these are included in the amendment. They are:

1. A drug program should be under Part A of Title 18.
2. A vendor payment formula should be utilized.
3. The program should include a co-payment.
4. A formulary is necessary for cost control.

With these provisions, a drug program should be both "economically and medically feasible."

Of the 20 million senior citizens in the United States, a very large number have an ongoing need for prescription drugs and limited resources for acquiring them.

The costs of a drug program under Medicare are in question. The Actuary of HEW has been unwilling to give the Committee a cost estimate.

The increased base for Social Security provided in H.R. 1 should provide sufficient funds for Medicare in the future. A drug program, therefore, should not be inhibited out of fear of a deficit.

The CHAIRMAN. Our next witness will be—I might explain that Congressman Ullman is presiding over the Ways and Means Committee today and he is tied up over there with his activities and he will be with us this afternoon.

So the next witness will be Hon. David R. Obey, Member of Congress from Wisconsin.

#### STATEMENT OF HON. DAVID R. OBEY, A REPRESENTATIVE IN CONGRESS FROM THE SEVENTH CONGRESSIONAL DISTRICT OF THE STATE OF WISCONSIN

Mr. OBEY. Good morning, Mr. Chairman.

The CHAIRMAN. Mr. Obey.

Mr. OBEY. Mr. Chairman, I am Congressman David Obey of the Seventh District of Wisconsin. I don't intend to take too long. I don't want to take too much of your time. I have also got a caucus to attend to on the other side.

I appreciate the opportunity to appear here today on behalf of the proposal by Senator Montoya. I have introduced companion legislation in the House with 113 cosponsors and I wanted to make certain that this committee was aware of the broad support which that proposal now enjoys in the House.

The bill was first introduced in the House exactly 1 year ago today, with 37 cosponsors. It was not given a hearing in the context of H.R. 1, perhaps because of the emphasis at that time on the welfare reform provision of H.R. 1.

As time passed, more and more Members joined me in cosponsoring this bill to provide a comprehensive drug insurance program for the 20.4 million Americans covered by medicare. The 113 cosponsors represent a broad cross section of the House: (1) they represent 28 States and the Commonwealth of Puerto Rico; (2) six members of the Ways and Means Committee; (3) two physicians, Congressmen Carter of Kentucky and Roy of Kansas. They include both Democrats and Republicans, and (4) besides myself they include 12 other members of the Appropriations Committee. Three of them are subcommittee chairmen including Congressman Flood of Pennsylvania who chairs the vital Labor-HEW subcommittee; (5) they include many others who are especially knowledgeable on health matters; for example, Congressman Staggers of West Virginia, chairman of the Interstate and Foreign Commerce Committee, and nine members of his committee.

I consider this indicative of strong potential backing in the House which inclusion of this proposal in H.R. 1 would have. In fact, I think it somewhat understates the range of support, since several Members have chosen to introduce the same or similar bills independently.

Senator Montoya has explained very well, I think, what the bill would do. The central features of the program are:

(1) Coverage of prescription drugs and certain nonprescription drugs of special life-sustaining value; (2) financing under the part A portion of medicare; (3) selection by a formulary committee of the drugs to be covered; (4) \$1 copayment by the purchaser for each prescription.

In my view, Mr. Chairman, the formulary is the heart of the program and we must insist on effective utilization review from the beginning.

"Why part A?" some people might ask.

Financing the program under the part A portion of medicare means that an individual would pay for his drug insurance during his working years rather than later when his income is sharply reduced due to retirement.

I personally believe, as I know you do, Mr. Chairman, there is not enough genuine price competition in the drug industry. What competition there is is because in determining the maximum allowable cost of multiple-source drugs, the formulary committee excludes prices of a drug which vary significantly from those of the lowest or lower cost versions of it that are of proper quality and generally available.

Rather than have the Federal Government come in and try to set price levels, this program adopts a maximum allowable cost approach so that the Government can take advantage of competitive pricing wherever it is to be found.

In compiling its master drug list, the HEW task force found that there were 63 drug products on the list "which could have been obtained from multiple suppliers at a cost distinctly lower than that of the brand name product actually dispensed."

The task force figured that purchase of the lower cost versions of the 63 products could have reduced acquisition costs by \$41.5 million. The 63 drug products on the MDL might not sound like a lot, but the task force noted the potential savings involved many products used in long-term maintenance therapy and would have provided particular help to patients with chronic illness. Among the 63 were drugs prescribed for long-term use in the treatment of heart disease, high blood pressure, kidney disease, arthritis, and the like. These potential savings, it would appear, could go a considerable distance toward offsetting the administrative costs of the prescription drug program.

Mr. Chairman, a good deal of the mail I receive today is from old people. I think the tone of quiet desperation that runs through so many of those letters is very difficult to answer. These people are desperate because the deteriorating financial condition of so many of them is slowly draining away their spirit of security and dignity.

All of our citizens, but most especially our old ones, are confronted with a bewildering array of programs with a complex maze of qualifications and exceptions. The confusion that often results only adds to the despair so many of them already feel. All of our citizens, but most especially our older ones, need programs and procedures which they understand.

This program, in my judgment, would be a blessing to so many older people, not only because of the financial burden it would help ease but also because it would be relatively simple and clear and understandable.

Some may doubt that this program is worth raising the social security contribution rate, if necessary, to pay for it.

Mr. Chairman, I think I can speak from personal experience on that. I think a good many other people in the Congress can as well. My mother has a heart problem. She has several other health problems and she is also a diabetic. Her drug costs approach about \$40 per month, over \$450 per year. I try to help her out. A lot of other people are in the same boat. I am lucky I can afford it but what about the fellow who is making \$7,000 or \$8,000 a year?

I think he would gladly pay a small increase in contributions to insure two things: First of all, his parents will not be faced with substantial drug costs which he simply cannot afford to pay and, secondly, when he reaches old age he will not have to rely on anyone else because he will have earned his own way when he was healthy enough and young enough to do it.

Mr. Chairman, this proposal has been refined and refined again and again, as Senator Montoya has suggested: I believe the state of this legislation today is a tribute to a good many individuals and organizations and notably among the latter the American Pharmaceutical Association which has effectively emphasized the need for high quality pharmaceutical services and sound, before-the-fact cost controls in an outpatient drug program.

It is a tribute to Senator Montoya who has worked for several years to advance this proposal, and to the cosponsors who have likewise

worked for it. I think it reflects much of what has been brought out in hearings conducted by my colleague from Wisconsin, Senator Nelson, on problems related to drug pricing and I think it is a tribute to the chairman of this committee for championing the cause of a formulary which I believe to be essential to a cost conscious insurance program.

Senator ANDERSON (presiding). Are there any questions?

Senator BENNETT. I have none.

Senator JORDAN. I have no questions.

Senator HANSEN. No questions, Mr. Chairman.

Senator ANDERSON. Thank you very much for your statement.

(Congressman Obey's prepared statement follows:)

PREPARED TESTIMONY OF HON. DAVID R. OBEY, A U.S. REPRESENTATIVE FROM THE STATE OF WISCONSIN

(Testimony pertains to Senator Joseph Montoya's amendment No. 464 to H.R. 1)

Mr. Chairman, I welcome the opportunity to appear here today on behalf of the proposal by Senator Joseph Montoya—originally introduced as S. 936 and now pending before your committee as an amendment (No. 464) to H.R. 1—to provide outpatient prescription drug coverage under Medicare. I have introduced companion legislation in the House (H.R. 2355), with 113 co-sponsors, and I want to take this opportunity to make certain you are aware of the broad support this proposal now enjoys in the House.

This bill was first introduced in the House exactly one year ago today, with 37 co-sponsors. It was not given a hearing in the context of H.R. 1, perhaps because of the emphasis at that time on the welfare reform provisions of H.R. 1. As time passed, more and more Members joined me in co-sponsoring this bill to provide a comprehensive drug insurance program for the 20.4 million Americans covered by Medicare. The 113 co-sponsors represent a broad cross-section of the House:

- (1) They represent 28 States and the Commonwealth of Puerto Rico;
- (2) They include six members of the Ways and Means Committee;
- (3) They include two physicians: Congressman Carter of Kentucky and Roy of Kansas;
- (4) Besides myself, they include 12 members of the Appropriations Committee. Three of them are subcommittee chairmen, including Congressman Flood of Pennsylvania, who chairs the vital Labor-HEW Subcommittee;
- (5) They include many others who are especially knowledgeable on health matters—for example, Congressman Staggers of West Virginia, Chairman of the Interstate and Foreign Commerce Committee, and nine members of his committee.

I consider this indicative of strong potential backing in the House for inclusion of this proposal in H.R. 1. In fact, it somewhat understates the range of support, since several Members have chosen to introduce the same or similar bills independently.

WHAT THIS LEGISLATION WOULD DO

Senator Montoya's amendment (and H.R. 2355) would establish a comprehensive drug insurance program for the 20.4 million Americans covered by Medicare. The central features of the program are:

- (1) Coverage of prescription drugs and certain non-prescription drugs of special life-sustaining value;
- (2) Financing under the Part A portion of Medicare;
- (3) Selection by a formulary committee of the drugs to be covered;
- (4) \$1 co-payment by the purchaser for each prescription.

The program is designed to work like this:

A formulary committee, composed of persons of recognized professional standing and distinction in the fields of medicine, pharmacology, and pharmacy, selects the drugs to be covered. Each year it sends physicians and pharmacists a list of these qualified drugs (arranged alphabetically by their established, or generic, names), as well as—

An indexed listing of the trade or other names by which these drugs are known, together with the maximum allowable cost for various quantities, strengths or dosage forms;

Supplemental lists arranged by diagnostic, therapeutic or other classifications;

Information which promotes—under professional supervision—the safe and effective use of these drugs.

The beneficiary simply goes to the participating pharmacy of his choice. If the drug prescribed for him is listed in the formulary, he pays the pharmacist \$1 to fill the prescription. If the prescribed drug is not listed in the formulary, he pays for it the same way he does now—out of his own pocket.

The pharmacist is then reimbursed by the program on the basis of maximum allowable cost plus professional fee. In determining the maximum allowable cost of multiple-source drugs, the formulary committee excludes prices of a drug which vary significantly from those of the lowest or lower-cost versions of it that are of proper quality and generally available.

Mr. Chairman, I believe such a program offers these advantages:

(1) Financing it under Part A assures that nearly everyone over 65 will benefit, without having to pay monthly premiums, keep records or file claims;

(2) Making it comprehensive helps not only the chronically ill older American who must pay his pharmacist more for drugs each month than he does his grocery for food, but all others who find that illness has serious economic consequences at a time when they can least afford them;

(3) By choosing drugs carefully and taking into account their cost factors, the formulary committee can build savings into the program from the outset;

(4) The co-payment feature stresses cost-effectiveness, because it reminds the beneficiary that he is sharing in the cost of the program.

#### THE FORMULARY

In my view, Mr. Chairman, the formulary is the heart of the program. To compile it, the formulary committee will have access not only to the Federal Government's storehouse of information on drugs, drug prices and drug-use patterns among the elderly, but to information from the suppliers of drugs as well.

Further, we must insist on effective utilization review from the beginning. Given Medicare history, I doubt that anyone wants to crank up a new benefit and watch it go out of control. I think we possess the administrative know-how—gained in part from hard lessons running and repairing Medicaid prescription drug plans—to provide effective utilization review from the outset. By that I mean a system of self-monitoring that maintains tight fiscal control and enhances professional practice.

Again, because of Medicare history, I think many will feel we should not attempt a drug insurance program unless we can write a reasonable legislative prescription for it. That means struggling to perfect a technician's bill. This is a problem, but I believe we should make the effort in order to fulfill our commitment to the nation's senior citizens.

The pharmacist is then reimbursed by the program on the basis of maximum allowable cost plus professional fee. In determining the maximum allowable cost of multiple-source drugs, the formulary committee excludes prices of a drug which vary significantly from those of the lowest or lower-cost versions of it that are of proper quality and generally available.

#### WHY PART A

Financing the program under the Part A portion of Medicare means that an individual would pay for his drug insurance during his working years, rather than later when his income is sharply reduced due to retirement. While this principle is sound, two factors may in some people's minds militate against financing a drug insurance program through payroll contributions: (1) Payroll contributions just went up for workers earning more than \$7,800 per year; and (2) The hospital insurance trust fund is out of actuarial balance.

While it is only a partial answer, I believe the wage base should be raised to restore the desired Social Security relationship between earnings and retirement benefits. As noted in the August issue of the Social Security Bulletin, the percentage of earnings that have been taxable has dropped from 93% under the



original \$3,000 base in 1938, to less than 80% under the \$7,800 base, because the base has not been raised often enough to keep pace with rising earnings levels. It is about 80% under the \$9,000 base that became effective January 1, and it would increase to about 83% under the \$10,200 base provided for in H.R. 1 as passed by the House. Speaking personally, I would urge the committee to consider raising the base to the level required so that once again about 93% of earnings will be taxable.

Whether or not the wage base is raised, contribution rates have to be adjusted in order to rebuild the hospital insurance trust fund in 1973. Again this is only a partial answer, but one would expect the economic stabilization program to dampen the rate of growth of Medicare outlays and, in turn, perhaps have a moderating effect on the necessary adjustment in contribution rates. Whatever the cost of a drug insurance program (and as of this writing I do not have current departmental estimates), the combined effect of a higher wage base and a slowdown in Medicare cost growth might lessen the impact of a drug program on payroll contribution rates.

Mr. Chairman, because of the benefit payments and administrative expenses involved in a drug insurance program, some may suggest it would be simpler instead to eliminate the Part B monthly premium. Since the premium goes up to \$5.80 on July 1, eliminating it would save each Part B enrollee \$69.60 in fiscal 1973. Since more than 96% of those entitled to hospital benefits are also enrolled in the Part B program, under H.R. 1 they would be enrolled automatically. The savings would be widely distributed among the elderly population. Indeed, President Nixon in his State of the Union message last week asked Congress to eliminate the Part B monthly premium—a step he said would add \$1.5 billion to the income of the elderly.

Eliminating the Part B monthly premium would be a boon indeed, giving them a welcome cash credit against poverty, and I'm all for it if this committee can do it. However, I would not want to see it used as an excuse for leaving out a drug insurance program that attempts to deal with illness and poverty at the same time.

As the final report of the Task Force on Prescription Drugs said in referring to the elderly:

"Their inordinate health needs, their high health care costs in general and high drug costs in particular, and their limited financial resources combine to create a serious and sometimes a devastating medical and economic problem far out of proportion to their numbers.

For many elderly people, *illness serves as a major cause of their poverty* by reducing their incomes, while poverty serves as a major contributory cause of illness by making it difficult for them to obtain adequate health care." (emphasis added)

Clearly, illness and poverty reinforce each other in the lives of the elderly.

#### MAXIMUM ALLOWABLE COST

Under this program, the formulary committee would determine the maximum allowable cost for various quantities, strengths or dosage forms of the qualified drugs it lists in the formulary. In determining the maximum allowable cost of multiple-source drugs, the formulary committee excludes prices of a drug which vary significantly from those of the lowest or lower-cost versions of it that are of proper quality and generally available.

I personally believe there is not enough genuine price competition in the drug industry. While I regret there isn't more, I believe this program can capitalize on what competition there is. Rather than have the Federal Government come in and try to set price levels, this program adopts a maximum allowable cost approach so that the government can take advantage of competitive pricing wherever it is to be found.

In compiling its Master Drug List, the Task Force found that among the 409 drugs most frequently prescribed for the elderly in 1966 there were 293 still under patent, available only under trade name from a single supplier. It also found that there were 63 drug products on the list "which could have been obtained from multiple suppliers at a cost distinctly lower than that of the brand name product actually dispensed." Concerning itself only with potential savings, and not with such questions as possible quality differences or use of formularies, the Task Force figured that purchase of the lower-cost versions of the 63

products could have reduced acquisition costs (at 1966 wholesale levels) by \$41.5 million.

Mr. Chairman, I mention this example to show how the maximum allowable cost approach can take advantage of price competition wherever it is to be found. The 63 drug products on the MDL might not sound like a lot, but the Task Force noted the potential savings involved many products used in long-term maintenance therapy and would have provided particular help to patients with chronic illness. Among the 63 were drugs prescribed for long-term use in the treatment of heart disease, high blood pressure, kidney disease, arthritis and related conditions, and mental and nervous conditions.

Given the fact that some price competition exists, and that more is possible as patents expire, I think the use of maximum allowable cost in conjunction with a formulary gives the program tremendous potential. Further, to whatever extent trade-name advertising may influence physician prescribing practices, annual receipt of a formulary in which covered drugs are arranged alphabetically by their established, or generic, names may stimulate physician consciousness that lower-cost versions of proper quality are available.

#### THE NEEDS OF THE ELDERLY

Mr. Chairman, last year my hometown newspaper, the Wausau Daily Record-Herald, carried a series of articles on problems facing the elderly. As a human profile, they summed up very well the frustration and desperation that has been commonplace for so many of our senior citizens. One of the articles described a very real but necessarily anonymous Mr. X:

"Mr. X, 76, has Parkinson's disease. His 74-year-old wife has a heart condition. Between the two of them, they require more than \$40 a month in medication.

"In the past, they received their medicine through Medicaid. Tightening of the financial eligibility standards, coupled with increased assessment on their home, changed that and the couple must now buy their medicines.

"I had to drop one prescription that was \$7 a month for refills. The doctor said I need it, but . . ." said Mrs. X."

The plight of Mr. and Mrs. X is all too common. They had bought themselves a modest home in 1946. He worked for a drugstore and later a dairy, while she clerked at grocery stores and baby-sat. They made their house payments and raised their only child to be a policeman:

"The years flew by . . . and suddenly there was retirement. That happened one year before it was planned. Mr. X was only 64, but illness forced him to quit work."

That was in 1958. But today:

"They want to spend the rest of their lives quietly and comfortably in their own home. Taxes and the cost of living make them fight for every day of that life."

Mr. Chairman, what has happened to Mr. and Mrs. X in Wausau, Wisconsin has been happening all over the country. The Senate Special Committee on Aging noted in a report just two months ago that:

"Today more than 4.7 million older Americans fall below the poverty line. Compared with 1968, this represents approximately a 100,000 increase.

"In 1971, the likelihood of being impoverished is more than twice as great for older Americans as it is for the young. One in nine younger individuals lives in poverty. For the elderly, it is one of every four.

"For elderly persons living alone the situation was even more distressing. Nearly six out of every 10 were classified as poor or near poor.

Many items which affect the elderly to a much greater degree than younger persons have risen even faster than the over-all Consumer Price Index, the report indicated. Compared with the base year of 1967, the CPI has increased by more than 22%, while: Medical care was increasing by 30%. Hospital daily service charges were jumping 64%.

The report also explained that with a median income of \$1,888, aged women living alone or with non-relatives are among the most economically disadvantaged in our entire society:

"Nearly five out of every eight unrelated women aged 65 and older—or 63.1%—are classified as poor or near poor. Of the total, 50% have annual incomes below the poverty threshold."

And as the Senate Special Committee on Aging has remarked before, there is alarming evidence that a new class of elderly poor may be in the making.

From 1968 to 1970, poverty for persons 60 to 64 increased by nearly 100,000. The report added:

"If the present trend toward 'easing' many older workers out of the work force continues, their poverty numbers may accelerate in the years ahead."

All the while, the burden of drug costs falls on senior citizens unevenly, without regard to their financial condition. For example, a 1968 estimate cited in the final report of the Task Force on Prescription drugs indicates that 20% of the elderly will have no drug expenses, while the costs will be less than \$50 for 41.5%, between \$50 and \$99 for 19%, between \$100 and \$249 for 15.5%, and \$250 or more for 4%.

Mr. Chairman, a good share of the mail I receive today is from old people. The tone of quiet desperation that runs through so many of these letters is difficult to answer. These people are desperate because the deteriorating financial condition of so many of them is slowly draining away their spirit of security and dignity. \$250 is a lot of money for someone whose entire income is only \$1,888.

All of our citizens—but most especially our older citizens—are confronted with a bewildering array of programs with a complex maze of qualifications and exceptions. The confusion that often results only adds to the despair so many of them already feel. All of our citizens, but most especially our older ones, need programs and procedures which they understand.

This program would be a blessing to so many older people, not only because of the financial burden it would help ease, but also because it would be relatively simple and clear and understandable.

#### CONCLUSION

Mr. Chairman, this proposal has been refined and refined again since it was first suggested. I believe the state of this legislation today is a tribute to a good many individuals and organizations—and notably among the latter, the American Pharmaceutical Association, which has effectively emphasized the need for high quality pharmaceutical services and sound, before-the-fact cost controls in an outpatient drug program.

It is a tribute to Senator Montoya, who has worked for several years to advance this proposal, and to yourself, Mr. Chairman, for championing the cause of a formulary which I believe to be essential to a drug insurance program.

The list of House co-sponsors follows:

#### H.R. 2355 CO-SPONSORS

Bella S. Abzug (N.Y.)	Frank M. Clark (Pa.)
Joseph P. Addabbo (N.Y.)	George W. Collins (Ill.)
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Claude Pepper (Fla.)	Gus Yatron (Pa.)
Bertram L. Podell (N.Y.)	

Senator ANDERSON. Is Congressman Burton here? (No answer.)

Senator BENNETT. Mrs. Dealaman, would you introduce the other people at the table?

**STATEMENT OF MRS. DORIS DEALAMAN, FREEHOLDER, SOMERSET COUNTY, N.J., CHAIRMAN, WELFARE COMMITTEE OF THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY ELLIS P. MURPHY, DIRECTOR, SOCIAL SERVICES, LOS ANGELES COUNTY, CALIF., PRESIDENT, NATIONAL ASSOCIATION OF COUNTY WELFARE DIRECTORS; DAVID DANIEL, DIRECTOR, PUBLIC AID, COOK COUNTY, ILL.; AND RALPH TABOR, DIRECTOR, FEDERAL AFFAIRS, NATIONAL ASSOCIATION OF COUNTIES**

Mrs. DEALAMAN. I would be happy to.

I am Doris Dealaman. I am a member of the Chosen Freeholders in Somerset County, N.J. I am serving as chairman of the NACO Welfare Steering Committee.

On my far right, your left, is Mr. David Daniel from Cook County, who is director of social services there. On my immediate right is Mr. Pat Murphy from Los Angeles County, who is the director there and who is president of NACO.

On my immediate left, your right, is Mr. Ralph Tabor, of our NACO staff.

We thank you very much for this opportunity to appear before this committee and to give you our views on the pending welfare reform legislation.

A similar panel has appeared before your group in the past.

Our detailed recommendations presented at that time, in September, to be precise, of 1970, went much further than the proposed family assistance in your plan and we did have some recommended amendments for then H.R. 16311.

Essentially, NACO did propose that a long-range welfare program should involve the establishment of two separate, nationally administered income maintenance programs for families. One program would be called a work security program and would include families where the head of the household was employable.

The other program would be for those needy families who were completely dependent and had no employable adults. Both programs would be separately administered. We believed the goals for the employable versus the unemployable were different. We also believed that mixing these two groups together under one direct cash income maintenance program for the needy created unnecessary public confusion and, indeed, criticism.

We also proposed that all the programs for the adult categories should be merged into one program and be administered by the Social Security Administration.

These long-range proposals for welfare reform received favorable comment from members of this committee. However, it appeared to be the consensus that there was not sufficient time to consider such a large departure from the legislation under consideration.

We do believe the legislation would provide a start in establishing uniform minimum national standards of eligibility and it would establish a minimum Federal floor for aid payments, believing it would provide some fiscal relief to States and counties and by separating employables from unemployables would focus attention and resources on making more people self-sufficient, to realize more of their own potential and to get themselves on the kind of footing that every family in the country chooses to be on.

We are concerned indeed about the opposition expressed about a program of assisting the working poor. We sincerely urge the committee to retain title IV of H.R. 1 which we believe is the essence of the welfare reform program. In order for families who are of a marginal nature to begin to realize their full potential, to make available to their families the opportunities that we covet for every family in this country, there are times through the fault of no one individual when the income is not sufficient for the family to maintain an adequate level of living and to begin to look with any kind of optimism to the future.

Our experience in New Jersey indicates that families of the working poor stay on the rolls for a minimal period of time. The maximum period of time for any family on that particular program in my own county was 18 months. In that time a family had improved its own ability to support itself, had obtained its own resources to the point that they could and were happy to move out from under the protective financial wing of government.

As I am sure you are aware, the welfare program poses a major fiscal problem to the States and the counties of this country. We recommend sincerely that a hold-harmless provision be based on calendar year 1970. We honestly do not believe the administration's proposal for

providing \$500 million of fiscal relief during fiscal 1972 is adequate nor does it fully recognize the fiscal strains being imposed on State and county governments.

As I am sure all of you are aware, most of us rely very heavily on the property tax for income tax purposes at the county and municipal level. This has reached, in our particular instance, the point of diminishing returns. Homes are being lost through the inability to sustain the tax burden that is being imposed. This particularly relates in our experience to many of our senior citizens living on fixed incomes for whom the rapid acceleration of home property taxes has become a major burden and an area of real emotional as well as fiscal concern.

We would urge the committee to amend H.R. 1 to establish a definite timetable for a gradual assumption of all welfare costs by the Federal Government. We support amendments proposed by Senator Ribicoff and other Senators providing for the assumption of these costs over a 5-year period.

At this point, with your permission, I would like to ask Mr. Murphy to bring to us some of the experience of Los Angeles County in this particular regard.

Mr. MURPHY. Mr. Chairman and members of the committee, Los Angeles County is very strongly supporting H.R. 1. We are facing an impossible financial situation in our county.

As you may know, in California, by State law, the counties are required to administer the welfare programs. Now, just to illustrate the point that Mrs. Dealaman has brought out here, in the last 10 years from 1962 to 1972 in our county our welfare budget has gone up from around \$200 million to this year we have appropriated \$1.4 billion for the welfare program alone there.

The number of welfare recipients during that period of time has gone up from around 200,000 to over 900,000 recipients in this one county alone, that is, recipients who are getting cash aid grants.

If you add to that the recipients who are getting only food stamps, we have a little over 1 million people in the county who are on welfare. The welfare rolls have been going up at an extremely rapid rate during every year almost in the last—especially in the last 5 or 6 years.

Now, in terms of the amount of county money that is going into this system, in 1962 we had a raise on the tax levy around \$50 million for the system. This year we are having to raise more than \$300 million of local property tax funds to go into the welfare system.

We have no control over the welfare system at the local level in Los Angeles County. It is primarily a system consisting, as you know, of the categorical aid programs. The other county services, such as fire, police, law enforcement, streets and things of that type, are severely suffering because each year when our budget comes up before our governing body for consideration the welfare—the mandatory State welfare programs are taking more and more of the funds.

Another reason why we are strongly in favor of H.R. 1 is that we believe the present system is extremely wasteful of taxpaying funds. Just to give you an example, in Los Angeles County we have more—considerably more than 100,000 aged persons who are getting old aid assistance under the Federal category of old age assistance. About 80 percent of those recipients are also getting social security.

The only reason in the world why my department, which is the Welfare Department, is required to have any contact with about 75 or 80 percent of those recipients is the fact that they are not getting enough to live on social security; therefore, we have to give supplemental welfare benefits to them to give them at least enough to live on in that large urban area.

This means we, as the county, my department, has to go out and hire thousands of workers to take care of these older people who really—their only need, really, is income maintenance need and we have two vast systems: the social security system and the welfare system, operating in the country, that are supposed to meet their needs.

We also sincerely believe that the present welfare system in terms of the work training components of it is failing miserably. For instance, at the local level we have referred some 50,000 or 60,000 persons to the present WIN program, work incentive program, and they have been able to handle only a very small number of those.

So we strongly support H.R. 1 with the amendments which the National Association of Counties is outlining to you today.

Mrs. DEALAMAN. One of the other problems that confronts us at the local level are the differences among our regions. For example, the cost of living in the State of New Jersey and the cost of living in Mississippi at the same living standard are two entirely different things. We would recommend some kind of regional difference in payment levels, either within the States, as may be possible in some areas, or between the States, if such a system could be developed and administered on an equitable and acceptable basis.

We realize this is a difficult thing. The Bureau of Labor Statistics possibly can offer some guidance and assistance here. We have the same thing within the boundaries of my own State with which we are currently trying to cope.

We would certainly support the inclusion in H.R. 1 of a definite schedule for raising the Federal benefits to the official poverty level.

In addition, in some of our States we are, as you very well know, supplementing because of the variables in the cost of living and we would sincerely urge the committee to amend H.R. 1 to provide the 30 percent Federal sharing of the costs for maintaining benefits above the Federal minimum payment levels. We recognize the need and certainly concur in the establishment of a floor, but realistically speaking, the floor would be totally inadequate for some of our more highly industrialized, more expensive living areas and where these areas are being currently served by supplemental payments we would certainly look forward to the inclusion of a 30-percent Federal sharing.

We also recognize that we have a real problem with needy, childless couples and single adults who are not currently covered by any of our Federal programs. They must rely totally on what we call general assistance.

Now, general assistance is provided in some areas by the State and in some areas by the county and in some areas by the municipality. Counties pay a substantial portion actually of general assistance and this, of course, rests totally on the property tax.

I think Mr. Daniel has some experiences from Cook County that would be helpful here.

Senator BENNETT. Mr. Chairman, at this point, I think we might call the attention of the witness that in 2 minutes the bell will ring and we will have to run to the Senate for a vote.

Mrs. DEALAMAN. I am sorry.

Senator ANDERSON. Maybe more than one.

Senator BENNETT. Yes; probably followed by two or three once we get over there and the witnesses, the 10 minutes allotted to the panel has been up about 2 minutes; so I wonder if these other, if this other testimony is in writing and could be submitted to us?

Mrs. DEALAMAN. Yes.

Senator BENNETT. Because if it can't we are not sure when we will be back to hear it.

Mrs. DEALAMAN. I quite understand. I am sorry we were not aware of this. Yes; the testimony is in writing, if he could use those couple of seconds available to us for Mr. Daniel, thank you very much.

Mr. DANIEL. Your Honors, I would just like to call attention to the fact that the Cook County situation is so similar to the Los Angeles County situation. In our county the courts have taken note of the fact that people on general assistance are treated differently from persons on our other programs. The amounts of assistance are quite different as is the case all over the country.

The courts are taking the position that this is not right and that we must treat all people the same. I think this raises some very important issues with us. It seems to us that we have a heavy moral obligation and now possibly a constitutional obligation to treat people on general assistance the same as people on the other programs.

These things apply in addition to the statements which we have already made and which Senator Ribicoff is including in his amendments.

Thank you.

Mrs. DEALAMAN. We would be happy, sir, if you would like us, sir, to wait if there were questions from the group that we could be helpful with in terms of factual experience and experiences.

Senator BENNETT. Part of our problem is there are six more witnesses and in order to control the time you were—each group was given 10 minutes and I recognize this is not quite fair to a panel because the members each feel that they will need a large part of the 10 minutes for their story.

I would seriously recommend you submit your material for the record and if there are any questions that occur to us we can write them and ask for your answers. Is that satisfactory, Mr. Chairman?

The CHAIRMAN. Certainly, and thank you very much for your statement.

(Prepared statements of the previous witnesses and communications subsequently received by the committee follow. Hearing continues on p. 1236.)

STATEMENT ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES BY MRS. DORIS DEALAMAN, FREEHOLDER, SOMERSET COUNTY, N.J., CHAIRMAN, NACo WELFARE COMMITTEE; DAVID DANIEL, DIRECTOR, DEPARTMENT OF PUBLIC AID, COOK COUNTY, ILL.; ELLIS P. MURPHY, DIRECTOR, DEPARTMENT OF SOCIAL SERVICES, LOS ANGELES COUNTY, CALIF., PRESIDENT, NATIONAL ASSOCIATION OF COUNTY WELFARE DIRECTORS; AND RALPH L. TABOR, DIRECTOR OF FEDERAL AFFAIRS, NATIONAL ASSOCIATION OF COUNTIES

1. NACo strongly supports H.R. 1. The legislation would provide a start in establishing uniform national standards of eligibility, would establish a minimum



federal floor for aid payments, would provide some fiscal relief to states and counties, and by separating employables from unemployables would focus attention and resources on making more people self-sufficient.

2. NACo is concerned about the strong opposition expressed by several members of the Senate Finance Committee regarding the whole concept of assisting the "working poor". We urge the Committee to retain Title IV of H.R. 1 which we believe is the essence of welfare reform.

3. NACo urges the Committee to amend H.R. 1 to provide immediate fiscal relief to states and counties administering welfare programs. We recommend a "hold harmless" provision based on calendar year 1970. We do not believe the Administration's proposal for providing \$500 Million of fiscal relief during fiscal year 1972 is adequate nor does it fully recognize the fiscal strains imposed on state and county governments.

4. NACo urges the Committee to amend H.R. 1 to establish a definite timetable for a gradual assumption of all welfare costs by the Federal Government. We support Amendments proposed by Senator Ribicoff and other Senators providing for assumption over a five-year period.

5. NACo urges the Committee to amend H.R. 1 to provide 30% federal sharing of the costs for maintaining benefits above the federal minimum payment levels.

6. NACo supports regional differences in payment levels within states and between states if such a system could be developed and administered on an equitable and acceptable basis. We also support inclusion in H.R. 1 of a definite schedule for raising federal benefits to the official poverty level.

7. NACo urges that needy childless couples and single adults be made eligible for federal welfare benefits. At the present time these people are only eligible for general assistance provided by states and counties. Counties pay substantial portion of general assistance in many states and this could provide property tax relief to citizens.

8. NACo is concerned that the increased funding for support services for the WIN program and increased training will fail to realize the goals of H.R. 1 unless more jobs are provided. NACo urges the Committee to adopt Senator Ribicoff's proposal to increase public service employment funds for welfare recipients \$800 million to \$1.2 billion.

9. NACo urges the Committee to delete the provisions in H.R. 1 which determines eligibility on earnings of the applicant during the three previous quarters and instead base eligibility strictly on need.

10. NACo urges the Committee to add on amendment to H.R. 1 which protects the benefits and rights of state and county employees who transfer to federal employment under the new program.

11. NACo strongly urges the Committee to delete Section 512 of H.R. 1 which establishes a ceiling on authorizations for social services. This is just another attempt to impose the "infamous 110%" type ceiling.

12. NACo supports stronger provisions in H.R. 1 for requiring recipients to cooperate with law enforcement agencies in requiring absent parents to assume their responsibilities for child support.

Mr. Chairman and Members of the Senate Finance Committee, my name is Doris Dealaman, Chosen Freeholder of Somerset County, New Jersey. I am serving as Chairman of NACo's Welfare Steering Committee. I am accompanied by three other county officials: Mr. Ellis P. Murphy, Director of Social Services, Los Angeles County, California and President of the National Association of County Welfare Directors; Mr. David Daniel, Director of Public Aid, Cook County, Illinois; and Mr. Ralph Tabor, Director of Federal Affairs, National Association of Counties. We are presenting a joint statement on behalf of the National Association of Counties. After presentation of our oral statement, each of us will be available to answer any questions you may have.

We thank you for the opportunity to appear before this Committee and give you our views on pending welfare reform legislation. A similar panel of county officials appeared before your Committee in September, 1970 and presented detailed recommendations on the type of long range reforms needed in the welfare program. At that time we supported the proposed Family Assistance Plan as a step in the right direction in reforming the welfare program. Our detailed recommendations went much further than the proposed Family Assistance Plan and we also had a considerable number of recommended amendments for H.R. 16311.

Essentially, NACo proposed that long range reform should involve the establishment of two separate, nationally-administered income maintenance programs for families. One program would be called a "Work Security Program" and would

include families where the head of the household was employable. The other program would be for those needy families who were completely dependent and had no employable adults. Both programs would be separately administered. We believed the goals for the employable versus the unemployable were different. We also believed that mixing these two groups together under one direct cash income maintenance program for the needy created unnecessary public confusion and criticism. NACo further proposed that all of the programs for the current adult categories should be merged into one program and be administered separately by the Social Security Administration.

These long range proposals for welfare reform received favorable comment from members of this Committee. However, it appeared to be the consensus that there was not sufficient time to consider such a large departure from the legislation under consideration.

When the House Ways and Means Committee resumed its deliberations on welfare reform legislation at the beginning of the last Congressional Session, NACo's recommendations for long-range reform were seriously considered. Our recommendation for a separate program for employables and unemployables eventually was adopted by the Committee and became the central focus of Title IV of H.R. 1. Many of NACo's other recommended amendments to the 1970 legislation (H.R. 1631) also were adopted by the Ways and Means Committee including: elimination of the food stamp program in favor of a more adequate cash payment; establishment of a single adult category of assistance replacing OAA, ATD, and establishment of an absolute ceiling on total gross family income in determining eligibility.

We are pleased with these changes in this year's legislation and as a result we had no difficulty in supporting passage of H.R. 1 in the House of Representatives. At the same time, we believe that improvements can be made to H.R. 1, and specifically to Title IV, to better initiate the process of reforming the welfare program. We would like to recommend the following amendments to H.R. 1.

1. First of all, the bill as it is now written does not provide immediate fiscal relief to states and counties. This problem has been recognized by Members of this Committee and more recently by the Administration and the Chairman of the Ways and Means Committee. As we understand the Administration's proposal, the amount of fiscal relief to states and counties during this fiscal year would be limited to \$500 million. We do not believe this amount is sufficient nor does it fully recognize the fiscal strains imposed on state and county budgets resulting from increases in caseloads and costs during the last several years.

I would like to illustrate this point by citing the case of New Jersey. In 1967 our total welfare expenditures amounted to \$142 million of which the Federal Government contributed \$58 million, the state \$43 million and counties \$41 million. All of the counties' share of the cost came from property tax levies. In 1971, the total cost of welfare jumped to \$350 million. Even though the counties' share decreased from 29% to 15% because of increased state sharing, the counties' dollar share still increased to \$49 million.

The difficulty of counties having to rely so heavily on property tax as its major revenue source is further illustrated by the following figures. In 1967, the 21 New Jersey counties had to raise \$354 million from their own revenue sources to meet expenditure needs. Of this, \$265 million came from property taxes. In 1971, we raised \$557 million of which \$438 million came from property taxes.

Gentlemen, this is a 65% increase in property tax revenues in just four years. The taxpayers in the counties in New Jersey have reached the revenue. My colleagues can provide this Committee with figures from their states to further illustrate the fiscal crisis of local governments. But I think I make the point, we have to immediate fiscal relief on welfare costs. *We would urge the Committee to amend H.R. 1 to include a "hold harmless" provision based on calendar year 1970 with no cut off for increased costs above some arbitrary percentage (the Administration is suggesting a "hold harmless" provision limiting fiscal relief to cost increases of less than 20%).*

2. Underlying all our recommendations for welfare reform is the conviction that welfare is a national problem which no longer can be administered and financed by over 1,150 different state and local governments. While H.R. 1 provides for federal administration and increased federal funding, there is no timetable for the eventual federal assumption of welfare costs. Under H.R. 1, many states and counties would continue indefinitely to finance part of the costs of the welfare program. We believe it would make sense, both from a planning and budgeting viewpoint, to establish a specific date for full federal assumption of welfare costs.

*NACo supports the amendment proposed by Senator Abraham Ribicoff and others to provide a gradual federal assumption of welfare costs over a five-year period.*

3. Closely related to the two previous recommendations is the problem of states and counties paying benefits substantially higher than the proposed federal minimum payments. We believe the states who have been paying benefits close to the established standards of need should not be penalized for their past and current efforts.

*NACo recommends that H.R. 1 be amended to provide 30% federal sharing of the costs for maintaining benefit levels above the federal minimum payment. We also recommend that as a condition of this federal sharing, that states be required to maintain benefits at current levels.*

4. As mentioned earlier, NACo had recommended in 1970 that Food stamps be "cashed out." We are very pleased that this provision is now in H.R. 1 and that the originally proposed federal minimum payment could be substantially raised (from \$1,600 to \$2,400 for a family of four per year). However, we seriously question if \$2,400 is an adequate federal floor in many states. We believe that it should be the aim of welfare reform legislation to raise payment levels to the official poverty level (now over \$3,900 per year for a family of four) as soon as possible. *We propose that a schedule for raising benefit levels to the property level be written into the legislation. We support the amendments offered by Senator Ribicoff and other Senators on this matter.*

NACo also has advocated regional differences in payment levels within states and between states if such a system could be developed and administered on an equitable basis. The system would have to be easily understood to make it acceptable to recipients and to the public. We offer our assistance to this Committee and to the Administration to develop a system of variable payments which could be included in H.R. 1. *If it is not possible to develop an acceptable system this year, we urge the Committee to adopt Senator Ribicoff's amendment calling for a two-year study by HEW and reporting the results immediately to Congress.*

5. In previous testimony we strongly recommended inclusion of needy childless couples and single adults in the federal program. We still see no reason, other than federal budgetary considerations, for not making them eligible for federal welfare benefits. As it is right now, these people are only eligible for general assistance which varies tremendously from state to state and county to county. As you are aware, counties pay a substantial portion of general assistance costs in many states. In California, counties pay the entire cost of general assistance and in Los Angeles County alone this amounted to \$52 million last year. By including needy childless couples and single adults in the federal program, Congress could provide considerable fiscal relief to the property taxpayers in many states.

*NACo also recommends that if needy childless couples and single adults are included in the federal program, a determination should be made at the time of determining eligibility whether the person is employable or potentially employable. If the person is employable, they should be placed in the proposed Opportunities For Families program. We also recommend that benefit levels be the same as for other adult programs (Title V of H.R. 1).*

6. NACo is pleased with the provisions in the recently enacted Social Security Amendments increasing federal matching on support services for the WIN program from 75% to 90%. Along with other requirements in the 1971 Amendments, we believe states and counties will be better able to achieve the goals Congress originally set out for the WIN program.

However, with unemployable staying at 6% nationally, and at much higher rates in many urban and rural areas, we must have more jobs. It is claimed that H.R. 1's \$800 million will provide 200,000 public service jobs for welfare recipients. We do not believe this will be sufficient if we are to provide employment opportunities for low income people needing work. *We urge the Committee to accept Senator Ribicoff's amendment to H.R. 1 increasing funding to at least \$1.2 billion. Even this may prove to be inadequate.*

7. NACo is very concerned about the provision in H.R. 1 which bases eligibility for recipients on earnings during the three previous quarters of the year. *We believe eligibility should be based strictly on current need and not on previous earnings.* In effect, the provision in H.R. 1 would deny benefits to migrants and seasonal workers who need assistance and might otherwise be eligible. This means that while waiting to be eligible for federal benefits, these peoples' needs would have to be met through general assistance programs operated by the states and

counties. The provision could save the Federal Government a substantial amount of money but instead the burden would be shifted to the states and counties.

*In a related matter, we would recommend that provision be made in H.R. 1 to provide emergency assistance in instances where checks are stolen. Otherwise the state or county would have to provide temporary assistance until the checks could be replaced.*

8. NACo has studied the various proposals before the Congress to provide additional child development care and services and we are reluctant to endorse any of them. There is no question that child care facilities and services have to be greatly expanded if the Opportunities For Families program is to achieve its goals. Although there is much debate about "custodial care" and "comprehensive child development", we believe that the immediate objective should be to help mothers on welfare who want to work. As provided in H.R. 1, the Department of Labor would be given responsibility for finding adequate child care services and this would be coordinated with the OFF program. We think this is probably the soundest approach.

9. NACo is concerned that H.R. 1 contains no provisions for an orderly and equitable transfer of state and county employees to federal employment. We believe this is the most serious omission in H.R. 1. *While NACo supports the amendment offered by Senator Ribicoff and other Senators to protect the rights and benefits of state and local employees transferring to the Federal Government we would be happy to work with the Committee and the Administration to further refine and develop acceptable language.*

10. The provisions in H.R. 1 limiting authorizations for social services is completely unacceptable to both counties and states. Congress has reaffirmed its position almost annually in the appropriations process that states and counties should continue to be encouraged to provide more social services. We see these provisions as just another way for the Administration to impose the "infamous 110% ceiling".

We are reluctant to comment too much further on the social services provisions in H.R. 1 in view of the legislation to be submitted by the Administration to Congress in the next few days. We refer to the Allied Services bill. NACo staff has had a chance to briefly review the bill and our initial reaction is favorable. However, the legislation will need to be studied by our NACo Welfare Steering Committee.

*In view of past Congressional actions on funding and the pending social services legislation, we urge the Committee to delete Section 512 of H.R. 1.*

11. It appears very unlikely to many of our welfare directors who have had a chance to work with HEW on the administration of the new program that all states can be brought under federal administration in one year after the effective date of H.R. 1. *We would recommend that H.R. 1 be amended to provide that the Federal Government could contract with states for administration of the new programs up to two additional beyond the one year provided in H.R. 1.*

12. The Federal Government has a considerable investment in buildings and leases of existing state and county welfare agencies since it provides 50% of the administrative costs of these facilities. *NACo recommends that an amendment be added to H.R. 1 requiring the Secretary of HEW to negotiate with states and counties to take over existing facilities and leases wherever it is feasible.*

13. NACo agrees with the concerns expressed by the Chairman and many other Members of the Committee that stronger provisions have to be made in H.R. 1 for requiring absent parents to assume their responsibilities for child support. We are particularly concerned with recipients who refuse to cooperate with law enforcement agencies. We would be happy to work with the Committee on developing stronger provisions.

In conclusion, gentlemen, we would like to urge this Committee to act promptly on H.R. 1. We are concerned that the Committee may not see fit to report a bill containing Title IV which we consider the essence of welfare reform. We can only reiterate our conviction, after years of study by elected county officials and top county welfare administrators from all around the country, that we believe this is the best thought out approach to at least make a start. We cannot keep discussing alternatives. At some point we have to act.

We would appreciate it if we could be allowed to submit additional statements from individual counties up until the hearing record closing date.

We would be happy to answer any questions you may have. Thank you for the opportunity to present our views.

NATIONAL ASSOCIATION OF COUNTIES,  
Washington, D.C., February 10, 1972.

HON. RUSSELL LONG,  
Chairman, Senate Committee on Finance,  
2227 New Senate Office Building,  
Washington, D.C.

DEAR Mr. CHAIRMAN: The National Association of Counties would appreciate it very much if we could be allowed to submit a further statement to the testimony we presented January 26, 1972 on H.R. 1. We specifically would like to speak about the problem of improper utilization of beds for patients covered by Medicaid. This problem has been brought to our attention by county welfare commissioners in New York.

There are over 30,000 Medicaid patients in nursing home beds in New York State. The need for this level of care, from a medical standpoint, just doesn't exist in at least 20% of the cases. These patients are there because of the lack of facilities providing a lower level of care, or because it is financially advantageous to them. Many could be adequately cared for in the home of a son or daughter if there was a way to compensate financially for providing for the care given.

If persons are to be given a choice in living arrangements under the Welfare system, then, they should also be given a choice under Medicaid, at least where their choice would in many instances require a lesser expenditure of public funds to meet this need. A survey of elderly persons receiving care indicated that nearly 25% of them preferred to live with their families if financial arrangements could be made.

New York has considered the possibility of having a daughter certified as a "Home Health Aide" but Federal Regulations (45CFR249.10) prohibit federal reimbursement for personal care rendered by a member of the family. It appears that this problem can only be rectified by an amendment to the Social Security Act.

If a person can be medically certified, after an evaluation by a medical review team, as needing a health related or lower level of care, and that care could be provided by a daughter or daughter-in-law, we would recommend that the equivalent of the amount paid to a nursing facility should be made available to purchase care within the immediate family.

This proposed amendment could save \$12 to \$15 a day per patient in costs, provide a certain amount of semi-independence to the patient, and reduce the moral guilt felt by children who now leave their parents in nursing homes because they cannot afford to provide needed care at home.

The annual cost of misplacement of patients is in the millions of dollars in New York State alone. We have no idea what it is nationally. It also distorts the true demand for nursing homes. Continuing current policies only supports a growth in nursing home construction which this nation can ill afford.

The limitation proposed in H.R. 1 on the number of days of long term care that Medicaid will cover is a further reason to correct this inequity.

We appreciate your consideration of this proposed amendment.

Sincerely,

RALPH L. TABOR,  
Director, Federal Affairs.

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STATEMENT BY COUNTY EXECUTIVE EDWIN G. MICHAELIAN OF WESTCHESTER  
COUNTY, NEW YORK

My name is Edwin G. Michaelian and I am the elected County Executive of Westchester County, New York, now serving in my fifteenth year in this capacity, having been elected and re-elected to that office four times, beginning in 1957. I am currently the President of the National Council of Elected County Executives, a member of the Board of Directors of the National Association of Counties and a past-president of that organization, a member of the Advisory Commission on Intergovernmental Relations, a past-president of the New York State Conference of Mayors and a former member of the Surgeon General's Advisory Committee on Urban Health Affairs. Westchester County is situated directly north and contiguous to the City of New York. It is a suburban county comprised of 6 cities, 18 towns and 22 villages on whose behalf all public assistance programs are rendered by the County and funded by taxes levied on real prop-

erty by the County. Westchester has the reputation of being the most prosperous county in the Country but nevertheless, with a population of 900,000, at present 65,000 are receiving various forms of public assistance and one out of eight residents of our County has an income below the State's statistical poverty level.

The gross appropriation for Public Assistance, as budgeted by Westchester County for 1972, is nearly \$145,000,000, of which approximately 30% or \$43,000,000 is the County's share of Public Assistance levied upon the real property of our County. Welfare assistance is nearly 50% of the net budget of our County and hence a terrific drain upon our tax resources which has crippled our ability to establish priorities for other needed and essential programs. It is because of these factors that I am addressing myself to your Honorable Committee in favor of the enactment of H.R. 1.

There is no doubt in my mind that President Nixon's proposal for welfare reform constitutes the most significant social legislation since the great depression of the 1930's.

The time has come for the present antiquated and cumbersome welfare system to be abolished and to be replaced by one which will restore human dignity to our poor, will place a floor under the income of every family with children, which will establish an effective work incentive and an effective work requirement, and which will lead toward the reduction of welfare costs at the county and city level.

The welfare problem is a national problem. It should therefore be dealt with and financed at the national level. That is the basic intent of the Family Assistance Plan portion of H.R. 1.

I fully support the inclusion of the working poor in the Federal program because in my State and County we have been helping the working poor in our Home Relief and Veterans' Assistance programs without any financial assistance whatever from the Federal government.

I also endorse the proposals for expanding day care services for children of working mothers so that more mothers will be able to go to work and thereby eliminate or reduce their need for welfare.

While the basic allowances under the Family Assistance Plan (which result in an amount of \$2,400 for a family of four) are considerably below the cost of living in my County, I am willing to accept them as a starter because I believe it is more important at this time to begin replacing the present fragmented and ineffectual welfare system with one which emanates from the Federal level and contains uniform nation-wide standards. This also will help to reduce the migration of needy people from one state to another which has been one of the reasons for increasing welfare caseloads in my County. As to the dollar amount of that basic allowance, I believe the proposed supplementation provisions will meet this problem until the Federal government will, I do not doubt, recognize the variations in cost of living in different areas of the country.

In this connection, I commend to your kind attention the report of the Subcommittee on Federal Legislation of the New York State Temporary Commission to Revise the Social Services Law titled "The Welfare Provisions of H.R. 1 and New York State."

I share that subcommittee's concern over the possible increase in State and local welfare costs under the supplementation provisions for our Home Relief and Veterans' Assistance cases.

It seems to me that the same "save harmless" provisions applicable to current Aid to Families with Dependent Children expenditure should be applied to the supplementation of the working poor and others under our Home Relief and Veterans' Assistance programs.

Further, I support the concept that Federal government should reimburse States and localities at the rate of 30% for supplementation payments as provided in the original version of HR-1 and as proposed in Amendment No. 559 (Ribicoff) now before the Senate Finance Committee.

In the meantime, pending final action on HR-1, I believe that immediate actions must be taken to modify the present "work incentive" feature for Aid to Families with Dependent Children cases in the Social Security Act under which Aid to Families with Dependent Children mothers who go to work are awarded \$30 per month plus  $\frac{1}{3}$  of the balance of their earnings to be disregarded in computing their needs. The intent of this incentive is laudable, but in practice this particular formula results in net income to these families far in excess of comparable self-supporting families living in the same areas. For example, a working Aid to Families with Dependent Children mother with only one child

in my County will have to earn at least \$7,200 a year before she is ineligible for public assistance. For a family of four this figure becomes \$9,000 annually, and neither of these amounts includes child day care which costs us an additional \$40 per week per child which is now the average cost of group day care in my County.

I believe the answer is to gradually reduce the " $\frac{1}{3}$ " as earnings increase.

I also wish to apprise your Honorable Committee that under HR-1 our counties and cities in the meantime will continue to be called upon to provide a wide range of social services to our needy citizens—in addition to the financial assistance which I am hopeful that the Federal government will eventually take over completely.

However, I am concerned over the change in the recent version of HR-1 which closes the present open-end appropriation of the Federal share of the cost of social services. It seems to me that not only should the present provisions for Federal aid to local social services be continued but also should be expanded to include social services not receiving Federal assistance at the present time.

Among these are the following:

Adoption services.

Children in foster homes.

Most children in institutions.

Services to unwed mothers.

Day care for children under child welfare.

Burial of indigent persons.

Among other social services being provided by us and which will continue to be administered by our County even if HR-1 is enacted are the following:

Child preventive services.

Child protective (abuse) services.

Children in Need of Supervision ("PINS").

Paternity petitions in family court.

Support petitions.

Uniform support of dependents petitions.

Group day care for children.

Family day care for children.

"In Home" day care for children.

Family planning services.

Locating deserting parents.

Withholding of rents in slum housing.

Emergency housing services.

Proprietary homes for aged.

Foster homes for aged.

Half-way houses for youth.

Financial resource service (estates—insurance—property).

Employment and vocational rehabilitation services

Work relief.

Community work and training programs.

Home economics and nutrition services.

Federal food stamp plan.

(This is subject to termination upon enactment of HR-1.)

Economic Opportunity Act projects for recipients.

Mass emergency services in natural disasters or war emergencies.

Operation of a public home and infirmary.

Field nurse service.

Pharmacist—prescription checking service.

Volunteer services.

In-service training and a number of ancillary services.

The above listing points up what few people are aware of—the very broad and comprehensive nature of our local social services and the need for adequate financial support. Also, this listing does not include our largest single program and the one which is increasing most rapidly in cost—the Medical Assistance Program for needy Persons, commonly known as "Medicaid."

Ten years ago (1961) we spent in my County about  $5\frac{1}{2}$  million dollars for all medical care for needy persons. whereas in 1971 our Medicaid expenditures were almost \$49 million—an increase of 800%. This coming year we anticipate that our Medicaid expenditures will amount to about \$55,700,000—ten times the amount spent in 1961.

Medicaid rates for hospitals and nursing homes are mandated (as are all Medicaid rates) by the New York State Health Department, and in just one year from 1970 to 1971 they increased between 25% and 30%.

These constantly increasing costs are now resulting in hospital Medicaid rates in my County running about \$100 a day per patient and Medicaid rates for nursing homes approaching, and a few exceeding, \$1,000 a month per resident. Only a few of our citizens are able to meet such high costs, for long and increasing numbers are winding up on our Medicaid rolls. This, in turn, places a continually greater burden on us at the local level and emphasizes once again the necessity for higher levels of government to take over more of these costs since they have available much broader tax bases.

That is why I am very much in favor of a National Health Insurance Program, along the lines proposed by President Nixon, to replace the present Medicaid program.

While this is a separate proposal for our subject today, it would include Family Assistance Plan recipients, and I feel constrained to mention it in order to point up the serious financial plight of our counties and cities which is becoming rapidly critical. The sooner this type of Health Insurance Program is adopted the better will our fiscal situation become, and with the hoped-for enactment of HR-1 as I have outlined above our local problems over welfare and Medicaid should be substantially eased.

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STATEMENT OF ELLIS P. MURPHY, DIRECTOR OF THE LOS ANGELES COUNTY DEPARTMENT OF PUBLIC SOCIAL SERVICES

Mr. Chairman and Members of the Committee, I am Ellis P. Murphy, Director of the Los Angeles County Department of Public Social Services.

First of all let me indicate I appreciate this opportunity to appear before you. I am here to give you a firsthand example of what the "Welfare Crisis" means to a large urban area. My testimony is to supplement material presented to you by the National Association of Counties and is designed to demonstrate why I believe the Federal takeover of welfare is imperative.

OVERVIEW OF LOS ANGELES COUNTY AND THE GENERAL IMPACT OF WELFARE

In putting the welfare situation in Los Angeles County into perspective, I must first point out certain key facts. First of all, Los Angeles County's population exceeds 7 million people and is the second largest metropolitan area in the United States—second only to New York. The county's population is projected to top 8 million by 1985. Los Angeles County accounts for more than  $\frac{1}{3}$  of the State's population, personal income, labor force, retail sales, automobile, bank debits and new construction. It also accounts for 40% of the State's welfare caseload—the balance being distributed among the remaining 57 counties.

The history of welfare caseload trends in this county has been one of skyrocketing, uncontrollable increases throughout the last decade. A comparison of the ten-year period of 1962 to 1972 shows that the population receiving public assistance has increased from 200,000 in 1962 to 900,000 in 1972—a 350% increase. During the same period, the total county population increased from 6 million to 7 million—an increase of only 17%.

In terms of budgeted expenditures for welfare in my county, total costs during the same period have increased from \$20 million to \$1.4 billion—a 600% increase.

Looking at the figure of 900,000 persons on welfare in Los Angeles in a slightly different manner, we find that this amounts to 1 out of every 8 of our citizens receiving public assistance. This welfare population of 900,000 persons in itself is larger than the total population of all but the 7 largest cities in the United States.

RESULTING IMPOSSIBLE FINANCIAL BURDEN PLACED ON THE COUNTY TAXPAYER FROM WELFARE GROWTH

The local share of welfare costs in California is financed from property taxes. In the last 10 years, the Los Angeles property tax levy for welfare has climbed from approximately \$50 million to over \$300 million—a 500% increase. Since



the property tax base is relatively stable as compared to welfare growth, the total county tax rate has mushroomed to twice what it was 10 years ago and has become so oppressive as to create the potential of forcing people to sell their homes.

In addition to mushrooming the total county property tax rate, the welfare share has expanded from approximately 15% to 40% of the total. This means welfare is taking money that would normally be spent on other critical county services such as health, law enforcement, fire protection, and environmental services.

We believe it is apparent that local governments are not equipped to finance welfare. We believe only the Federal Government has a tax base broad enough to finance this program. In recognition of this fact, the Board of Supervisors of Los Angeles County has repeatedly expressed its support of HR 1 and the ultimate objective of a complete Federal takeover of welfare programs and administration.

#### THERE IS LITTLE OR NO STATE AND LOCAL CONTROL OVER THE CURRENT WELFARE SYSTEM

Even with the tremendous financial burden placed on the state and local taxpayers as a result of the various welfare programs, state and local discretion over these expenditures must be considered as almost non-existent. For example, just this year in the State of California a law was passed to prevent what we consider a very serious loophole in the current welfare system. That is, with all of the various work expense allowances and bonuses to encourage recipients to work, a situation has been created whereby it is possible to obtain extremely high incomes and still remain eligible for welfare. It is entirely possible for welfare mothers to obtain jobs and to remain eligible and to receive cash welfare payments at the same time earning in excess of \$10,000 per year.

In an effort to begin to close this loophole last year, work expenses for transportation, the additional cost of meals and clothing were limited to \$50 per month. This also had the distinct advantage of providing a much simpler system to administer than the prior requirement involving detailed computations and thereby further saving taxpayer funds through reduced welfare staffing. Immediately upon implementation of this new requirement, it was tested in Courts. To date, all Court action has held that this requirement is not in conformity with Federal law and therefore cannot be enacted.

Numerous other similar examples could undoubtedly be cited across the nation. What we have therefore is a situation where state and local governments are expected to contribute massive portions of their total resources for a program they have no significant voice in. I believe this to be another key reason for Federal takeover of the welfare system.

#### DEVELOPMENT AND UTILIZATION OF HUMAN RESOURCES BEING WASTED UNDER THE CURRENT WELFARE SYSTEM

In my county alone, we estimate that there are 70,000 heads of current welfare families that are employable under the provisions now included in HR 1 (families with both parents at home and families headed by mothers with no children under 6). I am sure if you were to multiply our estimates across the nation, you would find literally hundreds of thousands of able-bodied people available to contribute to the productive resources of our country rather than being a burden as they now are.

I believe this point must be emphasized. Not only do we lose goods and services from not utilizing these people in the labor force, but we also are forced in the position of taking monies from productive members of society to provide their means of support. Also, I cannot pass this overall area without also mentioning the underlying social problem created by such a situation. What kind of life do the parents and children in welfare families have to look forward to in our current system where there is so limited a possibility of becoming a productive member of our society and building a better life for themselves?

Under HR 1 we believe this situation stands the potential of being immensely improved. These people would not be assigned to a "welfare" department, but would be concentrated within the Department of Labor. We believe this centralization and resulting visibility can only lead to much more effective approaches for making use of this now wasting resource.

**THE CURRENT WELFARE/SOCIAL SECURITY SYSTEM IS WASTING TAXPAYER FUNDS  
BY HAVING TWO BUREAUCRACIES TO HANDLE THE SAME PEOPLE**

For example, in Los Angeles County we have over 100,000 aged people receiving welfare payments. About 80% of these people also receive social security payments. We have, in effect, a system where two separate organizations are paying the same people. HR 1 would consolidate these staffs and payments, thereby eliminating much current duplication and save taxpayers monies.

**ONE SUGGESTED CHANGE IN EXISTING LEGISLATION**

Recognizing that any legislation of this magnitude cannot meet all peoples needs and therefore must consist of many compromises, and in light of the numerous other testimony presented including that of the National Association of Counties, I take this opportunity to suggest only one change.

Absent fathers are now responsible for more than 80 percent of the families on welfare. It is my position that maximum financial support be obtained for children from their absent parents. I believe the current legislation should be strengthened in this respect. Specifically, I recommend :

The legislation be modified to place responsibility for child support activities with a law enforcement agency. Current responsibility is now divided between local welfare departments and district attorneys.

The non-support of children by an able absent parent should be made a Federal offense. Our experience with the various current local laws indicates that much strengthening is necessary and that one firm way of accomplishing this is through Federal law.

The current legislative proposal should be strengthened to provide penalties for any recipient who refuses to cooperate with law enforcement agencies in the enforcement of child support from absent fathers. The current legislation does not contain such provisions and various recent Court actions point to a significant weakening of existing local provisions in this area.

Thank you for the opportunity to share my thoughts with you.

COOK COUNTY DEPARTMENT OF PUBLIC AID,  
Chicago, Ill., February 14, 1972.

*To the Honorable Chairman and Members of the U.S. Senate Committee on Finance:*

GENTLEMEN : I should like to submit for your consideration the attached comments with regards to proposed H.R. 1.

These comments are in addition to those which I joined in presenting as a witness for the National Association of Counties on January 26, 1972 when we appeared personally before the Committee on Finance.

Respectfully yours,

DAVID L. DANIEL, *Director.*

**STATEMENT OF DAVID L. DANIEL DIRECTOR, COOK COUNTY DEPARTMENT  
OF PUBLIC AID**

**1. DEFINITION OF UNEMPLOYED FATHER FOR AFDC**

The provisions which reduce the number of hours a father can work from 35 per week to 100 per month significantly limit the number of families with inadequate income who will be able to qualify for AFDC, and will have the affect of increasing the number of families with marginal and sub-marginal income who will have to depend on General Assistance.

Instead of providing increased financial support to the states, this would have the affect of creating an additional burden on those states with General Assistance programs, and creating a hardship for those families in states where no such programs exist. It is conceivable that this provision will not only encourage desertion on the part of fathers whose earnings will not be sufficient to meet the needs of their families, and also a disincentive to many who might otherwise look for and accept part-time employment.

It is my opinion that it would be cheaper in the long run to increase, rather than reduce the number of hours which a father may be able to work and still qualify for AFDC under the "unemployment test."

## 2. ELIGIBILITY BASED ON CURRENT NEED RATHER THAN ON INCOME EARNED IN PRIOR QUARTERS

A public assistance program in which eligibility is based on earnings in prior quarters is unrealistic. This provision might be considered realistic if families could predict their future circumstances. A family's standard of living is based on its level of income, and not in anticipation of what income it will have in the future. As a consequence, when and if an emergency strikes, the resources which the family may have had are not always available for current needs. This practice is not peculiar to the poor.

If this provision is applied as outlined under H.R. 1, the states and local governments can expect a need for an increase in appropriation in funds to meet the needs of persons who will no longer be able to qualify for federal benefits.

## 3. EXPAND THE PUBLIC SERVICE EMPLOYMENT PROVISIONS

These provisions should be expanded to cover the General Assistance recipient as well as potential recipients in the household of public assistance families. It is in the General Assistance programs where we find the large numbers of unemployed employable persons, and to exclude them from the benefits of this provision is to ignore one of the most critical needs of the states.

## 4. SOCIAL SERVICES

The ceiling on federal matchability for mandated social services should either be removed altogether, or raised significantly. The availability of services for those who can benefit from them is essential to any successful effort to return families to a self-support status. It requires more than money to achieve this objective.

## 5. ELIMINATION OF THE CATEGORIES

The current system by which the needs of people are met through categorical programs is artificial, arbitrary, and wasteful. The only eligibility requirement should be need. This does not mean that it would be easier to receive assistance, since it would still be incumbent upon each person to prove that he has the means by which he could achieve a solution to his own problem. This would in no way minimize the importance of cooperation. The present system is too time consuming. Too much time is spent on trying to determine a proper category with too little time left for services. No money is saved by the categorical method, since the person is eventually placed on one program or another so that his needs can be met.

## 6. SINGLE PERSONS AND CHILDLESS COUPLES

These people are currently excluded unless they are unfortunate enough to be blind, disabled, or aged. Although many of those who cannot meet the above requirements are as severely deprived as those with the physical handicaps. It does not seem equitable to categorically deny a citizen assistance that he needs merely because the origin of his need differs from that of another citizen notwithstanding the similarity in the severity of the circumstances. Such needy persons are eligible for General Assistance only and courts have taken note of and frowned upon the differential treatment accorded them.

## 7. PAYMENT LEVELS

The present payment levels tend to favor those states where the present payment levels are low. Unless some provisions can be developed whereby those states which are of necessity providing higher standards, are given some special consideration, it is expected that the fiscal obligations which they will have to undertake to provide supplementation benefits will be prohibitive.

## 8. UNEMPLOYMENT COMPENSATION BENEFITS

Every effort should be made to avoid duplication of effort by more than one agency. For this reason, I would recommend that for individuals who qualify for unemployment benefits, the minimum payment standard be equal to that of public assistance, so that such persons or families would not have to be referred to public assistance for supplementation of the unemployment benefits.

This would mean that the Department of Labor would retain the sole responsibility for such an individual so long as he remains eligible for unemployment benefits or until he finds a job.

At present there is too much shifting of families from one agency to another, and no one wants to accept responsibility for the person's failure to achieve self-support. Frequently agencies work at cross-purposes, and the client becomes the victim.

#### 9. EMERGENCY PROVISIONS

The present emergency provisions are much too limited to be of any significant help in the urban community where emergencies are commonplace. Duplicate rents are frequently needed because of fires. It is not infrequent that cash is stolen and families are left without any resources with which to manage. To advance funds and deduct in subsequent months circumstances such as these will be of little assistance. This is a necessary expense, and either the federal government will have to assist, or the states will have to undertake the burden alone.

It is conceivable that in many areas this may not be a significant problem.

Senator BENNETT. The bells are going to ring in about 1 minute over on the Senate floor.

The CHAIRMAN. Is Mrs. Bruce Benson here?

Mrs. Benson, we will be voting in just a few minutes. We will be back. We think we can be back here by 11 o'clock, so suppose we stand in recess until 11 o'clock and we will hear you at that time.

(Recess.)

The CHAIRMAN. The hearing will resume.

Mrs. Benson, please?

Mrs. Benson, more of our Senators wanted to be here but Senator Byrd is in executive session in the Armed Services Committee marking up a bill, and Senator Talmadge is at another committee meeting. They sent their apologies that they couldn't be here. In any event, we will make your statement available to all Senators.

#### **STATEMENT OF LUCY WILSON BENSON, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, ACCOMPANIED BY LEONARD LESSER, CONSULTANT; JACK T. CONWAY, PRESIDENT, COMMON CAUSE; AND JACK MOSKOWITZ, CONSULTANT**

Mrs. BENSON. Thank you very much, Mr. Chairman.

I would like to introduce to you Mr. Conway, on my right, who is going to testify for Common Cause, and, on my left, Leonard Lesser, and on the far right Jack Moskowitz, who are our consultants.

First, I would like to submit for the official record a statement of joint endorsement by Common Cause and the League of Women Voters for Senate Abraham Ribicoff's amendment 559 to H.R. 1. To date, the following organizations and individuals have officially subscribed to that statement: American Jewish Committee, Anti-Defamation League of B'nai B'rith, B'nai B'rith Women, United Auto Workers and Norman Lourie, representing Governor Milton Shapp of Pennsylvania.

These endorsements represent general support of the Ribicoff proposal. The endorsers are not limited in any way to the points made in the statement; most will add their own views for the record.

Second, I will present a summary of the League's recommendations to this committee and the reasons for them. The full text of the

League's position has already been submitted for the official hearing record. Supporting documents and memoranda from State leagues will be submitted prior to the February 18 deadline.

Mr. Chairman, the phrase, "the welfare mess" has been repeated so often and by so many people, including national leaders, that many believe it is the poor people themselves who are the mess. That is not true. The day-to-day hardships and downright deprivation experienced by poor people, the misconceptions and lies affecting people who receive assistance or who need assistance, the actual shortage of decent paying jobs, the myth that anyone can earn a decent living if only that person were willing to work, and the injustices and inequities of the present welfare system—these factors constitute the mess, not people who are in need.

League members agree that one way to begin clearing up the mess is to reform the welfare system and increase opportunities so that people can help themselves. The kind of welfare program we will endorse needs to be an income-opportunity program. That means it must include:

A Federal system of minimum income grants for individuals and families for whom there is no other way to secure a decent living and determination of benefits on current need, as under present law;

Federal supplementary grants for the working poor;

Federal standards and safeguards for individual rights;

Realistic job training, jobs paying the Federal minimum wage, child care that is more than custodial, et cetera, and

Financing in keeping with the national wealth including Federal and State guarantees against benefit cutbacks.

We realize that programs of this scope cost a lot of money. We also know that while the dollar cost of welfare reform can be predicted with a degree of accuracy, the social costs of no action, or of token action and token funding, cannot be measured accurately and their consequences may be irreversible.

We are convinced that adoption into law of the Ribicoff amendment as title IV of H.R. 1 would alleviate many of the inadequacies and injustices of the present welfare system.

We know it would be a boost upward to people in the approximately 14 million households receiving money income of less than \$3,999.

We urge the Senate Finance Committee, therefore, to adopt the Ribicoff amendment and to report H.R. 1, thus amended, to the Senate promptly. We find the Ribicoff amendment superior to H.R. 1 as passed by the House last June for the following major reasons:

The league knows, as you know, that \$2,400 annual support is not enough for a family of four. Senator Ribicoff proposes \$3,000 as a minimum floor, beginning in 1973. Members of the committee and league members know that \$3,000 is not enough for decent living. This amount, however, coupled with supplementation for the working poor and other provisions in amendment 559 would be a real step forward for millions of Americans.

The Ribicoff proposal has the further advantage over H.R. 1 in that it extends income grants to individuals and childless couples; it requires annual adjustments in the minimum payment so that the official poverty level would be reached by 1976, and it requires adjustment for cost-of-living changes.

The league supports increasing the initial minimum grant to \$3,000 even though that increase would mean increasing the cost and the number of people assisted. We are aware of the recent HEW estimates predicting greater cost and coverage for H.R. 1 and amendment 559 than were estimated earlier—a jump, in fact, to a projected 40.3 million recipients under the Ribicoff proposal in fiscal 1973 rather than the 30 million estimated earlier. There is a false impression that all recipients would receive either \$3,000 or a full supplement of earnings to the breakeven level for the working poor. Supplements for many recipients, however, would be small.

We urge the higher minimum in the full realization that it would mean a significant increase in the average tax burden for four-member households with earnings in excess of \$15,000. On the other hand, the tax burden for four-member households at the \$6,000 income level would be greatly reduced and the burden would remain about the same in the \$10,000 to \$15,000 income brackets.

The Ribicoff amendment also protects individuals against benefit cuts and we support this requirement in amendment 559 that States maintain benefits to protect individuals against cuts under current State programs.

We also support requirements for 30-percent Federal matching incentive funds and Federal assumption of the total cost of cash assistance grants over a 5-year period.

If the States are to be held harmless against any increased costs above those of calendar year 1971, under standards applicable in that year, then people should be held harmless against any reductions. Fiscal relief to States can be a legitimate means of protecting our poorest citizens against being the first victims of State fiscal problems; but alone, fiscal relief does not constitute welfare reform and we do not accept it as a substitute.

The League does not quarrel with the requirement in H.R. 1 and amendment 559 that family members declared available for employment must register for manpower services, training and employment. Such registration could serve to develop more accurate information about how many people are really employable and what kinds of training programs and support services people need. However, we object strenuously to administrative practices which would turn the registration requirements into another bureaucratic harassment of poor people, or into a device for withholding benefits until registration can be completed, or into a tool for reducing rolls.

In the area of work requirements, provisions of amendment 559 are superior to those in H.R. 1, we think, in several respects:

(1) H.R. 1 would establish a double wage standard. The minimum wage for people required to take private jobs would be three-quarters of the Federal minimum wage, but the minimum for new public service jobs would be the full Federal minimum. Such a double standard would promote an image of certain jobs being welfare jobs and would further stigmatize working people who are receiving public assistance.

We support amendment 559 because it requires full Federal minimum for any job to which welfare recipients would be referred.

Amendment 559 also exempts mothers from the requirement to work if suitable child care is not available or is too remote.

There are indications that work requirements are unnecessary and disproportionately costly in relation to results. There is much evidence that it has been impossible to provide the jobs, training or child care facilities for those in AFDC programs who want to work.

An analysis of New York State's new work requirement program in Monroe County—Rochester area—for the months of July through October 1971, indicates that the "administrative expenses of \$82,474 a month have far outweighed the savings of \$44,690 due to case closings," and that a smaller percent of people were moved into employment at this higher cost.

In addition to the impracticality and the high cost of administering work requirements, there is an element of forced work in the whole idea which league members disapprove strongly. We believe it more realistic and far preferable to spend money to create new training programs, additional public service jobs and child care services, and to back up those programs with genuine work incentives than to institute any program that would force people to work.

Your committee made it clear in its hearings last year and in its special committee studies this year that the work incentives in H.R. 1 are unrealistic and counterproductive. The Ribicoff proposal to increase the income disregard to 40 percent of earnings beyond the first \$720 is an improvement. And since the problem is complex, we endorse the Ribicoff requirement for tests by the Department of Health, Education, and Welfare of various earnings-disregard formulas.

The league's concern about child care programs in relation to a new welfare system is a part of its commitment to equal educational opportunity for all people.

We support the legislative requirement in amendment 559 that child care standards for services to public assistance recipients "shall be no less comprehensive than the Federal interagency day care requirements."

Our members are deeply disturbed about the potential for violation and invasion of individual rights and harassment of applicants implicit in H.R. 1. The Ribicoff amendment corrects the major defects in H.R. 1 as to hearing and appeal rights of claimants.

The Ribicoff amendment, however, does not correct the administrative maze of H.R. 1. At a minimum, the league urges a positive legislative guarantee that people will not be shuffled back and forth between offices in the multiheaded welfare structure proposed in H.R. 1 and amendment 559.

Having presented to the committee the league's major reasons for seeking welfare reform and for advocating adoption of amendment 559, I want to stress another aspect of this whole problem. League members find it grossly misleading to promote the idea that so-called workfare can be a substitute for welfare. It sounds good; it is politically popular; but the fact is that most welfare recipients cannot be taken off welfare rolls and put to work.

We cannot put to work the aged, blind, and disabled, those who are too young or are incapable of work for physical and mental reasons, and those who are responsible for the care of very young children cannot work. That leaves about 126,000 able-bodied males, many of whom are now in training programs, about 75,000 mothers who could

work if suitable child care were available and about 125,000 more who might work after extensive rehabilitative and training services.

That would still leave at least 13.5 million people who need major cash assistance. Need is need and cannot be shunted aside and we do not believe the Nation should be duped into thinking work is the total answer. Indeed, no amount of false packaging around a welfare reform program will deceive either the poor or those of us who place high priority on meeting the needs of America's disadvantaged people.

The Senate Finance Committee has purview of Federal tax, social security, and public assistance programs. It therefore has great responsibility which carries with it unique opportunity for leadership; and leadership is what the league asks of this committee—leadership that rises above rhetoric about the necessity for hard work in the face of millions who work steadily but earn little and in the face of high involuntary unemployment; leadership that will support enactment of a welfare program providing a decent basic income for people who cannot work or who cannot earn enough to insure adequate food, shelter, and clothing for themselves and their children.

We believe that inaction now would be unconscionable. Action to adopt new programs and to fund them inadequately would be a cruel hoax.

Poor people, on or off welfare, desperately need a new national system which meets low-income and low-opportunity problems. Our country cannot afford not to afford it. The high cost of pennypinching the poor is becoming higher and more obvious today.

The league, together with other organizations and citizens across the Nation, is working hard to build constituent support for landmark welfare reform. We urge the Senate Finance Committee to accept amendment 559 and to report H.R. 1 thus amended to the Senate.

Thank you.

The CHAIRMAN. Mrs. Benson, we have an estimate from the Department and are having it carefully checked. The estimate is that that amendment in full operation would increase the cost to the Government \$42 billion. We are already \$38 billion in the red this year; that would give us—if we had it in effect now, for example—that would give us then a combined deficit of \$80 billion.

Now, the Government revenue is what, about \$200 billion; that means we would have to increase taxes by about 40 percent over and above what people in this country are now paying to pay the present deficit, to balance our budget, and to put ourselves in a sound fiscal position to sustain that kind of program. Even if we are only just paying for what you are talking about here, do you think that the people of this country would support another \$42 billion of taxes on top of what they are already paying?

Mrs. BENSON. Well, I think that if you told the people why you were doing this and why you thought it was necessary, I think they would support it.

But as to those figures, we all know it is possible to prove almost anything with figures. I would like Mr. Lesser to comment on how those figures were arrived at.

Mr. LESSER. If I may, Mr. Chairman, first, I think, as you said, they were talking, even on the department's figures they were talking about a \$40 billion cost in 1976.



The CHAIRMAN. That is when it is in full operation. There is no point in voting for something that is going to be in effect 2 or 3 years from now if I don't plan for it to go into effect.

Mr. LESSER. But let me make one other point. In computing the numbers of people—I haven't seen the figures; I would like to know, for example—they assume that the benefit under the Ribicoff amendment will go up, as they will, to the poverty level by 1976; but what assumptions do they make as to raising wages? After all, the people who are going to be benefited are people who are working but whose incomes are inadequate. If wages go up then the numbers of people who will benefit will be less than if you assume a static wage level but a rising benefit.

These are some of the things I have not seen in the department's figures.

If you assume wages are going up, then I don't think the numbers will be the 72 million that the department indicated, at least from what I saw in the newspaper report; and so I think it is terribly important to examine that.

There is no doubt, Mr. Chairman, that welfare will cost, if welfare has to do the job and make up for all of the inadequacies of all of the other programs. If wages are too low, and after all, 40 percent of the people who are below the poverty level are in families where the head works full time. Now if wages are too low—if we raise wages this would reduce the number. If we found jobs for the people who want to work, this would reduce the number and again the costs of the welfare system—

The CHAIRMAN. Well, now, let me just ask about one other thing that concerns me.

Here is a situation with which I am familiar. The man was making about \$200 a month; he had his own little home which was very inadequate by modern standards. We certainly don't like it but that was certainly as good as his mother and father had in their days. It didn't have inside plumbing, didn't have running water, and you would regard that as being in the poverty area. You and I can agree that that \$200 a month would not be adequate for that large family he had, the wife having about one child a year—they had 10 of them and seemed to be on that production schedule—so it seemed to me and it seemed to others that there ought to be some help available for this fellow.

Now, in the labor market, in Louisiana, that is about the best that fellow could hope to make with what little education, and the little motivation he had.

Now, when he discovered that he couldn't obtain any cash payments after a while that fellow figured out that he could simply separate from his family and they would be eligible for the welfare money and, between what they would draw in cash benefits plus food stamps, they would have more income than they would have by him working. So they separate for a while until the family is on welfare and after a while he goes back and lives under the same roof with the family.

Now they are enjoying more income than they were enjoying while the man was working. His alcoholic consumption has increased tremendously, by the way, so they can enjoy a major liquor bill along with the benefits that are being provided for the family and that fellow hasn't hit a lick of work since that time and I doubt that he will.

Now, this program would double that family income for not working. How are we going to get that fellow to ever go back to work?

Now, the National Welfare Rights Organization will come here and in the kind of job this man can qualify say, "I am not going to work any longer." "Hurrah, I am not going to wash any more windows. Hurrah, I am not going to cut anybody's lawn. Hurrah!"

So whatever that man was able to do, was qualified for, is something that he shouldn't be asked to do. We will be told that is slave labor to ask him to do that; but we are going to be asked to pay him a very liberal amount.

Under this amendment you are supporting, how much money are we going to pay for him?

Mr. MOSCOWITZ. Jack Moscowitz. I am on the staff of Common Cause.

On the initial situation that you described, Mr. Chairman, under both H.R. 1 and the amendment proposed by Senator Ribicoff, the man that would be working and earning \$200 a month with this large family would not, if this bill were passed—either one of these bills were passed—there would be no reason for him to leave the family because he then would be eligible because as a working poor he would then be covered; he would then be eligible for benefits.

The CHAIRMAN. Hold on for just a moment, now. How much would 12 people get under what you are asking me to vote for?

I am not talking about H.R. 1. I am talking about the Ribicoff amendment. How much would 12 people get?

Mr. MOSCOWITZ. I would have to sit down and make a computation. Are you talking including his \$200 a month earnings?

The CHAIRMAN. No; I am not talking about what he is earning. How much can he get without hitting a lick under what you are asking me to vote for?

Mr. MOSCOWITZ. I will have to make a computation.

Mrs. BENSON. Let's make a calculation and answer the question.

The CHAIRMAN. I am asking you to figure out how much he would get. He quit his job because he can make more on welfare than he can make working, and enjoy a very bountiful liquor allowance along with it.

Mrs. BENSON. Of course, if he were working—

The CHAIRMAN. How much would he get if the Ribicoff amendment is in full effect?

Mrs. BENSON. If he were working full time, Senator—

The CHAIRMAN. I don't mean working. Let's assume for the sake of argument that you can't find him a job with sufficient dignity, let's go along with the National Welfare Rights Organization and say the job is not dignified and he should not be required to take it, how much would—

Senator RIBICOFF. If the Senator would yield, you are talking about the National Welfare Rights Organization, they are attacking me, that is not my bill so don't try to mix up the National Welfare Rights Organization proposal with my proposal, Mr. Chairman. I have no objection to people working. As a matter of fact, I want them to work. We have got two different things going here. We have got one group of people on welfare, and we have got one other group of people who are working

poor, who are working but not earning enough, to take them out of poverty.

The CHAIRMAN. All right. As of now the man has no job and you are telling me we have lots of people unemployed for whom we cannot find jobs. Let's presume the man registers but we don't have a job for him, the job is not available. He registers but we don't have a job to give him. Now how much would the family get, 12 people?

Mr. LESSER. Twelve people?

The CHAIRMAN. Full effect.

Mr. LESSER. Well, I was up to 10, but a family of 12 people would get \$5,800.

The CHAIRMAN. All right. Well, he gets \$5,800.

Mr. LESSER. If my calculation is correct \$1,000 for each of the first two members of the family, \$500 per year for each of the next three, \$400 for each of the next two, plus \$300 for each additional.

The CHAIRMAN. All right. That is twice as much income as the man has ever had in his life. You can't get him to go to work because welfare is more attractive than work is the way it is now. When this bill pays him twice as much, how are you ever going to get him to go to work at all?

Mr. LESSER. Because, Senator, if he works he will be able to keep—in other words, the problem now has been that if an individual works and the wage is low it serves to reduce welfare benefits so he gets the same thing whether he works or not and, therefore, people say that he won't work.

Under Senator Ribicoff's amendment if that individual works he will be able to keep \$720 of his earnings plus 40 percent of the amounts he earns above \$720, and the amendment provides for a study as to whether higher work incentives might not be feasible.

But just on that, if he earned \$2,000 he would keep \$720 plus—he would keep about \$1,200 of that \$2,000.

The CHAIRMAN. Look, I know the man we are talking about, I can't get him to do anything on the side myself. The man is not interested in working the way it is now, if he can draw the amount of money that he is presently drawing on welfare, with low benefits.

How do you propose to get him to work when he is drawing twice as much?

He is just not that much motivated to work.

Mr. LESSER. Yes, but Senator Ribicoff's amendment would also deny him a benefit if he refuses to accept a job.

The CHAIRMAN. How much would he lose. The family is getting \$5,800 prior to the time you could make a job available to him.

Mr. LESSER. If he refuses the job, as I recall the amendment, he would lose \$1,000 which is the amount of benefit that would be payable with respect to him.

The CHAIRMAN. A thousand dollars.

Mr. LESSER. That is right.

The CHAIRMAN. Or does he lose just the last one place in the family.

Mr. LESSER. No, he loses—

The CHAIRMAN. All right, so he then has got \$4,800.

Now with that amount of money he can live twice as well as he has ever lived working for a living in his life. He can sit there and stay intoxicated every day, day in and day out, which he seems to enjoy more

than he does working. Why would he want to take a job. You can't get that man to take a job when he has \$2400 income for not working.

Mr. CONWAY. It seems to me, Senator, if you center on this one individual that you know in Louisiana, and don't recognize that the problem is a national problem, and that we are talking about a substantial number of people, it is the system that has its difficulty.

The CHAIRMAN. I am going to get to the rest of it.

Mr. CONWAY. All right.

The CHAIRMAN. So that is point No. 1. You can't get that man to work and there are a lot of others like him.

Let's take point No. 2.

Mrs. BENSON. Senator, could I just make a comment on that man you can't get to work no matter what you do? There are a few people whom you can't get to work no matter what you do, but they are a small minority. All the exploration and study we have done and all of the HEW studies and statistics indicate that most people want to work. There are some of course, who won't.

The CHAIRMAN. Most people don't want to work if they can make just as much money for nothing. Generally speaking, they want to work because they need the income.

Let's take a second case. In the ghetto units today the families are just not forming. This is one of the sociological problems; are you people aware of that?

Mr. CONWAY. Yes; because the present system disintegrates the family and it provides for the destruction of the family and we are opposed to that.

The CHAIRMAN. All right. The way it stands right now, let's say a family is able to get \$4,000 for being on the welfare.

Senator BENNETT. May I suggest under the Ribicoff amendment a family of four would get \$3,900 after what is it, 3 years?

Senator RIBICOFF. 1976.

Senator BENNETT. Seventy-six, that is 4 years, so it is pretty close to \$4,000.

The CHAIRMAN. It is well known in these ghettos today that if a man simply declines to marry the woman, the Government will support his wife and the children and he can live right there in the house with them. Are you aware of that? He just avoids marriage and he can live right there in the house with them, and as long as he says that he is not giving any of his earnings to those children or to that mother of those children, they can get the full welfare benefit. Are you aware of that?

Mrs. BENSON. That is another reason why we need good eligibility standards.

The CHAIRMAN. Well now, hold on a minute. In what respect would that amendment you are supporting change that? Because as long as he doesn't marry mama, then they can draw the full welfare payment, and what is there in this bill here or that Ribicoff amendment that would change that?

Mr. LESSER. Well, there is nothing—you know, Senator, I don't quite know what you do, you have, in other words, if he—a finding has to be made, and you have to have some reliance on administration, and under the Ribicoff amendment as under H.R. 1, there would be

Federal administration, rather than some of the State administration that has not proved too satisfactory.

If he has an income and if that income is demonstrated, it is taken to account in determining—

The CHAIRMAN. Let's just get this straight. Under your amendment and the way I understand this H.R. 1, the same thing is true there, and under the Ribicoff amendment the same thing would be true. So long as this man avoids making a mistake of marriage, the Government will support all of those children of his plus the mother of those children at a comfortable living. He can come around and live with them when he wants to and share the same roof with them if he wants to and won't even be charged rent.

Mr. LESSER. Not if the income is taken into account in determining the needs of these people, Senator.

The CHAIRMAN. Well, I want to know if you want to strike down the HEW regulation, their regulation which tells our own State agency if a man is living right there in that house and admits those are his children so long as he denies he is giving them money.

Mr. LESSER. So long as he is not—

The CHAIRMAN. They get the full amount of the welfare and that is just par for the course.

Mr. LESSER. I think, if he in fact is not, as I understand it, giving income, not a question of what he says, but what are the facts, if, in fact, his income does not contribute to the support of the children, then it is not taken into account.

The alternative, Senator—let me finish.

The CHAIRMAN. Yes.

Mr. LESSER. The alternative is, if the income in fact is not—if nobody gives the children money it is for the children to starve; right?

The CHAIRMAN. Let us just get down to facts there. We had a man-in-the-house rule that presumed that that father's income was available to that family, whether he was paying them or not. We had a Supreme Court decision that struck that down and said that you can't assume that any of this income is available to those children.

Mr. LESSER. If in fact he is not.

The CHAIRMAN. No; that you can't assume any of it unless you can prove it.

Mr. LESSER. All right.

The CHAIRMAN. All right. Now, at that point mama and papa get more money by denying that papa is paying anything to the children than they do by admitting it. The only people who have possession of the facts of whether he is paying something to support his own children are the father and the mother and it is to both their advantage to deny it. So they are not going to tell you that he is paying any money to support those children because it reduces their family income if they do. Why should they admit something that is against their interest?

Mr. LESSER. Well, I suppose you can say why should anybody, why should any of us, when we pay our income tax admit anything against our interest. Some people, you know everybody, we all make admissions on everything we do, some of which are against our interests but we do it because it may be the truth.

The CHAIRMAN. As it stands today in the ghettos it is just not the thing to do. It is well recognized and understood you are a fool to

admit you are paying anything to support your children because it reduces their family income if they do and, therefore, you don't admit it. Now are you people aware of that? That is what is happening in this country.

Mrs. BENSON. That is always possible. The same kind of thing is always possible by people who cheat on their income taxes, Senator; but not everybody who lives in a ghetto is out to get something for nothing, not everybody doesn't want to work.

It seems to me you have chosen two examples of the most negative type possible and that there are loads of people who would like to work, who would like to be on their own and like to be self-sufficient who don't want to be on welfare and who do want to work. We read stories about them. There was one in the New York Times of a young woman, a mother of several children, with an aged mother living with her. Suddenly they had their house or apartment burned out and everything they had with it, and the story of the administrative redtape back and forth and back and forth as they tried to get help with her employer, a department retail store, helping her on the side was simply extraordinary. Here was somebody who didn't want to be on welfare.

The CHAIRMAN. Do you know where your program is most unpopular? It is with the people who live right next to those welfare clients. For example, I live out in the rural area, which I do, and observe my neighbors who quit their jobs to go on the welfare. When other people who have less income than I live right next door and find they are paying money to provide a higher standard of living to people who are on welfare than they are able to enjoy themselves even though they are working for their money, they resent it to the soul of them. They don't want to pay money for people who prefer not to work and for people who are legally drawing large amounts of money by avoiding the burdens of marriage, and by denying that they are supporting their children because it is to their cash advantage to do so. That is what they regard as the welfare mess, and this program that you are advocating would double the income of those people. Now that is what people find wrong with the program now.

How do you think they are going to regard it when we double the income of those people who ought to be contributing to the support of their own children?

Mrs. BENSON. I think we have to do a large-scale education job, Senator, with all of those people who are not in the categories you describe, with many mothers, many individuals who still do not earn enough to live on, not the ones who are trying to shirk work and trying to get out of this and trying to pull the wool over somebody's eyes.

The CHAIRMAN. All right. Now labor people come in here and say they don't want us to ask anybody to take a job now, just pay him the whole thing, and give Uncle Sam a break on this thing and don't give the taxpayers a break by asking this guy to take a job that pays less than the minimum wage. Are you in support of that position also?

Mr. CONWAY. Yes.

The CHAIRMAN. All right. So here we have got to support the whole thing, and here all we are asking somebody to do is just be a watchman, just sit there, just sit and watch people come in and out of a door, but

in view of the fact that it doesn't pay the minimum wage you are in favor of that man drawing 100 percent of his income off the backs of the taxpayers because we can't pay him a minimum wage for doing virtually nothing.

Mr. CONWAY. Well, I don't know your neighbors, Senator, and I think that the people I know in this country are concerned about the fact that we have a welfare system in effect which has negative incentives, and what we are trying to do is to support the efforts of President Nixon and other Members of the Senate and the Congress who feel the time has come to change the welfare system, and to bring something into its place which works and provides positive incentives, and will change the conditions under which people are living in this country.

We are at a crossroads, sir, and this kind of discussion I find offensive.

The CHAIRMAN. Well, so do I. I find it just as offensive and you are not supporting President Nixon when you advocate that the man not take a job. He is firmly on record saying the fellow ought to take just any job so when you say he shouldn't take a job because it doesn't pay the minimum wage you are not supporting him.

Mr. CONWAY. I don't think he said just any job.

The CHAIRMAN. Yes, he said any job. Any job, he hasn't advocated that he go to work peddling dope, I understand that.

Mr. CONWAY. All right.

The CHAIRMAN. He ought to take any lawful job available to him. And you are testifying and saying that he is in favor of the man turning the job down, he shouldn't be required to take it.

Mr. CONWAY. We have 6-percent unemployment in the country now, and there are a lot of people who are not registered as unemployed because they have been unemployed so long they are off the rolls.

Now, if this country is going to be confronted with a situation in which we load all of the economic difficulties that we are currently experiencing on the very poor, then it is tragic, and I think we ought to get around to the point where we can have an intelligent discussion about a new system of handling the problems of poor people in this country.

The CHAIRMAN. Well, let's understand so far as I am concerned, for these people who are not willing to take a job, and you are in favor of them not taking a job—

Mr. CONWAY. No; I am not.

The CHAIRMAN. You just got through saying that.

Mr. CONWAY. I am not in favor of people not taking a job. I am in favor of having jobs for people to take.

The CHAIRMAN. You just got through saying if you have a job a person is capable of doing though it fails to pay the minimum wage that it may be you don't think the man ought to be required to take that job as a condition of drawing his welfare money.

Senator BENNETT. Mr. Chairman, it is not just taking the job and paying the minimum wage. Even if he takes the job and it doesn't pay a living wage you still have got the same problem. It seems to me we are still stuck on the problem of those who don't want to work. Lots of people don't live where they can get jobs, where there are jobs or they are not qualified to take the job, even the lowest kind of job.

The CHAIRMAN. Well now, let me just say this to you.

Senator BENNETT. Except your next door neighbor.

The CHAIRMAN. As far as I am concerned—

Senator BENNETT. But they are different people.

The CHAIRMAN (continuing). I would be willing to vote for the taxes to pay the expense of more jobs to put people to work doing something constructive. But I would not vote to let one person continue living on the taxpayers without working. As far as I am concerned, I just challenge you to take me on for the U.S. Senate when I run in a couple of years from now, when I run on that issue, because you won't find many people to vote for you or what you are supporting when you are supporting a program of people declining to work and living on taxpayers very comfortably. Nor will the voters support a program where a man can decline to marry the mother of his children and decline to give one nickel to his children and live on the welfare program at the same time. That is the kind of program people are against.

When you ask what they think welfare reform ought to be, they will just say: There is a job, take it, go to work and if you are still not making enough money. I think they would be willing to pay something more as a wage supplement to poor people who are working.

But as far as continuing to subsidize illegitimacy, continuing to encourage people not to marry the woman who is the mother of their children, encouraging people to have their children out of wedlock, and continue to encourage husbands to deny who their own children are, that kind of thing would still be in your program and that is the kind of thing that my people think we ought to eliminate.

Mr. CONWAY. You make it very difficult, Senator, for people to come before this committee and testify on behalf of the ideas they feel are important for the country to consider.

What you are describing are the abuses of the present system that all of us are opposed to, and what we are trying to do is to try to get this committee and the Congress of the United States to develop something to take its place. And we think that when President Nixon proposed a family assistance plan, it may have deficiencies, it may have parts that you don't agree with and we don't agree with, but what we feel is that that ought to get a fair shake and the Congress of the United States ought to address itself to the problem of developing a new system that will meet the problems of the poor people in this country and, at the same time, sir, develop the kind of economic conditions where jobs are possible for people to take, and I think if we face things positively instead of going around negatively all the time and indicting all of the poor people of this country because of some one, two or five people that you know, I think it is tragic.

The CHAIRMAN. Well, let me just say to you that I am citing to you what the problem is and I am asking you how would it be any different case for case, how would it be any different under what you are advocating and under the existing so-called welfare mess?

Mr. CONWAY. If you create a condition in this country a system of support for poor people who need support, and are entitled to it, with rules and regulations that are fair, and then parallel that with a set of programs which are designed to create jobs for people so that it is possible for fathers and mothers and elder children, whatever,



to be able to work and to support the family, and to reward this, then it seems to me we are moving in the right direction. But until we get ourselves in the frame of mind where we can consider these kinds of proposals it seems to me we are just worsening an already bad situation, and we have had 2-years delay now and unfortunately the President has proposed another year's delay, and during that period of time people are suffering. Their benefits are being cut, the States and the counties, and we heard them here earlier, are suffering severe financial burdens and we don't seem to be able to get beyond the five or six examples which are the worst horror cases you can drag up before the country, and I think we ought to get off the negative and get around to the point where we can consider developing a system which will eliminate the present difficulties.

We all agree there are bad conditions in the present system and it should be replaced with something that is better and that is what the Congress of the United States it seems to me is obligated to consider and I hope you get at that task.

You promised that you will do that and that these hearings are designed to achieve that, and it seems to me the sooner you get a bill reported out so that the Senate can act on it the better off the country is going to be.

Senator BENNETT. Mr. Chairman, I turn back to pages 6 and 7 of Mrs. Benson's testimony in which she takes a rather strong position against any kind of work program which has any teeth in it. She talks about welfare jobs to which she is opposed, she says that the minimum of all public service jobs must be the minimum wage. At the bottom of page 6 she says.

An analysis of New York State's new work requirement program in Monroe County for the months of July through October 1971 indicates that the additional administrative expenses of \$82,474 a month have far outweighed the savings of \$44,690 due to case closings.

I have sat here and listened to the discussion and it seems to me the implication of her discussion is that there should be no attempt on the part of the Federal Government to set up the kind of work that could be provided for people who cannot earn the minimum wage even though that were later supplemented, that this becomes forced work, that there should be no attempt to, made to, say to people on welfare "We expect you to go to work." This is part of the problem that the chairman faces.

There is not only no incentive but if I get the implication of your testimony, you don't believe the Federal Government should ask people to go to work.

Mrs. BENSON. No; if I gave that impression, Senator, I apologize. That was not the impression we wanted to give.

What we were trying to say is we don't think there ought to be different classifications of jobs, one kind or type of jobs that paid the minimum wage and another that paid less than the minimum wage, because that automatically tends to classify those working. Jobs that would receive a Federal minimum wage would be good jobs; those paid less than the minimum would be classified as bad jobs or poor people's jobs or welfare jobs. We think this is a very bad thing in a country which is dedicated to the importance of the individual and to establish-

ing and maintaining a free society. It is a question of treating people the same.

Senator BENNETT. One of the things that has created our unemployment problem, and this is hard to say but it is true, is the constantly rising level of Federal minimum wage. Every time you raise it you price a few more people out of the market, and I think given the present situation, we would be far better off to begin to get these people back in the market at a level of less than the minimum wage and supplement their wages than say we will not allow anybody to go to work who don't receive from his employer the Federal minimum wage.

Mrs. BENSON. But, Senator, the problem is some of those people then would be doing exactly the same job and being paid, let's say, a dollar fifty an hour or a dollar an hour, and other people would be doing precisely the same job and being paid the Federal minimum wage.

Senator BENNETT. Isn't that true in all American society? Aren't there people who are grocery clerks making more money than other grocery clerks? Aren't there stenographers that are making more money than other stenographers?

Mr. CONWAY. Not on jobs covered by the minimum wage, sir.

Mrs. BENSON. Making more but at least they are making a minimum wage.

Mr. CONWAY. The minimum wage is still the law.

Senator BENNETT. There are a lot of agricultural jobs that are exempt from the minimum wage.

Mr. CONWAY. These are jobs exempt from the minimum wage.

Senator BENNETT. That is the pattern. You are attempting too force into the system a single pattern, and we think you can't begin to rectify this problem without having a chance to start from a lower base and give these people jobs on which they can earn their way.

Mr. CONWAY. In the agricultural sector there is now a minimum wage. It is lower than the general minimum wage but it progressively moves up over a span of time. We assume that would apply in the agricultural sector.

You see, it seems to me, that the whole concept that the minimum wage is a frightening thing is really an amazing thing to me. This is something that has been practiced in this country for decades now and systematically the Congress looks at the minimum wage and adjusts it according to the increases in costs of living and other factors that have changed occasionally. It extends coverage to jobs not previously covered by the law.

All we are saying in effect is you shouldn't have welfare people forced to work on jobs covered by the minimum wage at some rate less than the minimum wage.

Senator BENNETT. Well, do you care whether they, if they get the minimum wage, whether it is part wages and part Federal supplement? You insist they have the minimum wage before there can be any Federal supplement.

Mr. CONWAY. If you are going to supplement the employer who doesn't pay the minimum wage it is a different question, and then you have got a whole equity problem that is involved.

Senator BENNETT. We are talking about public service jobs.

Mr. CONWAY. Public service jobs if it is a combination of sources of income it might be something that is worth looking at. If the community, the township or the county, can afford it and you are going to supplement the fund that would pay the individual who is working on a public service jobs, this is the concept, it seems to me, that is implicit in the legislation that has just been passed last year. So that I can't see that we should get insurmountable problems in trying to work out a new approach to this thing if we get at the system and try to develop something and then deal with the fallout aspects of it, as specific problems.

I think it is the approach that is important, and if we don't get away from the breakdown of the existing system, and the problems that are existing under it, we will never get around to developing something to take its place.

Senator BENNETT. Well, the President has based his new approach on what he calls workfare or emphasis on work and our problem is to try to develop a system which will maintain or provide incentives to people to work without bankrupting the system, and it is not an easy job, and we are going to have to bend some of these concepts in order to make it work.

I just want to add one story to Senator Long's stories, this one I enjoyed very much. A very pleasant man, a young man, very wonderful personality, working at a part-time job, it was a repetitive job, it was part-time but whenever it came up he had it, and Mrs. Bennett and I met him one day and his face was beaming. He said "I have got a new son born yesterday." "Well," we said, "that is fine and we congratulate you and your wife." "Oh, she isn't my wife. We can't afford to get married."

Now that is the other half.

Mr. CONWAY. That is the present system.

Senator BENNETT. Under the present system.

Mr. CONWAY. Which we propose changing.

Senator BENNETT. How do you change it so long as it is possible for people to do better?

Mr. CONWAY. By not driving the man out of the house, by not making it, by not giving an incentive for breaking up the family. It seems to me—

The CHAIRMAN. Take the same case, let's just look at that a second. Let's assume he is working, and he is making the minimum wage which you would like to have him make. All right now, if he doesn't marry that woman and if he doesn't provide support for that family, the Government is going to do it.

Now if he marries her, and assumes the obligation of supporting his child, then they don't get the money. So that—

Mr. CONWAY. That is wrong, isn't it?

The CHAIRMAN. Well, strictly in terms of economics, our system is built on the theory that you ought to try to structure it so that is to a person's cash advantage to do what society wants him to do, and you ought to assume that is what he is going to do. That is the whole assumption of the capitalistic system.

Now, that is the way I understand Adam Smith's philosophy. He ought to make money doing what you want him to do rather than

doing what you don't want him to do. So that when you provide this basically, I wonder, under this amendment, how much would that woman and child get if she had—if there was no father available, and you were not in position to look for that fellow to support them. How much would they get for two, \$4,000 for four, but how much for two under that amendment?

Mr. LESSER. They would get \$2,000.

The CHAIRMAN. Well, so they get the \$2,000.

Mr. LESSER. But, Senator, if that man or father married, there would be an additional payment.

The CHAIRMAN. No; there would not be because he has a job. If they married, you would then have to attribute his income to the income of the wife and child. As long as he remains single from the woman, there is no problem. They get the \$2,000.

Mr. LESSER. And the alternative you are proposing really is to keep benefits insufferably low for all people because some people may abuse the system. That doesn't seem to be the answer.

The CHAIRMAN. Well, let me suggest what I would do for the working poor. I would simply say that when you are starting a new program to make more people eligible to draw cash payments from the Government, if you want a program for the working poor, I would require that they would be exactly that, working, as well as poor. If you don't have a job, you won't qualify for the program. Of course, I would assume the burden of providing jobs. I would rather pay a man \$2,400 to do something, than to pay him \$2,400 to do nothing.

If you are going to make me pay with my tax money, I would want him doing something rather than nothing.

Mr. LESSER. What would you do if they can't work?

The CHAIRMAN. If they can't work, I would be willing to pay for them. Incidentally, even before Abraham Ribicoff came to join us in the Senate, he was over in the House that time, I led the charge on the Senate side to make payment to the disabled just as you do for the aged and was happy to pay taxes to do that.

But when you are talking about able-bodied people, if we head down this road where we are going to pay them a living wage for not working, you are going to have a lot of trouble getting a lot of poorly motivated to ever go back to work.

Mrs. BENSON. If we don't do something about the mess of the present systems, all the systems, we now have, we are going to perpetuate this generation after generation, because the children of these poorly motivated people you are talking about are going to end up being just as poorly motivated as their parents and grandparents.

It seems to us, Senator, the problem, as you know, is a multifaceted problem. It is a question of the person who needs the job being in the place to get the job, of being able to do the job, of there being training programs to train him to be able to do those jobs. All of these things need to work together.

The young man that Senator Bennett spoke of, he had a part-time job which presumably was not enough to support his family were he married.

Senator BENNETT. I think his job would probably pay him \$2,000 a year. It was, as I say, it was a recurring job. Every time a certain situation occurred, he went to work.

Mrs. BENSON. But with the proper kind of guidance and job training, he might end up having a full-time job. He would be prevented from getting married just because he has a part-time job and can get more out of welfare if the incentive system were set up correctly.

Senator BENNETT. I think the story is just as true if he had a full-time job. He was just smart enough to realize that he and his children, the mother of his children and the children, would get along better, would get more money, if he did not marry her, and she was apparently agreeable to it because that last baby was new when he talked to us.

Mr. CONWAY. I am just—

Senator BENNETT. I think we probably should figure out a way to bring this to a close.

The CHAIRMAN. Senator Ribicoff.

Senator RIBICOFF. I alternate between being encouraged and discouraged when I listen to all the colloquy around this table. One day I think my fellow committeemen are on the right road, and the next day I lose all hope.

Yesterday we had Governor Ogilvie of Illinois, a Republican, who is philosophically conservative, and I asked him the question, he has some 900,000 people on welfare in Illinois, 950,000, 940,000, how many people did he think were guilty of fraud of one type or another. Well, he said the outside limit would be 5 percent. His welfare director pointed out, out of the 5 percent would be some mistakes and inefficiency, and the procedures were wrong but even looking at the worst 5 percent.

Now basically, I think, the examples that you have been bombarded with from both the distinguished chairman and the distinguished ranking minority member are part of that 5 percent.

Now, as I understand it, you don't condone fraud. You don't condone cheating. What you are trying to say to the committee and the American people, if there is fraud close those loopholes or let's eliminate fraud, but we are trying to design a system for the 95 percent of the people who are guilty of no fraud and we are trying to be constructive with those 95 percent of the people. So let's not condemn 95 percent of the people and hedge this system around so that it will be unworkable because you are trying to get 5 percent of the people who do work, and you are punishing 95 percent of the people who are innocent of any wrongdoing.

Now, the hypocrisy of the use of the word "workfare" is when you have got 6 percent of the people in this country are unemployed, you have 5 million people unemployed, skilled, Ph. D.'s, engineers, men of education and experience who can't find a job, any kind of a job. Now suddenly you are trying to force people uneducated, unskilled, inexperienced and give them the cash because there is no work for them whatsoever; I can't conceive that the American people are going to paint themselves as being so inhumane.

Now, politically, it is the popular political thing to lash everybody on welfare, to call them all cheaters and no good and there is no question that is where the votes are. But that isn't where responsibility lies, and I think this is where we are going to have to face in the Senate of the United States, I don't know whether we will face it in the Finance Committee, and I don't know whether the Senate of

the United States will face up to it, to try to determine are you going to design a welfare program.

Now, 2,400,000 farmers, agricultural workers, farmers of one sort or another, are receiving a subsidy. It is costing the Federal Government some \$7.5 billion. I don't see one Senator around this table who is so concerned with all those people who aren't farmers who would vote against these subsidy programs and say that is wrong. I think we should try to save these people—both farmers and nonfarmers. But we pay \$7.5 billion for 2,400,000.

Now it is very obvious that the problem we have in America is that at least 14 million people are unable to work. These are not the loafers and the bums, and this is what I have been trying to get through in this committee. These are not the people who won't work. Other poor people are working, at the most menial, the lowest types of jobs that nobody wants, they are working as hard as they can, and they are bringing home \$1,500, \$2,000 a year and, we are saying "What we want to do is bring these people up to the poverty line." Now I am still trying to get figures that were floated here the other day from HEW and they say they are running them through the computers and won't have them until Thursday. The figures are high, but I want to point out that 51 million of those people are people who work. These aren't people on welfare, because the traditional welfare population stays static.

Under the present program, under H.R. 1 and under my program, we are talking about people who are working for a living, and some may not earn the poverty level, they might be getting \$100, \$200, or \$250 because you have an objective to take people out of poverty.

I have never heard a President of the United States, whoever he is, saying that he wants people to remain in poverty. They are all for removing people out of poverty, and we are saying let's do it.

Now the hypocrisy and the dishonesty of HEW in giving these truncated figures is that they think that the American people, the Senate, are so stupid that their figure of \$2,400 they are talking about in 1973 will still prevail in 1977. I don't have the gall to come before the American people and say that our cost of living, inflation isn't going up. I am trying to look ahead to 1977, and taking the statistics and the figures and recognizing that what is worth \$3,000 in 1971 or 1972 is only, you know you are going to need \$3,900 in 1977, so I am saying to this committee, let's stop fooling ourselves or the American people and be honest. HEW is being dishonest when they think they are going to hold a figure of \$2,400 for a period of 5 years, and a person who can live on \$2,400 with a family of four today is still 5 years from now, 1977, going to keep body and soul together in 1977. It just can't be done. It just can't be done.

And to me what is fascinating is this: The President calls for non-partisanship, he calls for bipartisanship, the President calls, he expects the Democrats to coordinate and cooperate.

I am saying right publicly to the President of the United States if he is interested in welfare he has got the duty and the obligation to go to work on the Republican members of the Finance Committee and the Republican Members of the Senate, not just the Democrats. I don't see where there has been much help here from the Republican Members of the Senate, Republican members of the Finance Committee,

and let President Nixon bring them down to the White House and talk to them.

If President Nixon means to do something about welfare, if he means to do something about the family assistance program, let the President of the United States go to the country on that. He was effective last night when he talked on Vietnam. Let him go on national television and tell the people what the basic problems are. He wants to celebrate 1976 that we are 200 years since the founding of this country. I know of no greater objective by 1976 than to remove everybody from poverty in this country in 1976. If the President wants a goal, that is a goal; that that is the same challenge of every man who is running on the Democratic ticket for the presidency of the United States.

I think it is time for somebody to get angry about people who aren't cheating, who are working their heads off and not living as well as those 5 percent who are cheating. I will join with Senator Long in closing up every loophole that he can think of to catch the cheaters and those who are defrauding the Government. All I am saying to Senator Long is let's give me a hand and give the American people a hand for those people who through no fault of their own who can't make it.

Senator HANSEN. Mr. Chairman, let me suggest, as one of the lowest ranking minority members of this committee, that the distinguished Senator and my very good friend from Connecticut might be interested in knowing that I have been down to the White House and I think it is also true that every Republican member of this Finance Committee has been down there and the President has spoken to us just as you have suggested that he might.

I have been down there several times and I still oppose this bill because at this point in time I happen to think that this Finance Committee, having sat here day after day, week after week, month after month, understands the ramifications of this so-called welfare reform bill just a little bit better—and I say with all due deference to his high office and the great guy he is—than understood by the President of the United States.

I happen to be a former Governor of Wyoming who found a minimum wage bill not without merit. I recommended in 1963 that we increase the minimum wage in the State of Wyoming and, as a result partially, I hope, because of my appeal to the State legislature, we did increase it.

Later on when I became a Member of the U.S. Senate, a member of this committee, I heard Patrick Moynihan, a person with whom I do not always agree, say that if you are concerned about poor people, if you want to extend the opportunity for those who have never enjoyed and known the satisfactions of working for something, if you want to give them the opportunity to go to work, don't raise the minimum wage. This is from Pat Moynihan, and I think he has pretty good logic for making that point.

His contention is that those people with few merchantable skills have to start someplace. If you can start them someplace then, he says, a good many of them, once having found that it is not so difficult to hold a job as they might have suspected, when they learn how, as some do not now know, even how to read a clock to tell time, if they can

start out someplace, they will move up the economic ladder and they will be part of the mainstream of America and we have seen this happen.

I don't want any more than you do not want to see anyone depressed in this country. But I recognize at the same time that it is not quite as simple as some would have use believe that it is, that all we have got to do to eliminate poverty, as Milton Friedman once rather facetiously observed, is give them money. It is really not quite that simple because somebody has to make the money that goes into the taxes to make it possible to give somebody else some money, and it is at that point that H.R. 1 disturbs me. It is at that point that I think we have got to understand that there are all kinds of incentives and disincentives working, and if you make it possible for a person to enjoy the standard of living that results from having received \$3,900 at this level without doing anything you will build in a disincentive for a person alongside him, the neighbor, to think, have second thoughts about, how smart a man he may be if he is working full time, working hard and asking for no help from anyone.

If you bring that sort of situation into being then there will be a disincentive for the person who has been working hard that will encourage him to believe "I am not quite as smart as I thought I might have been."

Now you spoke about, you are Mr. Lesser, are you?

Mr. LESSER. Lesser.

Senator HANSEN. You spoke about the probability that as wages increased there would be fewer people on welfare. I think precisely the exact opposite is what this bill contemplates, and for this reason: If you talk about a poverty line, and I have heard no one speak against that. From the backgrounds that I assume some of you have here today, is it your thought that the poverty line should be kept fixed despite what happens to wages and prices and everything else.

Mr. LESSER. No, each year the bill—

Senator HANSEN. All right. If it moves up instead of fewer people being on welfare, if you have a minimum wage and require that everyone who employs anybody has to pay that minimum wage, then I just wish that you might have had the experience I have had and that the members of this committee have had, in recognizing what happens in this country.

We have had a number of important people, heads, chairman of the board, presidents of multinational corporations, talk about the difficulty of trying to compete, trying to compete with Japan, with West Germany, with Taiwan, with Hong Kong, anybody. The facts are that the more we impose lower limits upon industry requiring that they pay not less than that amount, by that same amount we encourage the exportation of American jobs. We had better give some serious consideration to the problem of how we are going to keep people working in this country, because we have seen industry in this country go out of business.

Last year I am told there were lost to American workers 100,000 textile jobs by virtue of the amount of material that was imported into the United States. Is that important to all of us? Of course it is.

But it is doubly important to the poor people. Those people who could qualify for that kind of job, and a big percentage of them have been blacks. This has been an area that has been open to employment for



some of the minority groups because the job requires little training and they could do the job.

And what happens? If we raised that minimum wage up, as has been recommended now, we are going to cut off another layer, and we are going to send over to Japan and to other parts of the world more American jobs.

These are some of the things that I am worried about. I am trying as best I can to work out, along with the chairman and the other members of this committee. I have the greatest respect for my colleagues on this committee, and I certainly do have great respect for the very distinguished former Secretary of HEW. I think Senator Ribicoff probably has as great an in-depth understanding of these very intricate problems as anyone I know. I know, too, that he would not do one thing that he didn't think was in the best interests of this country. He and I just don't happen to agree on what some of these proposals will do.

But I would hope that no one believes that the President is guilty of any double-talk. That he is trying to sell one bill of goods to the American voter this year and another one to some of the Democratic members of this committee. That would be the same sort of double-talk that Hanoi was engaged in and that the President spoke about last night.

I know that is not a fact because I have been down to the White House, I have talked with Robert Finch, I have talked with Elliott Richardson, not once but several times. I am going to support anything I can that I have reason to believe will expand the opportunities for people to go to work, that will give them the satisfaction of knowing what it means to earn their money, and be able to look their wife and their little children in face and say: "Maybe you are not living as well as we hoped, but we are paying for it, your mother and I." I think this is a great satisfaction and I think it is the sort of thing that is needed today if we are going to turn this situation around and give the kind of encouragement that I believe poor people, unemployed people in this country need.

Let me close by saying one final thing: I am in favor of, just as the chairman is, of helping poor people, and disabled people and blind people. He and I both would like to pay them more, and we think they could be paid more. We hoped they could live better. I am fully aware of what inflation has done in eroding away their purchasing power.

But we can't help those people, and we can't encourage many people who are already largely overtaxed, in my judgment, if we assume the added responsibility of practically doubling the number of people who will be eligible for some portion of welfare assistance.

Senator RIBICOFF. Mr. Chairman, I have some questions I wanted to ask.

Mr. Conway, for a considerable period of time you were involved in the poverty program?

Mr. CONWAY. That is correct. I was its original Community Action Director and I was Deputy Director of OEO.

Senator RIBICOFF. Today in the Federal budget there are some 168 poverty programs at the overall cost of some \$31 billion.

From your experience in the poverty program, do you think each and every one of those 168 programs takes people off poverty?

Mr. CONWAY. No; I don't think all of them do. I think some of them help to. I have worked very closely, as you know, Senator, with a number of community organizations in the few years immediately preceding my coming to Common Cause, and I found that invariably whenever there was an opportunity for people to go to work that is what they wanted to do; and most of the Labor Department-sponsored programs which were directed at improving skills and creating jobs within the community were welcomed.

The difficulty, frankly, Senator, is that as soon as the economy, generally, gets in difficulty all of the efforts to get people onto jobs where they can advance and so on are jeopardized. The whole National Alliance of Business program of job training and finding jobs for poor people is immediately jeopardized when the general level of employment is affected by adverse economic conditions.

The Senator has put his finger on a very critical problem in this country when he talks about multinational corporations. What is happening to our country and so to our economy is that we are exporting our capital through these multinational corporations and we are exporting our technology and what is left behind are unemployed people and communities which are made destitute by decisions to close down factories because the jobs are, in effect, being displaced.

That creates a condition where it is very difficult for the kinds of programs that have been devised in the last few years to succeed, the conditions under which they work are not too good.

Senator RIBICOFF. I recognize that and when we get through with the welfare program and the subcommittee the chairman has appointed me on, International Trade, we will have some hearings on multinational corporations, but I want to go into—more deeply into why I raise this point with you.

Let's be realistic. With the budget deficits being as they are, these are all costly programs?

Mr. CONWAY. Sure.

Senator RIBICOFF. H.R. 1 and the Ribicoff proposals—you don't tell the Senate and the American people this is not going to cost a lot of money; this wouldn't be telling the truth. They are costing a lot of money. I believe from an evaluation from my experience in various phases of government I am convinced in every phase of government there are programs that cost a lot of money that are giving nothing in return or very little in return.

So we talk about priorities. To me it isn't just a priority between defense spending and domestic spending; I think we have got an obligation to look at the priorities in the domestic spending field.

What I am trying to find out—I can't get it out of HEW—we have asked over 6 months ago—are there programs in their 168 list which aren't achieving their objectives when they were passed and which are still being funded that we could collapse and take that money and use it for these programs?

Mr. CONWAY. I am sure that is the case.

Senator RIBICOFF. All right. Now, let me ask you, from your experience, you have been in every phase of it and I have the highest respect for every one of you at this table; I know all of you and I know how dedicated you are. You are practical; you are idealistic; you have had a lot of experience. Where can we find out?

Unfortunately in this great Government of ours, and Congress has been deficient in not having our own type of agency for evaluation, we keep on spending all this money without ever finding out how it works. We depend on the executive branch. Where can we find out about whether some of these programs work or not, because my feeling is that it wouldn't be too difficult to find \$5 or \$6 billion out of that \$31 billion that could be much better spent and get much greater results and take people out of poverty, either through H.R. 1 or the Ribicoff amendments, than are being spent now supposedly for poverty and not taking people off of poverty.

Where do we find that, Mr. Conway?

Mr. CONWAY. Well, under the present set of conditions you don't find it.

Senator RIBICOFF. You don't find it?

Mr. CONWAY. The Congress doesn't seem to be in a position to be able to carry on this kind of evaluation, as I say, and the Federal Government does very, very little itself.

The commission that was appointed to go into the whole question of technology and employment a number of years ago—three or four—came up with a very positive suggestion that what was needed in this country was the development of some kind of a system of social accounts.

Senator RIBICOFF. That's right.

Mr. CONWAY. Where you could measure the pluses and minuses of what we do, and there ought to be some yardstick where you can evaluate whether a program is working, whether its objectives are being met, whether it is contributing to the general good; and I think if we could develop that kind of a system of social accounts where we could evaluate what we are doing, we ought to be able to do a lot fewer things and we ought to be able to do a lot better things as a result of this kind of an approach.

But I think, really, in a sense, Senator, this is what I was really calling for earlier. I think we are at the point now where we know things are not working very well in this country. There are lots of things that are wrong. Now, that doesn't mean that the whole system should be thrown out the window. What we have to do is take a good solid look at why things are not working right and try to figure out better ways of accomplishing the objectives that everybody generally agrees on. And this is why I was so encouraged when President Nixon went on television and spoke to the Nation and suggested that the time had come to look at this whole question of welfare and to substitute a new system of family assistance and to recognize there should be an underpinning.

Once you agree to what that underpinning is, and we can argue about the levels and so on, once you agree to that it changes the dynamics and then everything you begin to do or look at is in the light of how it contributes to this system of getting people off the supports that they are on and onto some kind of a productivity.

There are people who live by their wits in any part of our country, in my small town or big city or any neighborhood and there are always going to be people who live by their wits.

Senator RIBICOFF. In every phase of the social-economic group from the lowest to the highest.

Mr. CONWAY. That is right, to every phase. So, as you say, it is the 95 percent who really want to do what makes sense and they want a sense of dignity and participation in the overall society and they want to raise their families and they want to live in decent conditions. These are the people who have to be helped if they are not able to function.

And I am deeply concerned about the fact that what we are doing now is loading on the backs of the poor people of this country the problems of the Nation. Because it is very easy to slip from employment these days to unemployment and after you have exhausted your unemployment insurance to go off and into another category, and the next category really is welfare, and then you go through a whole series of downgrades and degradations and we are put down by our system the way it operates now; and it just seems to me we have got to turn the thing around and look at the other side of the coin and begin to see what we can do in this country to create jobs, decent jobs, give the incentives for people to go to work, eliminate the conditions in all of the communities that pull people down rather than lift them up and to try to get ourselves on a different set of standards.

I have no truck for old programs just because they were passed under Kennedy's administration or Johnson's administration or anything like that.

Senator RIBICOFF. How do we get rid of them?

Mr. CONWAY. You get rid of them, it seems to me, by trying to develop something which is on target and then say fold all these other things into that program.

Senator RIBICOFF. Let me ask you now—you may be unhappy with this question—you know when this bill first came up it was my suggestion that we ought to pilot it; we ought to have some pilot programs, and Secretary Richardson and the President threw up their hands in horror; and the tragedy of it is at that stage this committee was practically unanimous for that.

Senator Williams, who led the fight in 1970 against this, would have gone for a pilot program and I think the chairman would, and Senator Bennett and Senator Talmadge, Senator Hansen—because—

The CHAIRMAN. Senator, if I might interrupt you, we not only would have gone for it but we voted to report it out.

Senator RIBICOFF. You see what we had here was not to come in and say this is an easy problem; this is a very tough thing we are asking the American people to do.

Mr. CONWAY. Very difficult.

Senator RIBICOFF. And I realize the complexities. When you consider they pushed it ahead to July 1, 1973, it is an unalloyed tragedy because I remember talking to Senator Williams. We had many private conversations and he said to me, "Abe," he says, "if they will do it on the pilot basis I will give them a blank check. Whatever they want, let's get enough pilots of the program to see how it works."

Well, I told the Secretary then and I think Senator Long—I don't know; I can't talk for Senator Bennett and Senator Williams; they are making a grave mistake because by this time we are seeing how this would work.

Now, this program is slated to go into effect July 1, 1973. As a former Governor, as a Secretary of HEW, and a Senator, to go tell the American people this is going to be an easy program, I just

wouldn't be truthful; it is going to be very hard to work this family assistance out.

Suppose we had this program go into effect 6 months later, January 1, 1974, and we told Secretary Richardson, "Now, you have got a year and a half. Go out in this country. This is a very complicated business. We will give you a lot of money to pilot this family assistance program out and let's see how it works. Come back here. You have plenty of time. Let's give it a chance to see how it works."

Do you quail at that suggestion?

Mr. CONWAY. Well, the only concern I have, Senator, is that the problem has worsened all the time.

Senator RIBICOFF. I know it has.

Mr. CONWAY. Two years ago, President Nixon's proposal, 2 years have elapsed and if you add another year and another year they deteriorate at a rapid rate and I think the deterioration that is going on now is very serious.

Senator RIBICOFF. You see, but what is worrying me—

Mr. CONWAY. I might say, incidentally, Senator, when I was in OEO we did do a pilot family assistance.

Senator RIBICOFF. What is that?

Mr. CONWAY. We did a pilot on family assistance.

Senator RIBICOFF. That was in New Jersey?

Mr. CONWAY. In New Jersey.

Senator RIBICOFF. I don't think all the figures are in yet.

Mr. CONWAY. Some of the figures are in and although I have not read it in detail, it is quite positive and there is some experience on what the effect of that approach is.

Mrs. BENSON. Senator, I would like to answer for our part on your proposition as to whether we could possibly, at this stage, have pilot programs. I really think that while one could have some pilot programs in the meanwhile or simultaneously, something constructive and positive and upgrading has got to be done right now about the situation in which the 95 percent that you were speaking of are in such great need. To postpone it even further would not be acceptable. In fact we don't even think it should be postponed until 1973.

Senator RIBICOFF. No; no; I don't think there is much question on the welfare part; there are going to be corrections there is a realization in many of the categories. I think there probably will be unanimity in the committee on many of the categories that we have in the welfare part, but what is sticking in a lot of people's craws is the family assistance program.

As I talk to my fellow members here, I don't question any of their sincerity; they look at the problems differently from myself. But I think the thought that another 14 million or it goes up to 77, whether it is 50 million, this is something that shakes them to their very teeth and I think much of the uncertainty is not knowing just how this is going to work and, of course, it is going to be much more difficult to even have it work with our high rate of unemployment which doubles the tragedy.

It doubles the tragedy because in order for this to work you would really have to have a Nation pretty much on employment to have this effective; and you are going to have to find jobs for people. And it has become very obvious to me with the great tragedy we have that

as long as you have got experienced people, educated people out of work, the employer is not going to hire an inexperienced, undereducated person who doesn't have work experience.

Now, I am trying to figure out in my own mind how to be constructive in this; how do we work this out to try to get programs that are going to work, because there are a lot of thoughts.

The chairman—you know, I mean he was awfully rough on you but I don't think that his bite is as bad as his bark, really, because I have had enough conversations to know in many ways he is concerned about——

Every once in a while he confuses the people who are on welfare and not working, and I know he wants to help the people who are working; but then he drifts over from the welfare people who are unemployable and he takes it out on the people who are working and not making enough and I know he wants to help those kinds of people.

So what I am trying to figure out is how do we become constructive on this without going into another blind program where we don't know where we are coming out on.

Mr. CONWAY. Well, I think anytime you put a work program into the welfare system you have to deal with the other side of that coin, which are the jobs.

Senator RIBICOFF. That's right.

Mr. CONWAY. And, really, it is a travesty to pass a law which says, in effect, you have got to do certain things in order to qualify and if you don't you are not eligible; and the main qualification is that a person work and if there are no jobs for the person to work on then the system breaks down before you even get started.

Senator RIBICOFF. That's right. In other words, if you have 5 million people unemployed and you don't have public service jobs, to say, now, "You go register and get a job," is just another one of the great frustrations and runarounds that we continuously impose upon the American people and it would be another cruel hoax and I don't think that we should impose any more hoaxes on the American people or any people.

Mr. CONWAY. Well, my father was a skilled master plumber in the city of Detroit and we lived through 7 years of the most devastating depression in my family and we were on welfare; we ate surplus foods. Finally he was successful in getting a WPA job and it took 5 years for him to be able to get our family straightened out as far as his ability to support it.

Now, those were conditions that were common to lots of people in the great depression during those years and we forget the fact, most of us who are associated now with relatively easy existences we forget that the same kind of conditions actually surround the lives of poor people now and they have to be looked at with the same compassion, it seems to me, as we looked at the problems of a very substantial portion of the population during the great depression; and we can't impose our conditions and our standards on a group of people who are beaten and down.

We have got to figure out how we can get them under conditions where they can change their life style and that takes a lot of work. It isn't simple, I agree with you, Senator, but the sooner we get at it the

better because this society of ours is sick; and unless we get it healthy again our problems are going to get worse.

The CHAIRMAN. I have asked the staff to give you a chart that I put in the record a while back showing the family status as provided to us by the Department of Health, Education, and Welfare, of the fathers of these children and the family categories.\*

Here is part of the problem, as I see it. If you look down that column under "Absent from Home," look at that number, not married to mother 454,800, which, in terms of percentage, is 27.9 percent of our family caseload.

Now, it would seem to me that where that father is capable of supporting that family or even making a major contribution, somebody—the Government—should pay to provide that mother with a lawyer and if the father will not voluntarily do the right thing by his own children, then litigation should be instituted to have him declared to be the father and to order him to support those children.

Now, so far as I am able to determine, very little is being done about that. But, in all cases where the father has adequate income that he could support that family, it would seem to me that that family should not be on the welfare rolls. That is not classified as fraud by anybody so far as I know; but there is 27.9, roughly 28 percent of the overall caseload where it would appear to me to be a better answer to require that father to make a contribution before you put the family on the welfare rolls or at least while you have them on welfare than you would merely to have the Government pick up the whole tab.

What is your reaction to that, Mrs. Benson?

Mrs. BENSON. If the whole of the 28 percent were capable of holding down a job, which we don't know, of course; if there were jobs for that 28 percent or there were jobs for which they could be trained to take, that is another factor in it. We don't know either of those things.

It seems highly unlikely, considering all of the things, that they would either be able to hold down jobs or to be trained for jobs in many cases, partly because of the high rate of unemployment we already have.

I don't know or, rather, I should put it this way: I don't think the problem of deserting fathers, illegitimacy—which is not confined to poor people in this country—should be made a condition of solving this overall problem of the 95 percent we are talking about of people who are in real need.

It is not necessarily going to be a productive thing, it seems to me, to set up a system, which will undoubtedly be very costly, to track down deserting fathers, bring them back home, if once you brought them back home they could not contribute to the support of the children anyway.

The CHAIRMAN. We are not talking about deserting fathers here; we are talking about the situation where the father is not married to the mother. It would seem to me that in those situations everything that can be done should be done even if it costs us as much to do it as it would if we paid a guaranteed income. As a matter of social and economic justice; it is not quite fair.

Mrs. BENSON. Of course, there are quite a lot of women I imagine who have children and would not care to be married to that father—

\*See p. 824.

The CHAIRMAN. I am not trying to make them marry; I am just saying—

Mrs. BENSON (continuing). To get him to support them.

The CHAIRMAN (continuing). To contribute something. It seems to me it is not fair.

Mrs. BENSON. Senator Long, if you track down all fathers of illegitimate children, whether the mothers of those children are on welfare or not, or poor or not, and make them all support all of those fatherless children; or if you track down all absent-from-home-fathers—including all of those children where the father is in South Vietnam and every other place we have ever had troops: then maybe we would have something; but I don't think it is fair to take the problem of nonsupporting fathers, deserting fathers, or illegitimate children and attach it to only this particular problem of poor people. The number of illegitimate children who have American fathers in the world would be extraordinary, I would say; just for the past 10 years it would be extraordinary.

The CHAIRMAN. Would you take a look at page 18?

Senator RIBICOFF. Before you leave that, Mr. Chairman, I wonder if I could ask a question along that line?

The CHAIRMAN. Yes.

Senator RIBICOFF. I would say earlier in my career I was a judge and one of the hardest things to prove is a bastardy action. I mean that is a very tough action to prove.

But it is one thing, if you are trying to get a father who is not married to the mother in a small town, in Louisiana or Connecticut, you know, people know each other; but now take the great bulk of the welfare people are in New York City or Los Angeles, Chicago and Detroit—that would be a pretty tough thing to track down, wouldn't it, from your experience in the social welfare field, Mr. Lesser?

Mr. LESSER. Yes, and there are provisions in current law, you know, for attempting to determine paternity and to secure support.

The CHAIRMAN. The courts overruled that by saying that the requirement of prompt payment bypassed that requirement and that, therefore, because you have to make a prompt payment you cannot investigate.

Mr. LESSER. Well, you can still determine; the courts did not outlaw it. They outlawed denial of benefits to people until you can go through a process, a court process, that may take several years and you can still institute the process and if you can determine paternity and establish support through the courts under State law you can then require support.

Mrs. BENSON. I do think, Senator Long, the point ought to be made despite the quite legitimate desire to have people support those people they are supposed to support, and also not to have such a high rate of illegitimacy as we have, regardless of whether people are poor or not, it seems, I think, not excusable to have the children born out of wedlock and their mother who is left with the responsibility for raising them suffer because they were illegitimate to begin with or because the fathers have deserted, or what have you.

I think it is putting the onus or the burden in the wrong place. How you take care of that particular problem is very difficult. It is



a lot more widespread and, you know, a lot bigger problem if you are looking at it from the point of view of supporting children or illegitimacy than just from the point of view of the poor people.

The CHAIRMAN. If you look at that chart to which I referred, you will notice that there is a column in that chart to be in a speckled column, salt and pepper type thing—that is where the big increase has been occurring and that is where most of the problem is. It is in that area where the father is absent from the home.

Now, the biggest part of that is illegitimacy.

Now, it would seem to me that we made an oversight ourselves in not making it to the mother's advantage to seek and obtain support legally, support for the children from the father.

I did not realize that oversight was in the law but it is there and we will correct it with this bill.

In other words, as it stands now, let's assume she obtains \$30 support and she has no other income; she obtains \$30 support from the father that would all be deducted from the welfare check. She ought to be permitted to keep the additional \$30; that would at least encourage her to identify the father and to proceed against him to require him to support those children if in fact he is not doing it.

But the point I have in mind here is this: where the father is not married to the mother and where the father has deserted, which, in terms of numbers, is 258,000 cases and where they are divorced or separated without court decree, there is another 400,000 cases; in all those cases we ought to be requiring support, to the extent we can obtain it, from the father, for the children and they ought to be better off because the father makes that support. It should not be a dollar-for-dollar reduction from what they could otherwise obtain on welfare. In those areas there are more than a million fathers involved. There are large numbers of them, some of them living right there in the homes. They are not married to the mother, but they are living right there in the home, and they ought to be making a contribution. I don't say the whole million, but I think it is fair to say as many as 300,000 of those cases should either not be on the welfare at all or else not on there for the full amount that they are drawing because that father ought to be making a contribution.

If I have anything to say about it, we will be doing everything we can in that area to make those fathers make that contribution and make them accept their responsibilities. That is not classified as fraud. It is just not classified that way, but those people should not be on there in whole; they either shouldn't be on or else they should be on there for a lesser amount because those fathers ought to be made to contribute.

Mr. LESSER. Well, you don't know, Senator, whether or not in some of these cases the father is not contributing. In other words, this doesn't say where they have been divorced if the father had income the mother might be receiving support under the divorce decree, and yet it might be inadequate to take her off welfare. We don't know that there are no contributions in these cases here and we also don't know that the father is in a position.

Certainly I would assume in the divorce cases if the father was in a position he is making contribution.

The CHAIRMAN. Well, at the present time there is no incentive to seek it from the father because there is a 100-percent reduction in the welfare check of the first \$30. So far it is easier to get the welfare money than to get the money from the father, but lawyers tell me it is not a hard case to win.

I read an article recently by a defense lawyer who represented that winning a case to have a man declared to be the father of his child is so easy for the fellow who is suing for the mother that—and mind you this man admits to prejudice—he was on the defendant's side—that he is fairly well convinced that if the mother has two prospects she could win the case against either one because a jury tends to be sympathetic to the child and to the mother.

Mrs. BENSON. I would suppose this would require a certain outlay of appropriations to pay the fees of those lawyers. In addition, the guidance of the mothers, many of whom probably would not be able to handle the whole problem by themselves might add up to a considerable amount.

The CHAIRMAN. We ought to do that and, Mrs. Benson, I don't particularly differ with you when you say it shouldn't be just those fathers.

If we had jurisdiction of it, I would be happy to provide that Federal remedy with regard to all mothers who are left, where the father leaves the State and declines to make the payments that he should be making for the support of the children.

I know on at least one occasion a mother came to me when she saw what I was trying to do as far as requiring fathers to pay support to their children who are on welfare and said, "Won't you please make that law broad enough so I can benefit from it because my husband left. I am not on welfare, but he left and went to another State and he is not doing his duty under the law. He ought to be making a contribution," and I would like to do it, frankly—extend the remedy to any mother.

It is too easy to get around this country nowadays. A fellow only needs to cross a State boundary to escape an obligation to make a payment for the support of his children.

Mrs. BENSON. Of course, the other side of the coin would be, really, to provide good family planning and birth control services, or agencies for advice-giving which might again cut down on the rate of illegitimacy.

The CHAIRMAN. That is something we can agree on, you see. We did report out a bill that did that and we will do better this year. We will do everything we can to help provide the mother, present or prospective, any help we can provide the mothers in that area.

Mr. CONWAY. Mr. Chairman, I have a short prepared statement that I would just like to insert in the record. It supports Mrs. Benson's testimony—

The CHAIRMAN. Fine.

Mr. CONWAY (continuing). And sets forth very succinctly the position of common cause on this legislation.

The CHAIRMAN. Fine. I did not know that you had not made your statement at that time, Mr. Conway. Did you have any statement to make?

Mr. LESSER. No.

The CHAIRMAN. Thank you for your testimony.  
 (Prepared statements of the previous witnesses follow. Hearing continues on p. 1291.)

**STATEMENT BY JACK T. CONWAY, PRESIDENT, COMMON CAUSE**

Mr. Chairman, I am Jack Conway, President of Common Cause, a nonpartisan citizens' lobbying organization with a membership of over 230,000.

Common Cause has continually supported the concept of the family Assistance Plan. We felt that President Nixon made a start toward reform in his 1969 proposal to Congress:

The Federal Government would for the first time accept responsibility for financing a minimum level of welfare payments.

The working poor, those families with fathers and mothers who may work full-time and still earn below the poverty level, would be covered.

National standards of eligibility were proposed.

We believed the President's program could be strengthened at several crucial points: The income level was too low; the work requirements were unreasonable and without job standards; mothers of school-age children were required to register for work and therefore unable to decide what is best for their families without the threat of loss of benefits; and needy couples and single people were not covered. For more than two years we have been working hard to pass the Family Assistance Plan with these improvements. The result so far is H.R. 1, a totally inadequate bill.

H.R. 1, the House-passed bill that includes the Family Assistance Plan, is now before you. Unfortunately, it modifies both the Nixon proposals and the bill passed in 1970 by the House (H.R. 16311) so that many present needy welfare recipients will be worse off.

A key assurance of President Nixon's is not kept: H.R. 1 does not require states to maintain their present level of benefits, including the lost value of food stamps. In 1969, President Nixon assured Americans now on welfare that: "In no cases would anyone's present level of benefits be lowered." This assurance is not in H.R. 1. Between the time of that assurance and now, over 20 states have reduced benefits. More states are likely to follow. It is unfair to provide states the additional fiscal relief in H.R. 1 and not protect beneficiaries from cuts. This allows states to cut benefits in order to reap more fiscal relief at the expense of its poor on welfare.

It is unfortunate that the President and his Administration have chosen not to work for restoration of their proposal—that states maintain their present level of benefits—and that the House of Representatives did not write it into H.R. 1.

Eligibility standards have been changed so that a family, even though destitute, would lose benefits because of minimal amount of income received in the previous nine months, a requirement that does not now exist. Hard working migrant and seasonal workers will surely suffer under this provision.

These two items, if passed, will result in reduced benefits for many now on welfare. The poorest of the poor and the most destitute and defenseless in our society will be dealt a crippling blow. No one can foretell the consequences.

H.R. 1 also reduces the work incentive from 50% in last session's bill to one-third; provides no support for state supplementation; and, sets the income level too low. The bill provides benefits for the disabled, the blind and the needy aged at the poverty level. Needy families should and must be treated the same way. The work requirement, rather than being improved and made humane, is more stringent and arbitrary and now only exempts mothers with children three years of age and under.

Senator Ribicoff's Amendment, S. 559, to H.R. 1, begins to meet these defects in H.R. 1. 22 Senators and 15 governors have endorsed the Ribicoff Amendment. With the League of Women Voters and other organizations, we urge you to adopt the Ribicoff Amendment. It assures that no eligible recipients would receive less under Welfare Reform than he or she is now getting. It also provides a minimum \$3,000 Federal payment level to a family of four. By 1976, families would receive no less than an income equal to the poverty level. The bill also provides improved work incentives, streamlined and fair administration, and major fiscal relief for the states. By 1976, all state costs for welfare would be assumed by the Federal Government.

We are now at the crossroads. The time to act is now. The two-year delay has been disastrous. The poor whose numbers have increased for the first time

in a decade have suffered. State fiscal problems have worsened. The Administration proposes an unthinkable additional delay of a year. Senator Ribicoff's Amendment rejects this and retains the originally promised effective dates. The Senate should seriously consider the inequities in H.R. 1 and move quickly to pass the Ribicoff welfare proposals.

Common Cause and others are concerned that the grave defects in H.R. 1 may not be cured. Improvements may pass the Senate, only to be given up in conference. If there is no choice but the present version of the Family Assistance Plan with its potential for hurting people, Common Cause will actively oppose passage.

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STATEMENT BY LUCY WILSON BENSON, PRESIDENT, LEAGUE OF WOMEN  
VOTERS OF THE UNITED STATES

The phrase "the welfare mess" has been repeated so often and by so many people, including national leaders, that many believe it is the poor people themselves who are the "mess." That is not true. The day-to-day hardships and deprivations of poverty, the misconceptions and lies affecting people who receive assistance or are poor, the shortage of decent-paying jobs, the myth that anyone can earn a decent living if only that person were willing to work, and the injustices and inequities of the present welfare system—those factors constitute the "mess"—not the people.

By first-hand investigation and hard work, members of the League of Women Voters all over the nation have learned about poverty and about the inadequacies of the present system. Findings led to a determination to fight for a new and better welfare program: a federal system based on cash assistance grants paid to people who need them. We seek a new program that recognizes two basic needs people have—an *income* sufficient for decent living for individuals and families and *opportunities* to enable them to make the most of their abilities. Adequate income and realistic opportunity—those are two keys to unlock people imprisoned by the poverty cycle.

Such an income-opportunity program would not end poverty absolutely. It would, however, give a tremendous boost upward to people in the almost fourteen million households receiving money income of less than \$3999.<sup>1</sup>

The United States has come a long way in recognizing its obligation to people in need; many of the poor have benefited from programs now in effect. But we still have a long way to go. The League supports Senator Ribicoff's amendment to H.R. 1 as a significant step along that way. We urge the Committee to adopt the amendment and to report H.R. 1 thus amended to the Senate promptly.

Our support for welfare reform and for Amendment 559 is based on our conclusions that:

1. The nation's welfare requires the acceptance of the concept of a *federal guarantee of cash assistance to no-income and low-income people*. What we have now are the 54 separate welfare systems which breed enormous inequities and cancel out much of the effectiveness of existing welfare supports.

2. *Welfare programs must be based on uniform national standards and safeguards administered by the federal government under guaranteed full protection of individual rights.*

3. *It is essential to provide cash grant supplementation to the "working poor"—the millions of people who work, but earn meager incomes below official poverty levels.*

4. *Income assistance programs must be closely allied with opportunity-creating programs, such as new jobs—public and private, job training for new skills and for upgrading of existing skills, and with child care and other counselling and supportive services. It is the lack of skill and opportunity which, along with unequal income distribution, is the root cause of poverty and low earning capacity.*

5. *The United States can and must pay for the changes needed.*—A nation with a trillion dollar Gross National Product simply cannot afford to fail to assist the approximately thirteen percent of its people who cannot work or who cannot earn incomes sufficient to keep them above the poverty line. Problems created by our failure to do so are more costly, in dollars and cents as well as in human terms, than the cash outlay necessary for adequate assistance. League members are willing to pay the price for reform. For example, in Connecticut, Massachu-

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<sup>1</sup> Current Population Reports, "Consumer Income in 1970 and Selected Social and Economic Characteristics of Households," Series P-60, No. 70, July 27, 1971.

setts, New Hampshire, and Pennsylvania, Leagues have worked for tax increases specifically to help meet welfare obligations. "We would rather pay more taxes than save money at the expense of fellow citizens," as one League put it. We are convinced that if society invests more in people—especially in the future generation handicapped by poverty—everyone will benefit and that perhaps the total American population will suffer less alienation, suspicion and misunderstanding—and consequently less violence and crime.

It is in the context of the five goals and premises for welfare reform that the League supports the Ribicoff amendment, and for the reasons that follow.\*

#### MINIMUM FEDERAL CASH INCOME GRANT

The League knows, as you know, that \$2400 annual support is not enough for a family of four. The House was willing to establish \$2400 by 1974 as a basic minimum for aged, blind, or disabled couples. How could it fail to approve more for families of four? Senator Ribicoff proposes \$3000 as the minimum floor, beginning in 1973. Members of the Committee and League members know that \$3000 is not enough for decent living. This amount, however, coupled with supplementation for the working poor and other provisions in Amendment 559, would be a real step forward for millions of Americans.

The Ribicoff proposal has the further advantage over HR 1 in that it extends income grants to individuals and childless couples, requires annual adjustments in the minimum payment so that the official poverty level would be reached by 1976, and requires adjustments for cost-of-living changes. HR 1 meets none of those requirements. Amendment 559 requires also that benefit payments be determined on the basis of current need, rather than on current earnings *plus* earnings in the previous three quarters, as required by HR 1.

The League supports increasing the minimum initial grant to \$3000 even though we realize that the cost in fiscal 1973 of the Ribicoff proposal is estimated at about \$22.4 billion compared to \$15.0 billion in HR 1—including costs of child care, training and jobs in both cases. We realize that numbers of people estimated to become eligible under family programs would increase from approximately 19.4 million at \$2400, to about 30 million at \$3000.<sup>2</sup> We realize that the break-even levels [the point at which no further federal income maintenance supplement of any amount would be paid] increase as benefits and work incentives increase.

We urge the higher minimum in the full realization that it would mean a significant increase in the average tax burden for four-member households with earnings in excess of \$15,000. On the other hand, the tax burden for four-member households at the \$6,000 income level would be greatly reduced and the burden would remain about the same in the \$10,000 to \$15,000 income brackets.<sup>3</sup> But while dollar costs of real reform may be predicted with a degree of accuracy, the social costs of no action, or of token action and token funding alone cannot be measured accurately, and their consequences may be irreversible.

#### PROTECTION TO INDIVIDUALS AGAINST BENEFIT CUTS

The League supports the requirement in Amendment 559 that states maintain benefits to protect individuals against loss under current state programs and requirements for 30% federal matching incentive funds and federal assumption of the total cost of cash assistance grants over a five year period. As passed by the House, HR 1 does not require states which pay higher benefits under current law to maintain those benefits, nor does it provide realistic incentive or aid for states to do so. During the past year, 19 states and the District of Columbia have reduced benefit payments<sup>4</sup> and evidence points to further cuts unless federal guarantees and assistance are assured against losses under a new program.

The League membership is agreed that full federalization of the system of cash assistance grants is imperative. We know, however, that state and local governments must continue to have interim responsibilities. No new cash assistance program should make it possible for States to cut their benefits if people would

\*The League has no positions on the social insurance and medical assistance Titles of H.R. 1, and, in the interests of time, decided to comment only on family programs, omitting the adult category programs for the aged, blind, and disabled.

<sup>2</sup> These comparisons reflect the estimates reported by the Senate Finance Committee in its Committee Print of July 21, 1971, entitled "Material Related to H.R. 1: Welfare Programs for Families," pp. 32 and 34-35.

<sup>3</sup> Edward Moscovitch, New England Economic Review, "Welfare Reform and Income Supplements," January/February 1971, text and tables pp. 16 and 22-23.

<sup>4</sup> HEW News, Social and Rehabilitation Service release, January 15, 1972.

receive any less under a Federal grant than under the joint Federal-State programs.

If states are to be "held harmless" against any increased costs above those of calendar year 1971 (under standards applicable in that year), then people should be "held harmless" against any reductions. Present provisions of HR 1 reward the states who have made the least effort to help low-income people and provide the least help for states that have done the best job of relating assistance to need. That is obviously wrong—and politically unwise.

To protect against future benefit cuts to welfare recipients, the League supports an amendment to HR 1, such as that submitted last December by Senator Charles Percy (R-Ill.) to the Revenue Act of 1971 (H.R. 10947)—but only if such an amendment is an integral part of an overall welfare reform bill. Any fiscal relief for states in the interim until the effective date of new welfare legislation must be contingent upon state maintenance of benefit payments at the higher of two payments levels—January 1971 or June 30, 1971. Fiscal relief to states can be a legitimate means of protecting our poorest citizens against being the first victims of state fiscal problems; alone, fiscal relief does not constitute welfare reform, and we will not accept it as a substitute for people-oriented programs.

#### REGISTRATION AND WORK REQUIREMENT

*Registration requirement.*—The League does not quarrel with the requirements in HR 1 and Amendment 559 that family members declared available for employment must register for manpower services, training, and employment. Such registration could serve to develop more accurate information about how many people are really employable, and what kinds of training programs and support services people need. We do object strenuously, however, to administrative practices which would turn the registration requirement into another bureaucratic harassment of poor people, or into a device for withholding benefits until registration can be completed, or into a tool for reducing rolls.

*Work requirement.*—Provisions of Amendment 559 are superior to those in HR 1 in several respects, among which are:

1. HR 1 would establish a double-wage standard. The minimum wage for people required to take private jobs would be three-quarters of the federal minimum wage, but the minimum for new public service jobs would be the *full* federal minimum. Such a double standard would promote an image of certain jobs being "welfare" jobs and would further stigmatize working people who are receiving public assistance. The League, therefore, considers essential that part of the Ribicoff amendment which requires payment at least of the federal minimum wage in all jobs to which welfare recipients would be referred.

2. After 1974, HR 1 would require mothers with children under three to register for training and employment. Amendment 559 fixes the age limit at six.

3. HR 1 would not exempt mothers from the work requirement in the absence of suitable day care. Amendment 559 specifically exempts from "availability" for jobs those whose presence in the home is required "because of the unavailability or remoteness of suitable day care services."<sup>6</sup>

There are indications that work requirements are unnecessary and disproportionately costly in relation to results. Evidence in the Auerbach study of 1970 indicates that it has been impossible to provide the jobs, training, or child care facilities for those in AFDC programs who *want to work*.<sup>6</sup>

An analysis of New York State's new work requirement program in Monroe County (Rochester area) for the months of July through October 1971 indicates that the "additional administrative expenses of \$82,474 a month have far outweighed the savings of \$44,090 due to case closings."<sup>7</sup> The percentages of cases closed as a result of employment during the same months in 1970 and 1971 were 33 percent and 22 percent respectively in the home relief category; 40 percent and 34 percent respectively in AFDC programs.<sup>8</sup>

<sup>6</sup> Senator Abraham Ribicoff, Amendment 559, October 29, 1971, Section 2111(b)(5), p. 5.

<sup>6</sup> Senate Finance Committee Print, material related to H.R. 1: Work and Training Provisions, July 23, 1971, pp. 77-81. Also reported in *Falling Down on the Job: The United States Employment Service and the Disadvantaged*, prepared by The Lawyers Committee for Civil Rights Under Law, Sarah Carey, and the National Urban Coalition, June 1971, pp. 49-59.

<sup>7</sup> *The New Welfare Work Legislation in New York State: A Study and Evaluation in Monroe County*, by the League of Women Voters of the Rochester Metropolitan Area and the Center for Community Issues Research, December 1971, pp. 16-17.

<sup>8</sup> *Ibid.*, p. 15.

In addition to the impracticality and the high cost of administering work requirements, there is an element of "forced" work in the whole idea, which League members disapprove strongly. We believe it more realistic and far preferable to spend money to create new training programs, additional public service jobs and child care services, and to back up those programs with genuine work incentives than to risk any program that would force people to work.

#### WORK INCENTIVE

The "blue book" Finance Committee report of 1971<sup>9</sup> and independent studies<sup>10</sup> indicate that the work incentives in HR 1 are unrealistic and counter-productive. In HR 1 the income disregard after the first \$720 in earnings amounts to 33 percent of each dollar earned. Amendment 559 would increase to 40 percent the earnings allowed without benefit reductions—an improvement because working people would have larger total incomes.

The League finds the 50 percent income disregard proposed by Governor Francis Sargent more practical than either of the above, but we shall accept the Ribicoff proposal, which is coupled with a requirement that the Secretary of HEW conduct tests of various earnings disregard formulas and report findings and recommendations to Congress by January 1, 1974.

#### CHILD CARE

The League's concern about child care programs in relation to a new welfare system is a part of its commitment to equal educational opportunity for all people. We support the legislative requirement in Amendment 559 that child care standards for services to public assistance recipients "shall be no less comprehensive than the Federal interagency day care requirements as promulgated on September 23, 1968."<sup>11</sup>

HR 1 leaves determination of standards up to the Secretaries of Health, Education and Welfare and Labor—an unsatisfactory plan. The increased authorization to \$1.5 billion for child care programs in Amendment 559 is a more realistic reflection of need relative to the numbers of parents who want to work.

#### INDIVIDUAL RIGHTS

League members are deeply disturbed about the potential for violation and invasion of individual rights, and harassment of applicants implicit in HR 1. The Ribicoff amendment corrects the major defects in HR 1 as to hearing and appeal rights of claimants. For example, it would continue welfare payments while hearings and appeals are underway, require submission of written opinions detailing complaints, require hearings examiners to meet the same standards applicable in other federal programs, and would provide claimants the right to counsel of their own choosing.

The Ribicoff amendment, however, does *not* correct the administrative maze of HR 1. At a minimum, the League urges a positive legislative guarantee that people will not be shuffled back and forth between offices in the multi-headed welfare structure that includes the HEW Social Security Administration for the aged blind, and disabled, the Department of Labor for employable family members (OFF Program), the FAP Administration in HEW for unemployable family recipients (FAP), and a variety of state supportive service agencies.

Having presented to the Committee the League's major reasons for seeking welfare reform and for advocating adoption of Amendment 559, I would do less than justice to the thousands of League members if I were to conclude this statement at this point. I have an obligation to let you know that League members find it grossly misleading to promote the idea that so-called "workfare" can be a substitute for welfare. Most welfare recipients cannot be taken off welfare rolls and put to work. The 7.5 million children in public assistance families cannot be put to work; the 3.8 million adults who are aged, blind and disabled cannot earn adequate incomes. Among the adults in AFDC

<sup>9</sup> Committee on Finance, material related to H.R. 1: Work and Training Provisions, July 23, 1971, pp. 20-39.

<sup>10</sup> Edward Moscovitch, *op. cit.*, pp. 12-13; Jodie T. Allen, "A Funny Thing Happened on the Way to Reform," October 15, 1971—working paper No. 30-14 for the Urban Institute, not yet published; Alice Rivlin, Washington Post, "Conflicting Objectives Hobble the Attack on Poverty," July 31, 1971, Editorial page.

<sup>11</sup> Ribicoff, *op. cit.*, Section 2134, p. 31.

programs, approximately 126,000 males are considered employable and many of them are now in training programs. Of the 2.5 million AFDC mothers, about 500,000 work or are in training now; about 750,000 could work if child care were available; another 125,000 might work after extensive rehabilitative and training services. About one million, however, are considered unemployable because of responsibilities for very young children, or because of physical or mental incapacities.<sup>12</sup>

In a word, if there were adequate child care, job training, medical and rehabilitative services and jobs, it looks as though about 950,000 more AFDC recipients might be able to work. That would still leave at least 13.5 million people who need major cash assistance! Need is need and cannot be shunted aside, and the nation should not be duped into thinking work is the total answer. Indeed, no amount of false packaging around a welfare reform program will deceive the poor or those of us who place high priority on meeting the needs of America's disadvantaged people.

The League supports welfare reform because of our members' realistic concern about people and their quality of life. And what we understand by quality of life is not just an advertising slogan or a phrase in a political campaign. Quality of life is created in down-to-earth, day to day opportunities and experiences that determine whether life is hopeful or desperate, constructive or destructive, participative or alienated. It follows, then, that legislation to establish a system of public assistance for a society's most disadvantaged people must be developed out of realistic understanding of individual needs and must be rooted in genuine concern.

The Senate Finance Committee has purview of federal tax, Social Security, and public assistance programs. It therefore has great responsibility which carries with it unique opportunity for leadership. And leadership is what the League asks of this Committee:

Leadership that rises above empty rhetoric about the necessity for hard work in the face of millions who work steadily but earn little, and in the face of high involuntary unemployment;

Leadership that recognizes it is wrong to make poor people the scapegoats for frustrations caused by rapidly changing social patterns or escalating costs of living;

Leadership that will support enactment of a welfare program providing a decent basic income for people who cannot work or who cannot earn enough to insure adequate food, shelter and clothing for themselves and their children.

Inaction now would be unconscionable; action to adopt new programs and to fund them inadequately would be a cruel hoax.

Poor people—on or off welfare—desperately need a new national system which meets low-income and low-opportunity problems. But not just poor people. America needs it. And America can afford it. More than that, our country cannot afford *not* to afford it. The high cost of penny pinching the poor is becoming higher and more obvious every day.

The League, together with other organizations and citizens across the nation, is working hard to build constituent support for landmark welfare reform. We urge the Senate Finance Committee to accept Amendment 559 and to report HR 1 thus amended to the Senate.

#### ~~STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF SOUTH DAKOTA~~

##### A CASE IN POINT FROM SOUTH DAKOTA TO ILLUSTRATE THE NEED FOR SUPPORT OF THE RIBICOFF AMENDMENT TO H.R. 1

A statement to 47th Session of South Dakota Legislature by interested citizens from South Dakota.

"Inequity between standard for the adult and children's payments."

"Equal treatment before the law requires that standards on which public assistance payments are based be uniform for all recipients."

Forty-sixth Session of S. D. Legislature funded Department of Public Welfare for full standard, except ADC at 90%, with the communication of their

<sup>12</sup> HEW, Social and Rehabilitation Service, Welfare: Myths Versus Facts, Fall, 1971; HEW News, Social and Rehabilitation Service Bulletin B-39, January 16, 1971.



desire that ADC not be raised unless and until adult grants are certain to be maintained at full amount of standard.

This made it necessary for the Department of Public Welfare to return to State General Funds some \$364,643 (from a special appropriation of one million requested by Department of Public Welfare to meet emergency rises in number of recipients in last quarter of fiscal 1971). Refunding unavoidable because appropriation for fiscal '72 projected not adequate to *maintain* standard for reasonable portion of ensuing year. (Administrative cost and time involved to "turn case load" decisive factor here.)

PRESENT PROBLEM—FEBRUARY 1972

Dramatic rise in caseload has failed to materialize.

Funding for fiscal '72 (half through fiscal year) now projected to be adequate to accommodate raises in grants in some areas—approximately \$700,000.

Desire is to raise ADC to full one hundred per cent standard: Estimated cost: \$319,855.

Dilemma: Out of compliance on rental standard. To bring into compliance (Helps only those at top of allowance):

Estimated Cost:-----	\$46, 688
<b>Total -----</b>	<b>366, 543</b>

How to use remaining \$333,500:

Raising standard across the board too costly.

Raising utility allowance helps only one-half OAA; 3 out of 10 ADC.

Raising all other household helps only one-half disabled; two-thirds ADC; 8 out of 10 OA.

"Tooling up" for:

Raise ADC to 100% of standard----- \$319, 855

Compliance in housing allowance (only applies to top rental costs  
i.e. \$100 to \$110)----- 46, 688

Housing allowance or increasing utility allowance----- 245, 548

Appropriation for 1973 still to be established—

If present legislative session learned of the \$700,000 projected unexpended funds, they would by pass preference, withhold appropriation of adequate funding for '73 to meet needs of all facets of the participants.

STATEMENT IN SUPPORT OF AMENDMENT No. 559 BY THE LEAGUE OF WOMEN VOTERS OF NORTHFIELD, MINNESOTA

The League of Women Voters of Northfield, Minnesota vigorously supports welfare reform as proposed in Amendment No. 559 to H.R. 1: "The Social Security Amendments of 1971". Our support of the amendment is based upon the following needs: there are many persons not eligible for public assistance under the current categorical assistance programs, who, in our judgment, are entitled to receive an income "adequate to sustain a decent level of life"; there is a need for a greater uniformity of treatment of recipients than under the current Federal-State public assistance programs.

We illustrate these needs by our local conditions. In Rice County, Minnesota (of which Northfield is a city) each township administers its own program of general relief. General relief provides support to families and individuals in emergency situations, gives supplemental income to the working poor when this income is not adequate to support the family, or to unemployed persons who are not eligible for any other programs. Thus, general relief covers those not included in any of the categorical aid programs funded by the federal government with matching state and county money.

General relief in Rice County is provided by local township funds. No state aid is involved, no state standards apply, and there are no case workers, no supervision, no special services (such as counselling or family planning). Usually aid is in the form of a food voucher to be used at a designated grocery store, occasionally aid for rent, medical bills, etc. Aid varies greatly and is decided in each individual case.

The system results in many inequities. Township boards often refuse to recognize needs, or if they recognize a need, many fail to provide relief for

inequitable reasons. There is little consistency in administration of relief among the different townships within the county. The lack of supportive services such as counselling often results in greater need for financial assistance. Most people between the ages of 21 and 65 needing medical care do not fit into the county relief and must go to the townships, which often cannot pay for them.

In conclusion, we would like to reiterate our confidence that passage of Amendment No. 559 to H.R. 1 could begin to meet the needs of those not covered by current categorical assistance programs and could result in greater uniformity of treatment of recipients.

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LEAGUE OF WOMEN VOTERS OF BOSTON,  
*Boston, Mass., January 26, 1972.*

Re H.R. 1 Ribicoff amendment.

TOM VAIL,  
*Chief Counsel, Senate Committee on Finance, Senate Office Building, Washington, D.C.*

GENTLEMEN: The League of Women Voters of Boston endorses the Ribicoff Amendment to H.R. 1 as a necessary step in welfare reform. Features of the Amendment, such as a cost-of-living adjustment clause and relief for single adults and childless couples will provide more adequate relief for those in need. Most important, the timetable for full Federal assumption of welfare costs by 1976 provides necessary fiscal relief for the states and orderly and equitable administration of the welfare program.

Sincerely yours,

RUTH SARIS,  
*President,*  
*League of Women Voters of Boston.*

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STATEMENT BY JANICE T. WARREN, WELFARE CHAIRMAN, LEAGUE OF WOMEN  
VOTERS OF OHIO

None of Ohio's many problems is as basic to all the others as the problem with which your committee now grapples. On no other issue is our statewide membership so clearly united as on the urgency of eliminating poverty and its pervasively destructive effects on all of us. Our state, like most others, has been unable to marshal its considerable resources toward this end. Ohio has never provided its eligible recipients of Public Assistance the level of subsistence established by state law to be the least possible required for health and decency. Our meager efforts, predictably, have been visibly ineffective, have therefore been deemed extravagantly expensive and have invited a chronic fear of taxpayers' wrath among our public officials. Not so visible, apparently, is the tragic pace at which we have allowed the problems caused by our neglect to outstrip our ability to deal with them.

THE REAL CULPRIT

In the course of a long, sustained and frustrating attempt to put an end to the time-honored custom of blaming the victims of public negligence for the results of neglect, League members in Ohio have come to view the present federal/state/local welfare mish-mash as the real culprit. When the general economy is healthy, it is a disaster for the poor; when the general economy is unhealthy, as now, it is a disaster for nearly everyone. There is plain evidence in Ohio that this system guarantees just about everything it was ostensibly intended to prevent: family disintegration, personal indignity, social isolation of the poor, a costly bureaucracy never quite able to cross its sea of paperwork into the mythical realm of serious rehabilitative service. Ohio has 313,786 dependent children cared for by 120,600 adults; the AFDC program was intended to strengthen and preserve these families.

We have already, in our wisdom, chased thousands of fathers from their families and are now, in our righteousness, proclaiming legislatively that we are morally affronted and financially gypped by mothers who wish to remain at home to care for their children. Ohio's eighty-eight counties operate eighty-eight welfare systems which regularly grind out more human tragedies than their

overworked, underfunded, complexity ridden social services, courts and receiving institutions can handle.

We are convinced that blaming the victims of this system, far from being rational, is not as politically necessary as generally assumed by lawmakers at all levels of government. We have testified at virtually every welfare-related hearing held in Ohio over several years, including many at the county level; we have yet to hear much noise from those on whose purported behalf punitive legislation is introduced. At a recent Cuyahoga County Commissioners' hearing in Cleveland, the testimonial score was 80 to 0 in favor of a renewed or increased welfare levy. Everyone present at that well-advertised public hearing acknowledged, however, that no possible local effort could render the present system effective in the face of the county's deepening crisis: one of every five persons in Cuyahoga County are now on welfare; the projection for next year is one in four. There was one other point of unanimity: the imperative of realistic, humane federalization. That, gentlemen, is the situation in Ohio's leading county in terms of local tax support of welfare.

#### WHAT DO WE REALLY WANT?

So far, the record of state and federal legislators in dealing with the "Welfare Mess" indicates they have allowed themselves to be confused by everything but the facts. Surely the facts are in; you have a clear picture of how many are in need, how much they need, how many jobs are needed for those who can work, how many day care, training and job slots can realistically be made available. Facing these facts, if your deliberations lead you to the conclusion that you must hedge on the real needs you will essentially be concluding that this nation is not willing to provide decently and fairly for those who cannot provide for themselves within our economic system. It would then be the better part of honesty to stop talking about welfare altogether and revert to reliance on private charity. It should be remembered, though, that our halfway measures have pretty well made Lady Bountiful into an anachronism. Advocacy, by task force, coalition, commission and White House Conferences has supplanted errands of mercy.

Americans have traditionally considered themselves to be great champions of the underdog. It is obvious, however, that our legislators look upon their constituents as a people who simply insist upon having plenty of underdogs around. Just as a hungry person will steal bread to avoid starving, a person who cannot both pay the rent and feed his children should be expected at least to lie awake nights figuring a way out. If an illegal ploy presents itself, is tried, and succeeds so well that the result is affluence, we call it a success model; if it fails and the perpetrator is caught, we call him immoral and a cheater of the public weal.

#### THE CHALLENGE IS YOURS

We in Ohio have a healthy respect for the power and influence of the Committee on Finance. As we see it, your job is to lay to rest for all time the unholy alliance of costly neglect and mistaken images of the needy people of this country. H.R. 1 falls far short of being a vehicle for this task. Add the Ribicoff amendments and you have a good chance of taking a giant step toward sanity. Take the stride firmly enough to bring along the magic number of senators and by 1976 we may be able to celebrate the bicentennial of a nation which has finally blossomed into responsible maturity.

#### STATEMENT BY THE LEAGUE OF WOMEN VOTERS OF MASSACHUSETTS, SUBMITTED BY MRS. CHARLES LYNCH, PRESIDENT; AND MRS. CAMPBELL L. SEARLE, WELFARE CHAIRMAN

The League of Women Voters of Massachusetts would like to speak to three aspects of the welfare reform legislation, H.R. 1, and how these issues relate to our state.

Massachusetts is the third highest state in our country in cost-of-living. The 1970 Bureau of Labor Statistics' lower level of consumption for a renting family of four in metropolitan Boston revealed that food and shelter alone cost \$3632. The Boston Gas Company prices have increased 11% in the last year. Obviously, the proposed minimum basic grant of \$2400 for a family of four in H.R. 1 is inadequate for our state. We strongly urge that the basic grant be increased at least to \$3000, that state supplementation be required to insure that recipients

will not receive less than they now do, and that there be a requirement for basic grants to reflect regional cost-of-living differences.

Last year, the budget for the Department of Public Welfare in Massachusetts was 43% of the total state budget. After deducting reimbursements by the federal government, the welfare budget was still almost 20% of the state budget. This year the total welfare budget requested is \$912 million of a state budget of \$2.17 billion. No new taxes are likely. Massachusetts needs relief from its fiscal crisis. Cutting back on grant levels will bring recipients to less than subsistence amounts and to more sickness and disability. The Massachusetts League believes that the federal government bears a major fiscal responsibility for welfare. We urge you to support reimbursements not only of the basic grant but at least 30% of a required state supplementation. Without partial federal reimbursement of a state supplement, Massachusetts will gain little or no fiscal relief.

Massachusetts' rate of unemployment has been consistently higher than the national average for two years and almost double the national average in our large cities. Partial explanation for this unemployment is that major industries have moved out of the state and that the federal aero-space cut-back in funds hit Massachusetts hard. Solutions to these economic conditions are not immediate or clear-cut.

Since October, employable recipients of our General Relief category have been required to pick up their checks at the nearest Division of Employment Security office. Of the original 9,016 recipients who reported to the Division of Employment Security, only 220 obtained jobs in a two-month period. Of those over 55 years of age, only ½ of 1% obtained jobs. "Workfare", for those few who are employable, will not be a permanent solution to our welfare crisis without substantial education, job training and retraining for jobs which pay wages that yield enough money for independence. "Workfare" will not be successful until the basic economic crisis is over.

The vast majority of recipients are not employable. To protect these citizens from starvation, illness and crime, and to protect our state from an intolerable fiscal burden, the League of Women Voters of Massachusetts urges that the federal government be responsible for an adequate minimum grant and for partial payment of state supplementations to that grant.

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LEAGUE OF WOMEN VOTERS OF COLUMBIA, S.C.,  
West Columbia, S.C., February 16, 1972.

SENATE COMMITTEE ON FINANCE,  
Senate Office Building,  
(Attention Tom Vall, Chief Counsel).

I am requesting that this letter and enclosed statements be filed as a part of the official hearing record on HR 1.

Welfare Reform is needed now and Senator Ribicoff's amendment would eliminate many deficiencies in the HR 1 bill. Even though South Carolina is one of the few states whose recipients would receive more under HR 1, I feel it is the duty of every legislator to vote for at least poverty level assistance. Everyone in this rich country should be guaranteed that right. If this cannot be accomplished, then I must insist that you find a word in the dictionary that means less than poor.

Every state has their own definition of poor. South Carolina has theirs and like the United States does not guarantee to aid those incapable of reaching that level. South Carolina, however, has guaranteed 52% of need in the Aid to Families with Dependent Children category.

I suggest that South Carolina along with the United States of America will reap what it sows. We've helped others in need: Farmers, airlines, railroads, airplanes, banks, loans, oil depletion allowances and other deductible items for the rich, (even a few areas for middle class) VA and FHA loans, college grants, research, small business loans, bankruptcy declaration, etc. Can we do less for citizens who have needed it most?

Thank you for the opportunity of expressing my concern for welfare in this hearing.

Respectfully submitted,

BONNIE CIMINO,  
Welfare Chairman.

I'm gonna get me some of dat Welfare. Me and my fourteen kids is gonna mosey on down to dat welfare place in my brand new 1972 plnk stationwagon Caddy, pick up a check and enough stamps to keep me in booze a while.

What's this man on my new plnk AM and FM radio talken 'bout? So he's South Carolina's Welfare bossman. Hmm. Says Welfare aint setten in a rocker all day. Says it aint full a people that is unwilling to work, but just can't. Aw, what's he know. What's this he's tryen to tell me now? Most mothers is either worken, looken for work or jest can't. Now what's the use a goin on Welfare if en ya can't get 'nough to live on. That jest don't make no sense. I jest gonna see fur myself.

What kind a place they got here? I been waiten past a hour and I ain't seen no money, no person and no chair neither. Here we go with more questions, more writen, more paper, more questions and no money. Now she's talken money. OK.

How much you say I get for rent \$40? Why I gonna have to move to one of dem shacks and be lucky if the tolet's a worken—on the inside. Ten dollars for utiltles, why I need more than that ta pay for the water I wash our socks in and how am I supposed to keep warm this winter? Medicine is 50 cents! Why I spent more en that on aspirins tryen to get Tommy's fever down last cold spell we had here. Household needs is 75 cents, 80 cents for my child in school, a couple dollars for insurance, \$0.75 for clothes, and \$24.40 for food for each person. And that is goin to last me a whole month you say.

What do ya mean, I don't get it all? All what? Did you ever try and live on \$200 a month with three growin children? How can ya keep em in school if they's cold, tired, hungry and just plain 'shamed of how they look? Lord, I hope they do better en I did. Never did learn ta read en write, never had the chance. Pardon me mam. What? F gets half, HALF? What the heck-kind of Welfare is that? This ain't no hand out lady; this is stupid! You'd have to be desperate to come here. This aint gonna help nobody. This is just slow death lady slow death. There ought ta be a law against it! It jest aint decent to have to live that low.

If a doctor says I got to have a pint of blood to live and you only can give me half—well, it's killen slow. That's all it is, jest killen slow.

Yea, I'll go on Welfare . . . . . Ain't got no place to go.

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#### WELFARE FACTS

Poverty level is just under \$4,000 a year or about \$330 a month for a family of four.

South Carolina says a family of four only needs \$2,400 a year or about \$200 a month.

South Carolina only pays 52% (or a maximum of \$104 for a family of four or about \$1,200 a year) of what it says is needed for existence.

A two-year-old survey showed that only 4.8% of welfare mothers were not working, had no employment barrier and were not seeking work. It showed that 21.5 percent of these welfare mothers were needed in the home fulltime for various reasons, 28.6 percent were physically or mentally incapable of holding a job, 14.4 per cent had no marketable skill. The survey also showed that 21.7 per cent of these mothers were working either full or part time but not making enough to care for their dependent children and another 7 per cent were seeking employment but could find none.

Only two per cent of South Carolinians in the job market age bracket are on welfare. Most people receiving welfare are over 65, blind, totally and permanently disabled or unable to support dependent children on little or no income without public assistance. In South Carolina, the average old age assistance monthly check is \$50.56; the ceiling is \$80. The state ranks 50th in payments in this category. The average check to the needy blind is \$66.50, and the ceiling is \$95; here South Carolina ranks 49th. The average monthly payment to the totally and permanently disabled is \$56.25 with a ceiling of \$80, and South Carolina ranks 48th in this category. The average payment per dependent child is \$19.68 with no ceiling, and the state ranks 49th. The average payment in General Assistance, a state program for temporarily disabled, is \$38.59 with a maximum of \$40 a month and that gives South Carolina a ranking of 39th.

There is no welfare available for those in need who are able-bodied men, single, pregnant women, unemployed or children of fathers unemployed.

In order to receive old age assistance, you must will property and possessions to the State Welfare Department so that it can replace money spent on recipient!

STATEMENT BY MRS. ELIZABETH DAVEY, MEMBER OF THE BOARD OF DIRECTORS,  
LEAGUE OF WOMEN VOTERS OF MICHIGAN

This statement concerning H.R. 1 will deal primarily with Michigan problems and concerns. In Michigan we have 42 local leagues, with a total membership of about 4,700 women. Several years prior to the adoption of a national League study item on welfare, our state league undertook a study of public assistance and related social service programs in our state, and since then we have been active in supporting state legislation and administrative rulings that we felt were needed to help poor people financially and that would also assist them to become self-sufficient.

Michigan, in comparison with many other states, has done rather well in providing both income and services for poor people, especially in the past three years. However, we still do not consider the current standard of payment for any assistance program in Michigan adequate in relation to living costs, nor do we feel services are comprehensive enough or that they reach all those who need them.

The total budget for the Michigan Department of Social Services for 1971-72, when federal funds are included, equals almost half the state's general fund budget.

The state's share of this budget will take approximately 25% of the general fund. Many people do not understand that only about half this amount is paid out in grants to people, and that it takes another 30% to finance the Medical Assistance program. Even fewer realize the number and scope of the programs that fall into the remaining 20% of the departmental budget.

It has become increasingly difficult to convince the state legislature that grants to people should reflect increases in the cost of living, that in times of economic recession or during strikes in great industries more people than ever need financial assistance, and that certain services are vital to people if they are to be encouraged to become self-supporting. Legislators resist these ideas when faced with a departmental budget that will increase this year over last by 50%, and which will nearly double the 1969-70 appropriation.<sup>1</sup>

The League wants federalization of public assistance programs. In Michigan, however, we are well aware that even if H.R. 1 is approved by Congress, our efforts at the state level on behalf of poor people will not be made easier. As the bill reads at present (as passed by the House, June 1971), public assistance recipients in Michigan would suffer greatly unless the state supplements the federal grants at least to the January 1971 level, plus the value of lost food stamp benefits. Under Aid to Families with Dependent Children, which encompasses some 70% of the entire public assistance caseload in the state, the January 1971 payment standard was \$305 per month for a family of four, plus a food stamp benefit of \$48 per month. Using the proposed standard in H.R. 1 of \$200 per month, such a family would require state supplementation of \$153 per month. We hope the state legislature would be willing to appropriate these funds, but we have no guarantee they would do so.

Michigan very probably would save money under H.R. 1 in its present form, even with the supplementation of grants. How much would be saved is not clear, because several of the details in H.R. 1 make the future difficult to predict. For example, less restrictive eligibility requirements for Aid to the Blind and Aid to the Disabled than our state currently uses are expected to increase the caseloads in those programs substantially, but exact numbers cannot be forecast.

Considerations must also be given to the eventual inclusion in State supplementation of the working poor, which we find one of the most appealing parts of H.R. 1. It seems unlikely that the state would permit a different payment standard for these families than for other families already included in the public assistance program. Apparently supplementation of the federal grants to the working poor would come entirely from state funds, however.

The method of payment for day care costs under H.R. 1 could work against either the family or the State of Michigan, or both. Currently, day care for all

<sup>1</sup> See background materials attached.

public assistance recipients and for many other low-income families is paid for as a social service entirely by the government (75% federal funds, 25% state). Under H.R. 1 the family will actually be paying one-third, since the day-care cost is disregarded from earned income before the \$60 plus  $\frac{1}{3}$  disregard. The remainder of the day care costs will be reflected in less net income of the family; and this difference would have to be made up, in most cases, by state supplementation.<sup>2</sup>

In discussing day care, we must protest the eventual work requirement for mothers of children as young as three. Michigan this year plans to spend \$18 to \$20 million for day care services for children of low-income families. Most of these children have mothers who are working voluntarily or who are in job training programs. Most of the day care purchased by the Department of Social Services, because of the shortage of convenient, low-cost day-care centers, consists of child-care aides, largely untrained and low-paid, caring for children in their own homes. Obviously there can be no introduction of developmental or educational components into this type of day-care. We cannot believe, nevertheless, that a great network of day-care centers will spring up under federal financing. This disbelief originates in our observation of the wide variances between congressional authorization and appropriation of funds.

Work disregards under H.R. 1, \$60 and  $\frac{1}{3}$ , are actually far less, in most cases, than in the current AFDC program, where we disregard \$30, plus  $\frac{1}{3}$ , plus work expenses of \$40, plus Social Security and income taxes. Working mothers would receive less benefits under H.R. 1 than they do now.<sup>3</sup>

The eligibility provisions of H.R. 1 with regard to income in the three preceding quarters may work hardship on the recently unemployed, migrants, seasonal workers, and strikers. These people presumably would have to depend on the General Assistance program, as will individuals and married couples without children, who may be penniless but who are not blind, aged, or disabled. The General Assistance program is sadly overburdened in Michigan now, and some counties have instituted severe cutbacks or are discontinuing the program, which they may do under Michigan law. We also fear that the complicated eligibility procedure in H.R. 1, as contrasted to Michigan's new simplified procedure, will cause delays in the establishment of eligibility and these people, too, may attempt to turn to the General Assistance program.

Many sections of H.R. 1 would not benefit either Michigan poor people now receiving assistance, or the state. However, when we consider the current image of our welfare system, the reluctance of the state legislature to provide necessary funds, and the exclusion of the working poor, we recognize a need for change. We do believe that the ideas encompassed in H.R. 1, and in particular in Title IV, would be a step in the right direction.

Thank you for allowing me to submit this statement for the Finance Committee hearing record, on behalf of the League of Women Voters of Michigan.

#### BACKGROUND MATERIAL

##### COMPONENTS OF SOCIAL SERVICES DEPARTMENT EXPENDITURES

(In millions)

Year	Welfare	Medicaid	Administration social services and others	Total
1967-68.....	\$176.3	\$156.1	\$46.7	\$379.1
1968-69.....	205.5	205.6	55.1	466.2
1969-70.....	255.1	223.9	82.5	561.5
1970-71:				
Original.....	316.0	228.3	121.2	665.5
Revised.....	392.8	276.6	(1)	(1)
1971-72:				
Original proposal.....	478.7	300.8	139.6	919.1
Revised estimate.....	542.9	320.0	(1)	(1)

<sup>1</sup> Not available.

Source: Citizens Research Council of Michigan.

<sup>2</sup> See background materials attached.

<sup>3</sup> See background materials attached.

*Family of 4—Earned income, \$200 per month—No day-care costs*

CURRENT AFDC	
Determine net earned income:	
Earned.....	\$200
Less.....	-30
Total.....	170
(1/3).....	-57
Total.....	113
Expenses, taxes, etc.....	-50
Net income.....	63
Determine grant:	
Earned.....	305
Less.....	-63
AFDC grant.....	242
Family receives:	
AFDC grant.....	242
Food stamp bonus.....	48
Total.....	290

H.R. 1	
Determine net earned income:	
Earned.....	\$200
Less.....	-60
Total.....	140
(M).....	-47
Net income.....	93
Determine grant:	
Earned.....	200
Less.....	-93
Federal payment.....	107
Assume State food stamp cash in at \$30.....	335
Less.....	-93
Total.....	242
Less.....	-107
State supplement.....	135
Family receives:	
Federal.....	107
State.....	135
Total.....	242

*Family of 4—Earned income, \$200 per month—\$80 day care*

CURRENT AFDC	
As above:	
Net income.....	\$63
AFDC grant.....	242
Family receives:	
AFDC grant.....	242
Food stamp bonus.....	48
Day-care payments.....	80
Total.....	368

H.R. 1	
As above:	
Earned.....	\$200
Day care.....	-80
Total.....	120
Less.....	-60
Total.....	60
(M).....	-20
Net income.....	40
Family receives:	
Earned.....	\$200
Net income.....	-40
Federal grant.....	160
Less.....	-160
State grant.....	135
Federal.....	160
State.....	135
Total.....	295



## Family of 4—Earned income, \$400 per month—No day care

CURRENT AFDC	
Determine net earned income:	
Earned.....	\$400
Less.....	-30
<b>Total.....</b>	<b>370</b>
( $\frac{1}{2}$ ).....	-123
<b>Total.....</b>	<b>247</b>
Expenses, taxes, etc.....	-76
<b>Net income.....</b>	<b>171</b>
Determine grant:	
Earned.....	305
Less.....	-171
<b>AFDC grant.....</b>	<b>134</b>
Family receives:	
Earned.....	134
Food stamp bonus.....	48
<b>Total.....</b>	<b>182</b>

H.R. 1	
Determine net earned income:	
Earned.....	\$400
Less.....	-80
<b>Total.....</b>	<b>340</b>
( $\frac{1}{2}$ ).....	-113
<b>Net income.....</b>	<b>227</b>
Earned.....	200
Less.....	-227
<b>Federal grant.....</b>	<b>0</b>
Determine grant:	
Earned.....	335
Less.....	-227
<b>State supplement.....</b>	<b>108</b>
Family receives:	
State supplement.....	108

## Family of 4—Earned income, \$400 per month—\$100 day care

CURRENT AFDC	
Determine net earned income:	
Net income.....	\$171
AFDC grant.....	134
<b>Total.....</b>	<b>305</b>
Determine grant:	
Earned.....	305
Less.....	-171
<b>AFDC grant.....</b>	<b>134</b>
Family receives:	
AFDC.....	134
Food stamp bonus.....	48
Day care.....	100
<b>Total.....</b>	<b>282</b>

H.R. 1	
Determine net earned income:	
Earned.....	\$400
Day care.....	-100
<b>Total.....</b>	<b>300</b>
Less.....	-60
<b>Total.....</b>	<b>240</b>
( $\frac{1}{2}$ ).....	-80
<b>Net income.....</b>	<b>160</b>
Earned.....	200
Less.....	-160
<b>Federal payment.....</b>	<b>40</b>
Determine grant:	
Earned.....	335
Less.....	-160
<b>Total.....</b>	<b>175</b>
Less.....	-40
<b>State supplement.....</b>	<b>135</b>
Family receives:	
Federal.....	40
State.....	135
<b>Total.....</b>	<b>175</b>

Source: Myrna Goss, Department of Social Services, Lansing, Mich.

STATEMENT BY MRS. EVELYN LANDIS, MEMBER OF THE BOARD OF DIRECTORS,  
LEAGUE OF WOMEN VOTERS OF LOUISIANA

Louisiana, like many other states, does not give adequate assistance, either in money or services, for those unable to provide for their own needs, even though welfare costs represent about 18% of the state budget. The average per capita income in Louisiana is less than \$3,000; about one-third of our citizens live in poverty. The number of recipients for Old Age Assistance has almost tripled in the last twenty years, at a time when the number in the United States as a whole has remained stationary. Our urban/rural ratio has reversed from 26.5/73.5 in 1900 to 66.1/33.9 in 1970, bringing increased problems as urban areas struggle to meet the needs of their inhabitants.

In August 1971 total public assistance grants paid in Louisiana in the federally-aided categories numbered almost 200,000 at a cost of \$14.5 million. Of this, 57% went for Old Age Assistance, at an average grant of \$73, and 29% for Aid to Dependent Children, with an average of \$80 per grant. Since 1969, ADC recipients have been receiving grants equal only to 51% of their needs, and since January 1971 a new method of computation has cut some grants even further. Recipients face problems in every area of living.

*Housing.*—Housing problems are especially acute in urban areas like New Orleans. In spite of the fact that New Orleans has more public housing units per capita than other cities, much of the housing available for the indigent is old and dilapidated, without necessary space, sanitary facilities, or recreational areas. Yet the rents may range from \$40 to \$100 per month. Welfare grants make no provision for any emergency in which the recipient might find it impossible to pay the rent. The tenant is supposed to make do with his allotment, even if it amounts to 51% of need, and he must be literally on the street before the Department of Public Welfare can pay one month's rent for another dwelling. The Real Estate Board of New Orleans has said that, "Poor housing, coupled with inadequate education and job opportunities, establish the basis for most of our pressing urban problems."

*Medical care.*—Medical care for the poor in Louisiana is also in need of improvement. The welfare system provides very limited services and medication, with a lack of coordinated planning. For example, no dental care is available under Medicaid. Nor will all hospitals accept Medicaid patients, possibly in part because of low charges and slow payment.

One bright spot in medical care is provided through *family planning*, available through a contract between the Department of Public Welfare and the nationally recognized Family Planning Clinic of Louisiana, recently renamed Family Health, Inc. Names and addresses of all families eligible for assistance are sent to the Clinic, which then contacts the families. Statistics show that statewide the program has reached more than 70,000 women through 144 clinics—about one-half the indigent women in the state. Moreover, in December 1970, eight out of ten of all women initiated into the program were still active and up-to-date with their clinic appointments.

In May 1971, Family Health, Inc. was designated the agency responsible for designing and implementing a program of comprehensive health care in three Model City Neighborhoods in New Orleans. The policy will be continued of staffing the program with individuals with no prior experience in health care and individuals who were either on welfare or at risk of becoming dependent. In the first six months of 1971, 407 of 747 paraprofessional employees have been such individuals.

*Employment.*—Employment is another area of concern. Louisiana has no assistance program for the unemployed adult who is physically disabled but who has been unable to get and/or keep a job. The high rate of unemployment (7.2% in the New Orleans area in July); health problems; transportation; poor motivation, based often on ignorance and past negative experiences; lack of training—all of these contribute to the failure to match people and jobs. Underemployment is also a problem, especially in a state where thousands of domestics do not make a living wage.

Various training programs have attempted to alleviate the problem. The work Incentive Program, for example, has provided excellent training for some. Its effectiveness is limited, however, by the fact that the Department of Public Welfare cannot evaluate more than 600-700 annually because of lack of money and manpower.

An increasing number of welfare mothers are asking for job training but are not eligible for various reasons. Many need remedial work in reading, writing, arithmetic, and related basic education, as well as counseling on health problems. The working mother also must consider the needs of her family.

*Child care.*—A comprehensive child care program, well planned and administered, offers one of the best means for improving the welfare home. Mothers could be free to seek training and employment knowing that their children were well cared for; some mothers could be employed in child care centers, earning money while they learn to become better homemakers. In June 1971, in Louisiana, only 3,443 children were being cared for in licensed centers and day-care homes.

The problems of the poor, then, in Louisiana as elsewhere, are multiple and interrelated. We need a program that: 1) recognizes the needs of the working poor as well as the unemployed, with incentives for the recipient to earn and keep as much as possible; 2) establishes a realistic basic income, far beyond what Louisiana is able to provide; 3) keeps red tape at a minimum and personal dignity at a maximum, as for example through a declaration system; 4) sets up a coordinated system of supportive services, especially in the area of medical and child care; 5) takes into account the problems of the states in financing larger caseloads.

The plan proposed in H.R. 1 is not a panacea, but it does take the first step in bringing unified planning and equitable treatment where individual states, with their limited resources and complicated mixtures of local, state, and federal services, have been unsuccessful. The Commissioner of Public Welfare in Louisiana has said: "Frankly, we have no substantial voice now in Welfare matters under the Federal-State matching programs. I, therefore, have recommended that this State get out of the welfare business and turn the entire welfare program over to the Federal Government. As a compromise, I would be willing to recommend a phased federal takeover of all welfare costs."

The competence and knowledge of such state officials should be invaluable in helping the federal government to implement a workable family assistance plan.

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STATEMENT BY MRS. CAROLE SIEGMAN, HUMAN RESOURCES CHAIRMAN, LEAGUE OF WOMAN VOTERS OF NEBRASKA

Submitted February 17, 1972 for Official Hearing Record as Addendum to January 26 testimony by Mrs. Bruce B. Benson, President, League of Women Voters of the U.S.

The League of Women Voters of Nebraska wishes to file this statement related to the Opportunities for Families and the Family Assistance Programs of H.R. 1. In doing so, we would like to discuss the need for welfare reform in the context of a few troublespots in Nebraska's present welfare system.

ADMINISTRATIVE AND FISCAL PROBLEMS

Nebraska uses a state supervised-county administered program which means in fact there are offices in all 93 counties though the number of ADC cases in 21 counties as of June 1971 numbered less than ten. Because of the semi-autonomous situation in the counties, local welfare directors often find themselves caught between state policy which includes income maintenance and rehabilitative services, and county attitudes which reflect the desire to keep people off the welfare rolls, and fulfilling a temporary need. We find this fragmented state administration does not offer consistency in welfare goals, nor fixed responsibility and accountability with regard to treatment and services for recipients.

We wish also to include here a case which exemplifies Nebraska's fiscal situation, one which we believe has application for other states as well. This past session of the Nebraska legislature, lawmakers raised the need standards and state maximums for ADC recipients in accordance with federal requirements. The maximums in the state are currently \$124 for a mother and one child and \$34 for each additional child. When the new standards and payments went into effect on April 1 and on August 1, new ratably reduced standards which lowered payments were enacted. The reason given by the Administration was that under no circumstances would the Governor incur deficit spending as projected caseloads indicated would be necessary. The 1.7 million dollars appropriated

by the legislature for the increased payments is the amount being ratably reduced from the ADC checks—this in our view negating the increase. (The legality of this method is being currently challenged in court.)

League members recognize that the issue of the taxpayers' plight and methods of reducing poverty are clearly entwined, but we do not believe they must be pitted against each other in constant struggle. Our conviction is that genuine welfare reform measures will make the entire problem of poverty more defensible to the taxpayer and the recipient. In sum, a need for changes in the system are critical, and we welcome the opportunity to turn our remarks to H.R. 1 and the OFP and FAP sections.

#### BENEFIT LEVELS AND STATE SUPPLEMENTATION

The provision for a federal minimum grant would be a positive step toward equity in the welfare system. However, using Nebraska's current benefit level based on the state's maximum for a family of four (defined as a mother and three children) this family would receive \$528 a year less under H.R. 1 than at present levels. (State maximum of \$192 per month for a family of 4 or \$2,304 a year adding the food stamp bonus of \$52 a month or \$624 a year.)

We strongly urge that either food stamps or the bonus amount be retained so that recipients (three out of four are children) do not suffer and that rises in the cost of living be included in order to lift the floor to the annual adjusted poverty level. In view of the current cut in payments, the likelihood of the state supplementing payments without adequate federal financial incentives would be very questionable.

#### WORKING POOR, JOB TRAINING, WORK REQUIREMENTS

We consider inclusion of the "working poor" to be another positive step toward reform; however, we are concerned about the adequacy of reform with regard to job training. In a recent Labor Department survey of Nebraska's needs for job training, a total of 137,363 individuals needed some type of training or job counseling and 63,848 of these were poor. House Committee reports on H.R. 1 indicate provisions for a total of 799,000 job training slots. Given Nebraska's apparent need versus the total for all states, there appears to be a large gap, making this provision necessary but unrealistic at best.

In addition, when placed in the context of a state like Nebraska with a pre-dominance of rural communities and a constant movement from the farm to urban areas with concomitant changes in style of life, work training takes on an added dimension of complexity and need for a wide range of services.

Finally, the work requirements appear to us to be coercive, particularly for mothers with dependent children in view of a 1969 ADC Nebraska survey. Results found: 39.1% of the ADC mothers were working, and a 1971 survey of the counties with the largest ADC caseloads revealed that, "It did not appear that any significant number of ADC mothers were not employed if they were able to be employed, or were seeking employment at the time of review." Also, nine hundred approved WIN applicants are awaiting for training currently because of a shortage of slots.

#### CHILD CARE

The League considers H.R. 1's provision of child care services for the mother in training or working mother to be essential, and would urge that the legislation specify minimum and maximum guidelines as to the quality of child care. To amplify further, in June 1971, Nebraska had 21 counties with ADC caseloads under ten. In addition to the size factor, long distances between towns in many counties make the construction of child care facilities unlikely; hence we would urge that families be able to use licensed home care facilities at a minimum and child developmental centers at a maximum. We believe governmental granting or contracting of day care without guidelines for child enrichment leaves the door open to commercial-proprietary-custodial groups, and this raises an important question of social policy.

We further urge that priority be given to children of mothers in training or working mothers with low income, but that children of all working mothers be included so that community attitudes of stigma will not be perpetuated toward children who need day care because their families have subsidized or supplemental incomes.

## THE RECIPIENT

We believe that H.R. 1's assumption that the simplified declaration of need form places people on the welfare rolls who do not belong is erroneous, and our last concern focuses on the return to extensive documentation to determine applicant's eligibility.

In a random sample of 20% of the cases this year in the two largest caseload counties in Nebraska, it was found that: in one county in 47 cases where budgetary changes were made after investigation—22 cases resulted in an increase in ADC payments, 25 cases resulted in a decrease in payments, and in 15 of the cases error in payment was due to agency error. In both counties, in less than 2% of the sample was it recommended that cases be closed because the ADC family was no longer eligible for assistance.

In conclusion and in light of the above data, we would suggest that investigatory documentation is not warranted. We believe that in the best interest of the recipient, additional personnel time would be spent more efficiently and effectively providing necessary supportive services rather than unnecessary investigation.

In sum, we conclusively underscore the need for adequate, humane, and administratively effective welfare reform.

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STATEMENT BY MRS. RUTH SIMS, LEAGUE OF WOMEN VOTERS OF CONNECTICUT

CRISIS IN CONNECTICUT: FISCAL AND POLITICAL REALITY VS. A COMPASSIONATE WELFARE SYSTEM

Although Connecticut ranks first in the nation in per capita income and has had a tradition of enlightened policy in relation to social issues, it has now started down a path of reduction in benefits for maintenance of families in need of financial aid and a general reduction in state expenditures for services.

A fiscal crisis in Connecticut came to a head in the spring of 1971 in a confrontation between the Governor and the Connecticut General Assembly over budget proposals and the state revenue system. Despite a recommendation from the special Revenue Task Force (and state labor organizations and mayors and the League of Women Voters of Connecticut) that the state needed a new broad-based tax to meet its fiscal responsibilities, the outcome of a prolonged debate, special session, and threatened and actual vetoes by the Governor, the final tax package was a compromise that did not include an income tax and did call for a general tightening of the state's purse strings. Although a 6½% sales tax (an increase from 5%) was passed and other taxes were either increased or broadened in impact, the revenues anticipated would not underwrite any expansion of state services, even though costs and demands for those services had been rising. Unemployment in Connecticut had reached extremely high levels, in some areas over 12%.

Welfare expenditures in 1970 were \$200,000,000. The budget request for fiscal 1972 was \$285,000,000 of which approximately \$270,000,000 was finally appropriated. The Governor hopes to cut this figure even further, to approximately \$240,000,000. These amounts represent for welfare from 25% to 30% of the state budget.

To indicate how welfare costs have increased: Of a total of 195,000 welfare recipients in Connecticut, 112,000 are on income maintenance assistance which represents almost a doubling of the 61,000 on income maintenance assistance in 1967. (The other 83,000 are on medical assistance only, a figure that has remained almost constant over the past five years.)

Whereas up to now Connecticut has stood at approximately fifth place in the states in the level of its support to welfare recipients, the Commissioner has authorized a general reduction in support levels which will be administered in flat grants. These rates do not include the benefits of Food Stamps which can provide a bonus of approximately \$500 or medical payment benefits which average around \$500. This new support level is a maximum grant, however, and cannot be supplemented by General Assistance grants from the towns. General assistance grants are reimbursable by the State up to 90% under legislation passed in the 1971 General Assembly. By setting a maximum benefit level, the State Welfare Department avoids becoming liable for a higher amount spent by local depart-

ments to supplement the new state flat grants that are deemed inadequate by local officials.

The flat grants established by the State Department of Welfare, which are uniform throughout the state and do not take into account regional or metropolitan differences, which are as follows. To the welfare recipient these rates represent cuts of anywhere from 10% to 30%.

AFDC RATES IN CONNECTICUT (EFFECTIVE NOV. 1, 1971)

Size of family:	Monthly	Annual	50 percent monthly
1.....	\$62.04	\$744.48	\$31.02
2.....	169.76	2,037.12	84.88
3.....	217.33	2,612.76	108.87
4.....	253.27	3,039.24	126.64
5.....	291.99	3,503.88	146.00
6.....	330.33	3,963.96	165.17
15.....	636.61	7,639.32	.....

To illustrate the problem that exists, compare the figures in the right-hand column with those gathered from Redevelopment Agencies in three Connecticut towns as to average costs of rents:

Apartment size	Average rent 1971 Norwalk	Modest standard average gross rent 1969 Stamford	Average rent with utilities relocation families 1970 New Haven
Efficiency.....		\$120	.....
1 bedroom.....	\$185	155	.....
2 bedroom.....	210	185	\$163
3 bedroom.....	260	242	180
4 bedroom.....		300	213
5 bedroom.....		350	239

Clearly in these communities over half of the flat grant allowance would have to go for shelter. While rents are undoubtedly high for apartments that are quite modest, the vacancy rate is such (below .5% in Stamford unless abandoned housing is included) that it is impossible to find cheaper housing because it does not exist. In many towns, if welfare recipients are evicted, they would have to be maintained in hotels at even greater expense.

In addition to high rents that exist in Connecticut the overall cost-of-living is extremely high. For example, the annual cost of a "lower living standard" developed by the United States Bureau of Labor Statistics, after taxes, social security deductions, etc., is \$6,080 in Hartford.

Obviously, if welfare recipients in Connecticut are to be supported at a reasonable level of health and decency, additional funds are needed, not a lowering of the benefits. The proposed federal cash grant in H.R. 1 (\$2,400) would not benefit Connecticut. A nationwide higher rate for cash grants would, however, probably tend to alleviate the flow into Connecticut of those who are said to come seeking to be placed on the welfare rolls. The Commissioner of Welfare has said that 17.6% of new applicants (not recipients) came from out of state, in a check made early in 1971. However, it has not been determined whether they came because of welfare benefits or because they hoped to find employment in an industrialized state. This is, of course, their right in a country that has no trade or tariff barriers at state lines and depends for its economic well-being in part on the diversity of the resources of the various states.

Some provision must be made in H.R. 1 to require state supplementation of federal grants at least to the levels of mid-1971. Otherwise benefits will continue to be lowered, as is now happening in Connecticut. Promise of additional federal help toward state supplementation of federal grants would provide the incentive needed and would be welcome in Connecticut, according to the Office of the Commissioner of Welfare.

Although a study by Arthur D. Little Company of Boston in May 1969, made at the request of the General Assembly and entitled *A Connecticut Welfare Study*, says that "evidence drawn from the study of data on the characteristics of welfare recipients have little chance for sustained economic self-sufficiency . . . regardless of training opportunities and supportive services." The study points out also that work opportunities for AFDC mothers in Connecticut, with or without Incentive Earnings, will not result in a decrease in the welfare roles, since the job opportunities and wage scales for low-skilled females in Connecticut's labor market militate against earning enough income to eliminate the need for income subsidy.

If training opportunities are to be provided, and surely this is necessary if there is any hope for these families to become self-reliant, then it is obvious that job opportunities at a wage scale that is consistent with human dignity must be provided for those able to fill them.

#### IN SUMMARY

Connecticut can be characterized as an industrialized state with a good tax base, a burgeoning state budget, a high cost of living, and a tradition of sophisticated awareness of the dynamics of human relations. But a crisis exists.

Connecticut has attracted to its population centers a high proportion of a mobile national population and its economy has been subject to severe fluctuations in relation to the national economy. Now, faced with a heavy strain on the state's financial resources, Connecticut needs enlightened direction and assistance in meeting the costs of skyrocketing welfare demands.

Because its problems are intertwined with those of other states and its economic health is determined by national economic policies, it deserves assistance from the federal government in meeting its welfare costs. At the same time, its citizens and the state should make every effort to maintain the high standards of health and decency and personal dignity Connecticut has traditionally sought for those in need.

*A federal program that provides a minimum income that with supplemental grants approaches at least the poverty level is basic.* In addition, a state such as Connecticut should be expected to maintain a level of assistance that is adequate in its setting and should be provided with incentive grants that will assist the state to do so.

Such a federal program should help Connecticut citizens become self-reliant through training programs and day-care centers that will permit those able to do so to find meaningful job opportunities and thus to become an integral part of the multifaceted social and economic structure of the state.

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#### STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF NEW JERSEY

The League of Women Voters of New Jersey, in its quest for welfare reform, urges that the Senate Finance Committee accept Amendment 559 and report HR 1 thus amended to the Senate. We feel that the provisions of the Amendment correct many deficiencies of HR 1.

New Jersey has a history of being conscientious in its attitude toward public assistance. It was one of the very few states who not only set a standard of need for welfare recipients, but met 100 per cent of that standard.

Recently, the welfare roles have swelled tremendously. In Essex County alone the number of new ADC applications rose from 365 a month in 1960 to 700 a month in 1970, and the gross expenditure for ADC rose from \$8 million in 1960 to \$82 million in 1971. Seeking fiscal relief, New Jersey cut back on many of its welfare allotments in July, 1971. Flat grants, reducing benefits for thousands of welfare recipients, were put into effect. The grant was so low in the adult categories that after only two months it was raised by \$20 a month for single adults living alone. In addition, recognizing the hardships created, the state granted transitional rent allowances to those clients whose rents exceeded 30 per cent of their allotment in gradually decreasing amounts each month from July, 1971 to May, 1972. The theory was that these families would find less expensive quarters. In Essex County alone 16,000 cases have been receiving transitional payments and, in view of the acute housing shortage, cheaper quarters simply are not available. Furthermore, the ADC-U program in New Jersey was abolished and the

new Aid to Families of the Working Poor program was established in its stead. Under the provisions of AFWP, an intact family receives two-thirds of the grant of a family of the same size under ADC. In addition, the eligibility for the new program is more restrictive and many families formerly on the ADC-U roles are showing up on the ADC roles indicating the possibility that families have separated because of the incentive provided by the new legislation. The League of Women Voters of New Jersey looks forward to federal legislation which gives the same coverage to the working poor as it does to the ADC recipient.

With regard to the proposed federal legislation, the benefit level of HR 1, \$2,500/year for a family of four, is considerably lower than even the present level of the flat grant in New Jersey, \$3,888 for a family of four. This amount is also higher than that of the Amendment 559, \$3,000. But the Ribicoff Amendment provides for increases to the poverty level (now about \$4,000) and thereafter adjustments pegged to changes in the U.S. Consumer Price Index. We, therefore, consider these stipulations of Amendment 559 as an advantage over HR 1, but we realize that the cost of living in New Jersey is higher than that in most states and that a regionalization of the benefit level would be more advantageous to New Jersey and her recipients.

The fact that, in Amendment 559, states are required to maintain benefits, will protect New Jersey recipients against future cuts. The fact that in the Amendment there will be a 30 percent federal participation in the supplemental funds will benefit the state.

By extending benefits to individuals and childless couples, Amendment 559 would provide fiscal relief in New Jersey and a more uniform administration of public assistance which would benefit staff and recipient alike. General Assistance recipients in New Jersey are at present excluded from Medicaid, a benefit of categorical assistance recipients.

We object to the mandatory work requirement of HR 1 and of Amendment 559 because of the very high unemployment rate in New Jersey. Experience with the Emergency Employment Act has shown that it is difficult to fill public service job slots despite the fact that there have been a plethora of applicants. Because the work requirement of Amendment 559 applies to mothers with children over six rather than three as in HR 1, we favor the Amendment. Furthermore, Amendment 559 excludes from availability for jobs those mothers whose presence in the home is required "because of the unavailability of remoteness of suitable day care services." Day care services in New Jersey are at present sadly deficient. We think it abhorrent for a mother to be required to place her children in day care that is merely the custodial care provided in HR 1. We approve of the setting of standards for day care facilities as included in Amendment 559.

In conclusion, the League of Women Voters of New Jersey feels that Amendment 559 more nearly satisfies our goals of meeting the needs of the impoverished and of preventing poverty. We, therefore, support its passage.

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STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF RIPON, WIS., SUBMITTED BY  
MRS. ROBERT GRAY, JR., PRESIDENT

The League of Women Voters asks your support for the Ribicoff Amendments to the Family Assistance Plan, Title IV of H.R. 1. Our welfare system definitely does need reform.

Amendment 559 to H.R. 1 specifies an adequate income level of \$3944 by 1970 for "poverty" level and provides cost of living changes. Benefits for all recipients would be no less than January 1, 1971 level plus bonus value of food stamps as of some date. This would be an improvement and state tax cuts need not affect needy recipients.

In Wisconsin, a recent limitation on Public Assistance program did not save the actual 80 cents per person on a state tax cut. For prior to the cuts, fiscal responsibility was shared by Federal, State, and Local Government. After the cuts, with loss of total responsibilities and needs still remaining, many local government general relief programs were strained to meet the needs on their own. We won't let people go hungry in Ripon. So, an adequate income level set by Federal Government and met by Federal funds would abet this local grievance for relief recipient and taxpayer.

Work incentives of 40% allowed in Ribicoff plan is better than H.R. 1. However, of the 10 million welfare recipients receiving cash aid in 1969, there were only 1.677 million adult beneficiaries of AFDC who were employable (Census



Bureau). This included 546,000 mothers, 50% of whom worked full or part-time. Only 138,000 fathers were unemployed and would need a year services and training for the job market.

It would appear that most recipients now are not in the work category and not by choice. With working poor benefits (on adequate income level) incentives should be large as possible to keep them working. And those able to work need jobs, which are not available.

We urge support for Ribicoff proposals for more public service jobs and means for creating more private job opportunities.

Welfare reform with amendments such as Senator Ribicoff has stressed could be real reform. We urge your support towards this end.

#### STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF ILLINOIS

The League of Women Voters of Illinois wishes to underscore the support of the League of Women Voters of the United States for the principles in Amendment 559 (Ribicoff) to H.R. 1.

Nearly 900,000 of our fellow citizens in Illinois are receiving public assistance. Our state, like many others, has been torn by the need to provide properly for its citizens in poverty and the need to balance the state budget.

We have seen our senior Senator work with other Senators and the administration to help provide emergency relief to hard-pressed states, which will mean some 60 million extra federal dollars for Illinois.

We have seen our Governor two years ago institute a state income tax (which the League strongly supported), the income from which has gone largely into public aid and schools in Illinois.

We have seen our Department of Public Aid attempt to implement a program of selective cutbacks which is now before the courts, rather than make an across-the-board cut in grant levels to those on public aid.

We have seen our state legislature stymied and ineffective in dealing with the problem of freeing up any state funds to transfer to the public assistance program.

In other words, we live in a major industrial state which has grappled with and—for the most part—dealt responsibly with the welfare problem. *But* all this has not meant any improvement in the bleak existence of our nearly 900,000 citizens who live in poverty.

Nor do we feel that, in its present form, H.R. 1 will improve that bleak existence. Yes, it may provide some fiscal relief to the states, and we regard this as an essential part of a welfare program. But only a *part*. We are also looking for some fiscal relief for our citizens in need.

Because the system of granting assistance to our citizens has become so cumbersome, expensive, complicated and widespread, it is no longer either a local or a state problem. The problem is national, and we feel that Amendment 559 more closely provides the kind of welfare program we would want for our citizens as well as for our state and local governments.

These are some of our reasons:

*Income floor.*—Though this starts at a low \$3000 for a family of four, it would rise by 1976 to the poverty level. Illinois benefits are currently comparatively high (averaging \$3200 for a family of four), but this would give some hope of increase. H.R. 1 has no such built-in escalation.

*Coverage.*—Amendment 559 would include individuals and childless couples as well as families and the working poor. Recent close scrutiny of the general assistance rolls indicated that approximately a third of the persons receiving general assistance in the city of Chicago are single persons.

*Public service jobs.*—More than a billion dollars is authorized for this, Illinois is beginning now to provide public service jobs. While Illinois' unemployment rate generally is about 6%, we have pockets in the city of Chicago and in rural downstate Illinois where the unemployment rate is more than 30%. Recent statistics have shown, too, that unemployment has risen slightly in Chicago while it has decreased slightly nationwide.

*Mandatory state supplementation with federal participation.*—This would assure, as H.R. 1 would not, that our citizens in Illinois on public aid would not suffer a reduction in benefits. We also support the provision that such mandatory supplementation would increasingly be taken over by the federal government until 1977 when the program would be completely federalized.

**Day care provisions.**—Twice as much money (\$1.5 billion) is authorized for day care in the Ribicoff amendment as in H.R. 1, and federal standards must be met. The League in Illinois has recently completed a study of day care and, while we support the provision of day care for *all* children whose parents wish to use it, we recognize the priority need for low income families.

**Determination of benefits.**—Major attention is given to the family's current need in Amendment 559. As our Cook County Department of Public Aid points out, it is unrealistic to base a family's current need on past income which it may no longer be receiving. This would result in such a family receiving no assistance or having to be placed on the general assistance rolls.

**Residency requirement.**—None is permitted in Amendment 559. In Illinois we were pleased to see our Governor this past fall veto the residency legislation passed by our state legislature. Such legislation is fighting at windmills, when legislators should be dealing constructively with the problems at hand.

If, in Illinois where benefits are comparatively high and where state officials and citizens have tried to deal meaningfully with the increasingly severe welfare problems, we still see seven per cent of our fellow citizens who need income assistance, it becomes obvious that the time has come—indeed is long past—for the federal government to act. Not to *test*, but to *act*. We urge the Congress to deal responsibly not only with our states, but with our citizens in poverty.

We urge fiscal relief for those in desperate need.

Thank you for consideration of our statement.

#### STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF THE GREATER YORK AREA

I am Mrs. Edgar da Silva, the League of Women Voters' welfare chairman. I am also a member of the Citizens Advisory Committee to the York County Board of Assistance. The League of Women Voters has done a survey of 200 welfare recipients for the welfare office and also has compiled a study on alternatives to welfare. We realize welfare reform is a many sided problem, but at this time, we would like to address ourselves to the problem of the lack of day care centers.

In our greater metropolitan area of 200,000 people, we have the following number of day care centers available:

Day care centers	Slots	On waiting lists
8—CAP Centers.....	245	20
ABC Day Care Center.....	29	11
First Church of The Brethren.....	45	3
Holy Child Nursery.....	75	25
J Haven.....	50	30
Nurse's Nursery.....	48	18
Jack & Jill Nursery.....	70	18
York Day Nursery.....	65	25
Welfare Department (purchased service).....	30	200

In the estimation of our local welfare department, if more children were to be serviced, this area does not have enough centers as there are long waiting lists now for each existing center. It has been estimated that there are 3000 children who could use day care service, if it were available. Also, half of York County's caseload lives in a rural area, and the lack of any transportation makes it extremely difficult for a mother to travel to work and to get her children to a day care center.

We object to a mandated work requirement, although we welcome realistic job training and higher work incentive payments. We believe that any legislation that requires mothers with preschool children to register for work must also provide suitable day care as a condition for work.

#### STATEMENT SUBMITTED BY MRS. ROBERT K. MOXON, PRESIDENT, LEAGUE OF WOMEN VOTERS OF SOUTH CAROLINA

The League of Women Voters of South Carolina strongly supports the proposals offered by Senator Abraham Ribicoff to amend the welfare reform provi-

sions of H.R. 1. We feel that the amendments offered by Senator Ribicoff represent important and necessary improvements to H.R. 1 as it passed the House of Representatives. Several features are particularly significant in our effort to help the poor of our country become self-supporting and contributing members of our society.

Most people would define poverty as not having enough money to provide the day-to-day essentials of life. Although League members recognize that money alone will not solve the problems of poverty, money is certainly the most important part of the solution. Therefore, we support raising the initial level of support to \$3,000, for a family of four, with planned increases to the poverty level and the built-in cost-of-living adjustments as more realistic and humane than H.R. 1. Even though South Carolina is one of the five states in which welfare recipient would benefit under the \$2,400 level, it has been estimated that 70% of the welfare recipients across the country could receive reduced benefits.

One of the basic features of welfare reform legislation is the assistance given to the working poor. This could be particularly helpful in South Carolina which has one of the lowest per capita incomes in the country. However, under the provisions of H.R. 1 many of our poor whose income is supplemented by food stamps could well be penalized. In South Carolina there are many families who do not receive welfare payments but who buy food stamps. This is an important help in providing an adequate and healthful diet for many people, particularly children. The low level of support in H.R. 1 makes it likely that many of these people will have their incomes reduced. This is another important reason to increase the level of support as Senator Ribicoff has proposed.

An omission in H.R. 1 which we feel is corrected in the Ribicoff amendments is the provisions of eligibility provisions for single persons and for childless couples. It is important to extend coverage to these people, who may need assistance but who do not fit into any existing category.

The 800 members of the League of Women Voters of South Carolina urge the members of the Finance Committee to keep foremost in their attention that the purpose of welfare reform is to help the poor, most of whom are over 65, under 18, are blind or disabled, to achieve an adequate standard of life so that they can participate in and contribute to our American society.

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STATEMENT OF THE LEAGUE OF WOMEN VOTERS OF WYOMING, SUBMITTED BY  
MRS. WM. MAXWELL, PRESIDENT

Gentlemen: Welfare should be geared to foster maximum development toward an individual's maximum potential. Members of the League of Women Voters of Wyoming urge you to adopt Senator Ribicoff's amendments to HR 1 as a means to this end.

Wyoming ranks 29th in the maximum amount of welfare payments disbursed, 39th in the amount spent per \$1,000.00 of 1969 personal income, 47th in payments for aid to families with dependent children, 33rd in payments to aid the permanently and totally disabled, 43rd in aid to the blind. In short, our record is dismal.

League members primary concern lies with assistance for *people*. If people are to be helped in a meaningful way they will need higher minimum cash grants with staged annual increases; they will need improved work incentives; they will need more public service jobs and more private job opportunities; they will need bigger and better child care programs. We favor pilot programs for assistance to the working poor but only if the law provides specifically for an automatic full-scale program by a definite date.

We respectfully request that, as you deliberate on HR 1, you remember that this government of the people and by the people is also *for* the people.

The CHAIRMAN. We will meet here again at 2:20.

(Whereupon, at 1:10 p.m., the hearing was adjourned, to reconvene at 2:30 p.m. this date.)

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AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

We are happy to have with us this afternoon the Honorable Al Ullman, Member of Congress from Oregon. Mr. Ullman has made a

major contribution to the thinking and legislation in social security and public welfare.

Mr. Ullman, we are very pleased to have you and we will be pleased to hear your views.

**STATEMENT OF HON. AL ULLMAN, A REPRESENTATIVE IN CONGRESS FROM THE SECOND CONGRESSIONAL DISTRICT OF THE STATE OF OREGON**

Mr. ULLMAN. Thank you, Mr. Chairman.

I appreciate the opportunity of being here, and I will try to be as brief as I can. Thus, I would like to submit my written statement for record at this point, and simply go on to summarize several crucial points. As the committee knows, I did sponsor in the Ways and Means Committee an alternative program for title IV, the guaranteed income section of the bill.

I think time has proven my proposal basically sound, and I will briefly describe it; but, first, I have a couple of charts I would like to refer to with respect to the program that the House passed on the guaranteed income section. Since the committee is aware of the background on it, I won't go into details except to note some problems in the even this kind of guaranteed income concept were adopted. On this first chart income is shown that an individual would make.

According to the size of his family, you can see on the table how much the Government is going to pay him under FAP. Take, for example, someone who lived in the mid-South or rural area that had a piece of ground where he could raise a cow or two and some vegetables, and the opportunity to make \$4,000 on a full-time job. This also assumes he has six in the family. So as the chart shows the Government would pay him \$913 and his total income would be \$4,193.

Assuming this same individual had the alternative of having a job where he only worked half the time and made \$2,000, the chart shows the Government would supplement him with \$2,246 so his total income would be \$4,426.

Now, this man is employed, and the Government would not have any option whether he worked full time or half time. When you are the working poor you have the choice, so, obviously, you have all kinds of ranges in the amounts the Government would pay to supplement his salary.

While we usually talk in terms of a family of four, this chart goes up the scale to where you have a family of eight. The problem here is compounded because the Government pays in an individual case based upon three variables: First, the size of the family; second, the amount of his income; and, third, his assets. How in the world the Government can keep track of these millions of people on an individual-case basis with widely fluctuating incomes is beyond me.

In my judgment, it is totally impossible to do.

Now, the other chart briefly illustrates a second point. It is one that is very difficult to resolve under the administration's program. You obviously have your State supplements on top of the Federal payment. Now, what this illustrates is the New York plan which was the law at the time this chart was made. I think there have been some changes since then, but it illustrates the point.

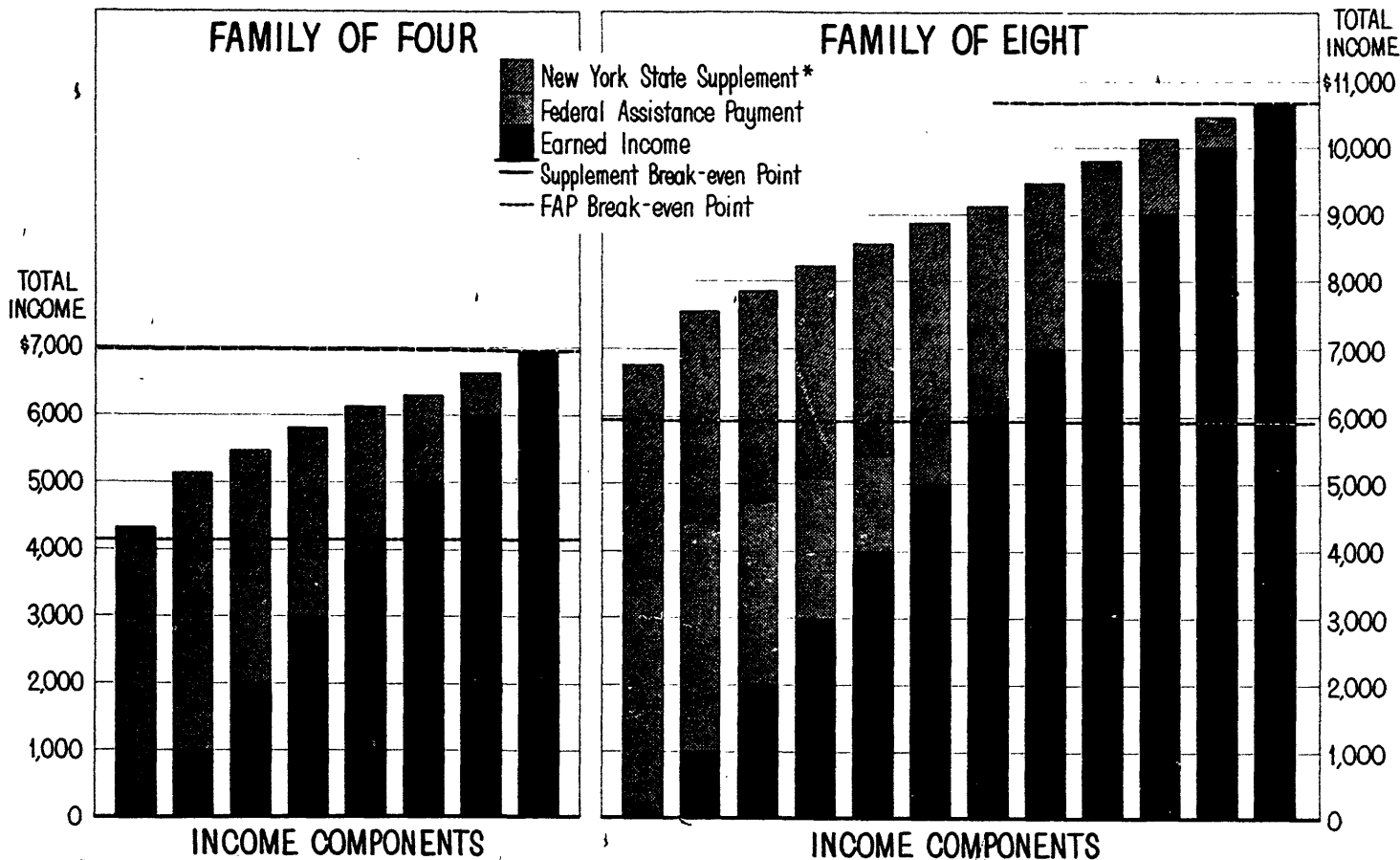
# Earned Income and Federal Assistance Benefits For Families of Two to Eight - H. R. 1

(DOLLAR FIGURE WITHIN EACH BOX REPRESENTS FEDERAL ASSISTANCE BENEFIT)

EARNED INCOME								EARNED INCOME	
	—	—	—	—	—	—	—	—	
\$6,500	—	—	—	—	—	—	—	—	\$6,500
6,000	—	—	—	—	—	\$0	\$0	—	6,000
5,500	—	—	—	—	\$0	\$213	\$413	—	5,500
5,000	—	—	—	\$0	\$246	\$546	\$746	—	5,000
4,500	—	—	\$0	\$280	\$580	\$880	\$1,080	—	4,500
4,000	—	\$0	\$213	\$613	\$913	\$1,213	\$1,413	—	4,000
3,500	—	\$146	\$546	\$946	\$1,246	\$1,546	\$1,746	—	3,500
3,000	\$0	\$480	\$880	\$1,280	\$1,580	\$1,880	\$2,080	—	3,000
2,500	\$413	\$813	\$1,213	\$1,613	\$1,913	\$2,213	\$2,413	—	2,500
2,000	\$746	\$1,146	\$1,546	\$1,946	\$2,246	\$2,546	\$2,746	—	2,000
1,500	\$1,080	\$1,480	\$1,880	\$2,280	\$2,580	\$2,880	\$3,080	—	1,500
1,000	\$1,413	\$1,813	\$2,213	\$2,613	\$2,913	\$3,213	\$3,413	—	1,000
500	\$1,600	\$2,000	\$2,400	\$2,800	\$3,100	\$3,400	\$3,600	—	500
0	\$1,600	\$2,000	\$2,400	\$2,800	\$3,100	\$3,400	\$3,600	—	0
	2	3	4	5	6	7	8		
	FAMILY SIZE								

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# Earned Income and Federal and State Assistance Benefits For Families of Four and Eight Under H. R. 1



1994

\* Maximum supplement payable under hold-harmless provision, including value of food stamp cashout.

Mr. ULLMAN. Here you have a family of four, and here you have a family of eight. The dark hatching shows the State supplements and the earned income is in green. The Federal supplement is here in the light crosshatch.

Well, the problem that you run into with H.R. 1 centers around the hold-harmless provision. Under the hold harmless, a State like New York with an expanding welfare load would be held harmless for costs beyond their 1971 level. The Government would assume the full responsibility for the payment of the State supplemental for all increased caseloads beyond the 1971 costs. In States without a hold harmless it would be a totally different picture.

So, when you talk about the "break-even point" under FAP, it becomes rather meaningless when the Government is actually going to take over all payments for a family of eight earning \$6,000 if they were part of the new caseload. For this family, it would be \$3,000 that New York now supplements. The Ways and Means Committee examined this at great length, and there is no way to get around it. It will end up with the Federal Government paying vastly different levels of welfare payments in different States, and sometimes at exorbitantly high rates.

Now, turning very quickly to the alternative I have proposed. What I am advocating has a "heart" in it, too. In other words, we do have a responsibility to the poor people of the country. We do have a responsibility to make sure that those who cannot work have an adequate source of income. But my program would screen the employables from the unemployables. It would start with people applying for welfare, and the classification as to whether they are employable or unemployable would be made through a Federal agency. If they are unemployable, they should be eligible for welfare, but the Federal Government should make no contribution of welfare payments for any employable person. The employables should be a Federal responsibility but not a welfare responsibility. The Federal Government should provide work, training, child care, and other services needed to put employables into jobs. The State governments with Federal financial assistance should provide welfare grants only for those who cannot work.

Now, obviously, if it is a woman with children, she would be dependent upon the availability of day care, so I would establish a national day care corporation. I think that is the best concept and this committee originated the idea. It allows for a great deal of individual initiative and enterprise in localities that an operation under HEW would not allow. It would also allow a consolidation of existing programs, and some individualization of the State-by-State programs.

I think it has great possibilities for resolving the problem.

So, assuming then that you have a mother with three children over age 6, assuming that you have day care, and that the woman has employment experience—she is classified employable; she never does go on welfare. This is the critical problem to be avoided, for once individuals get on welfare then you have the very real difficulty of getting them off.

In place of going on welfare, employables go on a Federal training program, with a fixed training allowance not based upon any State-by-State welfare rules, but based upon a percentage of the cost of living in a given area.

Under my program, the Government would become the employer of last resort. If there are no jobs available, then you have public-service employment; you have community work projects if need be. If there are no job slots available, the Secretary of Labor has the responsibility under my bill to come before Congress for funds to open up programs that do provide for jobs, whether they be Government jobs, community work projects.

All of us know the tremendous amount of work that needs to be done which is not being done because the jobs are in the minimum wage category.

But you also have to face up to the fact that the differential between minimum wages and between welfare payments is rather great now. So what I would do for those people under the poverty level is to provide additional cash assistance benefits if they are employed. If they are fully employed, there would be a \$60 per month work expense allowance. If they are half-time employed, and I think a lot of women with children probably should not work more than half time, they would get \$30 a month supplement for half-time work.

In addition, anyone who goes into this program would have the option of cashing out their food stamps on the basis that anybody who is employable is much better off getting the cash rather than going through all the fuss of the food stamps.

Now, for those people not employable. Over a 4-year period, assuming that a full day care program is in effect, I believe it reasonable to say that this might amount to 30 to 40 percent of the existing rolls would stay on welfare on a State-by-State basis.

I think the problem of welfare is not so much those people who are really in need and have large families; I think the problem is in not placing employable people on the welfare rolls in the first instance.

I don't think the American people resent in any way paying adequate welfare for people who are truly unemployable and have problems that make it impossible for them to earn a living.

But through this reclassification medium then over a 4-year period all of the unemployables who would be classified employable go off welfare and could not and cannot get back on welfare without going back through the mechanism and getting a reclassification.

Now, I realize there are complications. I have stated an oversimplification of my program, but there is no easy answer to welfare. I think this committee knows that. There is no easy solution. There is no such thing as a good welfare program but, in my judgment, my proposal would take us down the right road. It would probably initially cost as much as FAP because the cost would go into day care; but it would go into facilities that we need.

Senator CURTIS. Mr. Chairman, I have to leave for another committee. Could I break in to ask you a question now?

Mr. ULLMAN. Yes, certainly, Senator.

Senator CURTIS. Over a period of months I have been giving considerable thought to your proposal because this isn't the first time you have offered it, spoken out on it?

Mr. ULLMAN. Right.

Senator CURTIS. Your program then would not involve the matter of extending the payment to the so-called working poor now, would



it? You would deal with the people who say "We are in need; we need some welfare," and start from there?

Mr. ULLMAN. The way the working poor would come in would be in this form. If they have a full-time job, but are under the poverty level, I would give them a work expense allowance. It would not be based upon fluctuating incomes as in FAP. As long as they were under the poverty level, it would be up to \$60 a month for a full-time employee or \$30 a month for a part-time employee.

Senator CURTIS: That would not go on forever?

Mr. ULLMAN. No; as soon as their earnings reach the poverty level it is phased out.

Senator CURTIS. But would this be treated as supplemental income or a specific payment intended to upgrade their employment capabilities?

Mr. ULLMAN. You have a real problem of getting people off welfare into employment and you will find a difference—a mother with a family of three or four gets maybe \$3,500 or something like that on the welfare rolls. If she is going to take a minimum wage job that pays her \$2,800, then it seems to me that we have got to bridge that difference some way. It is being unrealistic to say that you can force her to take that much of an income drop. So she would qualify for the work expense allowance.

Then, in addition to that, for all of these people who are classified employable, I would allow them to cash out their food stamps, and get a cash payment in accordance with the amount of food stamps they would have available.

Senator CURTIS. Well, does your proposal embody what is generally referred to as the guaranteed minimum income which, as I understand it, is saying to the working poor, the person who are employed "because your earning is below a certain level, we are going to supplement the welfare payment"?

Your proposal does not embody that concept, does it?

Mr. ULLMAN. No. The thing that is so unrealistic and that bothers me is that it is not within the realm of feasibility for the Federal Government to deal individually with millions of Americans on the basis of fluctuating incomes on a month-to-month basis. The Government just simply can't keep up. A man earns \$300 one month; he earns nothing the next month; then under this kind of a system you would be 3 or 4 months behind; you would never catch up.

I think it would result in the worst administrative hodge-podge you ever saw in your life. Not only that but once you go down the road of a guaranteed income, there is no returning. Once you go into the business of individual cash settlements, what you are doing is opening the Treasury to every individual based upon him filling out a form—how much he has made, how much his assets are, how big his family is. You would have made millions of people to deal with and the Government would have no alternative but just to put that into a computer and feed him a check. I just don't think any government can do that and survive it.

Senator CURTIS. Because you can't turn back?

Mr. ULLMAN. Yes; that's right.

Senator CURTIS. The political temptation will be to raise those limits.

Mr. ULLMAN. The political pressures increase once you get on this road and there is no turning back. We have seen it in every program we have adopted. Somebody can come in and say, "Well, look, you are paying us \$2,400 for a family of four and we can't live on it." They can make a case for that and so you pay them \$3,400 and then they can make a case for that, too. I think in many parts of the country you can't live on that amount, and so this is uniform throughout the country. In my judgment it is an open-ended road to disaster.

Senator CURTIS. Well, I commend you very much for your testimony. I must go to another committee meeting.

Mr. ULLMAN. I appreciate your interest. I know you have expressed it before.

Senator CURTIS. I think you are making a distinct contribution here because once we accept this concept of supplemental income, a guaranteed minimum income and, therefore, added millions go on the rolls, there not only will be no retreating from it, there will be no reduction of the rolls and the political pressures will be enlarged.

Mr. ULLMAN. There is no question about it, Senator.

Senator CURTIS. Thank you very much.

The CHAIRMAN. Go ahead, sir.

Mr. ULLMAN. Well, I think that I will not proceed any further except to say that my program does have a heart. In other words, it does consider the needs of poor individuals; it does give a work expense allowance; it does not turn anyone out in the street without the opportunity to make an adequate living; and it does so in a way that it seems to me is both fiscally sound and consistent with the very basis on which this country was founded. In short, I am convinced that my program would turn our welfare course around, offer a meaningful vehicle for reclassifying people as employable or unemployable, and give employables the support they need—child care, job training and job placement—to get into a meaningful job and off the welfare rolls.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Ullman. I think you have made a very good suggestion here.

The thing that bothers me so much about this, and I really think that your desire to help the poor is every bit as sincere as anybody's in the House of Representatives, even though you had some doubts about that bill when it passed. It is my desire to help the poor, too. Prior to the time I came here I helped to put a tax program on the people of my State that increased their taxes 50 percent at a single session of the State legislature, that is, the overall tax burden of that State. We put into effect what was probably the most liberal welfare program of any State in the United States. It was all I could do to be elected after we got through putting those taxes on, too, to pay for all that. But my popularity and everybody who had anything to do with it went from the top down to the bottom of the ocean by the time we got through enacting all those taxes to pay for that. But I would think that that would indicate my sincerity in wanting to help the poor.

It almost beat me and took me out of public life. I have been supporting everything in that bill to help poor people except when you get to the family assistance part that I don't think is going to work and I think that is about your attitude toward it; isn't it?

Mr. ULLMAN. Senator, in addition to that, I have had a lot of contact with people on welfare and I just don't go along with this idea that they don't want to work or be a part of society. I think in almost every case they would like to make some kind of a real contribution in the way of a meaningful job and that is the direction in which my proposal would move. It would put people back into constructive participation in society rather than putting them out on a shelf and paying them some money and forgetting about them, which I think would be disastrous.

The CHAIRMAN. Right.

Now, when we here in the Congress pass a bill that makes it to somebody's advantage for that person to go on the welfare rolls rather than take a job, we really ought to blame ourselves for that, shouldn't we, if what we are trying to get them to do is to try to get them to take the job?

Now, that is one reason why my approach about this thing since the day I heard about the President's proposed family assistance plan when I saw the first press release in the newspapers has been that it will not work. This thing is not going to work if you pay these so-called working poor not to work.

If you want it to work, you had better devise it so that you are paying people to work rather than paying people not to work.

And my thought about this change that you are making people take slave labor jobs and all that sort of thing by requiring them to take a job, is just, say, for anyone not on the program new, "You are not eligible for this working poor program unless you had a job and were working." In that way we haven't got to argue about the desirability of the job, whether it is a slave labor job, not dignified, doesn't pay enough, all that sort of foolishness. It seems to me, we would do better to say if the man can't find a job we will just employ him in the public area or subsidize a job—make a job if we have to, a WPA type if it has to be, a marginal job if it must be.

Then having put him on some kind of a job, then if he is not making enough to support his children, and something to it.

Does that make more sense to you than it does—than just to pay them to do nothing?

Mr. ULLMAN. It certainly does, Senator. Those people who say, "Well, there just aren't jobs available," are failing to recognize that States like Oregon have used the WIN program to go into job training with resultant meaningful jobs.

The placement record has been tremendous and the success of the program is there. Jobs can be opened up through meaningful training.

Now, I am not trying to build this on a lot of hodge-podge training programs we have now. What this would do would be to mandate some kind of meaningful, overall consolidation of all our training programs into something that would really face up to the problem and train people for jobs where there are openings. Heaven only knows that in the field of environment, in the field of health, and in the field of education, we have a tremendous need for people today. This should all be geared to the new technologies that are coming along.

The CHAIRMAN. Well, now, I am a Democrat; so are you. I give the President complete credit for good faith and I think he is trying to do

what he thinks is in the national interest in proposing the measure he sent down.

But those of us who serve on these committees—you do and so do I—try to study the fine print, take case-by-case application and particularly take the President's proposal and apply that to welfare cases that we know of, and go into the problems that we know of and see whether the new program would work out any better than the old program.

I would like to ask you about this situation. The President said in his speech the existing welfare program encourages a man to leave his family so the family can go on welfare. Now, would H.R. 1 continue that same situation?

Mr. ULLMAN. Well, in my judgment it doesn't change anything at all in that regard.

The CHAIRMAN. Well, now, isn't this correct: Let's assume that a man is able to make about, let's say \$3,000 a year, working. He has a wife, several children.

Mr. ULLMAN. Mr. Chairman, I am going to have to go back to the House, too, in just a minute, but let me respond to your questions.

The CHAIRMAN. I would just like to ask this for the record: Isn't this true if he had a wife and several children, let's say a wife and three children so as to get into the figure we use the most, that all he really need do in most States is just to make himself scarce, in effect, desert or to leave, and by leaving his family then—the wife and the children—could go on welfare for a figure that varies State by State, and in my State that would be a low figure—it would be about \$1,200?

Now, if you had the new program, H.R. 1, in effect, wouldn't the answer be the same? If he were making \$3,000, had a wife and three children, not eligible for the welfare payments, they would go on welfare except for \$2,400 instead of \$1,200 if he left.

Mr. ULLMAN. That is right. He can stay in the house and still draw the welfare payment with a slightly reduced amount because of his refusing to work; that is right.

The CHAIRMAN. So the answer there, it would seem to me, it would be far better to say that we will add something to what the father makes, if that is not enough to support the family, rather than to say that we are going to pay them more money, make it even more to their advantage for the father to leave the family. If that is your problem you are making it worse with H.R. 1?

Mr. ULLMAN. That is absolutely right.

Well, Mr. Chairman, I wish that I had more time to stay and I know you have to go, too; but I just make a final plea to this committee. In the House the vote was close on eliminating the FAP title. I moved to eliminate it; the rule would only allow that. It was a close vote, and I have spoken to some Members who were operating under duress, but I think there is a grave doubt, even in the House, about this guaranteed income provision, a grave worry about where it is leading the country. So I would make a plea to you and this committee to take a new direction to eliminate that section. If you take a new direction and put this whole thing on a firm footing, the rest of the bill, which for the most part is good, can go forward. I believe that my proposal can help build real welfare reform as an alternative to getting us deeper in the

mire which is where this guaranteed income section would take us.

The CHAIRMAN. Thank you very much, Mr. Ullman.

Mr. ULLMAN. Thank you very much.

The CHAIRMAN. We appreciate very much your appearance here. (Congressman Ullman's prepared statement follows:)

STATEMENT OF HON. AL ULLMAN, A U.S. REPRESENTATIVE FROM THE STATE OF OREGON

Mr. Chairman and Members of the Committee: I come before you today to discuss the great opportunity you have to cut through the rhetoric that has obfuscated the true issues involved in a fundamental reform of a welfare system that is almost universally condemned.

As you said in your opening statement on welfare reform in the last Congress, Mr. Chairman, "This committee believes in the concept of workfare not welfare; the concept on which this bill has been advanced." But as your Committee knows full well, H.R. 1 is not really a workfare bill at all; it is, as a distinguished member of this Committee has said, a welfare expansion bill.

We do not need welfare expansion—we are getting that already under existing law. We need a new program that will, in your words, Mr. Chairman, substitute "the dignity of employment" for "the indignity of welfare."

How is that to be done? In the past, we have put employable people *on* welfare and then tried to take them *off* welfare by work and training programs. That was the approach of the Community Work and Training Program, the Unemployed Father program, the WIN program and it is continued in H.R. 1. In H.R. 6004, the Rehabilitation, Employment Assistance and Child Care Act, which I introduced last year, I suggested a new approach and one that I consider essential to any real welfare reform. The basic concept underlying my bill is that our national policy must distinguish between the "employables" who do NOT belong on welfare, and those who are in need because they are unemployable. The former should be excluded from welfare and should get training or employment. The latter deserve the compassion that is the foundation of a welfare program.

What should be our approach to the needy family in which the mother is able to work, either with or without additional training? Under H.R. 1, she is put on welfare in hopes that she will later get off. My bill has the opposite approach—those who are employable are not eligible for welfare in the first place. They become the responsibility of the Department of Labor and never get into the welfare system. We have tried the system of putting people on welfare and then trying to get them off; it hasn't worked in the past, and I have no reason to believe it will work in the future.

H.R. 1 may sound different because employables become a responsibility of the Labor Department—but it is not different for two very important reasons. First, those referred to the Labor Department still get welfare checks under welfare rules and probably made out by the welfare agency unless the Labor Department sets up a duplicate payment unit. Second, those referred to the Labor Department are really not the employable at all, they are those that are required to register under a set of rules in the bill. For example, a woman with three children in a community with no child care facilities available, is sent to the Labor Department—but she cannot be sent to a job. The result will be ever new records in what it now calls "holding"—welfare recipients for whom the program can do nothing except give them a check. Whether welfare checks come from one department or another makes no great difference—they undermine the spirit of self-sufficiency just as much whether they are signed "Labor" or "HEW."

Under my approach the employables do not get welfare checks. If they cannot be placed in jobs or in training for which a wage is paid, they are put into training, with a training allowance based on the average weekly wage in that State. The training allowance is related to what they will earn after training—not to the welfare check. Further, if the Labor Department finds itself paying allowances to people that it cannot train for a job, it must report immediately to the Congress and request the necessary funds to increase the number of public service jobs.

Let me turn now to what we do for the needy who are employable. The administration bill essentially repeats existing law by directing the Labor Depart-

ment to run a training program and HEW to provide child care. There are a few changes in the details of the provisions but the structure remains the same—the same as the present system under WIN which has provided neither training nor child care. The Ways and Means Committee has improved the bill by providing some commitment to public service employment, but even with this improvement the approach is inadequate, to say the least.

If present law and the administration bill are inadequate, what do we need to do? First and most important we need to do something about child care.

My bill picks up the Child Care Corporation proposals that were reported by this committee in the last Congress. I do not need to repeat for you the rationale for those provisions—you know as well as I do that without adequate child care provisions no welfare reform can be workable.

Second, we must not just create another categorical training program, but instead must mandate that all Federal and Federally-assisted training and employment programs give priority to those in need.

Third, we must create jobs. The tax incentive provided for employers in the Revenue Act of 1971 are a welcome first step, but we must also have a public service employment program that expands as the need for it increases.

Fourth, my bill provides for a work expense allowance to ensure a strong incentive for going to work.

So far I have concentrated on what my program and the administration's program do for the existing AFDC category—the families in need, and with no father present in the home or with the father unemployed. The administration bill not only does not reduce this welfare population, it adds to it; in fact, it more than doubles it by putting those who are regularly employed onto the welfare rolls. It is true that this is a real change from the present system—but it is, I insist, a change in the wrong direction. We will not solve the welfare problem, and we will not foster the spirit of self-reliance, by multiplying the number of those we place in dependency. Under the administration's original proposal, every family of four which earned less than \$3,920 a year would have been eligible for a welfare check; under the revisions adopted in the Ways and Means Committee that four-person family could earn about \$4,300 before the welfare check was cut off. The figures on how many people in each State will be put on welfare by this provision is truly frightening.

We have recently enacted some very significant amendments to the WIN program and the Senator from Georgia is to be commended for a valiant attempt to rescue that program from the inadequacy in which it has become mired. But even after the amendments are in effect, employables will still receive welfare checks. I am also afraid that the registration requirement for eligibility for welfare will be essentially a paper transaction. The amendments are a step in the right direction—but they do not accomplish the basic reform that we need and that is to limit welfare to the unemployables and provide an entirely different system for those who can work.

Welfare reform is a goal that unites us all; no one likes the present system. There is almost as much agreement that those who are able to work should, and that welfare should be paid only to those who cannot help themselves. But agreement on generalities does mean agreement on specific legislative proposals because the question is which legislative proposal will really implement the generality. I ask you to look at what is in the bills, not just at what people say about them. If you examine the reality and ignore the rhetoric, I think that you will find my bill, the Rehabilitation, Employment Assistance and Child Care Act of 1971 will move us in the direction of meaningful reform.

The CHAIRMAN. The Senate is voting and we will have to vote. I will come back immediately to hear these remaining witnesses myself; but I suppose we will have to quit for about 15 minutes here before we hear the next witness.

So we will recess and resume the session at 3:20.

(Recess.)

The CHAIRMAN. The next witness will be Mr. P. Richard Stoesser, chairman of the public services committee and the Board of Commissioners of Midland County, Mich. Is he here—Mr. Stoesser?

**STATEMENT OF P. RICHARD STOESSER, CHAIRMAN, PUBLIC SERVICES COMMITTEE, BOARD OF COMMISSIONERS, MIDLAND COUNTY, MICH., ACCOMPANIED BY R. JERRY BENNETT, CHAIRMAN, BOARD OF COMMISSIONERS; AND H. M. MEREDITH, COUNTY SOCIAL SERVICES DIRECTOR**

Mr. STOESSER. Thank you.

Thank you, Mr. Chairman. Before I get started I would like to introduce Mr. Jerry Bennett who is chairman of the Midland County Board of Commissioners and Mr. Marv Meredith our county social services director.

I would like to thank you for this opportunity to share with you some of our viewpoints and experiences as related to social welfare in Midland County.

We are very happy to be here.

First, we want to say we agree wholeheartedly with your position that "An acceptable welfare program must pay people to work rather than not to work, if they are employable, and must reward marriage and responsible parenthood rather than illegitimacy and desertion." From our analysis, we further agree with Senator Long that, "unfortunately, H.R. 1 does little about the present welfare mess, except to make it worse by several billions of dollars."

So what can we do about our welfare mess? We certainly don't have all the answers but we do know of one course of action which will decrease welfare costs to the taxpayer and which will give a welfare recipient an opportunity to feel better toward himself and to become a contributor, rather than just a parasite, in our society. These are positive results. Our purpose here is to share with you how we achieved these results rather than to intellectualize on what might temporarily appease those who have not learned how to support themselves.

Our welfare problem in Midland County is the same as elsewhere in this country. The rapid growth in numbers of welfare recipients and in welfare costs, particularly in the categories of aid to families with dependent children and direct relief or general assistance. Although our absolute numbers may be relatively small in comparison to large urban areas, our percentage increase is about the same.

We were particularly concerned that in 1 year the monthly caseload increased 84 percent for direct relief, 73 percent for AFDC, and 103 percent for AFDC-U. We concluded that no society can stand these increases every year and still survive. The question was what to do about it.

After thinking briefly about why we have our welfare problems in these categories, we discovered that, contrary to popular belief, more money to the recipient is not the answer. If it were, these problems would have disappeared long ago. It occurred to us that the problem with many people on welfare is that they are unemployed; they have nothing to do of value for others. The obvious answer then was to provide employment or at least have them do something of value for society.

Based upon this philosophy, the Midland County Board of Commissioners initiated an experimental work program in April 1971, by passing a resolution which directed the county social services board to prepare a work opportunities program.

The social services director hired a program director to coordinate the program during its 3-month trial period. Work opportunities were then identified with the county road commission, city and county parks and recreation departments and the county drain commissioner.

In June, able bodied, male welfare recipients on county direct relief were given a choice of working for the county and continuing to receive welfare benefits at \$1.65 per hour of work, because we thought this was the minimum welfare or Federal wage, or of not working for the county and thus losing the benefits they had been receiving. Such a program is permitted under present Michigan legislation. Results were immediate.

After 2 months of program operation ending July 31, 1971, we achieved dramatic decreases in the employable caseload, as illustrated in the report submitted to your committee.

May I just comment that decreases in caseloads and in costs were the primary consequence of men asking for and obtaining private employment despite a greater than 7 percent unemployment rate in the area.

The breakdown for that 2-month period is 29 men achieved private employment, two moved out of the county, one went on unemployment compensation, one refused to work, one went back to school and one went on AFDC-U.

Many of these men discovered that they could gain—

The CHAIRMAN. How many people did you put to work?

Mr. STOEESER. Pardon me?

The CHAIRMAN. How many people did you put to work when you instituted this program? How many people did you put to work for the county, because apparently you put seven in private employment. How many people did you put to work under your program when you did this?

Mr. STOEESER. How many people actually worked for the county at any one point?

The CHAIRMAN. Yes, that is right.

Mr. STOEESER. It varied.

Mr. MEREDITH. Thirty-five, I think, is the total altogether.

Senator BENNETT. Over a 3-month period?

Mr. MEREDITH. Yes, sir.

The CHAIRMAN. Thirty-five people?

Mr. MEREDITH. This is in our county general assistance program because we couldn't use AFDC-U cases. This is just what we could get to.

The CHAIRMAN. Right.

Mr. STOEESER. So, really, many of these men discovered they could gain greater financial benefits by working at an hourly rate greater than \$1.65 an hour and for more than 2 or 3 days a week, so that is why they went off and that is why we had decreases in our particular program.

Senator BENNETT. May I interrupt again at this point?

The work you offered them—was that only for 2 or 3 days a week?

Mr. STOEESER. What we did is that they worked at \$1.65 an hour only until their earnings matched their weekly welfare assistance.

Senator BENNETT. Which they accomplished in 2 or 3 days?

Mr. STOEESER. Two to three days, right; and they discovered after getting into the habit of doing that, that they could go out and find better jobs in our community, \$2 an hour or thereabouts, and work



more than 2 or 3 days a week. This was to their benefit and they took it. That is why we had 29 who went off, you know, who went into private employment and despite the fact we had a 7 percent unemployment in the area.

The men who remained on our direct relief county program and didn't want to go to private employment they worked for the county by repairing park benches and shelters, clearing brushland, making nature trails, et cetera.

By the middle of August a total of 69 direct relief cases had been reduced to 14, an 80 percent overall decrease, and eight of the 14 obtained full-time work.

Really, the most exciting and encouraging aspect of this program has been the positive response of the participants. These men did good work, were happy and many said they "felt better because they were no longer getting something for nothing." We feel these participants seem to be gaining self-respect by working.

So, really, in a 2-month period, what did we achieve with a work opportunities program for welfare recipients on direct relief:

1. Old unproductive habits of recipients were replaced by new productive habit patterns.
2. Recipients gained work experience and a greater feeling of self-worth.
3. The principle was confirmed that recipients want to work and will find their own work if it is to their benefit. I think this is an important point. People will do whatever they can to benefit themselves. Just give them the opportunity to work with acceptable choices.
4. Welfare costs were decreased, which was an indirect saving to the taxpayer.
5. Work was completed in the county, which otherwise could not have been done for lack of tax dollars, another indirect saving to the taxpayer.
6. The social services staff operated more effectively and developed a better attitude toward their work because they could now offer incoming welfare applicants a choice of work opportunities, rather than just be harassed for a handout.

But why did the program work so well? We feel it did so because of two fundamental reasons: First we worked with, not against, a powerful fundamental principle of human nature that most people want to feel needed, to be appreciated and to do something of value for others. But we recognized that old, unproductive habit patterns would not be easily replaced by new, productive work habits without strong, personal motivation. To assist direct relief recipients and applicants out of their unproductive rut, our county policy became "no cash benefits except at the rate of \$1.65 per hour for county work performed."

Second, we delegated responsibility and authority to the county social services board and to the county welfare director to work out the details of a work opportunities program. All that we required was that they maintain a positive attitude toward the welfare recipients, offer them a choice of work opportunities, not abuse their civil rights and to be accountable for funds expended. Such an approach not only stimulated the imagination of our welfare director but also created in him the excitement and personal motivation to do the job.

We also recognize that the success of this county-controlled work-

opportunities program was due in large part to the participating administrators having a positive attitude toward the value of work. Their attitude was for results, not merely activity. As a result of the excellent performance of our county welfare director, the county is now supplementing his salary to continue and expand our work-opportunities program.

In short, all concerned received benefits from this program—welfare recipients, taxpayers, local elected officials, and county welfare officials.

Because of these results we are asking you to legislate that counties be given the option to develop and administer work-opportunities programs for all able bodied, employable welfare recipients on Federal public assistance without the need for prior State or Federal approval. We feel that the details of how to structure such a program should not be dictated by an insensitive, noncompassionate, massive Federal bureaucracy, but left to the initiative, imagination, and responsibility of county social service boards to meet their local needs.

The basic problem with present bureaucratic Federal welfare policies, as established by the Department of HEW, is that we feel they are based on the wrong principle. According to Federal regulation No. 233.140, Federal funds will not be available to any State whose welfare recipients must work for benefits.

(The regulation referred to follows:)

[From the Federal Register, vol. 34, No. 1, Jan. 1, 1969]

#### TITLE 45—PUBLIC WELFARE

#### CHAPTER II—SOCIAL AND REHABILITATION SERVICE (ASSISTANCE PROGRAMS), DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

#### PART 233—COVERAGE AND CONDITIONS OF ELIGIBILITY IN FINANCIAL ASSISTANCE PROGRAMS

\* \* \* \* \*

#### § 233.140 Expiration of community work and training program.

The provisions of section 409 of the Social Security Act, as amended, "Community Work and Training Programs", shall not apply to any State with respect to any quarter beginning after June 30, 1968. Federal financial participation will not be available in expenditures made in the form of payments for work performed in any month after June 1968, except under the Work Incentive Program authorized by Title IV, Part C of the Social Security Act, or under the work experience and training programs authorized by title V of the Economic Opportunity Act.

(Sec. 1102, 49 Stat. 647, 42 U.S.C. 1302; sec. 204(c) (2), 81 Stat. 892)

*Effective date.*—The regulations in this part shall be effective on the date of their publication in the Federal Register.

Dated: December 17, 1968.

MARY E. SWITZER,  
*Administrator, Social and  
Rehabilitation Service.*

Approved: December 26, 1968.

WILBUR J. COHEN,  
*Secretary.*

Mr. STOEßER. This ruling, we feel, was indeed unfortunate. Many States will not risk the loss of Federal funds by requiring welfare recipients to work for benefits. As a consequence, the recipient is personally damaged; he must now receive something for nothing and is encouraged to remain weak and worthless.

Another problem with present HEW policy is that any work incentive programs must first be approved by State and Federal agencies before welfare recipients receiving Federal funds can work. Unfortu-

nately, HEW usually refused to approve State plans for county work programs. In fact, after waiting for 5 months, Michigan finally received notice from HEW in Washington that a waiver to HEW's no-work policy will not be allowed for Michigan.

A couple of other points: We had six AFDC-U recipients request to participate in our county program but we had to turn them away because of this ruling. In Midland County we had 166 on AFDC-U in July and we have identified work in the county for about 200 people. So if this ruling was not in effect we could have had them all working in county work.

Unfortunately, the way HEW policies are now, an AFDC-U case cannot be closed even if the man is offered a job and he refuses it. As a first step we feel that an amendment to present welfare statutes is needed which will give counties the responsibility to match unemployed welfare recipients with jobs to be done, that is, to guarantee work opportunities.

A further suggestion is that HEW administer only true permanent welfare cases such as those people who are mentally or physically handicapped and that the Department of Labor administer the problem of getting employables employed and doing some useful work.

We might add we feel the new EEA program is a good step forward in this direction. In Midland County we were funded for 45 positions and in 60 days these positions were filled.

Our administrative costs are running about \$10,000 out of a \$300,000 program or about 3 percent administrative overhead.

We might well ask, does the Federal Government really want to eliminate welfare and poverty or does it want to give Federal administrators something to do? We would like to believe the former and respectfully suggest that the following ideas be considered:

- (1) That local government be encouraged to take responsibility and to be accountable for solving their own particular problems;
- (2) That unproductive Federal administrative overhead be eliminated by decentralization of authority and responsibility;
- (3) That a form of tax dollar redistribution be adopted with minimum restrictions to provide local governments the funds necessary to solve their social problems; and
- (4) That people are provided a choice of guaranteed work opportunities for them to solve their own problems rather than a guaranteed income.

We believe a welfare philosophy based on work opportunities and local control is fundamentally correct.

We started a small experimental program; it was successful; we got results; and because of these results 14 other counties in Michigan have adopted a similar program and are getting very similar results.

The CHAIRMAN. I am just inquiring whether there is anything in the law to support that regulation that welfare recipients should not be required to work?

Senator BENNETT. Was it required or allowed to work?

Mr. BENNETT. I think it is an administrative ruling out of HEW.

Mr. STOEISSER. I do have a copy of the policy.

The CHAIRMAN. Is there anything in the law that supports that regulation or is that just one more bad regulation that was spawned out of HEW?

Mr. MEREDITH. I think it is one more bad regulation.

Senator BENNETT. When was it adopted? It was 1968 when the WIN program came into effect.

The CHAIRMAN. Is there anything in the WIN program that indicated that welfare people were not to work?

Well, we passed a program at that time to try to put people to work and I was one of those who supported that concept and there were people in the Department who didn't like the idea. We had some of these bleeding hearts come screaming against it, what a horrible thing this would be. I see that is the program they seized upon to seek to justify a regulation that says that nobody on welfare has to do any work. In other words, as one of the sponsors of the work incentive program, I find we pass a law to try to put somebody to work and they seize upon that kind of authority to say that you can't put anybody to work. So it is an utter outrage which shows more than ever that there is no reason whatever to think that those people down there in HEW who are screaming day in and day out how they can get more authority and then take this whole Nation over. Many of them went in before anybody ever heard of Richard Nixon or even Dwight Eisenhower. They are still down there working away trying to find some way to destroy this Government. They ~~would not know~~ how to administer a program to put people to work if their lives depend on it.

Here is a program where we were trying to put somebody to work and they managed to twist that one around so nobody went to work under the program designed to do it. I shouldn't say nobody—I should say virtually no one. I now find that the language in that law to promulgate that regulation that you couldn't put anybody to work. So it is a very frustrating thing when you have people who don't want people to work administering a work program in such a way to put them into dependency instead of to try to promote the work ethic.

I am 100 percent in support of anything you are trying to do. If there is any way my vote would help bring it about you can count on this Senator.

Senator BENNETT. Mr. Chairman, I would like to—I will be glad to yield to the Senator from Michigan because it is his home folks.

Senator GRIFFIN. I only want to say that I appreciate the fact that the committee has scheduled these particular witnesses. They are here at my request. I have had several opportunities to learn about this Michigan program firsthand, and I thought the committee ought to know about it and programs in other counties in Michigan which have been following Midland's example.

I share the concern and disappointment of the chairman regarding the HEW regulations adopted in 1968—is that the right year?

Senator BENNETT. Yes.

Senator GRIFFIN. I am at least glad it was prior to the present administration taking office. [Laughter.]

Regulations such as this really impede innovative efforts in this area and I almost wonder, Mr. Chairman, if we might not want to get HEW people back before the committee to respond to some of these questions?

The CHAIRMAN. We will do that in due course.

Senator GRIFFIN. Here HEW has refused to provide a waiver for the State of Michigan. Michigan finally received notice from HEW after several months that a waiver to HEW's no-work policy would not be

allowed. I don't know why. I understand that New York and California asked for similar waivers.

The CHAIRMAN. Well, this committee, Senator Griffin, has supported—we have supported every Governor who has asked to try to put somebody to work. We conferred—

Senator GRIFFIN. New York's request was approved and Michigan was denied. Why? I would like to find out.

The CHAIRMAN. We will try to help you and we will be glad to cooperate.

(The following was subsequently received from the Department:)

THE UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE,  
Washington, D.C.

Mr. TOM VAIL,  
Chief Counsel, Committee on Finance, U.S. Senate,  
Washington, D.C.

DEAR MR. VAIL: I am pleased to provide you with information requested in your letter of January 31 regarding work programs in Michigan. You asked for a comparison of the requests from the States of New York and Michigan for work-oriented programs and this Department's disposition of those requests.

The New York and Michigan situations are quite dissimilar, New York proposed to introduce work relief as an element of its ongoing AFDC program. The HEW Regional Office advised the State that work relief could be required of recipients but, under the existing Social Security Act and implementing Federal regulations, the AFDC payments made in return for such work would not draw Federal matching.

New York subsequently submitted formal application to conduct a limited experimental work program under section 1115 of the Social Security Act. The project is designed to test stated hypotheses regarding work for AFDC recipients, it operates only in specific areas of the State, and it provides in detail for careful evaluation of the results. In addition, the State has submitted extensive supplementary material, giving details of various aspects of the project. In the case of such a project, HEW has authority under section 1115 to recognize for Federal matching the AFDC payments for work that would not otherwise be matched.

To develop and inaugurate the New York project has taken several months of effort by State staff. The New York application has now been approved by HEW, but the State has not yet placed it in operation.

California has submitted an application along the same general lines as that received from New York. This proposal remains under study and analysis in the Department.

In contrast, the HEW Regional Office in Chicago received an inquiry from the Michigan State Department of Public Welfare concerning the possibility of granting the State authority to permit counties to institute work relief programs for recipients of Federally-assisted welfare payments, with continued Federal matching of the payments. The Regional Office correctly responded that this was not possible under existing Federal statutes and regulations.

Subsequent Michigan requests to the Social and Rehabilitation Service for permission to institute work relief projects were denied on the basis of a Presidential request that for the time being we work only with the first three States which had applied for such projects. Consequently we were not in a position at the time Michigan's request was received to give it consideration.

However, if Michigan officials now wish to pursue this further we are willing to describe for them the full procedure for preparing a formal application to conduct limited experimental work programs under section 1115. If they then wish to submit a fully documented case, I can assure you that the Department will give Michigan's application full and careful consideration.

Sincerely yours,

JOHN G. VENEMAN,  
Under Secretary.

(The Department subsequently submitted another memorandum explaining its policy on work relief programs under public assistance. This memorandum follows:)

FEBRUARY 3, 1972.

To : The Under Secretary.  
 From : Wilmot Hastings, General Counsel.  
 Subject : Work Relief.

The attached paper sets forth the basis for HEW's position, consistently followed since the Social Security Act was adopted in 1935, that payments for work relief are not subject to Federal matching except as the Congress may specifically provide. The paper was prepared last year when California questioned the legal basis for our position. As you have indicated, New York and California are being permitted to have work relief only through the section 1115 demonstration project authority.

The Talmadge Amendments do not make any change in the principles in the attached paper. In fact, they reinforce the idea that there is no matching for work payments except as Congress may provide.

However, these amendments could change the last sentence of the paper. Conceivably, where an individual is required to work under the new public service employment provisions of the WIN program, which are to be effective July 1, 1972, the family might have no more income than they would receive from assistance alone. This is because, as we read the statute, the wages from public service employment must be deducted dollar-for-dollar from the welfare payment without any earned income disregard. Nevertheless, if the Department of Labor provides for a sufficiently high wage for public service employment, the wages, even without any disregard, should be higher than the assistance payment in most, if not all, cases.

#### WELFARE PAYMENTS IN RELATION TO WORK

Conceptually, welfare payments with Federal matching are made to meet subsistence needs of individuals whose resources are otherwise inadequate. They are not payments for work. Instead, after all other resources, including income from work, have been considered, they represent an amount paid pursuant to Federal statute to cover essential items for living. The HEW regulations (45 CFR 233.140), issued when the Community Work and Training Programs under section 409 of the Act expired in 1968, provide that:

"Federal financial participation will not be available in expenditures made in the form of payments for work performed in any month after June 1968, except under the Work Incentive Program authorized by Title IV, Part C of the Social Security Act, or under the work experience and training programs authorized by title V of the Economic Opportunity Act."

The rule that payments for work are not subject to Federal matching, except as the Congress otherwise specifically provides, has been followed consistently since the adoption of the Social Security Act of 1935.

#### CONTRAST WITH OTHER WORK REQUIREMENTS

At the outset, a distinction should be drawn between payments for work and other work requirements. This paper does not deal with the situation where welfare applicants and recipients are required to take employment in the regular economy, whether in the private or the public sector. Such individuals receive wages, pay taxes, and obtain social security credits. Their wages, of course, are

not assistance, and there is no Federal matching. If, however, pursuant to the State plan, including applicable provisions on disregard of earned income, these workers do not have sufficient income to meet their needs as calculated under an assistance budget, they may receive supplemental assistance payments. These are payments to meet need—not payments for work—and Federal matching is available.

The contrasting situation is where welfare recipients work and do not receive wages, but instead receive their assistance payment. These are the payments for work—sometimes called work relief—for which Federal matching is not available.

#### THE SOCIAL SECURITY ACT SINCE 1935

When the Social Security Act was adopted in 1935, work relief, whereby the poor were required to earn their assistance, had existed for centuries, and was used in many States and localities. See *Work Relief—A Current Look*, p. 5, attached to State Letter No. 586. The Act, however, in providing for "old-age assistance", "aid to dependent children", and "aid to the blind", defined these terms to mean "money payments". Sections 6, 406(b), 1006 of the Act. The committee reports stated that such aid or assistance "is confined to payments in cash". H.R. Rep. No. 615, 74th Cong., 1st Sess., 19, 24; Sen. Rep. No. 628, 74th Cong., 1st Sess., 30, 36. Federal funds were made available for matching of expenditures under approved State plans for aid or assistance as so defined. Sections 3(a), 403(a), 1003(a) of the Act.

The report of the House Ways and Means Committee distinguishes the programs of aid or assistance under the Social Security Act from work programs.

"Work for the employables on relief is contemplated in the work-relief bill; a second vital part of the program for security is presented in this bill. The bill is designed to aid the States in taking care of the dependent members of their population, and to make a beginning in the development of measures which will reduce dependency in the future. It deals with four major subjects: Old-age security, unemployment compensation, security for children, and public health. These subjects are all closely related, all being concerned with major causes of dependency. Together they constitute an important step in a well-rounded, unified, long-range program for social security." H.R. Rep. No. 615, *supra*, at 3.

The report of the Senate Finance Committee is even more detailed and explicit, making it clear that the children included under the aid to dependent children program under Title IV of the Social Security Act are those "in relief families which will not be benefited through work programs or the revival of industry." S. Rep. No. 628, *supra*, at 17; See generally pp. 16-19.

Applying the provisions of the Act and the clear expression of Congressional intent, the Social Security Board contemporaneously, at the outset of the public assistance programs in 1936, took the position that payments for work are not subject to Federal matching. The letter sent to each State upon Federal approval of its public assistance plans stated that assistance expenditures would not be recognized for Federal financial participation if used for payment of wages or compensation in respect to work done or services rendered by the individual to whom they are granted.

This principle was consistently followed throughout the administration of the Social Security Act and was applied whenever a specific situation was presented. In 1954, for example, question arose as to the matchability of payments made by Pennsylvania where AFDC recipients and "essential persons" were assigned to relief work projects. In a letter of July 30, 1954 to the State agency, Social Security Commissioner Tramburg advised that payments made in cases where individuals "work out"—the grants are not "money payments" under the Act for

the purposes of computing the Federal grant to the State. He stated further that: "The fact that the work is voluntarily performed does not change the character of the payment if in fact the recipient in effect performs work on a project to which he has been assigned by the Public Assistance agency in recognition of the payment to him."

The same result was reached regarding work performed by the "essential persons." This position was reviewed and reaffirmed by Commissioner Schottland, and Pennsylvania was so advised in a letter of April 29, 1955, from the Director of the Bureau of Public Assistance. The Commissioner's Action Minutes of July 14, 1958 show that Commissioner Schottland again applied this principle in a Hawaii situation involving payments to assistance recipients who volunteered and were assigned to work projects.

#### FEDERAL LEGISLATION IN THE 1960'S

The extension of AFDC to children of unemployed parents in 1961 (section 407 of the Act, P.L. 87-31) brought into the program a group of employable persons. HEW advised the States that there is no Federal law or departmental policy prohibiting any work relief project that a State or locality wishes to operate, and a State is not obliged to provide assistance to persons who refuse to work on relief programs. However, the longstanding definition of assistance continues to apply and payments in relation to such work are not subject to Federal participation. (State Letter No. 483, Item 14; State Letter No. 491). This interpretation was followed by Commissioner Mitchell in connection with the work relief aspects of New York's AFDC plan amendments to provide assistance to children of unemployed parents. (Commissioner's Minutes of November 20, 1961, and submittal of October 6, 1961, by the Bureau of Public Assistance).

Specific Congressional recognition of this position appears in the history of the Public Welfare Amendments of 1962, P.L. 87-543, which added section 409 of the Act. The purpose of this provision was to change existing law so as to make Federal matching available, for a limited period, in payments for work, but only if the work met the conditions specified in section 409 for community work and training programs. The report of the Ways and Means Committee (H.R. Rep. No. 1414, 87th Cong., 2d Sess.) contains the following statements:

"Under interpretation of existing law there can be no matching as to payments made for work by a welfare agency and such payments currently are financed wholly by State and local funds" (p. 4).

"The committee feels . . . that there must be a modification of the present prohibition against Federal matching in regard to constructive State and local work projects which stress retraining aspects" (p. 9).

"In many States, programs of work relief already operate under which employable recipients of assistance (usually general assistance, a program financed wholly from State and local funds) are given employment on various local projects. Your committee believes that States should be permitted, if they wish, to have community work and training programs . . . as a part of the aid to dependent children program . . ."

". . . The Federal Government would participate in the cost of payments made to the employed person up to the amount he otherwise would be receiving as assistance . . ." (p. 15).

Similar statements were made in the report of the Senate Committee on Finance (Sen. Rep. No. 1589, 87th Cong., 2d Sess. 3, 11).

In addition to the community work and training programs, the Congress subsequently authorized work experience and training programs under combined authority of sections 409 and 1115 of the Social Security Act, title V of the Economic Opportunity Act and part E of title II of the Manpower Development and Training Act.



In 1967, the House proposed to strengthen section 409 and make it permanent and to require that each State have the program in effect Statewide. The House report noted that it had been enacted in 1962 for the purpose of including State work and training programs as a component of AFDC. H.R. Rep. No. 544, 90th Cong., 1st Sess. 16, 103-106. The amendment was not adopted by the Congress. In its place, Congress enacted the entirely new concept of the Work Incentive Program (section 402(a)(19) and part C of title IV of the Act), and specified in section 204(c)(2) of P.L. 90-248 that section 409 of the Act shall not apply to any State in any period after June 30, 1968. Similarly, the authority for the work experience and training programs under title V of the Economic Opportunity Act has expired.

The effect of these actions has been to continue and reinforce the longstanding principle, reflected in 45 CFR 233.140, that payments for work are not subject to Federal matching except as the Congress may otherwise specifically provide. The only exception at the present time is the Work Incentive Program, which includes provision for special work projects for individuals for whom a job in the regular economy cannot be found. As specifically provided by the Congress, individuals participating in such projects receive a wage (financed in considerable part from what would otherwise be their AFDC payments) and are assured that their additional expenses will be covered and the family will receive an amount at least equal to 20% of the earnings above the applicable AFDC payment level. Provision is also made for institutional and work experience training for those individuals for whom such training is likely to lead to regular employment. Participants receive incentive payments of \$30 per month and are assured that their additional expenses attributable to participation in the program will be fully covered.

#### FEDERAL WELFARE REFORM PROPOSALS

Under the Federal welfare reform proposals, the President has recently reemphasized that the link between employment and basic income support should be made as strong as possible. Those recipients who can become self-supporting should be provided both the incentive and the means to work their way to independence. To this end, the Administration has proposed public service employment through jobs for recipients for whom no other work or training is available. In addition, there would be development services and administrative arrangements to move individuals into training and employment. Thus, the Administration is proposing greatly strengthened work measures through jobs, incentives, requirements and services. In no case, however, would there be work in return for assistance.

#### CONCLUSION

The principle has been followed consistently under the public assistance programs from 1936 to the present time that there is no Federal funding for payments for work, except as the Congress otherwise specifically provides. The Congress at all stages has recognized this principle, and now provides for Federal funding only in carefully-structured circumstances where the individual's work is recognized through wages, full coverage of work expenses, and assurance to the family of added income. The Federal welfare reform proposals would rely on jobs, including public service employment. Neither present law nor proposed law provides for Federal funding of payments for work under which the workers or their families receive no more than they would receive from assistance alone.

The CHAIRMAN. Governor Rockefeller thinks that people ought to be asked to go to work and having done that with a general assistance program, they are asking HEW to let them put people to work under their public welfare program. I am not sure that program has been approved yet. Has it been approved yet? I understand that has been approved now. You won't have any difficulty getting this committee to vote and I think, really, you can get the House conferees to agree that—we might have some difficulty before the Senate but in this committee and the House Ways and Means Committee you won't have any difficulty getting a statute that States can require people to work for their welfare money.

I agree with you, a far better answer, that would strengthen this country rather than undermine it, would be to pay to put people to work rather than put them on welfare. It embitters some of us who try to help people to find that in spite of our best efforts to provide the money that people down at HEW keep thinking up regulations to undermine and demoralize and destroy the work effort in this country.

Senator BENNETT. I would like to turn to the table at the end of your statement. It is the first table beyond the end of your statement. It shows, incidentally, the number of AFDC cases increased in a year from 352 to 607, over 73 percent. When you were studying this question of work—your work program, even though you knew the Government would not allow you to impose or to permit AFDC people to take a part in your program, did you make any kind of an attempt to find out how many of the AFDC people might be interested?

Mr. MEREDITH. In working?

Senator BENNETT. Yes.

Mr. MEREDITH. No.

Senator BENNETT. Do I remember that you testified that some AFDC people came and asked?

Mr. STOEGER. Right.

Mr. MEREDITH. Oh, yes; there were a half dozen who did this after we were using people in our county work project for our county control welfare program, but we had had some very bad luck with about 166 cases. When we would offer them a job—this is the employable male head of a family—

Senator BENNETT. Yes.

Mr. MEREDITH (continuing.) An intact unit and he would refuse to go to work and under our policy we are supposed to give him intensive casework for 2 months before we serve notice of intent to close his case, and then if he has continued to refuse to take a job then we send him the notice we are going to close the case and we will unless he asks for a hearing; and then it would take about 3 months to conduct and get the hearing settled and then we cannot close the case then; we can only take his requirements out under Federal and State policies so rather than getting \$500 a month, that family will exist on \$450 a month so the caseworkers after a while—it is pretty hard to motivate

them to go out and find jobs for these men who are unemployed; after they fought two or three of these battles they just gave up and let it ride.

Senator BENNETT. So the number that actually went to work for you, the number of men on direct relief who went to work, was a comparatively small percentage of the total number of cases that you had?

Mr. MEREDITH. All that we could get to work.

Senator BENNETT. And the rest of them were given an opportunity and refused?

Mr. MEREDITH. Yes, sir.

Mr. STOEISSER. Well, I think the direct relief—this was the only category that we could work with.

Senator BENNETT. Yes; I understand it.

Mr. STOEISSER. Right; and the ones on AFDC-U, after our director offered them work and he, as he said, we really couldn't do anything about it.

Senator BENNETT. I am confused. You said there were 166 cases of males who were on direct relief?

Mr. MEREDITH. No; aid to unemployed fathers of dependent children.

Senator BENNETT. I see. Of those who were on direct relief, what proportion of those accepted your proposition or didn't you give them a choice?

Mr. MEREDITH. We gave them the choice between a job they could find for themselves or a job that we would give them. We didn't give them a choice between getting welfare or taking a job anymore.

Senator BENNETT. They were out of welfare?

Mr. MEREDITH. Yes, sir; they could either work for the county or find their own employment rather than stay home or find a job. We limited their choice down to jobs, not a job or welfare.

Senator BENNETT. Do you have any idea how many of the 607 people, families that were on AFDC in April of last year, which is your last statistic, had a woman who in terms of the policy we are talking about here, would be considered employable on the basis that these are mothers with children of 6 years old or older—no children under 6?

Mr. MEREDITH. No, sir; I wouldn't have that information available now. I could get it but I don't have it with me now.

Senator BENNETT. Well, I don't think it is worth the extra effort, but I just wondered if you had it.

Mr. MEREDITH. Our whole problem of the hostility in the community generated by these men who refused to work and this reflects over on our people on old age assistance, aid to the blind and aid to the disabled and the mother, single head of family supporting these children. Everybody lumps this all in one big bag and really it is a smaller percentage of the people in the caseload that are employable and if there was some way to separate that away where we don't have to accept this hostility, it would be very helpful to us.

Senator BENNETT. What you are telling us is that after you instituted this work program for your direct relief males and the word got around that some of the males on the AFDC unemployed fathers refused to work, then there was new hostility generated in the community?

Mr. MEREDITH. It is—there is no equity for them when you make people in one program work and the others sit there and laugh at them; they could joke about it.

Senator BENNETT. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. I have no questions. I want to compliment the witnesses for bringing to the attention of this committee a very exciting concept, one that I think ought to be studied very closely by counties all over the United States.

I would say to you, Senator Griffin, and I compliment you for arranging to have them appear here today. They have done an excellent job.

Senator BENNETT. Beyond that, Mr. Chairman, I think this concept of finding the initiative or using the initiative of the county welfare directors to help locate jobs might be useful to use after we solve the question of setting up the categories of those on Federal relief whom we think should be expected to work.

The CHAIRMAN. Let me just assure you that you did not waste your time coming before the committee. What you had to say here will be repeated on the Senate floor; you can be assured of that.

Thank you very much, gentlemen.

Mr. STOESSER. Thank you very much.

Senator GRIFFIN. I want to thank you, too, for coming down because I know it took a lot of your time. These gentlemen, Mr. Chairman, are not all full-time public employees. They are involved in other pursuits as well. I agree with you, Mr. Chairman that their testimony was worthwhile and I appreciate their efforts very much.

The CHAIRMAN. I believe we all owe you a debt of gratitude in coming down here and supporting the position that jobs can be found for people.

Do you agree that if in your county, and that is where you would be most knowledgeable, if we will provide the money you can provide the jobs for anybody who wants to work?

Mr. STOESSER. Right. We checked with the various people and we identified about 200 jobs which is more than the total number of people that we had on AFDC-U. They are there. The work is there to be done but we don't have the tax dollars now, you know, to do it.

Senator BENNETT. Did you attempt to identify jobs available to women?

Mr. MEREDITH. We have some women working, single employables, on county direct relief. We have residential facilities for elderly, mentally retarded, this sort of thing and these ladies work out their food orders or, you know, their grants, whatever their requirements are; they work it out out there; but we don't make them—hire them to work full time or even an amount to work out their needs. We try to split up the work functions out there among all of the ladies who are

on the load and, really, it is not a hardship to them. Most of them enjoy it. If you ever come up to Midland, I will take you around and show you.

The CHAIRMAN. Thank you very much, gentlemen.

Mr. BENNETT. Mr. Chairman, I just want to say we are pleased with what we heard this morning from the witnesses here and what the committee stated back as to what the problems are. I am certainly encouraged that you are very aware of what the problems are and I think this committee will come out with a bill and the House bill won't be as we know it now. I want to urge you to include something in this bill that will give the option to local government such as ours to carry out the program we explained if we so desire. Don't write us out; give us an opportunity to solve the problem because we are close to the problem; we are close to the voter and we think we can solve the problem.

I think it was pointed out this morning that information was requested from HEW sometime ago and that information is still not available. I think that is disgraceful that this committee cannot obtain information much more quickly than what was requested and I assure you in local government if we ran a program we would get you the information.

The CHAIRMAN. You heard me describe in this committee room when earlier witnesses were before us of at least two cases to my personal knowledge, because they were my neighbors. If that amounted to 100 percent of my neighbors, indolence must exist elsewhere in the country, I would think. It's preposterous that a man could get more money by pretending that he was not available to support his family, which then is described as father absence from home, and having put them on the welfare rolls he then proceeds to move back in with them and live on the welfare money that was supposed to be going to the children.

You heard me explain how they could make more money that way than they could by working. Under H.R. 1 in my State the same people would make twice as much as they are making now. They are already making more than they could by working and they could make twice as much as they are making now, and the Ribicoff amendment they can make three times as much as they could by working.

Can you explain to me how you can get those poorly motivated people into the labor force to support their children and have a major reduction in their family income?

Mr. BENNETT. I wish I could answer the question and I was waiting for the witnesses this morning to give you an answer and they didn't.

The CHAIRMAN. That is the best I could do. Mr. Conway from Common Cause was outraged that I even asked the question. I could understand why that poverty program he was administering was such a complete colossal mess. I am sorry I ever voted for it, supported it, or ever had anything to do with it. When you had that sort of bleeding heart type administration that can't understand that sometimes by being firm with people who need some leadership and some guidance you do them a bigger favor than just by putting them on welfare so they can spend all that money that should be going for milk for the baby on beer and whisky and wine instead of trying to get them to do what would be in the best interests of themselves and their children.

Well, thank you very much.

Senator GRIFFIN. Mr. Chairman, is HEW represented in the audience? There must be somebody following these hearings.

(A man rises from the audience.)

Senator GRIFFIN. I hope you are taking good notes. We want to get answers to these questions.

VOICE. I am taking notes.

Senator GRIFFIN. Thank you very much.

The CHAIRMAN. Thank you very much.

Mr. BENNETT. Thank you very much for inviting us.

(The prepared statement of the preceding witnesses and a communication subsequently received by the committee follows. Hearing continues on page 1320.)

STATEMENT OF THE MIDLAND COUNTY BOARD OF COMMISSIONERS, PRESENTED BY  
R. JERRY BENNETT, CHAIRMAN

We, the Commissioners of Midland County, Michigan, wish to thank you for this opportunity to share with you, some of our viewpoints and experiences as related to social welfare in Midland County.

First, we want to say we agree wholeheartedly with Senator Long's position that "an acceptable welfare program must pay people to work rather than not to work, if they are employable, and must reward marriage and responsible parenthood rather than illegitimacy and desertion." From our analysis, we further agree with Senator Long that "unfortunately, H.R. 1 does little about the present welfare mess, except to make it worse by several billions of dollars."

What can be done about our "welfare mess"? We certainly don't have all the answers, but we do know of one course of action which will decrease welfare costs to the taxpayer and which will give a welfare recipient an opportunity to feel better toward himself and to become a contributor, rather than just a parasite, in our society. These are positive results. Our purpose here is to share with you how we achieved these results rather than to intellectualize on what might temporarily appease those who have not learned how to support themselves.

Our welfare problem in Midland County is the same as elsewhere in this country—the rapid growth in numbers of welfare recipients and in welfare costs, particularly in the categories of Aid to Families with Dependent Children and Direct Relief (or General Assistance). Although our absolute numbers may be relatively small in comparison to large urban areas, our percentage increase is about the same.

We were particularly concerned that in one year, the monthly caseload increased: 84% for Direct Relief, 73% for AFDC and, 103% for AFDC-U. We concluded that no society can stand these increases every year and still survive. The question was, what to do about it.

After thinking briefly about *why* we have our welfare problems in these categories, we discovered that, contrary to popular belief, more money to the recipient is not the answer. If it were, these problems would have disappeared long ago. It occurred to us that the problem with many people on welfare is that they are unemployed—they *have nothing to do of value for others*. The obvious answer then was to provide employment or at least have them do something of value for society.

Based upon this philosophy, the Midland County Board of Commissioners initiated an experimental work program in April, 1971, by passing a resolution which directed the County Social Services Board to prepare a work opportunities program. The Social Services Director hired a program director to coordinate the program during its three-month trial period. Work opportunities were then identified with the County Road Commission, City and County Parks and Recreation Departments and the County Drain Commissioner. In June, able-bodied, male welfare recipients on County Direct Relief were given a choice of working for the County and continuing to receive welfare benefits at \$1.65 per hour of work or of not working for the County and thus losing the benefits they had been receiving. Such a program is permitted under present Michigan Legislation. Results were immediate.

After two months of program operation ending July 31, 1971, the following results were achieved with direct relief welfare recipients:

MIDLAND COUNTY DIRECT RELIEF PROGRAM FOR EMPLOYABLES

	June 3, 1971	July 31, 1971	Change (percent)
Family cases.....	15	3	-80
Family costs.....	\$3,209	\$579	-82
Single cases.....	43	20	-54
Single costs.....	\$4,144	\$2,236	-46
Man-hours work <sup>1</sup> .....	0	1,640	.....

<sup>1</sup> Each male recipient worked for the County at \$1.65 per hour only until earnings matched weekly welfare assistance, usually 2-3 days per week.

Midland County direct relief 2 months cost summary

Direct relief cost decrease.....	\$4,538
Work performed at \$1.65 per hour.....	2,706
Program administration.....	1,210
Savings to county.....	6,024

MIDLAND COUNTY DIRECT RELIEF CASE REDUCTION

Reason	Family	Single
Private employment.....	7	22
Moved.....	1	1
Unemployment compensation.....	1	.....
Refused to work.....	1	.....
Back to school.....	1	.....
AFDC-U.....	1	.....
Total.....	12	23

Decreases in caseload and in costs were primarily a consequence of men asking for and obtaining private employment despite a greater than 7% unemployment rate in the Midland area. Many of these men discovered they could gain greater financial benefits by working at an hourly rate greater than \$1.65/hr. and for more than 2-3 days/wk. The men remaining on direct County relief worked for the County by repairing park benches and shelters, clearing brush land, making nature trails, etc.

By the middle of August, a total of 69 direct relief cases had been reduced to 14, an 80% overall decrease, and 8 of the 14 obtained full-time work.

MIDLAND COUNTY TOTAL DIRECT RELIEF—1971

	Cases	Total costs
January.....	227	\$15,500
February.....	215	15,600
March.....	.....	16,800
April.....	.....	15,400
May.....	160	14,200
June.....	163	15,500
July.....	129	11,500
August.....	140	11,100
September.....	148	16,000
October.....	155	14,200

Note. July and August showed the results of the work program in reducing the number of employables on direct relief.

The most exciting and encouraging aspect of this program has been the positive response of the participants. These men did good work, were happy, and many said they "felt better because they were no longer getting something for nothing."

These participants seem to be gaining self-respect by working. So really in a two month period, what did we *achieve* with a work opportunities program for welfare recipients on Direct Relief:

1. Old unproductive habits of recipients were replaced by new productive habit patterns.
2. Recipients gained work experience and a greater feeling of self-worth.
3. The principle was confirmed that recipients want to work and will find their own work, *if it is to their benefit*.
4. Welfare costs were decreased which was an indirect savings to the taxpayer.
5. Work was completed in the County, which otherwise would not have been done for lack of tax dollars—another indirect savings to the taxpayer.
6. The Social Services Staff operated more effectively, and developed a better attitude toward their work, because they could now offer incoming welfare applicants a choice of work opportunities rather than just be harrassed for a hand-out.

But *why* did the program work so well? We feel, it did so because of two fundamental reasons:

1. We worked with, not against, a powerful fundamental principle of human nature that most people want to feel needed, to be appreciated, and to do something of value for others. But we recognized that old unproductive habit patterns would not be easily replaced by new productive work habits without strong personal motivation. To assist Direct Relief recipients and applicants out of their unproductive rut, our County Policy became: "no cash benefits, except at the rate of \$1.65/hr. for County work performed."

2. We delegated responsibility and authority to the County Social Services Board and to the County Welfare Director to work out the details of a work opportunities program. All that we required was that they maintain a positive attitude toward the welfare recipients, offer them a choice of work opportunities, not abuse their civil rights and to be accountable for funds expended. Such an approach not only stimulated the imagination of our welfare director but also created in him the excitement and personal motivation to do the job.

We also recognize that the success of this County-controlled work opportunities program was due in large part to the participating administrators having a positive attitude toward the value of work. Their attitude was for results, not merely activity. As a result of the excellent performance of our County Welfare Director, the County is now supplementing his salary to continue and expand our work opportunities program.

In short, all concerned received benefits from this program: welfare recipients, taxpayers, local elected officials, and county welfare officials.

Because of these results we are asking you to legislate that counties be given the option to develop and administer work opportunities programs for all able-bodied, employable welfare recipients on federal public assistance without the need for prior State or Federal approval. We feel that the details of how to structure such a program should not be dictated by an insensitive, non-compassionate, massive federal bureaucracy, but left to the initiative, imagination, and responsibility of County Social Services Boards to meet their local needs.

The basic problem with present bureaucratic Federal welfare policies, as established by the Department of Health, Education and Welfare, is that they are based on the wrong principles. According to:

#### FEDERAL REGULATION 233.140

Federal funds will not be available to any State whose welfare recipients must work for benefits.

This ruling is indeed unfortunate. Most States will not risk the loss of federal funds by requiring welfare recipients to work for benefits. As a consequence, the recipient is personally damaged—he must now receive something for nothing and is encouraged to remain weak and worthless!

Another problem with present HEW policy is that any work incentive programs must first be approved by State and Federal Agencies before welfare recipients receiving federal funds can work. Unfortunately, HEW usually refuses to approve state plans for County work programs. In fact after waiting for five



months, Michigan finally received notice from HEW in Washington that a waiver to HEW's no work policy will not be allowed for Michigan.

As a first step, we feel that an amendment to present welfare statutes is needed which will give counties the responsibility to match unemployed welfare recipients with work to be done.

We might well ask, does the Federal Government really want to eliminate welfare and poverty or does it want to give federal administrators something to do? We would like to believe the former and respectfully suggest that the following ideas be considered:

1. That local government be encouraged to take responsibility and to be accountable for solving their own particular problems.

2. That unproductive Federal administrative overhead be eliminated by decentralization of authority and responsibility.

3. That a form of tax dollar redistribution be adopted with minimum restrictions to provide local governments the funds necessary to solve their social problems.

4. That people are provided a choice of opportunities for them to solve their own problems.

We believe a welfare philosophy based on work opportunities and local control is fundamentally correct. We started a small experimental program. It was successful. We got results.

Thank you very much for your kind attention.

The following tables illustrate welfare growth in the State of Michigan and the County of Midland based on monthly data for the months of April, 1970 and April, 1971 in terms of cases/month and costs/month.

#### MICHIGAN WELFARE GROWTH

Cases per month	April 1970	April 1971	Percent change
Adult <sup>1</sup> .....	65,438	74,525	+14
Medical.....	168,000	203,000	+12
Direct relief <sup>2</sup> .....	31,149	47,669	+53
AFDC <sup>3</sup> .....	72,253	112,180	+55
AFDC-U.....	(2,903)	(9,829)	(+239)
Food stamps.....		145,917	

<sup>1</sup> Includes old age, blind, disabled, blind rehabilitation.

<sup>2</sup> Includes employees and nonemployees.

<sup>3</sup> Includes AFDC-U.

Costs per month <sup>1</sup>	April 1970	April 1971	Percent change
Adult.....	\$5,508,179	\$6,676,091	+21
Other services <sup>2</sup> .....	1,894,529	2,483,738	+31
Medical.....	20,998,205	23,651,496	+13
Direct relief.....	4,182,884	6,110,594	+46
AFDC.....	14,818,061	25,380,733	+71
AFDC-U.....	(789,775)	(2,849,300)	(+261)
Food Stamps.....		6,016,283	
Administration.....		2,390,000	
Cost to taxpayers.....		72,708,936	

<sup>1</sup> Approximate Federal-State-county funding: direct relief 0-50-60, food stamps 100-0-0, all other 50-50-0.

<sup>2</sup> Includes day care, job training, legal, emergency.

#### MIDLAND COUNTY WELFARE GROWTH

Cases per month	April 1970	April 1971	Percent change
Adult.....	257	347	+35
Medical.....		261	
Direct relief.....	103	190	+84
AFDC.....	352	607	+73
AFDC-U.....	(82)	(166)	(+103)
Food stamps.....		1,014	

Costs per month	April 1970	April 1971	Percent change
Adult.....	\$21,133	\$31,659	+50
Other services.....			
Medical.....			
Direct relief.....	14,600	16,135	+11
AFDC.....	78,600	143,986	+83
AFDC-U.....	(23,550)	(51,354)	(+118)
Food stamps.....		101,449	

**MIDLAND COUNTY BOARD OF COMMISSIONERS, MIDLAND, MICH.—RESOLUTION**

County work programs: A utilization of welfare recipients to reduce welfare costs.

Whereas, the performance records of federal, state and local agencies show continuous increases in the number of welfare recipients, in welfare costs and consequently, in taxes, and

Whereas, welfare hand-outs are an appallingly tragic misuse of monetary resources, and

Whereas, programed and forced idleness of welfare recipients is a cruel insult destructive of the individual and a shameful neglect and abuse of human resources, and

Whereas, maintenance and beautification projects are often left unfinished or uninitiated in every county in the nation, and

Whereas, county-controlled, work-opportunity programs will decrease the number of recipients on welfare, will decrease welfare costs, will accomplish county work projects without increasing taxes, and will allow welfare recipients to earn self-support and self-respect, and

Whereas, federal welfare agencies prohibit employable recipients within the Aid to Families with Dependent Children (AFDC-U) program from performing county-controlled work assignments in return for aid received: Now, therefore, be it

*Resolved, by the Midland County Board of Commissioners, That we actively work for the amendment of present federal welfare statutes and proposed welfare bills to provide that each medically-approved, employable welfare recipient on federal public assistance shall perform available work as designated by an elected county government without the need for prior approval by a state or federal agency; and be it further*

*Resolved, That we seek the support of all counties, Michigan Association of Counties, National Association of Counties, and our congressional representatives in a united endeavor to give local government the means to solve local problems and to achieve results in helping people through this amendment.*

Adopted this 3d day of August, 1971.

**ACKNOWLEDGMENTS**

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MIDLAND COUNTY BOARD OF COMMISSIONERS,  
Midland, Mich., January 31, 1972.To: Hon. Russell B. Long, Room 2227, New Senate Office Building, Washington,  
D.C. Attn: Mr. Tom Vail.

Re Testimony by Midland County before the Senate Finance Committee on January 26, 1972.

We wish to thank you for the opportunity to testify before your Committee on January 26, 1972. We were impressed by the vast amount of testimony you are listening to, and your sincere desire to reform our welfare system to benefit all concerned. We applaud your efforts and have gained renewed faith in our legislative process.

You in Congress, and we in the counties have a common problem—the permanent, entrenched Federal bureaucracy, the Department of Health, Education and Welfare. We find it shocking that a Senator on your Committee and a past Secretary of HEW, cannot even receive requested information from HEW within a year. Our question: "Who runs our County, the *elected* Congressional representatives or the *appointed*, civil service bureaucrats?"

In an effort to return democracy to the people, in the form of responsibility and authority, we respectfully reemphasize the following points:

1. That HEW be allowed to administer *only* the caring of handicapped persons (mentally or physically), i.e. *permanent* welfare cases and that the Department of Labor be directed to administer the employing of employables, i.e. *temporary* welfare cases.

2. That HEW regulation 233.140 be rescinded and section 42 U.S.C. § 602(a) (1) be changed so as to allow counties the *option* to provide work opportunity programs for all able-bodied, employable welfare recipients on Federal public assistance.

3. That Federal participation in welfare programs be limited to establishing uniformity of financial standards for the States and that details of operations of these programs be left to the counties to fit local needs.

The question is: Who will introduce the needed legislation and when?

We believe, if people are provided a choice of guaranteed work opportunities, rather than guaranteed income, and the attitude is promoted for them to work at solving their own problems, then much of our present "welfare mess" will vanish. Possibly more fundamental is that today's prevailing attitude of "someone will always take of me" can be replaced by "I have the responsibility to take care of myself". Such a change would be very beneficial to each of us individually and to our Nation collectively.

We sincerely hope we have been of service to you. After reading your addresses on the Senate floor, "Welfare Reform—Or is it" and "The Welfare Mess: A Scandal of Illegitimacy and Desertion", we are proud to say: "Right on!"

Respectfully,

R. JERRY BENNETT, *Chairman,*  
*Board of Commissioners.*

P. RICHARD STOESSER, *Chairman,*  
*Public Services Committee.*

H. M. MEREDITH, *Director,*  
*Social Services Department.*

The CHAIRMAN. The next witness will be Mr. George Welch, Area Resources Improvement Council.

Senator GRIFFIN. Mr. Chairman, these witnesses are here from Michigan at my request also. They have a very interesting story to tell.

The CHAIRMAN. I hope they can offer something as constructive as the previous witnesses.

Thank you very much, sir.

**STATEMENT OF GEORGE A. WELCH, AREA RESOURCES IMPROVEMENT COUNCIL, BENTON HARBOR, MICH., ACCOMPANIED BY J. HOWARD EDWARDS, EXECUTIVE DIRECTOR, ARIC; ROGER CURRY, EXECUTIVE VICE PRESIDENT, TWIN CITIES AREA CHAMBER OF COMMERCE; AND ANDY TAKACS, DIRECTOR, GOVERNMENT AND URBAN AFFAIRS, WHIRLPOOL CORP.**

Mr. WELCH. Mr. Chairman and members of the committee, my name is George Welch. I am representing the Area Resources Improvement Council of Benton Harbor, Mich. This council is a nonprofit corporation comprised of the chief executive officers of 30 leading businesses and industries in the Twin Cities area of Berrien County concerned with community problems and development.

I have three associates with me whom I should like to introduce. The first, on my immediate left, is J. Howard Edwards, executive director of the area resources improvement council. Second, on my right, is Mr. Roger Curry, executive vice president of the Twin Cities Area Chamber of Commerce. His organization has been involved in this development of an industrial park and is currently engaged in several manpower development programs. Third, on my far left, is Andy Takacs, director of government and urban affairs, for the Whirlpool Corp.

Like Mr. Takacs, I am employed by Whirlpool Corp. of Benton Harbor, Mich., as a special assistant in urban affairs. I will be testifying today on the welfare problems in Benton Harbor, with specific comments on H.R. 1, and will call upon my associates for appropriate response to questions.

This testimony is based upon facts and direct experience which have been developed from our involvement in community problems since riots swept through Benton Harbor in late summer 1966. We have taken the means available to us to document our case. My intention by this testimony is to share with the committee the background information. I will depart from the text and just quickly sketch some of the characteristics of Benton Harbor.

It has been indicated by Government officials, with whom we have met, that Benton Harbor represents a true microcosm of the welfare problem in America and our comments today will be focused on that experience in Benton Harbor.

Benton Harbor is a relatively small town with a population of 19,136, down 2,655 since the 1970 census. Typical of other cities, the city now reflects a black majority of 60 percent and some estimate as high as 80 percent, but an increase from 24 percent in 1960.

Thirty-eight percent of the city's population receives some form of public assistance; 33 percent represent the AFDC caseload or one-third of the city's total population. The 38-percent welfare popula-

tion in Benton Harbor is the highest per capita caseload among cities in the United States, to the best of our knowledge, more than twice that of any of the 20 major cities in the Nation.

Benton Harbor is second only to Detroit in our State in rates of crime, illegitimate births, unwed mothers and educational disadvantaged. The recent experiment undertaken by the State of Illinois to upgrade welfare recipients has shown indications of increase in recent welfare arrivals in Berrien County from Chicago. Currently, the unemployment rate in this area of southwestern Michigan is 7.2 percent, with Benton Harbor's estimated at 15 percent. This does not include AFDC heads of household. The housing stock in Benton Harbor is estimated 25 percent major substandard and dilapidated—this, in view of the fact that the city percentage was the same in 1963 when it launched a major slum clearance program. For the past 2 years available vacant housing units compressed to less than one-half of 1 percent or fewer than 12 dwelling units in the city, but the caseload kept rising during the same period by an estimated 10 percent of additional families into the city.

Like many other cities across the Nation, Benton Harbor is virtually bankrupt. It can no longer provide the needed services for an increasing dependent population. With nearly 40 percent of the population receiving public aid and a third of them on AFDC, Michigan has been generous in its concern for people and rightly so, but Benton Harbor is a city destroyed by the welfare system. We believe we can draw some helpful conclusions to be considered in overhauling this system from the experience of our community—some, we believe, could be embodied in the legislation being considered by this committee.

No. 1. The sheer blindness that a city is allowed to be disastrously overburdened with a welfare-dependent, migrating population. In this period of comprehensive planning, a survey of local resources should indicate the reasonable limits that municipalities and counties can service and accommodate for those in need. Lack of adequate housing, jobs, classrooms, and municipal services are certainly reasonable indicators in these matters, but it is obvious that limits must be established if, in fact, cities are to survive.

No. 2. The management of the welfare system is lax and is lacking in flexibility. The paradox of this statement lies in the fact that we are unable to detect any administrative relief by the rulebook in what is admittedly a desperate plight created by the welfare system, and yet the immigrating caseload has increased approximately 10 percent during the past 12 months and by establishing residence in a city which has less than 12 vacant houses available for occupancy.

No. 3. We cannot see how the regulation which permits a stepfather with sufficient income to disclaim any financial responsibility for the children of his spouse, and therefore continues her eligibility under AFDC to receive public funds can possibly serve the public interest. We cannot agree that the regulation which permits recipients of public aid to refuse to accept work when it is available and within their capabilities serves the public interest.

We cannot agree with the income-disregard formula which provides higher income to induce the welfare recipient to take a job for the

same work performed by a willing employee doing the same work, is in the public interest.

No. 4. The disparity in grant allowances between the States is a factor in the promotion of welfare migration, high unemployment, and inadequate housing. Also, climatic extremes characterize our area in the Midwest. We must conclude in the face of these hardships that a migrant population is attracted to Michigan for the economic advantage of its welfare program over the States of origin. With the heavy concentration of the welfare population in Benton Harbor—38 percent—we must recognize the development of a welfare population which has dislodged and displaced the working people of the city.

We recommend (1) that cities and incorporated area with comprehensive plans be limited to a welfare population not to exceed 10 percent of the previous census to avoid overloading demands on resources and municipal services; (2) that a residency requirement be provided to ensure the local capability to maintain sound standards and provide an adequate level of services; (3) that there be provisions for an annual review of regulations by the appropriate committee(s) of Congress to insure their compatibility with the congressional intent of that legislation; (4) nationwide, uniform, minimum standards to improve Federal-State relationships with State option for administration of programs; and (5) we oppose the guaranteed annual income provision as a disincentive to work and an additional burden to working families and taxpayers. We endorse the concept of a job opportunity.

We support the provisions for work registration, comprehensive and coordinated work training programs, a national job bank and a flexible program of public employment to meet the fluctuation of the job market. We have constructed a childcare center with private funds in Benton Harbor in response to public statements of this need as a barrier to accepting work by mothers of AFDC families. We support childcare programs for working mothers and we are on record in this support.

We recommend that provision must be made by which families will pay some portion of the care of their children from their income, no matter how modest that amount might be.

I want to focus for a few moments on the problem of illegitimacy. Much has been said of the relationship between illegitimacy and welfare and I believe we can shed some light on the fact of this problem.

It is my strong belief that if anything should be done to curb the welfare problems of future generations that an incisive cut must be made into the accepted practices of illegitimate births, especially as condoned and supported by public funds, for illegitimate births now pose an exponential rate of increase in the Nation.

Unless these practices are reversed, future generations will suffer the costs, social stigma and other burdens. Without wrestling with this problem and acknowledging that it confronts us with a fundamental problem of the future population of this Nation, we cannot hope to relieve the problems of poverty, solve the problems of inadequate education or reverse the trend of increasing dependency, but the question before us is whether there is a supportable charge in the relationship between dependency and illegitimacy.

In the case of Berrien County, it should be noted that illegitimate births more than tripled from 1960 to 1971—107 to 384. This is based on the census of three major hospitals in the county. Compared with the service hospital from Benton Harbor, illegitimate births range from 36 in 1960 to 229 through 1971, a 500-percent increase. Twenty-five percent of the total deliveries in this hospital in 1970 were illegitimate.

The dramatic immigration of welfare families into Benton Harbor from other counties and States compounds the illegitimacy load. For example, in the past year 118 illegitimate children were born in the city hospital. In addition, some births are recorded in the county hospital which figures are unavailable to us.

As further example, 34 families with illegitimate children joined the city population in the caseload from other places just this past month. We conclude that the AFDC caseload which comprises one-third of the city's population must contribute to the rise in illegitimate births. Confidentiality and sensitivity prohibit a total portrayal of details. Any other conclusion can only placate or rationalize a controversial subject.

What is of equal importance is the fact that all of these children will most likely attend the public schools. We have been told by the county health director that over 50 percent of the illegitimate births in Berrien County result in congenital mental retardation and these children cannot be expected to be functionally equipped to cope with any normal educational program due to deficiencies in the area of human development, and other life problems follow in logical sequence, of which the committee is most certainly familiar. Suffice it to say that public supported and permitted illegitimacy creates the reason for the natural parents to avoid marriage and its related responsibilities, impales the child with a lack of identity and, in one case out of two in Berrien County creates a child consigned to an unequal chance in life through no fault of his own.

These data clearly show that illegitimate births are on the increase among females in the earlier years, as low as 11 years of age. In these instances we must be talking about birth-control programs rather than family planning, which is receiving a great deal of attention and properly so. The greater bulge is in the age bracket 16 to 19, where family planning might be considered, but we believe it should be made mandatory since mothers under 18, at the present time, are automatically eligible to be added to the grant of their parents.

Finally, on this subject, multiple births which are illegitimate are not an uncommon occurrence and as long as the unrestricted grant provision exists, the examples also exist of mothers who will bear illegitimate children for that purpose alone, despite statements to the contrary.

Records show, for example, that many cases of repeated illegitimate births, or gravida, mount as high as 8 children by the same mother, all at public expense. These practices and the consequences to these lives are eroding our institutions, posing special human problems which we are simply unable to meet, and destroying the morale and will of the people throughout the area.

We recommend that the committee give most serious consideration to include in the new standards a limit on the number of illegitimate

children per family, with further requirements that it be mandatory that the mother participate in family planning programs and the father be identified for the purpose of enforced child support.

We appreciate this opportunity to present these views to the committee. Because of the time limitations, we should like to submit additional information to the committee before the record is closed.

The CHAIRMAN. Well, I want to say to you, Mr. Welch, that it is refreshing to hear somebody appear before the committee just as the previous witnesses from Michigan appeared who have some contact with the mainstream of the thinking in the United States and who demonstrate a little commonsense. We have heard some awfully ridiculous proposals made to this committee.

Any further questions, gentlemen?

Senator BENNETT. I was just going to say these last two witnesses are probably more valuable to the committee than a dozen others we have been hearing today and the last few days. They get right down to the problem.

Senator HANSEN. The only question I have, Mr. Chairman, is this:

Let me join with the chairman in congratulating you on how refreshing it is to hear people who have come to grips with some very perplexing and difficult problems and have taken such a realistic position as is obvious by your excellent statements.

With respect to limiting the number of illegitimate births per family, it is your recommendation that that be accomplished by making it mandatory that the mother participate in family planning programs?

Mr. WELCH. Yes; I think in our area, Senator, we have launched planned parenthood programs and family planning clinics; they are beginning to show some productivity to this end and it would help us in our problems greatly if these people would be required to do that.

Senator HANSEN. Your feeling is that in the case of a number of people if they knew more about family planning there would be an automatic curtailment of the number of illegitimate births; is that your response?

Mr. WELCH. It would help. What am I really also getting down to is there must be some limitations placed on the economic incentive as well as the service and supportive programs to further promote illegitimacy. Now, obviously, this is a very sensitive social program.

Senator HANSEN. I agree.

Mr. WELCH. The problems are highly debatable. However, in a community that is so overburdened and all of these youngsters are going to grow up in one situation, go to one public school system, which, incidentally, has only one high school, and has the many life problems that surround the future lives of these youngsters as they grow into adulthood just simply is an overwhelming problem for us to try to cope with, to solve.

We don't think that it is a solvable kind of problem because it takes special kinds of education to treat with the deficiencies subject to the mental retardation.

Additionally, I think it would be important if at all possible, to come to grips with the limitation of the numbers in the family that would be



permitted to be supported by the use of public funds. I do not know what that precise answer is, but it does pose a serious problem in our community where repeated, multiple births to the same mother under the same circumstances by the practices and procedures we have heard all day long in testimony, are going on; there is no question about it.

Senator HANSEN. Thank you, Mr. Chairman.

Senator GRIFFIN. Mr. Chairman, I have heard this story presented several times. The witnesses have abbreviated their presentation in order to stay within the committee's time allocation.

Benton Harbor has, as these witnesses have indicated, the most serious kinds of welfare problems. Yet with enlightened public officials and enlightened support from the private sector the community has worked long and hard to get the facts and information necessary to do something about these problems.

As the chairman has already commented, unlike the large cities, it has been possible in Benton Harbor to get the details on individual and community problems. Through the efforts of public spirited citizens, I believe more information is available on the nature of Benton Harbor's welfare problems than almost any other community in the country. If some of the people in the ivory tower down at HEW really want to find out what the welfare problem is all about, they ought to go to Benton Harbor and spend some time studying the situation because by doing so they could find out what the problem is all about. There was some talk in the last session about some demonstration cities where HEW would permit different approaches to the welfare program. Benton Harbor would have been an ideal place to fund an experimental program. Demonstration grants would allow communities to do some of the things that they know ought to be done but which cannot be done because of the archaic rules and regulations.

I am pleased that some of our community leaders have come before the committee and I hope that some of their recommendations will find their way into legislation.

The CHAIRMAN. Senator, what you have said here prompts me to ask the witnesses about one further matter and to get their reaction to it.

If you were in the room earlier today, you heard this talk about fraud. Now, the best I can make of it, no State has been provided with sufficient investigators and if they had them—HEW regulations would not let them adequately investigate these cases to find out what percent is fraud and what percent is not. For example, it is my understanding that before you can ask the next door neighbor about the situation in a family, HEW regulations require that you get the person's permission which would just be about like saying you can't investigate a thief before you first get permission of the thief to investigate him. They don't do that if somebody is not paying his taxes; you don't have to get his permission to start inquiring into his affairs; they just show up and start asking questions and even hand you a subpoena to produce all your personal records.

Now, what is your reaction to this situation, what percentage of those people that you have on your rolls do you feel, for one reason or another, shouldn't be on there?

Mr. EDWARDS. In talking with State Senator Charlie Zoller, the other day, he indicated from information that he had obtained that he felt approximately over the State 15 percent and he quoted this figure in spite of the fact the head of the State Social Services Department testified there was less than 1 percent.

In our community, Mr. Chairman—

The CHAIRMAN. You understand, I am not talking about people who are breaking the law; I am talking about people who are on the rolls who really, by any common sense standards, shouldn't be on there?

Mr. EDWARDS. I don't have an exact figure on that, but I would suspect from some of the information that we have obtained, I was going to explain to you, Mr. Chairman, in Benton Harbor we supplied additional people to the friends of the court operation in Benton Harbor, and we also have supplied for the county an assistant prosecutor to investigate cases of lack of support from the father in divorce cases as well as in paternal cases. About 25 percent of those illegitimates occur on our rolls turned out that we could get payment from them and last year we collected nearly \$2 million from fathers whose children were on ADC and they were failing to make payments.

My estimate is if you want to say how many I think are on there that shouldn't be on there, I would guess somewhat in the 30 percent category and this is a guess; but the talk that occurred here earlier in the committee that said only 5 percent and 95 percent good, I just can't believe that at all.

The CHAIRMAN. So, in other words, you are telling me that it is your impression in the illegitimacy cases if you really make the effort that you can obtain some support payment in about 25 percent of that caseload?

Mr. EDWARDS. That is correct.

The CHAIRMAN. Those who are illegitimate.

How about those who are described as father absent from home under this chart here<sup>1</sup> where the fellow was simply described as being divorced or legally separated but not deserted? What percent do you think might be able to obtain support or separated without court decree?

Mr. EDWARDS. I can't give you any figures but in our recent meetings we had the friend of the court over and he cited several cases where the father testified it was better for his family if he left the family and deserted them. It was higher than represented here but I am sorry I can't give you the exact figures.

The CHAIRMAN. If in case of illegitimacy you are able to get some money out of the father in 25 percent of the cases, wouldn't it stand to reason in cases where the father was married you would get a higher percentage returning than that?

Mr. EDWARDS. I would certainly think so. Mr. Welch, I might respond from a report I just got from the prosecutor's office in Berrien County before coming down here a couple of days ago and I might just read one sentence, if I may, which may shed more official light on this.

<sup>1</sup> See chart on p. 824.

This is under the support team that is in the prosecutor's office. Their annual report states:

In the area of child support, the team interviewed some 1,170 clients during the year, which interviews resulted in the initiation of 420 family support and paternity actions, and approximately 100 URESA proceedings—"

The CHAIRMAN. Approximately what?

Mr. WELCH. URESA proceedings. It is an exchange across county and State lines into the jurisdiction of other States authorized to go after the father who has crossed those lines for official actions.

The CHAIRMAN. That is the uniform reciprocal support we are talking about now.

Can you tell me in what percentage of those cases he succeeded in getting support for those—from those fathers?

Mr. WELCH. I would have to take a moment and sketch through here. I am not familiar with the report.

The CHAIRMAN. He wouldn't have filed the action if he didn't think he would get some money?

Mr. WELCH. Perhaps I should read on:

In addition, several hundred referrals were made to the Friend of the Court in cases where it was felt more appropriate action could be undertaken by that department. As a result of these actions, money judgments have been obtained in weekly amounts as follows: Family support actions, \$5,450.00; paternity, 1,340.50; and actions under the emancipation of minors act, \$512.00. Thus, as of the end of the year, judgments are now on the books of Berrien County as a result of actions of the support team in the amount of \$7,302.50. On a 100 percent collection basis, these judgments would produce approximately \$380,000 per year of revenue to offset the current amounts being paid for ADC and other forms of support.

The CHAIRMAN. Would you make that record available so it could be printed with the record of your testimony?

Mr. WELCH. Yes, sir.

(The report follows:)

COUNTY OF BERRIEN, OFFICE OF THE PROSECUTING ATTORNEY,  
*St. Joseph, Mich., January 21, 1972.*

SUPPLEMENTARY REPORT TO PROSECUTING ATTORNEY'S REPORT FOR 1971 OPERATIONS  
OF WELFARE SUPPORT AND FRAUD UNIT

We are happy to present this report of the activities of the Prosecutor's Special Welfare Support and Fraud team for its first year of operations. It can hardly be disputed that the operations of the support and fraud team for the year 1971 have resulted in unprecedented success in both of these previously neglected areas.

SUPPORT

In the area of child support, the team interviewed some 1,170 clients during the year, which interviews resulted in the initiation of 420 family support and paternity actions, and approximately 100 URESA proceedings. In addition, several hundred referrals were made to the Friend of the Court in cases where it was felt more appropriate action could be undertaken by that department. As a result of these actions money judgments have been obtained in weekly amounts as follows: Family support actions \$5,450.00; paternity, \$1,340.50; and actions under the emancipation of minors act, \$512.00. Thus, as of the end of the year, judgments are now on the books of Berrien County as a result of actions of the support team in the amount of \$7,302.50. On a 100% collection basis these judgments would produce approximately \$380,000.00 per year of revenue to offset the current amounts being paid for ADC and other forms of support in Berrien County.

While it is unrealistic to anticipate that 100% of these judgments will be collected, we believe the first year's operations demonstrates that great progress is being made towards that goal. During 1971, while only a part of these judgments were in force, the actual collections of support rebated to the Department of Social Services increased by 99% over 1970 to 369,355. In 1970 the total child support collections were \$185,556.000 on an ADC caseload of 2,748. In 1971 the case load increased by 15% to 3,160. Assuming that this caseload would have resulted in 15% more collections under normal circumstances, we can project that collections during 1971 without the support unit would have amounted to approximately \$213,000.00. Therefore it is apparent that additional collections directly due to the efforts of the support unit approximately \$156,355.00. In addition, to the support collection, as will be further noted hereinafter, collections were made in restitution of amounts fraudulently received in the amount of \$4,642.00. Therefore the total aggregate of the funds received directly through the efforts of the support and fraud team during 1971 was approximately \$161,000.00. It should be noted that the actual expenditures in the program during 1971 were \$28,290.00. Therefore, for every dollar spent on the program this year the net return was \$5.69. We feel this by itself indicates that the program is working well and that the future is bright for this type of approach to the welfare program.

#### FRAUD

The second aspect of the Support and Fraud Team as it was originally designed is investigation and prosecution of welfare fraud cases. During the year 1971 the team has spent a substantial amount of time reviewing fraud complaints which were forwarded after initial investigation by the Department of Social Services staff. Of some 400 cases reviewed by the Department of Social Services for possibly welfare fraud, 114 were actually referred to the team. After additional review by the Prosecuting Attorney's staff 61 of these cases were referred back to the department with the recommendation that restitution be sought. Thus far, these cases have produced \$4,642.35 in restitution and additional amounts will be forthcoming. Of the balance of the cases 53 warrants for various types of welfare fraud were issued by the office of the Prosecutor. As of this writing, 24 of these cases have gone to Court with only 2 acquittals. Of the balance of the cases, 13 warrants remain outstanding by virtue of the inability to serve the Defendant, 6 are awaiting trial, 10 have been disposed of through agreements on restitution or otherwise. While the overwhelming majority of welfare recipients are honest and have never been involved in any fraudulent activity, there still remains a significant number of people who attempt to take advantage of the system. It is our hope that these levels can be kept at an absolute minimum and to this end we feel that the efforts of the welfare support and fraud units have been extremely successful thus far.

#### FUTURE OF THE PROGRAM

In 1972 the unit will be increased in size with the addition of one half-time Assistant Prosecuting Attorney. This, coupled with the centralization of all activities of the team in the offices of the Department of Social Services and others will allow greatly for the expansion of services of the team next year. Among these additional services will be efforts to investigate and prosecute child neglect in welfare families, assistance to the Department of Social Services and Health Department in housing problems and general legal consultation within the Department of Social Services itself.

The undersigned wishes to commend Wesley Bowerman, Director of the Berrien County Department of Social Services, and his fine staff, together with the members of the Welfare Support and Fraud Team headed by Mr. Ronald R. Moses during 1971 for their excellent cooperation which has brought about the results indicated in this report. Only with such cooperation and diligent effort can the program continue to grow and we have high hopes that the year 1972 will produce even greater results from this undertaking.

Respectfully submitted,

RONALD J. TAYLOR,  
*Prosecuting Attorney.*

The CHAIRMAN. Fine. So that would indicate that that county, those 1,170 cases, would you mind repeating that? What does that refer to?

Mr. WELCH. The interviews of 1,170 clients that would be in the support area.

Senator BENNETT. They are the mothers or the fathers?

Mr. WELCH. This would be—these would be the fathers, quite active in chasing the fathers for the purpose of obtaining the support.

Senator BENNETT. Yes.

The CHAIRMAN. Right.

Well, that is what I think ought to be done. I take it from the fact that you are doing that, you agree that before you put the family on the rolls to pay out the taxpayers' money for a lifetime, to raise somebody from age first day up to age 18, the first thing you ought to do is to see if you can find who the father is and if he won't agree to pay the support of his child, you ought to sue him and have him declared to be the father and ordered to pay.

Now, are you aware of the fact today that it is just a standard operating procedure to just put the people on the welfare rolls and let the poor people, the taxpayer, pay for a lifetime of that?

Mr. WELCH. Senator, one of the great shortcomings which has caused us to become so involved in these problems is the total lack of any effective enforcement program so that these investigations and pursuits can be made so that the laws are carried out. It is our view if the law is on the books the people ought to be covered by those laws.

The CHAIRMAN. Now, you are making reference to a total lack of any enforcement program?

Mr. WELCH. I am saying that as a general statement, and certainly I could stand to be challenged on any specific area, that somebody had better acknowledge but if general—

The CHAIRMAN. By whom now? Who has a total lack of enforcement program?

Mr. WELCH. Well, we feel that the enforceability of the laws for which the welfare program exists simply is caught up in those things, in the regulations that presently apply, defy any reasonable and practicable solution. Now, we are faced with the previous testimony that indicated, and the language that I operate by, as well as we've been told, and it goes like this: There can be no requirement made of any person as a condition for his public assistance. You cannot require anybody to do anything under that stipulation.

Now, if you can't require people to do anything, they can, in effect, do lots of things, some of them that may even be against the public interest in any given community, and the procedures that are so lengthy to make any progress, where HEW funds, for example, cannot be used for investigative purposes. Investigation after the fact is subject to local costs if it is to be done at all and, therefore, with the great burden of costs on taxes and budgets around areas of government, as a practical matter, those investigations just are never made; so there is no way of catching up with them.

The CHAIRMAN. Well, now, as a practical matter, the existing welfare program, and the administration so testifies, is subsidizing illegitimacy; it is subsidizing family breakup; it is subsidizing desertion; it is subsidizing all forms of corruption.

Senator BENNETT. Including perjury.

The CHAIRMAN. Including perjury; it certainly is subsidizing lying. It is probably the greatest cash program to subsidize lying that the mind of man ever invented.

Now, HEW admits all that because that is the program they are presently administering. They helped to make it that way but now they want to spend twice as much money on the same thing so they call it reform.

So far as I am concerned, I am willing to vote any amount of money to pay people to work or provide them with that opportunity. I voted for bills the President vetoed along that line and I am willing to work out however we can to provide people with an opportunity to work.

But isn't this correct: To be fair about it though, if we just put this whole burden on the Federal Government to pay all of this, and double the benefits, that it will wind up costing the taxpayers a fabulous amount of money up until we just have a taxpayer revolt and vote out of office all the people who voted to make it that way?

Mr. EDWARDS. Mr. Chairman, the present task looks rather mild compared with the higher payments.

There is another problem that is serious; it is especially serious in our community. The Federal Government is subsidizing the maintenance and continuation of the use of substandard housing throughout the entire country. Any house in any condition without plumbing, as you mentioned, Mr. Chairman, earlier, gets the maximum living allowance and we have the same situation where landlords are papering over the cracks and painting over the rotten wood and it would appear to me to be a great consideration for this committee as well as for Congress itself that we are subsidizing substandard housing and thereby perpetuating the system we are trying to allow these people to escape from.

The CHAIRMAN. In other words, if you don't want people to be living in substandard housing you shouldn't be paying a rental allowance that—based on the theory that would pay for decent housing, I mean, if they are in fact in substandard housing.

Mr. EDWARDS. I would hope you would add to the bill that any rental payment or payments for living quarters would require that from the local zoning board they had certification that it met the standards of zoning for the community.

Senator BENNETT. Unfortunately, that is in the jurisdiction of another committee. I serve on the other committee and I am happy to take notice of what you say.

The CHAIRMAN. Well, thank you very much, gentlemen.

(Mr. Welch's prepared statement follows. Hearing continues on p. 1344.)

STATEMENT FOR THE AREA RESOURCES IMPROVEMENT COUNCIL, PRESENTED BY  
GEORGE A. WELCH

My name is George Welch. I am representing the Area Resources Improvement Council of Benton Harbor, Michigan. This Council is a non-profit corporation comprised of the chief executive officers of thirty leading businesses and industries in the Twin Cities area of Berrien County concerned with community problems and development. I have three associates with me whom I should like to introduce. The first is J. Howard Edwards, Executive Director of the Area Resources Improvement Council. Second, Roger Curry, Executive Vice-President of the Twin Cities Area Chamber of Commerce. His organization has been involved in the development of an industrial park and is currently engaged in

several manpower development programs. Third, is Andy Takacs, Director of Government and Urban Affairs for Whirlpool Corporation. Like Mr. Takacs, I am employed by Whirlpool Corporation of Benton Harbor, Michigan as a special assistant in urban affairs. I will be testifying today on the welfare problems in Benton Harbor, Michigan with specific comments on H.R. 1, and will call upon my associates for appropriate response to questions.

This testimony is based upon facts and direct experience which have been developed from our involvement in community problems since riots swept through Benton Harbor in late summer, 1966. We have taken the means available to us to document our case. My intention by this testimony is to share with the Committee those facts and experiences which have been developed, and to make pointed comment on the proposed legislation contained in H.R. 1:

#### CHARACTERISTICS OF BENTON HARBOR, MICH.

Several statements can be made which characterize the City of Benton Harbor which are extremely serious for the well-being of the future of this city. Trends of deterioration have been in motion for the past decade, and within recent years have accelerated in their rates of increase. The following statements can be supported in fact, and I will not attempt to interpret their meaning in this discussion. The 1960 Census of Benton Harbor was 19,136; the 1970 Census was 16,481. During the period when the city's population declined by 2,655 by census, the racial composition of the city reversed and now reflects a black majority of 60%. The City of Benton Harbor has 38% of its population receiving some form of public assistance. In May, 1971, a study by the Michigan Department of Social Services showed 5,041 persons in Benton Harbor as AFDC recipients. Sixty-six percent (66%) of the Berrien County AFDC caseload resides in the Benton Harbor School District. The 38% welfare population is the highest welfare load per capita among cities in the United States, being more than twice that of any of the twenty major cities in the nation. Benton Harbor is second only to Detroit in our State in rates of crime, illegitimate births, unwed mothers and educational disadvantaged. The recent experiment undertaken by the State of Illinois to up-grade welfare recipients has shown indications of increase in recent welfare arrivals in Berrien County from Chicago. Currently, the unemployment rate in this area of Southwestern Michigan is 7.2%, with Benton Harbor's estimated at 15%; this does not include AFDC heads-of-household. The housing stock in Benton Harbor is estimated 25% major substandard and dilapidated; this, in view of the fact that the city percentage was the same in 1963 when it launched a major slum clearance program. Like the major population centers across the nation, Benton Harbor is virtually bankrupt. It can no longer provide the needed services for an increasing dependent population; families and businesses are leaving the city. Having undertaken many programs within its ability, including Model Cities, the city has exhausted its financial capability to participate in other programs of relief, assistance and redevelopment.

There is *absolutely* no question that the American welfare system needs to be overhauled. Benton Harbor is stark evidence of how far out of control the system has become. There is no longer speculation on the shortcomings and ills of the welfare syndrome—we are living with it day-by-day. What others project for states and cities concerning the scheduled increases of caseload under the current proposals of H.R. 1, our city has been a living example of these increases with nearly 40% of the population receiving public aid, and 33% of this total being AFDC families. Admittedly, Michigan has been generous in its concern for people, and rightly so, but Benton Harbor is a city destroyed by the welfare system. We believe we can draw some helpful conclusions to be considered in overhauling this system from the experience of our community; some, we believe, could be embodied in the legislation presently under consideration by this Committee.

1. The sheer blindness that a city is allowed to be disastrously over-burdened with a welfare-dependent, migrating population. In this period of comprehensive planning, a survey of local-resources should indicate the reasonable limits that municipalities and counties can service and accommodate for those in need. Lack of adequate housing, jobs, classrooms, and municipal services are certainly reasonable indicators in these matters, but it is obvious that limits must be established if, in fact, cities are to survive.

2. The management of the welfare system is lax and is lacking in flexibility. The paradox of this statement lies in the fact that we are unable to detect any

administrative relief by the rule book in what is admittedly a desperate plight created by the welfare system, and yet the in-migrating caseload has increased approximately 10% during the past 12 months and by establishing residence in a City which has less than 12 vacant houses available for occupancy.

3. We cannot see how the regulation which permits a stepfather with sufficient income to disclaim any financial responsibility for the children of his spouse, and therefore continues her eligibility under AFDC to receive public funds, serves the public interest. We cannot agree that the regulation which permits recipients of public aid to refuse to accept work when it is available and within their capabilities, serves the public interest. We cannot agree with the income disregard formula which provides higher income to induce the welfare recipient to take a job for the same work performed by a willing employee doing the same work, is in the public interest.

4. The disparity in grant allowances between the States is a factor in the promotion of welfare migration, high unemployment and inadequate housing. Also, climatic extremes characterize our area in the mid-west. We must conclude in the face of these hardships that a migrant population is attracted to Michigan for the economic advantage of its welfare program over the States of origin. With the heavy concentration of the welfare population in Benton Harbor, (38%), we must recognize the development of a welfare population which has dislodged and displaced the working people of the City.

#### RECOMMENDATIONS

1. We recommend that cities and incorporated areas with comprehensive plans be limited to a welfare population not to exceed ten percent (10%) of the previous census to avoid overloading demands on resources and municipal services.

2. We recommend that a residency requirement be provided to ensure the local capability to maintain sound standards and provide an adequate level of services.

3. We recommend that there be provisions for an annual review of regulations by the appropriate Committee(s) of Congress to ensure their compatibility with the Congressional intent of legislation.

4. We recommend nation-wide uniform minimum standards to improve Federal-State relationships, with State option for administration of programs.

5. We oppose the guaranteed annual income provision as a disincentive to work and an additional burden to working families and taxpayers. We endorse the concept of a job opportunity.

We support the provisions for work registration, comprehensive and coordinated work training programs, a national job bank and a flexible program of public employment to meet the fluctuations of the job market. We have constructed a child care center with private funds in Benton Harbor in response to public statements of this need as a barrier to accepting work by mothers of AFDC families. We support child care programs for working mothers and we are on record in this support.

1. We recommend that provision must be made by which families will pay some portion of the care of their children from their income, no matter how modest that amount might be.

I want to focus for a few moments on the problem of illegitimacy. Much has been said of the relationship between illegitimacy and welfare and I believe we can shed some light on the facts of this problem. It is my strong belief that if anything should be done to curb the welfare problems of future generations that an incisive cut must be made into the accepted practices of illegitimate births, especially as condoned and supported by public funds, for illegitimate births now pose an exponential rate of increase in the nation. Unless these practices are reversed, future generations will suffer the costs, social stigma and other burdens. Without wrestling with this problem and acknowledging that it confronts us with a fundamental problem of the future population of this nation, we cannot hope to relieve the problems of poverty, solve the problems of inadequate education or reverse the trend of increasing dependency, but the question before us is whether there is a supportable charge in the relationship between dependency and illegitimacy.

In the case of Barrien County, it should be noted that illegitimate births more than tripled from 1960-1971; 107-384. This is based on the census of three major hospitals in the County. Compared with the service hospital from Benton Harbor,



illegitimate births range from 36 in 1960 to 229 through 1971. Twenty-five percent (25%) of the total deliveries in this hospital in 1970 were illegitimate. The dramatic in-migration of welfare families into Benton Harbor from other Counties and States compounds the illegitimacy load. For example: in the past year, 118 illegitimate children were born in the city hospital. In addition, some births are recorded in the County Hospital which figures are unavailable to us. As further example, 34 families with illegitimate children joined the city population in the caseload from other places in the past month. We conclude that the AFDC caseload which comprises  $\frac{1}{3}$  of the city population, must contribute to the rise in illegitimate births. Confidentiality and sensitivity prohibit a total portrayal of details. Any other conclusion can only placate or rationalize a controversial subject.

What is of equal importance is the fact that all of these children will most likely attend the public schools. We have been told by the County Health Director that over 50% of the illegitimate births in Berrien County result in congenital mental retardation and these children cannot be expected to be functionally equipped to cope with any normal educational program due to deficiencies in the area of human development, and other life problems follow in logical sequence, of which the Committee is most certainly familiar. Suffice it to say that public supported and permitted illegitimacy creates the reason for the natural parents to avoid marriage and its related responsibilities, impales the child with a lack of identity and, in one case out of two in Berrien County, creates a child consigned to an unequal chance in life through no fault of his own.

These data clearly show that illegitimate births are on the increase among females in the earlier years, as low as 11 years of age. In these instances, we must be talking about birth control programs rather than family planning, which is receiving a great deal of attention, and properly so. The greater bulge is in the age bracket, 16-19, where family planning might be considered, but we believe it should be made mandatory since mothers under 18, at the present time, are automatically eligible to be added to the grant of their parents.

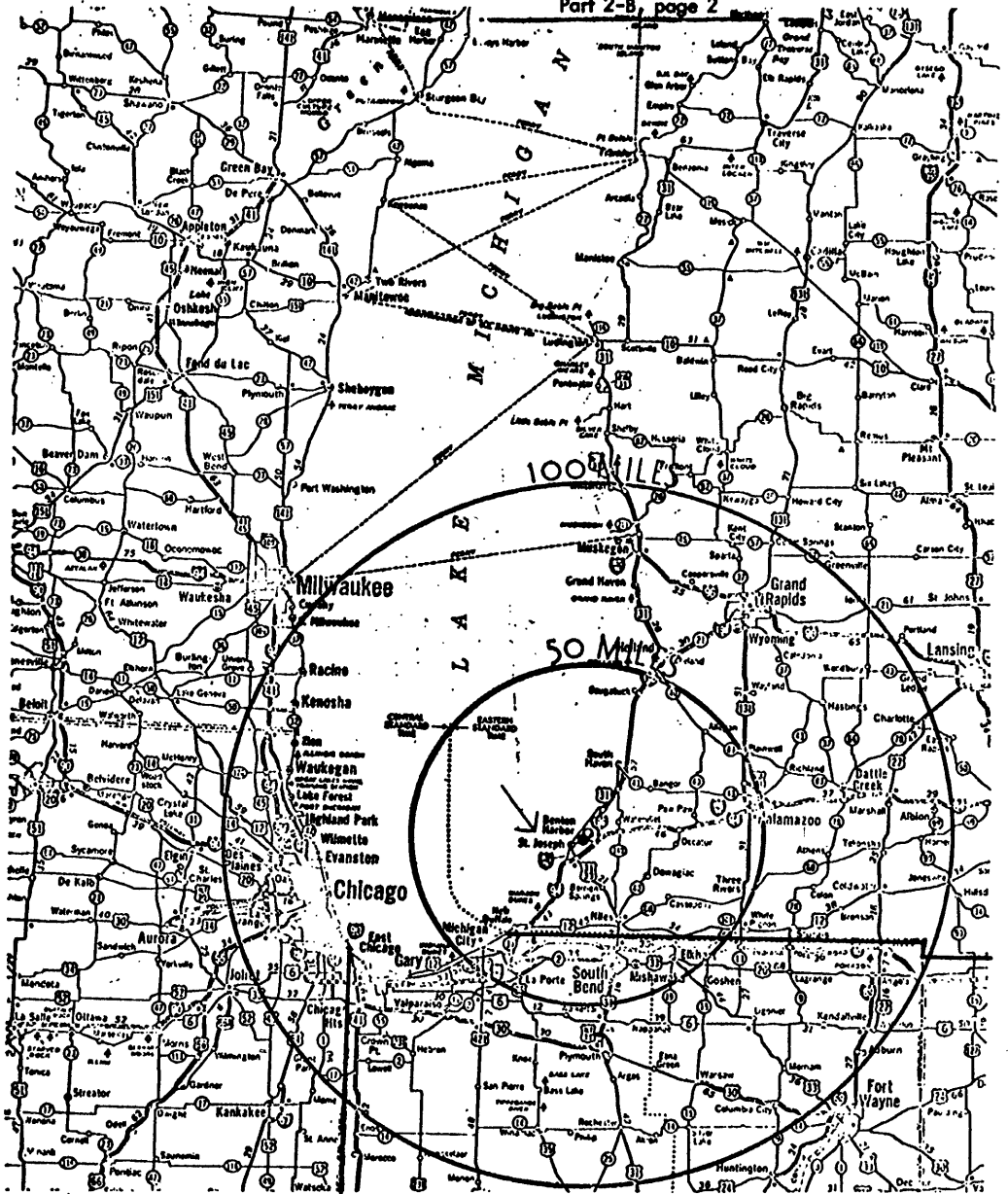
Finally, on this subject, multiple births which are illegitimate are not an uncommon occurrence and as long as the unrestricted grant provision exists, the examples also exist of mothers who will bear illegitimate children for that purpose alone, despite statements to the contrary. Records show, for example, that many cases of repeated illegitimate births or gravida, mount as high as 8 children by the same mother, all at public expense. These practices and the consequences to these lives are eroding our institutions, posing special human problems which we are simply unable to meet, and destroying the morale and will of the people throughout the area.

1. We recommend that the Committee give most serious consideration to include in the new standards, a limit on the number of illegitimate children per family, with further requirements that it be mandatory that the mother participate in family planning programs and the father be identified for the purposes of enforced child-support.

We appreciate this opportunity to present these views to the Committee. Because of time limitations, we should like to submit additional information to the Committee before the record is closed.

EXHIBITS

Benton Harbor-Benton Twp., Mich.  
Part 2-B, page 2



# GEOGRAPHIC LOCATION

## BENTON HARBOR, MICHIGAN

## BENTON HARBOR PROFILE

(Land Area : 2,640 acres ; Population : 16,481)

## MAJOR EFFORTS

1. Community Renewal Plans.
2. Modern Housing Codes.
3. Major Urban Renewal Projects, 121 acres.
4. Model Cities Program, 370 acres.
5. Code Enforcement Program, 60 acres.
6. Modern Airport Facilities.
7. New Public Library.
8. Major Non-Citrus Fruit Market.
9. Trained Police Force.

## MAJOR PROBLEMS

1. 33% of population on ADC Welfare.
2. 25% substandard housing supply.
3. Less than 0.5% housing vacancy rate.
4. 15% (est.) unemployment rate.
5. Second highest crime rate in Michigan.
6. 3 riots since 1966.
7. Increasing disruptions in school system.
8. Stable families moving out.
9. 3,000 petitions seeking detachment from school district.

## COMMUNITY PROJECTS

1965—Twin Cities Area Development Corporation.

1966—Community Education Program.

1967—Area Resources Improvement Council (ARIC) ; Northwest Berrien Sanitary Landfill Authority ; Summer Youth Employment Program ; Twin Cities Opportunities, Inc. ; Model Cities Program (1st round) ; Fair Housing Legislation.

1968—Highland House Project ; U.S. Special Census ; Community Businessmen's Association ; Model Cities (2nd round).

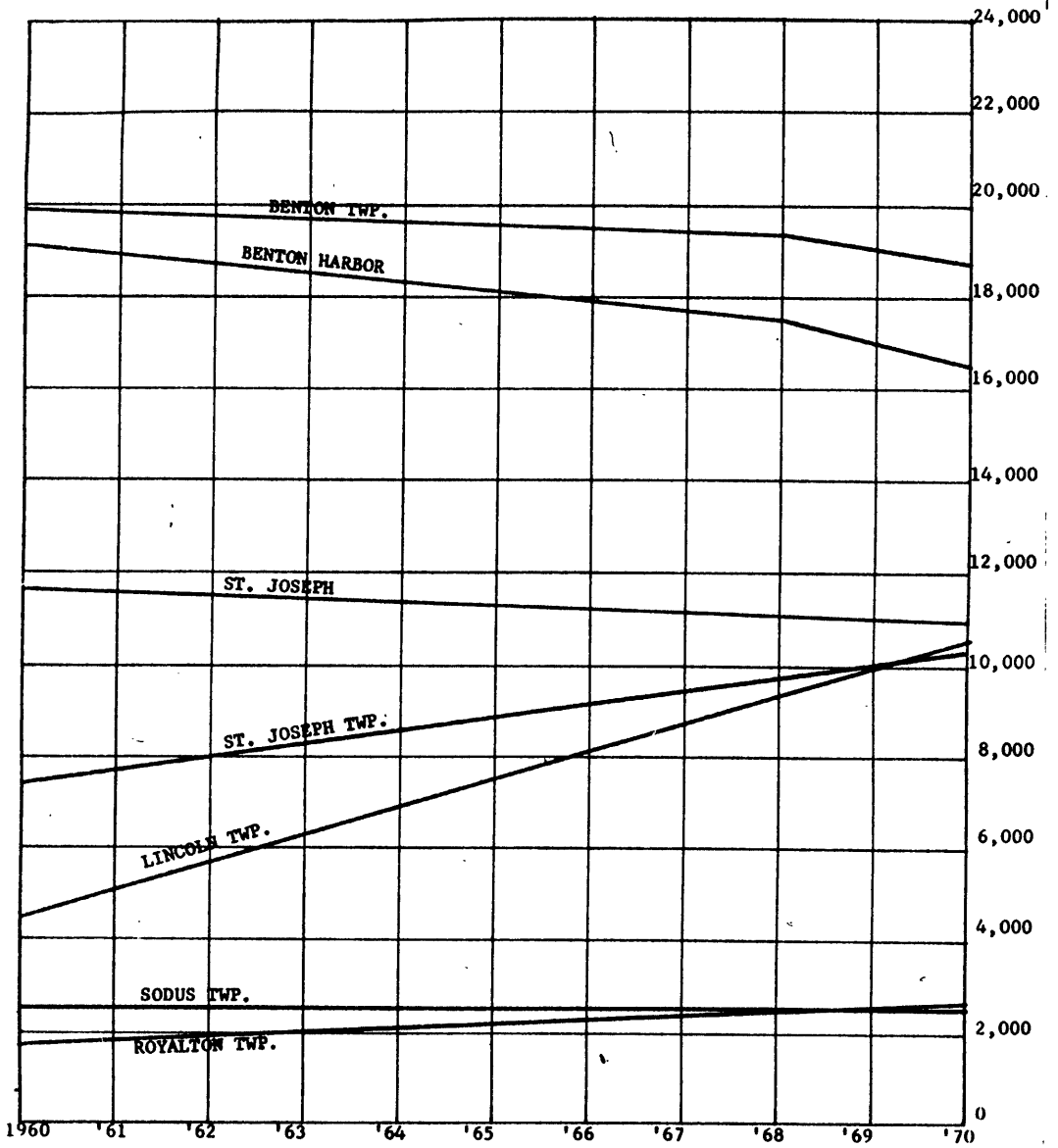
1969—Durable Products, Inc. ; Highland Development Center, Inc. ; Whirlpool Opportunities, Inc. ; Twin Cities Child Care Centers, Inc. ; Family Planning Program ; Pioneer School Program ; Berrien County Welfare Research Project.

1970—Benton Harbor Area School's Skills Center ; ARIC Homes, Inc. ; Peoples' Community Federal Credit Union ; Juvenile Detention Facility ; Medical Recruitment Program ; Downtown Benton Harbor Development Committee.

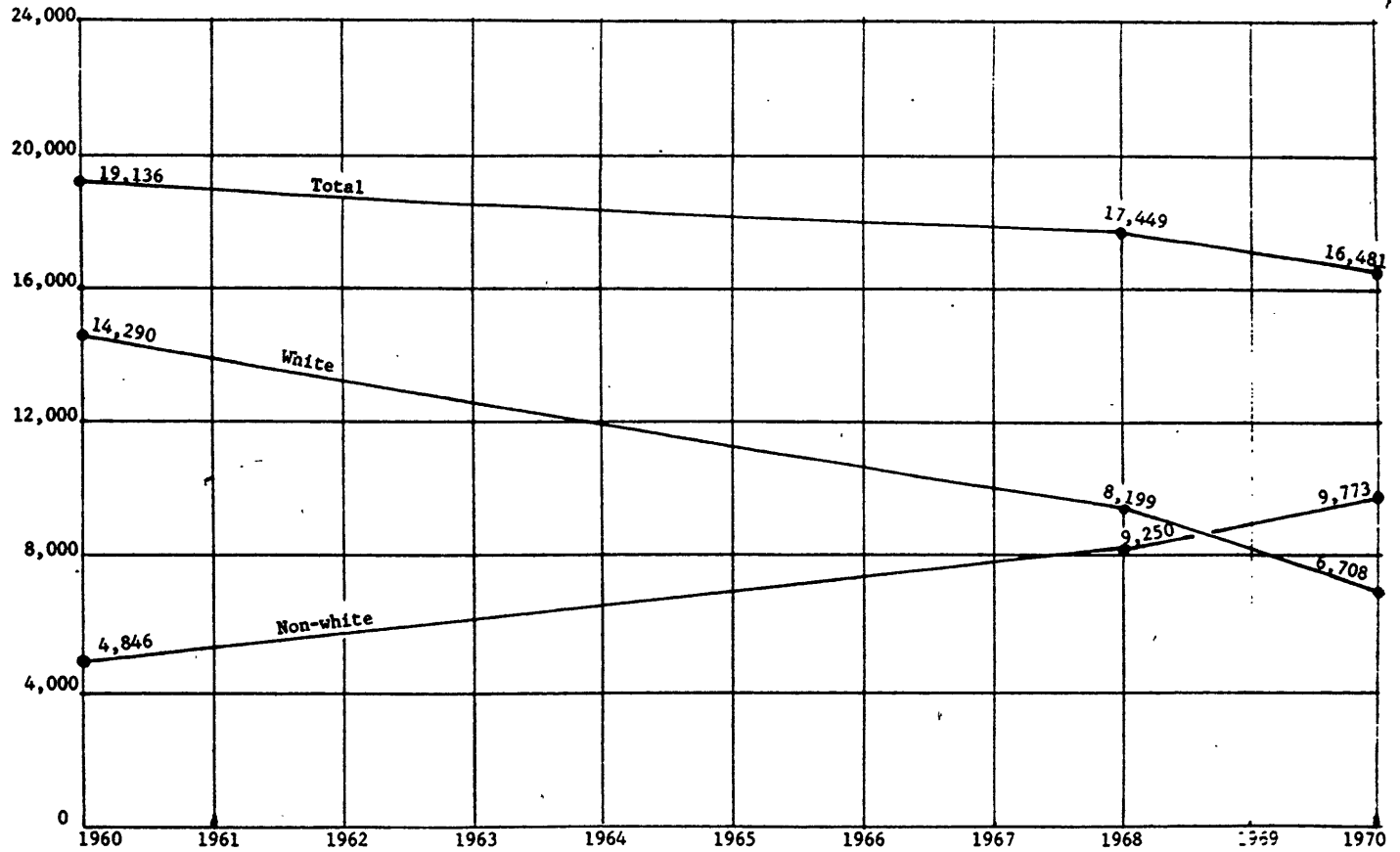
1971—Special Task Force-Benton Harbor Area Schools ; Vocational Skill Center ; Drug Treatment Center ; Child-support collections ; Emergency Employment Act ; Redevelopment of Benton Harbor ; Manpower Training Program.

TWIN CITIES AREA POPULATION, 1960 - 1970

BERRIEN COUNTY, MICHIGAN

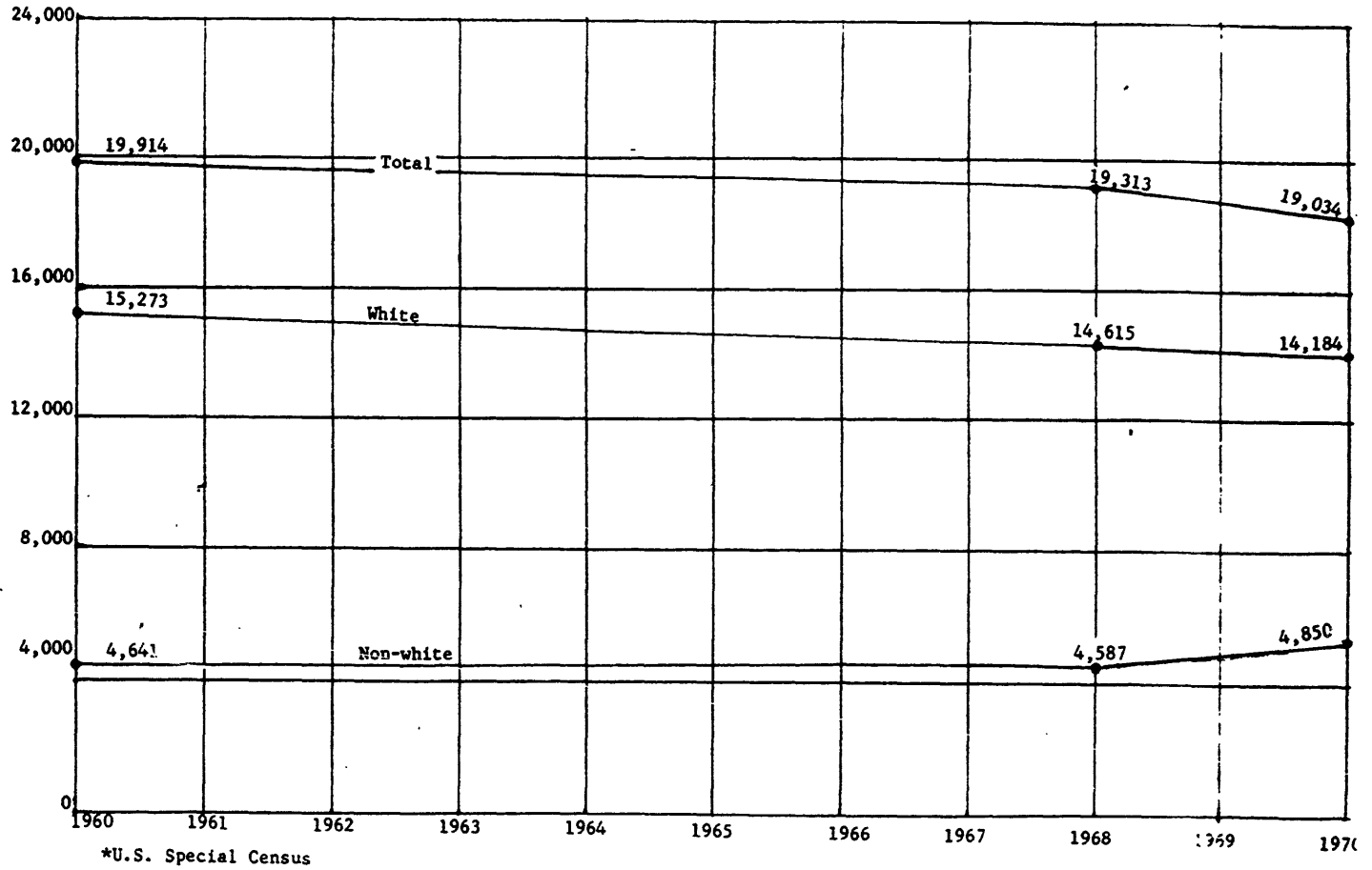


POPULATION OF BENTON HARBOR, MICHIGAN, 1960-1968\*-1970  
(by race)



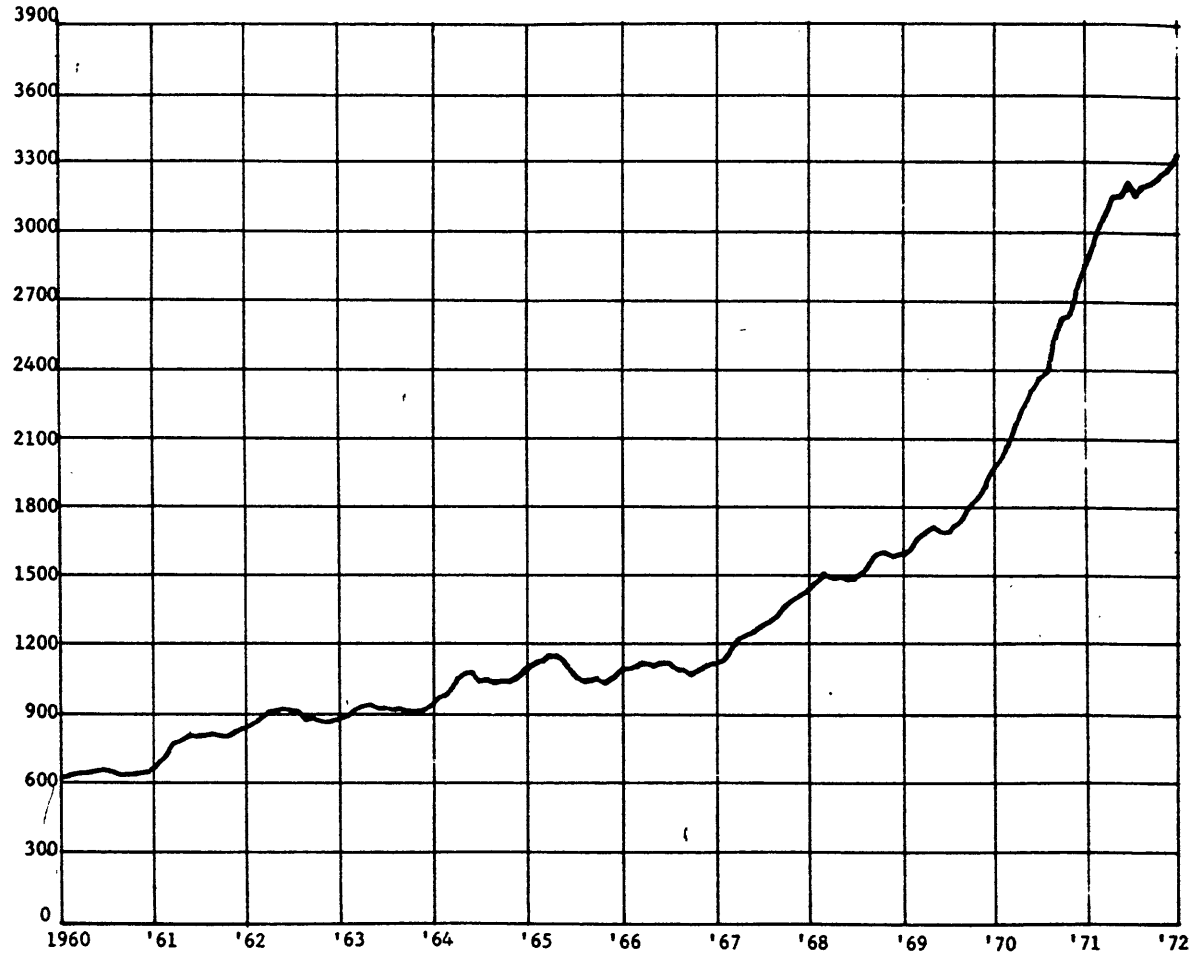
\*U.S. Special Census

POPULATION OF BENTON TOWNSHIP, MICHIGAN, 1960-1968\*-1970  
(by race)



NUMBER OF ADC FAMILIES, 1960-

BERRIEN COUNTY, MICH.



Source: Mich. Dept of Social Services Reports

BERRIEN COUNTY SOCIAL SERVICES DEPT.  
Berrien County, Michigan

AID TO DEPENDENT CHILDREN

Total Monthly Disbursements

Mo.	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
J	N.A.	\$ 77,942	113,550	118,799	127,420	132,444	121,014	180,322	261,880	307,867	411,511	686,992
F	--	83,840	116,219	120,607	128,434	137,014	160,071	187,505	269,270	320,510	427,697	705,287
M	--	86,744	120,274	125,438	134,599	161,557	138,094	202,414	277,476	320,022	441,367	733,764
A	--	93,114	123,739	127,161	143,821	167,857	160,366	207,897	278,392	327,246	437,935	728,679
M	--	93,257	122,673	128,060	149,853	164,453	138,113	212,265	277,465	329,968	470,829	730,914
J	--	93,593	124,292	127,519	131,747	157,345	170,408	219,074	276,739	317,812	485,953	733,300
J	--	94,492	122,164	122,245	132,352	131,453	134,690	227,278	274,232	345,682	491,514	725,040
A	--	99,576	118,895	123,329	148,047	143,954	151,666	231,318	278,399	395,698	511,372	722,230
S	--	104,016	116,039	124,332	142,680	*145,071	155,042	235,605	288,811	363,702	579,726	722,311
O	--	104,755	118,005	123,019	140,063	146,188	138,124	242,984	294,402	377,327	610,174	734,886
N	--	106,259	116,583	119,221	141,680	144,057	164,354	232,487	298,568	381,483	626,609	734,026
D	--	108,611	115,953	126,040	144,201	148,653	165,010	238,487	305,642	435,658	649,366	744,734
		\$ 1,146,199	1,428,386	1,485,770	1,701,877	1,842,248	1,875,132	2,657,836	3,381,316	4,222,975	6,164,053	8,702,163

Average Monthly Assistance Payment

J	\$ 113.35	115.81	135.34	136.98	136.13	139.98	110.82	162.19	182.24	193.02	209.21	236.65
F	119.10	120.11	135.93	134.46	136.05	140.19	146.99	165.20	183.05	197.60	212.57	232.84
M	118.94	120.98	137.30	136.79	140.65	142.47	143.85	172.27	184.75	191.86	212.91	238.62
A	119.98	119.22	137.49	136.59	136.19	145.71	143.83	171.96	186.71	193.41	211.52	229.07
M	118.53	117.90	135.10	136.96	140.44	142.88	140.90	172.85	185.10	192.85	210.57	229.20
J	117.46	116.41	134.95	137.71	141.42	139.67	133.11	174.84	183.12	187.94	210.10	227.73
J	116.76	117.09	134.54	131.73	146.21	141.68	138.98	177.56	184.37	228.60	214.23	224.71
A	117.61	123.09	131.67	134.20	142.08	137.76	139.78	178.07	184.37	228.60	214.23	224.71
S	117.43	128.57	132.46	133.14	137.37	*138.56	143.42	177.82	186.69	207.95	229.59	223.83
O	119.02	129.49	134.10	135.33	136.23	139.36	148.89	178.14	184.93	208.33	232.27	225.22
N	118.52	132.00	133.44	131.30	136.63	140.30	150.41	180.86	186.72	206.43	230.03	223.04
D	119.83	132.78	133.43	137.30	134.09	141.31	150.01	182.33	192.83	228.69	232.50	225.00

Number of Families

J	621	673	839	873	936	1089	1092	1113	1437	1595	1967	2903
F	626	698	855	897	944	1120	1089	1135	1471	1622	2012	3029
M	638	717	876	917	957	1134	1099	1175	1502	1668	2073	3075
A	646	781	900	931	1056	1152	1115	1209	1491	1692	2165	3181
M	649	791	908	935	1067	1151	1108	1228	1499	1711	2236	3189
J	661	804	921	926	1073	1128	1113	1253	1495	1691	2313	3220
J	665	807	908	928	1042	1069	1113	1280	1490	1694	2369	3189
A	653	809	903	919	1042	1045	1085	1299	1510	1731	2387	3214
S	638	908	876	920	1037	*1047	1081	1325	1547	1749	2525	3227
O	640	809	880	909	1028	1049	1062	1364	1592	1811	2627	3263
N	647	805	873	908	1037	1041	1094	1396	1599	1848	2724	3291
D	654	818	869	918	1053	1052	1100	1416	1585	1905	2793	3310

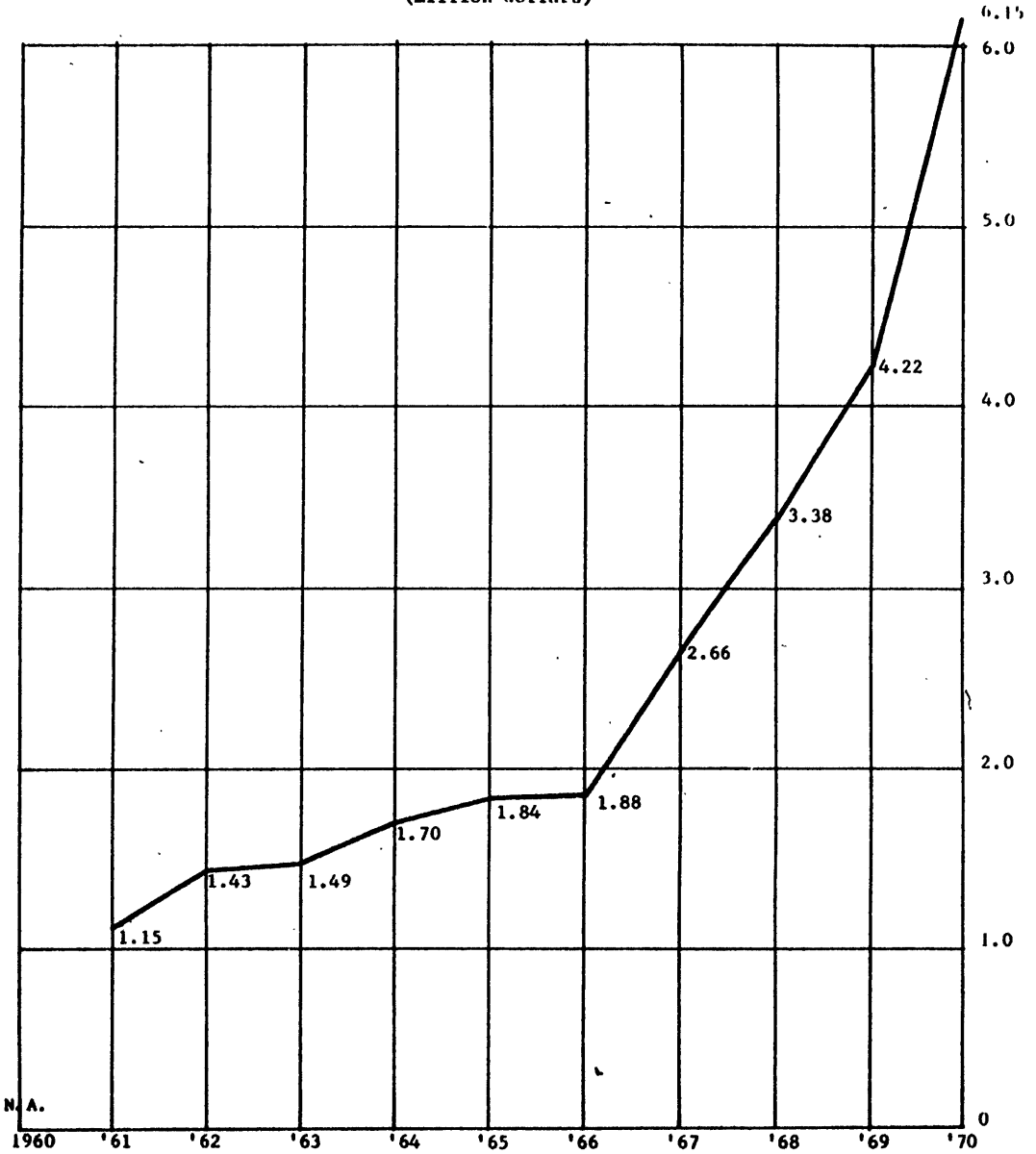
\*Denotes Estimate



TOTAL ANNUAL DISBURSEMENT TO ADC FAMILIES

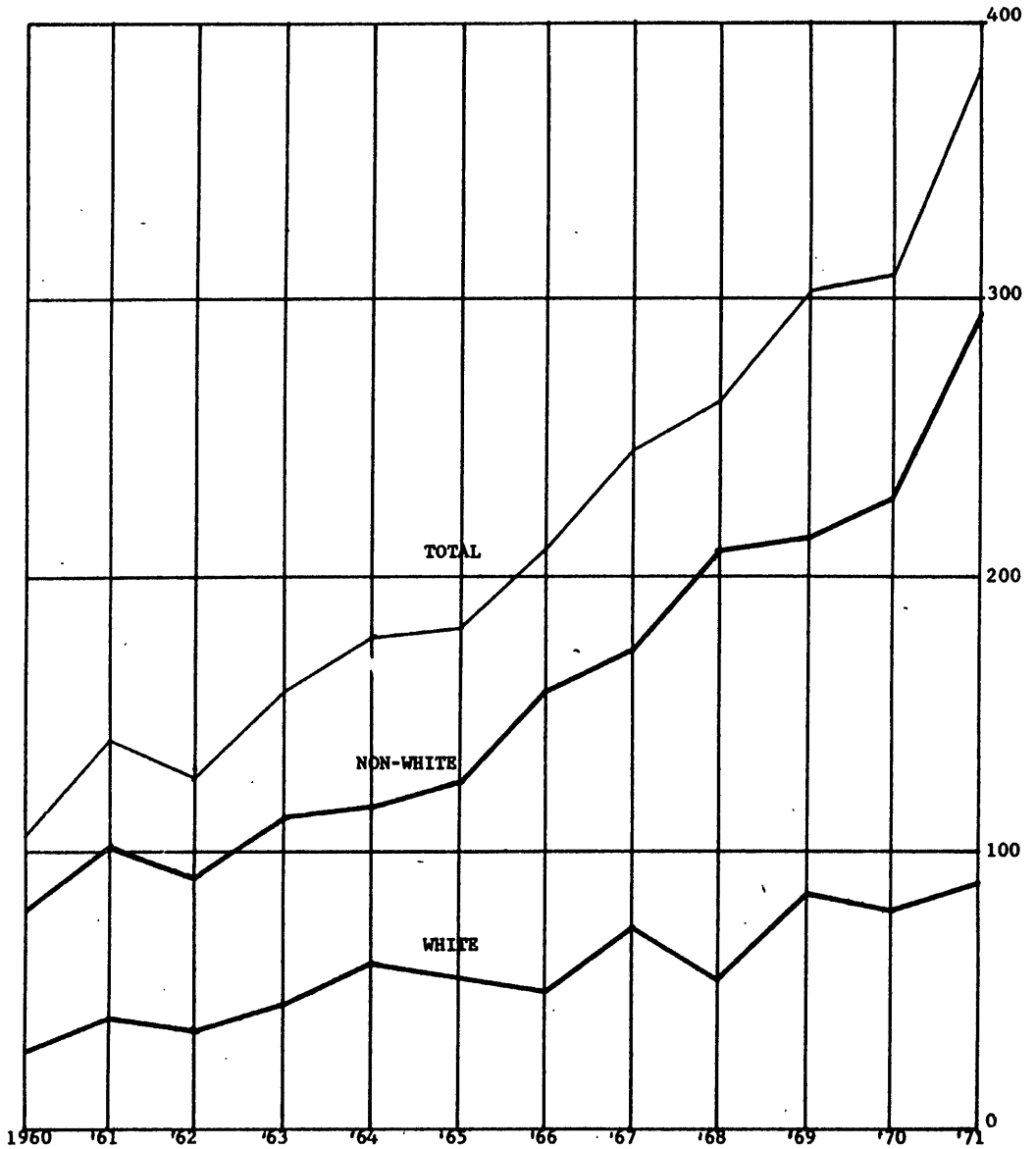
BERRIEN COUNTY, MICH.

(million dollars)



Source: Mich. Dept. of Social Services Reports

(by race)  
Berrien County, Michigan



\*Compiled Census of  
3 major hospitals  
in Berrien County

	Under														over	Total
	15	15	16	17	18	19	20	21	22	23	24	25	26	26		
1960 NON-WHITE	1	4	5	5	6	6	6	7	9	4	6	3	3	14	79	
WHITE	1	1	2	2	2	3	2	5	5	1	1	1	2	0	28	
1961 NON-WHITE	4	6	10	11	11	10	9	5	8	4	9	2	3	10	102	
WHITE	2	1	3	1	4	6	1	3	4	3	3	1	1	7	40	
1962 NON-WHITE	4	3	9	8	9	11	10	6	2	8	2	3	2	13	90	
WHITE	0	1	1	3	3	4	2	3	2	3	2	1	2	9	36	
1963 NON-WHITE	5	7	10	10	14	10	10	6	3	5	2	10	4	18	114	
WHITE	0	1	2	3	4	7	6	4	2	5	3	1	2	5	45	
1964 NON-WHITE	6	6	9	7	13	10	9	6	6	9	8	5	8	15	117	
WHITE	1	3	5	6	6	11	3	2	5	4	1	3	2	9	61	
1965 NON-WHITE	3	9	11	16	23	12	7	8	7	2	3	2	3	20	126	
WHITE	1	3	1	5	11	5	7	10	5	1	1	2	1	3	56	
1966 NON-WHITE	9	14	12	17	16	23	13	9	3	9	5	6	4	20	160	
WHITE	0	2	5	5	9	10	5	0	0	2	1	1	1	9	50	
1967 NON-WHITE	12	11	23	26	14	26	11	17	6	3	5	3	1	16	174	
WHITE	1	2	5	8	12	7	9	5	2	3	4	2	2	11	73	
1968 NON-WHITE	14	11	22	33	27	18	13	14	14	5	8	3	3	25	210	
WHITE	1	2	3	9	10	11	4	3	4	2	2	1	0	3	55	
1969 NON-WHITE	13	16	21	36	35	18	20	9	10	5	5	4	4	18	214	
WHITE	2	7	5	10	13	9	13	8	8	1	1	3	2	5	87	
1970 NON-WHITE	9	11	33	32	28	22	15	9	13	14	6	3	5	29	229	
WHITE	1	8	9	10	15	9	4	5	5	3	2	2	1	5	79	
1971 NON-WHITE	16	22	38	42	41	28	20	13	7	8	9	6	5	39	294	
WHITE	2	2	5	13	12	9	8	7	7	7	6	1	2	9	90	
<b>TOTAL</b>	<b>108</b>	<b>153</b>	<b>249</b>	<b>318</b>	<b>338</b>	<b>285</b>	<b>207</b>	<b>164</b>	<b>137</b>	<b>111</b>	<b>95</b>	<b>69</b>	<b>63</b>	<b>312</b>	<b>2,609</b>	
<b>TOTAL NON-WHITE</b>	<b>96</b>	<b>120</b>	<b>203</b>	<b>243</b>	<b>237</b>	<b>194</b>	<b>143</b>	<b>109</b>	<b>88</b>	<b>76</b>	<b>68</b>	<b>50</b>	<b>45</b>	<b>237</b>	<b>1,909</b>	
<b>WHITE</b>	<b>12</b>	<b>33</b>	<b>46</b>	<b>75</b>	<b>101</b>	<b>91</b>	<b>64</b>	<b>55</b>	<b>49</b>	<b>35</b>	<b>27</b>	<b>19</b>	<b>18</b>	<b>75</b>	<b>700</b>	

Illegitimate Births, 1960-1971 (by age & race)  
Hospitals-Mercy, Berrien General, Memorial

Illegitimate Births in Selected Hospitals  
Berrien County, Michigan

The CHAIRMAN. The next witness will be Rev. Robert P. Kennedy. I regret I have to leave for a meeting but I will read Reverend Kennedy's statement.

Senator BENNETT (presiding). Father Kennedy, I suppose that one of the things you learn in the priesthood is patience.

Father KENNEDY. Yes.

Senator BENNETT. You have had a good opportunity to practice it today and the only consolation I can give you is that we have been subject to the same general situation but we are happy to have you here and we will be happy to listen to your testimony.

**STATEMENT OF REV. ROBERT P. KENNEDY, CHAIRMAN, TASK FORCE ON ADEQUATE INCOME AND SERVICES, COMMUNITY COUNCIL OF GREATER NEW YORK, ACCOMPANIED BY BERNARD M. SHIFFMAN, EXECUTIVE DIRECTOR, COMMUNITY COUNCIL OF GREATER NEW YORK; AND JERRY A. SHRODER, DIRECTOR OF INFORMATION SERVICES, COMMUNITY COUNCIL OF GREATER NEW YORK**

Father KENNEDY. I am reminded of the famous story about the fellow at the end of the program who gave a speech and congratulated the man sitting next to him for sitting through it. He said, "I had to; I am the next speaker."

[Laughter.]

Father KENNEDY. I am Father Robert P. Kennedy. I speak today for the Community Council of Greater New York. This agency is the central health and welfare advocacy body in New York City. Board members, in addition to the traditional health and welfare leadership, include neighborhood and community action representatives, leaders from religious, business, industry and labor, professionals from the legal, banking, and realty fields, plus many other community representatives. (There is an appendix in the accompanying folder of our board of directors roster.) Together they form a unique coalition of interests which permits the agency to study issues objectively and to act as an advocate in the public interest.

The committee should know that the bill before you has been under active consideration in the community council since the early spring of last year. It has been thoroughly discussed and debated by hundreds of our constituents during this period. The position we are presenting today has gone through a series of reviews by no less than six council constituent bodies, culminating with a meeting of the board of directors held yesterday. This statement, therefore, represents the distillation of thinking of a true cross section of the health and welfare interests in the city of New York.

We are very pleased to have this opportunity to appear before you, inasmuch as the community council has selected the issue of welfare reform as its first priority. It is our belief that the Congress has both an obligation and an unparalleled opportunity to reconstruct this Nation's income maintenance system and to bring about genuine welfare reform. You will recall that President Nixon addressed the Nation on this subject in August 1969. At that time he said:

We would assure an income foundation throughout every section of America for all parents who cannot adequately support themselves and their children . . . . The new approach would and the blatant unfairness of the welfare system . . . . The new plan would create a much stronger incentive to work . . . . The bridge from welfare to work should be buttressed by training and childcare programs. I propose that we make available an addition to the incomes of the working poor . . . . The new system will lessen welfare red tape and provide administrative cost savings.

These comments were taken directly from the President's proposals in the initial presentation of his plan for welfare reform. We agree with those stated objectives. We applaud the principles (1) of the Federal Government taking over the responsibility for public assistance payments and, (2) it will do so by establishing a Federal minimum income floor. However the bill sent to the Senate by the House of Representatives does not provide for the implementation of the President's statement of intent.

We feel that it falls tragically short of true welfare reform in the following specific areas:

(1) Subpoverty income levels; (2) inadequacy of supportive services; (3) punitive and unrealistic work features; (4) an undesirable administrative structure, not only in its management aspects but also in the hardships it creates for people; (5) failure to mandate maintenance of effort by the States; (6) failure to adequately provide for clients' rights; and (7) failure to insure that no relief recipient will have benefits reduced as a result of the provisions of this bill.

We have a statement of our beliefs which is amplified in the packet by a policy statement from the community council on welfare.

#### WHAT WE BELIEVE

Everyone in our society is entitled to a basic income and the right to live in decency and with dignity. The community council fully agrees with legislators and the administration that our objective should be to move as many people as possible from conditions of economic dependence to active participation in the work force. At the same time, we must recognize that there will always be a portion of the population dependent on public systems for economic support. Even the most utopian of societies will not be able to avoid this. Certainly our society must help those people.

Further, at a time when unemployment remains at a constantly high rate—in the vicinity of 6 percent—it is unreasonable to expect chronically unemployed, unskilled, and untrained people to compete for jobs in an employment market that increasingly demands ever more sophisticated skills. People on welfare want jobs, but jobs are in scarce supply. People on welfare did not cause the present recession; they suffer from it.

We believe that a welfare reform bill alone cannot solve the enormous economic problems facing our society. It requires companion legislation, leading to a genuine full employment economy. No modification of the welfare system will in and of itself produce welfare reform unless the Congress also enacts massive improvements in our economic, housing, and health systems.

We believe there are many comments on these in appendix II, and III of the bill, and we make comments on these in appendix A that is included in the folders.

However, in order for the Community Council of Greater New York to support H.R. 1, the bill would have to reflect the positions enunciated by the administration when it announced that welfare reform was its major domestic priority. H.R. 1 does not provide for the anticipated welfare reform. It contradicts the administration's initial commitment to welfare reform. It would create an administrative monstrosity and, even more importantly, would make more difficult the lives of the people it is designed to help.

We would like to single out specific reasons for our view that title IV—family programs—is not true welfare reform.

#### INCOME LEVELS

(1) The level of family assistance bears little or no relationship to the basic family needs of the 1970's. The standard \$2,400 per year, including rent and sales taxes, or \$46.15 per week for a family of four is manifestly inadequate. It not only fails to meet the Federal Government's regionally adjusted lower living standard of the Bureau of Labor Statistics, which for New York City in the spring of 1970 was \$7,183, including taxes, but it is even woefully below the poverty line of \$3,968.

We believe that the BLS lower living level standard should be attained over a 3-year period, beginning with the effective date of implementation and recommend that the first year level should be no lower than \$4,500 for a family of four.

(2) The limitation of \$3,600 as the maximum family grant no matter what the size of the family is totally without justification and reduces large families to an abysmal subpoverty level. The family grant should always reflect the number of family members.

(3) Childless couples and those single recipients not included in the adult categories are also excluded from coverage by this title.

(4) The level of payments will be determined not on the basis of current family circumstances but, instead, family grants will be reduced still further by the deduction of any income that was in excess of the family assistance levels during the three quarters preceding current entitlement. This is inconsistent with the concept of meeting current needs. The effect of that section would be that while people were working before going on welfare, they should save enough money in case they go on welfare that they can live at the reduced level.

(5) Resource limitations under the family programs are insufficiently flexible and too severe. Not only is there no allowance for family size—the \$1,500 maximum applies to all families—but the amount and the considerations surrounding it are likely to be self-defeating. For example, a car may be an absolute necessity for some families. It may also be counterproductive to force the liquidation of insurance policies or the equity in a business in the case of other families.

(6) Income disregards of \$2,000 in relation to work for a family of four, up to a maximum of \$3,000, is inadequate. Work expenses such as transportation and taxes are not also included in determining a family's income. There may be times when the income which families are permitted to retain could provide a working family with less funds than if no member were employed. This provision can act as a deterrent to work and, therefore, self-defeating.

#### WORK FEATURES

It is our belief that most unemployed persons, whether or not they are receiving public assistance benefits wish to participate in the work force of our country. However, it is only possible for such persons to work if the following provisions prevail: (a) they are of working age; (b) they are in good health; (c) they have either marketable skills or training opportunities are available which must in turn lead to actual jobs; (d) jobs are available at adequate wage levels plus appropriate protections and fringe benefits; and (e) adequate care facilities exist for preschool and school age children and/or other dependent family members for those mothers who choose to work.

Observation of the recently enacted work programs in New York State leads to the conclusion that the result, as opposed to the objective, of the legislation is the removal of recipients from public assistance for noncompliance rather than providing them with jobs. Thus far only a small number of welfare clients have been employed in our State. We have a study that was made of the first 3 months of the New York State experimental program that we will leave with the committee. We can supply additional copies of this study on request.

What is required is a massive public service employment program which will be in effect, not on a time-limited, declining Federal contribution basis but for as long as needed. These jobs could provide vital health, housing, medical, educational, recreational and social facilities, and services to our Nation.

Furthermore, it is important to note that whether additional funds to the poor are provided through adequate payment for public service jobs, these funds will be spent rapidly and will be an important economic pump primer for our Nation in its time of recession.

Specifically, we state that (1) all mothers or caretaker relatives, of children from birth and at least through elementary school, must have the choice as to whether or not they are available to work outside of their homes. We totally reject the concept of forcing or coercing mothers to work outside of their homes.

(2) There are inadequate assurances concerning: the nature of jobs that recipients will be asked to assume; adequacy of wage guarantees for nonpublic service jobs; and specifications of standards for child care services. These are all weaknesses in the bill. We urge and ask for guarantees that Federal minimum wages or prevailing wage rates, whichever is higher, will be applied and that appropriate standards for jobs and child care programs must be established.

(3) The provisions for dealing with employable family members who do not cooperate are punitive and not flexible enough to allow for reasonable redress of grievances, to say nothing of correcting for errors or misunderstandings. Further, this will only serve to penalize other members of the family. For example, if a family member alleged to be noncooperative loses his benefits, all family members will suffer because the remaining income must be shared.

#### PROTECTION OF CLIENT'S RIGHTS

Concerning protection of clients' rights, (1) the proposal fails to specify how and when benefits will be paid to eligible families and (2) in a system as complex as contemplated in title IV, penalties should not be imposed for failure to report changes in status or income without adequate safeguards.

#### SERVICES

Concerning services, the success of welfare reform depends as much on the quality and availability of services as it does on the provision of adequate income standards. There are several important deficiencies in this area in the bill which need attention:

(1) Ceilings on the appropriations for services, other than child care and family planning, are not consistent with the concept of helping disadvantaged Americans solve their problems. If this legislation really has the priority it is said to have, it makes no sense to build shortcomings into the system at the outset. This will merely prolong the dependency and the agony of a substantial percentage of our poor population.

(2) The specificity with which services have been enumerated appears to be an attempt to restrict service coverages and availability. If services are needed, they should be available. From the council's point of view, social services should be available for all who need them.

More general definitions of need are already available in titles IV-A and XVI of the Social Security Act.

(3) The bill provides \$50 million for the creation of child care facilities and \$700 million for child care services. Almost 175,000 children now in public assistance families in New York City are in the age group most likely to need day care services under provisions of the bill. It is estimated that in terms of the current annual cost per child, which are as high as \$3,000 for city funded day care, more than \$430 million would be needed in New York City alone—

Senator HANSEN. Father, let me interrupt right there. I am following that printed testimony; that figure is \$2,500; you said \$3,000. Has it been changed?

Father KENNEDY. We asked our statisticians to go and check through the day care council and they came up with the \$3,000 figure as more indicative of current costs in New York City.

Senator HANSEN. So \$3,000 is the figure rather than \$2,500?

Father KENNEDY. Yes, sir.

Senator HANSEN. Thank you.



Father KENNEDY. Also the income disregards for child care are inadequate and no standards have been established for the provision of child care service.

#### ADMINISTRATION

The administration of the two assistance programs is extremely complicated, in our opinion, and probably unworkable.

(1) The complexities are such that families will have to visit representatives of three Federal programs, plus State and local programs. This may seriously prevent eligible needy persons from receiving benefits to which they are entitled. A further provision of the act would allow for different patterns of services in different parts of a State. Clients should not have to go to a multiplicity of agencies in order to obtain services. Further, there is little prospect that there can be effectively coordinated. In addition, the multiple administrative procedures inherent in this system will result in increased administrative costs.

(2) In addition, deep concern must be expressed about the lack of adequate provision on a local basis for emergency funds and services.

(3) The bill provides that on services costing \$50 or more the State will pay the provider directly. This is a violation of a long established principle that people have a right to manage their own affairs unless there is some indication that they lack the capacity to do so.

#### FINANCING

In order to effect welfare reform, financing of the program obviously must be adequate and administratively sound. We leave detailed treatment of this area to those who have more experience with Federal fiscal arrangements; however, several basic concerns must be cited:

(1) It is absolutely essential that there be a hold-harmless clause contained in any bill which affects the financial responsibilities of the States. Further, this provision must not be limited to any abbreviated period. Even should the Congress enact a general revenue sharing measure, the fiscal difficulties of the States still continue to be extremely pressing. Under no circumstances currently envisioned should the States be asked to shoulder additional welfare burdens.

(2) A serious weakness of the bill before you is that it does not mandate the States to maintain their current welfare standards.

In New York State we can cite clear recent examples of failure to maintain efforts concerning both eligibility and benefit levels. These were legislated in our State in 1971 and have since been approved by the Department of Health, Education, and Welfare. These experiments are currently in the process of implementation. These projects are known as "Incentives for Independence" and the "Public Service Work Opportunities Project." We have included a brief description of these programs as Appendix B.

(3) The "closed end" appropriation for most services and the inadequate funding of child care services, both referred to under "Services" above, are other important considerations.

## CONCLUSION

In conclusion, all people are subject to myriad emergencies. The lack of adequate provision in localities for emergency funds and services can spell disaster for them. This situation is further aggravated for the poor.

Our present welfare system for the poor is an irrational hodge-podge. However, there is no apparent administrative design in the proposed welfare bill which can move this country into a rational social policy. Until such policy is developed, there will be continued suffering among this country's poorest and most dependent citizens.

We hope the Senate's version of the welfare reform bill will incorporate the changes we have suggested and which have been proposed by a number of Senators. Under these circumstances, we would be happy to join with you in working for the passage of the bill.

We thank you very much for giving us this opportunity to testify today and I would like to identify the two gentlemen with me.

On my immediate right is Mr. Bernard M. Shiffman who is the Executive Director of the Community Council of Greater New York and Mr. Jerry A. Shroder who is the Director of Information Services for the Community Council.

Senator BENNETT. This is a most interesting and very comprehensive listing of the ultimate desirability of every feature of what you might consider to be a perfect welfare program. I have been scurrying around here while you have been talking, because there are two things in your proposal that interest me because this Committee has the responsibility of paying these bills.

Now, you suggest, in the first place, an increase of 20 percent in the welfare benefits. That would increase the welfare—I mean the social security benefits. That would increase the social security tax level on both employer and employee from 5 percent of payroll to 6 percent of payroll, and a quick guess, a quick calculation says that would increase the cost to the social security payers \$8.5 billion a year. For taxpayers who pay income taxes and social security taxes the present level, the present point at which social security taxes at which income taxes become as high as social security taxes is an income of \$6,000. I don't know how much higher that level would be pushed if you increase the cost of social security by 20 percent and that is what you are proposing.

Now, the other figure is even worse. I recognize that these calculations are quick and dirty because we had no—we have had no previous testimony indicating so liberal a proposal for welfare benefits.

Senator Ribicoff proposes to increase the basic welfare benefit for a family of four, AFDC, from \$2,400 to \$3,900 and it is estimated that that would add \$34 billion per year to the cost of welfare for AFDC.

Now, you suggested, at least the way I interpreted your testimony, that you would like to see it raised to the lower lever, or whatever you call it.

Mr. SHIFFMAN. What the Government calls it.

Father KENNEDY. Lower living standard.

Senator BENNETT. Lower living standard and in New York it is \$7,800.

Now, doing a very rough calculation, I think you would add another \$85 billion if that went across the country as a whole, so you would add \$120 billion—no—yes, between you and Senator Ribicoff, you would add \$120 billion against the Federal budget which the President proposed of approximately twice that for running the entire Government in order to achieve those levels.

My father was a man full of interesting sayings and I quote him to my colleagues every once in a while and one of things he used to say was that a man who has no sausage for sale can offer it for sale at a penny a pound.

Now, it is a very pleasant exercise to figure out how desirable all these things would be and you tell us, toward the end of your statement, that we have the responsibility, and we have the background to solve the question of financing these; but I am afraid this committee cannot support a proposal which would add \$120 billion on aid to AFDC plus \$8.5 billion on social security, plus other funds which would probably—other increases which would probably be required by other proposals you have made to us.

I just couldn't catch them fast enough to get them all down, but I am going to ask the staff to research your recommendations carefully and present the committee with the best estimate they can, either directly, of their own estimate or from HEW as to the cost of this total program.

(The information referred to supplied by the Congressional Research Service, follows:)

The Community Council of Greater New York suggests a large number of changes in a House-passed version of H.R. 1. Cost estimates with respect to many of these proposals are not available for a variety of reasons. For example, in some instances the Council registers opposition to provisions in H.R. 1 but does not precisely specify its preferred alternative. This is the case with respect to the social security retirement test which the Council recommends be "further liberalized" and with respect to the resource limitations for public assistance which, it says, should be more "flexible" and less "severe." In other instances, the Council's recommendations deal with the elimination or modification of provisions in H.R. 1 which are designed to limit costs which would otherwise be more or less unpredictable. Such provisions include those placing a closed-end on the authorization for certain social services and limiting to 5 percent the annual rate of increase in Federal financial participation in the costs of nursing home and intermediate care facility services. Some estimates, however, can be made with respect to the major cost items in the Council's recommendations. These are the 20 percent increase in social security benefits and the adoption of a welfare program based on the Bureau of Labor Statistics' lower standard for a four person family. A 20 percent increase in social security benefits would involve first full year benefit payments of about \$6 billion over what would be paid under H.R. 1 as passed by the House. A welfare program based on the BLS lower standard and covering childless couples and single adults as well as families would, if fully effective, involve an estimated \$72 billion in annual benefit payments. (The Council recommends that the proposal become fully effective after a 3-year phase-in-period.) This represents an increase of about \$60 billion over the Federal share of assistance payments for families and for the aged, blind, and disabled under the provisions of H.R. 1.

Father KENNEDY. Senator Bennett, I would very briefly like to review it in principle and then ask Mr. Schroder perhaps to sharpen some of the statistics.

The proposals are based on several things: (1) A natural full employment economy; in other words, there is usually a very close correlation between unemployment figures and welfare figures, and, therefore if we do go and raise the level of our economy and arrange better distribution of our over \$1 trillion gross national product, you are naturally going to eliminate many of the people who need welfare assistance. In other words, basically what we are proposing is that work programs and full employment projects be initiated to get as many people off welfare as possible, but those who remain have a right to share in an adequate standard of living that all of our governmental statisticians and home economists tell us exist at a particular level.

The second thing, and I think Mr. Schroder will reply more directly to it, as to the cost of social security, the basic idea here, again, that we have in mind if our social security payments are not adequate to meet family needs, then we do have to supplement it from other sources. If a person is in a sense forced to live completely on a transfer of payments from the Government, some they have earned by social security system insurance structure and others that are transfer payments that come out of home relief or some other particular assistance program, you know we are just moving money around from one to another.

Senator BENNETT. I would like to interrupt you at that point.

You raise social security benefits 20 percent; you raise it for the man who is at the lower level; but I have reached the age where I am a social security recipient, and you would give me a substantial increase in my social security benefits by raising them 20 percent, and I don't need it. So this is a broad brush; this is an across-the-board thing that would give unneeded benefits, and I think we are better off, really—this may not be sociologically desirable, but we are better off supplementing lower social security payments with old age assistance than we are to raise the man who is now getting \$75 or \$80 a month, \$100 a month, 20 percent than all the people who are drawing social security at the maximum benefit which I am—we are going to get a windfall.

Mr. SHIFFMAN. Senator, you are probably part of the 10 percent who do not need it. Every day in New York City as people reach their 65th birthday and are retired they use the resources they have been able to save. With only their social security for support, they soon move into the poverty group. That is one of the biggest builders of our poverty population—growing old in this country.

Now, I am neither an HEW staff member, I do not work for the poverty program, and I am not a bleeding heart, but factually if you continue to increase the number of people who are poor in your country, there are another series of attending problems. Health becomes a major problem, housing becomes a major problem, and so forth. We have tried to say, and we have said it over and over again, that no welfare reform can solve the problems of the poor by itself, that what is required is that a comprehensive attack be made and the provision of amounts of money that we have never really permitted ourselves to dream about. The alternative is what?

The alternative is to tell the American people that they can't afford good health, good housing, and an adequate income. Can we possibly say that poverty is the American dream of the 1970's; that it is too bad, social security can only pay a number of dollars and therefore you are going to become part of that poverty group that can't get health services and therefore must die, or you will live in the housing that was described earlier by the Benton Harbor contingent. We have "little" Benton Harbors in practically every apartment house in New York City.

We are talking here of 1,707,000 New York State people who are public assistance recipients of whom 1,170,000 are not employable.

It was interesting to listen about the three people who were hired and the seven people who were placed, but we have 30,000 New York City people who get jobs from welfare and move to a state of independence every month with another 40,000 reduced to coming on the other end; namely, welfare intake.

In other words, the welfare group is not a static one in New York City. It is a very mobile group that moves on and off as jobs become available and as they can knock their brains out to find employment, miserable employment, and in most cases, temporary in nature. They take jobs, and then when they lose the job they are right back applying for the magnificent welfare benefits.

We heard a lot of things, too, today about—and I have received an education here—about illegitimacy and the true facts about it. However, even Senator Long's own printed address states that there is a very small percentage of the people about whom we are talking, who have illegitimate children.

And it is the same thing with the employables. We have been here since 10 o'clock this morning listening to how "work" was going to solve the welfare problem. Well, how does it solve the problem of the 1,170,000 unemployable people who are on welfare in New York State? These have been classified; they are known; they have been diagnosed as unemployable; they are aged; they are disabled; they are infirm and they are children—81 percent are children under 16 years of age.

Senator BENNETT. May I interrupt you at that point?

Mr. SHIFFMAN. Absolutely.

Senator BENNETT. This is one of the interesting statistical myths. You add the children into the unemployables when as a matter of fact if a parent is employable the problem of the children is solved. If the parent is employable and able to earn reasonable living, then the children go off the welfare rolls and the number of unemployables decreases.

Mr. SHIFFMAN. 150,000 mothers without fathers who have children; these children belong to these mothers. These mothers, if they: (1) cannot find the work that would produce any kind of income; (2) have very little skill; and (3) the figure of the \$3,000 per child cost of day care, it would require approximately—I would say—2½ times that, if they are a typical family unit. That is how statistics work out—it would require \$8,000 of day care support in order for this lady to go out and obtain a job that may pay her \$2,800 to \$3,000.

Senator BENNETT. That is another unrealistic myth, and we have got to solve the problem in another way.

I would like to throw another figure at you. Fifty-two percent of the women in the United States with children between the ages of 6 and 12 are working. They solved their day care problem; they don't require the construction of a big day care center with psychiatrists and trained nurses and a hospital-type atmosphere. They just go and work.

Mr. SHIFFMAN. Senator, they chose to work and usually because their circumstances permit them to work.

Senator BENNETT. That's right.

Mr. SHIFFMAN. Because they have a mother; they have relatives; they have a husband who earns a salary; they have all kinds of circumstances which made that possible. That is because they choose to work and because they can work out their circumstances. There is another large group of women, black, and Puerto Rican who currently are working and whose children are receiving miserable care and who are not on welfare.

One of the beautiful things that we are talking about is that there are probably 6 percent in New York City who are ineligible for welfare and receiving welfare. There is also another 20 percent who are eligible for welfare and who are not receiving welfare. If you cost benefited out the present system and you eliminated all the ineligible, and you put onto welfare all of those who are eligible, the cost of welfare would increase again, but there are people who sincerely want to keep away from welfare, don't want the system, don't want to get on it. We had a number of older medicaid recipients testify the other day.

Through social security and medicaid, many of them are able to stay off welfare. When we asked them their incomes, it was pathetic, the amount of money they lived on, but they have pride; they want their own self-determination, et cetera, and don't want to use our kind of welfare program. However, I guess it didn't hit me as hard as when I saw my father who worked all his life as a machine operator. I guess I fall into Mr. Conway's category, but fortunately, was not on welfare, but my father worked all his life. He reached age of 70 and had no resources. If he becomes ill, he is in trouble. Where does he turn? Where does he go? He is unfortunately not as well off as you are, Senator, and would look forward to an increase in social security. I, as an individual, who am earning at the peak of my capacity, as a taxpayer, would welcome a system that puts a bigger bite on my income and permits us to arrange for a more humane system in America.

Senator BENNETT. If we are going to try to improve the social security situation, I think we ought to be concerned with the pattern rather than an across-the-board 20 board increase.

Mr. SHRODER. Senator, may I respond to that?

To follow up one of Mr. Shiffman's comments, one of your sister committees, the Senate Special Committee on Aging, was appalled to discover that since the advent of the poverty program, older people, that is, people 65 and over, are the only part of the total poor population in which there has been an actual increase in both gross numbers and the total proportion of people falling below the poverty line.

The 1968 social security survey of the aged pointed out that 44 percent of all families and individuals headed by an older person had

incomes below the poverty level. An additional 11 percent were described as "near poor."

Our suggestion for a 20-percent increment in the social security benefit is directly related to this information. Please keep in mind, Senator, that the social security benefit is still the major source of income for most people in retirement. As long as this is the case, it seems to me we have little choice but to work for the improvement of this program at least to the point at which older retirees can live at some kind of minimally adequate income level.

As for your concern, Senator about the cost of the 20-percent increase, we would like to point out that this was deemed feasible several years ago by appropriate increases in the wage base and with modest increases in the tax rate. In fact, sir, the Report of the Advisory Council on Social Security submitted to Secretary Richardson in the spring of 1971 included the following statement:

Future Congressional consideration of Social Security cash benefit levels should include consideration of improved benefits levels based on criteria related to (1) the adequacy of benefit amounts for regularly employed low-pay workers, and (2) the relationship of benefit levels in general to the levels of current workers.

This would seem to be a pretty clear suggestion that the Congress has some obligation to make benefit levels relevant to the income levels necessary for self-maintenance in the 1970's. Further, the same advisory council recommended that the income base on which workers are taxed should be increased to \$12,000 in 1974 and increased thereafter in accordance with rising earnings levels. These are not the recommendations of idle dreamers, but rather of a blue ribbon panel chaired by Dr. Arthur Flemming who was recently sworn in as a special assistant to the President.

I would also like to complete the description of the New York State public assistance population, in order to put on the record the real situation with respect to potential employables in the total caseload. Eighty-one percent of the 1,170,000 public assistance recipients judged as not employable were children under 16 years of age. Most of the balance were the aged, blind and disabled. Of the remaining 535,000 public assistance recipients not falling into those dependent categories, 410,000 were not currently available for employment, either because they were 16 years of age or over and attending school on a full-time basis, or they were adults with household responsibilities or they were persons with acute or chronic illnesses.

Of the remaining 125,000 persons (7 percent of all public assistance recipients), 51,000 were employed but were not earning enough money to support their families! This leaves only 64,000 persons (or about 4 percent of the total public assistance load in New York State) who could be considered eligible for employment. Many of these were simply inadequate to the task of obtaining employment in today's highly competitive market. All the above data were published by the New York State Department of Social Services. The facts we have cited and much more which we do not have time to put before the committee now should establish that, far from not being able to afford to provide for people's basic needs, we must go out of our way to see that these needs are met. Even if Senator Bennett is correct in expressing

his concerns about the cost of an adequate old age and survivors insurance system, its total cost to us in terms of a percentage of our gross national product would probably be only a fraction greater than the 6.6 percent current estimate. Certainly our priorities as a nation will allow us to accomplish this along with a comparable increment to our public assistance system.

We are also submitting the report of our Observation project on the early stages of the New York State world registration program.

(Material referred to follows. Hearing continues on p. 1376.)

COMMUNITY COUNCIL OF GREATER NEW YORK,  
New York, N.Y.

OBSERVATIONS BY STAFF OF COMMUNITY COUNCIL OF GREATER NEW YORK AND VOLUNTEERS UNDER ITS SUPERVISION OF THE IMPACT OF THE 1971 STATE SOCIAL SERVICE LAW (FROM JULY 12 TO AUGUST 31, 1971) REQUIRING THAT "UNEMPLOYED EMPLOYABLE" AID TO DEPENDENT CHILDREN (ADC), AND HOME RELIEF (HR), CLIENTS REPORT TWICE MONTHLY TO NEW YORK STATE EMPLOYMENT SERVICE (NYSES) OFFICES TO REGISTER FOR WORK, TO ACCEPT ANY JOB OFFERED, AND TO PICK UP THEIR PUBLIC ASSISTANCE CHECKS OR BE DROPPED FROM THE PUBLIC ASSISTANCE ROLLS

ACKNOWLEDGMENTS

The Community Council wishes to thank the staff of the New York State Employment Service with special appreciation to personnel from the New York City area, and the staff of the New York State Department of Social Services with special appreciation to personnel in the New York City Department, for their cooperation in helping to facilitate our observations of the implementation of the recently enacted New York State Social Services Law Chapter 102.

No agency likes to be watched, especially at the inception of a new program. We extend special appreciation to Jule Sugarman, Administrator, New York City Department of Social Services; Max Waldgier, Deputy Administrator, New York City Department of Social Services; Bernard Shapiro, Deputy Commissioner, New York City Affairs, New York State Department of Social Services; Alfred L. Green, Executive Director, Division of Employment, New York State Department of Labor; Edward M. Caine, Area Director, New York State Employment Service, as well as the many New York State Employment Service and Department of Social Services staff with whom we have met and talked both formally and informally, prior to and during the first two months of the new program.

In addition, we wish to thank the many volunteers who gave so generously of their time and to express our gratitude to those voluntary agencies such as Catholic Charities, Community Service Society, League of Women Voters, to mention but a few, who permitted staff to work with us as volunteers.

Special appreciation is herein given to the New York City Chapter of the National Association of Social Workers with whom we cooperatively planned this program. In their role as "Observer-Advocates," they not only observed the effects of the new procedures, but also advocated for and assisted clients upon request, in relation to the new, complex and frustrating maze of procedures.

Father ROBERT P. KENNEDY,

*Chairman, Task Force on Adequate Income & Services.*

BERNARD M. SHIFFMAN,

*Executive Director, Community Council of Greater New York.*

Prepared by: Mrs. Susan K. Kinoy, Planning Consultant.

In cooperation with: Mr. John P. White, Planning Associate; Miss Paula Campbell; Mr. William LaTourette; Mrs. Salonia Schoolfield; Mr. John Tusa, Project Captains.

QUESTIONS RAISED BY OBSERVATIONS

Major philosophical questions are raised by the observations. They concern unemployment and the feasibility of utilizing this program to provide needed and desired jobs for welfare recipients.



### *Work Opportunities*

The majority of persons on public assistance cannot work. They are young children, the aged, blind and disabled and mothers without adequate child care facilities.<sup>1</sup>

Most employable persons on welfare (like employable people not on welfare), want to work.

We approve of the concept that all employables on welfare should be given the opportunity to work at a salary which will remove them from welfare. However, "employability" has never been adequately defined. Criteria of employability is dependent on: (a) availability of jobs, (b) availability of adequate provisions for care of children or of other dependent family members, (c) worker's advancement, and (d) monetary incentives.

The major question raised by this new legislation is whether it is feasible to initiate a program in which clients are removed from the welfare rolls and placed in the labor force during a period of this State's highest unemployment in five years.

There are not enough jobs today for all persons able to work, those on welfare and those unemployed not on welfare.

Unemployment in New York City was 5.3% (and in New York State 5.8%) for the month of July, the highest level in the city in five years.<sup>2</sup> And even this figure is an underestimate of unemployment since only those persons actively seeking employment, but not finding it, are classified as unemployed in these percentages. Unemployment among minority communities is even higher than among the total population. "Working age non-participants" in the labor force number three times as many of those classified as unemployed. Of these 54 percent report they are out of the labor market because of family responsibilities or ill health and disabilities.<sup>3</sup>

The question therefore arises: Does this new legislation pit unemployed workers (not yet reduced to welfare levels) against unemployed welfare recipients for the few jobs now available?

### *Utilization of Program to Stress Job Placement*

One of the Council's principal concerns, stated in an earlier report, is restated here. Public agencies and the media, instead of emphasizing the low rate of employment of welfare clients, and in this way, removing recipients from the public assistance rolls, stress instead the success of the program in the elimination of clients from the welfare rolls through non-compliance with procedures.

We do not approve of clients who falsely use government funds, just as we disapprove of fraud in all sectors of the population. We are concerned, however, that during the first two months of a new experimental welfare program, which ostensibly is geared to encourage the public to hire employable clients, wide publicity is being given to those clients *who in the year prior to this new program*, may have fraudulently cashed public assistance checks. In this type of "anti-welfare" climate, jobs for employable recipients become even harder to locate.

Poverty is the basic factor in determining eligibility for welfare as stated by the Federal Social Security law. A number of groups and persons with legal backgrounds have raised the question as to whether New York State is in compliance with Federal regulations when it strikes recipients from the welfare rolls for failure to pick up welfare checks. As a matter of fact, the Center on Social Welfare Policy and Law is preparing a legal brief on this point of law.

<sup>1</sup> *Employability Status in March 1971*—There were 1,721,000 recipients of PA in New York State in March 1971. Slightly under 1,186,000 of these persons were not considered employable—82 percent of whom were children under 16 years of age in the HR and ADC programs; and the balance aged, blind and disabled in the AABD programs. There were 420,000 additional people who were not currently available for employment—youths over 16 years of age attending school on a full time basis, adults with household responsibilities and persons with acute or chronic illnesses.

Only the remaining 114,000 persons, or about seven percent of the total PA recipients, were available for employment—based on age, physical condition and circumstances in the household. About 50,000 of these recipients were already employed—42,000 on a full-time basis and 8,000 on a part-time basis—but with incomes insufficient to support their families. The remaining 64,000 persons were unemployed; and included many recipients who have never been employed as well as those who lack education, training or skills necessary for participation in today's labor market. (Social Statistics, April 1971, issued August 16, 1971, New York State Department of Social Services.)

<sup>2</sup> The New York Times, August 8th, 1971.

<sup>3</sup> Bureau of Labor Statistics study (Regional Reports, Number 22, June 1971, U.S. Dept. of Labor, Bureau of Labor Statistics, Middle Atlantic Report Regional Office).

### *Specifics of the New Law and Its Administration*

In terms of the specifics of the law and its administration we make the following three comments.

(A) Communication, especially in official written form, is always difficult between agencies and individuals. It is especially difficult for persons on public assistance who are often educationally handicapped or fearful of expressing their fears or questions. We note that many hardships have been imposed upon welfare recipients by these new provisions. For example, the initial and often inappropriate designation of large numbers of clients as "employable" (which is slowly being corrected by new eligibility procedures) and the burden of responsibility placed on the client to find a "lost" check. New programs should not be introduced without adequate time to test procedures and to explain these to staff and to clients. The responsibility of both DSS and NYSES to clients and the relationships between these two agencies should have been worked out in greater detail prior to the start of the program so that clients would not have been caught between two administrative bureaucracies.

(B) Clients should be given greater protections before being dropped from the public assistance rolls for non-compliance with the new law. We are concerned that those dropped already may reflect the lack of understanding or the lack of tenacity of welfare clients to: (a) explain adequately the problems which prevented them from picking up their checks; and (b) to understand and undertake the review and the appeals processes.

(C) Clients are forced to report to NYSES for job interviews and to collect their welfare checks every two weeks at a cost averaging 60c to \$1.20 per visit. This must come out of their total budget of \$1.70 per day for food, clothing, sales taxes and utilities, etc. We question whether this is not undue financial pressure on families who have just undergone a 10% cut in their public assistance grants and during a period when the cost of living has skyrocketed.

### RECOMMENDATIONS BASED ON OBSERVATIONS

There are a number of recommendations which the Community Council of Greater New York suggests should be implemented. These concern (a) pending and potential federal legislation, (b) state legislation, (c) administrative changes in the enforcement of the existing laws, and (d) proposals for future study and discussion.

#### *Federal Legislation*

(A) In order for there to be any significant change in the percentage of welfare clients who can be removed from the welfare rolls and placed in the ranks of the self-supporting it is essential that a federal full employment program must be enacted. It is necessary to provide real jobs at adequate wages to all persons who are able to and want to work. In addition, this full employment program would provide the medical, housing, day care, educational and recreational facilities and personnel so badly needed in this country.

(B) The Senate Finance Committee considering Federal welfare reform, should invite local and state divisions of the Department of Social Services, voluntary agencies, and client groups to present testimony on their experiences or observations to date in relation to their recent New York State experiences. In this way federal planning can benefit from experiences gained through the New York State program.

#### *State Legislation*

(A) The new State provision (Chapter 102) requiring recipients to report twice monthly to NYSES offices to seek employment and to pick up checks should be repealed in its present form. In a closed labor market, it is an unnecessary and unproductive ritual.

Amendments should be based on observations and experiences to date.

It is recommended that this legislation (Chapter 102) be amended so that it will go into effect only when all of the following three conditions prevails.

(1) When a massive, Federal full employment program is developed and put into effect. (In this way persons actively seeking employment will have a genuine opportunity to be placed in full-time employment.)

(2) When the level of unemployment (as stated by the Bureau of Labor Statistics) declines to a stated level (e.g., 3% or 4% instead of the 6% now prevailing).

(3) When transportation costs are provided by law to welfare recipients who are required to report to NYSES offices and to job interviews. (On July 2, a meeting of key citywide social and health agencies was held in which agency representatives stated their grave questions about the new legislation as it affected their clients. They recognized that welfare recipients were suffering economically because of the 10% cut in allowances, cost of living increases, new sales taxes and now payment of carfare often to distant NYSES offices. They approved overwhelmingly a resolution which stated that although voluntary agencies would, in extreme cases, provide carfare or very limited emergency funds to clients, they wished it to be publically known that voluntary agencies could not and would not pay clients carfare to and from NYSES offices and other emergency funds, since this was a public responsibility.)

(B) The extension of this program into future proposed legislation should not take place without public hearings. Widespread public hearings should be held in New York, California, Illinois and in Washington, D.C., while the tri-State Federal Social Security Section 1115 "experimental program" is being considered. Basic changes in Social Security legislation should not be made without full public discussion. Practices and policies about which we have raised questions in this report may be repeated in this proposed "experimental" program. The "experimental" program may deviate from long-standing Federal protection to clients under the Social Security laws.

#### *Administrative Recommendations*

(A) Because any major changes in procedures need careful preparation and cannot be implemented overnight:

(1) Staff must be trained so they can understand the change. We can reduce the unnecessary harassment of clients who are not employable.

(2) Procedures and regulations need to be clearly written, printed and communicated.

(3) Clients who are to be affected must know what is required of them; what choice is available to them; their rights; the consequences of non-compliance.

(4) agencies should be informed of prospective changes.

(a) Initial letters to clients from the Department of Social Services instructing them to report to NYSES (following the DSS interview) should include the following clearly written information:

—How the new procedure operates.

—Consequences of failure to pick up checks and accept jobs.

—What to do if check is not at NYSES office.

—How to obtain emergency funds if check is lost.

—How to signify "unemployability" if necessary, for reasons of child care or illness.

—How to report (in writing if possible) to DSS worker, why check was not picked up.

—Right to appeals procedure and how to use it.

(b) DSS personnel should be diligent in relation to the initial client interview to determine "employability" and should actively assist client to establish "non-employability" if that is indicated. (We are pleased that these interviews have started.) Furthermore, it is suggested that if worker and client disagree on client's eligibility for work based on availability of day care facilities, health, etc., a medical or psychiatric consultation be obtained and the results discussed both with worker and client, prior to final designation of "employability."

(B) Clients often need help in understanding the new regulations and in preparing to work. It is therefore suggested that:

(1) DSS personnel should be returned to the NYSES offices and their function should be enlarged. Not only should they assist clients as they search for their public assistance checks but they should be available to clients in order to direct them to other forms of needed services.

(2) Personnel from either NYSES or DSS should assist clients to prepare for job interviews. It should be made clear to clients that personnel (probably from DSS) would be available for consultation in relation to employment problems, such as tools, clothing, transportation, paycheck deductions, discrimination on job, etc.

(C) A system of evaluating appropriateness of NYSES job referrals must be undertaken.

(D) Checks picked up by clients at NYSES offices should be dated with the date that client is required to obtain it. Right now most welfare checks are dated the 2nd or 16th of the month (the old dating system) and clients, after four days find it hard to cash checks at local check cashing services.

(E) Many apparently ill or handicapped persons, after several cycles, (the consequence of many initial inappropriate referrals), are still being required to report and pick up checks at NYSES offices. These clients cannot be declared "unemployable" and removed from the NYSES procedure until DSS receives an official written medical evaluation. It is therefore suggested that DSS medical forms should be given out at NYSES offices to clients who state that they are unemployable or where NYSES workers question their ability to work for medical reasons. Clients can then take this form to their doctor or clinic and the doctor can mail it or client can take it to the DSS. (Clients and workers at NYSES report that absence of medical verification often prevents clients from being reclassified as unemployable by DSS and continues them for prolonged periods in the check pick up process.)

#### PROPOSALS FOR FUTURE STUDY

##### 1. Cost Study

It is recommended that New York State should examine its costs in implementing this new program. The program's costs should be compared to savings obtained through decreasing the number of persons on public assistance by placing them in full-time jobs.

Costs should be studied of: (1) additional personnel trained and employed by the NYSES; (2) training programs and child care facilities to permit clients to work; (3) the number of clients employed; (4) the length of their employment; (5) their ability to obtain a living wage thus removing them from the welfare rolls.

##### 2. Noncheck Pick Up Study

It is suggested that an objective agency, (not DSS or NYSES), study those persons who failed to pick up checks at NYSES offices in order to understand all of the reasons for some clients' non-compliance with the new law.

The Community Council believes strongly that employment opportunities should be made available to everyone who is able to work. The two new work programs therefore should be examined carefully, both *Public Works Programs*<sup>4</sup> and *Public Service Programs*.<sup>5</sup>

##### 3. Public Works Jobs Study

It is recommended that a study now be undertaken of welfare clients placed in Public Works jobs, another major element of the New York State Welfare Reform Program. This study should attempt to determine whether or not these Public Works jobs provide job incentives, whether they lead to full-time employment, and whether they displace regular public employees.

(a) Clients should only be assigned to Public Works jobs and trained part-time (without salary) for a limited period of time, (e.g. one year). At the end of that time, they should either be employed full time and removed from the welfare rolls, or should be declared unemployable and removed from the Public Works jobs. In other words, Public Works jobs should not be an end in and of themselves, but a stepping stone to real employment.

(b) During this experimental year's period of training and experience, another plan might be instituted (which would cost the State no additional funds). A client's public assistance funds would be transferred to the public agency "employing" the recipient so that he could be "paid" by the "employing" agency. Although he was not receiving a salary, like the regular workers, he would at least not be further differentiated from full-time regular workers. He would be given a check when others received their checks.

<sup>4</sup> Public Works jobs (established under Chapter 101 of the New York State Social Services Law) refer to assignment of "employable" welfare recipients who are unable to enter the regular economy to part-time jobs in a public agency. Clients do not receive a salary. They work the number of hours at a prevailing wage needed to cover the amount received in public assistance grants.

<sup>5</sup> Public Service jobs are full-time jobs made available to unemployed persons, including welfare recipients, including veterans and other persons below the poverty level, by the federal government under the Emergency Employment Act of 1971.

#### 4. Public Service Jobs Study

It is recommended that an analysis now be made of the Public jobs allotted to New York City and of those categories of persons placed in these jobs with special emphasis on the percentage of jobs provided to welfare recipients. (It is suspected, but not proven, that few jobs go to clients.)

Furthermore, New York City has limited funds which are available for job creation. There are a number of such programs. We would recommend an objective analysis of the number of jobs which have become available to clients through this City's special effort in such programs as Neighborhood Youth Corps, the job development programs of the City's Manpower and Career Development Agency, Community Action Programs, Model Cities, etc.

#### 5. Study of Utilization by Welfare Clients of Non-DSS Agencies

The Council is concerned that so few voluntary and public health and welfare agencies reported that DSS clients turned to them with problems in relation to this new law. A study is therefore recommended of the utilization of non-DSS agencies by welfare clients. It is important to determine: (1) if non-DSS agencies are failing to meet the needs of the poor, (2) if the welfare client knows of the other agencies and how to use them and (3) if non-DSS agencies are not reporting on welfare problems because they are understaffed or because they are insensitive to the needs of DSS recipients.

The Community Council's Research Department would be pleased to meet with the New York City and State Departments of Labor and Social Services to discuss these research proposals. (Some might be undertaken under Section 1110 of the Social Security law.)

#### SUMMARY OF OBSERVATION BY THE COMMUNITY COUNCIL

A brief summary follows concerning a few of the major factors observed by the Community Council during the implementation of Chapter 102 of the New York State Social Services law.

(A) Observers reported that:

- A high percentage of persons appearing to be "unemployable" has persisted among clients referred to NYSES.
- Clients were forced to use food and clothing funds for repeated transportation costs to NYSES, DSS Centers or job interviews.
- DSS workers have been removed from NYSES offices, thus providing less service to clients.

(B) Several factors emerge as especially significant in viewing the answers to the Community Council's Client Questionnaires:

1. 44.8% stated that they could accept a job if one were available;
2. 10.3% indicated that they were referred to job interviews;
3. 4.3% replied that they had received jobs;
4. 47.4% answered that they could not accept a job now. Major reasons given were:
  - Poor health 54%.
  - Care of children at home 20.7%.
  - Old age 17.9%.
5. 45.1% responded that they had problems in getting to the NYES offices. Of the problems reported, the most common were:
  - Lack of money 40.8%.
  - Illness of physical handicap 26.5%.
  - Difficulty in arranging child care 7.8%.

#### PURPOSE OF THE OBSERVATION PROJECT

This fourth and final report of the Community Council of Greater New York records its observations at key NYSES Offices of the implementation of Chapter 102 of the New York State Social Services Law<sup>6</sup> during the fourth two-week cycle and also summarizes the findings of its three preliminary reports. In addition it includes questions raised by these observations and recommendations.

<sup>6</sup> Chapter 102 of the 1971 New York State Social Service Laws, effective July 1, 1971: Requires all "employable" Home Relief (HR) and Aid to Dependent Children (ADC) recipients to report every two weeks to a State Employment Service Office for their public assistance check (effective July 1), and to be available for employment (as a condition of remaining on assistance).

The purpose of the Community Council's project was to attempt to observe the impact of this new legislation so that citizen groups could be in a position to have data and case material when they talked with the public, with State and City legislators and with Administrators concerning the new laws.

#### NATURE OF OBSERVATIONS

From July 12th through August 31, 1971, the Community Council of Greater New York monitored the impact of this new welfare legislation. Three preliminary reports were released on July 23, August 6 and August 20. (Copies of these reports are available on written request to the Community Council.)

The Community Council of Greater New York has attempted to collect "eye-witness" observations of the implementation of the new 1971 State Social Service Laws. The data collected and reported in this report is not scientific, but all efforts were made to keep the observations as possible.

Questionnaires were tried out and standardized. All volunteers were trained. Preliminary observations were reviewed by groups prior to completion of this report. The sample of client reactions to the new procedures as recorded on the client questionnaires depended on the number of volunteers available on any given day, the numbers of clients who were offered questionnaires, the numbers who accepted questionnaires and the number who filled them out and returned them. The figures presented therefore, will not tally with either those of the NYSES or the DSS.

#### PROCEDURE FOR COUNCIL'S OBSERVATION

(1) *At Key NYSES Offices Observations Were Made and Recorded on Prepared Forms.* Three captains under the supervision of staff of the Community Council of Greater New York, in cooperation with nearly one hundred volunteers from health, welfare, civic, religious and social agencies, observed and recorded the effects of the new regulations at NYSES offices.

(2) *Clients Reporting to Key NYSES Offices Were Requested to Complete a One Page Client Questionnaire About the New Procedures.* These were printed in Spanish and English and contained no identifying data.

For the first three days of the study, client questionnaires were distributed on the street in front of the employment offices. Following further discussion with the Employment Service Administrators, the following procedures were agreed to: (a) Observer-Recorders would watch activities at principal employment sections and report on an "Observer Form." (b) Project staff and volunteers would only distribute the one page client questionnaires on the floors near the elevators where clients entered each employment section. The questionnaires were collected after a client had completed the entire NYSES interview and check pick-up procedure and was leaving the floor.

Observer-Recorder staff were instructed not to interfere with NYSES procedures and not to assist clients (although for social workers, assisting clients is a normal professional pattern).

The client questionnaire distributed during the first three two week cycles, was replaced by a shorter follow-up questionnaire during the fourth cycle. The reasons for this were several: some additional information was needed and clients had difficulty with the earlier one because of its length.

(3) *Departments of Social Service at Voluntary Hospitals and Social Agencies Were Asked to Report on Forms Supplied by the Council on Problems Experienced By Welfare Clients Who Came to Them for Help* in relation to new welfare procedures.

Questionnaires, together with a covering explanatory memorandum were mailed July 9th to 158 social agencies and hospital social service departments.

The organizations were requested to use the reporting form weekly beginning July 26 to August 27. On August 9th, a follow-up memorandum was sent to all agencies.

(4) *New DSS and NYSES Practices Were Observed and Studied* through reading of procedures, reading of newspaper reports and interviews and correspondence with key NYSES and DSS personnel both prior to and during the observation process.

## RESULTS OF DATA COLLECTION

(A) *General Assessment of Observers During the Four Cycles.*—According to observers, a high percentage of persons appearing “unemployable” has persisted among those being referred to NYSES officers. (estimates range from 30% to 80%). Many hardships imposed upon clients by these new procedures have been noted. Among those observed were:

Many sick and infirm and aging persons were sent without prior interviews. (To date, little evidence of change in procedures has been observed whereby clients are first interviewed by DSS workers.)

Clients lacked money for carfare and for child care. Some reported that they had to borrow money to come, others were driven by family or friends. Still others paid carfare of friend who escorted them.

Clients had to travel long distances to get to the employment offices. Some reported taking two or three subways or busses. Others told of walking long distances.

Recipients were generally passive when checks were not at the NYSES Centers or when they had to report several times even though NYSES workers referred them back to DSS as possibly unemployable. They appeared fearful of complaining or of offending authorities who had the power to drop them from the welfare rolls.

Persons thought to be “unemployable” by clients themselves or by NYSES workers, were frequently forced to continue for several cycles to report and pick up checks. This may have been because medical forms had not been processed or because the computer had not been re-programmed.

DSS workers have been removed from NYSES offices making it more difficult for clients to handle problems.

The following reasons were among those given by clients that prevented them from reporting on time to NYSES offices, and therefore possibly being declared ineligible. We do not claim that these explain all of the reasons that clients did not report.

1. Clients did not have carfare to report to NYSES offices.
2. Letters with instructions to clients telling them to report arrived after the reporting date.
3. Clients' mail-boxes were robbed.
4. Some letters were mailed with incorrect date or dates; some without any date, and some without the correct NYSES office listed.
5. The client or a member of his family was ill or hospitalized. Since the family member was refused his check, the check remained unclaimed.
6. Checks were sent to the wrong NYSES office.
7. Persons who through a clerical error of the Department of Social Services, had received both their checks and a notice to report for the previous cycle, assumed they need not report during succeeding ones.

Examples of specific observations made by volunteers or staff follow:

1. “I saw an elderly, disabled woman being told by a NYSES worker that she felt it was a mistake to place her in the “employable” category. The client later reported that this was the third time she had had to report here for her check.” (S.S.—L.I.C. 8/13/71)

2. A wife was refused her husband's check although he was partially paralyzed. She returned the next day to the employment center with her crippled and partially paralyzed husband (who had been certified “employable”) finally received his assistance check after standing in line and dragging one foot behind him until reaching the counter.” (J.T.—Bklyn, 7/18/71)

3. “Things seem to have deteriorated since I was here last. When his check is not here, a client is sent to the welfare office. Without a DSS worker here, NYSES people don't seem to be calling caseworkers to get problems straightened out. NYSES personnel say that they get no answer when they contact DDS. They can't seem to get the right people on the phone.” (P.C.—Bklyn, 8/6/71)

4. “Overheard one client who told NYSES worker he wanted a job. The worker said he didn't have anything for him.” (J.W.—Man, 8/20/71)

B. *Responses to Follow-Up Client Questionnaire Distributed During the Fourth Two-Week Cycle (August 16-31.)*—A tabulation of the responses to the Follow-Up Client Questionnaire which was distributed from August 16 to August 31

appears in the appendix. Reading the tabulation one notes that 739 persons accepted, completed and returned this questionnaire:

80% of those answering indicated they had not received their last welfare check by mail;

20% had received them by mail;

20% (presumably) were new persons just beginning the process of reporting to NYSES offices.

Of the 80% who had not received their checks in the mail:

87% had picked up their checks at the same NYSES office;

1.7% had picked them up at a different NYSES office;

7.5% had received their assistance checks at their Welfare Center;

3.8% who had not received their checks in the mail did not indicate how it had been delivered to them.

Of those responding, 58% stated that they had not had an interview with a DDS worker before being sent to the NYSES office:

38% stated they had had an interview;

4% did not respond to this question.

Of those responding, 51.3% indicated they had had problems getting to the employment offices:

45.6% replied they had not had any problems;

3.1% did not respond to this question.

Of those who stated they had problems:

56.9% gave lack of money as the problem;

26.4% listed illness or physical handicap as the problem;

11.1% stated they had difficulty arranging care for their children;

3.5% had other problems such as a conflict between their reporting date and a training program they were in;

2.1% did not respond to this question.

When asked whether they had been referred to a job the last time they picked up their check:

82.2% responded "no";

11.3% responded "yes";

4.1% did not respond at all.

Of the 739 clients who responded: 4.3% indicated they had found a job.

Among characteristics of those responding were the following:

55% of those filling out the questionnaire were women;

49.1% of the persons were between 21 and 44 years of age;

35% were 45 to 59 years old;

7.4% were over age 60;

6.4% below age 21;

38.5% of the persons lived alone;

20% lived with both adults and children;

17.4% lived only with children.

*C. Responses to Client Questionnaires Distributed During the First Three Cycles (July 12 to August 15).*—In the Council's three preliminary reports, responses to the initial Client Questionnaire were recorded. These covered the time period of July 12 to August 15. A tabulation of this previously described data is in the appendix.

The Client Questionnaire was completed by 2,364 persons:

93% filled out the Questionnaire only once;

4.2% completed two Questionnaires;

2.5% did not report whether or not they had previously filled out the Questionnaire.

It was indicated by 59% that they had not received their last check by mail:

38% had received their last check by mail;

12% did not complete this question.

Of the 59% who had not received their last check by mail:

56.6% had picked up their checks at the same employment office during the previous cycle;

2% had picked up their checks at a different NYSES office;

6.5% had received their checks at a welfare center;

34.9% of those who responded that they had not received their checks in the mail did not indicate where they had received them.



Of all those responding, 79.4% indicated that they had worked previously:  
 17.7% indicated they had not;  
 2.9% did not complete this question.

Of those who gave reasons for stopping work, the most common were:  
 46.5% illness;  
 8.6% pregnancy;  
 8.5% care of children;  
 21.6% discharged or laid off.

During the last year it was indicated by 49.6% that they had been trying to find a job. Of those who had not been seeking employment:

60.3% indicated that the reason was they were ill;  
 24.1% indicated that they had to care for children or others at home.

When asked whether they could accept a job if one were available:

47.4% responded no;  
 44.8% responded yes;  
 7.8% did not answer this question.

Of those who indicated they could not take a job the most common reasons were:

54% poor health;  
 20.7% care of someone at home;  
 17.9% old age.

In response to the question as to whether they had problems getting to the NYSES offices:

44.3% indicated yes;  
 47.9% indicated no;  
 7.8% did not respond.

For those who had problems, the most common were:

35.4% lacked money to come;  
 27.0% were ill or handicapped;  
 6.7% had to arrange for care of their children.

Of those who gave their transportation costs:

28.8% had paid \$1.20;  
 3.5% had paid \$2.40 or more to report.

Of those who gave the time it took them to get to the NYSES office:

57.1% spent less than one hour traveling;  
 33.8% spent between one and two hours traveling;  
 9.1% spent more than two hours traveling.

When asked whether they had been referred to a job interview the last time they reported, 90.0% of those who answered said they had not been.

Among the characteristics of the responding group were the following:

57.8% were women;  
 9.7% were age 60 or older;  
 7.9% were under 21 years old;  
 38.3% lived alone;  
 26.8% lived with both children and adults;  
 19.8% lived only with other adults;  
 15.0% lived only with children.

*Several factors which Emerge as Especially Significant in Viewing the Answers to the Community Council's Client Questionnaires:*

44.8% stated that they could accept a job if one were available;  
 10.3% indicated that they were referred to job interviews;  
 4.3% replied that they had received jobs;

47.4% answered that they could not accept a job now. The major reasons given were:

54% poor health;  
 20.7% care of children at home;  
 17.9% old age.

45.1% responded that they had problems in getting to the NYSES offices.

Of the problems given the most common were:

40.8% lack of money;  
 26.5% illness or physical handicap;  
 7.8% difficulty in arranging child care.

**D. Responses to Agency Questionnaires.**—The returns from agencies on this survey, unfortunately, were few.

## RESPONSES TO AGENCY QUESTIONNAIRES

	Number of agencies contacted	Number of agencies reporting	Number of agencies reporting cases	Number of cases reported
Family service and similar agencies.....	18	8	4	10
Agencies serving ill and handicapped.....	15	5	1	1
Hospitals (public and voluntary).....	61	21	10	68
Community centers (settlements, etc.).....	64	9	1	1

With a few exceptions in the situations reported, individuals asked for assistance because they thought they were unemployable, due to physical and mental illness and disability. Many of them had not worked in years. These included pregnant women with several children.

One case was recorded of a parent who was sick. Several agencies and hospitals reported the need of clients for additional money for carfare to the NYSES offices. One district of one agency in a short period provided carfare to 46 persons for transportation to DSS centers, NYSES offices and clinics.

Several agencies indicated that some clients needed day care services.

It was also reported that some clients did not understand the new procedures—"Checkmate" (the DSS newspaper to clients) and the original letter from DSS telling clients to report to NYSES were not clear.

It is interesting to note that 72% of all agencies contacted did not report. (We do not know if: (1) agencies were too understaffed to report, (2) if welfare clients did not use services of agencies other than DSS for their problems; (3) if agencies were insensitive to the problems clients were having with the new procedures.

(C) *Information from DSS Relating to Persons Who Failed to Comply With the New Procedures.*—We quote again from Mr. Sugarman's letter of September 9th. "At the end of July 1971, we counted 4,165 persons who had failed to comply with the process. Of these 1,466 single employable person cases were closed, while 332 employable individuals were removed from the grant. In each of these instances the individual was advised of his right to a Departmental review and when a decision to close a case or reduce the grant was confirmed, of his right to a fair hearing before the State Department. An additional 1,800 individuals who failed to comply were found after review by our staff to be unemployable and were advised that they no longer had to report. At the end of the month, 1,348 person's situations were still under review. We have no information on the number who might have asked the State Department decision to discontinue or reduce the assistance grant as mandated by State law.

The Council is in no position to know why cases were closed, and how these figures compare with previous statistics regarding termination of H.R. case.

We do reaffirm that we suspect that clients often are not actively encouraged and assisted to explain their problems during the Review and the Appeals Procedure.

(D) *Withdrawal of DSS Personnel From NYSES Offices.*—Again we quote Mr. Sugarman of September 9th. "We assigned some of our personnel to NYSES offices at the start of the program in an effort to assist the State Employment Service personnel in dealing with our recipients who might encounter difficulties as they moved into this new experience. The program has been in operation for two months. Many of the initial questions have been answered, difficulties in operational responsibilities resolved and the bulk of the individuals reporting have had some experience in the process. We, therefore, have returned the staff to their regular assignments where they were sorely needed. We have had no requests from NYSES for assistance in training their personnel to handle client difficulties."

Our observers are in total disagreement with Mr. Sugarman that there is no longer a need for social workers at NYSES offices. In our recommendations we stress extending the functions of both DSS and NYSES workers so that clients can be assisted with problems relating to employment, health matters, legal matters, etc.

## INFORMATION FROM NYSES AND DSS REPORTS AND CORRESPONDENCE

(A) *NYSESES Report*.—On September 1, 1971, the *New York Times* published the State Labor Department's July statistics on this new welfare law. This table was reproduced. The table is divided into three sections; the number of individuals reporting, the number available for work, and the number referred to jobs, and is included in the appendix.

The Labor Department's major finding corroborate our observations that (1) many persons were inappropriately referred to NYSES as employable; (2) there were few job openings for clients in New York City; and (3) only a small percentage of clients were placed in jobs.

There are several figures in this table which are especially noteworthy. First, 45.1 per cent of the persons required to report in New York State were not available for work. They were either "unemployable (self-styled)" or already in training programs. This was even more marked in New York City where 66.3 per cent of those reporting were not available for work.

Secondly, for 29.5 per cent of the persons available for work statewide there were no job openings, and in New York City there were no job openings for 48.6 per cent.

Finally, the state reports that 12.2 per cent of those referred to jobs in New York State and 29.2 per cent of those in New York City were placed. However, if one were to look at the total number of persons required to report to NYSES, 42,654 in New York State and 18,930 in New York City, one finds that the number of persons actually placed (both 1,537 statewide and 708 in New York City) represented only 3.7 per cent of the number who reported.

(B) *Information from DSS on Job Referrals and Placements of Employable Welfare Recipients Who Reported To NYSES Offices to Pick Up Their Public Assistance Checks During July*.—In a September 9th letter from Jule Sugarman, the following statement was submitted to Council. "At the end of July 1971, which is the only month on which we have complete statistics, 20,461 persons were required to report to NYSES. Our records indicate that 3,431 persons were referred for jobs or training (3,321 to jobs and 110 to training) and that 450 were hired while 55 were accepted into training programs."

Several discrepancies are noted between this information and that contained in the State Labor Department's statistics. According to DSS, 3,321 persons were referred to jobs whereas NYSES listed 2,421 persons as having been referred. Also, 450 persons were hired according to DSS, and 708 according to the labor department. The DSS statistics would lead to an even smaller percentage of persons placed in jobs than the NYSES figures indicate.

Several discrepancies are noted between this information and that contained in the State Labor Department's statistics. According to DSS 3,321 persons were referred to jobs whereas NYSES listed 2,421 persons as having been referred. Also, 450 persons were hired according to DSS, and 708 according to the labor department. The DSS statistics would lead to an even smaller percentage of persons placed in jobs than the NYSES figures indicate.

We have spoken to DSS regarding this discrepancy and they are aware of it. They suspect that the two agencies are using different reporting systems. DSS and NYSES are now conferring in order to better coordinate their accumulation of statistical data.

## SELECTED COMMENTS WRITTEN BY CLIENTS ABOUT THEIR EXPERIENCES

"I don't like coming here, because I am sick. I have high-blood pressure. I am waiting for an operation."

\* \* \*

"When I went for a job, they already had fifteen people there. They don't tell these people that they advertised in paper for workers."

\* \* \*

"I have had no training and I haven't worked in 15 years. I have seven children under 18, and the children go to school on split classes."

\* \* \*

"Employment office should have more variety of jobs, instead of pushing any job on the recipient. Either he accepts the job or gets cut-off. I think that is not right."

"It's not properly arranged and constitutes many types of harassments for people. I had to spend \$1.20 to come here. Also, money is not allocated for additional carfare to travel to and return from job interviews."

\* \* \*

"Had to go to this office to see if check was here—then DSS office—then here again. I found out here that my check won't be here until Monday."

\* \* \*

"I am desperate to find work."

\* \* \*

"A number of people do not have carfare to get down here—some don't speak English and its trouble getting someone to come down with them. You come down, you spend 60¢ plus, if you have to bring someone. You wait for more than an hour, and don't get you a job anyway."

\* \* \*

SUMMARY OF RESULTS FROM AUGUST 16 - AUGUST 31  
FOLLOW-UP CLIENT QUESTIONNAIRE

1. Did you get your last welfare check by mail? Yes 162 No 590  
If no, where did you get it?  
This employment office 312 Another employment office 10 Welfare Center 44
2. Did you have an interview with your social worker before being sent here?  
Yes 280 No 429
3. Did you have any problems getting here today? Yes 379 No 337  
If yes, what happened and what were the problems?  
Illness or physical handicap 100 Arranging care of children 42  
No money 210 Other (describe) 19
4. Did this office send you for a job the last time you picked up your welfare check? Yes 84 No 611  
If yes, what happened?  
Got job 32 Didn't get job 52 Why? \_\_\_\_\_
5. Age, sex, and living arrangements:  

Your age	Your sex	Living arrangements (Check one)
Under 21 <u>47</u>	Male <u>324</u>	I live alone <u>284</u>
21-44 <u>363</u>		I live with other adults <u>147</u>
45-59 <u>258</u>	Female <u>400</u>	I live only with children <u>129</u>
60-64 <u>54</u>		I live with both children and adults <u>143</u>
65 or older <u>1</u>		
6. Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SUMMARY OF JULY 12 - AUGUST 13  
CLIENT QUESTIONNAIRES (Page 2)

Question 4

(a) time since last job NA \_\_\_\_\_

months

	1	2	3	4	5	6	7	8	9	10	11	12
	114	34	30	47	29	34	39	17	13	8	7	2

YEARS

	1	2	3	4	5	6	7	8	9	10	11	12	+
	300	217	130	105	50	39	30	19	32	21	23	14	39

(b) length of last job NA \_\_\_\_\_

months

	1	2	3	4	5	6	7	8	9	10	11	12
	44	39	73	49	43	116	30	35	20	16	9	8

YEARS

	1	2	3	4	5	6	7	8	9	10	11	12	+
	161	104	115	74	55	42	30	33	20	35	9	22	105

Question 7

(a) time to get to center NA \_\_\_\_\_

<u>hours</u>			<u>minutes</u>				
1	2	3	10	15	30	45	50
606	135	26	44	104	525	332	21

(b) transportation cost

30c	60c	\$1.20	\$2.40	more
39	1100	471	37	20

SUMMARY OF JULY 12 - AUGUST 15  
CLIENT QUESTIONNAIRES

1. Do you live in: Bronx 304, Brooklyn 1197, Manhattan 467, Queens 396, St. Is.
2. Did you ever fill out one of these forms before? Yes 100, No 2246.
3. Did you get your last welfare check by mail? Yes 946, No 1394.  
If no, where did you get your last welfare check?  
This employment office 790; Another employment office 29, Welfare Ctr. 91.
4. Have you ever worked before? Yes 1081, No 410.  
If yes, a) When did you stop working at your last job? Month \_\_\_\_\_ Year \_\_\_\_\_  
b) How long did you have that job? (See following page)  
c) What kind of work did you do? \_\_\_\_\_  
d) Why did you stop working at your last job?  
e) Illness.....809... To care for other family member....65...  
Pregnancy.....147... Discharged or laid off.....369...  
To care for my children.144. Other (describe): 178
5. Have you tried to get a job in the last year? Yes 1177, No 1140.  
If no, what was the reason you didn't try?  
Was ill.....687 Had to care for other family member 47  
Had to care for my children. 228 Other (describe): 137
6. Could you accept a job if one was available now? Yes 1060, No 1124.  
If no, what stands in your way?  
Too old.....204 Must care for others..... 45  
Not well.....616 Haven't had any training.....134  
Must care for children.....101 Other (describe) 154
7. a) Did you have any problems getting here today? Yes 1045, No 1134.  
If yes, what were the problems?  
Illness or physical handicap...282 Arranging care of children 69  
No money.....370 Other (describe) 60  
b) How long did it take to get here? Hours \_\_\_\_\_ Minutes \_\_\_\_\_  
c) Cost of subway or bus fare (round trip) \$ (See following page)  
d) Cost for care of children or others \$ \_\_\_\_\_
8. If you had any problems getting here or in relation to whether or not you could work, did you discuss this with any of the following? Yes 666, No 866.  
Worker at Welfare Department...409 Doctor.....310  
Social Worker at Hospital.....68 Other (describe): 36
9. Did this office send you for a job the last time you picked up your welfare check? Yes 169, No 1510.
10. 

<u>Your age</u>	<u>Your sex</u>	<u>Living Arrangements (only check one)</u>
Under 21..... <u>173</u>	Male..... <u>212</u>	I live alone..... <u>722</u>
21-44..... <u>1251</u>	Female... <u>1247</u>	I live only with other adults..... <u>374</u>
45-59..... <u>646</u>		I live only with children..... <u>284</u>
60-64..... <u>180</u>		I live with both children and
65 or older.. <u>22</u>		adults..... <u>505</u>

APPENDIX IV

EMPLOYABLE WELFARE RECIPIENTS REPORTING TO NYSES OFFICES DURING JULY 1971<sup>1</sup>

	Total		New York City	
	Number	Percent	Number	Percent
Individuals reporting.....	42,654	100.0	18,930	100.0
"Unemployable" (self-styled).....	14,610	34.3	9,189	48.5
Already in training programs.....	4,587	10.8	3,362	17.8
Available for work.....	23,457	54.9	6,379	33.7
Available for work.....	23,457	100.0	6,379	100.0
Refused any service.....	1,323	5.7	374	5.9
Refused referral to employment.....	2,564	10.9	482	7.5
No job openings.....	6,922	29.5	3,102	48.6
Referred to job.....	12,648	53.9	2,421	38.0
Referred to job.....	12,648	100.0	2,421	100.0
Failed to report to employer.....	1,780	14.1	257	10.6
Refused job.....	337	2.6	76	3.1
Failed to begin work.....	337	2.6	44	1.8
Placed.....	1,537	12.2	708	29.2
Not hired.....	3,928	31.1	547	22.6
Verification of result of referral pending.....	4,893	38.6	789	32.7

<sup>1</sup> As released by the State Labor Department (published by the New York Times Sept. 1, 1971).

## APPENDIX V

*Selected DSS and NYSES Procedures used in Implementing Chapter 102 of the State Social Service Laws of 1971*<sup>1</sup>

1. Only DSS personnel determine "employability." At the start of the program large numbers of clients were declared "employable" without having first been interviewed. In mid-July, a new procedure was introduced whereby clients must be interviewed by DSS personnel prior to classification as "employable" or "non-employable."

Welfare recipients are determined "unemployable" only if they meet the following eligibility criteria:

"have verified significant illness or incapacitation."

"are minors attending school full time (does not include emancipated minors who are considered available to employment.)"

"are needed in the home to care for a verified incapacitated person."

"are needed to care for children in the home for whom required care is not reasonably available *despite diligent efforts* to obtain such care."

2. Clients classified "employable" are sent a letter prior to the start of a two-week cycle notifying them to report to an NYSES office to register for work and to pick up their assistance checks.

3. If a client fails to pick up the check, it is kept for one additional day at the NYSES office and next returned to the central DSS office. Local DSS Centers are then notified that the check has not ~~been~~ picked-up. If clients fail to accept a job referral or a job offer, this is also reported to DSS.

4. A letter is issued by DSS informing clients of their intent to terminate public assistance. This may be caused by either failure to pick up a check or to accept employment. The letter also indicates a client's right to request a fair hearing if he is not satisfied with the results of the Review-process. Depending upon the acceptability of the client's reason for failure to comply, they may or may not be issued their checks. However, if a client initiates a Fair Hearing, checks will be issued until the result of the hearing is determined.

5. The only functions of workers at NYSES are:

(a) to interview clients referred to jobs;

(b) to distribute their semi-monthly checks.

The NYSES is not to make a determination as to client's "employability" or to render other forms of service to clients.

## APPENDIX A

## COMMENTS ON TITLES I, II AND III OF H.R. I

## TITLE I

We laud many of the provisions of this Title, dealing with cash benefits in our Old Age, Survivors, and Disability Insurance program. However, attention needs to be called to certain sections of these provisions.

1. The 5% general increase in OASDI benefits designed in the bill to go into effect on June 1, 1972, is grossly inadequate. We continue to support a 20% increase as proposed several years ago by then Congressman Jacob Gilbert. Cost-of-living increases alone have more than eaten up the 5% increase called for in this bill.

2. No automatic cost-of-living benefit increase (or "escalator" clause) should be enacted until such time as a basic minimum benefit level has been attained for OASDI recipients. To do so would be misleading to recipients and would remove pressures from the Congress to build benefit levels up to a moderate living level standards.

3. We support the following features of this Title:

a. The increased minimum benefit schedule;

b. The increase to 100% of the benefit of a deceased spouse for widows and widowers;

c. The gradual reduction to age 62 as the age for computing benefits for men;

d. Modification of the earnings test to \$2,000; this is a step in the right direction, but should be further liberalized.

<sup>1</sup> Procedure 71-27, June 7th, 1971, City of New York, Dept. of Social Services.

## TITLE II

This Title is characterized by giving with one hand and taking away with the other. It contains for the first time, for example, a reduction in a Social Insurance benefit program.

1. We deplore the built-in increases in "Medicare" "deductibles" and Part "B" Premium payments.

2. It is a step in the wrong direction to reduce a "Medicare" patient's fully paid benefit days (from 60 to 30) before he must make co-insurance payments; it is not a satisfactory trade-off to offer a longer "life-time reserve" in exchange for this reduction in coverage.

3. It is totally inappropriate to reduce Federal "Medicaid" participation in institutional care payments; neither the States nor recipients are in any position to absorb this differential.

4. We are opposed to "locked-in" cost ceilings in nursing homes and intermediate care facilities.

5. We do not think people's well being or health care in general will be served by waiving standards for nursing home administrators nor by the termination of the requirement of social services in "Medicare" extended care facilities.

6. We fully support the following sections of this Title:

a. The extension of "Medicare" coverage to disability Insurance recipients;

b. The incentive to the States of increased Federal matching funds to contract with Health Maintenance organizations;

c. The extension of the "lifetime reserve" under "Medicare" from 60 to 120 days (provided it is not tied to the increases in co-insurance payments as noted in #2 above).

## TITLE III

This Title will abolish the adult categories of Aged, Blind and Disabled Assistance. We completely support the Federalization of these categories under the Social Security system. While we might be inclined to ask for liberalized provisions with respect to some of the specifics of the Title, we will refrain from this in recognition of the potential disparity that may be inherent between the standards of this Title and those of Title IV. We feel there are gross inconsistencies for example, in a system which guarantees a family of two (Title III) the same income as a family of four (Title IV). This is not an argument for diminishing coverage under Title III, but for raising the standards of the Family Programs.

## APPENDIX B

## EXPERIMENTAL PROGRAMS ALLOWED BY WAIVER IN NEW YORK STATE

1. Under the "Incentives for Independence" program, which will effect all AFDC mothers in three welfare centers, continuation of grants is conditioned upon satisfactory participation in several areas:

a. Mothers of welfare children who are showing poor school attendance will be mandatorily "counselled" by a case worker, and should truancy of the child continue, payments of grants to mothers would be "restricted", i.e. the grant removed from the mother and made in the form of third party payment to the children.

b. AFDC school children age 15 or older would be required to work six hours per month at \$1.60 per hour. Failure to do so would reduce the family's monthly budget by \$12.50.

c. All able bodied adults with children 6 years or older would be required to pick up checks at employment offices, accept all job interviews and training assignments, accept regular job, public service jobs or public works jobs (working off welfare payment). The penalty for non-compliance will be the cutting of the family grant by \$800 per year.

2. The "Public Service Work Opportunities Project" provides for the establishment of a demonstration affecting 25 percent of New York State's Aid for Dependent Children (AFDC) cases, the majority of whom, 59,049 clients, are in New York City. Under this program, members of an AFDC family designated "employable" would be required to register for training and employment.

In addition, "employable" persons (as in the present New York State Program) must report twice monthly to the New York State Employment Service for job interviews and must accept any job or training offered. A mother *may*



be given the option of registering for work or of providing "in home" day care for children of another mother. Persons not placed in private sector jobs or training programs, or providing "in home" day care, will be required to work for their public assistance grants in a Public Service Work Opportunities Project. Failure to participate will result in termination of assistance grants allotted to the "employable" adult.

**POSITION STATEMENT ON WELFARE—COMMUNITY COUNCIL OF GREATER  
NEW YORK, DECEMBER 30, 1970**

We believe that:

The increase in the welfare population is not a product of the existing welfare program but rather the consequence of the breakdown of a complex set of inter-related social systems. The growth of welfare is more the product of the lack of job opportunities coupled with inadequate wage levels, inflation, failure of education and training to equip people for work, inadequate housing, unavailable health services, broken families, than it is the result of an easily accessible, amply financed welfare system.

The welfare program fails to rehabilitate families and prevent family and individual crisis mainly because it was never designed to perform either of these functions. It is a patchwork of programs, designed during crisis to meet crisis.

It is neither rationally funded, programmed nor managed. However, it is the only public system we have to provide funds and services to those needy persons who meet the requirements of a complex eligibility system. Even in a state like New York, poor families who are entitled to financial support are compelled to meet their bills with \$1,800 per year less than the Bureau of Labor Statistics has computed as a minimum standard of living. When they request help in finding housing, health services, protective services for children or for the aging, they find they are almost non-existent. The current system truly saves neither people nor money.

For these reasons, the Community Council of Greater New York is committed to a total reform not only of the welfare system but of the welfare feeder systems—of education, housing, health, employment; a reform of the inequitable tax structure, the inadequate Federal-State revenue sharing formula. No reform of a welfare income maintenance system alone, can accomplish a significant change in the number of individuals or families who will need public assistance. Nor will all of the income maintenance changes reduce people's need for supportive assistance and help in solving family problems, the need for information and assistance in negotiating our complex housing, legal, employment and training systems. In this document, we are addressing ourselves to the welfare system.

We stand for:

1. The nationalization of the cost of public welfare—both the income supports and the social service aspects of the program. If cities and states are to be viable units of local government, the Federal government must assume the full cost of providing for its citizens who cannot earn sufficient income, to maintain a decent, minimum standard of living and pay for the cost of food clothing, housing, education and social services.

2. We urge the adoption of income supports which match, at a minimum, the level, computed by the Bureau of Labor Statistics as the "Lower Living Level," necessary to maintain an individual or family unit.

3. We reject the position that the poor who need help should be the first victims of inflation, recession, national economic policies and the group which must pay for economic re-adjustments, foreign-policy mistakes, etc.

4. Rather than considering means of cutting back income supports such as Medicaid and inconveniencing clients by making services less accessible, all efforts should be made to increase the level of grants to compensate for the disastrous State cut in welfare during the past three years, as well as the rapidly rising cost of living. It is further required that computation of family budgets based on the Bureau of Labor Statistics standards cease to be "modified" in terms of excluding such items as funds for transportation. Not only are fewer persons eligible for "Medicaid" but our economy is trying to save money and balance the budget by requiring that our poorest and sickest persons pay the first 20% of their medical bills. We protest this pattern. Until such time as the level of flat grants is adequate, we favor the addition of special grants for such

items as transportation funds to visit relatives in hospitals or institutions, special diets prescribed by physicians, funds to enable replacement of furniture in the absence of total catastrophe. We must humanize the giving of help.

5. We pledge ourselves to work for the establishment of a system of public and voluntary social services which is locally operated and which appropriately involves the consumer of the services in the decision-making process. The consumer should have the right to choose from among a number of operations which agency would serve his needs best and he should be able to make the financial arrangements.

6. The welfare system cannot remain passive while its clients are forced to endure poor housing, inadequate health care, etc. The large sums of money currently spent by 14% of the population of New York must be utilized as a lever to improve housing and health services.

7. We reject the misuse of the day care expansion as it is currently being sold by the Administration as a "get the woman back to work" utility. Day care is a service to the family but primarily it is an essential opportunity to give a developing child the opportunity for play, growth, education, nutrition, value formation which all children need. For some families it provides the service which permits the head of the household to be employed and to move out of the cycle of welfare. We urge the expansion of day care and family care services as a basic right of children and not as a means of adding to the overcrowded manpower situation.

8. Finally, we resent the misrepresentations of the media and pledge ourselves to a program of public education which destroys some of the commonly reinforced myths:

(a) Myth. There is a huge reservoir of people who could work and are living well on welfare.

Truth. At best only 3% of the welfare population could be employed if there were unskilled jobs and if there were day care services, no prejudice in hiring, etc., etc.

(b) Myth. The welfare system produces welfare clients.

Truth. The only inter-generational study ever undertaken in New York City showed, in spite of popularly held views, that few people who are born on welfare stay on. It is a revolving situation with people moving in and out, depending on the economy, inflation, marital status, liberalizing legislation, etc.

(c) Myth. Persons prefer to live on welfare rather than work.

Truth. Sixty percent of the people on welfare are children under working age. Another 20% are parents caring for them. Still another 15% are aging, disabled and blind. There is such resistance to welfare that many persons deny themselves basic necessities rather than apply. When training and employment opportunities are made available, large percentages of eligible clients vie for the opportunity to "get off the welfare rolls."

COMMUNITY COUNCIL OF GREATER NEW YORK,  
New York, N.Y., January 1972.

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- Rafael Zambrana, Assistant Commissioner, Community Development Agency, 349 Broadway, New York, N.Y.

Jeanette Washington, Welfare Rights, City-Wide, 514 West 126th Street, New York, N.Y.

Senator BENNETT. Thank you very much. That is a vote and we have overstayed our time and we are going to have to run like mad.

The hearing is adjourned. We will meet again at 10 o'clock tomorrow morning.

(Whereupon, at 5:10 p.m., the hearing was adjourned, to reconvene at 10 a.m., Thursday, January 27, 1972.)

# SOCIAL SECURITY AMENDMENTS OF 1971

THURSDAY, JANUARY 27, 1972

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Hon. Russell B. Long (chairman) presiding.  
Present: Senators Long, Anderson, Talmadge, Ribicoff, Byrd, Jr. of Virginia, Bennett, Curtis, Jordan of Idaho, Hansen, and Griffin.

The CHAIRMAN. The hearing will come to order.

Senator Percy, I am sure your Republican colleagues will be along in a few minutes and meanwhile we will alert them. We are pleased to have you back before our committee and to hear what you suggested to us earlier as well as anything you want to add to it.

Senator PERCY. Mr. Chairman, I am delighted to be here, and I will confine my remarks to 10 minutes and put the rest in the record.

The CHAIRMAN. Very well.

## STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM ILLINOIS

Senator PERCY. Mr. Chairman, and members of the committee, I am here today for a dual purpose.

First, I wish to advocate reform in those programs of such great concern to our elderly population, social security and medicare.

Second, I urge your approval of my emergency welfare relief amendment, which would save many States from financial ruin and insure that millions of this country's most unfortunate citizens are protected against further cutbacks in public assistance benefits until such time as meaningful welfare reform legislation can be enacted by the Congress.

At the outset, I wish to commend the Finance Committee for its dedication to and interest in the problems of the elderly and of our welfare population, and I wish especially to express my gratitude to our distinguished chairman of the committee, Mr. Long, and the distinguished Senator and committee member from Connecticut, Mr. Ribicoff, for their willingness to support my efforts to bring relief to the States from onerous burdens of welfare costs.

I am also grateful to have received assurance from the administration of its support for my emergency plan to bring States interim aid until welfare reform takes place. The commitments from the administration and from Senators Long and Ribicoff would seem to assure the inclusion of emergency welfare relief provisions as a part of any welfare reform program to be voted upon by the Senate, and for that I am most grateful and appreciative.

Because of your time limitations, I will comment orally on certain selected portions of my testimony.

I would like to direct your attention to the section on the earnings limitation on social security.

I think one of the most unpopular aspects of our social security system is the limitation placed on the amount of money a recipient can earn without suffering a loss in benefits. Now, if a recipient earns between \$1,680 and \$2,880 in 1 year, he suffers a \$1 for \$2 reduction in benefits. Beyond \$2,880, he loses \$1 for every dollar earned.

This is the most disliked aspect of our social security law. In all of the conversations I have had with the elderly and with constituents from my own State, I have heard that this provision is to them the most unfair. It is most unfair because, as many elderly people point out, a person can have a hundred thousand dollars in dividend income and receive his full social security check, but if he has to go out and earn a little extra money, he must suffer a deduction in benefits.

A full quarter of the 20 million elderly Americans live near the poverty level. Many of these people are poor for the first time in their lives, and for reasons beyond their control. For instance, some have lost private pension rights due to plant shutdowns, even though they may have served a company for as long as 15 or 20 years. Others have worked throughout their lives, but because their incomes were never more than marginal, they never could accumulate large savings or invest sufficiently in stocks and bonds to provide an adequate retirement income. Still others may have saved for their retirement years, but found their savings completely wiped out because of serious and prolonged illnesses.

For these people, the present system offers two choices: They can try to supplement their social security incomes by working, or they can do so by going on welfare. Those able and willing to work can retain only a modest portion of their earnings over \$1,680.

In addition to economic need, we should also consider the need of elderly people—indeed, of all people—to contribute to society through working, and to feel that one's contribution has a value.

In this connection, I spent considerable time talking with the Illinois delegation to the White House Conference on Aging. I gave the Illinois delegates a questionnaire when they were here and asked them to answer the questionnaire when they went back home and then to write me from their own hearts how they felt about the problems of aging.

Here are some of the answers:

"Inadequate income is one of the most serious problems, but we might give almost equal weight to the problem of loss of one's role in society."

"Insufficient income is a significant problem \* \* \* but equally important are social interaction and work."

"I agree that inadequate income is the most serious problem confronting many senior citizens today, but for many others, in almost equal numbers, lack of a satisfying role in their later years is more serious, and for them, finding a place in society will compensate for a lack of income or meet their needs more adequately than money can."

Three people in a row, one after another, come to this same conclusion. And finally another one, "Among the less visible problems are

loneliness, a feeling of purposelessness, a feeling of rejection, and other causes that contribute to mental deterioration."

The earnings limitation not only runs counter to the high value our society places on independence and the willingness of individuals to support themselves, but it also actively discourages many elderly persons from finding meaningful jobs.

I believe this social value, as well as the desire among elderly people to find satisfying work roles, should be recognized to a greater extent in our earnings limitation policy. I would like to see the earnings limitation abolished completely, but to be practical, I urge the committee to raise it to \$2,400 immediately, and to \$3,000 by January 1, 1974.

Between now and January 1, 1974, I propose that the administration review all aspects of the "retirement test," and report back to Congress with recommendations at that time. The in-depth review should reevaluate the retirement test in light of present day private pension plan deficiencies and the trend toward increasing life expectancy. It should also examine the feasibility of linking the amount of allowable earnings to need.

It just seems incongruous to me that we have people who want to work, people who need help, and yet we fail to put the two together. We have hospitals all over this country where patients are paying good fees, ringing the bell at night and no one comes in. They simply do not have attendants.

An elderly person, aged 65, or 70, would be perfectly competent to provide that kind of assistance at night, but to think that he would do the sitting up at nights and then have part of his pay deducted from his social security check, to me removes all incentive. It just seems a harsh and cruel price to have to pay for working.

As an additional measure of relief for those over age 65 who want to work, I propose a credit or refund of social security taxes withheld from their wages up to \$1,680 annually. There would be a corresponding reduction in the taxes paid on income of self-employed individuals.

I would like to skip now to the section on "Nursing Home Care and Standards." This is a subject of great interest to me, and Senator Moss and I have spent a great deal of time in field hearings on the problem of nursing homes.

There are approximately 1 million elderly persons residing in nursing homes and related institutions in the country. A very high proportion of these people are suffering not only from serious and chronic illnesses, but also from inadequate care. In too many cases, they suffer from severe mistreatment.

Although the reasons underlying the shortcomings in our nursing homes are numerous and complex, the subcommittees on long-term care of the Senate Special Committee on Aging has managed to pinpoint certain major problems. One factor contributing to the nursing home problems is the diffusion of responsibility among governmental agencies for administering and implementing nursing home standards.

During hearings held last year in Chicago on nursing home conditions in Cook County, it was found that four levels of government—city, county, State, and Federal—are involved in the establishment and enforcement of nursing home standards. And I have cited specific cases in my written statement that came right from our own hearings

to illustrate the duplication and overlapping which occurs. What this means is that no one really has responsibility when so much responsibility is diffused through so many agencies.

Since the hearings, the State of Illinois has taken commendable steps to improve the administration and enforcement of its nursing home standards, but the consequences of this diffusion of responsibility are serious enough to warrant a change in our Federal law which would vest in a single State agency the authority to administer nursing home standards and to license and inspect long-term care facilities.

To aid the States in their efforts to administer and enforce nursing home standards, I propose the institution of a training program for State inspectors under the auspices of the Department of Health, Education, and Welfare.

I am pleased to note that the administration has already initiated a Federal effort with respect to the training of State inspectors. I urge that this effort be accelerated further through the adoption of my amendment to H.R. 1 which authorizes \$17.5 million over the next 4 fiscal years for this purpose.

At a minimum, nursing homes should see that their patients receive adequate medical supervision and good nursing services. Beyond that, they should seek to rehabilitate nursing home patients through physical therapy and other activities which improve the physical and spiritual condition of the patient.

Investigations of nursing homes were made in Chicago by the Better Government Association—which I had established a number of years ago—in close cooperation with the Chicago Tribune. Reporters actually went into nursing homes as employees. They went in unannounced. I accompanied them on several unannounced trips during the last year.

We found patients sitting for hours doing literally nothing. They would just sit and watch television because there were so few social opportunities for any kind of social or physical activity. In describing the grimness of this situation, one reporter wrote: "They sit in rooms where the paint is peeling from the walls and the windows are covered with grime and they stare."

Conditions vary, of course, from the best to the worst, but there is substantial evidence to warrant fear that this dismal atmosphere prevails in far too many nursing homes.

Unlike our hospitals, 95 percent of all nursing homes are set up for profit, and the Federal Government has the responsibility for \$1.8 billion spent a year in them, \$1.3 billion goes for medicaid; \$500 million goes for medicare. There is too much exploitation of the poor.

I went into nursing homes and subpoenaed, through the Senate powers of subpoena, the records, the financial records of nursing homes supported by the Federal Government. Some of the homes were paying less for food per day than we pay in our penal institutions in Illinois. Some of the witnesses testified that they fed the patients in four different shifts. They took the scraps from the first shift, put them on the second shift, then on to the third shift, and finally to the fourth. The fourth shift was literally getting nothing but garbage.

They made their money through that kind of exploitation. Senator Moss and I were literally stunned as we heard witness after witness



testify to the scandalous conditions which exist in these "warehouses" for the poor—and that is about all you can call them. There is no question but that we must require Federal standards now because it is Federal money that is going into these programs.

Mr. Chairman, the elderly are neither a militant nor a loud group, and they do not have the money to finance high-powered lobbyists to fight for their needs. Instead, they are inclined to suffer their hardships in silence, even though their hardships might seem unbearable and infinite. Their sense of pride and dignity is admirable and refreshing, but we should not allow the elderly to be taken advantage of merely because they do not storm Congress with demands.

Their problems are starkly real, and their needs are immediate. It is with these thoughts in mind, therefore, that I urge the adoption of the foregoing proposals and their prompt enactment as part of H.R. 1.

In conclusion, Mr. Chairman, I recognize the monumental task facing this committee and the press of time. I will therefore dispense at this time with a detailed discussion of my emergency welfare relief amendment—which I will reintroduce into the Senate today. Instead, I will simply submit my statement for the committee record. We did have many, many long discussions on the floor about these provisions, so I know the Chairman and members of the committee are thoroughly familiar with what I am proposing.

I know we are not in agreement on the exact formula to be used, but we are in agreement that something must be done.

The CHAIRMAN. Well, Senator Percy, I regret that something has not been done already about most of what you are talking about.

Two years ago we passed a bill that would help in all these areas you are talking about here. It might not do everything you wanted to do, but it would do a lot. We had your amendment on there for the earnings limitation, for example, and when we asked the House to confer with us, they would not talk to us.

I pleaded to the President to just call on Mr. Byrnes and Mr. Mills to meet with us, but the best I could make of it. Mr. Richardson and these people felt they needed the things you are testifying about here as leverage to try to put the family assistance plan through, apparently fearing that it could not pass on its own merits, and that is why these poor people you are speaking for here have been waiting now for 2 years, because they have been held hostage for a bill that the administration apparently does not think can pass on its own rights. But we will do what we can to move it along and try to help with these problems you are discussing here.

Senator PERCY. I thank you very much, Mr. Chairman.

Senator CURRIS. Senator Percy, we appreciate your appearance here.

In reference to the amount of money that a social security recipient can earn, I am sure that everyone on this committee is anxious to see that raised. It should be raised.

I would mention for the record, however, that basically in the act it is not an income test. It is a retirement test and the character of social security would be changed quite a little if that were changed.

Now maybe it should be, maybe it should be to date, but I think that if we put an income test in there, maybe an income test extended over to the eligibility for benefits or the amount of the benefits and, as

I say, it is probably worthy of debate, but that is the reason that people with substantial investment income still draw their social security. But it does work a hardship on people living under today's prices.

The nursing homes that you——

Senator PERCY. Senator CURTIS, would you mind if I commented on one other hardship endured by social security recipients.

Senator CURTIS. Sure.

Senator PERCY. It is the amount of money widows receive. Let's take a specific case of a coupled retired, say, at age 72. The husband dies. As husband and wife they have been getting 150 percent of benefits. Suddenly that widow, living in an apartment or in a little home, having certain fixed expenses that are not reduced at all, has her benefits reduced to 82.5 percent. I have never known a woman who can live cheaper than a man, and yet since that woman cannot reduce certain expenses, she at least ought to get 100 percent of the husband's benefit. If the woman dies, the widower gets 100 percent, but the widow gets 82.5 percent. It is absolutely unfair.

Senator CURTIS. That proposal is before us, it is in the House bill.

Senator PERCY. Right.

Senator CURTIS. Now the nursing homes you investigated, were they nursing homes for the elderly?

Senator PERCY. That is right. All of them, we concentrated only on nursing homes for the elderly.

Senator CURTIS. And the Federal Government was underwriting part of their operating expense?

Senator PERCY. \$1.8 billion out of \$2.5 billion in the nursing homes in this country, a very large portion of it, yes.

Senator CURTIS. Now, it is my understanding that under the law, if there is a highly skilled nursing home where they get extended care in there, there is a payment made in behalf of an individual patient, and also the payments coming from medicaid were geared to the individual patient, but it is my understanding in most of these homes the bulk of the residents are not beneficiaries of either program, that they are on their own funds or paid from welfare channeled to the State, so to that extent there are Federal funds in there.

Senator PERCY. Well, the figures I have given were given to me by HEW and the Senate Special Committee on Aging.

Of course, as we realize, the States are permitted to have many different systems.

In Illinois, for instance, we have a particular system which is subject to a great deal of abuse. It is called a "points" system. Homes receive extra dollars for the points, which, in turn, go up the sicker a patient gets.

If, for instance, a patient is in bed with bed sores, the home gets more points. There is therefore an incentive to keep patients in bed. They get more money. Also, we found that the care of the person is less difficult if he is given medication. So we subpoenaed they homes' records on medication. We found that 85 percent of all drug expenses paid for with Federal funds were sedatives. In other words, give patients a nice big shot and keep them quiet. It keeps them in bed, it increases the bed sores, and it insures that you will get your points for bed sores. In turn, you do not have to hire attendants and care for a person under sedatives.

Now if we can by chance walk into homes, as a Senate committee, and investigate and subpoena records, and find that these conditions exist, then this kind of thing must be happening all over the country. There are syndicates owning nursing homes. They are big business. You can buy their stock on Wall Street now. This is a great investment for someone to exploit and make money off the poor at the expense of the Federal Government now.

These are the kinds of things where we have to just pull the covers up and see what is underneath and what we have done. I know President Nixon is very concerned about this too. I came back with the President from Chicago where we had both addressed the American Association of Retired Persons. Looking at the figures and facts that he had on nursing homes and that I was able to supplement, the President became very angry about this situation. He directed Arthur Flemming, Chairman of the White House Conference on Aging, right on the airplane with us, to investigate and do something about it.

As a result, they have come up with a set of regulations, training programs, and so forth, that I think will be very helpful. There is, nonetheless, a great deal I think we can do in the Congress to remedy this situation.

The CHAIRMAN. Any further questions?

Thank you very much, Senator Percy.

Senator PERCY. Thank you, Mr. Chairman.

(Senator Percy's prepared statement follows. Hearing continues on p. 1389.)

#### STATEMENT BEFORE THE COMMITTEE ON FINANCE BY SENATOR CHARLES H. PERCY

##### SUMMARY OF RECOMMENDATIONS

1. Provide full Social Security benefits (100% as opposed to 82½%) for widows age 65 and over.
2. Grant automatic increases in Social Security benefits to correspond with increases in the cost of living.
3. Increase the earnings limitation immediately to \$2,400, to \$3,000 by January 1, 1974.
4. Extend Medicare to cover out-of-hospital prescription drugs.
5. Restore medical expense deductibility for persons past 65 as applied to Federal income tax prior to 1967.
6. Require as a standard for eligibility that one state agency have the responsibility for administering the Medicaid program and for licensing and inspecting long-term care facilities.
7. Provide for a training program within the Department of Health, Education and Welfare for State inspectors of long-term health care facilities.
8. Establish a demonstration program for the rehabilitation and remotivation of patients in long-term care facilities.
9. Provide emergency welfare relief to the states for rising welfare costs, to include three essential features: 1) Protection of states against rising welfare costs; 2) Protection of welfare recipients against cutbacks; and 3) Federal reimbursements based on the specific welfare costs and case needs of each state.

#### TESTIMONY OF SENATOR CHARLES H. PERCY ON THE SOCIAL SECURITY AMENDMENTS OF 1972, BEFORE THE SENATE FINANCE COMMITTEE, JANUARY 27, 1972

Mr. Chairman and members of the Committee: I come before you today with a dual purpose.

First, I wish to advocate reform in those programs of such great concern to our elderly population, Social Security and Medicare.

Secondly, I urge your approval of my emergency welfare relief amendment, which would save many states from financial ruin and insure that millions of this country's most unfortunate citizens are protected against further cutbacks in public assistance benefits until such time as meaningful welfare reform legislation can be enacted by the Congress.

At the outset, let me once again commend the Finance Committee for its dedication to and interest in the problems of the elderly and of our welfare population. And let me especially express my gratitude to the distinguished Chairman of the Committee, Mr. Long, and the distinguished Senator and committee member from Connecticut, Mr. Ribicoff, for their willingness to support my efforts to bring relief to the states from the onerous burden of welfare costs.

I am also grateful to have received assurance from the administration of its support for my emergency plan to bring states interim aid until welfare reform takes place. The commitments from the administration and from Senators Long and Ribicoff would seem to assure the inclusion of emergency welfare relief provisions as a part of any welfare reform program to be voted upon by the Senate, and for that I am most appreciative.

#### SOCIAL SECURITY—INCOME MAINTENANCE

##### *Full benefits for widows*

Under the present law, a retired man can draw 150 percent of his monthly Social Security allotment if he is married. If the man is a widower, he receives his full benefits, or 100 percent of what is termed his "primary insurance amount." If he leaves a widow, she can receive only 82½ percent of his total allotment as an individual, even though a widow's expenses are no less than a widower's.

This situation creates serious hardships for many elderly widows, for although their income decreases almost by half, their expenses do not. Certainly landlords do not cut rents when their tenants' income drops. Nor do grocers, utility companies or doctors cut their bills. The drastic drop in income is particularly unfortunate when one considers the emotional adjustments facing the elderly widow.

To correct this problem, I urge the committee to allow widows to receive 100 percent, rather than only 82½ percent, of their deceased husbands' primary insurance amount.

##### *Automatic cost-of-living increases*

Among all of the various groups in our society, those living on fixed incomes such as Social Security suffer the most from inflation. The Social Security recipients must wait for Congress to adjust benefits. This can sometimes take several years. In the meantime, pensioners suffer hardships for which no belated congressional actions can compensate.

The only way to protect elderly people—many of whom are largely or totally dependent upon Social Security for their income—is to allow automatic benefit increases to correspond with rises in the cost of living. Cost-of-living increases have become an integral part of the salaries paid to American workers. It is my view that our elderly citizens are entitled to the same protection against inflation as that given to younger workers. I therefore urge the committee to approve automatic benefit increases in Social Security.

##### *Earnings limitation*

Perhaps one of the most unpopular aspects of our Social Security system is the limitation placed on the amount of money a recipient can earn without suffering a loss in benefits. Now, if a recipient earns between \$1,680 and \$2,880 in one year, he suffers a \$1 for \$2 reduction in benefits. Beyond \$2,880, he loses one dollar for every dollar earned.

There is no issue about which elderly Americans are more distressed than the earnings limitation. They think it ludicrous, and so do I, that wealthy older citizens can receive \$100,000 in dividends and still get their full Social Security benefits. Yet if they work, their payments are reduced after earning the first \$1,680.

A full quarter of the 25 million elderly Americans live at or near the poverty level. Many of these people are poor for the first time in their lives, and for reasons beyond their control. For instance, some have lost private pension rights due to plant shutdowns, even though they may have served a company for as long as 15 or 20 years. Others have worked throughout their lives, but because their incomes were never more than marginal, they never could accumulate large

savings or invest sufficiently in stocks and bonds to provide an adequate retirement income. Still others may have saved for their retirement years, but found their savings completely wiped out because of serious and prolonged illnesses.

For these people, the present system offers two choices: They can try to supplement their Social Security incomes by working, or they can do so by going on welfare. Those able and willing to work can retain only a modest portion of their earnings over \$1,680.

In addition to economic need, we should also consider the need of elderly people—indeed, of all people—to contribute to society through working, and to feel that one's contribution has a value. In this connection, I would like to cite from the responses to a questionnaire I gave to the Illinois delegates to the White House Conference on Aging. The specific question I asked was this: Do you feel inadequate income is the most serious problem facing the aged? If not, what do you feel is the most serious problem? Some of the answers were:

"Inadequate income is one of the most serious problems, but we might give almost equal weight to the problem of loss of one's role in society."

"Insufficient income is a significant problem . . . but equally important are social interaction and work."

"I agree that inadequate income is the most serious problem confronting many senior citizens today; but for many others, in almost equal numbers, lack of a satisfying role in their later years is more serious, and for them, finding a place in society will compensate for a lack of income or meet their needs more adequately than money can."

"Among the less visible problems are loneliness, a feeling of purposelessness, a feeling of rejection, and other causes that contribute to mental deterioration."

The earnings limitation not only runs counter to the high value our society places on independence and the willingness of individuals to support themselves, but it also actively discourages many elderly persons from finding meaningful jobs.

I believe this social value, as well as the desire among elderly people to find satisfying work roles, should be recognized to a greater extent in our earnings limitation policy. I would like to see the earnings limitation abolished completely, but to be practical, I urge the committee to raise it to \$2,400 immediately, and to \$3,000 by January 1, 1974. Between now and January 1, 1974, I propose that the Administration review all aspects of the "retirement test," and report back to Congress with recommendations at that time. The indepth review should re-evaluate the retirement test in light of present-day private pension plan deficiencies and the trend toward increasing life expectancy. It should also examine the feasibility of linking the amount of allowable earnings to need.

As an additional measure of relief for those over age 65 who want to work, I propose a credit or refund of Social Security taxes withheld from their wages up to \$1,680 annually. There would be a corresponding reduction in the taxes paid on income of self-employed individuals.

#### MEDICARE AND NURSING HOMES

##### *Prescription drugs under medicare, and full medical expense deductibility from Federal income taxes*

Despite the enactment of Medicare, medical expenses continue to take up a large portion of the elderly person's income. In 1970, the average health bill for persons 65 and over was \$791, six times that of a youth, and three times that of people between the ages of 19 and 64.

Medicare pays for less than one-half of the health care costs of the elderly, and it does not cover out-of-hospital prescription drugs. Yet drugs constitute the largest personal health care cost of the elderly, accounting for about 20 percent of their out-of-pocket health expenditures. Many elderly people forgo badly needed medical care simply because they cannot afford it.

The Senate Special Committee on Aging, the 1971 Advisory Council on Social Security, and the 1971 White House Conference on Aging, have all recommended that Medicare be expanded to cover out-of-hospital prescription drugs.

I urge the committee to adopt this recommendation, and in addition, to restore full deductibility for medical expenses from older persons's incomes subject to Federal taxation, as provided prior to 1967.

### *Nursing home care and standards*

There are approximately one million elderly persons residing in nursing homes and related institutions in this country. A very high proportion of these people are suffering not only from serious and chronic illnesses, but also from inadequate care. In too many cases, they suffer from severe mistreatment.

Although the reasons underlying the shortcomings in our nursing homes are numerous and complex, the subcommittee on long-term care of the Senate Special Committee on Aging has managed to pinpoint certain major problems. One cause contributing to the nursing home problems is the diffusion of responsibility among governmental agencies for administering and implementing nursing home standards. During hearings held last year in Chicago on nursing home conditions in Cook County, it was found that four levels of government—city, county, state and federal—are involved in the establishment and enforcement of nursing home standards:

County health officials inspect homes, but only the State Department of Public Health may take action to revoke licenses;

The Chicago Board of Health sets standards for homes and also issues licenses;

The State Department of Public Aid decides the level of reimbursement for public aid recipients, while the Department of Public Health oversees the City's effectiveness in licensing and inspecting;

And the Social Security Administration and the Social and Rehabilitation Service of the Department of Health, Education and Welfare administer and enforce congressional authorized standards for the Medicare and Medicaid programs.

Since the hearings, the State of Illinois has taken commendable steps to improve the administration and enforcement of its nursing home standards, but the consequences of this diffusion of responsibility are serious enough to warrant a change in our Federal law which would vest in a single State agency the authority to administer nursing home standards and to license and inspect long-term facilities.

To aid the States in their efforts to administer and enforce nursing home standards, I propose the institution of a training program for State inspectors under the auspices of the Department of Health, Education and Welfare.

I am pleased to note that the Administration has already initiated a Federal effort with respect to the training of State inspectors. I urge that this effort be accelerated further through the adoption of my amendment to H.R. 1 which authorizes \$17.5 million over the next four fiscal years for this purpose.

### *Demonstration program for the rehabilitation and remotivation of patients in long-term care facilities*

At a minimum, nursing homes should see that their patients receive adequate medical supervision and good nursing services. Beyond that, they should seek to rehabilitate nursing home patients through physical therapy and other activities which improve the physical and spiritual condition of the patient.

In their investigation of nursing homes in Cook County, *Chicago Tribune* reporters found that many patients sit for hours doing nothing, or all they do is watch television because so few opportunities for social and physical activity exist. In describing the grimness of this situation, one reporter wrote: "They sit in rooms where the paint is peeling from the walls and the windows are covered with grime and they stare." Conditions vary, of course, from the best to the worst, but there is substantial evidence to warrant fear that this dismal atmosphere prevails in too many homes.

Many nursing home administrators would like to do more in terms of rehabilitating their patients, but because of a reimbursement system which discourages the rehabilitation of patients, they cannot afford to undertake such efforts.

To encourage homes to develop rehabilitation programs and to learn more about what can be done in this area, I propose the authorization of \$35 million over the next four fiscal years for demonstration programs designed to rehabilitate aged in-patients of long-term care facilities.

Mr. Chairman, the elderly are neither a militant nor a loud group, and they do not have the money to finance high-powered lobbyists to fight for their needs. Instead, they are inclined to suffer their hardships in silence, even though their hardships might seem unbearable and infinite. Their sense of pride and dig-

nity is admirable and refreshing, but we should not allow the elderly to be taken advantage of merely because they do not storm Congress with demands.

Their problems are starkly real. And their needs are immediate. It is with these thoughts in mind, therefore, that I urge the adoption of the foregoing proposals and the prompt enactment of them as part of H.R. 1.

#### EMERGENCY WELFARE RELIEF

Mr. Chairman, recognizing the monumental task facing this committee and the press of time, I will dispense at this point with a detailed discussion of my emergency welfare relief amendment, which I will introduce in the Senate today, and will submit the following written statement for the Committee record.

#### STATEMENT BY SENATOR CHARLES H. PERCY ON THE EMERGENCY WELFARE RELIEF AMENDMENT TO H.R. 1

Mr. Chairman and members of the Committee: Although the Administration, Senator Long, Senator Ribicoff and I agree that we need to reimburse the states for increased welfare costs until the time welfare reform is enacted, we are not all agreed as to exactly how federal reimbursements should be made. There is, therefore, a need to re-examine the critical issues and basic objectives of emergency welfare relief.

At the outset, I wish to emphasize that emergency welfare relief is not a substitute for welfare reform. Emergency relief is aimed at relieving immediate welfare-cost problems, not at changing the system itself.

I must also emphasize that emergency relief has two equally important objectives: one to satisfy the fiscal needs of the states; and the other to satisfy the human needs of those who cannot help themselves.

Let me illustrate the fiscal plight the states are facing because of rising welfare expenditures and its resultant human costs. The plague of rising welfare costs has left no state unscathed. The rise in welfare costs across the country over a span of 35 years is awesome: According to the Social and Rehabilitation Service of the Department of Health, Education and Welfare, total welfare expenditures in 1936—federal, state and local—amounted to \$350 million; by 1950, costs had risen to \$2.489 billion; in 1960, to \$4.039 billion; and in 1970, to \$14.347 billion. In three and a half decades welfare costs have increased 4,099 percent, with no end in sight.

In calendar year 1971, welfare departments in at least 20 states had deficits that required additional appropriations from their legislatures. It is no wonder that a July 1971 HEW announcement showed 22 states making sharp reductions in welfare benefits and almost all other states considering or making changes in their welfare programs:

New York and New Jersey have cut payments back by ten percent.

Kansas has reduced its Aid to Dependent Children payments.

Maine and New Jersey have dropped their aid programs for dependent children with an unemployed father in the house.

North Dakota, South Carolina, Utah, Alaska and New Jersey have reduced benefits for the elderly.

Illinois has made cutbacks in its general assistance program.

Although residency requirements have been declared unconstitutional by the Supreme Court, several states, including Illinois, have tried to put them into effect to forbid aid to those coming from outside the state.

In Texas last year, voters in a statewide referendum voted "no" when their state legislature proposed liberalizing a stringent maximum for welfare costs established by the state constitution.

For countless people, mostly children, the elderly, the disabled and the blind, these welfare cutbacks can mean the difference between eating and starving, health or sickness, living or dying. Providing states with emergency welfare relief would allow the restoration of the cutbacks and the return of a semblance of hope and security to those on public assistance.

My Emergency Welfare Relief Amendment, revised according to White House agreement, would protect states from a maximum of 20 percent increase in welfare costs over their June 30, 1971 expenditures. Federal reimbursements have been made close-ended to insure welfare cost control.

At the same time, it would also protect welfare recipients by requiring that states maintain benefit levels as a condition for receiving interim fiscal relief.

Federal reimbursements under my amendment would be calculated strictly according to the welfare costs and case needs of each state. Because these costs and needs fluctuate daily, I cannot, at this time, offer definite estimates of what each state would receive under the provisions of my amendment. However, HEW has kindly provided two tentative state-by-state cost estimates for my amendment based respectively on August and November, 1971, state reports of welfare costs, which I attach herewith.

I hope that the Emergency Welfare Relief proposal that is accepted by this committee will have the three essential features of my amendment: protection of states against rising welfare costs; protection of welfare recipients against cutbacks; and federal reimbursements based on the specific welfare costs and case needs of each state.

*Proposed fiscal relief to the States under current agreement,<sup>1</sup> August:  
120 percent plan (1971 base), fiscal year 1972*

	<i>Millions</i>		<i>Millions</i>
Alabama -----	\$5.3	Nevada -----	\$0.6
Alaska -----	1.7	New Hampshire -----	1.6
Arizona -----	1.5	New Jersey -----	25.2
Arkansas -----	2.2	New Mexico -----	.2
California -----	107.4	New York -----	63.1
Colorado -----	3.6	North Carolina -----	6.0
Connecticut -----	9.7	North Dakota -----	.5
Delaware -----	1.3	Ohio -----	21.0
District of Columbia -----	5.3	Oklahoma -----	6.2
Florida -----	6.6	Oregon -----	1.9
Georgia -----	8.2	Pennsylvania -----	26.8
Hawaii -----	3.1	Rhode Island -----	3.3
Idaho -----	-----	South Carolina -----	1.0
Illinois -----	41.1	South Dakota -----	.3
Indiana -----	5.3	Tennessee -----	1.2
Iowa -----	1.1	Texas -----	15.7
Kansas -----	2.1	Utah -----	1.7
Kentucky -----	2.2	Vermont -----	1.3
Louisiana -----	-----	Virginia -----	6.0
Maine -----	2.2	Washington -----	-----
Maryland -----	9.8	West Virginia -----	2.5
Massachusetts -----	32.2	Wisconsin -----	8.7
Michigan -----	34.7	Wyoming -----	.2
Minnesota -----	10.3	Guam -----	-----
Mississippi -----	2.9	Puerto Rico -----	-----
Missouri -----	4.0	Virgin Islands -----	-----
Montana -----	.1		
Nebraska -----	2.2	Total -----	561.4

<sup>1</sup> Relief based on Percy amendment agreement.



*Proposed fiscal relief to the States under current agreement,<sup>1</sup> November:  
120 percent plan (1971 base), fiscal year 1972*

	<i>Millions</i>		<i>Millions</i>
Alabama -----	\$5.9	Nevada -----	\$0.2
Alaska -----	1.5	New Hampshire -----	1.3
Arizona -----	1.7	New Jersey -----	24.0
Arkansas -----	2.6	New Mexico -----	.4
California -----	98.6	New York -----	78.3
Colorado -----	4.1	North Carolina -----	6.0
Connecticut -----	9.7	North Dakota -----	.6
Delaware -----	1.3	Ohio -----	21.1
District of Columbia -----	5.3	Oklahoma -----	8.0
Florida -----	6.6	Oregon -----	2.6
Georgia -----	8.2	Pennsylvania -----	88.1
Hawaii -----	2.9	Rhode Island -----	3.8
Idaho -----	.6	South Carolina -----	1.5
Illinois -----	40.7	South Dakota -----	1.0
Indiana -----	5.3	Tennessee -----	2.0
Iowa -----	1.7	Texas -----	2.7
Kansas -----	2.4	Utah -----	1.7
Kentucky -----	2.9	Vermont -----	1.8
Louisiana -----	-----	Virginia -----	6.0
Maine -----	2.5	Washington -----	1.1
Maryland -----	9.8	West Virginia -----	2.6
Massachusetts -----	33.1	Wisconsin -----	8.7
Michigan -----	34.7	Wyoming -----	.4
Minnesota -----	8.5	Guam -----	-----
Mississippi -----	2.9	Puerto Rico -----	-----
Missouri -----	6.1	Virgin Islands -----	-----
Montana -----	.2		
Nebraska -----	2.2	Total -----	515.4

<sup>1</sup> Relief based on Percy amendment agreement.

The CHAIRMAN. Our next witness will be Dr. Seymour L. Wolfbein, dean of the School of Business at Temple University and he is speaking on behalf of the Chamber of Commerce of the United States.

Dr. Wolfbein is accompanied by Dr. Karl Schlotterbeck, also of the National Chamber.

**STATEMENT OF SEYMOUR L. WOLFBEIN, CHAMBER OF COMMERCE  
OF THE UNITED STATES OF AMERICA; ACCOMPANIED BY KARL  
T. SCHLOTTERBECK, CONSULTANT ON ECONOMIC SECURITY**

Mr. WOLFBEIN. Mr. Chairman, my name is Seymour Wolfbein, and I am dean of the School of Business at Temple University.

We appreciate very much appearing before you. My companion, Karl Schlotterbeck, is also representing the Chamber of Commerce of the United States.

We do have detailed testimony, Mr. Chairman, which we would appreciate submitting for the record.

The CHAIRMAN. We will print the entire statement and print your summary.

Mr. WOLFBEIN. Thank you very much.

I would like to start first by calling on Mr. Schlotterbeck to very briefly define the way we see the problem, if I may.

Mr. SCHLOTTERBECK. Mr. Chairman, there is broad agreement on what is the problem in welfare. It is growth in the AFDC family case-load and costs.

Now, the proponents of H.R. 1 advance three explanations for the growth in family dependency on welfare.

First, they contend high welfare payments in some Northern and Western States have caused many poor families to migrate to these more liberal States just to get on welfare.

Second, they assert that such large welfare payments act as a work disincentive by encouraging male heads of working-poor families to quit their jobs—or reduce their weekly earnings—to go on welfare.

Third, they state that these high welfare payments are a strong incentive to many a working-poor father to desert his wife and children.

These purported causes of AFDC growth provide the basis for several reform proposals in H.R. 1.

Let's look at the validity of these purported causes of the welfare problem.

First, the migration thesis. This repeated assertion is only a belief about facts and is refuted by available evidence from three studies. The prime reason for migration has been the agricultural revolution which has cut farm employment to less than three and a half million workers, half of what it was 20 years ago.

Turning to the work disincentive thesis—actual experience belies this thesis, particularly the experience of unemployed fathers on welfare, who do not choose to remain on welfare to avoid working.

The third purported cause of the problem is said to be that AFDC serves as an incentive to family breakup. This is another belief about facts, refuted by evidence available in HEW surveys of AFDC over the past two decades.

And the President's former counselor, Daniel P. Moynihan, has stated that " \* \* \* there are not 5 cents' worth of research findings that the availability of AFDC payments does lead to family breakup."

The facts clearly show that father desertion has not been a major cause in the growth of AFDC. Moreover, the experience of New York City reveals clearly that supplementing low earnings of the father does not necessarily hold families together.

These presumed causes are refuted by the facts. Therefore, the objectives of these proposals and the means proposed for achieving them should be examined.

H.R. 1's proposed welfare supplement to the working poor is central to the entire philosophy of this bill and is rooted in a belief about what motivates other people to work.

The importance of this device cannot be overemphasized. We need more than a sincere belief that it will encourage family heads to work harder, to work more, to improve their earning capabilities—and thus to work their way off welfare. We need proof, from experience, from inductive research.

For this reason, the national chamber commissioned a research analysis of the subject which was made part of the record in these

Senate hearings in July 1971. The authors found that H.R. 1's provisions would erode the work effort of working poor families as well as AFDC adults. The evidence from a Rand Corp. study made specifically for OEO, the most recent interim report in the New Jersey experiment, and experience with the social security retirement test verify the findings of these authors.

Consequently, we urge rejection of those provisions in H.R. 1, which are proposed as a solution of the welfare problem.

Mr. WOLFBEIN. Mr. Chairman, we come before you this morning not to tear down various proposals, but in an attempt to put some constructive proposals before this committee which we think will really zero in on what we think is the clear and present danger—and that is the accelerating and burgeoning welfare rolls. We will try to do it in just a few moments based on what we do know.

I would like to take just 30 seconds to quote from a very distinguished scholar in this field, who happened to be my teacher when I was at the university, Dr. Eveline Burns, who said as follows:

When contemplating the policies that have been applied in the past, and considering those which might be applied in the future, it is impossible not to be both impressed and depressed by the extent to which policy decisions are made and perpetuated on the basis of beliefs about facts rather than tested knowledge . . .

Now what do we really know, Mr. Chairman and members of this committee?

I think it is fair to say that we do know that the problem is a long-range and continuing one.

Mr. Schlotterbeck mentioned the problem in agriculture. Our friends in the Department of Agriculture tell us that almost the last bastion of labor intensive work is falling by the wayside and is going to be automated. We are going to continue to have this pressure from the farm.

We know that there are going to be continued breakups of families. We know that people are going on welfare.

We are impressed by the fact that 6 out of 10 families leave welfare permanently. It would be a good idea to know, if I may say parenthetically, what is it that differentiates those 6 out of 10 who do leave permanently—and there are a variety of facts that we do know.

We do know, for example, that a very considerable part of the welfare recipients do not belong in the mythology about this field. Of the families with children, one out of two families have two children or less. One out of every five of the mothers have a high school education or more. We think we can train them, they can work; these are facts on the table.

We know, for example, that the very high tax rate, two-thirds on additional earnings, can work as a disincentive.

Now based on these various factual pieces of evidence, and now I come to the close, Mr. Chairman, we make the following recommendations to you and the committee.

First, we would hope that the legislation that emerges will concentrate on where we think the problem is—the accelerating and increasing AFDC rolls in this country—particularly on those who can work, who do have the educational background, who do have the size of family which makes the prognosis favorable for people to move into the economic mainstream.

As I said, one out of every two families have two children or less. We would very much like to see some kind of collection of information, incidentally, on this group so we can have a better idea of who is on the rolls.

Second, focusing on these people, we recommend very strongly that we provide free and adequate child care so that these families may have that vantage point from which to move into training and into work.

And given that focus, and given adequate child care, we think, third, we ought to provide not only incentives to employers to hire, but we would very much like to see some kind—

Senator CURTIS. Would you speak just a little louder, it is hard to follow.

Mr. WOLFBEIN. We would like to see some kind of assurance of a job at the end of this effort. We would not only like to see incentives to employers, but some assurance of public service employment, a great variety of community betterment jobs.

We can document this demand, if you wish. There is great demand in the public service field, in the local community, for people to work.

We suggest, fifthly, after-work training programs for the people who are already at work, who are not earning enough. We should mount upgrading programs for these people to move them into higher level jobs in higher paying jobs.

Sixth, Mr. Chairman, we recommend very strongly that while the States and the localities need help in the increasing burden of AFDC we would hope very much that the legislation which does emerge will have some kind of sharing of costs; if only that there be motivation on the State and local level for reduction of costs, where it can be made, and this is difficult to do when 100 percent of the bill is paid by someone else.

Finally, we strongly urge that because the present AFDC program contains a 66 $\frac{2}{3}$  percent tax rate, we suggest that this work disincentive be eliminated completely.

My final sentence or two. If one uses the fact that we do have—and if one begins to move along this road where we look at this group constructively, as a manpower potential—people who have talent—for all we know there may be someone on our relief rolls now who is going to find the cure for cancer or the common cold or will make the internal combustion engine run better—look at them positively so that way you can really move them into the mainstream.

We would recommend finally and very strongly, Mr. Chairman, that we have some kind of research capability, perhaps reporting to the Congress itself, which would be able to gather the facts and analyze the facts about this group and about the trends. This group should report independently to the Congress so that we can begin to get some decent intelligence on what the situation is.

Thank you very much.

The CHAIRMAN. Well, if we are going to put some research somewhere, I hope we put it with somebody besides HEW who have been trying to do research.

Now, the research that stimulated H.R. 1 was based on the theory if you pay a man as much money not to work as he gets for working

that he will work notwithstanding the fact that he makes nothing for it. Now, anybody with 2 cents worth of commonsense would know that makes no sense, so I would hope if we are going to have some research that we would put it with somebody who is not starting from the conclusion he wants to reach and laboriously working his way backwards from it.

I would hope we would place it with some group that is completely independent of the conclusion they are trying to reach when they start out.

Mr. WOLFBEIN. That is exactly it.

The CHAIRMAN. Thank you.

Senator RIBICOFF. Your testimony intrigues me, Mr. Wolfbein. I think it is instructive.

I for a long time have been talking about the need for Congress to have an independent arm not only to analyze the problems of the Defense budget, but of the efficacy of our domestic budget.

In other words, as I gather, what you are trying to say the facts generally in this country are 5 years ahead of theory, and politicians are 5 years in back of the theory, so generally we are usually legislating in 1972 for problems that existed in 1962 instead of looking forward to the problem that we are going to face in 1982.

Mr. WOLFBEIN. Senator, I think you are perfectly right, only I just would not put the burden on politicians. It is true right across the board.

Senator RIBICOFF. It is true with everybody, but as politicians we are the ones passing programs and we are the ones appropriating all this money when we are appropriating.

I have been pointing out, but have not got an answer from HEW, if we had our own investigative arm, we might be able to find something out, that we have spent \$31 billion on some 168 programs supposedly to eliminate poverty, and if we divide that \$31 billion by everybody in poverty and gave them money, every family in poverty would have \$1,000 above the poverty line.

Mr. WOLFBEIN. Your mathematics are impeccable.

Senator RIBICOFF. All right. Now if that is the case, the important thing to find out is, where is the effectiveness of the money we are spending on the programs that all of us are voting for year in and year out.

Let's go to something else.

A couple of years ago I came up with the idea that we should pilot this out. The administration, Secretary Richardson fought vehemently against it. The tragedy of it is at that time this committee was unanimous for a pilot program, and even Senator Williams, who was vehemently opposed to this, said to me privately, and I think he might have repeated it to other men here, he said, "Abe, if we pilot this out for a couple of years, whatever HEW would want for a pilot, \$100 million, \$200 million, I would be for it."

Now, of course, the program is supposed to have gone into effect a year ago and now it has been put off to July 1, 1973. While I am strong for H.R. 1 with improvements, I have been in too many places of Government to have the feeling of self-righteousness that I have all

the answers, and I recognize the difficulty we are going to have with the family assistance program.

We are embarking upon a program that is a complete new philosophy for the United States. I think eventually we are going to adopt that policy; whether you call it a negative income tax or family maintenance, you are going to have such a program as that.

I do not know whether the country is ready for it. I think we have representative men on this committee, it is obvious to me they are not ready for it and I do not criticize them for that.

If this is the case, would it make sense for this committee to take the situation that you have with the welfare recipients on the rolls now and just look at the problem with the present welfare recipients to see what we can do to make as many improvements as we can, and since this administration now wants this program to go into effect July 1, 1972, to have this program go into effect on January 1, 1974.

Beginning on July 1, 1972, we authorize the Secretary of HEW to run a series of pilot programs on a family assistance program in varied sections of this country to determine whether it will work, how it will work, to report back to this committee and the Ways and Means Committee and the Congress on July 1, 1973, or September 1, 1973, to give us another look at it, to authorize a program but it will not be implemented until January 1, 1974.

From your standpoint, your experience, does that make any sense to you?

Mr. WOLFBEIN. Let me respond to that.

Maybe the best way to do it briefly is to remind you of what I think you know; I was the first Director of Manpower Training and Retraining in this country with the Manpower Development and Retraining Act that was signed March 1962. This act was passed, the money was appropriated, and we took off.

One of the first programs was one that looked beautiful, Senator. It was up in New Jersey; it was for migrant labor who were having a very rough time. The idea was, why not take some of those people and train them to be tractor mechanics. In other words, get these workers into some kind of skilled trade right there in the agriculture field, which were very badly needed.

Well, we made a survey. We found there was a demand, we had the people—and my name is on that contract, I signed the contract for that training program, Senator—and we began. And guess what? It makes us look very stupid, I guess, but it underscores what you have said about the great importance of doing a little bit of demonstration.

We found that in order to be a tractor repairman, Senator, you have to be able to read and understand the manual. And, lots of these folks, it was not their fault, could not cope with that. As a matter of fact, that resulted in the first amendment to the manpower bill, which permitted us to give basic training in education, like reading and writing.

Now that was my first experience. It is a classic example of the great importance that, as you said, before you take off in a multibillion-dollar program, let's get some real down-to-earth experience.

So that in principle, personally and professionally, I would agree with you completely. Now, I am sorry I am not expert enough to know the timing.

Senator RIBICOFF. No, you are not, because this becomes a very—I mean the question that we are driving at, maybe we in Congress who have the responsibility, I think Congress has abdicated its responsibility in this Nation to legislate. I mean, I think we forget there are two ends of Pennsylvania Avenue, one where the President is in the White House, and our responsibility.

We generally only react to what the President said, yes or no, but we very seldom initiate any ideas and thoughts of our own.

Now, from the standpoint, as I look at these programs—and I will accept part of that guilt as a former Secretary of HEW, as a former Governor—that you have these grandiose ideas that sound good on paper, and you put them into effect, and you go to your legislature or your Congress and you vote them into being, they are multimillion, multibillion, and you are stuck ad infinitum. Year in and year out, we keep pouring more and more money in without realizing or knowing or evaluating whether they are working or not working.

Now, we have big budget deficits. As a liberal, I am just as concerned with a big budget deficit as the conservative members of this committee, and I know if you are going to have a list of priorities, you can talk about the peace dividends all you want, no matter what peace dividends you have, you will not have enough money to take care of all the domestic needs we have. So we do have an element of priority.

But nobody is evaluating the billions of dollars we are spending on past programs. The chairman is right, if you ask HEW to evaluate this program, or Labor or Commerce, they are going, or Agriculture, they are going to come up with an evaluation to show that it works and it is good. If it is a bad evaluation, they bury it.

My understanding is there are some \$600 million which have been spent in evaluating poverty programs, and many of those evaluations indicate those programs do not work, but those evaluations never see the light of day. The public does not know and the Congress does not know.

Mr. WOLFBEIN. And this, Senator, I think hurts not only the program itself, but the clientele because what we want to do is get the best thing that is responsive.

Mr. SCHLOTTERBECK. Senator, last year when the chamber testified before this committee on welfare, we were asked the same question. How did the chamber feel about pilot-testing FAP? We said go ahead and pilot-test 2 or 3 years, build in evaluations, but we also urged this committee to pilot-test what the Chamber was recommending, build in those evaluations, too, so we are for the pilot testing.

Senator RIBICOFF. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, two statements were made today that puzzle me, and maybe I would like some more explanation.

The first statement was that six out of 10 people need Government supplementation of their income. Did I hear it correctly?

Mr. WOLFBEIN. Of the statement you referred to, this, Senator Bennett, is a little bit of factual data we believe indicates that people on welfare over a period of time, about six of every 10, exit from the rolls and exit permanently. In other words, there is a substantial turn-

over; and with some temporary help, they go on and apparently find work or other resources.

Senator BENNETT. I am glad to get that straight because, as I understood it, you were raising the welfare, the need for welfare, to 120 million people.

Mr. WOLFBEIN. No, just the opposite.

Senator BENNETT. Six out of 10 people needed some welfare. Then you said later on that, you referred to the fact there was a 66-percent tax on earnings of people on welfare, and you thought the tax should be taken off. Do you mean that people on welfare should be allowed to earn as much as they can indefinitely and still stay on welfare?

Mr. WOLFBEIN. No. I will let Mr. Schlotterbeck talk to this. He is the expert on it.

Mr. SCHLOTTERBECK. The research that the chamber commissioned showed that the high "tax rate" of two-thirds was a work disincentive. You have in the present law a 67-percent "tax rate," so we are recommending that since it is a work disincentive, rather than an incentive, that it be rescinded for the same reason that we are opposed to the two-thirds "tax rate" in H.R. 1.

Senator BENNETT. This leads me back to my question again, you want no limitation on the amount of earnings—

Mr. SCHLOTTERBECK. No.

Senator BENNETT (continuing). A person can make who is on welfare?

Mr. SCHLOTTERBECK. In our recommendation, Senator, we urge that the efforts be concentrated on small families whose welfare payments are not competitive with entry job pay, so that when they get working, they are completely off welfare.

Senator BENNETT. Do not change the subject.

Mr. SCHLOTTERBECK. I am not trying to.

Senator BENNETT. Would you leave any phaseout pattern so that people who move from welfare to work will find a point at which welfare ceases and they are then dependent on their—

Mr. SCHLOTTERBECK. If you want to make a \$30 or \$60 a month flat disregard, according to this research we had done it is not a disincentive. But when you introduce disregarding \$1 out of \$3 earnings, in other words, the two-thirds "tax rate", that is the disincentive.

To answer your question specifically, if you want to give a \$30 or \$60 monthly disregard, that is not a disincentive; but when you introduce that "tax rate", it is.

Since the inductive research and experience with the social security retirement test, which is only a 50-percent "tax rate", is a work disincentive, then we recommend that you take it out.

The CHAIRMAN. You are eligible or not eligible, flat cutoff?

Mr. SCHLOTTERBECK. That is right.

Senator BENNETT. Yes, at what point?

Mr. SCHLOTTERBECK. At what point?

You get these heads of small families into jobs that the pay is totally self-supporting and they get no welfare.

Senator BENNETT. Well, maybe if I were one of these I would say, "Yes, this pay may be self-supporting, but it does not satisfy me, I am not willing to move off welfare and have you cut me off of that."



It seems to me you have to have some kind of a phaseout pattern, you have to have some kind of a cutoff point, or else you are saying in effect that once a man gets on welfare he is entitled to stay on it regardless of the amount of money he may make by working as long as he says that does not satisfy him.

The CHAIRMAN. If I understand your position, you are saying you ought to keep the payments low, you ought to provide jobs, and then you ought to shift them from welfare into the jobs and when they take any job off the welfare they come; that is your idea?

Mr. SCHLOTTERBECK. So long as the pay is substantially more than they are getting on welfare and the only families where that would be true would be the small families; but the small families are about half the total caseload.

Mr. WOLFBEIN. This is why we emphasize, Senator, there really ought to be that employment opportunity at the end of the rainbow, whether it is public service employment or private employment, the focus on the employment side.

Senator BENNETT. Well, you have a flat cutoff, so a man approaches that point, let's say your cutoff with the welfare is \$4,500. As he approaches the point, he will have to decide whether to take the risk of employment or whether to hang on to welfare, and many of them, I am sure, will say, "Well, look, do not raise my pay any more because I will lose my welfare."

Mr. SCHLOTTERBECK. Senator, you keep talking about a man, but most of the families on welfare are headed by mothers; and, second, you talk about \$4,500 and, of course, that is probably for a family of four.

According to a 1967 AFDC survey, 70 percent of the families got less than \$200 a month in welfare.

Senator BENNETT. I was just using that as a figure for the purpose of developing the illustration. I am not talking about \$4,500 as being good, bad, or anything else. But it seems to me that you face us or we are faced with a problem.

Are we going to phase this out or are we going to have a flat cutoff, and you see the disadvantages of the phaseout. I think there are a lot of disadvantages of having a flat cutoff, and—

Mr. SCHLOTTERBECK. Well, I have to ask you, Senator, why is it that experience shows—you know we do not have much information about AFDC, but why is it experience shows—60 percent of the families who come on welfare and go off, they stay off? How do they make it?

Senator BENNETT. Are you talking again about men or women?

Mr. SCHLOTTERBECK. They are mostly women. There are not many men on welfare.

Senator CURTIS. Is that not also true that every year in this country we have large numbers of people who graduate out of the poverty levels?

Mr. SCHLOTTERBECK. Of course.

Senator BENNETT. What percentage of that 60 percent come back into welfare—

Mr. SCHLOTTERBECK. These are HEW figures, they are not ours.

Senator BENNETT (continuing). When temporary jobs disappear?

Mr. SCHLOTTERBECK. They have testified out of every 10 families on welfare, four out of 10 leave and come back; but six out of 10, when they leave they stay off.

Now, the question is, how do they make it. We need research on this. We will learn from the success of these 60 percent.

Senator BENNETT. But these are the 60 percent that go off. Now this set of figures does not take into consideration the people who come on and stay on.

Mr. SCHLOTTERBECK. No, the 40 percent does. They come——

Senator BENNETT. Wait a minute.

It says that four out of 10 families will be back on the rolls the second time. That says they go off and they come back.

Mr. SCHLOTTERBECK. And they go off and they come back.

Senator BENNETT. And 60 percent of those who go off stay off, but what about the people who never go off the first time? What is the percentage of the total welfare load that is represented by people who get on there and stay on there?

Mr. SCHLOTTERBECK. I do not have those figures, they are available but it is a relatively small percent who are on as long as 10, 15 years. But, the figure is available.

Senator BENNETT. I have no further questions.

Senator CURTIS. I would like to protest as I did the other day. I think we are inviting a lot of trouble referring to this factor as a tax.

Now I concur with the chamber, for instance, that they recommend, that the one-third earnings disregard be repealed, I think it should be. But this is by no means a tax. A tax is levied on income. Welfare does not fall within the definition of income. The administration of welfare follows this general pattern:

A caseworker ascertains the needs, then they ascertain the available resources and the difference is how much welfare they need.

Now, if their resources go up, therefore, they need less welfare. That is not a case of the Federal Government imposing a 67-percent tax on it, because all that it does is confuse the people.

Well, by anybody's definition——

Mr. SCHLOTTERBECK. Senator, I think your comments are absolutely correct.

Senator CURTIS (continuing). It is not a tax.

Mr. SCHLOTTERBECK. And we used the term "tax rate" in quotes in our prepared statement——

Senator CURTIS. Yes.

Mr. SCHLOTTERBECK (continuing). To make clear that it is not a tax at all; but it has the results as though it were a tax. But your comments are absolutely correct.

Senator CURTIS. Yes.

Mr. SCHLOTTERBECK. It was for want of a better term, and a short term, to explain this earnings disregard.

Senator CURTIS. Any term in the dictionary would be a better term, any of them at random so far as that goes, because it could lead to a lot of trouble.

Mr. SCHLOTTERBECK. That is right.

Senator CURTIS. It is going to give the impression that here we tax welfare people in the 60 percent bracket when, as a matter of fact, the most of them would not be taxed at all in the general income tax; they

will be in the social security tax, that is true. But the theory of welfare throughout the past is to ascertain the need and supply it.

Now, if the need becomes less, there is less to be supplied. Well, that is not imposing a tax on them.

Now, Dr. Schlotterbeck, you alluded in your statement to the fact that New York had a modified family assistance plan. How does that operate and what kind of experience have they had there?

Mr. SCHLOTTERBECK. They have an—

Senator CURTIS. Is that the city or the State?

Mr. SCHLOTTERBECK. It is a State program financed by the State and the localities, which supplements the earnings of families headed by fathers so that they will get as much total income—earnings and this welfare supplement—as they would if the father were unemployed and went on AFDC-UP or if the father deserted and the family went on AFDC.

Now, that means that they have eliminated this incentive of AFDC for the father to desert the family.

A little research done in 1966 of mothers on AFDC who had been deserted, the mothers testified, most of them, that the fathers deserted not before but after they got on welfare. So they got on the State program and that would automatically qualify for AFDC-UP or AFDC, and once they got qualified, then the father deserted them.

So, rather than holding the families together, it did not. This is a modified family assistance plan.

Senator CURTIS. As a matter of fact, the breakup of homes is a problem that stretches across the board, irrespective of income, and the facts do not support the contention that the welfare program or the desire to get on welfare is a significant cause, is that not correct?

Mr. SCHLOTTERBECK. That is correct.

Senator CURTIS. Yes.

I understand in Los Angeles County, Calif., that half of the marriages end in divorce, and I would doubt if that has any significant relevance to the welfare program whatever.

Also, I think the facts will show that those States that have availed themselves of the Federal program to provide AFDC benefits for the unemployed, and where they have made those benefits more liberal than some other States, that some of those States have had the highest desertion rate, the highest family breakdown.

Mr. SCHLOTTERBECK. I might interject there, Senator, New York City, that has this modified family assistance plan, which should hold families together, according to the contentions of the advocates of H.R. 1, between 1961 and 1967 when father-deserted families increased nationally 138 percent, they increased 337 percent in New York City. In fact, the city accounted for 60 percent of the total increase in father-deserted families in the country, and yet they have a modified family assistance plan.

Senator CURTIS. Now, your reference to why people move from one area to another, you mentioned changes in agriculture, and so on, it is your contention that the movement of people is based on other causes rather than information that better welfare and more welfare is available to them where they are going; is that right?

Mr. WOLFBEIN. Well, this is what our testimony says. May I speak to it for a moment, Senator, very briefly?

Senator CURTIS. Yes.

Mr. WOLFBEIN. As is true in all cases of movement or migration, as we call it, there is always the factor of a push that impels people to move, but all the research we have done indicates there is also the pull of areas. Here we do have, I think, a decent body of information which shows that in terms of the folks who have moved in the past 20 years, Senator, there has been both.

Now the push, and I think this is as clear as can be, is the enormous changes taking place in agriculture that Mr. Schlotterbeck has already mentioned.

Here we are a country of more than 200 million people. Today, we only have about 3½ million people working in agriculture, producing all the food, all the feed, all the fiber, everything that is exported, a very small number. Of course, in the past 20 years farm employment has decreased by about 3.7 million workers, so there has been a very, very severe lack of employment opportunity on the farms, as we all know.

However, I think there has always been a very substantial, what shall I say, pull or magnet on the part of the larger cities in the metropolitan areas that I really do not think has been mentioned enough.

I brought with me a report that just came out from the U.S. Department of Labor. It is called "Occupational Characteristics of Urban Workers, 1970." It has some striking figures which I am not going to detail, but it emphasizes that in the major cities of America, while the unemployment rate may be very high, they still represent major areas of employment opportunity for blacks and whites.

For example, the data show that one-third, and I quote now, "of the Negro workers residing in metropolitan areas were engaged in white collar work;" that is 33 percent. Outside of the metropolitan areas, the percentage was only 14 percent, less than half.

In fact, as this table indicates, if you take white collar work, which is relatively higher paying, and so on, you find—and these are for Negroes—to quote the table, 14 percent of all Negro workers in the nonmetropolitan areas are white collar workers; it jumps to 33 percent in the larger cities.

Senator CURTIS. What you are saying is, it is the desire for a job or probably family reasons, or they know somebody in the city to which they are going.

Now, they may be disappointed and become on welfare afterwards.

Mr. WOLFBEIN. Exactly.

Senator CURTIS. But they are not migrating for more lucrative welfare?

Mr. WOLFBEIN. We have a very good example, come to think of it, Senator, in my own State, the Commonwealth of Pennsylvania.

When the Supreme Court ruled, you know, residency laws were not constitutional, we watched this very carefully in our State to see what would be the result. Now we watched this for about a year or so; we took a look at the new folks coming in and applying for welfare. The fascinating thing about it was that the great majority came from four States. Every one of those other four States had a higher welfare payment than the Commonwealth of Pennsylvania.

Senator CURTIS. I had in mind some other questions, but I think you have brought them out so I will yield my time.

Senator RIBICOFF. Mr. Chairman, I would like that pamphlet referred to by Mr. Wolfbein be made part of this record. And also, would you name the four States from which they came to Pennsylvania?

Mr. SCHLOTTERBECK. California, Illinois, New York, and Massachusetts.

Senator ANDERSON. Are you speaking here today for the U.S. Chamber of Commerce?

Mr. SCHLOTTERBECK. That is correct, yes, sir.

Senator ANDERSON. Have they approved this testimony?

Mr. SCHLOTTERBECK. Yes.

Mr. WOLFBEIN. Yes, sir.

Senator RIBICOFF. Do you know the number of people involved in that?

Mr. WOLFBEIN. In this period?

Senator RIBICOFF. The study, the people moved in.

Mr. SCHLOTTERBECK. I cannot answer you.

Senator RIBICOFF. I wonder if you would be good enough to supply the committee for the record the detailed study.

Mr. SCHLOTTERBECK. Yes, sir.\*

Senator ANDERSON (presiding). Senator Nelson?

Senator BENNETT. Senator Nelson.

Senator NELSON. I will pass.

Senator FANNIN. Thank you, Mr. Chairman.

Dr. Wolfbein and Dr. Schlotterbeck, I have been very impressed with some of your testimony and I just wonder how we could carry through on some of the recommendations you have made.

We are all seeking equitable solutions for these problems. The statements you have made about research badly needed I agree with. We talk a lot about pilot programs. I do feel pilot programs properly administered could give us a great deal of beneficial information.

We know from the results we have had on the medicare and medicaid, the runaway costs that have been illustrated by some of the testimony we have had here.

Medicaid, for instance, in Illinois, the Governor has testified that medicaid now constitutes 44 percent of their welfare costs, many times over what was estimated, so we did not know what we were getting into.

You say that a high level research council should be established to be responsible to and report to Congress on the kind of research needed. It has been discussed here that because of political distrust perhaps we could not have it present the standpoint of maybe a Presidential-appointed committee.

It is regrettable, but that is what has been stated, and then, of course, the academic community is being somewhat forced out of research. Just what specific recommendations do you have in this regard? How could this research be accomplished?

Mr. SCHLOTTERBECK. Well, I think, Senator, the need for this is indicated, first, by the fact that the Joint Economic Committee, the Subcommittee on Fiscal Policy, is undertaking some of this needed research.

Senator FANNIN. I agree with you on that, but just how could it be done?

\*See p. 1428, for response of the witness.

In other words, do you have specific recommendations?

Mr. WOLFBEIN. Let me say a word on this and perhaps it will be helpful.

I am reminded very much now, Senator Fannin, as we sit here in 1972, of where we were back in 1938, 1939 when I first came to Washington in the unemployment field. Here we are sitting on top of 10 years' depression, and this is literally true. We had no systematic information on how many unemployed, who they were, where they were, their background, or their skills. I think one of the great things that happened at the end of that decade was the design of a systematic, collection of information so that you could have some recent intelligence to design programs. Now we do not have that on welfare.

As to exactly what to do, there are a variety of ways of doing it, just one example is indicated in our testimony. We might begin, for example, in an almost elementary way, Senator Fannin, by getting some kind of inventory or profile in each of the major areas: of how many people are on the rolls, some of the basic information about them, their education, their skill, and their manpower potential. This could be done, the records are there; I have spoken to many of the people who are receiving welfare, and they would like to see this opened up so people will begin to see the real facts instead of the mythology.

There are all these records, they are available in the major areas. We could take a sample of them; the technicians are available and the technology is there. We would begin to get some regular information that all of us could use.

This is one almost obvious step.

Senator FANNIN. I think you both present the case quite well as to the need for it and all, but we have had voluminous reports from HEW. I do not understand many of them because I just cannot believe them.

My own observation is so vastly different than what they present so I am searching for, and what we are all searching for is some way of having a research program that would be acceptable and recognized as unbiased and present the details to us.

Senator BENNETT. Mr. Chairman, that is a vote in the Senate, so I think we will all have to run. I think we can be back by about 11:30.

Mr. SCHLOTTERBECK. Senator, you might consider the GAO as a separate unit, or the Congressional Research Service completely responsible to Congress and set up by Congress.

Senator FANNIN. I would very much appreciate if you would give us some thought on it and drop a line on it.

Thank you very much.

Mr. SCHLOTTERBECK. Thank you.

(Prepared statements of the Chamber of Commerce witnesses and a communication subsequently received from Mr. McHenry follows. Hearing continues on p. 1441.)

STATEMENT FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES BY  
SEYMOUR L. WOLFBEIN, AND KARL T. SCHLOTTERBECK

My name is Seymour Wolfbein. I am Dean of the School of Business at Temple University. Currently, I am a member of the National Chamber's Special Committee on Welfare Programs and Income Maintenance and its Committee on Manpower Development.

Before joining Temple University, I worked for 25 years in the U.S. Department of Labor in various assignments. From 1962 to 1965 I was the Director of Manpower Development and Training. After that I served as Economic Advisor to Secretary of Labor Willard Wirtz.

My associate is Karl T. Schlotterbeck, who for several years was Economic Security Manager for the National Chamber. He is serving today as a consultant to the Chamber.

We are speaking today on behalf of the National Chamber, the world's largest federation of business enterprises and organizations. Its membership embraces 40,000 business enterprises, 3,000 trade and professional associations, and local and state chambers of commerce, with an underlying membership of approximately 5 million individuals and firms.

#### SUMMARY OF RECOMMENDATIONS

We urge rejection of those provisions in H.R. 1 which are proposed as a solution to the welfare problem. This proposal, billed as welfare reform, offers no solution to the welfare problem. Hence, much of the proposed additional spending would increase prospective deficits and would be futile.

We do recommend alternative actions which will make a start in solving the AFDC problem.

Training and job placement should be focused on those AFDC adults whose welfare payments are not competitive with job earnings.

Public service employment should be provided for AFDC adults when private jobs are not available.

Part-time public service employment for able-bodied AFDC adults with larger families should be available so they can earn a part, at least, of their welfare.

Free child care services should be made available to children in AFDC families when the adult family members participate in job training or employment programs.

Upgrading programs for the heads of working poor families should be initiated. This will assist them to rise to higher levels of income and also open up jobs for AFDC adults.

AFDC costs should continue to be shared between the federal and state governments. Federal regulations should be adjusted to enable every state to develop constructive innovations.

The 66 $\frac{2}{3}$  percent "tax rate" in the present AFDC program should be rescinded if Congress wishes to provide incentives for employment.

Congress should establish its own research advisory council. Only then can Congress be assured of needed basic knowledge, such as the real causes of family dependency on welfare, the overlapping of various programs, and the characteristics and manpower potential of AFDC family members.

#### BASIS FOR CHAMBER COMMENTS

Over the last several years, the Chamber has become increasingly concerned about the welfare problem, and about poverty. It has devoted progressively more of its resources to the study of these problems and a program of membership information.

In the course of this study, we have learned much about these programs. We have also learned how relatively little is actually known about the people on AFDC.

In considering this bill, this Committee will be shaping welfare policies which may well prevail for the next third of a century, as was the case when the Social Security Act of 1935 was written. Today, you have some advantage over your predecessors. Although today's knowledge about welfare dependency is admittedly meagre—in 1935, it was non-existent.

H.R. 1 is virtually a retread of last year's bill, H.R. 16311. The Secretary of Health, Education, and Welfare told this Committee last July 27 that H.R. 1 embodies the basic principles of welfare reform in the original proposal. We urged this Committee to reject that bill—and we repeat that recommendation about the welfare provisions in H.R. 1. They add up to a non-solution program.

Last Spring, the President said, "We need an entirely new approach that will reach the reasons for soaring welfare costs and not simply deal with the results

as we are now doing."<sup>1</sup> This statement about welfare reform has been amplified by Administration spokesmen, by the Ways and Means Committee, and by supporters in the House.

In this presentation, we will be concerned with the broad structure of the proposed reform program—not with the minutiae in the many provisions in H.R. 1.

First, we will present briefly the broad structure—a statement of the welfare problem, the purported causes, the objectives and proposals to be achieved and how—and finally, the projected results.

Second, we will analyze the validity of the stated causes, examine the relevance of the objectives to the causes, test the reasonableness of the means devised to help achieve them, and appraise the reliability of the promised success.

Third, we will offer some recommendations that would make a beginning in solving the welfare problem. Moreover, we will suggest some further investigation that could lay the basis for additional constructive action.

#### THE WELFARE REFORM PROPOSAL

Unless there is broad agreement on what is the welfare problem, various objectives could be proposed, and programs devised to achieve them—objectives and programs that could be incompatible and self-defeating.

##### *The Problem*

When H.R. 10311 was under consideration, the startling rise during the 1960's in the number of families dependent on welfare, and in costs, was the problem. Since then the much greater growth by the Spring of 1971 made welfare reform the number one domestic priority.

Referring to the sharp growth in the preceding 18 months, the Secretary of HEW told this Committee last July that "this exponential increase alone makes an overwhelming case for the replacement of the current welfare non-system." That is, growth in AFDC family caseload is the problem.

The public is concerned not just with the consequent rise in costs, but especially with the increase in the number of families not self-supporting. As this Committee well knows, these families are for the most part headed by mothers. Thus, an underlying concern is—what in our society are the causes for this sharp and continuing growth in the number of dependent families headed by mothers?

##### *The Causes*

Four explanations are advanced for this growth in family dependency on welfare.

First, the Administration contends that high welfare payments in some northern and western states have caused a great number of poor families to migrate from rural areas, especially from southern states, to these more liberal states just to get on welfare.

Second, they assert that the large welfare payments in these states have encouraged male-heads of working poor families to quit their jobs (or reduce their weekly earnings) to go on welfare for families with unemployed breadwinners (AFDC for Unemployed Parents).

Third, they state that these high welfare payments are a strong incentive to many a working-poor father to desert his wife and children when AFDC would provide them with more income than he can earn.

Fourth, certain detailed provisions in H.R. 1 identify another cause—fraud and other abuses.

These purported causes of AFDC growth provide the basis for several welfare reform proposals in H.R. 1.

##### *Objectives and Proposals*

In his statement before this Committee, the HEW Secretary has specified several objectives which this bill was intended to achieve. Naturally, the major objectives are to eliminate these causes of growth.

The first proposal is to establish a national minimum income floor for families with children, whose incomes are below a specified level. This level varies depending on family size.

These minimum income levels are very much greater than the AFDC payments now prevailing in several southern states. The objective is to eliminate the "strong incentive for poor families to migrate to higher welfare states."

<sup>1</sup> See, "Welfare Reform, A Fundamental Change of Direction," Excerpts of Remarks at the Republican Governors' Conference, April 19, 1971.



The second proposal is to establish work requirements for those family adults able to work. Every family adult applying for and found eligible for welfare must register and, if found employable, must take a job or training for a job. This work requirement would apply not only to mothers heading families (with certain exceptions), but especially to unemployed fathers heading poor families. The objective is to eliminate the second purported cause of AFDC growth—fathers quitting jobs or reducing work effort to get welfare.

The third proposal is to provide a strong work incentive. The bill provides that the first \$60 of monthly earnings and one-third of the remaining pay will be disregarded in determining eligibility for, and amount of, welfare benefits. For example, an eligible mother with three children would be entitled to \$200 a month in welfare. If employable and placed in a job paying, say, \$240 a month, she would have only \$120 of this counted and her welfare benefit would be \$80. Thus, her total monthly income would be \$320. The objective is to encourage these mothers to take a job—and, hopefully, to become self-supporting in the future.

Implementing the second and third proposals in relation to mothers on AFDC would deal not with a cause of welfare growth, but with reducing the current caseload.

A fourth proposal is to extend welfare eligibility to every family headed by a regularly employed father with relatively low income. Such fathers would be subject to the requirement to take a job. Since they are regularly employed, this requirement is irrelevant. But more importantly, it is contended they would benefit from the work incentive provisions whereby their earnings would be supplemented by a welfare payment. Under present law, such fathers are not eligible for AFDC in any state.

The objective of paying welfare supplements to such families is to eliminate the third alleged cause of AFDC growth—father desertion.

Another proposal is to raise incomes of working poor families headed by either a male or female, up toward, or even above, the poverty income level. In fact, families already above the poverty level could receive welfare supplements.

#### *Promised Results*

With these proposals, and with specific provisions in H.R. 1 to implement them, there would, of course, be an immediate increase in the family welfare caseload and in costs. There remains one question—would the growth in caseload be reversed? In the foreseeable future, would the aggregate costs be less than those of continued AFDC?

Spokesmen for H.R. 1 give firm assurances that within five years there would be a turn-down in costs—and in caseload, almost immediately—since the purported causes of AFDC growth would be eliminated. The work incentives would be of a kind and amount to encourage working poor family heads and employable AFDC adults to put out greater work effort and thus earn their way off welfare through their own efforts.

According to advocates of H.R. 1, "What you have in this bill, even though it may be an increase now, is the assurance that over the years welfare rolls will decrease . . . It holds the hope and the assurance that over the years the costs will decrease and the rolls will decrease . . ."<sup>2</sup>

#### ANALYSIS OF FAMILY WELFARE REFORM

The provisions in H.R. 1 to achieve a solution to the welfare problem are many, very detailed, and very complex. Taken as a whole, if they offered real promise of solving the problem, they should be supported. With unfolding experience, necessary adjustments could be adopted to strengthen the overall program.

We are mindful, however, of a candid appraisal of changes in public welfare in the past. One of the leading scholars and thought leaders in public welfare in this country observed in 1967 that:

"When contemplating the policies that have been applied in the past, and considering those which might be applied in the future, it is impossible not to be both impressed and depressed by the extent to which policy decisions are made and perpetuated on the basis of beliefs about facts rather than

<sup>2</sup> "Congressional Record," June 22, 1971, p. H. 5604.

tested knowledge, even in areas where it would not seem impossible or even difficult, to secure hard data . . . the sum total of our knowledge is meagre."<sup>3</sup> The proposed changes in public welfare policies are drastic and radical. Millions of people will be affected directly or indirectly. Government costs will be escalated. Consequently, the candor of this scholar is also an admonition—giving rise to several questions.

Is there agreement about the identification of the problem? Does available evidence verify the purported causes? Are all of the objectives in the bill clearly and directly related to eliminating these causes? Are the policy changes and other innovations for achieving these objectives reasonable? Does experience, or inductive research, validate these provisions? Are the projections of future experience reliable? In other words—will this reform proposal solve the welfare problem? What does "tested knowledge" reveal?

#### THE WELFARE PROBLEM

There would appear to be a consensus on the nature of the problem—growth of family dependence on welfare. When H.R. 1 was debated in the House, the Chairman of the Ways and Means Committee said:

"From the beginning of 1960 to the end of 1969, the AFDC rolls were increased by 4.4 million people, a 147% increase. The total cost of the program more than tripled, from \$1 billion in 1960 to about \$3.5 billion at the close of the decade of the 1960's. If the situation in welfare was alarming and in a state of crisis at the beginning of January 1970, the AFDC program is now completely, totally, out of control. The January 1971 expenditures for AFDC were \$482,423,000. That represents a 40.5% increase from January 1970, just one year. The number of AFDC recipients rose from 7.5 million in January 1970 to 9.8 million in January 1971—two and one quarter million people on AFDC in just one year."<sup>4</sup>

Since most of these people are in families headed by mothers, there is equal concern about this. "The exploding number of broken families which are becoming increasingly dependent on welfare for all their needs poses serious social problems."<sup>5</sup>

Thus—growth in family dependence on welfare, and in public costs for support are obverse sides of the same problem. And the facts do support this identification of the welfare problem.

#### VALIDITY OF THE PURPORTED CAUSES

##### *Migration Thesis*

Migration of poor families from rural areas, especially from southern states to northern states, and to one west coast state, in order to get their large welfare payments is believed to be a major cause of the problem. ". . . there is a great disparity of payments between the several states, which great difference has resulted in an influx of people into the northern industrial states from the southern states and Puerto Rico . . . In the legislation of H.R. 1, efforts were made to try to narrow the gap in this broad differential in order to discourage this migration and to even encourage some of the people to return home."<sup>6</sup>

The repeated assertion that high welfare payments have caused a large migration of poor people to get on welfare is only a belief about facts—and is refuted by available evidence. The special study of AFDC in New York City, requested by the Chairman of the Ways and Means Committee, found that "The current rise in the AFDC caseload (between the years 1966 and 1968) cannot be attributed to a recent increase in recipients who have migrated for calculated reasons."<sup>7</sup> This finding was verified by the monitoring team from the General Accounting Office.

<sup>3</sup> Evelyn M. Burns, "The Future Course of Public Welfare," a paper presented to the 1967 Arden House Conference on Public Welfare.

<sup>4</sup> "Congressional Record," June 21, 1971, p. H. 5538.

<sup>5</sup> "Social Security Amendments of 1971," H. Rept. 92-231, Committee on Ways and Means, 92d Cong., 1st Sess., p. 2.

<sup>6</sup> "Congressional Record," June 22, 1971, p. H. 5608.

<sup>7</sup> Committee on Ways and Means, "Report of Findings of Special Review of Aid to Families with Dependent Children in New York City," a study conducted jointly by the Department of HEW and the New York State Department of Social Services, 91st Cong., 1st Sess., p. 35.

Cook County, Illinois, had experienced a similar sharp and extensive growth in its AFDC caseload in the early 1960's. A study conducted in 1964 to determine the causes concluded that in-migration to get on welfare was not a significant factor in that growth.<sup>9</sup>

After the Supreme Court decision invalidating state residence requirements, Pennsylvania (with such a requirement) expected a subsequent influx of families from poorer states to get on welfare. According to a high official in its Department of Welfare, a continuing monthly check of new applications approved for those with less than one year residency in the state showed that the vast majority of such families came from four states, all of which made higher welfare payments. Virtually none came from the southern states.

We are not aware of any other studies with facts about this purported cause. But the evidence is clear that there has been a large movement of families from southern to northern states and to the west coast during the past two decades. If the high welfare payments did not cause this large movement, then why did hundreds of thousands of families leave their homes to go north or west?

Since 1950, there has been a technology revolution in agriculture. Greatly increased mechanization on the farm, vastly greater use of chemical fertilizers and insecticides, improved hybrid seeds, and, to some extent, soil bank programs, have all served greatly to increase agricultural production and to eliminate farm jobs. From 1950 through 1970, agricultural jobs declined from 7.2 million to 3.5 million, a large part of this in the south.

Naturally, these workers and families left the farms and moved to the cities. Where else could they have gone? And they moved to those cities where they believed jobs existed. Necessity and job opportunity—not high welfare payments—caused this migration.

#### *Work Deterrent Thesis*

Supporters of H.R. 1 contend that AFDC offers an incentive to male-heads of working poor families to quit their jobs and go on welfare. This is claimed to be a second cause of the problem. Some say that ". . . Any time the benefits paid in a state are greater than a man can earn in the way of income after taxes, he is going to quit work and go on welfare, or at least most of them . . . there is nothing fair about creating a situation where there is greater inducement for a person to be on welfare than having him continue to work."<sup>9</sup>

Others contend that ". . . in view of the substantial economic incentives the present program provides for welfare over work, the father of a low-income family is virtually required to choose welfare . . . The incentive to choose welfare over work is even greater in higher benefit states."<sup>10</sup>

The facts do not indicate that many fathers have responded to this "incentive" of AFDC to quit their jobs and go on welfare. There are 24 states paying AFDC to families with unemployed fathers. These 24 include 7 of the 10 highly industrialized states, each of which makes relatively large AFDC welfare payments. Despite such attractive incentives to quit, there were only 120,041 such families on AFDC as recently as September, 1971—or less than 5 percent of the total caseload of 2.8 million.<sup>11</sup>

Available data indicate that such unemployment and being on welfare were not a matter of free choice. The welfare amendments of 1961, establishing AFDC for a family in need when the father was unemployed, required that the father first register with the Employment Service and be available for work. The Employment Service was to make special effort to place him in a job. Thus, the Service knew which unemployed were on welfare and most needing jobs.

The most recent monthly data available (through December 1968)<sup>12</sup> show that, for every unemployed father on AFDC placed in a job by the Employment Service (and then immediately dropped from the AFDC rolls), at least 18 others (also registered with the Employment Service) successfully found regular employment through their own efforts and other resources. Had fathers in the latter

<sup>9</sup> See, "A Study to Determine the Employment Potential of Mothers Receiving Aid to Families with Dependent Children (1964), p. 16; "Parents of School Dropouts in Public Aid Families," (1967), p. 30. These two studies were prepared by the Cook County Department of Public Aid in cooperation with The Loyola University School of Social Work.

<sup>10</sup> See, "Congressional Record," June 21, 1971, p. H5544.

<sup>11</sup> The same, June 22, 1971, p. H5595.

<sup>12</sup> See, U.S. Department of HEW, "Public Assistance Statistics," NCSS Rept. A-2, December 20, 1971, tables 7 and 8.

<sup>13</sup> These data are no longer collected and compiled by the National Center for Social Studies in HEW.

group truly preferred being on AFDC, they could easily have remained on welfare for as much as two years longer merely by waiting for the Employment Service to find them jobs. Clearly, the choice of the great majority of such fathers was not to quit their jobs and to remain on welfare as long as they could.

### *Family Break-up Thesis*

A third cause of the problem is said to be that AFDC is an incentive to family break-up. This is another belief about facts refuted by available evidence. HEW contends that any father with low job-earnings (or a father with modest earnings but a larger family) is encouraged to desert his family if they would be better off on AFDC. This they say, explains the tremendous growth in AFDC. Others express similar beliefs:

"... the most serious thing of all we found was that there is a very definite incentive for family disintegration."<sup>13</sup>

"In most states, a family cannot receive welfare if there is a man living in the house, thereby forcing many fathers to desert just to give their families a chance to survive."<sup>14</sup>

A father with low income is faced with "severe economic pressures to leave his family. He finds himself in the untenable position of being able to assure that his wife and children are properly fed and clothed only if he leaves them."<sup>15</sup>

What are the facts? Comparable, detailed surveys of AFDC show that father-desertions accounted for 20.2% of the families (with living fathers) on AFDC in 1953—the low-point in the caseload since 1950. And it declined to 19.3% in 1967—and to 18.8% in 1969, then the caseload high-point since 1950. This decline has occurred while the aggregate AFDC caseload was growing prodigiously.

Moreover, the President's former Counsellor, Daniel P. Moynihan, completely disagrees with these assertions. He has stated that "... there are not five cents worth of research findings that the availability of AFDC payments does lead to family break-up."<sup>16</sup>

Curiously, however, in a separate memorandum, HEW subsequently admitted to the Ways and Means Committee that desertion is *not* triggered by the single factor of low income. (In fact, low income may be of minor significance.) HEW states that "... The factors that lead to desertion are complex."<sup>17</sup>

And, indeed, the factors must be complex. To illustrate, in New York City, families with unemployed fathers can get AFDC for the entire family—and those with working fathers, but "poor," can have their incomes supplemented by a state welfare program, so that they will be as well-off as they would be on AFDC. If the employed father receiving a state welfare supplement becomes unemployed, or deserts, the family is automatically shifted from the state-local welfare program to the federal-state-local AFDC program. Obviously, the "powerful economic incentive" for fathers to desert because their families would then be better off on AFDC—or to quit their jobs—has been removed. In essence, New York City has a modified family assistance program. It is, in a very real sense, an experimental program, and on a much vaster scale than the widely publicized experiment in New Jersey, financed by the Office of Economic Opportunity.

Thus, New York City experience with AFDC gives us a preview of what the national experience might be with a national program paying welfare supplements to working poor families headed by fathers.

From 1961 to 1967, the AFDC caseload increased 41 percent nationally—but 160 percent in New York City. In fact, New York City alone accounted for 86 percent of the national increase.

<sup>13</sup> "Congressional Record," June 21, 1971, p. H5538.

<sup>14</sup> The same, June 22, 1971, p. H5641.

<sup>15</sup> Committee on Ways and Means, "Social Security Amendments of 1971," H. Rept. 92-231, 92d Cong., 1st Sess., p. 160.

<sup>16</sup> Daniel P. Moynihan, "The Crisis in Welfare—The View from New York", a paper prepared for the 1967 Arden House Conference on Public Welfare.

<sup>17</sup> Hearings, "Social Security and Welfare Proposals," Committee on Ways and Means, 91st Cong., 1st Sess., p. 530.

Father-deserted families on AFDC increased 138 percent nationally, but 337 percent in New York City. The city actually contributed more than 60 percent of the increase for the entire country.<sup>18</sup>

A 1966 study of the AFDC problem in New York interviewed AFDC mothers who had been deserted. Most of these mothers reported that the desertions occurred after the families got on welfare—not before, as a means to qualify the family for welfare.<sup>19</sup>

We can only conclude from this New York experiment with a modified family assistance program that removal of this "powerful economic incentive" of AFDC for fathers to desert their families did not result in preventing father-desertions, but "desertion" actually was the largest single cause of the large AFDC growth in the city. Why should we expect different results if a welfare supplement program were adopted nationally?

The social tragedy of father-desertion has been grossly misrepresented as a major factor in the AFDC growth. Nevertheless, H.R. 1 proposes to initiate a new national program, chiefly to remove this so-called "powerful economic incentive" in AFDC for family break-up.

The national "risk" for fathers in working poor families to desert is infinitesimal. Between 1961 and 1967, there was a net increase of 65,000 father-deserted families on AFDC in the entire country. In 1961, there were 4,000,000 working poor families headed by males under 65 exposed to this "powerful economic incentive" to desert. By 1967, there were 2,700,000 such working poor families. Thus, between 1961 and 1967—when nearly 5,000,000 families might be regarded as subject to the risk of father-desertion—2,200,000 of these families rose above the poverty level. Meanwhile, only 65,000 families (net) were deserted by fathers and went on AFDC. And 40,000 of these 65,000 deserted families were in New York City alone, which had a modified family assistance program.

The facts clearly show that father-desertion has not been a major cause in the growth of the AFDC caseload. Moreover, the experience of New York City reveals clearly that supplementing low earnings of the father does not necessarily hold families together.

In summary, the advocates of the welfare reform in H.R. 1 have only speculated about the major causes of the problem—they have provided only beliefs about facts, but absolutely no supporting evidence. Actually, the available facts refute the validity of their contentions that these are the causes. Clearly, the welfare problem was not caused by:

1. Migration of poor families from southern rural areas to the north and the west coast *just to get on welfare*;
2. Fathers on AFDC-UP preferring welfare to jobs; and
3. AFDC being a powerful incentive to family break-up.

#### ANALYSIS OF OBJECTIVES AND PROPOSALS

Although these presumed causes are refuted by the facts, nevertheless the objectives of this proposal and the means proposed for achieving them should be examined. Specifically, are all the objectives directed to a solution of the problem? Are the means for achieving them reasonable? Does experience, or inductive research, give us confidence that the proposed new policies would solve the problem?

#### *Minimum Income Floor*

A national minimum income floor is proposed. This new policy is intended to minimize or eliminate the purported incentive for poor families to migrate. "A standard federal level would tend to inhibit whatever motivation people might have to move from an area with low welfare payments to an urban center with seemingly higher payment levels."<sup>20</sup>

<sup>18</sup> Committee on Ways and Means, "Report of Findings of Special Review of Aid to Families with Dependent Children in New York City," a report conducted jointly by the U.S. Department of HEW and the New York State Department of Social Services. This study was monitored by GAO. Table 6, p. 64, shows that the New York City AFDC caseload increased from 51,205 in 1961, to 133,001 in 1967—by 160 percent. Meanwhile, the deserted families on the AFDC caseload increased from 12,138 to 52,855—or by 337 percent. (Table 7, p. 65, gives similar data for the United States.)

<sup>19</sup> U.S. Department of HEW, "Welfare in Review," March-April 1968, for report on a research study by Professor Podell, financed by a HEW grant.

<sup>20</sup> Committee on Ways and Means, "Social Security Amendments of 1971," H. Rept. 92-231, 92d Cong., 1st Sess., p. 174.

Since AFDC-induced migration has been shown to be a very minor factor in this growth problem, a national income floor to attack it is of no moment. However, some would support such a floor—and at the proposed \$200 monthly level or higher—because they contend that anything less is totally inadequate for family needs in this, the most affluent country in the world. And prevailing four-person family AFDC payments are lower in 22 states—much lower in 7 of them.<sup>21</sup>

But what would be the effect of a \$200 monthly income floor—even with the \$67 monthly penalty for refusal to take training and/or a job? Such a family of four with \$133 welfare payment would be much better off in 5 states than under the present AFDC program. Here, the proposed national minimum floor would be a strong work disincentive. In 4 other states, such a family would be no worse off than now. The national minimum would thus serve as a work disincentive in those 4 states.

#### *Training and Work Requirement*

The objective of the requirement that family adults who are eligible and employable must take training and/or a job to receive a welfare supplement can best be considered with a third objective. This is the work incentive device of a welfare supplement to earnings, adjusted downward in amount with progressively higher earning levels.

The work requirement and the work incentive taken together are obviously designed to attack both the second purported cause of the problem—AFDC-induced unemployment—and also to reduce the existing caseload of employable AFDC mothers.

Although AFDC-induced unemployment has been shown to be insignificant, the work requirement is at least relevant to such unemployment. The work incentive of a graduated welfare supplement is another matter, and will be analyzed separately.

#### *Working Poor and Work Incentives*

A further provision of H.R. 1—making working poor families eligible for welfare—is intended to attack the third purported cause of welfare growth. This is the claimed incentive of AFDC for father-desertion. Here again, the work-incentive device is relied on to “hold families together.”

This “work incentive” is the heart of the welfare reform proposals in H.R. 1—as it was in last year's bill, H.R. 10311. Under the present bill, a family with “counted” earnings, and other income below a specific level, will receive a welfare payment. The specified level varies with family size. The welfare supplement is progressively smaller if earnings are higher, or increase. For example, a family head with three dependents and with no income would receive a federal welfare payment of \$200 a month (\$2,400 a year). If he, or she, takes a job, or has a job, and earns \$240 a month, the family would still receive a welfare payment. In determining the amount, the first \$60 of earnings, plus one-third of the remaining \$180—or \$60—would be disregarded, and only the remaining \$120 would be “counted.” The difference between this and the \$200 welfare floor—or \$80—would be the welfare supplement.

As can be seen from the above, the head of a four-person family earning only \$60 in a month (say one 40 hour week of work at \$1.50 an hour), would get \$200 in welfare, and his total income would be \$260. If he worked the other 3 weeks in the month (120 hours at the same rate of pay), he would get \$80 in welfare. And his total income would be \$320.

Should such family-head earn more, his welfare supplement is reduced accordingly. Finally, with earnings of \$360 a month, he would receive no supplement.

This device is ingenious—and crucial. The following statement is typical of many supporting this provision:

“The number one change we must make is to encourage work, and to remove the disincentives to work. We must accomplish this objective if we are going to find a solution to our present problems . . . I think what we start here is an attempt to restructure the program on the basis of a new philosophy . . . that no one will be better off on welfare than working . . . the incentive is to keep moving up the income scale, to maintain

<sup>21</sup> Committee on Finance, “Welfare Programs for Families,” material related to H.R. 1, 92d Cong., 1st Sess., table 11, pp. 44-45.

efforts to improve earnings . . . if he is successful in making additional money, he is going to be economically better off, his total income will increase."<sup>22</sup>

There in a nutshell is the belief in the efficacy of this device as a work incentive. A belief in how other people are motivated and would react!

The importance of this device cannot be over-emphasized. Once deeply imbedded in a national program directly affecting about 5 million family heads the first year, it would be difficult—if at all possible—to rescind the device at a later date, should it prove to be ineffectual, or should it prove to be a disincentive. Clearly, we need more than a sincere belief that it will encourage family heads to work harder, to work more, to improve their capabilities—and thus to work their way off welfare. We need proof—from experience, from inductive research.

#### *Results of Chamber Research*

For this reason, the National Chamber commissioned some research and analysis of very detailed family and income data for 1966. These data are from the Survey of Economic Opportunity carried out by the Bureau of the Census for the Office of Economic Opportunity. The results of this research and analysis by two well-known economists, Alfred and Dorothy Tella, have been published by the National Chamber as "The Effect of Three Income Maintenance Programs on Work Effort"—and they were made a part of the record of these hearings late in July, 1971.

A major purpose of this study was to determine the effect non-work income (in this case, a welfare supplement) has on the work incentive of a regularly employed working poor family head. As the Secretary of HEW told this Committee:

"To reward work is integral to the vitality of our national economy, to prevent erosion of the work incentive, we must do everything we can to ensure that a person is always better off working than non-working."

In this research, the Tellas concluded that welfare supplement plans with high "tax rates" on earnings of, say, 50 percent, or 66⅔ percent (as in H.R. 1), would result in reduction of 13 percent to 15 percent, and of 17 percent to 24 percent in work effort by regularly-employed working poor male family heads.

"Work reductions would occur primarily as the result of the high marginal tax rate on earnings imposed by the plans (50 percent or greater), although income supplementation alone would also lead to some decline in work effort."<sup>23</sup>

In other words, the high "tax rate" on earnings of a welfare supplement, as well as the supplement itself, would erode the work effort of working poor families. And for AFDC mothers who take jobs, the reduction of welfare benefits by \$2 for every \$3 of added earnings (a "tax rate" of 66⅔ percent) would effectively discourage greater work effort. They couldn't be expected to try to work their way off welfare.

Similar research on the effect of a 50 percent "tax rate" was completed by Rand Corporation for OEO. This analysis was specifically related to the provisions of the 1970 version of welfare reform (H.R. 16311). The analysis showed there would be a 19 percent reduction in work effort of male family heads.<sup>24</sup>

The recent interim report on the New Jersey Experiment verifies these inductive analyses. It reported a 12 percent reduction in work effort by families in the experimental group.<sup>25</sup>

Experience with the Social Security work test further validates the erosion of the work incentive resulting from a high "tax rate" on earnings. A study of beneficiaries aged 63-72 showed a sharp reduction in work effort when earnings reach the \$1200 earnings ceiling "taxed" at a zero rate, and additional earnings up to \$1700 were "taxed at a rate of 50 percent."<sup>26</sup>

These inductive analyses, and experience in the New Jersey experiment and with the Social Security work test, show conclusively that a work incentive device with a tax rate of 67 percent, as in H.R. 1, or of 50 percent in H.R. 16311, would defeat its objective.

<sup>22</sup> "Congressional Record," June 22, 1971, p. H5590.

<sup>23</sup> See, Alfred and Dorothy Tella, "The Effect of Three Income Maintenance Programs on Work Effort," p. 20.

<sup>24</sup> See, David H. Greenberg and Marvin Koters, "Income Guarantees and the Working Poor: The Effect of Income Maintenance Programs on the Hours of Work of Male Family Heads," a report prepared for the Office of Economic Opportunity, December 1970.

<sup>25</sup> See, "Further Preliminary Results of the New Jersey Graduated Work Incentive Experiment," May 1971, Office of Economic Opportunity, pp. 20-21.

<sup>26</sup> See, Kenneth G. Sander, "The Retirement Test: Its Effect on Older Workers' Earnings," Social Security Bulletin, June 1968.

A moderate "tax rate" on earnings of say 20 percent would result in a far greater number of working families receiving welfare supplements, at a prohibitively larger cost to government.

Clearly, a declining welfare supplement with progressively higher earnings would not be an effective work incentive device to help solve the welfare problem.

#### *Income Strategy*

Turning once again to objectives in this bill, there is another. This is to attack the poverty problem. The HEW Secretary described the income strategy in H.R. 1 to this Committee as "designed to provide the poor with what they need most to get out of poverty: money . . . For the first time, we have a real opportunity to draw together every practical means of assisting the poor to work their way out of poverty . . ."

This objective is totally extraneous to causes of the welfare problem and its solution. It would be true that any family lifting its income above the poverty level would, by the same token, not be on welfare. However, many a family could get off the welfare rolls by working, and still be below the poverty level.

Injecting the elimination of poverty as an objective of welfare reform introduces a new and needless dimension, and can only confuse the issue. The most pressing problem requiring a solution is growth of the family welfare program—AFDC.

#### *Reliability of Projected Results*

According to HEW, there would be an immediate initial rise in the family welfare caseload by virtue of adding the working poor. The caseload and costs would be much greater. However, the caseload would decline each year as families worked their way off welfare. And by 1976, the costs would decline to less than we would be paying for AFDC were it to continue its present growth pattern. These are the predictions by HEW—provided some later Congress does not raise the national minimum level or lower the "tax rate."

Now, how did HEW project a continuing decline in the caseload? And a crossover in costs by 1976? Are the projections based on assumptions as to the effectiveness of the work incentive device?

Actually, the decline in caseload and in costs is based solely on an assumption by HEW that wage and salary income will increase 6.3 percent annually.<sup>27</sup> Thus, the work incentive was not a factor in projecting the results.

The Social Security Actuary in HEW has projected a rise in average wages in covered employment of 5.2 percent in 1973, decreasing to 4.5 percent by 1977. The average yearly increase works out to 4.7 percent.<sup>28</sup> This projection is obviously subject to professional discipline, for it is the basis for establishing tax rates for Medicare. Consequently, no credence can be given to the 6.3 percent assumption, or to the promised success in turning around the family welfare caseload and costs.

#### *Conclusions*

The causes of the welfare problem identified by HEW are beliefs about facts. The available evidence refute these beliefs. At this juncture, we really don't know what are the underlying causes of the problem.

Proposals in H.R. 1—especially the work incentive device—to attack those beliefs about causes—could, if enacted, lay the basis for a vastly greater welfare problem in the years ahead. The work incentive device with a high "tax rate" would defeat its purpose.

Injecting the poverty problem into the welfare problem serves merely to confuse the public and accentuate the controversy in an already emotional issue.

HEW's projected results of the welfare reform are totally suspect. We do not need this political response to a real human problem with critical fiscal and economic overtones. We need to begin on a viable solution—even if we must begin with a relatively limited program.

#### RECOMMENDATIONS FOR ACTION

There are few domestic problems about which so great a consensus exists. It is a high priority issue, along with inflation—and ways and means must be

<sup>27</sup> Committee on Ways and Means, "Social Security Amendments of 1971," H. Rept. 92-231, 92d Cong., 1st Sess., table 8, p. 221.

<sup>28</sup> The same, table B, p. 141.



found to solve it. The Administration has made clear its great concern. Congressional leaders have expressed their firm and sincere intent to find a solution. Admittedly, the problem is vast, but they have indicated a willingness to commit many billions of dollars to programs intended to slow the welfare growth and, then, to reverse the upward trend in caseload. Guaranteeing availability of jobs on a vast scale in the public sector to supplement job openings in the private sector has received much Congressional support.

Such generous and sincere interest has created a new expectation by the public—that the AFDC welfare problem is susceptible of fairly quick solution, if sufficient government effort and public funds are committed. Many have come to have great faith in the omnipotence of the public purse for solving most any kind of problem, foreign or domestic—if only that purse is opened wide enough.

The welfare problem may not be one of these. Certainly, with our present lack of knowledge about many aspects of AFDC, no sound and acceptable solution on the grand scale has yet been advanced. But, we can make a start in a more limited manner, basing a program on what we do know, and recognizing what we can reasonably expect.

And what do we know? What can we reasonably expect?

For example, efforts to mechanize the production of tobacco may initiate a new wave of workers and their families from the farms to urban centers. Experience indicates they will not necessarily migrate to the nearest cities, but rather to those centers where they believe job opportunities are most promising.

We must expect the break-up of families in the future—some of whom will ultimately turn to welfare for help. Consequently, we will need a long-continuing program to help them become self-supporting.

Families will continually leave the AFDC rolls. Four out of ten now on AFDC will leave—and come back. But six out of ten will leave permanently.

Welfare payments for larger families in most states are more than competitive with pay in most entry jobs such as AFDC mothers might hold. But welfare for the smaller families—say, mothers with one or two children—is not competitive with entry-job pay in various occupations in many cities. In 1967, about 70 percent of all AFDC families received less than \$200 monthly in welfare.

The recent development of innovations in AFDC by two state governments reveals the distinct advantage of every state having a direct financial stake in family welfare.

With economic recovery, there will be ~~an~~ improvement in job opportunities in the private sector. There is a vast amount of needed community betterment work undone.

Both inductive research and experience clearly reveal that a welfare supplement with a high "tax rate" would be ineffective as a work incentive. A welfare supplement with a "tax rate" small enough to make the device a work incentive involves a cost this country cannot afford—certainly, not now.

We do not know now the major causes of the growth of family dependence on welfare.

However, we can make a beginning. We recommend:

First, concentrate training and job placement efforts on AFDC families whose welfare payments are substantially less than regular earnings in entry-jobs in the local labor market area. For the most part, this will mean focusing such efforts on mothers with one or two children. Most of these mothers will be young—but some will be in their middle years. But AFDC families with only one or two children account for about half the total caseload.

To implement this recommendation, an "inventory," or profile, of the manpower potential of AFDC recipients and dependents should be developed in every sizable community. This profile would provide essential information for efficient programming of job training, and for job replacement. Data should be compiled on such things as age and sex of the adults, their education and prior work experience, number of children and their ages, and the amount of the monthly grant paid to each family. The basic data are there in every community's welfare offices, and could readily be collected. Such data merely need to be organized for this purpose. An effective Job Bank operation would be an indispensable component for success in this proposed occupational rehabilitation program.

Second, provide public service employment for AFDC adults when private jobs are not available.

Third, open up part-time public service employment—especially community betterment jobs—for mothers of larger families, so they can earn part of their wel-

fare. Such part-time work will renew job-discipline for them—give them more recent work experience. For the time will come, when the size of their families and of their welfare payments has shrunk, and they could be placed in private employment.

Fourth, child care services should be made available to children in AFDC families. These services should be provided without charge when the adult family members participate in a job training or employment program. To facilitate the transition from welfare dependency to self-supporting employment, family contributions for the costs of child care during employment should be adjusted in accordance with ability to pay.

Fifth, initiate after-work training programs to upgrade the skills not only of heads of working poor families, but also of other adults with low earning power. Participation should be wholly voluntary. The skill-training offered should be directly related to local needs.

Sixth, AFDC costs should continue to be shared between federal and state governments. Not all innovative ideas originate in the executive bureaucracy in Washington. And experience shows that innovation still arises out of necessity—the necessity of controlling and reducing the squeeze of rising costs. How much better to have that squeeze occurring in more places than the National Capitol.

Seventh, because the present AFDC program contains a 66⅔ percent “tax rate,” we suggest that this provision be rescinded—if Congress wishes to provide incentives, not disincentives.

Finally, we can no longer afford the whimsy of fashioning a multi-billion dollar program based on belief about facts—random speculations about causes, about motivations of other people.

We need carefully structured research about the people on AFDC. For example, HEW says that 4 out of 10 families on AFDC will be back on the rolls a second time—or more. But this means 6 out of 10 families—once they get off AFDC—do not come back. How do they do it? There may be useful lessons to be learned from the successes of these 60 percent of AFDC families.

A high-level research council should be established to be responsible to, and report to Congress on the kinds of research needed. It should have the authority, for example, to make needed case record information available to reputable scholars and organizations for research directed toward solving the tragic human problems reflected by the vast growth of the AFDC population in the past decade. And, it should have the funds to finance such research. Then Congress would no longer be dependent on an information source which decides what knowledge will be acquired—and not acquired.

We can no longer afford to make and perpetuate new policies based on beliefs about facts—when such policies would directly affect so many Americans—and would cost so much.

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STATEMENT FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES BY WILLIAM P. MCHENRY, JR., ECONOMIC SECURITY MANAGER OF THE CHAMBER

The National Chamber appreciates this opportunity to express its views on the Social Security and Medicare provisions of H.R. 1. We intend to testify separately on the welfare provisions contained in the House-approved bill.

Our overall appraisal of the House bill is that it is an extraordinarily expensive “package.” As Table I shows, long-range average annual costs would be increased by \$13.4 billion. The cumulative tax increase, over the next six years, amounts to \$57 billion. Workers and employers would have to bear an oppressive tax burden.

After carefully studying the many provisions of this bill, we urge the Committee to:

- (1) Reject the 5 percent benefit increase. The benefit level currently is well ahead of the rise in living costs.
- (2) Reject those provisions in the bill calling for *automatic* increases in benefits, *automatic* increases in the taxable wage base, and *automatic* increases in the amount of “exempt” earnings under the retirement test.
- (3) Reject the special minimum benefit based on *presumed* “years of coverage.”
- (4) Reject the annual increment for delayed retirement.
- (5) Increase the amount of “exempt” earnings under the retirement test from \$1,680 to \$2,000 a year as a means of encouraging part-time employment by elderly persons.

(6) Reject the provision calling for additional "drop-out" years in the computation of benefits.

(7) Retain the present 6 month "waiting period" for disability benefits.

(8) Defer any extension of Medicare to the long-term disabled until the costs of the present program are under control.

(9) Maintain the taxable wage base at \$9,000 in 1972.

If these modifications are made, benefit costs can be pared by a long-range average of \$8.5 billion a year, with consequent reductions in tax rates on workers and employers in all future years. Furthermore, we believe it would be highly desirable to schedule future tax rate increases over the next 16 years—rather than 6 years—to avoid an unnecessary build-up in trust fund balances.

The underlying reasons for the Chamber's recommendations are analyzed in subsequent sections.

TABLE I.—Long-range average annual costs for social security and medicare provisions in H.R. 1<sup>1</sup>

Provision :	Average annual cost <sup>2</sup>
5-percent benefit increase-----	\$3.4
Additional drop-out years (prospective)-----	1.2
Age 62 point for men (prospective)-----	0.5
Earnings test changes-----	1.0
Widows benefits—100 percent of PIA at 65-----	1.3
Special minimum benefit-----	0.8
Election of actuarial reduction changes-----	0.8
Combined earnings (prospective)-----	1.1
Delayed retirement increment (prospective)-----	0.5
5-month disability waiting period-----	0.1
Miscellaneous changes-----	0.2
Medicare (HI) benefits for disabled-----	2.5
<b>Total-----</b>	<b>13.4</b>

<sup>1</sup> These estimates were developed by Robert J. Myers, professor of actuarial science, Temple University, and a member of the National Chamber's Social Security Committee. From 1947 to 1970, Mr. Myers was the chief actuary, Social Security Administration, U.S. Department of H.E.W.

<sup>2</sup> The "level-equivalent" annual costs are based on an estimated average \$650 billion taxable payroll for Social Security (OASDI) and \$540 billion for Medicare (HI). With a \$10,200 tax base, taxable payroll is estimated to be about \$490 billion currently.

#### ACROSS-THE-BOARD BENEFIT INCREASE

For many years, the National Chamber has supported the concept of periodic Congressional examination of all aspects of Social Security, including benefit levels, to determine whether adjustments in the program are needed.

It is apparent that, from time to time, changes in benefit amounts are required to assure that the great majority of elderly beneficiaries are not compelled to seek Old-Age Assistance for their ordinary expenses of living, and are not hurt by the effects of price inflation.

Section 101 of H.R. 1 provides for a 5 percent across-the-board increase in benefits, effective in June 1972. Under the bill, about 27 million people would get higher benefits, and approximately \$2.1 billion in additional payments would be made during fiscal year 1973.

On a long-range basis, the average annual cost of this change is estimated to be \$3.4 billion.

In the past 21 months, Congress has increased benefits twice—by over 25 percent in the aggregate. The 1969 Amendments, effective in January 1970, raised benefits by 15 percent. This year's Amendments increased benefits by 10 percent, effective January 1971.

These two increases, plus five earlier ones, have more than offset the effects of price inflation in the past 20 years. As Table II on page 4 shows, cumulative benefit increases enacted by Congress have exceeded 100 percent. During this period of time, the cumulative increase in prices amounted to 59 percent.

The record shows that Congress has maintained benefits well ahead of the rise in living costs. For this reason, the National Chamber sees no economic need for

another benefit increase at this time, and we recommend that Section 101 be deleted from the bill.

TABLE II.—RISE IN THE COST OF LIVING COMPARED WITH BENEFIT INCREASES APPROVED BY CONGRESS, DECEMBER 1950 TO JANUARY 1971

Month and year	Consumer Price Index <sup>1</sup> (1957-59 equals 100)	Cumulative price increase (percent)	Average monthly benefit workers who retired in 1950 <sup>2</sup>	Cumulative benefit increase (percent)
December 1950.....	87.1	.....	\$49.50	.....
September 1952.....	93.0	6.8	55.70	12.5
September 1954.....	93.5	7.3	60.70	22.6
January 1959.....	100.9	15.8	65.00	31.3
January 1965.....	108.9	25.0	69.60	40.6
February 1968.....	118.6	36.2	78.70	59.0
January 1970.....	131.8	51.3	90.60	83.0
January 1971.....	138.6	59.1	99.70	101.3

<sup>1</sup> Data from Bureau of Labor Statistics.

<sup>2</sup> Data for 1950-68 from Social Security Bulletin, Annual Statistical Supplement, 1969, table 13, p. 31. Data for 1970 from House Ways and Means Committee, Social Security Amendments of 1969, report 91-700, 91st Cong., 1st sess., p. 16.

<sup>3</sup> Estimate; based on 10 percent increase enacted under 1971 Social Security Amendments.

Note: Since 1950, Congress has enacted 7 general benefit increases: 12.5 percent under the 1952 amendments (effective September 1952); 9.0 percent under the 1954 amendments (effective September 1954); 7.1 percent under the 1958 amendments (effective January 1959); 7.1 percent under the 1965 amendments (effective January 1965); 13.1 percent under the 1967 amendments (effective February 1968); 15.1 percent under the 1969 amendments (effective January 1970); and 10.0 percent under the 1971 amendments (effective January 1971).

#### AUTOMATIC BENEFIT ESCALATOR

Section 102 provides for future automatic increases in benefits and in the amount of "exempt" annual earnings under the retirement test. Benefit payments would be increased whenever the cost of living, as measured by the Consumer Price Index, increased by at least 3 percent in a year (or, if earlier, since the last previous benefit change). Any increase would be effective in January of the following year.

However, the benefit escalator would not operate if a general benefit increase had become effective or had been enacted by Congress in the preceding year. This means, for example, that the proposed 5 percent benefit increase (effective in June 1972) would preclude an automatic increase until January 1974.

The bill does not include a provision to reduce benefits if the cost of living decreases in the future.

The advocates of an automatic benefit escalator contend that this provision is needed because:

(1) It is uncertain that Congress will act to increase benefits when such action is needed because of a rise in the cost of living;

(2) A benefit escalator will "depoliticize" this aspect of the Social Security program.

#### *Evaluating congressional performance*

The record shows that Congress will act with regularity on Social Security. Over the past 20 years, the Senate Finance and House Ways and Means Committees have held public hearings on Social Security no less than 15 times. As a result, benefit protection has been extended to most jobs; benefits have been increased and made easier to get; new kinds of benefits, such as payments for total disability and Medicare protection, have been added; and payroll taxes on workers and employers have been substantially increased to pay for the many changes.

Moreover, the facts demonstrate that benefit improvements, enacted by Congress, have surpassed the rise in living costs by a wide margin. Since 1950, the seven benefit increases, on a cumulative basis, have amounted to 101 percent as compared with a 59 percent rise in the price level. Thus, benefits have risen about 70 percent more than the cost of living.

It should be noted that the rise in benefit levels does not take into account the value of the many other changes made in the Social Security program by

Congress during that 20-year interval. One of the most important changes, when measured by the dollar value to the elderly, was the enactment of Medicare. The Department of Health, Education, and Welfare has estimated that the value of the non-cash benefits available under the Medicare program is about \$36 a month to each beneficiary. When this benefit value is added to the cash benefit amounts, as it certainly should be, it is evident that Congress has done much more than merely prevent aged beneficiaries from incurring any real loss in their aggregate benefit entitlement.

Perhaps even more significant than the action of Congress over the last 20 years is its performance since 1964. In the last 6 years, Congress has raised benefits on four occasions—in 1965, 1968, 1970 and 1971. These increases exceed 45 percent.

Whatever may have been the case in the comparatively distant past, recent Congresses have been prompt to act to assure that benefits were not watered down as a consequence of the inflation to which the entire nation has been subjected. There is no valid basis for including that future Congresses will be less responsive to upward movement in the cost of living.

#### *Removing social security from politics*

It has been asserted that substituting mechanical devices (i.e. benefit and wage base escalators) for the considered judgment of Congress would remove the issue of benefit increases designed to offset the effects of inflation from politics. This assertion gives rise to two questions:

- (1) Would such "depoltiticization" actually occur?
- (2) Would "depoltiticization" be desirable?

The House and Senate debates on the Social Security Amendments of 1970 (H.R. 17750) clearly indicate that the broad issue of benefit adequacy would not be "depoltiticized." Those who supported the benefit escalator stated unequivocally that the benefit escalator would not, and should not, preclude the need for further Congressional review of benefit levels. At most, the "depoltiticization" would be of a limited nature.

The desirability of even limited "depoltiticization" is open to serious question. Would it be in the best interests of Social Security beneficiaries and taxpayers who support the program? In a program as significant as Social Security, it is essential that the judgement of Congress be brought into play whenever changes are contemplated. In the final analysis, neither Social Security nor any other major governmental program which affects virtually the entire population, can be, or should be, removed from "politics," since to do so would remove it from any influence or control by the electorate.

#### *Inflationary Potential*

An automatic benefit escalator could, and almost certainly would, have wide ramifications. If this principle is established in Social Security, it inevitably will spread to many other public programs such as public assistance, unemployment compensation, workmen's compensation, state and local retirement systems; to private pension plans; to negotiated wage settlements; and, conceivably, to the entire wage structure.

The potential adverse consequences of a cost-of-living benefit escalator were recognized by several members of the 1971 Advisory Council on Social Security. Mr. Gabriel Hauge, Chairman of the Board, Manufacturers Hanover Trust Company, stated:

"The Council's recommendation that Social Security cash benefit levels be automatically adjusted upward to keep pace with the cost of living, leaves me with deep concern, because such automatic adjustment would make the control of price inflation even more difficult than it already is.

"One-eighth of the total population of the Nation, and fully 21 percent of the voting age population, receive retirement, survivors, or disability insurance benefits. To insulate so large a group from the cost of inflation with respect to their Social Security benefits would surely undermine the public's willingness to support the self-restraint and sometimes painful policies that are necessary to curb inflation. Of even more importance is the virtual certainty that the adoption of an 'escalator clause' for Social Security benefit payments would give additional support to the already insistent demands for inflation protection through escalation in a whole range of other private contracts. I do not see

how we, as a Nation, can wage a successful battle against inflation by automatically adjusting to it."<sup>1</sup>

In passing, it is interesting to note that the labor members of the Advisor Council did not place a high priority on an automatic benefit escalator. In fact, they conditioned their support for this provision on even further "substantial" benefit increases.<sup>2</sup>

We urge this Committee to reject an automatic benefit escalator for Social Security because it is unnecessary and unsound, and because it would have widespread adverse effects on other governmental and private programs.

A cost of living escalator seems especially inappropriate at a time when the federal government is engaged in an unprecedented peace-time program to halt inflation through wage and price controls.

#### AUTOMATIC WAGE BASE ESCALATOR

The automatic benefit escalator would be financed by automatic increases in the taxable wage base. Unlike last year's bill (H.R. 17550), an automatic increase in the tax base would take place *only* if there had been an automatic increase in benefits.

In the future, the taxable wage base would be raised in proportion to the increase in the level of average wages of workers covered by Social Security. Under the automatic adjustment procedure, the Social Security Administration estimates that the taxable wage base would be \$10,800 in 1974, \$11,700 in 1976, \$12,000 in 1978, \$14,100 in 1980, and ultimately rise to \$26,100 in the early 1990's.

We are opposed to an automatic wage base escalator for several reasons. First, the proposed financing is uncertain and inequitable. Second, Congressional taxing authority would be weakened. Finally, it would have an adverse effect on private pension plans integrated with Social Security.

#### Uncertain Financing

The wage base escalator is intended to fully finance any benefit costs that result from future increases of the cost-of-living benefit provision. However, in order to be self-financing, it is necessary for the rate of increase in the earnings level to be about twice the rise in the price level—in other words, if prices rise 3 percent a year, earnings will increase 6 percent a year.

An examination of recent trends in earnings and prices leads us to the conclusion that the automatic provision may be underfinanced. As Table III shows, between 1966 and 1970, the average increase in covered wages has been about 6 percent a year. During the same period of time, the cost of living has risen an average of 4.2 percent a year. Obviously, the earnings level has not risen twice as fast as prices.

TABLE III.—COMPARISON OF INCREASES IN AVERAGE WAGES AND COST OF LIVING

Year:	Increase over previous year (percent)	
	Average wages in covered employment	Cost of living
1966	4.4	2.8
1967	6.3	2.9
1968	7.0	4.2
1969	6.0	5.4
1970	6.2	5.9
Average, 1966-70	6.0	4.2

<sup>1</sup> Mr. Hauge's statement was concurred in by three other Council members: Charles A. Slegfried, Vice Chairman of the Board and Chairman of the Executive Committee, Metropolitan Life Insurance Company; Robert C. Tyson, Director, former Chairman of the Finance Committee, United States Steel Corporation; and Dwight L. Wilbur, M.D., Past President, American Medical Association. See, *Reports of the 1971 Advisory Council on Social Security, 1971, p. 135.*

<sup>2</sup> See, statement of Walter J. Burke, Secretary-Treasurer, United Steelworkers of America; Burt Seldman, Director, Department of Social Security, AFL-CIO; and Joseph P. Tonelli, President-Secretary, International Brotherhood of Pulp, Sulphite and Paper Mill Workers of the United States and Canada, *Reports of the 1971 Advisory Council on Social Security, 1971, pp. 128-29.*

Continuation of present trends in wages and prices indicates that Congress almost certainly would have to step in and raise taxes further because the wage base escalator would not produce the required revenue over the long run.

#### *Weakens congressional taxing authority*

Under the bill, the Secretary of Health, Education, and Welfare would be authorized to increase the taxable wage base—and hence the amount of taxes payable—to finance the automatic benefit escalator. These automatic increases would be based on the Secretary's determination of the extent to which average taxable wages of workers covered by Social Security have risen since 1972. The Secretary would be required to report (not later than August 15) each year to the House Ways and Means and Senate Finance Committees on the likelihood of "imminent action" under the automatic escalator provisions.

While these reporting procedures are intended to preserve some Congressional responsibility and control over taxes, the Chamber is still opposed to such a provision. Much of the public support for the Social Security program is based on the knowledge that the Congress carefully considers in *public hearings and executive sessions* any proposals to revise or increase taxes on workers and employers. If future tax increases are effected without this kind of responsible review, the confidence of both workers and employers in the program may be adversely affected. Whether taxpayers agree in every instance with the decisions of Congress is less significant than the fact that they have much more confidence in the judgement of responsible men than in decisions based on mechanical contrivances.

#### *Inequitable financing*

If the wage base escalator were to be adopted, it would mean that the added cost resulting from automatic increases in the amount of earnings taxed would not be shared by all workers and their employers. Rather, it would be financed by loading the added tax burden mainly on those workers who earn more than \$10,200 a year—and their employers.

This would be the first time in the history of Social Security that Congress financed a benefit change entirely through a wage base increase. On previous occasions, when Congress has raised benefits or made other program changes, the added costs were financed either by an increase in tax rates on all workers and their employers or by a combination of tax rate and wage base increases.

We believe it is inequitable to finance such benefit increases solely through increases in the taxable wage base.

#### *Impact on private pensions*

Congress has not considered the potential impact of the automatic benefit and wage base escalator provisions on private pension plans which mesh their benefits with Social Security payments.

Pension experts believe that the automatic provisions will create very serious problems for employers who integrate their pension plan benefits with the Social Security program. According to Edwin F. Boynton, Actuary, The Wyatt Company, a nationally-known employee benefits consulting firm:

"... the automatic wage base adjustment and cost-of-living increases will create completely chaotic conditions when it comes to designing integrated pension plans. If one stays with the present plan design, there will be a great deal of duplication of benefits on wage base earnings, which would result in higher and higher pension costs for the duplicate coverage."<sup>3</sup>

We recommend that this provision be deleted from the bill. However, if Congress decides to include an automatic benefit escalator in H.R. 1, then it should be financed by:

- (1) Using the "actuarial surplus" generated by future increases in the level of taxable earnings, and
- (2) Obtaining any remaining funds, on a 50/50 basis, from increases in tax rates and the taxable wage base.

#### SPECIAL MINIMUM BENEFIT PAYMENT

Section 103 of the bill provides for a special minimum payment for individuals who have ostensibly worked in covered employment at least 15 years. The benefit

<sup>3</sup> *Social Security vs. Private Pensions*, an address presented to the 24th Annual Conference of the Council on Employee Benefits, New York Hilton Hotel, October 8, 1970, p. 15.

would be equal to \$5 multiplied by the number of "years of coverage," not in excess of 30 years. Thus, a person with 20 "years of coverage" would be eligible for \$100 a month, while a person with 30 or more "years of coverage" would receive \$150.

Approximately \$30 million in additional benefits would be paid out during fiscal year 1973. However, the long-range average annual cost of this provision is substantial—an estimated \$800 million.

This proposal is in direct conflict with one of the basic principles insisted upon by past Congresses, approved by the National Chamber, endorsed by the AFL-CIO, and previously supported by the Department of Health, Education, and Welfare—that is, benefits should be wage-related. The principle of wage-relationship of benefits means that workers who earn more—and hence experience greater job income loss—stand to get a larger benefit.

The National Chamber opposes the special minimum benefit because it would seriously weaken this fundamental principle.

As this Committee knows, from 1939 to 1950, there was a provision in the Social Security Act under which each worker's primary insurance amount was increased by 1 percent for each year of covered employment credited the worker. The purpose was to raise the level of benefits for long-term workers. Congress decided that this was not an appropriate method of providing retired workers with higher benefits. Accordingly, the provision was removed from the law in 1950, and a new formula for computing benefits was adopted.

The special minimum payment would not benefit all workers. Instead, it would apply initially to only a select group of individuals—some 300,000 workers.

The Chamber's opposition to this proposal can best be summarized by reference to the 1939 Report of this Committee on pending Social Security Amendments (H.R. 6635). In that Report, the Committee pointed out:

"Since the objective of social insurance is to compensate for wage loss, it is imperative that benefits be reasonably related to the wages of the individual. This insures that the cost of the benefits will stay within reasonable limits and that the system will be flexible enough to meet the wide variations in earnings which exist."<sup>4</sup>

We believe the following examples illustrate that Section 103 of H.R. 1 would, if enacted, seriously weaken the principle of wage-related benefits. Example 1 shows that it is not necessary for a worker to actually have extremely long service under Social Security to qualify for a high benefit payment. Example 2 shows that Section 103 would discard the principle of payment of larger benefits to those workers who experience a greater job-income loss.

*Example 1.*—Worker A—21 years of employment; average monthly earnings of \$108. Retired at end of 1966, at age 65, on a benefit of \$68.50 a month.

Section 103 provides that to obtain 14 "years of coverage" during 1937 to 1950, a worker only needs total wage credits of \$12,600. Thus, worker A with annual earnings of \$2,600 in *any* five years between 1937 through 1950 would be credited with 14 years of coverage. Worker A goes to work for the Federal government in 1951, but works part-time in covered employment at \$1,300 a year until the end of 1966 when he retires. Today, as a result of benefit increases enacted by Congress, this worker is getting \$98.20 a month—91 percent of his pre-retirement earnings. Under Section 103, his benefit would be raised to \$150 a month—39 percent more than he made on the job—despite the fact that he only had 21 years of regular employment.

*Example 2.*—Worker A—30 years of employment; average monthly earnings of \$100. Worker B—17 years of employment; average monthly earnings of \$200. Both workers retired at the end of 1966, at age 65. Worker A's benefit was \$63.20 a month; Worker B's benefit was \$89.90 per month because his average monthly earnings were 100 percent higher than Worker A's.

Under present law, as a result of benefit increases enacted by Congress, Worker A is receiving \$90.60 a month. Worker A had total wage credits of \$16,600 during the 14-year period from 1937 through 1950, and his earnings were not less than 25 percent of the wage base in each year from 1951 through 1966.<sup>5</sup> Under Section

<sup>4</sup> *Social Security Act Amendments of 1939*, Senate Report No. 734, 76th Congress, 1st Sess., p. 10.

<sup>5</sup> The maximum taxable base from 1951-66 was: \$3,600, 1951-54; \$4,200, 1955-58; \$4,800, 1959-65; 1966, \$6,600. The worker would receive credit for a year of coverage based on the following annual earnings during this 16 year period: \$600, 1951-54; \$1,050, 1955-58; \$1,200, 1959-65; and \$1,650, 1966.



103, Worker A's benefit would be raised 65 percent to \$150 a month since he had 30 "years of coverage."

Under present law, Worker B receives \$128.60 a month. Under H.R. 1, his benefit would be raised 5.1 percent, to \$135.10 a month. Thus, despite the fact that Worker B's earnings loss was twice as great as Worker A's, he would receive a much smaller benefit. This example shows how this proposal would undermine Social Security as a job-income loss program based on wage-related benefits.

We recommend that Section 103 be deleted from this bill.

#### ANNUAL INCREASE FOR DELAYED RETIREMENT

Section 106 provides for an annual increase in benefits for those aged who continue working. The primary benefit would be increased one percent for each year of employment after age 65 and up to age 72. This provision would be effective in 1972, on a prospective basis.

An estimated \$11 million in benefits would be paid out during the first year. On a long-range basis, the average annual cost of this provision is much higher—about \$500 million.

This proposal raises several issues for consideration:

- (1) Would an annual increment be a useful device in slowing down early retirement?
- (2) Would it serve as an incentive to attract elderly persons back into the employment market?
- (3) Is a delayed retirement increment needed?

#### Early retirement trends

Under existing law, a worker can retire at age 65 on a full benefit, or as early as age 62, on a permanently reduced benefit. At age 62, the actuarial reduction is 20 percent. The early retirement provisions were enacted in 1956 for women, and in 1961 for men.

Presently, a very substantial number of retired-worker beneficiaries are receiving reduced benefits. In March 1971, for example, about 46 percent of the 13.5 million retired-worker beneficiaries had their benefits reduced because they chose to retire early. This compares with 2.2 percent and 16.3 percent of the beneficiaries who were receiving reduced benefits in December 1956 and December 1961.<sup>6</sup>

A study of new benefit awards for July-December 1968 indicates that there are a variety of reasons why male beneficiaries retire before age 65.<sup>7</sup> As Table IV shows, 54 percent of the men retired because of health—either a specific illness or disability, an accident or injury, or poor health in general. This is closely followed by job-related reasons—that is, such things as job discontinuation or layoffs; 20 percent of the beneficiaries fell into this category. Finally, 17 percent of the men wanted to retire before age 65.

Table IV.—Reasons cited by male beneficiaries, aged 62-64, explaining early retirement

Reason:	Percent
Health.....	54
Job-Related.....	20
Wanted to Retire.....	17
General Retirement Age.....	5
Miscellaneous.....	4
Total.....	100

Statistics on new retirement benefit awards indicate that a majority of workers retire before age 65. For example, the proportion of reduced benefits awarded (as a percentages of all awards moving to payment status) has been about 60-62 percent in recent years.<sup>8</sup>

These facts indicate that an annual increment for delayed retirement will probably have little, if any, appreciable effect on slowing down the large number of beneficiaries who retire at age 65 or earlier.

<sup>6</sup> U.S. Department of H.E.W., *Social Security Bulletin*, September 1971, Table Q-5, p. 58.

<sup>7</sup> See, Virginia Reno, "Why Men Stop Working at or Before Age 65: Findings from the Survey of New Beneficiaries," *Social Security Bulletin*, June 1971, Table A, p. 5.

<sup>8</sup> U.S. Department of H.E.W., *The Same*, September 1971, Table Q-6, p. 59.

### *Employment incentive*

Most elderly persons are not working. In May 1970, the U.S. Department of Labor reported that about 16.1 million men and women, 65 years of age and over, were *not* in the labor force. Of the estimated 3.2 million elderly who were in the labor force, about 3.1 million were employed and 97,000 unemployed. Most of the employed group (86 percent) had jobs in non-agricultural industries.<sup>9</sup>

Would an increased benefit serve as an incentive to encourage more persons 65 and over to postpone retirement and continue working?

There is no information in the House Ways and Means Committee report to indicate whether the 400,000 persons who are expected to qualify for higher benefits under this provision in the first year of operation are *not* now in the labor force. However, we doubt that a benefit increase of 1 percent per year is a strong enough inducement to persuade persons 65 and over to return to the labor force or to continue working.

Data on the number of persons expected to qualify for benefits under the retirement test strongly suggests that most, if not all, of the 400,000 are already employed. The delayed retirement increment will not be an employment incentive, but just a device to raise benefits for people who are already working. Obviously, when these persons do retire, they will have no social need for larger benefits because they worked longer.

### *Is it needed?*

Existing law already contains two provisions which serve to encourage employment among the elderly.

The first is an automatic recomputation of benefits for those persons who continue to work after age 65. If the person's earnings then exceed his previous pay, then the retirement benefit will be increased. Naturally, a recomputation never decreases the retirement benefit.

The annual amount of "exempt" earnings under the retirement test also serves as a device to encourage employment by elderly persons. A 1968 study of the Social Security Administration indicates that quite often the key factor in determining how much work a "retired" beneficiary undertakes is the annual amount of "exempt" earnings—whether it is \$1,200 as in 1963, or \$1,680 as at present, or \$2,000 as proposed in H.R. 1.<sup>10</sup>

More recent information from the 1968 Survey of New Beneficiaries confirms the earlier findings. According to the Social Security Administration:

"The high concentration for all beneficiaries with payable awards (reduced and full) at earnings of \$1,680 or less is further evidence that some recent awardees make a conscious effort to control the amount of their earnings to continue to receive all or part of their social security benefits . . . those who are self-employed can more easily control the amount of their work. Many who work in highly seasonal occupations or industries may have actually earned as much as they could.

"To the extent that earnings are controllable, workers could be expected to respond to an increase in the maximum amount of earnings allowed under the retirement test by earning higher amounts with which to supplement their social security benefits."<sup>11</sup>

We recommend that the delayed retirement increment be deleted from the bill. The increase in the amount of "exempt" earnings to \$2,000 a year and the elimination of the dollar-for-dollar benefit withholding provisions are far more likely to encourage beneficiaries to do additional work or take a job at higher pay.

### MODIFICATIONS IN THE RETIREMENT TEST

Social Security benefits are intended to provide regular cash payments to a worker when he has withdrawn from the labor force because of age or total and permanent disability.

The so-called retirement test is the basis for determining whether a beneficiary has substantially retired from the labor force or is continuing to support himself by working.

Under present law, a beneficiary can earn \$1,680 a year and still receive all his benefits; these are called "exempt earnings." For earning between \$1,600 and

<sup>9</sup> U.S. Department of Labor, *Employment and Earnings*, June 1971, Table A-3, A-17, and A-25, pp. 21-22, 31, 37-38.

<sup>10</sup> See Kenneth G. Sander, "The Retirement Test: Its Effect on Older Workers' Earnings," *Social Security Bulletin*, June 1968.

<sup>11</sup> See Patience Lauriat and William Rabin, "Men Who Claim Benefits Before Age 65: Findings from the Survey of New Beneficiaries, 1968," *Social Security Bulletin*, November 1970, p. 16.

\$2,880, one dollar in benefits is withheld for every two dollars of earnings. If a worker makes more than \$2,880, one dollar in benefits is withheld for every dollar of earnings.

H.R. 1 would make three changes in present law :

(1) The annual amount of "exempt" earnings would be increased from \$1,680 to \$2,000 in 1972;

(2) For earnings in excess of \$2,000 a year, one dollar of benefits would be withheld for every two dollars of job earnings;

(3) The annual amount of "exempt" earnings would be *automatically* raised in the future as average taxable wages rise.

We endorse the increase in the annual amount of "exempt" earnings from \$1,680 to \$2,000, and the elimination of the dollar-for-dollar withholding provision. These changes should help encourage part-time work among the relatively few elderly persons who are able to do so.

On the other hand, we are opposed to the automatic upward adjustment of the "exempt" earnings amount under the escalator provisions set forth in Section 102. Revision of any element of the Social Security program should be made only after Congress has evaluated the advisability of such a change, at the time the change is being considered, and in the light of then existing conditions.

#### ADDITIONAL DROP-OUT YEARS

Under present law, benefits payable to a worker, his dependents or survivors, are based on his average monthly earnings record in covered employment. The time span used in determining average monthly earnings is from 1951 up to the year in which the worker reaches age 65 (age 62 for women), becomes disabled, or dies. Five years of low or no earnings are eliminated in determining the worker's earnings record. This "drop-out" raises the average and produces a higher benefit.

Section 108 of H.R. 1 would provide an additional "drop-out" year for each 15 "years of coverage", starting in 1972. A "year of coverage" would be defined as it would be under the so-called special minimum benefit—namely, on a *presumptive* basis for the 14 year period from 1937 to 1950 and on a year-by-year basis from 1951 on.

The Social Security Administration estimates that approximately \$17 million in benefits would be paid out in the first year. On a long-range basis, however, the average annual cost would be substantial—about \$1.2 billion.

We are opposed to this provision because it represents a "back-door" approach to increasing benefits. Furthermore, there is no need for another increase, back-door or otherwise, because benefits are substantially ahead of the rise in the cost of living. We recommend that Section 108 be deleted from the bill.

#### DISABILITY WAITING PERIOD

Under present law, monthly benefits are payable to disabled workers under age 65 with long-term total disabilities. There is a six-month "waiting period" for benefits.

Section 122 would reduce the "waiting period" from 6 months to 5 months, effective January 1, 1972. There would be no change in the definition of disability.

An estimated \$105 million in benefits would be paid out in the first year. On a long-range basis, the average annual cost would be approximately \$100 million.

We recommend that the present 6 month "waiting period" be retained. The facts show that the Social Security Administration needs a substantial amount of time to process claims and to make a medical determination of disability. For March 1971, the median processing time for disability insurance awards was 98 days. Since June 30, 1968, median processing time, in calendar days, has risen 26 percent.<sup>12</sup>

Furthermore, reduction in the "waiting period" tends to move the Social Security program in the direction of covering short-term disability—an area now served by private enterprise. In 1969, about 63 percent of all workers in private industry were protected against short-term disability under either voluntary or compulsory income maintenance programs. Another 10 million employees in federal, state and local government had protection against this risk through formal

<sup>12</sup> Hearings, *Departments of Labor and Health, Education, and Welfare Appropriations for 1972*, House Subcommittee on Appropriations, Part IV, 92nd Cong., 1st Sess., p. 852.

sick leave arrangements. Overall, about 66 percent of all wage and salary workers had coverage against short-term disability in 1969.<sup>13</sup>

#### MEDICARE AMENDMENTS

H.R. 1 proposes sharp increases in Medicare (Hospital Insurance) payroll taxes to correct the deficit in the present program, and to finance an expansion to cover the long-term disabled under age 65. Combined employer-employee payroll taxes would be increased from 1.2 percent in 1971 to 2.4 percent in 1972, and to 2.6 percent in 1977. The taxable wage base would be increased from \$9,000 to \$10,200 in 1972. In the future, additional tax money would probably be channeled into the program on a continuing basis via *automatic* increases in the taxable wage base beginning in 1974.

#### *Rising costs of medicare*

The latest cost estimates for Medicare (Hospital Insurance) show that the program is still in serious financial difficulty. Information submitted to the Finance Committee by the Social Security Administration actuaries shows that the Hospital Insurance Trust Fund will be exhausted in 1973. On a long-range basis (over the next 25 years), the "level-cost" of benefits, on a \$9,000 wage base, is estimated to be 2.89 percent of taxable payroll. The "level-equivalent" of taxes works out to 1.54 percent—leaving a deficit of 1.35 percent. Thus, "tax take" will need to be increased by 88 percent to put the program on a self-sustaining basis over the next 25 years.<sup>14</sup>

#### *Extension to the disabled*

Section 201 would extend Medicare protection (Hospital Insurance and Supplementary Medical Insurance) to 1.5 million disabled Social Security and Railroad Retirement beneficiaries. The covered group would include disabled workers under age 65, disabled widows and widowers between the ages of 50 and 65, and people 18 and over who became disabled before age 22.

Under the House bill, only the long-term disabled would be eligible for benefits; in order to qualify, a person would have to be on the disability rolls for 25 consecutive months.

About \$1.8 billion in benefits would be paid during the first full year of operation. On a "long-range" basis, the average annual cost of this expansion is estimated to be \$2.5 billion.

#### *Recommendations*

The first five years' experience with Medicare confirms our earlier conviction that it is virtually impossible to develop reliable long-range cost estimates for a program that pays for services. However, the facts show that the Medicare (Hospital Insurance) program must have more tax revenues immediately if it is going to meet its commitments. We are opposed to an increase in the taxable wage base, automatic or otherwise, to accomplish this objective. Instead, we recommend that Congress raise Hospital Insurance tax rates to provide an immediate solution to the revenue problem. A proposed schedule of tax rates for both the Hospital Insurance program and Social Security cash benefits program is discussed in the section on Financing.

On the other hand, the continuing difficulties with the present program argue against any proposed expansion at this time. No one knows whether the current actuarial cost estimates are any more reliable than earlier projections. For this reason, we recommend that Congress defer any expansion until taxpayers can be assured that the costs of the present program are under control.

#### FINANCING SOCIAL SECURITY AND MEDICARE

H.R. 1 would be financed by increasing *both* the taxable wage base and tax rates. The tax base would be increased from \$9,000 to \$10,200 in 1972. Combined tax rates on employers and employees would rise from 10.4 percent this year to 10.8 percent in 1972, with steep increases over the next several years to a combined rate of 14.8 percent in 1977. Under present law, the combined employer-employee rate is scheduled to rise to 12.1 percent in 1987 and after.

<sup>13</sup> See Daniel N. Price, "Cash Benefits for Short-term Sickness, 1948-69," *Social Security Bulletin*, January 1971, p. 22.

<sup>14</sup> The Social Security Administration submitted two cost estimates to the Finance Committee. Under the first, which assumes a \$9,000 taxable wage base, the deficit is 1.35 percent of taxable payroll. The second estimate, which assumes that the tax base will be automatically increased to keep up to the general earnings level, shows a deficit of 0.62 percent of taxable payroll.

Table V compares Social Security and Medicare taxes, for both employees and employers, under present law with those proposed in H.R. 1. Maximum combined taxes are scheduled to rise, under present law, from \$811 in 1971 to \$936 in 1972, and eventually to \$1,089. Under H.R. 1, on the other hand, the maximum combined tax will rise to \$1,102 in 1972 and to significantly higher amounts later on as a result of the automatic wage base escalator. It is estimated that the maximum combined tax will be \$1,339 in 1975, \$2,087 in 1980, \$2,486 in 1985, and will eventually rise to \$3,863.

#### Taxable wage base

The Social Security Amendments enacted last March provided for an increase in the taxable wage base from \$7,800 in 1971 to \$9,000, effective in 1972. When Congress raised the taxable wage base to \$7,800 in 1968, it was about \$1,000 above the median earnings of regularly employed male workers. Today, it is estimated that the \$7,800 wage base is about \$250 below median earnings of regularly employed male workers.

TABLE V.—SOCIAL SECURITY AND MEDICARE TAXES—PRESENT LAW COMPARED WITH HOUSE-PASSED SOCIAL SECURITY BILL (H.R. 1)

Year:	Employee-employer tax rate <sup>1</sup>		Taxable wage base		Maximum combined taxes <sup>2</sup>	
	Present law (percent)	H.R. 1 (percent)	Present Law	H.R. 1 <sup>3</sup>	Present Law	H.R. 1 <sup>3</sup>
	1971	10.4	10.4	\$7,800	\$7,800	\$811.20
1972	10.4	10.8	9,000	10,200	936.00	1,101.60
1973	11.3	10.8	9,000	10,200	1,017.00	1,101.60
1974	11.3	10.8	9,000	10,800	1,017.00	1,166.40
1975	11.3	12.4	9,000	10,800	1,017.00	1,339.20
1976	11.4	12.4	9,000	11,700	1,053.00	1,450.80
1977	11.4	14.8	9,000	11,700	1,053.00	1,731.60
1978-79	11.4	14.8	9,000	12,900	1,053.00	1,909.20
1980	11.9	14.8	9,000	14,100	1,071.00	2,086.80
1985	11.9	14.8	9,000	16,800	1,071.00	2,486.40
1990	12.1	14.8	9,000	21,900	1,089.00	3,241.20
1995	12.1	14.8	9,000	26,100	1,089.00	3,862.80

<sup>1</sup> Combined employer-employee tax rates for social security and medicare (hospital insurance).

<sup>2</sup> Maximum combined taxes for both employer and employee.

<sup>3</sup> H.R. 1 calls for initial increase in the taxable wage base from \$9,000 to \$10,200 in 1972. All subsequent increases, beginning with 1974, will be made in accordance with a formula based on estimated increases in average taxable wages. The Secretary of HEW, not the Congress, will determine how much to raise the taxable wage base. Estimated figures for taxable wage base from 1974 on, obtained from Office of the Actuary, Social Security Administration.

TABLE VI.—COMPARISON OF SOCIAL SECURITY TAXABLE WAGE BASE WITH MEDIAN ANNUAL EARNINGS OF "REGULARLY EMPLOYED WORKERS," 1960-75<sup>1</sup>

Year	Taxable wage base <sup>2</sup>	Median annual earnings <sup>3</sup>	
		Men	Women
1960	\$4,800	\$4,837	\$2,706
1961	4,800	4,950	2,776
1962	4,800	5,139	2,876
1963	4,800	5,298	2,956
1964	4,800	5,629	3,063
1965	4,800	5,739	3,168
1966	6,600	6,124	3,338
1967	6,600	6,360	3,510
1968	7,800	6,820	3,770
1969	7,800	7,340	4,010
1970	7,800	7,689	4,190
1971	7,800	8,055	4,378
1972	10,200	8,438	4,574
1973	10,200	8,840	4,779
1974	10,800	9,261	4,993
1975	10,800	9,702	5,217

<sup>1</sup> Data for 1960-69 obtained from U.S. Department of Health, Education, and Welfare, Social Security Bulletin, Annual Statistical Supplement, 1969, table 36, p. 51. "Regularly employed workers" refers to 4-quarter wage and salary workers covered by social security.

<sup>2</sup> H.R. 1 calls for an initial increase in the taxable wage base from \$9,000 to \$10,200 effective in 1972. All subsequent increases, beginning in 1974, will be made in accordance with estimated increases, as determined by the Secretary of HEW, in average taxable wages of workers covered by social security; 1974-75 base estimated.

<sup>3</sup> Growth in median annual earnings estimates from 1970 through 1975. Projection based on average annual increase in earnings from 1960 through 1969.

Median earnings of regularly employed male workers is a reasonable yardstick to use in considering whether or not a wage base change is necessary. This guideline will ensure that half of all regularly employed male workers have their total earnings protected under the program. At the same time, it will allow the other half of the workers, who have some earnings not taxed, to use a greater proportion of their pay to save or spend, as they choose.

As Table VI shows, the \$9,000 wage base under present law appears adequate for the next several years. Congress should not consider any change in the wage base for tax or benefit purposes until 1974. We recommend that the taxable wage base be maintained at \$9,000.

#### *Tax rate increases*

As this Committee knows, the National Chamber has consistently supported maintaining the Social Security and Hospital Insurance programs on a self-sustaining basis solely from payroll taxes on covered workers and employers. We continue to support that fundamental principle.

We think, however, that H.R. 1 is an extraordinarily expensive "package" because it proposes to add \$18.4 billion in average long-range annual costs to the present program. It proposes an oppressive tax burden on workers and employers.

In 1972, taxes on workers and employers would be increased \$4.2 billion. As Table VII shows, the cumulative tax increase over the next six years would amount to \$57 billion.

TABLE VII.—SOCIAL SECURITY AND MEDICARE TAX TAKE, PRESENT LAW COMPARED WITH H.R. 1, 1971-77<sup>1</sup>

[In billions]

Year—	Present law	H.R. 1	Increase
1971.....	\$45.0	\$45.0	.....
1972.....	51.3	55.6	\$4.2
1973.....	59.1	59.5	.4
1974.....	62.5	63.7	1.2
1975.....	65.6	76.2	10.6
1976.....	70.8	82.7	11.9
1977.....	74.2	102.9	28.7
Cumulative increase.....			\$57.0

<sup>1</sup> House Ways and Means Committee, Social Security Amendments of 1971, report 92-231, 92d Cong., 1st sess., pp. 132 and 143; and Social Security Administration, Office of the Actuary.

The Finance Committee should substantially reduce the costs of H.R. 1 by eliminating the 5 percent benefit increase and the other provisions which we have noted. If these modifications are made, long-range average annual benefit costs can be pared by \$8.5 billion, with consequent reductions in tax rates. Furthermore, future tax rate increases should be scheduled over the next 16 years, rather than 6 years, to avoid an unnecessary build-up in the trust funds.

Table VIII below, compares combined employer-employee Social Security and Medicare (HI) tax rates in H.R. 1 with the schedule recommended by the National Chamber. Our recommendations would result in much lower taxes on workers and business in all future years.

TABLE VIII.—SCHEDULE OF SOCIAL SECURITY AND MEDICARE (HI) TAX RATES FOR H.R. 1 AND MODIFICATIONS THEREOF<sup>1</sup>

[Combined employer-employee rates, percent]

Years—	H.R. 1 benefits and modifications of H.R. 1 Modification of		
	H.R. 1 tax base of \$10,200	H.R. 1 tax base of \$9,000 <sup>2</sup>	Difference
1971.....	10.4	10.4	.....
1972-74.....	10.8	10.4	+0.4
1975-76.....	12.4	11.0	+1.4
1977.....	14.8	11.0	+3.8
1978-80.....	14.8	11.8	+3.0
1981-83.....	14.8	12.6	+2.2
1984-86.....	14.8	13.4	+1.4
1987 and after.....	14.8	14.2	+ .6

<sup>1</sup> These tax schedules were developed by Robert J. Myers, professor of actuarial science, Temple University, and a member of the National Chamber's Social Security Committee. From 1947 to 1970, Mr. Myers was the Chief Actuary, Social Security Administration, U.S. Department of Health, Education, and Welfare.

<sup>2</sup> Modification of H.R. 1 eliminates \$10,200 tax base, 5 percent benefit increase, 5 month "waiting period" for disability benefits, special minimum benefit based on "years of coverage," additional dropout years, delayed retirement increment, and extension of hospital insurance benefits to disabled persons under age 65.

If the Finance Committee does not decide to reduce the costs of H.R. 1 in accordance with our recommendations, it is still possible to ease the tax burden on workers and employers over the next several years. Future tax rate increases should be scheduled to maintain trust fund balances about equal to one-year's benefit payments. This would result in lower taxes on business and workers over the next 12 years.

Table IX compares the combined employer-employee Social Security and Medicare (HI) tax rates in H.R. 1 with an equivalent alternative schedule designed to finance the provisions of H.R. 1 as passed by the House.

TABLE IX.—SCHEDULE OF SOCIAL SECURITY AND MEDICARE (HI) TAX RATES FOR H.R. 1 AND EQUIVALENT ALTERNATIVE<sup>1</sup>

[Combined employer-employee rates, percent]

Period	H.R. 1 benefits—tax base of \$10,200		
	H.R. 1	Equivalent alternative	Difference
Years—			
1971.....	10.4	10.4	.....
1972-74.....	10.8	10.8	.....
1975-76.....	12.4	11.6	+0.8
1977.....	14.8	11.6	+3.2
1978-80.....	14.8	12.6	+2.2
1981-83.....	14.8	13.6	+1.2
1984-86.....	14.8	14.6	+ .2
1987 and after.....	14.8	15.4	- .6

<sup>1</sup> These tax schedules were developed by Robert J. Myers, Professor of Actuarial Science, Temple University, Philadelphia, Pa.

Note: Conclusion—The record shows that Congress has acted regularly on social security over the years and treated beneficiaries very fairly. Benefits are well ahead of the rise in living costs. There is no economic need for another increase today.

Moreover, the facts clearly indicate that there is no real justification for an automatic cost-of-living provision financed by automatic escalation in the taxable wage base. We think it would be particularly inappropriate to initiate such a provision at a time when the government is engaged in an unprecedented effort to halt inflation through wage and price controls.

In conclusion, we believe that the House bill is an extraordinarily expensive package which proposes an oppressive tax burden on workers and employers. The Finance Committee should make every effort to reduce the long-range costs of H.R. 1 in order to lower Social Security taxes to a reasonable level.

CHAMBER OF COMMERCE OF THE UNITED STATES,  
HUMAN RESOURCES DEVELOPMENT GROUP,  
Washington, D.C., February 18, 1972.

Mr. THOMAS VAIL,  
Chief Counsel,  
Committee on Finance,  
New Senate Office Building,  
Washington, D.C.

DEAR MR. VAIL: This is in response to Senator Ribicoff's request to provide data on employment opportunities in large cities and further information about Pennsylvania's study of the effects of eliminating state residency requirements.

Dr. Wolfbein stated that the large cities in America, despite relatively high unemployment, represent major areas of employment opportunities for blacks and whites. Documentation on this point is contained in the enclosed study by the U.S. Department of Labor, *Occupational Characteristics of Urban Workers, 1970*.

In our testimony, we also pointed out that available evidence refutes the contention that high welfare payments in some states have caused large numbers of poor people to migrate to these areas just to get on welfare. This is borne out by studies of the AFDC program carried out in New York City, Cook County, Illinois, and Pennsylvania.

The Pennsylvania study was initiated January 12, 1968, by Mr. Norman Lourie, Deputy Secretary for Federal Policy and Programs, Department of Public Welfare.

Every county welfare office carried out a continuing audit, for 12 consecutive months, of those applicants found eligible for Old Age Assistance, Aid to the Blind, Aid to Families with Dependent Children, Aid to the Permanently and Totally Disabled and General Assistance. The cases reviewed involved only those applicants who had resided in the state for less than 12 months from the time of application.

This monthly audit was undertaken because of the Supreme Court's decision that residency requirements were unconstitutional. Pennsylvania, which had a residency requirement and relatively high welfare payments, anticipated that there would be a large influx of applicants from southern states.

According to Mr. Lourie, the monthly audit showed that a majority of new AFDC recipients who had resided in Pennsylvania for less than 12 months prior to application, came from four states—California, Illinois, New York, and Massachusetts. Very few applicants came from southern states.

If the Finance Committee wants to obtain a statistical breakdown of the monthly audit of AFDC cases, may I suggest that you write Mr. Lourie in Harrisburg.

I would appreciate it if you would include our response in the printed record of the hearings on H.R. 1.

Cordially yours,

WILLIAM P. McHENRY, Jr.,  
Manager, Economic Security.



Special Labor Force Report shows workers in metropolitan areas to be highly skilled, but with substantial differences between residents of the central cities and those living in the suburbs

CHRISTOPHER G. GELLNER

## Occupational characteristics of urban workers

TWO-THIRDS OF ALL WORKERS in the United States now reside in metropolitan areas—the centers of economic activity and growth for the Nation.<sup>1</sup> The economic importance of these areas is reflected in the high proportion of highly skilled workers within their populations. Professional, technical, and managerial occupations are more common in such areas (particularly the 20 largest) than in the Nation as a whole.

This article is based on occupational data for Standard Metropolitan Statistical Areas (SMSA's) that have recently become available on an annual average basis from the Current Population Survey (CPS). It explores the major differences in the occupational distribution of employment among our large metropolitan areas and between their central cities and suburban rings. It also attempts to determine whether such skill differences have any direct bearing on the disparity between central city and suburban unemployment rates.

Data on the occupational distribution of the labor force are essential in order to study the purported skill gap between central city workers and suburban workers.<sup>2</sup> In the absence of such information, it has been widely assumed that the great majority of central city workers are concentrated in semiskilled and low skilled jobs and that when unemployed they seek work in similar fields.

### Skill pattern by nature of area

As table 1 shows, over one-half of all workers residing in metropolitan areas are employed in white-collar work and 16 percent are in professional and managerial occupations. In nonmetropolitan areas, slightly less than two-fifths of the workers are in white-collar work and 11 percent in professional

and managerial occupations. Nonmetropolitan area workers are more likely to be employed in blue-collar work. The proportion of workers in the service occupations is roughly the same in metropolitan and nonmetropolitan areas.

The higher skill level of the metropolitan area labor force is apparent among both Negro and white workers. One-third of the Negro workers residing in metropolitan areas were engaged in white-collar work in 1970, with 14 percent working as skilled professionals and managers. Outside these areas, only 14 percent were in white-collar work and 8 percent in the professional and managerial occupations. Among whites, the percentage employed in white-collar occupations is also significantly higher in metropolitan areas (56 percent) than in nonmetropolitan areas (41 percent). Moreover, the proportion of whites employed in the professional and managerial occupations in metropolitan areas, at 28 percent, is also significantly higher than the 22 percent in nonmetropolitan areas. Outside metropolitan areas, about one-tenth of the whites and one-eighth of the Negroes were in farming occupations in 1970.

Generally speaking, the larger a metropolitan area, the larger its proportion of higher skilled workers. This is confirmed by data on the 20 largest SMSA's, which contain about half of the workers of all metropolitan areas.<sup>3</sup> Approximately, 56 percent of the workers residing in these areas are in white-collar occupations, a slightly greater proportion than in all metropolitan areas. Moreover, these large urban areas have a slightly larger proportion of professional and technical workers than do all metropolitan areas. Conversely, the proportion of workers in both blue-collar and service occupations is somewhat lower in these large SMSA's than in smaller urban areas.

Differences in occupational distribution between the labor force in the 20 SMSA's and that for all metropolitan areas are evident both for Negroes and for whites. In the 20 largest areas, approximately

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37 percent of Negro employment and 59 percent of white was in white-collar fields—both larger percentages than for all SMA's combined. The relatively large proportion of white-collar workers in the Negro labor force of the 20 largest areas compared with that of all SMSA's, however, results almost entirely from a greater representation in clerical jobs, generally occupied by women. White employment, on the other hand, stems from a greater representation in professional and technical as well as clerical occupations. In blue-collar and service occupations, the percentages of both Negro and white workers are slightly lower in the 20 largest areas than in all metropolitan areas combined. The smaller proportion of Negro workers in these two occupational groups in the 20 areas is due chiefly to the fact that a smaller proportion hold nonfarm laborer and private household jobs in the large urban areas than in smaller areas.

### Central city versus suburb

As metropolitan areas have grown in size and importance, the socioeconomic dichotomy between the central city and its surrounding suburban ring has increased. Each component of the SMSA is dependent upon the other for economic survival. Central cities, however, have experienced a disproportionate amount of the economic hardship in metropolitan areas, as reflected by their higher unemployment rates and less skilled work forces.

Today, the central cities of the Nation's metro-

politan areas contain approximately three-tenths of all U.S. employment. This is less than half, however, of total metropolitan employment. Over the past two decades, the net number of employed persons living in central cities has remained almost the same, and occupational upgrading has proceeded slowly. In contrast, in the surrounding suburban rings the resident labor force has grown rapidly in size and has experienced substantial occupational upgrading. The relative change in the skill levels of the suburban and central city residents has occurred principally because higher skilled workers have moved to the suburbs, while the central cities have received large numbers of less skilled workers from smaller towns and rural areas.

Half the workers living in the central cities were employed in white-collar jobs in 1970. This is slightly lower than the suburban proportion. However, the highly skilled professional and technical fields accounted for 14 percent of all central city workers—the same as the U.S. average, but over 2 percentage points below the suburban average. (See table 2.) In comparison to their suburban counterparts, central city residents were generally less represented in all of the skilled white-collar occupations and in the craftsmen trades, but were more represented in the lower skilled occupations (operative, nonfarm laborer, and service).

Among central city residents, about one-third of the employed Negroes were working in white-collar jobs. The same proportion was found among Negroes living in the suburbs. While about one-half the

Table 1. Employed persons in the United States, by major occupation group and color, 1970 annual averages

(Percent distribution)

Occupation group	Total				White				Negro and other races			
	United States	All non-metropolitan areas	All metropolitan areas	20 largest metropolitan areas	United States	All non-metropolitan areas	All metropolitan areas	20 largest metropolitan areas	United States	All non-metropolitan areas	All metropolitan areas	20 largest metropolitan areas
Total employed (thousands).....	78,627	27,011	51,616	26,180	70,182	24,798	45,384	22,643	8,445	2,213	6,232	3,537
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
White-collar workers.....	48.3	38.8	53.3	55.7	50.8	41.1	56.1	56.6	27.9	13.6	33.0	37.2
Professional and technical	14.2	11.4	15.6	16.5	14.8	11.9	16.4	17.4	9.1	5.6	10.3	10.6
Managers, officials, and proprietors.....	10.5	9.7	11.0	11.1	11.4	10.3	12.0	12.1	3.5	2.3	3.9	4.3
Clerical workers.....	17.4	12.8	19.9	21.4	18.0	13.5	20.4	21.7	13.2	4.4	16.3	19.7
Sales workers.....	6.2	5.0	6.8	6.7	6.7	5.4	7.4	7.4	2.1	1.3	2.4	2.6
Blue-collar workers.....	35.3	38.4	33.7	32.3	34.5	37.7	32.8	31.2	42.2	45.9	40.8	39.4
Craftsmen and foremen.....	12.8	13.0	12.9	12.5	13.5	13.5	13.5	13.1	8.2	7.0	8.6	8.3
Operatives.....	17.7	20.0	16.5	15.8	17.0	19.3	15.6	14.8	23.7	26.2	22.9	23.3
Nonfarm laborers.....	4.7	5.4	4.4	4.0	4.1	4.8	3.7	3.4	10.3	12.9	9.3	8.1
Service workers.....	12.4	12.8	12.1	11.7	10.7	11.5	10.3	9.9	26.0	27.7	25.4	23.1
Private household workers.....	2.0	2.4	1.8	1.5	1.3	1.6	1.1	1.0	7.7	11.5	6.4	4.8
Other service workers.....	10.4	10.4	10.3	10.2	9.4	9.9	9.2	8.9	18.3	16.2	19.0	18.3
Farm workers.....	4.0	9.9	.9	.4	4.0	9.7	.9	.4	3.9	12.7	.7	.3

Table 2. Employed persons in the central cities and suburban rings of all SMSA's and the 20 largest SMSA's, by major occupation group and color, 1970 annual averages

(Percent distribution)

Occupation group	Total		White		Negro and other races	
	Central city	Suburban ring	Central city	Suburban ring	Central city	Suburban ring
<b>ALL METROPOLITAN AREAS</b>						
Total employed (thousands).....	23,234	28,382	18,471	26,913	4,761	1,469
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0
White-collar workers.....	51.6	54.7	56.4	55.9	32.8	33.6
Professional and technical.....	16.4	16.6	15.6	16.9	49.7	12.3
Managers, officials, and proprietors.....	9.6	12.1	11.2	12.5	3.7	4.8
Clerical workers.....	21.2	18.8	22.3	9.1	17.1	13.8
Sales workers.....	6.3	7.2	7.3	7.4	2.3	2.7
Blue-collar workers.....	34.0	33.5	32.1	33.2	41.3	39.2
Craftsmen and foremen.....	17.6	14.0	17.2	14.4	8.9	7.8
Operatives.....	11.5	15.6	16.1	15.2	23.2	21.9
Nonfarm laborers.....	4.9	3.9	3.8	3.6	9.3	9.5
Service workers.....	14.2	10.4	11.2	9.6	25.7	24.6
Private household workers.....	2.1	1.5	1.0	1.2	6.3	6.5
Other service workers.....	12.1	8.9	10.2	8.4	19.4	18.1
Farm workers.....	.2	1.4	.2	1.3	.2	2.6
<b>20 LARGEST METROPOLITAN AREAS</b>						
Total employed (thousands).....	11,223	14,957	8,399	14,244	2,823	714
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0
White-collar workers.....	52.8	57.9	58.3	58.7	36.3	40.7
Professional and technical.....	14.4	18.0	16.0	18.2	9.6	14.9
Managers, officials, and proprietors.....	9.2	12.5	11.0	12.8	4.0	5.8
Clerical workers.....	23.4	19.9	24.4	20.0	20.3	17.0
Sales workers.....	5.7	7.5	6.8	7.7	2.4	3.0
Blue-collar workers.....	33.3	31.5	31.1	31.2	39.9	37.1
Craftsmen and foremen.....	11.0	13.7	11.6	13.9	9.0	8.2
Operatives.....	17.8	14.3	16.1	14.0	22.8	21.4
Nonfarm laborers.....	4.6	3.5	3.4	3.3	8.2	7.5
Service workers.....	13.8	10.1	10.5	9.5	23.6	21.1
Private household workers.....	1.8	1.3	.8	1.1	4.8	5.1
Other service workers.....	12.0	8.8	9.7	8.4	18.8	16.0
Farm workers.....	.1	.6	.1	.6	.2	1.0

white-collar Negro suburbanites were in professional, technical, managerial, or official jobs, less than half the Negro white-collar workers living in central cities were in this highly skilled group. This indicates that a considerable proportion of Negroes with high skilled—and thus high paying—jobs have moved to the suburbs. Such a selective process does not appear to have been at work among Negroes outside the white-collar sector, however, as the skill distribution of Negro blue-collar and service workers living in the suburbs is not measurably different from that of central city Negroes. In contrast, white workers living in the suburbs are in higher skilled jobs than their central city counterparts, within both the white-collar and blue-collar categories. The proportion of suburban Negroes working in farm jobs (2.6 percent) is twice as large as the proportion of suburban whites.

Workers living in the central cities of the 20 largest metropolitan areas have essentially the same array of jobs as those in the central city of all SMSA's

combined. The suburbanites in the largest areas, on the other hand, hold higher skilled jobs than suburbanites in general. Especially, they are more concentrated in professional and technical occupations. As a result, the skill gap between central city and suburban residents is wider in the 20 largest areas than in all SMSA's combined.

The relatively wide skill gap is evident among both whites and Negroes. In the 20 largest metropolitan areas, suburban workers—both white and Negro—hold a relatively larger proportion of professional, managerial, and sales jobs than do their city counterparts (table 2). In addition, a larger proportion of the white suburban labor force than of the white central city labor force are skilled craftsmen. The proportion of professional and technical workers is 1½ times as large among Negroes living in the suburban rings of the 20 largest SMSA's as among Negroes in the central cities of the same areas, and equals the proportion of these highly skilled workers in the total U.S. labor force.

The majority of Negro white-collar workers living in the central cities of these areas are in clerical occupations.

### Reason for the skill gap

General differences in occupational levels between residents of central cities and those of suburbs are explained in part by the differences in the racial composition of the labor force in the central cities and the suburbs. Negroes hold a disproportionate share of the lower skilled, less desirable jobs, and their dense concentration in central cities tends to skew the occupational distribution of city workers in the low skilled direction. This is especially the case in the 20 largest SMSA's, where four-fifths of the Negro labor force resides in the central cities.

The nature and geographic location of the industrial growth within or in the vicinity of a metropolitan area may have some effect on the occupational distribution of its central city and suburban labor forces. For years most new metropolitan industry and business has been placed in the suburbs. The majority of building permits for office buildings and stores issued in the early 1960's were for suburban sites.<sup>4</sup> If the new higher skilled better paying jobs are available only in one section of the metropolitan area—that is, the suburban ring—workers with the appropriate qualifications for these jobs may prefer to live in this section in order to be close to the expanding employment opportunities.

The nature and location of industry growth, however, has probably had a greater effect on the differences in occupational distribution among the labor forces of individual SMSA's than on the differences in occupational distribution between the labor forces of a particular city and its surrounding suburb.

Another factor that has affected the occupational gap between the central cities and suburbs is patterns of population growth and migration. From 1950 to 1970, there has been virtually no growth in the number of workers residing in the central cities, if annexations are excluded. Extensive growth in the number of workers residing in the suburban rings has, in the meantime, pushed the number of suburban workers past the number of city workers. Many workers, when they attain a sufficient level of education and skill to obtain a more remunerative job, move to the suburbs. Continuance of this trend is a serious obstacle to closing the gap between the suburban labor force and that in the cities.

There has, however, been a great deal of worker movement into and from the city over the past two decades. Occupational upgrading of the city labor force has been hindered not only by outmigration of highly skilled workers (largely whites) to the more affluent suburbs, but also by a substantial immigration of unskilled, untrained Negroes (many of them coming from rural areas). Because it is mainly the younger whites who have been moving to the suburbs, white workers in the city tend to be older than white workers in the suburbs. In contrast, Negro workers in the city are relatively young. However, they often lack appropriate skills or edu-

### A note concerning data

The labor force data discussed in this article were collected and tabulated for the Bureau of Labor Statistics by the Bureau of the Census as part of the Current Population Survey (CPS) program. The CPS is a national survey conducted monthly in about 50,000 households. The data for Standard Metropolitan Statistical Areas and their central cities and suburban rings have larger sampling errors than national data collected through the CPS, even when averaged over 12 months. For this and other reasons, the metropolitan area estimates in this article may differ somewhat from 1970 Census estimates that are scheduled to be released in 1972. This should be taken into account when making further use of the data.

Standard Metropolitan Statistical Areas as defined by the Office of Management and Budget consist of large cities and their adjacent suburban counties. Central cities include the corporate limits of the city or cities named in the SMSA title, while the suburban rings include all SMSA territory outside the central city or cities.

The metropolitan areas used in the report refer to the 212 SMSA's as defined and ranked in 1960. This means that for the purposes of this report the geographic boundaries of the 212 SMSA's are those which were in effect in 1960 even though, subsequently, the boundaries of some of these areas have been redefined to include additional counties or exclude counties. Since 1960, the number of areas defined to be metropolitan in character has been expanded to over 240. SMSA's added since 1960 are not included in the data in this report.

It should also be noted that the data in this report have been tabulated according to the place of residence of workers rather than their place of work.

## OCCUPATIONS OF URBAN WORKERS

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Table 3. Employed persons in the 20 largest SMSA's, their central cities, and their suburban rings, by occupation, 1960<sup>1</sup> and 1970<sup>2</sup>

(Percent distribution)

Occupation group	20 largest SMSA's		Central cities of 20 largest SMSA's		Suburban rings of 20 largest SMSA's	
	1960	1970	1960	1970	1960	1970
Total employed (thousands).....	22,287	26,180	11,628	11,223	10,659	14,957
Percent <sup>3</sup> .....	100.0	100.0	100.0	100.0	100.0	100.0
White-collar workers.....	50.4	55.7	48.6	52.8	52.4	57.9
Professional and technical.....	13.6	16.5	11.9	14.4	15.4	18.0
Managers, officials, and proprietors.....	9.2	11.1	8.0	9.2	10.5	12.5
Clerical workers.....	19.3	21.4	21.0	23.4	17.5	19.9
Sales workers.....	8.3	6.7	7.6	5.7	9.0	7.5
Blue-collar workers.....	37.6	32.3	37.9	33.3	37.2	31.5
Craftsmen and foremen.....	14.5	12.5	12.7	11.0	14.9	13.7
Operatives.....	18.7	15.8	20.4	17.8	16.9	14.3
Nonfarm laborers.....	4.3	4.0	4.8	4.6	3.8	3.5
Service workers.....	11.3	11.7	13.4	13.8	9.1	10.1
Private household.....	2.2	1.5	2.5	1.8	1.9	1.3
Other service workers.....	9.1	10.2	10.9	12.0	7.2	8.8
Farm workers.....	.7	.4	.2	.1	1.2	.6

<sup>1</sup> 1960 Decennial Census data, collected in April 1960. Persons 14 and 15 years old are included (unlike the 1970 data collected by the CPS). However, the number of employed 14- and 15-year-olds is small and should have only minor effect on the distribution of employment.

<sup>2</sup> 1970 annual averages collected by the Current Population Survey.

<sup>3</sup> Percentage distribution of 1960 Census data is the distribution of those persons who reported an occupation.

cation for the many available jobs that call for managerial, professional, or technical personnel.

### 1960-70 changes in 20 SMSA's

Since 1960, the work force in our 20 largest metropolitan areas has grown numerically. Its quality, measured by its occupational distribution, has also increased. A decade ago, just half the employed in these areas were working in white-collar occupations; today, 56 percent of employment in these areas is white collar.

Within the white-collar sector, there has been a marked increase in the proportion of professional and managerial workers. The proportion of clerical workers has also increased, while the proportion of sales workers has decreased. This decline does not stem from a lack of proportionate growth in the number of sales jobs relative to other jobs. Instead, the decline can probably be attributed to the greater use by retail establishments of part-time sales personnel whose primary job is in another field.

While the percentage of white-collar workers increased during this period, there was a commensurate decline in the percentage of workers in

the blue-collar sector. The proportion of service workers remained the same. (See table 3.)

Workers residing in the suburbs accounted for all the employment growth shown by the 20 largest SMSA's during the 1960's. Their number increased by about two-fifths and was accompanied by a general occupational upgrading of the labor force. Today, workers residing in the suburbs have a much higher representation in the major white-collar occupations (except as sales personnel) than they did in 1960. Today's suburban workers also have a smaller representation in all blue-collar jobs (particularly as craftsmen and operatives) than they had a decade ago. The proportion of private household workers and the proportion of farm workers have also declined in the suburbs since 1960.

Over the same period, the central city labor force declined slightly in size and exhibited a somewhat slower rate of occupational upgrading. The number of employed persons residing in the central cities of the 20 largest SMSA's declined by 400,000 (or nearly 4 percent) between 1960 and 1970. Although these workers have achieved a higher representation in professional, technical, and managerial occupations, the disparity in skill level between city and suburban residents is slightly greater today than a decade ago.

### Occupation and joblessness

For several years, the unemployment rates in the central cities of metropolitan areas have been significantly higher than the jobless rates in suburban rings.<sup>5</sup> In 1970, for example, the jobless rate in all central cities combined was 5.6 percent, in all suburban rings combined 4.7 percent. Several hypotheses have been offered to explain the central city v. suburban differences in joblessness—a mismatch between skills and jobs, life style, and differential occupational status.

The mismatch hypothesis argues that the main cause of the urban unemployment problem is not a shortage of jobs, but a mismatch between the skill requirements of the jobs available in the central city and the actual skills of the resident labor force.<sup>6</sup> It argues that jobs in the central cities have been growing very slowly and those jobs that have been created are of a highly skilled, white-collar, "professional" character, for which central city residents do not have the training to compete successfully. It further maintains that jobs in the suburbs

have been growing extensively because of the relocation of manufacturing, retail trade, and services outside the city, and that many of these suburban jobs require the low skilled or semiskilled labor which city residents could provide.

A test of the validity of this hypothesis requires reliable data both on the skills of city workers and on the location and quality of job growth. A recent study undertaken with limited data concluded that a so-called job-worker mismatch in the city is largely imaginary.<sup>7</sup> It found that low skilled jobs had continued to grow in the central cities, though not as fast as in the suburbs. According to this study, based on data for 1965-67, almost enough jobs were being created in the cities studied to eliminate all unemployment even if all the jobless were semi-skilled or low skilled workers. In light of this fact, the persistence of an unemployment gap between the central city and the suburbs was attributed largely to discriminatory employment practices.

The life style hypothesis is in direct opposition to the mismatch hypothesis. It argues that there is an abundance of unfilled low skilled job vacancies in or near city areas. It also holds, however, that most of these job vacancies are for jobs with low wages or bad working conditions. The availability of a large number of unfilled low skilled jobs has allegedly created excess labor demand and tends to make workers very independent of their employers, thus creating a high rate of voluntary termination.<sup>8</sup> This hypothesis also argues that many of the jobs that are concentrated in the cities (warehouses, main-

tenance services, and so on) are compatible with a high rate of worker turnover, which, in turn, is considered a norm in city slum areas.

According to this rationale, high unemployment in the inner city has been caused not only by the low skill level of the workers who live there, but mainly by their cultural norms and life style. As with the mismatch hypothesis, adequate testing of this argument cannot begin until data on the quality of the central city job growth become available.

Under the occupational hypothesis, the higher jobless rates in the city compared with the suburbs stem from the fact that the city has greater proportions of workers in those occupations with traditionally high unemployment rates (operative, non-farm laborer, service, and so forth). Even when comparisons are made by broad occupational categories, central city unemployment rates are higher than suburban unemployment rates. (See table 4.)

The disparity between city and suburban unemployment rates by occupation must be attributed at least partly to the higher proportion of Negroes in the city labor force. This can be seen if we look at the central city and suburban occupational jobless rates by race. The absolute differences between city and suburban unemployment rates by race for most occupations are smaller than the differences for all races combined. Since Negroes generally have substantially higher unemployment rates than whites for the same occupation, their concentration in the city tends to increase the overall gap between the city and suburban occupational jobless rates.

Table 4. Unemployment rates by occupation for all SMSA's, their central cities, and their suburban rings, by occupation and color, 1970 annual averages

Occupational group	Total			White			Negro and other races		
	All SMSA's	All central cities	All suburban rings	All SMSA's	All central cities	All suburban rings	All SMSA's	All central cities	All suburban rings
<b>1970</b>									
All workers.....	5.1	5.6	4.7	4.7	4.9	4.5	8.1	8.3	7.4
White-collar workers.....	3.0	3.4	2.7	2.8	3.1	2.7	5.0	5.3	4.2
Professional and technical.....	2.2	2.5	1.9	2.2	2.5	1.9	2.1	2.4	(1)
Managers and officials.....	1.5	1.9	1.3	1.5	1.9	1.3	2.0	(1)	(1)
Clerical workers.....	4.1	4.3	3.9	3.8	3.8	3.8	6.3	7.0	6.3
Sales workers.....	4.0	4.5	3.6	3.7	4.0	3.5	8.9	9.5	(1)
Blue-collar workers.....	6.4	6.9	5.9	6.0	6.3	5.7	8.7	8.8	8.5
Craftsmen and foremen.....	3.8	4.4	3.5	3.7	4.3	3.4	5.2	4.8	6.3
Operatives.....	7.3	7.4	7.1	6.9	6.8	6.9	9.0	9.0	8.9
Nonfarm laborers.....	10.2	10.8	9.5	9.9	10.3	9.6	11.0	11.6	9.0
Service workers.....	5.4	5.6	5.2	5.0	4.8	5.1	6.7	6.8	6.6
Farm workers.....	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)

<sup>1</sup> Not shown where unemployment estimate is less than 5,000 or where labor force is less than 50,000.

<sup>2</sup> Rates for farm workers are not shown since these workers constitute a very minute percent of metropolitan employment.

This effect can most clearly be seen in the clerical, operative, and service occupations where Negroes are most concentrated.

A factor which may be influencing the disparity between central city and suburban jobless rates for the same occupation is that central city and suburban workers of the same broad occupational grouping may not have the same level of skills. Within the same broad occupational grouping the city workers may be in lower skilled suboccupations, with relatively higher unemployment rates, than suburban workers. This effect cannot be quantified with the limited occupational data available.

Notwithstanding that, for the same occupation, urban residents have higher unemployment rates than suburban residents, the occupational hypothesis seems to be supported by the data in tables 2 and 4. It would be spurious reasoning, nevertheless, to conclude that the central city-suburban jobless differential is attributable entirely to differences in the occupational levels of the respective labor forces.

#### Individual area highlights

Different political, social, and economic circumstances have contributed to the nature of the occupational distribution within each metropolitan area. Among these are:

1. The racial composition of the area's labor force. If the area (specifically the central city) houses a large proportion of minority workers, the occupational distribution of the labor force will gravitate toward the low skilled occupations.

2. The nature of the industries most important to the area's economy. Workers living in or near an area will generally be in occupations associated with the industries that dominate its economy.

3. The rate of labor force growth. In a period when the number of workers living in a particular area is expanding rapidly, the labor force tends to be relatively skilled, because usually only workers with high paying jobs can afford the housing and other economic amenities common to areas of this nature.

4. Delineation of the areas in question. Boundaries between central city and suburbs are drawn according to political criteria and not according to economic differentiation. Some central cities may be so defined as to contain large neighborhoods of "suburban" character, while the suburban rings of some SMSA's (especially the older ones on the

Eastern seaboard and in the Midwest) may contain relatively large cities that share most of the problems of the urban cores.

The boundaries of the metropolitan areas listed in table 5 correspond to 1960 definitions. Since then, approximately half of these SMSA's have been redefined either to include additional suburban counties or to exclude counties. However, the effect on most areas is probably very slight. Table 6 shows the additions and deletions of territory since 1960 to the areas affected and the proportion of the 1970 SMSA population attributed to the change in definition.

#### Areas where white collars predominate

As table 5 shows, in eight metropolitan areas (New York, Los Angeles-Long Beach, San Francisco-Oakland, Washington, D.C., Minneapolis-St. Paul, Boston, Cincinnati, and Dallas), relatively large proportions of the work force—over 56 percent—are employed in white-collar jobs. In virtually all, no more than 30 percent of the workers are employed in blue-collar occupations.

**New York.** Because of the local concentration of corporate headquarters and other public and private offices in New York, both central city and suburban workers are primarily white collar. However, nearly half the central city white-collar workers are in clerical jobs, while two-thirds of the white-collar suburbanites are in professional, managerial, and sales occupations.

Since 1960, the number of workers living in New York's suburbs has grown extensively, by about 30 percent, while the number living in the city has not increased. However, work forces in both the central city and the suburbs have been occupationally upgraded during this period, at a fairly even rate, thus maintaining the relative skill relationships between residents of the two areas.

**Los Angeles-Long Beach and San Francisco-Oakland.** The relatively high proportion of professional, technical, and managerial workers in the Los Angeles and San Francisco SMSA's is a reflection of the industrial mix in the two areas. Los Angeles has many aerospace and research-related industries, while San Francisco has a heavy concentration of service-producing industries (transportation and public utilities, trade, finance, insurance,

and real estate, and government) that require white-collar workers. Both areas also have relatively large educational institutions, which employ large numbers of professional workers.

Los Angeles-Long Beach is an anomaly in that workers living in the city hold proportionately more highly skilled jobs than workers living in the suburbs.<sup>9</sup> This can be attributed in part to the fact

that the suburban ring contains areas and cities<sup>10</sup> of an urban nature.

In both California metropolitan areas, suburban and central city workers have been occupationally upgraded fairly evenly since 1960. In San Francisco-Oakland, about the same proportion of city workers are in professional and technical occupations (19 percent) as in the suburbs. However, proportions of

Table 5. Total employment by occupation for the 20 largest SMSA's, their central cities, and their suburban rings, 1970 annual averages

(Percent distribution)

Occupation group	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring
	NEW YORK			LOS ANGELES-LONG BEACH			CHICAGO			PHILADELPHIA					
Total employed (thousands).....	4,517	3,132	1,385	3,364	1,281	2,083	2,863	1,366	1,489	1,876	777	1,099			
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
White-collar workers.....	60.1	59.1	62.3	56.1	59.0	54.3	53.9	48.9	56.6	52.6	46.8	56.6			
Professional and technical.....	16.7	15.2	20.0	17.0	18.4	16.1	15.8	13.5	15.2	15.7	10.9	19.1			
Managers, officials, and proprietors.....	11.9	10.8	14.6	12.4	12.9	12.1	10.8	7.7	11.2	8.9	7.1	11.8			
Clerical workers.....	25.2	27.7	19.5	19.5	20.6	18.7	21.2	23.2	19.2	19.9	25.1	17.9			
Sales workers.....	6.3	5.5	8.2	7.3	7.1	7.4	6.3	4.9	7.7	7.2	5.7	8.3			
Blue-collar workers.....	27.5	28.0	26.5	32.3	29.3	34.2	35.5	39.8	31.4	36.0	39.8	33.4			
Craftsmen and foremen.....	10.7	9.3	13.4	12.5	10.7	13.6	13.2	12.8	13.6	13.1	12.3	13.6			
Operatives.....	13.9	15.6	10.1	16.1	15.1	16.7	18.0	21.5	14.8	18.9	22.2	16.6			
Nonfarm laborers.....	2.9	2.9	3.0	3.8	3.8	3.8	4.2	5.5	3.0	4.1	5.3	3.2			
Service workers.....	12.3	12.9	10.8	11.0	11.3	10.8	10.3	11.2	9.4	10.8	13.4	9.0			
Private household workers.....	1.3	1.3	1.2	2.0	2.3	1.8	1.8	1.7	1.8	1.5	1.7	1.8			
Other service workers.....	11.0	11.6	9.6	9.0	9.0	9.1	9.5	10.5	8.4	9.3	11.7	7.5			
Farm workers.....	.1	( <sup>1</sup> )	.3	.6	.4	.7	.3	( <sup>1</sup> )	.6	.6	( <sup>1</sup> )	1.0			
	DETROIT			SAN FRANCISCO-OAKLAND			BOSTON			PITTSBURGH					
Total employed (thousands).....	1,571	582	869	1,371	451	920	1,163	239	926	876	174	702			
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
White-collar workers.....	47.4	39.8	52.0	60.9	60.6	61.0	59.9	58.1	60.4	48.0	47.8	48.2			
Professional and technical.....	13.5	10.2	15.5	19.1	19.7	18.9	18.3	15.5	19.1	15.5	13.5	16.1			
Managers, officials, and proprietors.....	8.2	4.6	10.3	12.2	10.9	12.8	10.8	7.7	11.6	8.7	8.0	8.9			
Clerical workers.....	20.1	20.4	19.9	22.9	24.3	22.3	23.6	30.0	21.9	16.8	21.1	15.8			
Sales workers.....	5.6	4.5	6.3	6.7	5.8	7.1	7.1	4.9	7.6	7.0	5.2	7.5			
Blue-collar workers.....	40.5	45.4	37.5	26.4	25.6	26.7	28.0	28.7	27.8	38.7	33.1	40.1			
Craftsmen and foremen.....	14.7	12.7	15.9	11.2	9.7	12.4	11.9	10.8	11.7	16.4	13.0	17.8			
Operatives.....	21.9	22.0	18.1	10.9	12.0	10.3	12.7	12.2	12.9	15.3	12.7	15.9			
Nonfarm laborers.....	4.0	4.7	3.5	4.2	4.8	4.0	3.7	3.7	3.2	6.6	7.4	6.3			
Service workers.....	12.0	14.9	10.2	12.0	13.7	11.2	11.9	13.1	11.6	12.7	19.0	11.1			
Private household workers.....	1.6	1.9	1.5	1.9	2.5	1.6	1.8	( <sup>1</sup> )	1.8	1.4	( <sup>1</sup> )	1.6			
Other service workers.....	10.4	13.1	8.7	10.1	11.2	9.6	11.0	( <sup>1</sup> )	( <sup>1</sup> )	11.1	( <sup>1</sup> )	9.6			
Farm workers.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	.7	( <sup>1</sup> )	1.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	.6	( <sup>1</sup> )	.9			
	ST. LOUIS			WASHINGTON, D.C.			CLEVELAND			BALTIMORE					
Total employed (thousands).....	909	228	681	1,140	343	797	770	203	567	766	248	418			
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
White-collar workers.....	52.2	41.0	55.9	69.5	54.0	76.3	53.2	35.2	69.6	49.8	37.9	59.6			
Professional and technical.....	14.1	8.0	16.2	25.3	15.0	29.7	12.8	7.9	14.4	15.0	10.9	19.1			
Managers, officials, and proprietors.....	10.5	6.6	11.9	11.4	5.9	13.8	12.3	5.1	14.9	8.9	5.8	11.5			
Clerical workers.....	19.6	21.1	19.1	26.9	28.7	26.2	21.4	17.3	22.8	20.2	18.0	21.8			
Sales workers.....	8.0	5.4	9.0	5.9	4.3	6.5	6.8	4.9	7.6	5.8	4.1	7.4			
Blue-collar workers.....	35.2	39.9	33.6	17.8	23.8	15.2	35.5	47.7	31.1	36.6	43.8	30.5			
Craftsmen and foremen.....	13.1	10.9	13.8	8.6	9.0	9.3	14.0	13.7	14.1	13.9	13.2	14.4			
Operatives.....	17.7	23.3	15.9	5.6	9.5	4.0	17.5	26.7	14.2	16.1	21.1	12.0			
Nonfarm laborers.....	4.4	5.7	4.0	3.6	7.3	2.0	4.0	7.3	2.8	6.5	9.5	4.1			
Service workers.....	12.2	19.1	9.8	12.5	22.1	8.4	11.2	17.1	9.2	13.4	18.3	9.2			
Private household workers.....	1.6	3.3	1.0	2.4	4.5	1.8	7.7	( <sup>1</sup> )	( <sup>1</sup> )	2.2	3.3	1.2			
Other service workers.....	10.7	15.8	8.8	10.1	17.6	6.9	10.6	( <sup>1</sup> )	( <sup>1</sup> )	11.2	15.0	7.9			
Farm workers.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )			



## OCCUPATIONS OF URBAN WORKERS

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Table 5. Continued—Total employment by occupation for the 20 largest SMSA's, their central cities, and their suburban rings, 1970 annual averages

Percent distribution

Occupation group	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring	SMSA	Central city	Suburban ring
	NEWARK			MINNEAPOLIS-ST. PAUL			BUFFALO			HOUSTON		
Total employed (thousands)	752	82	660	759	291	468	509	187	342	758	350	208
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
White-collar workers	52.0	27.4	55.8	54.3	52.9	58.7	53.7	48.0	54.0	50.2	54.8	34.8
Professional and technical	16.0	4.7	17.7	18.1	16.4	19.2	18.0	15.4	19.2	12.5	14.3	7.9
Managers, officials, and proprietors	11.6	(1)	13.0	11.0	6.9	13.6	9.8	5.4	11.7	11.0	12.3	7.4
Clerical workers	18.7	15.0	19.2	20.8	24.3	18.6	18.0	20.4	17.0	19.2	20.2	16.8
Sales workers	5.6	(1)	5.8	6.4	4.7	7.3	7.8	6.7	8.4	7.5	8.0	6.5
Blue-collar workers	38.1	55.9	35.6	28.9	30.0	28.1	34.5	36.8	33.6	36.0	30.7	49.5
Craftsmen and foremen	13.0	13.1	13.0	10.9	10.8	11.0	12.7	11.8	14.5	14.7	11.8	22.0
Operatives	21.1	34.3	19.2	14.0	14.6	13.6	16.1	19.1	14.8	16.3	13.5	23.4
Nonfarm laborers	4.0	8.5	3.4	4.0	4.5	3.7	4.8	5.9	4.2	5.0	5.4	4.2
Service workers	9.8	16.6	8.9	13.7	17.5	11.2	11.4	15.2	9.7	13.6	14.3	11.7
Private household	1.4	(1)	1.4	1.5	(1)	1.7	3	(1)	(1)	2.7	3.3	(1)
Other service workers	8.4	(1)	7.6	12.2	(1)	9.5	10.5	(1)	(1)	10.9	11.0	(1)
Farm workers	(1)	(1)	(1)	1.0	(1)	1.7	(1)	(1)	(1)	(1)	(1)	(1)
	MILWAUKEE			PATERSON-CLIFTON-PASSAIC			CINCINNATI			DALLAS		
Total employed (thousands)	576	285	241	556	132	424	435	197	238	686	385	311
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
White-collar workers	49.4	43.9	56.2	53.5	39.2	58.2	56.7	58.8	55.3	50.3	59.1	59.6
Professional and technical	13.4	12.1	15.0	13.9	12.8	14.4	17.7	22.5	15.4	16.0	14.7	18.2
Managers, officials, and proprietors	11.8	8.8	15.5	11.3	7.2	12.5	11.5	9.7	13.0	13.1	13.1	13.0
Clerical workers	16.8	16.7	16.7	20.9	14.4	22.9	19.3	20.4	18.3	21.7	22.0	21.2
Sales workers	7.5	6.3	8.6	7.3	4.7	8.3	7.2	6.2	7.7	8.4	8.2	7.4
Blue-collar workers	36.6	40.4	32.2	37.1	46.6	34.2	32.7	29.4	35.0	28.6	27.2	30.9
Craftsmen and foremen	14.0	14.8	12.9	14.2	11.8	14.9	12.3	10.2	13.8	11.4	8.8	15.2
Operatives	18.7	21.7	14.1	19.0	29.4	15.8	16.6	15.7	17.1	13.3	13.6	13.0
Nonfarm laborers	3.9	3.9	4.3	3.9	5.4	3.5	3.8	3.5	4.1	3.9	4.8	2.6
Service workers	13.9	15.7	11.6	9.4	14.2	7.8	9.5	11.8	8.1	11.5	13.5	8.2
Private household	1.4	(1)	(1)	1.3	(1)	1.2	2.0	2.7	(1)	1.9	2.0	(1)
Other service workers	12.5	(1)	(1)	8.1	(1)	6.6	7.5	9.1	(1)	9.6	11.5	(1)
Farm workers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

\* Percent not shown where employment estimate is less than 5,000.

\* Percent not shown where private household employment estimate is less than 5,000.

managers, salesmen, and craftsmen are larger in the suburbs, as was the case in 1960.

**Boston, Minneapolis-St. Paul, and Dallas.** The high proportion of white-collar workers in Boston, Minneapolis-St. Paul, and Dallas is also attributable largely to the relative importance of the service-producing industries—especially trade and finance, insurance, and real estate. The high proportion of white-collar workers in these three areas (particularly in Minneapolis-St. Paul) may be explained in part by the great majority of workers residing in the central city being white. However, central city-suburban skill gaps of average magnitude are still evident in Boston and Minneapolis-St. Paul.

In Dallas, the number of workers has increased substantially in both the city and suburbs over the decade. The central city and suburban ring of the

metropolitan area have also experienced nearly equal occupational upgrading during this period.

**Cincinnati.** The occupational distribution in the central city and the suburbs of Cincinnati is atypical, in that the proportion of workers in the professional and technical field is one-third larger in the city than in the suburban ring<sup>11</sup>. However, larger proportions of managers and craftsmen live in the suburbs. In both the city and suburbs, workers have been occupationally upgraded extensively since 1960, and the number of workers has also increased.

**Washington, D.C.** In the metropolitan area that includes the Nation's capital, seven-tenths of all workers are white-collar, with one-fourth in professional and technical occupations. This is, of course, a reflection of the dominant position of the

Federal Government in the area. The skill level of workers living in the Washington, D.C., suburban ring is the highest of all 20 suburbs: three-fifths of the workers are either professionals, technicians, managers, officials, or craftsmen.

Central city residents, though holding more skilled jobs in comparison with workers in many central cities, have a relatively small share of the higher skilled jobs available in the metropolitan area. In the District of Columbia itself (the central city), seven-tenths of the resident workers are Negro. Because of extensive migration during the past decade, both in and out, the present city residents show virtually no occupational upgrading over the 1960 residents.

#### Moderate proportions of both blue and white

Chicago, Philadelphia, St. Louis, Cleveland, Buffalo, and Houston have relatively moderate proportions of both blue-collar workers (around 35 percent) and white-collar workers (between 50 and 54 percent). No particular industry predominates in these areas, although, with the exception of Houston, manufacturing is relatively strong.

**Chicago, Philadelphia, and Buffalo.** In these three areas, about 55 percent of the workers living in the

suburbs are employed in professional and technical, managerial, sales, and craftsmen occupations. In comparison, only about 37 percent of the workers who live in the central cities are in these occupations.

In all three areas, the number of workers living in the central city has not grown since 1960. In Philadelphia and Chicago, occupational upgrading of the work force has been slight; in Buffalo, more substantial. In comparison, the suburban work force in these areas has grown, both numerically and in terms of the proportion of higher skilled jobs.

**Cleveland.** Here the difference in occupational array between those living in the central city and in the suburbs is wide. Three-tenths of suburban workers are in professional and managerial occupations, but only one-eighth of all city workers. The majority of city workers (about two-thirds) are employed in blue-collar and service jobs.

**St. Louis.** The central city-suburban occupational gap is also wide in St. Louis. Suburban residents hold a disproportionate number of the skilled jobs available in the metropolitan area. The central city labor force has decreased both numerically and in terms of the proportion of skilled jobs since 1960. Migration of workers helps to explain the slight occupational downgrading of the inner city. A large

Table 6. Definitional changes in the 20 largest Standard Metropolitan Statistical Areas, 1960-70

SMSA	No change	Additions	Deletions	Percent in which use of 1960 boundary definitions overestimate (underestimate) 1970 population <sup>1</sup>	
				SMSA	Suburban ring
New York.....	No change				
Los Angeles-Long Beach.....	No change		Orange Co.	+20	+37
Chicago.....	No change				
Philadelphia.....	No change				
Detroit.....	No change				
San Francisco-Oakland.....			Solano Co.	+5	+8
Boston.....		Sharborn Town, Middlesex Co. Millis Town, Norfolk Co.		-less than 1	-less than 1
Washington, D.C.....		Loudoun Co., Va., Prince William Co., Va.		-5	-7
Pittsburgh.....	No change				
St. Louis.....	No change	Franklin Co., Mo.		-2	-3
Newark.....	No change				
Cleveland.....		Geauga Co., Medina Co.		-7	-11
Baltimore.....		Hartford Co.		-6	-10
Minneapolis-St. Paul.....	No change				
Houston.....		Brazoria Co., Fort Bend Co., Liberty Co., Montgomery Co.		-12	-12
Dallas.....		Kaufman Co., Rockwall Co.		-3	-6
Paterson-Clifton-Passaic.....	No change				
Buffalo.....	No change				
Milwaukee.....		Dzaukoe Co., Washington Co.		-6	-12
Cincinnati.....		Clermont Co., Ohio, Warren Co. Ohio, Dearborn Co., Ind. Boone Co., Ky.		-18	-25

<sup>1</sup> Positive percent denotes an overestimation and a negative percent denotes an underestimation.

SOURCE: 1970 Census of Population, Preliminary Report PC (F3)-3 (U.S. Department of Commerce, Bureau of the Census, 1971).

outmigration of white workers decreased the city labor force by one-fifth. Consequently, the city labor force became increasingly Negro, due both to the shift of white workers and immigration of Negroes. Today, two-fifths of the city's workers are black.

**Houston.** Today, one-half of Houston's metropolitan work force is white collar. Workers living in the city are in white-collar and service jobs. About one-half of the workers in the suburban ring (as defined in 1960<sup>12</sup>) are blue collar—the converse of the situation in most metropolitan areas. One reason for the high proportion of craftsmen and operatives in the suburban ring may be that over the last decade employment in contract construction and the oil industry has grown extensively in the Houston metropolitan area.

**Newark and Paterson-Clifton-Passaic.** In New Jersey's two largest metropolitan areas—Newark and Paterson-Clifton-Passaic—the occupational gap between the city and suburban work forces is wide. In both areas, employment is moderately heavy in both durable and nondurable goods manufacturing. The suburbs of both areas have fairly high proportions of professional and managerial workers, while the central cities are peopled mainly by blue-collar workers, especially operatives.

In the Paterson area, workers residing in either the city and suburbs have been occupationally upgraded only slightly since a decade ago. Most of the occupational change has been in movement of workers among the lower skilled occupations.

Workers in the Newark and Paterson metropolitan areas (especially in the city of Newark) are strongly represented in operative occupations. Moreover, about seven-tenths of the workers living in Newark are employed in blue-collar and service occupations, a slightly larger proportion than a decade ago. The relatively low skill level of workers in Newark's central city results in part from the immigration of untrained Negroes and Puerto Ricans.

#### Areas with strong blue-collar orientation

In Detroit, Pittsburgh, Baltimore, and Milwaukee, one-half or less of the work force is employed in white-collar occupations. Stated conversely, at least half of the workers in these areas are in blue-collar and service occupations. In all of these SMSA's

except Baltimore, employment is very heavy in the durable goods industries.

**Detroit and Pittsburgh.** About two-fifths of all metropolitan workers in Detroit and Pittsburgh are in blue-collar jobs. The influence of the automobile industry is strong in Detroit, with about 22 percent of the labor force being operatives. Close to one-half of the workers who live in Detroit's central city are in blue-collar jobs (mostly as operatives), and 15 percent are in service occupations.

Over half the workers living in Pittsburgh's central city and the same proportion in its surrounding suburban ring are in blue-collar and service occupations. Service workers living in the city account for one-fifth of total city employment. Pittsburgh has a higher proportion of blue-collar workers in the suburbs (40 percent) than in the city (33 percent). The suburban blue-collar workers, however, are more likely to be craftsmen and foremen and less likely to be nonfarm laborers.

**Baltimore.** In the Baltimore metropolitan area, one-half the labor force is in white-collar occupations. In the central city, this proportion is 38 percent and in the suburban ring 60 percent. About 30 percent of the suburban work force is in professional and managerial occupations—twice as large a proportion as that for the central city work force.

Since 1960, the labor force living in the Baltimore suburbs has grown extensively (passing the number of city workers) and has become increasingly white collar. On the other hand, the labor force living in the city has not grown nor shown any significant upgrading. Today, half the workers who live in Baltimore city are Negroes.

**Milwaukee.** In the Milwaukee SMSA, one-half of the labor force is in white-collar occupations. Its central city-suburban skill gap is not of the magnitude of Baltimore's, however. Because of the importance of durable goods manufacturing in this area, approximately one-third of the workers are employed as craftsmen and operatives.

#### Conclusions

Reflecting their important and growing role in the Nation's economy, metropolitan areas have larger proportions of professional and technical, managerial and official, and clerical workers than

other areas of the country. These areas (especially the 20 largest) are the Nation's centers of industrial and business activity, and their labor forces can be expected to lead the path of occupational evolution in the future as they have in the past.

So long as workers tend to move from the central city as their occupational level rises, the central city labor force will remain below that of the suburbs in terms of skill levels. This situation is unlikely to change until there are substantial changes in housing patterns and in socioeconomic conditions.

Earlier, it was concluded that in the 20 largest SMSA's the gap in skills between central city residents and those in the suburbs is only slightly larger today than a decade ago, notwithstanding significant upgrading in both SMSA components. However, in many individual SMSA's the gap has substantially increased over the decade.

The same factors that have affected the occupational gap in the past will probably continue to do so. Two interrelated factors—the racial composition of the city labor force and the rate of city-to-suburb migration—may have the most effect on the future occupational distribution of city workers and the chance of closing the gap in skills between them and their suburban counterparts. At present, the proportion of Negro workers in the central cities of the 20 largest metropolitan areas is about one-fourth. If the central city-suburban skill gap is to be narrowed, greater effort must be made to make city living attractive to skilled workers, to equip relatively unskilled city residents with sufficient skills to enable them to compete for good jobs, and to remove discriminatory hiring and housing practices. □

—FOOTNOTES—

<sup>1</sup> Data in this article on metropolitan areas refer to the 212 Standard Metropolitan Statistical Areas as defined in 1960. It should be noted that the data in this report represent the place of residence of workers rather than their place of work.

<sup>2</sup> Until recently, data on the occupational distribution of metropolitan workers have been available only from the decennial census and to a limited extent from the Urban Employment Survey (UES), which obtained some industry and occupational data on residents living in Concentrated Employment Program (CEP) areas of six major U.S. cities between July 1968–June 1969. See BLS Report 370, October 1969.

<sup>3</sup> These are the 20 largest SMSA's as defined and ranked in 1960. Data from the 1970 decennial census show that during the 1960's three SMSA's moved out of the top 20 (Cincinnati, Paterson–Clifton–Passaic, and Buffalo) and were replaced by Anaheim–Santa Ana–Garden Grove, Seattle–Everett, and Atlanta.

<sup>4</sup> See Dorothy K. Newman, "Decentralization of Jobs," *Monthly Labor Review*, May 1968, table 1, p. 8.

<sup>5</sup> See Paul O. Flaim, "Jobless Trends in 20 Large Metropolitan Areas," *Monthly Labor Review*, May 1968, pp. 16–28.

<sup>6</sup> Newman, *op. cit.*

<sup>7</sup> Study by Charlotte Fremon, "The Occupational Patterns in Urban Employment Change, 1965–67" (working paper)

The Urban Institute, Washington, D.C., January 1970.

<sup>8</sup> See Peter B. Doeringer, "Labor Market Report from the Boston Ghetto," *Monthly Labor Review*, March 1969, pp. 55–56.

<sup>9</sup> Data from the 1960 Census show that this relationship was also true a decade ago.

<sup>10</sup> The suburban ring of the Los Angeles–Long Beach SMSA as defined in 1960 contained cities in Orange County, such as Anaheim, Fullerton, Garden Grove, Santa Ana, and so forth, with some urban characteristics. In 1963, Orange County was deleted from the Los Angeles SMSA and made a separate SMSA (Anaheim–Santa Ana–Garden Grove). Since the data in this article are based on 1960 definitions, these urban areas are included in the Los Angeles–Long Beach suburban boundaries.

<sup>11</sup> One reason for this may be the fact that the four counties added to the Cincinnati SMSA since 1960 are not included in the data in this article. These counties in 1970 housed one-fourth of the Cincinnati suburban population (table 6). Because of the absence of these counties from the suburban figures, the suburban proportion of professional and technical workers is no doubt understated.

<sup>12</sup> The Houston suburban ring as defined in 1960 did not contain four counties subsequently added to the SMSA. These counties in 1970 contained three-tenths of the Houston suburban population (table 6). The absence of these counties from the suburban figures shown here has no doubt affected the occupational distribution of the Houston suburban work force.

(Recess.)

The CHAIRMAN. The committee will resume its session.

The next witness will be Mr. Lee Knack, and Senator Len Jordan is recognized at this point.

Senator Jordan?

Senator JORDAN. Thank you very much, Mr. Chairman.

Lee Knack comes here at the invitation of the committee at my suggestion. I have known Lee Knack for a number of years. He is labor relations manager for Morrison-Knudsen, an international contracting firm domiciled in my hometown of Boise.

As a public service, about 3 years ago, he chaired a local committee to try to match unemployed people with available jobs in the community, and their efforts were so highly successful that I suggested to Lee Knack that he and his cohorts make some suggestions about how the program they were working so successfully might be implemented on a broader base to cover people on the welfare rolls, and so on, so he is here today to testify.

**STATEMENT OF LEE E. KNACK, DIRECTOR OF LABOR RELATIONS,  
MORRISON-KNUDSEN CO. OF BOISE, IDAHO**

Mr. KNACK. Thank you, Mr. Chairman and Senator Jordan.

I want to thank the committee for the opportunity to appear before you. The Senator has ably explained my involvement and the fact that I am wearing two hats.

There are those who say I have two heads so I suppose it is appropriate—but so that there could be no question as to the intention of this testimony, I want to make it clear that I believe that H.R. 1 is grossly deficient in failing to provide for more involvement of the private sector in its objectives and aims.

As this committee pointed out in its report of July 23, 1971, there is no incentive provided in H.R. 1 for the private sector to become involved and to hire and train those individuals who are welfare recipients.

Mr. Chairman, in an address you made on August 6, 1971, you stated:

There are a multitude of ways in which we can help provide employment opportunities and make jobs pay more than they pay at present.

And in that same address you went on to say:

It is much cheaper to subsidize a job in private industry than to pay the person to do nothing.

As I have looked at H.R. 1, and particularly section 2114, I see that the involvement in employment is given certain priorities, and I have no objection to the priorities because the priorities are involved in the first instance with mothers and pregnant women who are 19 years of age, and I know that that goes to make up a large statistical problem at the present time. But I think that on the basis of our experience, and we have worked to a very large extent with some of these people in the program of Scope, we discovered that their training background and their work experience, was practically nil and their education was quite incomplete, and so in the process we discovered that

by creating an area of communication, meaningful communication, between the educational community and the private business community, we indeed began to really and realistically attack this problem.

I might report that we have been successful in instances of returning some of these people, these young women, back to school. In some instances we have put them in very meaningful employment that is very important to them.

I have personally put three of these people through my own office in the last year.

I think at this point you might be interested in hearing about one of them, a young girl who was sent to us by a State agency because she was a tough problem—16 years old, her only objective in life at the moment was to meet her boyfriend as he was released from prison where he had been sentenced on a drug charge, considerably older than she was. She had dropped out of school.

We worked with her, and this spring—she was an intelligent, capable girl—she completed her high school education and simultaneously completed her course in a beauty college where we had gotten her free tuition and she is now not only a high school graduate, but she is also employed and well on her way toward entrepreneurship, incidentally, because she is that kind of a person.

We have worked primarily with young people, as I have said, with mothers below the age of 19 years, and we have learned much.

But in openly examining our own attitudes within the group that we began to work with, we discovered that we had some attitudinal defects, and we have discovered that some of these same attitudinal defects existed in the bureaucracies that were dealing with this problem as well as in education and in the private community. The most obvious one is the faceless “they” that everyone talked about, always referring to the underachieved. “They” would not be working, “they” would not be motivated, “they” have been on welfare all their lives.

Well, gentlemen, because of our discussions and because of many in-depth changes, we turned around from a “they can’t” and developed a “can do” attitude among ourselves first, and then we began to have a turn-around in what we were able to accomplish.

Now, I found, and my company found, that as a result of these activities I was able to implement and translate into our company activities these concepts. We carried on training activities last year in Puerto Rico, Hawaii, Michigan, Idaho, Montana, Nevada, among the Indians in North Dakota, and among the Indians in Arizona. In those areas we worked with over 500 people in direct on-the-job training, all of whom were categorized as being disadvantaged according to Government standards.

Now, on the basis of some of the successes we were achieving and, as Senator Jordon mentioned, prompted by interested legislators here, we went back and put together a proposed experimental and developmental project which we call SUCCEED, standing for social underachievement cooperatively corrected by education, employment, and desire.

We put that together over a year ago and we have attempted to get it implemented. We have suggested we would like to take a hundred individuals and to first of all bring them into a beginning process of

experience in the field of work, and then to expose them to four different skill areas.

This is an idea that I borrowed as a result of some conferences I attended at Geneva on Youth Development Schemes in emerging countries. It was there that I discovered that our foreign counterparts in the world of the Common Market, for example, and in emerging countries, are aiming the people toward the development of not one skill attainment but four, and so I felt that this was something we ought to do some experimenting with. So we proposed and suggested that we expose the individual to not one skill level of experience but four, and in that process give them the opportunity to be able to make a wiser choice on their part, and then to come into a contractual relationship, if you will, between the individual, the educational community, and private employment to the point where these individuals could be directed toward meaningful and long-term employment and self-sustenance.

I find that the direction of H.R. 1 as it is presently structured has the tendency to direct the people that we are talking about toward public service and away from the private sector.

I know there are those who will take exception to the premise that we in the private sector do a better job of training and preparing people for long-range employment. But I submit to you gentlemen we are faced with the necessity of doing a better job because our existence is based upon success, achievement and profit, and without it we go under.

So, therefore, the elements of necessity are there.

I think that there has been, improperly, a finger pointed at the private sector and saying in many instances that the private sector's motives for achievement in the field of working with the underachieved in too selfishly motivated. I take exception to that because I have found it otherwise in our work, and I would like to point specifically to a situation in Ludington, Mich. This past year we trained 147 people in Lake and Mason Counties—I have letters here in my file from the agencies in those two counties that said for the first time in many, many years we had depleted all able-bodied people from their welfare rolls with the exception of three.

Those people were extremely competent, productive, capable people with the right kind of training, and I might cite one statistic to you.

We happen to operate on a union basis and of those people supplied to us by the unions, we discharged 13.2 percent because they were not able to accomplish or were not competent workmen, and out of those people we took from the welfare rolls and trained, we discharged 13 percent, so we actually found that the competency and the qualifications of the people available within the ranks of the underachieved were equal to or superior to the other available sources of the other areas.

I would like to say this to the committee: that I think it is now the time that if we are going to look forward to moving people into more meaningful activity in our economic mainstream, a lot of our archaic and standardized concepts need to be revised or completely scuttled.

One of the things we would like to do in our program of SUCCEED is to experiment. We believe that women could just as ably be trained

to be automotive mechanics as men. We believe that in many areas where our critical problem is, a large number of young women today are going to continue to be where they are, unless we start discarding some of our old-fashioned concepts that employment is relegated to certain sexes and certain concepts.

I hasten to add that I hope nobody believes that I am here in behalf of women's lib, but I am here in the belief that I think this can be done, and I urge the consideration of the very thing that was discussed in relation to the previous witness—that experimental kinds of things be encouraged and be developed.

I would like to conclude, if I may, by citing the objectives of our newly formed Human Resources Development Group of the Greater Boise Chamber of Commerce, which I think says very well what I came here to say:

The Human Resources Development Group will have as its objective the improvement of the understanding of the need to develop and utilize all human resources toward the betterment of the entire community. To this end, the group will function as a coordinating task force in relation to affirmative participation in manpower development and utilization, including on-the-job training, equal employment opportunity, elimination of individual underachievement, underemployment, unemployment, overemployment, and other matters affecting human resources development.

I would like to close by saying that in our activity we have had over 350 private employers who have participated in our program of working with over 1,100 young people in the past year, and we have those same employers, plus more, who are prepared to participate in the experimental program which we have attached to this testimony.

Thank you.

The CHAIRMAN. Senator Hansen?

Senator HANSEN. I do not have any questions, Mr. Chairman.

I certainly want to thank Mr. Knack for appearing here today and to thank our colleague, Senator Jordan, for inviting him.

The one thing that does strike me is your experience, the experience of Morrison-Knudsen, for whom I have a high regard, in recognizing that there are a lot of myths about welfare and about people on welfare. I think you are calling attention to the fact that your experience in picking potential employees from welfare rolls and finding that only 13 percent, were unable successfully to complete the transition from welfare into private employment as contrasted with 13.2 percent, of those recruited from union rolls. This fact speaks most dramatically and ought to banish the myth that those on welfare are nonproducers, that they have no motivation. Welfare enrollees have a lot of things a lot of characteristics which we attribute to them simply are not true.

Thank you very much.

Mr. KNACK. Thank you, Senator.

The CHAIRMAN. Any further questions, gentlemen?

I am going to start with Senator Fannin.

Senator FANNIN. Mr. Chairman.

I am sorry, Mr. Knack, I was not here to hear your testimony. I will read it with a great deal of interest. I have heard about your program and commend you for what you are doing and I am sorry I was not here when you began.



Senator JORDAN. Thank you, Mr. Chairman. I have a number of questions that I would like to submit to Mr. Knack to answer for the record.\*

I would like to pursue one matter a little further, Lee.

When your company took these people who were recommended to you by the welfare groups, and trained them and put them on your payroll, at what rate did they go on your payroll?

Mr. KNACK. They went on at the prevailing rate that was paid to everybody else.

Senator JORDAN. For the class of work for which they were qualified?

Mr. KNACK. Yes.

Senator JORDAN. There was no effort to exploit them, as we have often heard that people in the private sector will exploit people when they get off welfare?

Mr. KNACK. No; there was not.

Senator JORDAN. What is the status of the proposal that I asked you to put together in the hope that we could interest someone over at HEW in the idea of a pilot plan to do on a broader scale what you have been able to achieve both locally and throughout your efforts in your own company. Your SUCCEED proposal is what I am talking about.

What is the status of that?

Mr. KNACK. We were shuttled from HEW to the Department of Labor on the basis that what we were dealing with was not, in fact, a full educational program and was, in fact, only partially educational. So we went to the Department of Labor and they found there, according to the people we talked with there, a great deal in the program that was meritorious and they felt it deserved consideration, but they in turn said, "Your State agencies have not either endorsed it or denied it and, therefore, we cannot give you any experimental support in this sort of thing because some of the State bureaucratic agencies have not yet approved it."

That was in spite of the fact that Dr. Marks, who is head of the department of public assistance, when I discussed it with him in quite a bit of detail, felt it was so valuable that he was prepared to cooperate by using present public assistance funds, particularly in the area of support services for day care facilities and transportation, to see this kind of thing implemented, and he said, "I think this approach is so far superior to the WIN approach, for example, that it needs to be supported and endorsed and fostered."

Senator JORDAN. But they still sent you back to get clearance from the bureaucrats who had made comparative failures of the WIN program and the other programs they had tried to implement in this area.

You still were told to go back and get clearance from these people before they would consider your application for a pilot project?

Mr. KNACK. Yes, sir; that is true, and that was true as recently as of yesterday, Senator.

At the local level we ran into a situation in which they said, "You are making duplicative effort," and I have only one comment to make to that, Senator. If you put a piece of carbon paper or blank paper in

\*See p. 1464.

a duplicating machine and it comes out blank, you cannot say if you put that same paper in and it comes out with something on it that you are duplicating efforts. So I suggest that the question of whether there is duplication of effort or not has to be looked at in light of the results and not because of the fact that the piece of paper has been run through a machine.

Senator JORDAN. I commend you for your persistence and for your efforts and for your willingness to come back here on your own time and money to testify on this important matter. I hope we can persuade the people downtown to give a little support to your proposal for a pilot program along the lines that you have so ably demonstrated can succeed.

Mr. KNACK. I might, if I may make a comment here, Senator, tell of some of the things we are discovering and explain one of the reasons why we want to put these people through a very close assimilative-type program before we put them out in the area of actual on-the-job training. I was discussing a very severe shortage that seems to exist throughout the country and that is in the area of working in packaging plants. It is a very good paying job, but it is a very husky job. I found that some programs where the young people particularly have been sent in, their orientation has consisted of putting the individual next to a person who has worked for years, who knows how to handle and break down a quarter of beef with no problem at all, and who knows maybe how to handle 75 quarters of beef in the forenoon, and 60 hogs.

This is a great deal of physical effort and it takes a lot of technique over a considerable period of time to learn how to swing and handle those carcasses. Yet the individual without that orientation is put in that position and after 5 or 6 hours he says, "I can't take it physically." Then he drops out of the program and says, "I am a failure."

It is not he who is a failure, but it is the approach of the program that is a failure.

I suggest to the Senator from Nebraska that certainly Nebraska could not be No. 1 in football if it pulled people off the streets and put them in as quarterback and guards and tackles. Being No. 1, they have to be ready—in good physical condition—before you send them in to the game to play. If not, you can't say they are a failure if they do not win.

Senator JORDAN. I have some questions I would like to have answered and I shall submit them in writing to Mr. Knack.

The CHAIRMAN. Any further questions.

Senator MILLER. Mr. Knack, I appreciated your testimony very much.

First, I would like to ask you, I believe you cited 350 employers in the Boise human resources program putting some 1,200 people to work in the last year. Was that what you said?

Mr. KNACK. We worked with 1,200 young people. We did not get all of them to work, but we did refer those people at different times for employment, and we did succeed in putting about 350 of them to work on a full-time basis out of the 1,200.

But I might say in that regard, Senator, even the ones who had just the experience of going down and making an application as inde-

pendent jobseekers appreciated the opportunity of seeking employment in that manner. But we did put in employment better than 350.

Senator MILLER. Was the WIN program involved to any extent with this particular group of people?

Mr. KNACK. No, sir, only to the extent that I have had in my own experience, directly within my operations, WIN referrals.

I might say to you, if I can, we had a young girl who was sent to us by one of the State agencies because she just lacked the qualifications for being acceptable for AFDC and, therefore, was not eligible for WIN.

First of all, she had \$400 in the bank. Second, she owned a 1969 automobile. Third, she was a mother of a child with no father.

She came to us on her own because she had been to the agency and they had suggested, first of all, that she go spend the money she had in the bank; that she sell the automobile that she had because it represented too much equity for her to qualify; that she could go and buy an older automobile and they would even give her support money to get it repaired. Then she would be eligible for WIN.

Now she chose not to go that route, but came down and asked for assistance from us. The lady who was in the agency was a little bit disturbed over it herself and she recommended she come down and talk to us and we did find her employment without the necessity of spending her money in the bank or selling her automobile.

Senator MILLER. Thank you.

Now, one further question.

I am not quite clear on this relationship of the 12.5 percent of the union-referred people to the 12 percent of the welfare-type people or underachieved people. What was that 12 and 12.5 percent?

Mr. KNACK. It was actually 13.2 and 13 percent.

Senator MILLER. All right.

Mr. KNACK. It was almost an equal number of people involved so the number of situation is not out of line at all.

We had about 400 people in training on this particular project, 147 of those were furnished us by agencies as being underachieved or being disadvantaged.

The balance of the 400 we obtained through union referral to us—skilled craftsmen and experienced craftsmen. Our rate of termination or discharges among the welfare recipients or the disadvantaged or underachieved was 13 percent. Our rate of discharges among those who came to us as qualified and experienced was 13.2 percent.

Senator MILLER. What were the reasons for the discharges though?

Mr. KNACK. In most instances lack of qualification: the lack, in some instances, of the ability to work in some of the skilled areas that were involved. In some instances there were, as you might find, the normal type of insubordination—attitudinal problems.

Senator MILLER. Were these union-referred people? I believe you said they were skilled?

Mr. KNACK. They were experienced and had been involved in the construction industry, whereas the other people had not.

Senator MILLER. All right.

Now, those who were the underachieved group?

Mr. KNACK. Yes, sir.

Senator MILLER. They were all put through a training program, is that correct?

Mr. KNACK. Yes, I think the basic difference was that we did more counseling with them. We went to their homes, and we found for example that there was a tendency at the beginning to not quite comprehend the significance of going to work at 8 a.m. and what the relationship was of a dirt-moving operation if one person was absent. So we did more counseling with those than we did with the others who had experience.

Senator MILLER. Would the training program have been comparable with that group to the training that the union-referred people would have gone through?

Mr. KNACK. Well, actually, the people that the union sent us should have had more exposure and more training by assimilation and by the mere process of osmosis than what these people had.

Senator MILLER. Well, I assume, if they were members of a craft union, that before they obtained full union membership they would have had to go through a certain degree of training; and, for somebody from the underachieved group to be able to obtain and handle a job for which one of the union-referred group would have been eligible, he would have required comparable training. So, it would seem to me that your point is that, assuming reasonably equal degree of training, the underachieved ones that have the training could perform comparably with the people who perhaps never were underachieved, but started out under an apprentice program in the union.

Is that the thrust of your remarks?

Mr. KNACK. Yes, Senator, and I might say we have found this to be true in any regard.

For example, in Mr. Fannin's home State at the present time we are carrying on quite a program with the Navajo Indians. We are using the new method of installing the railroad system which is the endless rail system or welded rail no-joint system. We are training a number of Navajo Indians down there.

Recently we took our slide presentation and the progression activity of how to do this work, we made slide pictures of it, we then translated the script into a sound track in the Navajo language. Now that is the first time that any training has ever been done in a manner that has brought the Navajo language and the training material together, and the reaction is excellent.

I have had some people say, "Well, those who can understand the Navajo language would react just as well as if it were in English," and I deny that is true. There is a manner of dealing with the people with whom you are dealing and there is a response, and if they find out you are willing to give enough attention to what your program is in relating to what their cultural situation is and their circumstances are, then their response to your program is considerably different than if it just is ground out of the mill.

Senator MILLER. One final question.

Of this group of 1,200 young people with whom you worked, you said 352 were placed in full-time employment. Were any of those from AFDC families?

Mr. KNACK. Yes, sir, they were.

As a matter of fact, one of the difficulties we ran into, we did so well with some of the young people that their mothers and fathers came in and wanted to know if we could help them.

Senator MILLER. What was the record, if you know it, of placement of people like this in the employment field of your human resources group in the Boise Chamber versus the record of the people running the WIN program out there?

Mr. KNACK. I can only respond to you that I have not made an in-depth evaluation of the success or failure of the WIN program at the local level. The reaction I get from many of the people who are in the agencies that are related to it is a very negative reaction so I would say that the WIN program apparently has not produced any great results.

I have looked at figures which show that in Idaho in 1970, 750 girls were placed in the WIN program. Two wound up in employment.

Senator MILLER. Two wound up what?

Mr. KNACK. Two wound up in employment. Seven hundred fifty in the program, two became employed.

Senator MILLER. Well, then, the way you are going to leave the committee, as far as I am concerned, is with the impression that as far as Boise, Idaho, is concerned that a taxpayer-supported and probably a fairly expensive WIN program has been relatively unproductive as compared to the efforts of a nontaxpayer-supported voluntary private human resources group in Boise, Idaho. Would that be a fair reaction for a member of this committee?

Mr. KNACK. I always quit when I am ahead, Senator, and I would not want to say one word that would disillusion you from your impression.

Senator MILLER. Thank you.

Senator CURTIS. Our time is running on, but I do want to take time to thank you for your appearance here.

I would like to ask you this: Do you have any suggestions for the Congress that could remedy this situation?

So many times private citizens will have a suggestion on how a Government activity can be improved. They go to various officials in the Government, and it is hard to find someone who is willing to listen who has authority to act. As a result the private citizen who tries to assist his Government in some of these things is sent from one place to the other. If he were not discouraged when he started out, he will be in the end.

What can we do about it?

Mr. KNACK. Well, Senator, I do not think there is any magic. I think it is going to take good concentrated hard work. I think we need to develop the kind of situation in which the attitude of those good citizens in the community are going on from "they cannot" to "they can."

One of the things I think contributes to the "can't do" attitude is some of the redtape, some of the bureaucratic mish-mash which in reality so completely separates the private sector and the public sector and, if I may, I would just like to point to the structural creation of the Committee for All Manpower Coordinating Activities.

The Government suggested that this program be implemented, and yet that committee-at State levels to consider human resource development is composed, and has been composed exclusively of State agencies. The public sector has not been represented in those committees. And then the committees are now so structured that an individual can sit there and, in effect, veto a course of action.

Now, I do not want to leave the impression that there is a total absence of cooperation. I have to point to successes which have occurred throughout the United States that we have been involved in Michigan, Arizona, and North Dakota, as cooperative efforts.

But, Senator, let me tell you one that happened in Montana. We were prepared to train 40 people, and the Employment Security Agency refused to send us the 40 people and certify them as disadvantaged people to train because the union said, "If you do there will be trouble on that job."

I filed a protest in a telegram to the then Under Secretary of Labor, Arthur Fletcher. I did not even receive a reply to my telegram because his people were involved in that particular veto situation.

Now, again, I do not want to leave this room with the impression that labor is not cooperative; but labor, like everything else, has pockets of cooperation, and where labor, the public agencies, and the private sector will sit down and go to work on this job, a lot more can be accomplished than anybody thinks can be accomplished up until this time.

So in answer to your question, Senator, I think we have to ask first of all—going with Mr. Ribicoff's question to the previous witness—what can we do to develop some experimental, some research type of concepts. There is nothing that attracts, in my viewpoint, the reaction of a community than to be involved in an experimental program that has meaning to it—in which their participation is making a contribution to an overall problem maybe even beyond the boundaries of that community.

I urge that strong consideration be directed to the development of ideas, to the development of programs, to ingenuity, to innovativeness, and to creativeness.

Senator CURTIS. Do you believe that real help to the disadvantaged and the unemployed and the person who is on welfare, in the way of getting them on the road to a good job, will come largely from individual consideration and effort with each individual involved?

Mr. KNACK. I think we are going to have to deal with those people as individual associates or as strangers in a group. If we deal with them on an individual basis, then we are going to accomplish an awful lot more than if we choose to deal with them as strangers in a group, and I am afraid that is the problem—we are dealing with them as strangers in a group.

Senator CURTIS. While it is true they are short of funds, but basically their problem involves many other things, does it not? As you say, conditioning them for the work?

Mr. KNACK. Yes.

Senator CURTIS. And attitudes, building up their confidence, letting them know what is available, and a little practical advice on how they might operate to their advantage. Is that not true?

Mr. KNACK. Yes, I think this is a very important point, Senator, that the individual in most instances is really not involved in his own decisionmaking opportunity. He is put into a program that is stereotyped and there it is. He really does not know or she does not really know what she is able to do. There are a lot of people who are doing things now that they are not sure they want to do and they are not in the poverty program so they are no different.

But to get to the point, I think if we can develop programs whereby these people can have the opportunity to shop, if you will, with assistance and to be able to buy and to make the decision of buying job opportunities rather than to have it thrust upon them, then I think we can make some improvement in this picture.

Senator CURTIS. You may not want to comment on this but I really feel those who are urging a total Federal-managed welfare program, with one criterion, and that is, if you do not have enough money. And it just seems to me that there will be countless millions of people with a great potential who will be deserted because they will be thrown into a system of just one criterion and no one there to view their problems and to help them iron out their personal and family situation.

I have mentioned before in this committee that our rehabilitation service probably is better qualified to assist the people on welfare than any group in the Federal Government, but they do not have very much of a role. There was an experiment on this.

Woods County, Wis., had a 5-year program, and the rehabilitation service was able to more than pay for its cost by assisting many welfare recipients into productive roles.

You have made a good contribution.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Mr. Knack, your testimony was most impressive.

A few things I am not clear on. Your programs were completely financed from private resources or were there Government contributions?

Mr. KNACK. There was an original grant—in the original SCOPE program there was a Government grant.

Senator RIBICOFF. How much was that in proportion to the overall costs?

Mr. KNACK. The Government grant was \$144,000. I do not know the total contribution, Senator, but in the effort of my own company, I would say that direct and indirect output by my company would have been about \$75,000 of that program.

Senator RIBICOFF. You say originally, as you continued along with one group after another, were the Government contributions still available or did that disappear?

Mr. KNACK. We have no Government contribution right now, and we are struggling.

Senator RIBICOFF. In other words, you have no Government contribution and you are financing this out of company funds.

Mr. KNACK. Well, we are doing it by a lot of ingenuity and effort, and we have staff people who, incidentally, Senator, have worked the last 2 months with no salary.

Senator RIBICOFF. This is on a volunteer basis that they are giving of their extra time?

Mr. KNACK. Not extra time, they are full time.

Senator RIBICOFF. Full time?

Mr. KNACK. Yes, sir.

Senator RIBICOFF. But they are being paid by your company?

Mr. KNACK. No, sir; right at the moment at the foundation, we are going out and working other areas to achieve what income we can.

Senator RIBICOFF. Who are these people? Are they retired; how do they give their full time if no one is paying them?

Mr. KNACK. It is very difficult, but they are working and, as I say, we have struggled along, we have gone out and done some private work. We are presently doing some work for some of the firms in town and at the moment we owe them some salaries and we are trying to recoup that right now through private effort.

Senator RIBICOFF. I see.

When you put these trainees to work and they do not have experience, you start them immediately at the prevailing wage before they go into the prevailing market?

Mr. KNACK. No; in almost every instance we have started them at a prevailing wage.

Senator RIBICOFF. For beginners on that job?

Mr. KNACK. No; the actual prevailing wage for the qualified individual.

Senator RIBICOFF. For the qualified individual? Did you run into any antagonism from your other employees who were experienced and who feel they were probably not getting enough in comparison?

Mr. KNACK. No; we didn't.

Senator RIBICOFF. You ran into no problem?

Mr. KNACK. We did not, Senator.

Senator RIBICOFF. Let me ask you, What is the population of Boise?

Mr. KNACK. The city itself now is about 80,000. The area we are working with would be about in the neighborhood of 150,000.

Senator RIBICOFF. What is the employment rate of that 150,000 population area?

Mr. KNACK. When you say employment—

Senator RIBICOFF. Unemployment rate.

Mr. KNACK. What is the unemployment rate?

Senator RIBICOFF. Yes.

Mr. KNACK. I don't know what it is at the present moment. It is somewhat higher right now than it has been.

Senator RIBICOFF. I wonder if Senator Jordan has any idea? I wonder if Senator Jordan could help me? Do you know what the unemployment rate is in that section of Idaho around Boise?

Senator JORDAN. It is around 5 percent, I think, or in that area.

Senator RIBICOFF. In other words, the unemployment rate is high there as it is around the rest of the country?

Mr. KNACK. Yes; it is.

Senator RIBICOFF. Do you find it difficult where the unemployment rate is high to take people from welfare and train them when you



have a lot of other people out of work who could probably take employees with so much easier training?

Mr. KNACK. No; not really. I think again it begins to be a matter, Senator, of when is the wisest time to train, and we are convinced, with our employer participants, the wisest time to train is when you have the opportunity to train. I think too often some of the training things fall by the wayside because the effort is attempted at a time when there is a crash or a crisis. So the end result is that the employer says, "While I have this problem I will solve the problem by working overtime," and he takes his work force when he is least able to train and he works its overtime.

When he is best able to train he has the tendency to say, "Well, I am laying off or I am not building my force," but we have actually gone to some of the employers, one in particular—I just got a report last night—where by some persuasion and some discussion with him in pointing this out to him this employer has taken on and is training presently eight people.

Senator RIBICOFF. All right, now, you would say the prevailing wage on the job you were training would be how much an hour?

Mr. KNACK. It started, Senator—

Senator RIBICOFF. Just give me an idea.

Mr. KNACK. In our program in Boise, itself—

Senator RIBICOFF. Yes.

Mr. KNACK (continuing). It would vary from \$2 an hour up to \$4 an hour.

Senator RIBICOFF. All right. Now, the people, when they started they were not producing \$2 or \$4 an hour worth of work?

Mr. KNACK. No, they were not.

Senator RIBICOFF. Now, let's say that you had very bad experience when you tried to cooperate with any governmental program and as far as you are concerned you would love to be able to do this and wash your hands of all governmental agencies?

Mr. KNACK. No; I don't mean to say that.

Senator RIBICOFF. I mean, you don't have to apologize if you feel that way about it.

Mr. KNACK. No, I am not apologizing because I think there are successful programs, for example, I think the Jobs 70 program has been a successful program.

Senator RIBICOFF. I mean, the program you are talking about to train people, when you tried to do this through the governmental agency you found it very frustrating and very disappointing?

Mr. KNACK. In the main, yes.

Senator RIBICOFF. And yet this is a burden on your company to train these people. What thought would you have as to how this could be arranged with men like yourself, companies like yours, could be encouraged to train people and yet not carry too big of a burden of that cost of training?

How do you think you should be compensated for this training?

Mr. KNACK. I think that could be worked out. I think, Senator, if we are going to look at the possibility of employment in the public sector then we should not overlook the possibility of subsidizing employment in the private sector.

Senator RIBICOFF. All right. How could that come about? How would you assure, if you were subsidizing employment in the private sector, private employers would not use this as a means to get cheap labor continuously? How would you protect the public against that?

Mr. KNACK. Well, Senator, I think in that particular instance, and, of course, no one kind of an answer is going to be applicable in every instance, the public is protected because we have created the kind of end agency we have with followup activity and because we have, on our board of directors, for example, the vice president of the college, the dean of education of the school, the superintendent of public schools, the assistant superintendent of public schools and members of the business community. By having that kind of a relationship and then having our staff doing followup work, we are finding that their actual followup is what is preventing the very thing you are talking about. I think a great deal of the answer would come from how the situation would be structured within the area.

Now, very frankly, I find that in some programs, as we get involved in with governmental contracts, it gets to be the old numbers game and sometimes where there is an accusation or the finger of exploitation is leveled, it is leveled in the wrong direction because there are occasions it is suggested to us that we might just as well put the people on because what's the difference. It might be a cost-plus job and as long as the numbers are involved, so what.

I think that the people who are involved in that kind of situation recognize what they are involved in and their motivation toward doing what ought to be done is thoroughly undermined.

Senator RIBICOFF. You see what attracts me about what you are doing is the great reservoir of potential for training and jobs is in private industry and people will learn a lot faster if they are doing something useful instead of makework.

If they are helping build an actual road or bridge or a house, there is an element of pride and there is an element of meaning in what they are doing instead of just knocking together a shed or a barn and they are tearing it down again and putting it up again. It is a very frustrating experience for a man to be useless, so you do have a great opportunity to train people for jobs that are useful and will continue to be useful.

What I am trying to learn from you as a businessman is how would you want to be encouraged—men like yourself—to undertake more of this? What are the incentives that you need to do more of this?

Mr. KNACK. I don't know. I would have to say to you, Senator, I don't even know what incentives I have at the present time that have encouraged me to do it except I find it is the most fascinating thing in the world to be doing.

Senator RIBICOFF. That's right. All right, if everybody, every employer and all the employees you find had the same philosophy, we wouldn't have the problem but unfortunately they are not, and business is in business to make a profit, and I have no quarrel with that.

Mr. KNACK. That's right.

Senator RIBICOFF. And you can't expect a man who has got the necessity of producing a product at a profit to put on his payroll people who are not carrying their burden. He just can't do that. So

you have to have some incentive to give to him to compensate him for the lack of productivity of people who are in their training period.

Mr. KNACK. Yes.

Senator RIBICOFF. And I am trying to find out from you what formula you as a businessman would like to see so that you would be encouraged to do more of it?

Mr. KNACK. Well, in our experimental succeed proposal, Senator, we are suggesting that the employer be subsidized to the extent of \$1 an hour for 1,260 hours of on-the-job training.

Now, I don't think that would even begin to compensate him in real dollars for the amount of attention and effort that he would have to put forth.

Senator RIBICOFF. All right, then, in other words, \$1 an hour for 1,260 hours for a job that pays \$2 an hour?

Mr. KNACK. And upward.

Senator RIBICOFF. How long would it take in that type of work; how many months would it take to train that person to be able to carry his weight?

Mr. KNACK. Senator, there is one thing that I feel very strongly about and that is that you can't set a standard, per se; it is just as individual as it can be in job training. I am firmly convinced, because I have seen it work. We have been able to train an individual to do a passable job and an acceptable job for us with 600 hours of training in the field of mechanical repair, for example, and in other specialized areas. I am convinced in my own mind that given even, let's say, a woman who had certain competencies, technically and manually, that she could become an automotive repairman in the area of ignition work and of reading a scope or an analytical machine, and a service station attendant in possibly 5 or 6 months.

Senator RIBICOFF. So, in other words, to train a person that way, under what you suggest, it would cost the Government \$1,260?

Mr. KNACK. Yes.

Senator RIBICOFF. Which is probably—which is certainly a lot less, if my memory serves me right, than many of the manpower programs which are \$5,000 or \$6,000 a year; and you feel that private industry—do you think you would get many takers in private industry if they were reimbursed at the rate of \$1 an hour? Of course, what you are going to have to do and recognize if you are ever going to get any-think through, really, is you are going to have to pay the minimum wage.

Mr. KNACK. Right.

Senator RIBICOFF. So that whatever the minimum wage is, if there is a contribution of \$1, a person now gets a minimum wage during their training period, and you think that you and other employers like you, for \$1,260 a year, would be willing to undertake that job with that sort of compensation?

Mr. KNACK. Yes, sir; I am convinced the program we put in, as a pilot program, can do that. I would like to say another thing about that, Senator: In our proposal we are suggesting that the individual involved be trained at skilled levels or better in accordance with the DOT codes.

Senator RIBICOFF. Let me ask you, sir, the program that you have, has that been written up completely or are you just telling us what it is?

Mr. KNACK. Has it been written up?

Senator RIBICOFF. Yes; have you written this up and laid it out? It is altogether explained?

Mr. KNACK. The proposal?

Senator RIBICOFF. Yes.

Mr. KNACK. Yes, sir; it is attached.

Senator RIBICOFF. And how it has worked out and everything else?

Mr. KNACK. The elements of it, the details of it, are very specific—the number of hours that would be involved in counseling, the number of hours that would be involved in the preactivity, the relationship between education and on-the-job training, all the elements are in this proposal.

Senator RIBICOFF. Mr. Chairman, I think that this witness here has made a lot of commonsense and, in many ways, has been going toward some of your own thoughts and ideas. I would hope that a member of the staff would read this very carefully and, if necessary, I would hope you would authorize a member of the Finance Committee staff to go out to Boise, Idaho, and spend some time to go over this program and fill in if there are some vacancies or empty spaces, because I think it is unfair to ask them to do it; but, I think we have got the makings of a very good idea here; and I want to thank our colleague from Idaho for bringing Mr. Knack here.

Thank you very much.

The CHAIRMAN. Thank you very much.

(Mr. Knack's prepared statement with attachment and questions and answers referred to previously follow. Hearing continues on p. 1471.)

#### PREPARED STATEMENT OF LEE E. KNACK

My name is Lee E. Knack. I am Director of Labor Relations for the Morrison-Knudsen Company of Boise, Idaho, and in addition, I am President of a non-profit foundation known as SCOPE Foundation, Inc. The name is derived from the letters *S C O P E*, which stand for Student Career Opportunities Programmed Educationally. For over 30 years of my work life, I have engaged in industrial relations with special emphasis in the field of labor relations and in training. I have been involved in the development of manpower training programs within industry and have taught in the field of public education.

I thank this Committee for the opportunity to appear before you today to testify on the subject of H.R. 1. I will limit my testimony to Part A, "Opportunities for Families Program", and more specifically to Section 2114.

It is my opinion that although the Act provides under Section 2116 for the Secretary of Labor to utilize existing means available under other Acts for manpower training and development services, the definitive portions of the Secretary of Labor's responsibilities under Section 2114 creates a distinction comparison between private sector involvement in employment programs and public service employment programs. It is to this distinction comparison that I direct my testimony.

So that there may be no question as to the intention of this testimony, I wish to make it clear at this point that I believe that H.R. 1 is grossly deficient in failing to provide for more involvement of the private sector in the objectives and aims as contained in the Act. As this Committee pointed out in its report of July 23, 1971, there is no incentive provided in H.R. 1 for the private sector to become involved and to hire and train those individuals who are welfare recipients. Mr. Chairman, in an address you made on August 6, 1971, you stated, "There

are a multitude of ways in which we can help provide employment opportunities and make jobs pay more than they pay at present"; and in the same address, you went on to say, "It is much cheaper to subsidize a job in private industry than to pay the person to do nothing."

Now, if we draw the comparison of operation of manpower services and training and employment programs in Section 2114 between those programs where the private sector might be involved and where public service employment will be involved, then I think we can more clearly observe the defects that are in the Act.

Section 2114(a) provides for the development of employability plans for manpower services, training and employment, and it provides for priorities and gives first priority to mothers and pregnant women who are under 19 years of age. I am fully aware of the fact that to a very large degree, the group being afforded this priority represents a large statistical problem factor. We must recognize, however, that because of the very circumstance and age of this group, their training background and work experience are practically nil and their education is incomplete. I do not disagree with the need to give this particular segment a priority status, but I do contend that since the Bill provides for very liberal inducement for this individual to be trained and employed in the public service sector while it does not provide for financial inducement for this individual to be trained and employed in the private sector, then indeed the priority attention we are allegedly giving this problem in reality is not there. The Act creates a trend toward employment in public service and away from employment in the private sector. If we enact legislation which has this effect of limiting employment opportunities in the private sector, then we must ask ourselves the serious question:

"How much of a solution are we providing to the problem?"

As a representative of the private sector, both through my regular employment and as President of the SCOPE Foundation, I strongly endorse development of incentive measures to increase the private sector's involvement in the training and employment of the under-achieved. First, I believe this is important to the social problem as a whole, but it is even more important to the individual who is involved. There are those who will take exception to the premise that we in the private sector establish and insist upon better compliance to work habits and performance than often is the case in the public sector and thus do a better job of training our employees. However, gentlemen, I only have to point out to you that our survival in the private sector is based upon efficiency, accomplishment and, if you will, profit; and we recognize that to a very large extent our success and profit is dependent upon the quality and competency of the humanical elements in our organizations even to a greater degree than upon our mechanical elements.

I am saying that the private sector must be more realistic in its training and employment of its personnel. The individual who has been successfully job trained by and in the private sector is more able to continue in meaningful employment with more continuity. I do not want to imply that the efforts of the private sector alone are going to provide the best answer or the only answer.

To clarify, allow me to explain more of the organization of SCOPE and its creation. Three years ago, a committee composed of educators and business people met under the sponsorship of the local Chamber of Commerce and began to engage in a series of in-depth probings and examinations as to what would be accomplished by the joint and cooperative efforts of education and business in the area of the development of human resources. Out of these discussions grew the organization of SCOPE, which consists of representatives from the Boise Public School system, Boise State College and the private business community. In some open head-to-head confrontations, we discovered that both of us suffered from some attitudinal defects, while at the same time, each group had expertise which justifiably should be brought together.

Over these past years in SCOPE, we have worked primarily with young people and in many instances with mothers below the age of 19 years and we have learned much.

In openly examining our own attitudinal structure, which revealed obstacles in moving the under-achieved and the under-employed into the world of meaningful employment, we discovered some of these same attitudinal obstacles existed in bureaucratic agencies as well as in education and in the business community.

The most obvious attitudinal problem was the faceless "they" that everyone talked about, always referring to the under-achieved.

"They" won't work.

"They" won't be motivated.

"They" have been on welfare all of their lives. We heard all of the negativity that is so easily hidden behind the bush of "they." Since we corrected our attitudinal approach, we have observed a real turn-around in achievement. Through the medium of meaningful communication and action between education and business with a definitive objective to bridge the world of work with the world of education, we created a *can do* attitude.

As we went down the road of our objective, we discovered that we in the private sector had a great deal of latent talent to conduct competent on-the-job training. We found that the educational community had a good deal of active talent to prepare meaningful job-related educational material to assist in that training.

As a result of the exchanges that occurred through the facility of SCOPE, we at Morrison-Knudsen Company adopted the results of those discussions and used them in training activities in Puerto Rico, Hawaii, Michigan, Idaho, Montana, Nevada, among Indians in North Dakota and Indians in Arizona. In the above geographical areas in the past year, we worked with in excess of 500 people in on-the-job training and job-related education. All of those with whom we worked were categorized by government standards as disadvantaged.

On the basis of our experiences and following some discussions with and prompting by interested legislators here in Washington, the SCOPE organization put together a proposed experimental and developmental project which we call SUCCEED. The letters S U C C E E D stand for Social Underachievement Cooperatively Corrected by Education, Employment and Desire. That proposal is presently in the Department of Labor. I have furnished copies for members of this Committee. We offer this proposal as an affirmative and constructive example of the kind of activity and participation that we believe should be encouraged and the concept should be a part of any consideration that is aimed at attempting to solve the problems of the employables through manpower services, training and employment.

To emphasize the contrast that I mentioned earlier in my testimony concerning the contrast of involvement between the private sector and the public service sector, I point to indicators that the Secretary of Labor faces serious limitations in administering programs under H.R. 1 relative to public service employment. Employees who are employed in public service sector programs can only be employed where such employment will not result in reduction of employment of any employer. I interpret this together with these references to mean that employment in the public service sector would, in reality, be a make-work program. To go back to your remarks, Mr. Chairman, I'm afraid that much of the employment in the public sector will actually result in paying a person to do nothing—at least nothing that really needs to be done. Motivation for employment is more likely to be present when the individual sees a reasonable expectation for some permanency and reason to his employment and where it has meaning. If employment is going to result in the public sector in a manner in which the individual is merely a statistical addition to the payroll, then such motivation is seriously encumbered.

In the public service work program, the Secretary of Labor can reimburse the cost to the public service agencies for providing employment over a three year period. Payments for the first year may not exceed 100% of cost of providing such employment, may not exceed 75% of cost to provide such employment the second year, and may not exceed 50% of cost to provide such employment the third year.

If we believe such subsidies are going to work in public service employment, why wouldn't they work with similar controls in private employment and perhaps even better. As a matter of fact, if the 225% of cost of employment over three years in public employment were spread over a longer period of time, it would produce more lasting and effective results. Of that I would be sure if the same formula were to be applied to the private sector of employment.

In summary, it is extremely important to encourage and to give incentive to private-cooperative involvement. On the basis of my own experience, I am a strong supporter of the necessary elements of effective manpower development to include job-related education, on-the-job training, orientation, counseling and

realistic support services where needed. On the basis of past experience, I am a great advocate of the consolidated efforts of education and the private sector of employment. I am convinced of what can be achieved and as a representative of the private sector of employment, I urge the encouragement and development of this relationship.

I would like to conclude by citing the objectives of the newly formed Human Resources Development Group of the Greater Boise Chamber of Commerce, which I think says very well what I came here to say:

"The Human Resources Development Group will have as its objective the improvement of the understanding of the need to develop and utilize all human resources toward the betterment of the entire community. To this end, the Group will function as a coordinating task force in relation to affirmative participation in manpower development and utilization, including on-the-job training, equal employment opportunity, elimination of individual under-achievement, under-employment, unemployment, over-employment and other matters effecting human resources development."

Thank you

#### SUCCEED

The following is a proposal of an experimental and development project which SCOPE would coordinate with the cooperation of the Boise School District, Boise State College, the employers of Boise Valley, and 100 participants.

This project would be known as Social Underachievement Cooperatively Corrected by Education, Employment, and Desire, and is hereafter referred to as "SUCCEED".

The primary purpose of SUCCEED would be to conduct an experimental-development project, aimed at increasing the employable potential of 100 participants who are presently under-employed and/or receiving welfare assistance, and to ultimately place them in financially sustaining employment. We recommend this project be funded to explore and develop data and experience in the form of practical information to determine the feasibility of achievement and its potential development as an on-going program in other areas throughout the United States.

The program outlined is intended to develop solutions to one of our nation's most pressing social problems. Its strengths and most notable features result from the fact that the participants will have available the service capabilities and expertise of the school system, which has job-related education as its responsibility; the expertise of the employers who have employment and on-the-job training as their responsibility; and the expertise of SCOPE, composed of both entities, which has as its responsibility the necessary day by day coordination, development and implementation of the program, all of which are directed to the benefit of the participants.

The school system is defined as any facility existing in the Boise area where formal education is taking place, which would include the Boise School District, which comprises elementary and secondary education, Boise State College with its academic and vocational-technical areas, and other educational institutions pertinent to the task.

The employer is defined as any individual, organization, or corporation which uses the services of one or more persons for wages or salaries in reaching the objectives of the employer's establishment.

The participant is defined as an individual who is presently under-employed, and/or underachieved, and/or receiving welfare assistance.

SCOPE is defined as a non-profit foundation which develops career opportunities and correlates these opportunities with the individual's career interests resulting in financially sustaining employment for the individual.

In this proposal, SCOPE will obtain the cooperation and commitment of a sufficient number of employers to provide Skill Shopping Center capabilities and ultimate permanent employment on the same basis as other employees of 100 participants in financially sustaining employment of skill levels of 20 or higher. These skill levels will be in accordance with those established in the Dictionary of Occupational Titles, United States Department of Labor, Volume I, third edition.

It is proposed that in the above stated geographical area, SCOPE would simultaneously survey:

1. The potential participants among (a) the under-achievers, and (b) welfare recipients from which 100 will be selected as participants.

2. Employers and employment possibilities for the creation of the Skill Shopping Center and employers for on-the-job training resulting in employment.

On the basis of information obtained from the above, it is proposed, SCOPE would initiate an intensive out-reach recruitment program among under-achievers and welfare recipients to enlist the individuals and/or families in the SUCCEED program as an alternative to existing welfare programs or substandard employment. Upon selection of the SUCCEED program by the participant and his acceptance by SCOPE, the participant would be on the payroll of SCOPE as a pre-employment probationer for a period not to exceed nine weeks. These nine weeks would be for the purpose of counseling and program orientation, which would include basic academic education, job-related education, Skill Shopping Center services, pre-job orientation, job orientation, and personal and family counseling. During the research and developmental period, SCOPE would service ten participants through each nine week counseling and orientation period. While successfully participating in the counseling and orientation period and throughout the participant's involvement in the SUCCEED program, the participant and his family unit would be insured a net monetary receipt not equaled by any existing "welfare" program.

During the probationary nine week period, the participant would be evaluated as to his progress toward becoming a full trainee-employee for an employer and his ultimate placement in on-the-job training. This evaluation would be achieved through:

1. Interviews by SCOPE personnel.
2. Basic placement tests administered by the Boise School System.
3. Existing data.

Throughout orientation the participant would be provided:

1. A program of basic education tailored to the participant's needs and designed to qualify the participant for placement in on-the-job training.
2. General job-related education which would include money management, employer expectations, personal relations, personal hygiene and grooming and safety.
3. A Skill Shopping Center Service which would allow the participant at least a week's exposure to actual skill performance in a minimum of four skills in potential places of employment. This would include four weeks.

The Skill Shopping Center is contrasted with the Skill Center concept in so far as the Shopping Center facilities and equipment and tools relating thereto already exist within the industrial and business framework and does not require investment involved in establishing Skill Centers.

4. Program orientation will be given to all participants as to what the basic format of the program is, and to aid them in the skill selections.

5. Following selection of a skill by the trainee, and the acceptance of the trainee by the employer, the participant will be given more extensive orientation, relevant to his selected skill. Some of the topics to be covered in this orientation would include:

- a. Familiarization of physical plant and trainee's work area.
- b. Explanation of trainee's duties.
- c. Explanation of company's work rules and policies.
- d. Employer expectations as to the trainee's actions and attitudes regarding work habits, personal hygiene, safety, and responsibilities to fellow workers.

6. SCOPE will assist any participant in arranging for individual counseling on matters of a personal and/or financial nature or any counseling requiring technical or specialized assistance.

On the basis of past experiences involving the SCOPE staff and organization it has become apparent that total job matching goes beyond simple skill matching. In order to achieve the importance of overall matching, it is proposed that SCOPE would program and conduct clinics involving participants and employers, the purpose of such clinics to be improvement and better understanding of employer and employee relationships. In view of the constantly developing new problems and current social, economic, and environmental stresses and concerns thereof, it is proposed that the clinics would be of a social dynamic nature covering these specific areas.

Upon completion of the participant's pre-employment probationary period with SCOPE, it is proposed that the school system, SCOPE and the employer be joined contractually to create an individualized on-the-job training program for the participant, taking into consideration the needs of the participant and the specific requirements of the job for which the participant is to be trained. This contract would enunciate:



1. The responsibilities of the employer in :
  - a. Development of on-the-job training.
  - b. Development, jointly with the school system, on-the-job training curricula.
  - c. Paying that portion of the participant's wages to be born by the employer.
  - d. Defining what will constitute an accomplished employee satisfying the requirements of the job.
  - e. Furnishing certified payrolls for all participant hours of employment which will serve as the auditing process for reimbursement to the employer, of \$1.00 per hour for reported hours of participant's employment. This \$1.00 per hour to represent reimbursement in part to the employer to cover training and related costs expended by him.
  - f. Participating in the development and conducting of pertinent clinics dealing with the employee-employer relationship.
  - g. Cooperating in the providing of Skill Shopping Center facilities as required.
2. The duties of the school system :
  - a. To provide testing and counseling to the participant.
  - b. To develop, with the employer, the curricula for on-the-job training.
  - c. To provide supplementary education and counseling as deemed necessary.
  - d. To monitor and evaluate, periodically, the participant's employer's, SCOPE's and school system's performance of the contract and to update the program where necessary.
  - e. Participating in the development and conducting of pertinent clinics involving employer-employee relationships.
  - f. To assist in the development of job-related education material.
3. The role of SCOPE :
  - a. To recruit and select 100 representative under-achievers and/or welfare recipients in the Boise area to be known as participants.
  - b. To assume the responsibility for the guidance of the participants through their initial 360 hours in the program.
  - c. To provide interviewing and counseling to assist the participants in satisfactorily achieving full employment.
  - d. To coordinate the participation of the school systems and employers.
  - e. To monitor the performance of the participants and signatories of the contract and assist in adjusting the program to better meet the needs of the participants.
  - f. Participating in the development and conducting of pertinent clinics dealing with employer-employee relationship.
  - g. To provide support services for the participants on an individual basis. Support funds indicated in the attached budget are based on a norm and would be applied where needed rather than on a mere prescribed basis.
  - h. To create in cooperation with selected employers a Skill Shopping Center.
  - i. To coordinate the development of all job-related education and on-the-job training programs.
  - j. To audit payrolls submitted by employers and reimburse them in part for their training costs, the sum of \$1.00 per hour for all properly verified participant hours of employment for a maximum of 1,260 hours of programmed on-the-job training.

The wages to be paid to the participants when placed on an employer's payroll, will be based upon the established standards for the specific job. He will at no time receive less than the established minimum wage. To partially defray the cost of training, the employer will receive an amount of \$1.00 per hour of participant training employment on the basis of a submitted verified payroll. The employer can receive a maximum of \$1,260.00 providing the participant receives the maximum of 1,260 hours of training. It is to be recognized that the participant will receive additional benefits through being a wage earner such as social security credits, possible accruals in retirement plans and possible health and welfare coverage.

As stated previously, the participant's wage during on-the-job training will be composed of two segments: the employer's portion and the program's portion.

The contractual arrangement will provide the participant and an employer to mutually enter into a full job relationship at any time prior to the completion of the on-the-job training hours. Wherever possible this will be encouraged.

To illustrate the concept of this proposal, by referral, on his own initiative, or by recruitment, a person is introduced to SUCCEED. He is then interviewed to ascertain whether he can meet the established requirements for eligibility for participation. Assuming that he is eligible, SCOPE initiates the testing and

counseling phase to determine the participant's employment desires and capabilities. The individual is accepted as a participant and placed on the SCOPE payroll as a preemployment probationer for a maximum period of 360 hours. 200 hours to be devoted to pre-job counseling, orientation, job-related education, and where necessary remedial academic subjects. This program is to be conducted on an eight hour day, five day week basis, and the participants are to receive \$2.00 per hour in wages for each actual hour of participation. 160 hours are to be devoted to skill shopping. Each participant will spend one week of five days at eight hours per day in four different skill areas. During the period of 360 hours, the participant would be treated in all manners as would a regular employee. He would be subject to actual working obligations of attendance, promptness, and so on. SCOPE would maintain adequate individual personnel records during this period. Such records would serve as a basis for corrective counseling where necessary, and would further provide employers with evaluation information for on-the-job training selection purposes.

Evaluation of the participant's interest, potential, aptitude and full employment opportunity would be made by SCOPE to assist the participant in choosing that skill and occupation in which he desires to continue for the 1260 hours of on-the-job training.

In conducting this experimental and development program, it is conceivable that possibilities for entrepreneurship may appear. Wherever possible, SCOPE would develop entrepreneurship potentiality in cooperation with the school systems and the program would, within its capabilities, devote attention to this possibility. A special project or projects could be undertaken. It is contemplated that day care center support services could be developed into an entrepreneurship involving a participant or participants. Should this occur, SCOPE would provide direction, training, and assistance in the establishing of such an entrepreneurship.

Once a skill area has been agreed upon, the school system and the employer would create individual on-the-job training and supplementary education programs which would meet the requirements of the participant in filling the needs of the job.

As the participant masters on-the-job training, and his productivity increases, the employer will be encouraged to grant incentive wage increases commensurate with the employer's regular policies. The intent will be to obtain for the participant, incentive wage increases. It is entirely possible that the participant could develop either faster than programmed or beyond the scope of the program. In either instance, the contract would be completed after it has been mutually established that the participant was fully qualified.

To summarize this proposed experimental and development project SUCCEED begins at the local level. A "Troika" composed of the school system, industry, and SCOPE, acting equally and in unison, will expend every effort to assist the participant toward qualifying as a productive, capable, and enthusiastic employee. Through satisfactory performance of this combined program, an employable functionally literate individual will be produced, adding one more name to the ranks of the dignified employed and removing one more name from the welfare or under-employed roles.

Consultants and experts from business and industry, The Boise School District, Boise State College, Community Action Agencies and staff members of SCOPE spent many hours in discussing and developing the concept of this proposal and many more hours in preparing the draft as here presented. During these sessions, all participants gave recognition to the serious problem the Vietnamese veteran faces in searching for employment. In most instances he has entered military service at the precise time in life in which he would be acquiring additional skills or knowledge to improve his employability potential.

Those who participated in drafting this proposal desired to give extra and special consideration to the returning veteran and it was by unanimous accord that it was decided to under-score the veterans plight by this special reference at the conclusion of this proposal. In selecting the 100 participants, veterans in need of the advantages of the offerings contained in this proposed experimental and development program would be given preference and special consideration throughout the program.

MORRISON-KNUDSEN CO., INC.,  
CONTRACTORS, ENGINEERS, DEVELOPERS,  
Boise, Idaho, February 14, 1972.

Senator RUSSELL LONG,  
Chairman, Senate Finance Committee, New Senate Office Building,  
Washington, D.C.

DEAR SENATOR LONG: I am enclosing herewith replies to the written questions which Senator Jordan requested I answer and furnish such answers to the Committee. Not knowing the procedure ordinarily followed in such matters as this, I am furnishing just this single copy reply together with a carbon copy to Senator Jordan. If it will be of assistance to the Committee for me to furnish additional copies as I did with my original testimony, please let me know and I will be glad to furnish whatever required number will be helpful.

Since my return to this area following my testimony before the Committee, an editorial has appeared in the local paper and a full cover story has appeared in the neighboring paper, a copy of which I am enclosing herewith.

Although it may be somewhat premature at this moment, as Chairman of the Committee I think you should know that there is very considerable interest within the community for the implementation of Senator Ribicoff's suggestion that a member of the staff come to Boise to study the implementation of the proposal we submitted and to study the possibility of making additions and amendments thereto as an experimental effort. I sincerely hope this may come to pass and I will direct additional information to you concerning the growing interest in this direction at the local level.

As I expressed in my previous correspondence to you, I was most appreciative of the attention and kindness extended to me by the Committee and its members. Further than that and since my return, the high interest among the members of the Committee to affirmatively grapple with the very serious problem has infused me and the members of the SCOPE staff with renewed vigor and enthusiasm to do whatever we can not only to be helpful where we are but wherever such help may be beneficial.

Very truly yours,

LEE E. KNACK,  
Director of Labor Relations.

#### AN IDAHO SOLUTION IS OFFERED IN D.C. TO A PROBLEM ON WELFARE

WASHINGTON, D.C.—“Depletion of natural resources.” We've heard a lot about that kind of depletion. “Depletion of public funds.” We've heard enough about that one, too. But who ever talked about depleting the welfare rolls?

Idaho Senator Len B. Jordan and Boisean Lee E. Knack have talked about it for some time. The Senator's Washington office contains a correspondence file half-a-foot thick attesting to his close liaison of over three years with Knack's Boise-based SCOPE (Student Career Opportunities Programmed Educationally) project. Last week, at Jordan's invitation, Lee Knack testified before the Senate Finance Committee which is currently considering proposals on welfare reform. Knack did more than offer his proposal for bringing people off government assistance, he told of a specific incident where it had actually happened.

The Senators were impressed.

In addition to being president of SCOPE's Board of Directors, Lee Knack is the labor relations director for Morrison-Knudsen Company. Both SCOPE and MK are finding, in Knack, solutions to public and private problems—finding jobs for the unskilled, SCOPE's activity; and finding qualified employes for industry, one of MK's pursuits. Judging from the Finance Committee's reaction to Knack's narration of SCOPE's activities, the project may have a chance for national implementation which could eventually cause us all to hear less of the depletion of public money and more of the highly novel depletion of welfare rolls.

Finance Committee member Abraham Ribicoff, the former Secretary of HEW under President Kennedy, after listening intently to Knack's testimony and pronouncing it as “most impressive,” made the following comments:

“Mr. Chairman, I think that this witness has made a lot of common sense . . . if necessary, I would hope you would authorize a member of the Finance Committee staff to go out to Boise, Idaho, and spend some time to go over this program . . . I think we have got the makings of a very good idea here, and I want to thank our colleague from Idaho for bringing Mr. Knack here.”

The points brought out by Lee Knack are these :

(1) There is no provision in H.R. 1 (The Social Security and Welfare Reform Bill presently under consideration) for the private sector to become involved and to hire and train individuals who are welfare recipients.

(2) It is much cheaper to subsidize a job in private industry than to pay the person to do nothing.

(3) The present welfare system is based on an attitude that the under-achieved cannot perform competitively in the normal job market. SCOPE has found that they can if given the proper training oriented toward the specific needs of industry and flexible enough for the individual to make his own choice of what job activity is best for him rather than have a job thrust upon him. The individual needs to be more involved in the decision making than he now is under the present system.

(4) The under-achieved should not be scooped together in one massive, all-inclusive, federal, bureaucratically administered program. There needs to be more local community involvement and more provision for simple personal human kindness.

(5) There is a great reservoir of potential for training and jobs in private industry and people will learn a lot faster if they are doing something useful instead of makework. Industry has the opportunity to train people for jobs that are useful and will continue to be useful. One of the things that contributes to the "can't do" attitude of the present welfare system is the red tape, the bureaucratic mish-mash which in reality so completely separates the private sector from the public sector. The private sector is faced with the necessity of doing a better job because its existence is based upon success, achievement and profit, and without it private business goes under.

A lot more needs to be said about the SCOPE program and a new approach Lee Knack is developing called SUCCEED (Social Under-achievement Cooperatively Corrected by Education, Employment and Desire) ; about how the program has cooperated with over 350 representatives of private business, about how MK has developed a training program for Navajo Indians in the Navajo language.

But most of all, with over 10 million Americans now on public assistance, the public needs to take a good long look at the training program Lee Knack administered last year in Lake and Mason Counties, Michigan, which caused the heads of public agencies there to say that for the first time in many, many years all able-bodied people, with the exception of three, had been depleted from the welfare rolls.

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REPLIES TO QUESTIONS SUBMITTED TO LEE E. KNACK BY SENATOR JORDAN

*Question 1. The SCOPE program has been quite successful in training young people and in placing them in jobs in the Boise, Idaho, area, and I would like to ask Mr. Knack to provide for us information as to the results which he has obtained under SCOPE. That is, the statistical information regarding people taken into the program, people trained, and people placed into job situations.*

Answer. The following statistical information reflects the total activity of SCOPE involvement with young people since its inception :

One thousand, two-hundred thirty-four (1,234) individuals were registered. There were 850 individuals referred for jobs. There were 350 placed in employment. There were 474 different employers involved in the program. In order to obtain the 850 referrals, it was necessary to make 4,575 registrant contacts and 1,114 employer contacts.

As a matter of explanation of the difference between referrals and placements, it is our policy to send more than one applicant out for each referral; and, in this way, we are able to make the participant understand that there indeed is competition for every job opening and we were also able in this manner to stress the importance of appearance, attitude and honesty in making presentation for a job opening.

With a total of 850 referrals to job openings, out of 1,234 registrants 68.8% of the registrants were referred to job opportunities. Approximately 42% of those referred were placed in jobs. This again reflects the fact that more than one person was referred for each opening. With 350 placements out of 1,234 registrants, we had an average placement of just under 30%.

The reasons for this percentage factor is as follows: In some instances, applicants had found other employment; jobs were rejected by applicants because of unsatisfactory working time; there were instances of illnesses; out of 1,234 registrants, we had a representative number which were obviously migrant in nature and were available only for a very short period of time after registering before they moved on to another area.

The 474 employers had 1,114 job openings for an average of 2.35 jobs per employer. This is a very significant figure since I personally know that when we commenced talking to employers and to people in the community, they were convinced that job openings were going to be very scarce. However, by pounding the pavement, discussing the employer problems and conditions, many job openings were revealed that didn't seem apparent. I credit the activities of some of the staff members for having enlarged the job opening situation. To elaborate to some small extent on this, many job openings in the summer time were obtained when we discovered they were being filled by people from education and banking institutions as moonlighting operations. We pointed out the unfairness of people holding down two jobs while there are others trying to find one job. This rationale had great appeal and without question produced many job openings.

*Question 2. Mr. Knack, you pointed out on page 4 of your testimony that the results you have achieved under your SCOPE program were accomplished by the joint and cooperative efforts of education and business in the area of the development of human resources. I would like you to develop the theme of cooperative involvement between educational organizations and the private business sector.*

Answer. The Boise Public School District and Boise State College have been involved in SCOPE from its inception, as have many employers throughout the Boise area. Over 350 employers participated in an employment projection survey covering a five year period. More than 5,000 students at the Junior and Senior class levels were surveyed as to career interests. Seminars were held involving students, faculty and parents at the college and the high schools. All of this was done as cooperative effort between business and education. In addition, several conferences were held between school officials and teachers and industry people to discuss relative job-related educational material. These sessions were head on confrontations in which the frozen positions of both sides were thawed out by rather warm discourse. Practical approaches to job-related education were sampled and tested and proved to be beneficial.

Education and business cooperated in the development of the Potentiality Evaluation Test (PET), a non-reading type of test which was sampled on a few hundred individuals. It gives indications of being a valuable placement tool in working with the underachieved. Unfortunately, the lack of funds and corresponding staff prevent further research with this test at this time.

Although there has been extensive cooperation between the business community and the education community, we know we have only scratched the surface. There are many social benefits to be obtained from future cooperative efforts. Some of these are improved curricula, more relative occupational education, better counseling including students, parents, faculty and business and industry; more realistic programing of on-the-job training coupled with well-developed job-related education programs.

*Question 3. How do you recruit people in the SCOPE program and once you have them signed up, where do you begin working with them?*

Answer. The referrals came to the SCOPE program through Boise School District; Boise State College; The Greater Boise Chamber of Commerce; City, State and Federal Agencies; Service Organizations; parents, families and friends. In working with each registrant, we began by discussing career interests, goals, and the means of achieving these goals.

The individual was encouraged to participate strongly in the discussion and was at all times guided toward reaching a decision of his own as to what career he would like to pursue. We also stressed the importance of knowing what not to do as well as having some desire of what to do. We frequently found that individuals did not think they knew what to do but with indepth interviewing and not really counseling, some of their latent interests were brought forth and in many instances spoken aloud for the first time. Motivation and interest was magnified immediately every time this occurred.

Qualifications for particular career interests were pointed out and where necessary, qualifying requirements were discussed and if the individual was deficient in any qualifying requirements, remedial or corrective courses of action were discussed and pointed out providing the individual the opportunity to commence qualifying or establishing qualifications for careers.

A good example of the entire relationship can be emphasized by citing the example where a young boy, a Junior in high school who had heard about SCOPE at school, came to discuss his situation with us. He was unhappy and frustrated at school and wanted most of all to drop out of school and was looking for encouragement to support his assumed decision. He claimed he had no ambitions, no goals. After indepth interviewing with him, he discovered that the reason he had taken every mechanical drawing class available at the high school was that he enjoyed it, he was interested in it, and he was able to achieve recognition and success in those subjects in the forms of A and B grades.

We asked him to let us see some of his drawings and assignments and we invited him to bring his work in for evaluation. The change in this young man's attitude and appearance when he came back with his portfolio was 180 degrees. He was enthusiastic, gay, and just bubbling with happiness. Career opportunities associated with draftsmanship, such as engineering, architecture, and landscape design, were discussed with him. His interest response was immediate. A contact was made with the Idaho State Highway Department. He was sent for an interview and he was hired and placed in training as a draftsman in a Highway Landscape Department.

A subsequent contact with his counselor revealed that his turn around was as complete in school as it was out of school. Attitude, grades and attendance were all on the upsurge. He progressed rapidly in his on-the-job training to the point where he was soon checking other draftsman's blueprints. He has since graduated from high school and is presently enrolled in Engineering at the University of Idaho, and he is a cherished and valuable employee during the summer time with the State Highway Department, still in the Landscape Design Department.

This example is not an exceptional one, but we cite it here because it is so representative not only of what is done with those who need regular and full time employment, but what can be done to prevent the individual from becoming a statistical under-achiever through most of his adult life.

*Question 4. How do you make the transition from training to work and do you encounter any problems in doing so?*

Answer. Many individuals with whom we have dealt who have had exposures to other training programs have said they have been very discouraged and frustrated coming from a training program and going to work for an employer. First of all, the training program itself has been designed and programed in a manner that has little or no relation to the actual work itself. In many instances, the instructors in such programs really do not know nor have had any experience with the job for which they are training. The end result is that they are faced with unlearning some of the irrelevant matters they have been exposed to in the training sessions and both they and the employer are faced with a real training experience when they start on the job.

Although each employer has his own way of wanting a job to be done, the same job contains the same basic content of learning requirements; however, many training programs do little or nothing toward developing comprehension of the job requirements. In reality, they say there is no transition from training to a job, but in all too many instances they are totally and unrelated experiences. On the other hand, those individuals who have been exposed to training experience with a strong relationship to employment find the transition from training to employment occurs easily.

Because of the above indicators, the major problems we have encountered is correction of attitude where some people have had their motivation deflated by being involved in unrelated or dead-end training.

*Question 5. On page 5 of your testimony, you make brief reference to attitudinal obstacles which exist in bureaucratic agencies. Have you worked with State and other governmental agencies in the SCOPE program? If so, what type of contacts and what type of cooperation have you had from these agencies?*

Answer. We have worked with agencies listed below:

Idaho State Department of Employment.  
Idaho State Highway Department.

Idaho State Fish and Game Department.  
 Boise City Parks Department.  
 Idaho State Commission for the Blind.  
 Idaho State Board of Correction.  
 Idaho State Penitentiary.  
 Idaho State Public Assistance Department.  
 Idaho State University Extension Service.  
 Idaho State Budget Department.  
 Job Corps.  
 Model Cities.  
 El Ada Community Action Agency.  
 State Office of Migrant Education.  
 Idaho State School.  
 Ada County Racing Commission.

In some instances, the initial contact was made by a member of the SCOPE staff soliciting participation in the program. In other instances, we were contacted by the initial effort of the agency itself. In some instances, individuals within the agency felt we were involving ourselves in their area of responsibility and efforts. Other individuals within some of these agencies felt that we could render service and particularly they felt we could do so with some of the tough cases the agencies themselves found difficult to help. In many instances, the individuals within the agency referred these difficult cases to us on a confidential basis, and as they did they expressed to us their belief that we could be helpful based on some things they had seen us do on some other tough cases.

A typical example was a sixteen year old unwed mother with a six-month old baby. She felt that she was a financial burden to her parents. She didn't qualify for AFDC ASSISTANCE and wasn't particularly anxious, but she wanted employment to become financially independent. Job opportunities and related wages were discussed with this young lady; and in the course of discussing careers with her because of her youth, her limited education and experience, she felt totally inadequate and at the onset could make no contribution as to career interest. In depth interviewing revealed that she enjoyed hair styling and as a hobby did her friends' hair and experimented with designs on them. With this interest revealed, cosmetology as a career was explored and, as in the case that I mentioned in my testimony before the Committee, a scholarship was obtained at the local Beauty College and in conjunction with her high school counsellor and principal she was directed to continue her high school studies in the morning and to take advantage of the Beauty School scholarship in the afternoon.

As in the case I mentioned before the Committee, she too has graduated from both institutions and is currently employed in a beauty salon. This young mother, with direction from SCOPE and cooperation with the public educational facilities, a private educational facility and an employer, is on her way to becoming financially self-sufficient and independent and an important member of society.

This young lady, when she was referred to us by the agency which she first contacted, had been labeled as being insecure, lacking in vision, and would undoubtedly become a permanent Department of Public Assistance recipient. Even the school counsellor had reached a point of hopelessness. It is a credit to the SCOPE staff that they have accepted the challenge of working with the tough cases, and I have personally observed their keen delight when they have achieved success where others have given up.

In the agencies listed, after working with SCOPE and contacts we were pleased to report that the spirit of cooperation and inter-relationship improved and developed the longer the relationship existed. A great deal was accomplished on the part of many people as a result of the cooperation between SCOPE and the listed agencies.

*Question 6. Have you had any contact in SCOPE with persons who have participated in other training programs?*

*Answer.* In answering number 4, reference has been made to experiences we have had with individuals who have participated in other training programs. Specifically, we have referred and worked with people who have been through the WIN program, various Manpower and Development Training programs at some of the Vocational Educational institutions, dental assisting, welding, practical nursing, mid-management, vocational office practice, model office procedures, and JOBS '70 (a NABS program).

*Question 7. Mr. Knack, you pointed out in your testimony that you are now involved in a proposal called SUCCEED which is designed to train and employ welfare recipients. On page 7 of your SUCCEED proposal you mention that the initial 360 hours of the program will be devoted to guidance and orientation. Could you describe for us what type of orientation would be involved in the program?*

**Answer.** The initial 360 hours in the SUCCEED program would be broken down as follows: 200 hours in pre-employment and 160 hours in skill shopping. The 200 hours would be devoted to counselling, basic job orientation, job-related education, and remedial academic subjects where necessary. In the counselling area, it has been our experience that both young people and the underachieved need to understand the existence of competition for available jobs. Appearance, presentation, attitude and honesty are most important at the very start of an employment relationship, and this needs to be stressed, demonstrated and established with the individual. Individual needs assert themselves at the early stage of counselling and reveal the amount of time that must be spent with an individual on such subjects as personal health, hygiene, grooming and dependability.

We believe that the fruits of labor are not alone measurable by the dollars a person earns but what he does with those dollars. In the first 200 pre-employment hours, we propose to have presentations on shopping, home management, transportation, savings, food preparation and presentation, and related subjects. We further propose to conduct specific educational conferences as individually needed.

During this period we would also develop tactical and manipulative abilities where appropriate. It is important to provide those with histories of unemployment with as much physical pretraining as possible. Knowing how to hold a hammer, cut with a saw, mark a straight line, handle measuring devices and tools before actually starting on-the-job training in woodworking, for example eliminates many obstacles to the "first day on the job". It also reduces negative attitudes toward the trainee from fellow workers and gets him started off on the right foot with the employer.

Simply put, the first 200 hours would be directed toward conditioning the participant for actual on-the-job training. This conditioning is purposely programmed before the 160 hours of skill shopping. The details of skill shopping in the proposal are rather clear but its purpose may not be so obvious. We believe that in too many programs there is a lack of decision involvement afforded the participant. Providing him with opportunity to make a commitment to a particular skill decision is important and necessary to his being successfully trained in meaningful employment—thus the skill shopping center exposure.

*Question 8. Mr. Knack, I take it that you would counsel this Committee to provide for experimentation into different programs for training and employment of welfare recipients. What do you think the role of the private sector should be if we did decide to provide such experimentation in H.R.*

**Answer.** I think the private sector should be encouraged to be innovative and experimental in programming training and employment of welfare recipients. To this end, subsidy of wages where the private sector will become involved is realistic as well as practical and in my opinion more economical. Subsidy of wages will not be an inducement to exploit labor if the programs include built-in checks and guides of responsibility. I personally would include the local educational community in a cooperative effort to build, develop, implement and guide the program. This could well serve to protect public interest as well as individual interest.

The SUCCEED proposal represents a perfect example of the kind of experimental program I think we should try. I'm delighted members of the Senate Finance Committee thought so too, and I hope something affirmative can be done to implement it.

*Question 9. Mr. Knack, you indicated that the Morrison-Knudsen Company, of which you are the Director of Labor Relations, has adopted some policies based on the information and knowledge which you have received from the SCOPE program. Could you tell the Committee of any experiences in the private sector related to your training programs which stand out in your mind?*

**Answer.** Perhaps nowhere in M-K's experience with training has the issue of individual human dignity and cultural heritage been more strongly demonstrated than in Puerto Rico.



The depth of the native Puerto Rican's feeling in his personal dignity and national heritage is exhibited by a clause in the labor agreement which stipulates that each employee shall be furnished a name tag and no workman will be addressed as "dog, cat, or cockroach".

This sensitivity toward individual and national pride was recognized at the onset of our program. We were aware of this sensitivity and national pride as a result of many discussions and conferences that occurred between members of my staff at Morrison-Knudsen Company and staff members of the SCOPE program.

Each workman in Puerto Rico who was being trained for a skilled craft position was furnished his personal tool set, which became his permanent property and which enables him to pursue his trade after the completion of his training and his employment with Morrison-Knudsen Company, Inc.

The Spanish language was used throughout all phases of the training program. Anglo supervisors were encouraged to learn and issue orders and instructions in Spanish. The Training Coordinator was bilingual and all orientation, job-related education, and special individual counseling was conducted in Spanish. Standard M-K safety regulations and policies were translated into Spanish. Company movies with English sound tracks were discussed and explained in Spanish before and after each showing. In cases where trainees were learning construction terminology, and no Spanish equivalent was applicable, the trainees became conversant in the accepted English term.

As a part of their training curriculum, the trainees constructed their own classroom where the job-related education phase of the program was conducted. The construction of this classroom was a cooperative, joint effort of all trainees in which each individual contributed the skills he had acquired in the training program. When the erection of the classroom was completed, the trainees voted to name it "B. L. Perkins Hall," in honor of the President of Morrison-Knudsen Company, Inc.

In utilizing training in Puerto Rico, the Company not only recognized the skill requirements of the trainees, it also recognized the need for individual dignity and the cultural heritage of poor but proud people. The legacy that M-K leaves behind in Puerto Rico is a cadre of well trained craftsmen who have lost none of their individuality by their exposure to training and who now say with greater emphasis: "Soy Orgullosa de Ser Puerto Riqueno"—(I am proud to be Puerto Rican).

The valuable experiences we gained in our Puerto Rican exposure served us to a great extent when we began to train Indians from Fort Totten near Grand Forks, North Dakota. At the beginning of our training program, we discovered a high rate of turnover when we brought Indians directly from the Reservation to on-the-job training. We turned this around by making a school on wheels out of a lowbed truck, which we took to the Reservation 90 miles away. Here we trained the Indians on the basic skills in the use of hand tools, how to erect scaffolding, and how to install forms. This mobile training was conducted from a period of 24 to 40 hours. Those individuals who had such pre-training drastically reduced our turnover, increased productivity and were highly acceptable in a much shorter period of time. Their acceptance by other workers was also greatly enhanced.

We had some extremely interesting experiences in working with the very greatly disadvantaged and convicts. In one outstanding example, we begin to train a former school teacher who had been convicted of a felony to become an office manager. At the same time in about the same area of operation, we began to train a young Black man from the Job Corps as a steam cleaner. Although the Black man's record indicated ten years of schooling, it soon became apparent that he could neither read nor write. We asked the former school teacher convict if he would be willing to spend an hour a day trying to teach "Freddie" to read and write. This was brought to pass and in January of 1971, Freddie wrote the first letter of his life to his aged mother in St. Louis.

He has completed his training and is now voluntarily in Red Cross Reading and Writing programs and has attained a thorough high school reading and comprehension capability. He had advanced his classification in pay and at the present time is now acting as the trainer-instructor for those who are being trained on the steam cleaner. He is not only competent as a workman, but he has an aptitude to instruct and train others where he himself has been instructed and trained.

In reply to your question, Senator, I have purposely cited examples that are in the nature of a cultural group, a group with a lost culture and the individual application relationship. There are very limited examples of our successes and I find myself faced with the difficult situation of keeping my reply short in answer to this question when I could respond to the temptation to go and on.

*Question 10. Both as a member of the Finance Committee and of the Interior Committee, I am quite interested in the welfare of our Indian Citizens. I understand that you have some ideas in this area and I would appreciate it if you would outline them to the Committee.*

Answer. We have been in discussion with the Inter-Tribal Council in Idaho as well as with representatives from the Flathead Reservations in Montana and the Stoux Reservation in Montana concerning the development of broad training programs. Particularly in the area of the Inter-Tribal Council in Idaho, we are examining the possibility of converting all reservation projects into training programs. We visualize the possibility of having all reservation work be exempted from regulations which would prohibit the implementation of this concept.

As an example, where it would be contemplated to building housing facilities on the reservation, we would propose that such activity be conducted under a training program rather than as a construction award contract, that a competent and able organization would be selected by the bid process not to construct the facilities but to train the Indians on the reservation in all phases relating to such construction. This would include management and supervision; office, including all clerical activities, accounting, payroll, purchasing; engineering, including surveying; and all other skills relating to the actual performance necessary to create the facilities.

In this way, we believe that government expenditures on the Indian Reservation could produce the physical facilities originally intended and for little more investment provide the Indians with training on a broad basis that would enable them to acquire entrepreneurship capabilities or skills through experience and training which would enhance their employment opportunities both on and off the reservation.

In discussing this concept with various Indian representatives, they have endorsed it whole heartedly and at the moment, I am in meetings with representatives as heretofore stated to further explore this concept.

*Question 11. Since the person who this Committee is most interested in providing for under the welfare provisions of H.R. 1 is the mother who has dependent children. I would appreciate it if you would inform us of your experience under the SCOPE program with this group of people. In other words, what was your experience in training and finding employment for welfare mothers? What problems did you encounter?*

Answer. In getting down to question 11, I have discovered that, in part, I have answered this question in previous answers. But, in general, as we have worked with young mothers, many of them unwed, others whose husbands have disappeared, we have found their lack of work experience, training and interruption of education has contributed to an attitude of defeatism, and has seriously undermined their confidence. They are often confused and almost without exception have nothing to offer in the form of ability initiative or projecting usefulness. They are almost always indecisive as to career selection. They seem to be willing to accept the role of taking whatever crumbs might be offered them.

These young mothers often tell us that they do not feel acceptable to an employer. They are concerned about their acceptability on the part of other employees. In spite of the fact that they might have gone through a training program, this has contributed little or nothing to the building of an affirmative attitude. Their negativism and defeatism has been fed by their inability to find employment after having taken training. This often resulted from training in fields where no jobs existed at the time that training commenced and none had materialized by the time training was finished.

This kind of dead-end training does a beautiful job of creating a dead-end attitude. These young mothers are skeptical about entering another program. When encouragement is given to discuss job opportunities and overall career inclinations, regardless of whatever training there may have been, and when that individual in the course of such discussion begins to believe that they have an involvement in the selection of a career or job, we begin to see the dissolution of the negative attitude. Often the young mother is activated into discussion

during such interviews when grooming and personal responsibilities become the leading subjects.

It is our viewpoint that these young women have had all of the lecturing and sermonizing and training words they can absorb. We studiously avoid talking about orientation and counseling, and we avoid semantics associated with group participation identification. We never send one of these people out to an employer until we are certain we have convinced them and that they believe that that particular employer is interested and willing to help them become competent through on-the-job training.

We have conducted human relations discussions and seminars with employers and we find them—particularly those who do not fall into the category of being large employers—being a very fertile field of employment potentiality. These are employers who are often understaffed in the first place and to whom efficiency and a competent employee is essential for survival. Usually, it is a blend of an individual who needs a job and an employer who needs to have that job filled.

As I furnish the answers to the questions I have been asked by Senator Jordan, I once again wish to emphasize to the Committee that those of us who have been involved in these efforts are firmly convinced that much that has not been done heretofore can be done. Again, I would like to emphasize that we must not stop our efforts because somebody says what is being done is duplicating what somebody else should be doing. This kind of reasoning and rationale is never understood by the individual who has not yet been helped and who is still in need of that help.

The CHAIRMAN. The hour is now 12:30 and I would suggest we stand in recess until 1:30, at which time we will seek to hear the remaining witnesses.

(Whereupon, at 12:30 p.m., the hearing was adjourned, to reconvene at 1:30 p.m. this date.)

#### AFTERNOON SESSION

The CHAIRMAN. The next witness will be Mr. William Thompson, speaking on behalf of the United Presbyterian Church, accompanied by Miss Dorothy Height, vice president of the National Council of Churches; and Hobart Burch, general secretary for health and welfare of the Board for Homeland Ministries, United Church of Christ, in behalf of the National Council of Churches and other Protestant organizations.

We have allowed, I think, 20 minutes for this statement here, as I recall it, have we not?

Senator BYRD. Mr. Chairman, could I make a brief statement before Mr. Thompson testifies?

The CHAIRMAN. Other Senators will be along shortly. Yes, go right ahead.

Senator BYRD. Mr. Chairman, I would like to state that the Armed Services Committee has been meeting simultaneously with this committee. This committee has been meeting every day, almost every day, for several weeks. The Armed Services has been meeting most of the day in recent days and I am the only Member of the Senate who is on both of those committees and for that reason it is not possible for me to be here all of the time, but I want to have the record show I am tremendously interested in these hearings and I will spend as much time as I can here, consistent with the simultaneous meetings of the Armed Services Committee. Thank you very much.

The CHAIRMAN. Go ahead, sir.

**STATEMENT OF WILLIAM THOMPSON, STATED CLERK, UNITED PRESBYTERIAN CHURCH, U.S.A., ACCOMPANIED BY DOROTHY HEIGHT, VICE PRESIDENT, NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.; AND HOBART BURCH, GENERAL SECRETARY FOR HEALTH AND WELFARE, UNITED CHURCH OF CHRIST BOARD FOR HOMELAND MINISTRIES**

Mr. THOMPSON. Thank you, Mr. Chairman.

My name is William Thompson. I am a lawyer and I was engaged in private practice for 20 years. Since 1966 I have served as stated clerk, the permanent executive officer of the general assembly of the United Presbyterian Church in the United States of America. The general assembly is the highest governing body of my denomination.

On my right is Miss Dorothy Height who is testifying today in her capacity as a vice president of the National Council of the Churches of Christ in the U.S.A. Miss Height also serves as director of the Office for Racial Justice of the Young Women's Christian Association and is president of the National Council of Negro Women.

On my left is Dr. Hobart Burch, general secretary for health and welfare of the Board for Homeland Ministries, United Church of Christ. Dr. Burch is a former public assistance caseworker and has served as Assistant to the U.S. Commissioner of Welfare in the Department of Health, Education, and Welfare. He earned his doctorate in social welfare from Brandeis University under Charles Shottland, former Commissioner of the Social Security Administration.

As you have yourself indicated, Mr. Chairman, our testimony today is given on behalf not only of the United Presbyterian Church, the National Council of Churches and the United Church of Christ Board for Homeland Ministries but also for several other Protestant organizations. Representatives of each of these organizations are present in the hearing room today, and I shall identify the persons from each of those organizations and ask them to stand.

The first is the United Methodist Church Board for Christian Social Concerns; the representative is Dr. Luther Tyson; Presbyterian Church in the United States, Mr. Thad Godwin; the executive council of the Episcopal Church, Mr. Woodrow Carter; the United Church of Christ Council for Christian Social Action, Mr. Ted Dudley and Miss Laura Queen; the Christian Church (Disciples of Christ), Mr. Fred Hofrichter; the American Baptist Convention Division of Christian Social Concern, Mrs. Joan Henderson; the United Methodist Church Women's Division, Miss Ruth Gilbert; the Joint Washington Office for Social Concern, representing the Unitarian Universalist Association, the American Ethical Union and the American Humanist Association, the Reverend Robert Jones and Mrs. Eleanor Payne; and the Church of the Brethren, Miss Nancy Long.

Our testimony today is rooted in the policy statements and resolutions adopted by the governing bodies of each of these organizations. That we can testify before you together is possible only because of the high degree of consensus that exists in these position statements. These policy statements and resolutions listed here is our testimony—

I shall not read them—are attached as an appendix to this testimony and I ask that they be incorporated in the record.

I should like to interpose this explanation: I do not presume to speak for all of the members of all of these organizations. I do speak on behalf of their official bodies which have adopted the position papers which are attached to the testimony.

I shall abridge some of the testimony in order to conserve our time.

Mr. Chairman, the organizations testifying before you today want reform of the present welfare system. The present system, if indeed it can be called a system at all, fails in virtually every respect. Of the 26 million persons who even by the Government's minimal definition of poverty are classified as poor, the federally aided welfare system reaches barely half. Of those that are reached, none receive an adequate level of benefits and in most States the benefits are so inadequate as to simply perpetuate the recipient's previous condition of poverty.

Standards of eligibility and benefits are geographically inequitable. In half the States the system encourages family breakup by refusing to help the family while the father is still in the home. It encourages dependency and discourages efforts at self-help by confiscating most of a recipient's earnings. It fosters a destructive enmity between the worker and the recipient by excluding the working poor from all benefits. It is administratively chaotic and frequently fails to treat the recipient with the respect due him as a human being.

We want reform of this system; but we believe that that reform ought to proceed on the basis of facts, not on the basis of self-serving myths. The fact that seems to be most forgotten in the debate around welfare reform is that we are talking here, in connection with welfare reform, about people, not about things or objects but about people, people who are children, who are aged, who are blind, who are disabled, who are mothers with dependent children or who work full or part time for less than a living wage. We are talking about human beings, people like you and like me who lack income sufficient to their basic needs.

It is because title IV of H.R. 1 forgets that fact that we testify before you today. Title IV leaves intact the discriminations between the so-called "deserving" and "undeserving" poor that are manifest in the present system. It does not even approach an adequate level of benefits. It would perpetuate chaotic administration. Most seriously, it would impose upon the poor a system of governmental control and coercion that treats the recipient as an object to be manipulated rather than as a human being to be helped.

Title IV of H.R. 1 fails as welfare reform because it is founded on myths about the poor that have no foundation in fact, myths that would have us believe that it is not the welfare system that has failed the poor but the poor who have failed the system. We want to look at these myths and unmask them for what they are.

The central myth is that the welfare rolls are filled not with people in need but with able-bodied loafers. Yet the facts show us that as of April 1971 over half—55.5 percent—of the recipients in the federally aided welfare categories are children. Another 9.4 percent are blind and disabled. Another 15.6 percent are aged. This means that as a

minimum 80.5 percent of those receiving welfare benefits are, by virtually any definition, unable to work. Statistics further show that able-bodied unemployed males comprise only nine-tenths of 1 percent of the recipient population. Most of these want work; indeed, about half of them are enrolled in work training programs.

But it is asked, "What about the mothers; can't they work?" Mothers with dependent children constitute 18.6 percent of welfare recipients. Of these 2.5 million mothers, about 14 percent are already working and another 7 percent are in work training. Of the remaining 79 percent, approximately 40 percent have little or no employment potential because they care for small children at home, have major physical or mental incapacities or other insurmountable work barriers; and another 4 to 5 percent have employment potential that is severely limited and would require major rehabilitative services to make employment possible.

The remaining 35 percent could work if day care were available for their children, if job training were available, and if jobs were to be had. Yet, despite the fact that a maximum of 56 percent of welfare mothers can be considered potentially employable, more than 70 to 80 percent of them consistently report that they would work if they could.

Furthermore, the unemployment rate, the general unemployment rate, in the whole job market now exceeds 6 percent. This means that more than 5 million workers in the Nation's labor force are unable to find work, many of them with skills that employers find preferable to those possessed by welfare recipients.

In short, it is a cruel myth to suggest that people are on welfare because they refuse to work. It is even crueler, in the face of the recipient's desire to work if he can, to put into legislation a forced work requirement, as has been put into title IV of H.R. 1.

Another pernicious myth would have us believe that the welfare rolls are rife with fraud, that welfare recipients get on the rolls and stay on the rolls by falsifying information about their real income. Yet, according to HEW statistics:

Suspected incidents of fraud or misrepresentation among welfare recipients occur in less than four-tenths of 1 percent of the total welfare caseload of the Nation. Cases where fraud is established occur even less frequently.

In a release dated January 3, 1972, HEW reports that a preliminary survey shows that about 4.9 percent of the aged, blind, and disabled cases and 5.6 percent of AFDC families are ineligible for benefits. But the report emphasizes that:

Most of the errors were identified as honest mistakes by the State and local welfare agencies or by those who received the payments. Cases prosecuted for fraud amount to less than 1 percent of the total.

Far from justifying accusations of fraud, these statistics indicate a remarkable record of compliance with the regulations. Yet title IV of H.R. 1 refuses to recognize this and instead would continue to clutter the welfare system with checks and rechecks, innumerable investigations, and volumes of paperwork. It would continue to make of the social worker an investigator to be feared rather than someone to be welcomed.

There are other myths as well: Myths, for instance, that recipients have more children simply to get additional welfare benefits, that most

welfare children are illegitimate, that the rolls are primarily black, that once a recipient gets on welfare he stays on welfare. Each of these stereotypes can be and has been rebutted by the Government's own studies and statistics.

Yet the myths persist. We suggest, Mr. Chairman, that they persist for one fundamental reason; that is, that people find in these myths a convenient excuse for avoiding their own responsibility. If one can believe that the welfare rolls are filled with able-bodied loafers, then one can justify supporting a program that provides meager benefits and that would force people to work. If one can believe that welfare recipients are cheats, then one can justify requiring extensive investigation of every bit of information provided by a welfare recipient, can justify requiring recipients to reregister every 2 years, can justify cutting benefits while hiring additional welfare investigators.

If one can believe that welfare mothers have more children simply to get more money, then one can justify putting a maximum on the amount of benefits a family can receive, regardless of size. If one can believe that it is the fault of the poor person that he is poor, then one can justify a program that is punitive and coercive. If one can believe all of these myths, then one can justify a welfare program such as that contained in title IV of H.R. 1.

We reject these myths, Mr. Chairman, and we find unacceptable legislation that is founded upon them. Title IV of H.R. 1 would relegate the poor to the status of second-class citizens, citizens whose lives would no longer be controlled by themselves but rather by the Government. We cannot assent to this encroachment upon the independence of some of our citizenry. In the name of reform, title IV of H.R. 1 would impose on the poor a system of controls that should arouse the outrage of every sector of society. In our judgment, title IV is not only inadequate, it is dangerous.

We turn now to a detailed analysis of certain suggestions which we consider important. I shall simply summarize them.

The first concerns the central question to be asked of any welfare reform proposal, and that is whether it provides those in need a level of income adequate to purchase the basic necessities of life. Title IV fails to provide adequate income.

The poverty index is not a valid indicator of need. The Bureau of Labor Statistics' lower standard budget is preferable, and it is confirmed by the popular estimate as reported by a recent Gallup poll.

The second concern is in the area of work requirements. Title IV would impose an unheeded and coercive work requirement on recipients that will only serve to create a pool of cheap labor. The real problem of work stems from the failure of the present system to include the working poor and the present system's disincentives to the recipient to actually engage in gainful employment.

The third concern is in the area of day care. In this particular area we are concerned because title IV of H.R. 1 contains the flaw that day care provisions were created not to serve the child but only to permit the mother to go to work. The children are treated simply as something to be gotten out of the way so that the mother can leave home, not as persons in their own right.

The fourth area of our concern is in the field of rights and protections. Because the welfare agency would hold virtual life and death power over the recipient, there must be assurance that the recipient is informed of his rights and that he has a fair and just appeal procedure, including both administrative and judicial review, when he thinks his rights have been violated.

These are the concerns that are discussed in our written testimony in some detail.

Additional comments are included indicating that title IV would eliminate the current-need test now used to establish eligibility, and substitute a 12-month accounting period as the basis for determining need. It would permit the States to impose a 1-year residence requirement for any supplementary payment in contradiction to the Supreme Court decision in the *Shapiro* case. It would undercut efforts by recipients to improve their skills by denying benefits to family heads who are full-time students.

It also fails to specify which governmental agency has the initial responsibility for determining eligibility and employability and, hence, it promises further administrative confusion. It would subject welfare recipients to federally defined penalties and obligations not applicable to the rest of the population.

Now, despite all of these objections which we have lodged to title IV of H.R. 1, we hope it is clear from our testimony that we do want reform of the Nation's welfare system, but that reform must serve the needs of people, not the projections of self-serving myths.

We have the opportunity now to establish in this country a guaranteed minimum income that will assure that no one is needlessly without the basic necessities of life. We have the opportunity to create a system that responds not to arbitrary categories, and not to distinctions between the so-called deserving and undeserving poor, but to human need.

From our perspective, we have not only the opportunity but the responsibility. The only bills that presently embody the kind of welfare reform that we are talking about are S. 2747, the Family Income and Work Incentive Act, and S. 2372, the Adequate Income Act.

We urge this committee to give the fullest consideration to the provisions of these bills to reject the present punitive philosophy and provisions of title IV or H.R. 1 and to report the kind of welfare reform bill that will help heal the divisions that permeate our society today.

Thank you very much.

The CHAIRMAN. Well, the indications I have are that the proposal that you have would have a guaranteed minimum income level of an average of about \$6,300; is that correct?

Mr. THOMPSON. That is correct.

The CHAIRMAN. For a family of four, and our estimates are that would benefit 112 million recipients and it would cost about \$72 billion of additional taxes a year.

Now, that is more than 50 percent of the population that would be on the taking down end, based on our existing population. It would cost about \$72 billion, and I don't think I would vote for it if I am not willing to vote for the taxes to pay for it. The wage earners who



would be paying for this would pay an average of about \$1,200 per wage earner in additional taxes.

Do you think they will vote to keep us in office if we do that to them?

Mr. THOMPSON. I don't think, Mr. Chairman, that we have to get all of this money from additional taxation. I think we could do some in the area of reordering priorities. But if additional taxation is in fact required then we favor that additional taxation.

The CHAIRMAN. Well, now, this is what you are recommending, though, just in the welfare area. I assume your people also favor these additional health benefits. For example, just the Kennedy bill alone would cost us \$56 billion. The House sent us over—and I assume you would favor providing health benefits to disabled, and I feel confident you would support that if you support this—that would cost about \$5 billion a year, so we have day care proposals, such as the President vetoed because that would cost \$5 billion a year.

What would your attitude be toward that one?

Mr. THOMPSON. We favor those day care proposals.

The CHAIRMAN. So if we are going to do these other things—provide additional health care and provide for better highways and cleaner cities, cleaner air, these various other things—if you can save some money by cutting back on national defense, it is very probable that it would solve in any other area, so I don't see how you could very well favor this without favoring other things that also have a claim and count on doing this by reducing expenditures; because the other things we would like to do pretty well consume the savings that we might make by cutting back on national defense. And do you really think if we are going to tax the average working man another \$1,200 a year that he will vote to keep any of us in here?

Mr. THOMPSON. I can't comment on the political aspects of that.

The CHAIRMAN. Well, frankly, sir, I bit that bullet on occasion and we raised, before I came here, we raised the State taxes 50 percent at one session of the State legislature and we provided probably the most liberal welfare program in the United States in doing it. I think that the popularity of the administration that I was a part of in the State doing that went from the top of the mountain down to the bottom of the ocean at the time we did that. I did manage to survive politically but it was not easy. I skinned it by about one-half of 1 percent.

Senator Anderson?

Senator BENNETT. You have made the point that I think should be made.

The CHAIRMAN. Thank you very much.

Miss HEIGHT. Mr. Chairman, I do think, though, one of the very major points in the kind of thing we are projecting in calling for reform of the welfare system takes that into account, that with a change in the whole system a great deal that now is there in terms of overhead costs for investigations and checkings and that kind of thing would then go more directly into the hands of people.

I think that this is not so visionary because it recognizes the amounts that now are expended in the administration of what is a system that is neither satisfying to the people nor the Government.

Senator BENNETT. May I comment?

Do you think, if you are going to increase the number of people on welfare and increase the temptation for people to move onto welfare because you greatly increase the benefits, you are not going to need more investigation rather than less? Are you going to open the field wide and say, "Come and get it," or are you going to realize when you are dealing with funds in the quantity that the chairman is talking about we are probably going to have to have tighter administration rather than looser administration or the costs will be up even above those that we have estimated?

Miss HEIGHT. I think, Mr. Senator, that when we achieve a more humane system, we will really need less of the policing. The part that is absorbing a great deal of expenditure now is that we are trying to police and so control the lives of people that the point that this testimony makes about the way in which we are destroying incentive for self-support, incentive for self-development, is a very crucial one, and I think what we are doing is we are looking at the future through the worst of the past and this is, to me, at the heart of the kind of change that has to take place in this country.

When we talk about people under H.R. 1, where they may be working or may be forced to work where they are not earning a decent wage, and they have to be policed to make sure that they stay within this, we have a cumbersome system that absorbs much of the whole economy.

Senator BENNETT. Well, do you believe that if people can get \$6,500 a year or, as a witness told us last night, \$7,800 a year on welfare without any thought of having to go to work, that you have got any incentive for people to work? I think you have raised the welfare level to the point where a good many people who are now working will have every reason just to quit because they can't make \$6,500 a year.

Mr. THOMPSON. Our judgment, Mr. Senator, is that they will still have the incentive to work.

Dr. Burch would like to respond further.

Mr. BURCH. In terms of increasing the benefits and the effect, I would like to point out that the fraud level, according to the HEW statistics that we quote on page 6—

Senator BENNETT. I am not talking about fraud.

Mr. BURCH. The suggestion about fraud—

Senator BENNETT. I am not talking about fraud. I am talking about the incentive of a person who is perfectly honest to decide that these legal benefits are here to be legally claimed and why should he go to work or should she go to work?

Mr. BURCH. There are three reasons why people will still be working: First, there is in all of the proposals before the Senate built in one or another version of the work incentive so that the person working always is better off financially than the person not working.

Second, there is a very strong cultural effect in our society that it is desirable to work and that most people feel more dignity and pride if they have the opportunity to work than if they don't; and there are many, many poor people now working at below welfare levels of income because of this.

Third, there are work requirements and they are not eligible for benefits if they are able to work.

Senator BENNETT. But we have just been told in your testimony that this is punitive and people should not be required to work.

Mr. BURCH. We did not state that there should be no work requirements. We stated conditions of work requirement.

Senator BENNETT. I don't want to prolong the discussion, but to ask us to vote to increase the budget of the United States by approximately one-third or on the basis of the testimony we heard last night approximately 50 percent, for the sake of making additional benefits which in terms of wage levels in my State would bring a welfare mother up to the equivalent of the wage of a man at the lower level of management in business with all the responsibilities that go with it, I just can't agree that you are going to solve the problem by raising benefits up to \$6,500 or \$7,800 a year. You just increase the number of people who will find it easier to go on welfare than to work.

Mr. BURCH. Well, then, what would you define as the level, the minimum level, for decent living that you or I could get by on if we had to?

The CHAIRMAN. Well, I am not sure but that it is the responsibility of the Government to provide money for everybody in the United States at what they would call decent living without some pressure and some responsibility for them to make a contribution of their own. This committee has act to wrestle with the tradeoff between the amount of money the Government can afford to provide and the amount of money that people would like to have.

We can't have them both.

Miss HEIGHT. Mr. Chairman, I think that a very crucial point is that—it seems to me—that we are equally enraged at the thought that people would be required to take anything described as work whether or not it provided a living wage, and I think that a part of what is equally crucial before this Nation is that we react very strongly to the idea of a \$6,500 minimum annual income based upon our BLS statistics, but we are not equally concerned that under this kind of legislation we would have a situation in which many people would be forced into work.

For the black people in this country we had complete, full employment under slavery. I don't want —

The CHAIRMAN. Are you telling the committee you equate the President's bill with slavery?

Miss HEIGHT. No. I think any situation that calls for people to be made to work regardless of whether they are paid or at what level they are paid is setting this country back from what I think many of us dreamed was a new step forward when the idea of welfare reform was presented, and I believe that work certainly is within the whole Protestant ethic, the ethic of work, but work must also be just—there are many ways in which people work and contribute to their community and many of the people who are poor and who are not now on welfare rolls contribute voluntary services and other things trying to make do and make their community move ahead.

People need to have a sense of stake in their community and in their society and I think that is one of the things that we are making a plea for.

Senator BENNETT. I am not going to continue this.

The CHAIRMAN. Isn't there a passage somewhere in the Bible to the effect that those who will not work should not eat? Can you refer me to that particular passage?

Mr. THOMPSON. I think there is some——

The CHAIRMAN. It was not said by Jesus but said by one of His apostles.

Mr. THOMPSON. There is some language like that in the Bible.\* I think the entire thrust of the New Testament is quite contrary to that. I think it concerns the welfare of the people. When our Lord found a group of people out in the countryside hungry, He fed them.

The CHAIRMAN. Well, there is a parable—didn't the parable of the talents point out where one person with two sons would give? That was one by the Master Himself, where the father gave to two servants, and one took what was given to him and used it well; and the other did nothing but bury his. When He came back He took from the one who had not made good use of the talents to give to the one who had made good use of it. Does that support your argument?

Mr. THOMPSON. It supports the part of our argument in which we urge that there be incentives for the man to work. We do not favor denying a person who is unable to work the living wage—the necessities for living at a decent level.

Miss HEIGHT. I think it also clarifies one of the myths which is that so much depends upon what happens, what talents the people have, when in our society now with growing technology people who do not have skills will not find themselves able to find much in the way of work in the labor market. So it is not a fault of the people that they cannot get work most of the time now. It is the growing gap between the job requirements and the skills that they have.

Senator CURTIS. Mr. Chairman, these distinguished witnesses have spoken for a great many people today allegedly, so I would like to have the record show something about the background of each.

Mr. Thompson, have you had any experience in welfare administration?

Mr. THOMPSON. No, sir. I am a practicing lawyer. I have recently been elected, as you know, Senator Curtis, to be the stated clerk of the General Assembly of the United Presbyterian Church.

Senator CURTIS. Have you had any experience related to the welfare field?

Mr. THOMPSON. No, sir.

Senator CURTIS. How about you, Miss Height?

Miss HEIGHT. I am a professional social worker. I am a graduate of the New York School of Social Work. I worked in the department of welfare back in the days of the early home relief program. I was the first black person to serve as personnel administrator in welfare of the city of New York. For 10 years I served as a member of the State Board of Social Welfare of the State of New York and Senator Wise, who is one of the people testifying shortly, was presiding over the committee before me; and I served on Mr. Ribicoff's Ad Hoc Committee on Social Welfare under the Kennedy administration; and last

\*II. Thessalonians 3:10.

year received the National Conference of Social Welfare's distinguished service award for work in the welfare field. I am at the present time the nominee for president of National Conference of Social Welfare.

Senator CURTIS. And Mr. Burch?

Mr. BURCH. I was a public assistance caseworker in New York City 15 years ago. They called us social investigators at the time. I have worked in the Department of Labor here in Washington where I was among other things, involved in the task force that developed the Neighborhood Youth Corps. I have been assistant to the U.S. Commissioner of Welfare from 1965 to 1967, up until the time of the organization of the Social and Rehabilitation Services.

I have been involved in welfare, voluntary action, citizen action capacities in the interims between these times, that is, before 1964 and since I left the Government in 1969.

I have also been involved at other times in innercity church work with poor people of various ethnic groups and my most recent professional activity in welfare was last year when I was consultant to the Puerto Rican welfare program, at the behest of the Department of Health, Education, and Welfare.

Senator CURTIS. I won't take any more time.

Senator FANNIN. I am sorry I was not here but I have read the testimony and was looking over the testimony and I would like to ask a few questions.

I just read part of your testimony relating to work requirement. I don't know whether you saw the article in the Wall Street Journal this morning. Did you happen to see the article in the Wall Street Journal?\*

Mr. THOMPSON. I did not.

Senator FANNIN. As you indicated, HEW has said less than 1 percent of welfare recipients are able-bodied males. Today's Wall Street Journal questioned the accuracy of this figure and they say:

Is the figure accurate or has HEW been too generous in interpreting who is able-bodied? For example, it recently came to light that the Pennsylvania Department of Public Welfare had entered into a formal plan with HEW's regional office in Philadelphia to permit any physical impairment of either parents, however trivial, to qualify the family for federal and State funds under the Federal work incentive program. Those with no more impairment than the need for eye glasses qualified the family for cash, food stamps and free medical aid.

Further, the article states:

As part of its denial that many welfare recipients are unemployable, HEW makes the point that mothers and children get most of the money spent for welfare.

And they go on to say:

This is true in the sense that mother cashes the check. However, the indirect but actual beneficiary is more often the absent father. If he leaves his family and lives alone, he can spend all his wages on himself. If he lives with a woman who is not his wife, he is similarly favored in an economic sense especially if she is on welfare or employed and their incomes are merged. If he makes clandestine visits to his own home, his paycheck and his wife's welfare check in combination give the separated family a double income.

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\*See article printed at page 1909.

Would you like to comment on that?

Mr. THOMPSON. I would say, Senator Fannin, that your quotation from the Wall Street Journal points up the need for additional, reliable research, one of the matters that was being discussed before luncheon.

So far as the abuses which you describe at the end of the quotation, in my judgment, it is deplorable that the statutes of the United States encourage that kind of abuse.

Now I would like to ask Mr. Burch to respond to the technical aspects of your question.

Mr. BURCH. You asked about the accuracy of the HEW figures?

Senator FANNIN. Yes; that's right.

Mr. BURCH. Well, I have in my mind here something called "Welfare Reform or Is It," an address by Senator Long, and it contains some statistics in the back on the status of fathers in the program; and it shows that there are approximately 79,000 husbands and fathers who are receiving welfare benefits, most of whom are working or in training or awaiting the opportunity for training for work because this is a requirement of the welfare program.

He also lists another 45,000 fathers who are taking care of children, so if you add those figures up they will come out somewhere in the range of 1 percent of the approximately—what is it now—10 million welfare recipients in this country. So there are in addition, however, probably a larger number of men who are receiving welfare in the nonfederally assisted general assistance or home relief category that varies widely from State to State and the figures that HEW uses are referring, where they say 1 percent, only to the federally assisted welfare categories.

I don't have information at hand about the question of, where are the fathers, who are not on welfare, of children who may be on welfare; I can't answer that part of your question.

Senator FANNIN. Well, aren't these figures misleading when you say 1 percent, because if you are talking about the total people on welfare and then you talk about 1 percent now, what do you take a family of three, three and a half or four, what do you take it to be?

Mr. BURCH. That is 1 percent of individuals on welfare, not 1 percent of cases, of course.

Senator FANNIN. That's right. That is a misleading part about it, is that you are talking as if it is of very little consequence; whereas, what would it be, 4 or 5 percent, if you take it down as far as the individuals who are receiving benefits or their families are receiving benefits in that category?

Mr. BURCH. Well, again, according to the figures that are in the back of Senator Long's presentation, these statistics show from 1969 1.6 million families, if you want it in families out of which there are somewhere in the vicinity of 100,000 possible employable men. That might be 1 out of 16 which would be more like 5 or 6 percent of AFDC families which have a man in the house who is not legally disabled.

However, I might add that the present restrictions against males, adult males in welfare are the reason for such a low figure. I mean, it is current welfare policies that are responsible for that low number. There are many more poor men than that.

Senator FANNIN. In the statement, in the testimony about the work requirement, are you aware that certain welfare organizations have publicly stated that through legal maneuvers they could keep any welfare recipient from accepting a job?

Mr. BURCH. I have never heard that and I have been in close relationships to the organization of recipients.

Senator FANNIN. Wouldn't it be more desirable for people to accept low paying jobs rather than continuing to accept welfare payments?

Mr. BURCH. Would you repeat that, please?

Senator FANNIN. Wouldn't it be more desirable for people to accept low paying jobs rather than to continue receiving welfare payments?

Mr. BURCH. For a person who is employable and assuming that a job is a job that meets the Federal minimum standards of wages and working conditions and safety and all of these things, by and large I would say that it is desirable that such a person be working and that there should be some benefit to him from working.

Senator FANNIN. Well, should there be any different standard for that person than for any other person, other people, I mean?

In other words, are you going to set a standard for that person?

Mr. BURCH. All poor people need the same protection.

Senator FANNIN. Poor people—all people need the same protection?

Mr. BURCH. Absolutely.

Senator FANNIN. I am just saying if you are going to set standards aside just for the people you are talking about, how about the other people who are working and they are accepting jobs perhaps below, beneath their dignity in many cases. Don't you think that every citizen in this country, if they considered what was suitable for employment, we would have many people out of work? There are many people who don't like their jobs but they keep working because it is necessary for them to take care of this family. Shouldn't that be a criterion and consideration?

Miss HEIGHT. Senator Fannin, I think one of the reasons we have a minimum wage principle established in this country is also because we are striving to have people work at some kind of a living wage. I just came from living in a part of the country where people are working far below the minimum wage—even below \$1 an hour; so, therefore, when we say any job, any paying job, I think we have to say, are we not prepared to stand behind the idea that a person should have a decent minimum wage?

Senator FANNIN. Well, now, a decent wage is a lot different than what you talk about a minimum wage. It depends on the job, the person involved, whether or not they can produce. Isn't job production a measurement of a wage, job production of what they produce and what they are able to do? If we take a minimum wage and we get it too high, we preclude many people from having jobs; isn't that true?

Miss HEIGHT. Yes; but I think when we think in terms of the cost of living, that people still have to have a minimum income in order to maintain themselves and their families.

Senator FANNIN. I agree; I wish everyone could have an income that would take care of them and their families but, at the same time, I think we must look at it from the standpoint of what will produce that minimum income, what will produce that minimum income, what is best from the standpoint of the regulations to produce that result.

We have so much trouble in trying to determine just what is in effect and whether or not a person is working or whether they are working to their capacity or whether they are taking jobs that should be satisfactory to them. Let me read one section here, "In the event of the issuance of a subpoena for the case record for any agency representative to testify concerning applicants or recipients—" this is talking about where somebody is on welfare and whether he is going to take a job, "—the court's attention is called through proper channels to the statutory provisions and the policy of rules and regulations against disclosure of records."

Isn't this working against what we are trying to accomplish?

You can't determine whether a person is being treated fairly from the standpoint of their obligation to the other people who are involved in work programs.

Miss HEIGHT. But it seems to me, Senator, that as we are working on trying to stabilize lives in this country, we have to start from another vantage point and that is what does it cost a person to live and for a family to live. The person who is on welfare or who is earning \$10 a week has to pay the same for bread and for other things that other people pay.

I think this is a part of what we are trying to make a plea for, and that is a beginning; if we are going to make a reform in the welfare system, then we need to make it start from a level of respect for the fact that people need certain kinds of things in order to live. The poverty level has been defined in this country several times.

Senator FANNIN. It is my desire to see that we take care of those in need but it is not my desire to say that someone should be paid on the basis of need, because on that basis a person who was earning more and working harder and producing more would not be compensated. Maybe he wouldn't need any more than a person who was not trying.

Miss HEIGHT. I understand that but what I am saying, Senator, is when we talk in terms of \$2,400 it is not to say that \$2,400 is not useful: it is. But \$2,400 is below what it costs a family of four to exist, and that is the principle behind the basic annual income, behind the basic concept that we have here, of a minimum, decent standard.

Senator FANNIN. Well, of course, my belief is that we should strive to hold jobs in America; we should try to provide the best jobs we can. But at the same time we must realize we are in competition with other countries in the world and we have now priced ourselves out of many markets so we have people unemployed because in these markets, the manufacturer of those products is going overseas. We see it every day. Whether you are talking about shoes or textiles or you are talking about electronic equipment, 90 percent of all the radios are manufactured outside of this country. If we continue a policy—based on productivity—we are going to end up in deeper trouble with more people unemployed and greater problems as far as taxes are concerned for those who are employed.

Mr. BURCH. I think maybe we have found several points of general agreement. One is, we seem to be in general agreement that able-bodied employable persons should be given the opportunity to work and should work. I think this is a general point of agreement, and certainly the several million people who are currently unemployed will probably agree very strongly with that.



Perhaps we have one question that is debatable between us as to who is available for work and, basically, the only point on which we are likely to have some difference on this is the matter of responsibilities of mothers for taking care of their children.

Second, I think we are in general agreement that it is desirable to have the best feasible standards of wages and working conditions in our country. Perhaps a point that would be worth discussing is whether, when a person is in a situation of being forced involuntarily to take a job, he needs perhaps a little more protection because he is more vulnerable to abuse than the man who is in the completely free market.

And, third, I think we are also in agreement of giving support to people who can't work that will adequately meet their needs, though we might disagree on what adequate is, right?

Senator FANNIN. No, the handicapped, the blind, and all those who cannot take care of themselves, I want to do more for them, not less.

Mr. BURCH. Would you also be supporting there, let's say, assistance to people who are employable but who are not able to find a job but are trying?

Miss HEIGHT. But wouldn't you also have to say the most consistent deterrent to many of the people we have been talking about on welfare not getting work is racial discrimination, and it may be that as opportunities are opening now those opportunities are opening for the people with the highest levels of skills, and that those who have had the least education, the poorest education, and the least skills are the people who may be able-bodied but they do not have the skills that it will take to get the work?

Senator FANNIN. As I understand it, there are hundreds of thousands of jobs available to people for housework in this country and I know how difficult it is to get somebody to do housework. I imagine most of the members of our Finance Committee have experienced the same, have had the same experience I have had right here in Washington, so I would say the fact is there is testimony of even greater numbers of jobs I am talking about being available if the people accept these jobs.

Miss HEIGHT. Well, as a black woman, I would have to say that despite the fact that we have entered every field of work that women have entered we are still clustered in the service trades and almost 50 percent in household employment, and I spend as much time as anything on trying to upgrade household employment because we have literally hundreds of thousands of women today who are working in households for less than a decent wage.

I was just this past weekend in Chickasaw County in Mississippi where people were telling me they are working 6 days a week; they earn \$2 a day. Now, I think that this is not something toward which it would seem to me a distinguished Senate committee would encourage this country to move, I think we have to move away from this because with the present levels of income there are very few families whose income is great enough for them to give a truly decent wage to another whole family, and I think this is a part of what is happening. Many women who can afford it are getting cheap labor, and H.R. 1 is just another way to push more of these mothers that we are talking about

out into that market, where they have no protection and where they are forced to work.

Senator FANNIN. Well, I don't want to prolong this, but as we have less employment for these people because we are not competitive, this is going to be a greater problem; there will be fewer people we will be able to employ in the housework employed, so I think we have a clear problem ahead of us—thinking ahead of the problem—than we have had in the past few years.

Miss HEIGHT. Yes.

Mr. BURCH. Some of the welfare mothers that I know have very strong feelings about having to leave their own children in inadequate child care facilities and then having to go and take care of somebody else's child. If the day care is adequate in a day care center it costs approximately \$1 per hour; perhaps it has gone up a little for good day care in economically run, high-quality day care centers.

Now, if a woman has two children who need to go to a day care center, the odds are she can't earn enough money to pay for it, so it costs more for her to leave her children to go out to work than to take care of them herself.

Miss HEIGHT. Of course, the delinquency rate goes up as more and more children are neglected, and I think one of the things we are concerned about is that there is no freedom of choice when a woman has to choose whether she will feed her family or whether she will work.

It seems to me what we should have in terms of a welfare system ought to be adequate; and if that person is in the labor market, she then needs to have the same protection as the middle-class woman has in terms of service for her children. This is a crucial support.

Senator FANNIN. Well, some of your statements I agree with and others I don't, but I don't want to prolong the debate we have entered into, so thank you very much.

Miss HEIGHT. Thank you.

Mr. BURCH. We would commend to you the work protections in both Senator Ribicoff's amendment and Senator Harris' bill, as exemplifying the kind of protections we are talking about.

Senator-ANDERSON (presiding). Senator Byrd, do you have some questions?

Senator BYRD. No.

Senator HANSEN. I don't have any questions. Thank you, Mr. Chairman.

Senator ANDERSON. No other questions. Thank you very much for your testimony. I kept quiet. We have all kinds of religions here but not too many Presbyterians, but as a representative of the Presbyterians, I go along with you.

Mr. THOMPSON. Thank you, Senator.

(The prepared statement and material referred to previously by the preceding witnesses follow. Hearing continues on p. 1510.)

TESTIMONY ON TITLE IV OF H.R. 1—REFORM OF THE PUBLIC WELFARE SYSTEM,  
BEFORE THE SENATE FINANCE COMMITTEE, JANUARY 27, 1972

*Presented by:*

William P. Thompson, Stated Clerk, United Presbyterian Church in the USA.

Dorothy Height, Vice-President, National Council of Churches of Christ in the USA.

Hobart Burch, General Secretary for Health and Welfare, United Church of Christ Board for Homeland Ministries.

*On behalf of:*

United Presbyterian Church in the USA

National Council of Churches of Christ in the USA

United Church of Christ Board for Homeland Ministries

United Methodist Church Board for Christian Social Concerns

Episcopal Church

Presbyterian Church, U.S.

Christian Church (Disciples of Christ)

United Church of Christ—Council for Christian Social Action

American Baptist Convention Division of Christian Social Concern

Church of the Brethren

Joint Washington Office for Social Concerns

(representing the Unitarian Universalist Association, the American Ethical Union, and the American Humanist Association)

Mr. Chairman and members of the committee: My name is William Thompson. I am a lawyer and was engaged in private practice for twenty years. Since 1966 I have served as the Stated Clerk (permanent executive officer) of the General Assembly of the United Presbyterian Church in the U.S.A. The General Assembly is the highest governing body of my denomination. On my right is Miss Dorothy Height, who is testifying today in her capacity as a Vice-President of the National Council of Churches of Christ in the U.S.A. Miss Height also serves as Director of the Office for Racial Justice of the Young Women's Christian Association and is President of the National Council of Negro Women. On my left is Dr. Hobart Burch, General Secretary for Health and Welfare of the Board for Homeland Ministries, United Church of Christ. Dr. Burch is a former public assistance case-worker and has served as Assistant to the U.S. Commissioner of Welfare in the Department of Health, Education, and Welfare. He earned his doctorate in social welfare from Brandeis University under Charles Shottland, former Commissioner of the Social Security Administration.

Our testimony today is given on behalf not only of the United Presbyterian Church in the U.S.A., the National Council of Churches, and the United Church of Christ Board for Homeland Ministries, but also several other Protestant organizations. Representatives of each of these organizations are present in the hearing room today, and I would like to ask them to stand and briefly identify themselves and their organization. These organizations are: The United Methodist Church—Board for Christian Social Concerns; the Presbyterian Church, U.S.; Church of the Brethren; the United Church of Christ—Council for Christian Social Action; the Christian Church (Disciples of Christ); the American Baptist Convention—Division of Christian Social Concern; the United Methodist Church—Women's Division; the Joint Washington Office for Social Concerns (representing the Unitarian Universalist Association, the American Ethical Union, and the American Humanist Association); and the Church of the Brethren.

Our testimony today is rooted in the policy statements and resolutions adopted by the governing bodies of each of these organizations. That we can testify before you together is possible only because of the high degree of consensus that exists in these position statements. These policy statements and resolutions, listed below, are attached as an appendix to this testimony, and I ask that they be made a part of the record:

1. National Council of Churches

Guaranteed income, adopted by the General Board February 22, 1968.

Resolution on a Federal Family Assistance System, adopted by the General Board September 12, 1969.

Resolution on Reform of the Welfare System, adopted by the General Board September 11, 1971.

2. United Presbyterian Church in the U.S.A.: Income maintenance and full employment, adopted by the 183rd General Assembly, May 1971.
3. United Church of Christ Board for Homeland Ministries: Welfare rights, adopted by the Board of Directors April 29, 1970.
4. Executive Council of the Protestant Episcopal Church: The Church and Public Welfare, adopted September 29, 1971.
5. United Methodist Church Board for Christian Social Concerns: National incomes policy and social welfare, adopted at the Board's Annual meeting October 5-8, 1971.
6. United Church of Christ Council for Christian Social Action: Economic Justice, adopted by the General Synod June 25-29, 1971.
7. Church of the Brethren: A statement to the leaders of the U.S. Government, adopted by the Annual Conference, June, 1968.
8. United Methodist Church Women's Division: National incomes policy, adopted October 24, 1971.
9. The Christian Church (Disciples of Christ): Resolution concerning social welfare, adopted by the General Assembly October 15-20, 1971.
10. American Baptist Convention Division for Christian Social Concern: National priorities, adopted May 13-17, 1970.
11. Joint Washington Office for Social Concerns: Rights of the poor, adopted by the Tenth General Assembly of the Unitarian Universalist Association, June 11, 1971.
12. The Presbyterian Church in the U.S., a call for welfare reform, adopted by the 1971 General Assembly.

#### NEED FOR REFORM OF THE PRESENT WELFARE "SYSTEM"

Mr. Chairman, the organizations testifying before you today want reform of the present welfare system. The present system, if indeed it can be called a "system" at all, fails in virtually every respect. Of the 26 million persons who even by the Government's minimal definition of poverty, are classified as "poor", the federally-aided welfare "system" reaches barely half. Of those that are reached, none receive an adequate level of benefits, and in most states the benefits are so inadequate as to simply perpetuate the recipient's previous condition of poverty. Standards of eligibility and benefits are geographically inequitable. In half the states the "system" encourages family breakup by refusing to help the family while the father is still in the home. It encourages dependency and discourages efforts at self-help by confiscating most of a recipient's earnings. It fosters a destructive enmity between the worker and the recipient by excluding the working poor from all benefits. It is administratively chaotic and frequently fails to treat the recipient with the respect due him as a human being.

We want reform of this "system". But we believe that that reform ought to proceed on the basis of facts, not on the basis of self-serving myths. The fact that seems to be most forgotten in the debate around welfare reform is that we are talking here about people, not about things or objects, but people—people who are children, who are aged, who are blind, who are disabled, who are mothers with dependent children or who work full or part time for less than a living wage. We are talking about human beings, people like you and me, who lack income sufficient to their basic needs.

It is because Title IV of H.R. 1 forgets that fact that we testify before you today. Title IV leaves intact the discriminations between the so-called "deserving" and "undeserving" poor that are manifest in the present system. It does not even approach an adequate level of benefits. It would perpetuate chaotic administration. Most seriously, it would impose upon the poor a system of governmental control and coercion that treats the recipients as an object to be manipulated rather than as a human being to be helped.

#### WELFARE MYTHS

Title IV of H.R. 1 fails as welfare reform because it is founded on myths about the poor that have no foundation in fact, myths that would have us believe that it is not the welfare system that has failed the poor, but the poor who have failed the system. We want to look at these myths, and show them for what they are.

The central myth is that the welfare rolls are filled not with people in need but with able-bodied loafers. Yet the facts show that as of April, 1971, over half—55.5%—of the recipients in the federally-aided welfare categories are

children. Another 9.4% are blind and disabled. Another 15.6% are aged. This means that as a minimum, 80.5 percent of those receiving welfare benefits are, by virtually any definition, unable to work. Statistics further show that able-bodied unemployed males comprise only  $\frac{1}{10}$  of 1% of the recipient population. Most of these want work: indeed about half of them are enrolled in work training programs.<sup>1</sup>

But, it is asked, "What about the mothers: Can't they work?" Mothers with dependent children constitute 18.6% of welfare recipients. Of these 2.5 million mothers, about 14% are already working and another 7% are in work training. Of the remaining 79%, approximately 40% have little or no employment potential because they care for small children at home, have major physical or mental incapacities, or other insurmountable work barriers; and another 4% to 5% have employment potential that is severely limited and would require major rehabilitative services to make possible. The remaining 35% could work if day care were available for their children, if job training were available, and if jobs were to be had. Yet, despite the fact that a maximum of 56% of welfare mothers can be considered potentially employable, more than 79-80% of them consistently report that they would work if they could.<sup>2</sup> Furthermore, the unemployment rate now exceeds six percent. This means that more than five million workers in the nation's labor force are unable to find work, many of them with skills that employers find preferable to those possessed by welfare recipients.

In short, it is a cruel myth to suggest that people are on welfare because they refuse to work. It is even crueler, in the face of the recipient's desire to work if he can, to put into legislation a forced work requirement, as has been put into Title IV of H.R. 1.

Another pernicious myth would have us believe that the welfare rolls are rife with fraud, that welfare recipients get on the rolls and stay on the rolls by falsifying information about their real income. Yet, according to HEW statistics, "suspected incidents of fraud or misrepresentation among welfare recipients occur in less than  $\frac{1}{10}$  of 1% of the total welfare caseload of the nation . . . Cases where fraud is established occur even less frequently."<sup>3</sup> In a release dated Jan. 3, 1972, HEW reports that a preliminary survey shows that about 4.9% of the aged, blind, and disabled cases, and 5.6% of AFDC families, are ineligible for benefits. But the report emphasizes that "most of the errors were identified as honest mistakes by the State and local welfare agencies or by those who received the payments. . . . Cases prosecuted for fraud amount to less than 1% of the total."<sup>4</sup>

Far from justifying accusations of fraud, these statistics indicate a remarkable record of compliance with the regulations. Yet Title IV of H.R. 1 refuses to recognize this and instead would continue to clutter the welfare system with checks and rechecks, innumerable investigations, and volumes of paper work. It would continue to make of the social worker an investigator to be feared rather than someone to be welcomed.

There are other myths as well—myths, for instance, that recipients have more children simply to get additional welfare benefits, that most welfare children are illegitimate, that the rolls are primarily black, that once a recipient gets on welfare, he stays on welfare. Each of these stereotypes can be and has been rebutted by the Government's own studies and statistics.

Yet the myths persist. We suggest, Mr. Chairman, that they persist for one fundamental reason: that is that *people find in these myths a convenient excuse for avoiding their own responsibility*. If one can believe that the welfare rolls are filled with able-bodied loafers, then one can justify supporting a program that provides meager benefits and that would force people to work. If one can believe that welfare recipients are cheats, then one can justify requiring extensive investigation of every bit of information provided by a welfare recipient, can justify requiring recipients to re-register every two years, can justify cutting benefits while hiring additional welfare investigators. If one can believe that welfare mothers have more children simply to get more money, then one can justify putting a maximum on the amount of benefits a family can receive, regardless of size.

<sup>1</sup> From a pamphlet entitled "Welfare Myths vs. Facts" published by the Department of Health, Education, and Welfare, Social and Rehabilitation Services (SRS 71-127).

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

<sup>4</sup> Press release dated Jan. 3, 1972, from the Department of Health, Education, and Welfare, Social and Rehabilitation Service.

If one can believe that it is the fault of the poor person that he is poor, then one can justify a program that is punitive and coercive. If one can believe all of these myths, then one can justify a welfare program such as that contained in Title IV of H.R. 1.

We reject these myths, Mr. Chairman, and we find unacceptable legislation that is founded upon them. Title IV of H.R. 1 would relegate the poor to the status of second class citizens, citizens whose lives would no longer be controlled by themselves but by the government. We cannot assent to the encroachment upon the independence of some of our citizenry. In the name of reform, Title IV of H.R. 1 would impose on the poor a system of controls that should arouse the outrage of every sector of society. In our judgment, Title IV is not only inadequate; it is dangerous.

#### DETAILED ANALYSIS

We would like now to engage in a more detailed analysis of the numerous faults of H.R. 1 and of what needs to be done if welfare reform is to adequately serve the needs of people. We would ask that there be inserted in the Record at this point in our testimony the "Comparative Summary of Major Welfare Reform Proposals" contained in Appendix One.

*Benefits:* The central question to be asked of any welfare reform proposal is whether it provides those in need a level of income adequate to purchase the basic necessities of life. By this test, Title IV of H.R. 1 fails miserably. Far from helping recipients attain a more decent level of living, it could, unless states choose to supplement, undercut the benefits now received by 89% of AFDC recipients.<sup>5</sup> Title IV provides a family of four with no other income \$2400 a year, provides no cost-of-living increases, makes no requirement that states maintain their present level of benefits if they are higher, provides no Federal cost-sharing to encourage states to supplement, provides no future increase in benefits to a more adequate level, and imposes a maximum of \$3600 in benefits for families with eight or more members. Nor does H.R. 1 permit the federal Government to make grants for non-recurring emergency needs, but permits only a cash advance of up to \$100 at the time of initial application, to be deducted from future benefits, to a family faced with a financial emergency.

The Government's own poverty index says that a minimum level of \$3,968 is needed for a family of four to meet its basic needs. But it is important to realize that though this standard is widely used, it has limited statistical validity. It was developed back in the early '60's by simply taking the Department of Agriculture's Economy Food Plan and multiplying it by three. USDA itself admits that the Economy Food Plan is not an adequate index of what it takes for a family to have an adequate diet. Indeed, "It is estimated that only about one-fourth of the families who spend that for food actually have an adequate diet."<sup>6</sup> Nor does the multiple of three have any statistical validity as a means of computing what it takes a family of four to live. The poverty index is an arbitrary figure whose greatest claim to validity is constant reiteration.

A more statistically reliable survey of what it actually takes a family of four to live at a minimum level of decency is the Lower Standard Budget computed by the Bureau of Labor Statistics. According to its spring 1970 survey, it takes an urban family of four a minimum of \$6,960.\*

<sup>5</sup> "H.R. 1: The Social Security Amendments of 1971," prepared by the Center on Social Welfare Policy and Law, Columbia University, p. 1.

<sup>6</sup> *Poverty Amid Plenty: The American Paradox*, The Report of the President's Commission on Income Maintenance Programs, p. 15.

\*The Bureau of Labor Statistics of the Department of Labor began in the 1940's to calculate what it cost a worker's family to live in the urban centers of the U.S. In response to requests from public assistance agencies and others, BLS began in 1967 to calculate the annual costs of family budgets at three levels—Lower, Intermediate, and Higher. The Lower Standard Budget "was developed in response to requests for a measure that would be appropriate for evaluating the needs of families who were positioned—either temporarily or persistently—at the low end of income distribution." (from the *Monthly Labor Review*, April, 1969, p. 3.) The estimates are for an urban family of four—a 38-year-old husband employed full time, his non-working wife, a boy of 13, and a girl of 8. The BLS cost estimates at spring, 1970, prices for such a family at the three different levels of living are as follows: (1) Lower Budget—\$6960; (2) Intermediate Budget—\$10,664; and (3) Higher Budget—\$15,511. At the Lower Budget level food costs are based on USDA's Low Cost Food Plan; shelter is limited to rental housing; transportation is largely public, except where lack of access to public transportation necessitates the use of an older car; clothing costs are based on replacement rates. Such a family performs more services for itself, and utilizes free recreation facilities in the community. At the Lower Budget level family living expenses—food, housing, clothing, transportation, medical care, etc.—constituted 80% of the total. The remaining 20% covered occupational expenses, social security and personal income taxes, gifts and contributions, and life insurance. (See Dept. of Labor Bulletin 1570-5; *Monthly Labor Review* Reprint No. 2611; and DOL release 11-606.)

This figure is remarkably close to the popular estimate of what it takes a family of four to live. Each year for the last three decades the Gallup Poll has asked a representative sample of the nation's population, "What's the SMALLEST amount of money a family of four (husband, wife, and two children) need each week to get along in this community?" The answer given by 1517 adults in the December, 1970, survey was that such a family need a minimum of \$216 a week to make ends meet.<sup>7</sup> On an annual basis this is \$6552.

Benefit levels, like the rest of welfare reform, ought to be based on facts. The BLS Lower Standard Budget is, in our judgment, the most valid estimate of what it takes a family of four to live in this society. It is, therefore, the best definition of adequacy that can be used, and the level which reform of the welfare system ought to approach.

*Work requirement.*—Since the Administration first introduced its Family Assistance Plan, a forced work requirement has been part of the debate about welfare reform. We have noted above facts that strongly indicate that most recipients who are employable, indeed even many who are not, *want* to work. Ignoring this, Title IV would use a club to force people into low paying jobs. Title IV would require mothers of children down to the age of 3 (age 6 until 1974) to accept work or lose benefits. Recipients could be forced to take jobs paying as little as \$1.20 an hour. The welfare administrator would not have to consider the degree of risk to health and safety, the recipient's physical fitness, his prior work and training experience, the distance of the work from his home, his prior earnings, the adequacy of day care facilities, etc. in determining whether or not a job was suitable. The mother could be forced to give up her child to a day care center that is purely custodial or suffer the loss of benefits. There is no requirement that any job training program that the recipient enters into have a job waiting at the end.

In exchange for the meager benefits provided by H.R. 1, those who are considered employable must virtually give up their freedom to the Labor Department. As Elizabeth Wickenden, Professor of Urban Studies at the City University of New York has pointed out, "The Labor Department assumes virtually complete control over their lives, paying their benefits, assigning them to jobs or training, purchasing child care on their behalf, providing health, social services, counselling, transportation to new locations, etc. as needed, and penalizing them for failures of compliance. The Labor Department becomes the modern day 'old marse' of the plantation."<sup>8</sup>

What is to keep welfare recipients from being exploited under this kind of a program? What is to avoid their use as levers to force down the cost of labor? What is to keep the welfare program in H.R. 1 from being used to subsidize low wage employers? In the tax bill of last fall, the Congress provided for a tax credit for part of the cost of hiring of recipients enrolled in the Work Incentive Program. That incentive to hire welfare recipients, coupled with the lack of any strong minimum or prevailing wage or work standard requirements in Title IV of H.R. 1, can only serve to undercut the wages paid to other workers. The Federal Government, in effect, will be assuming the role of encouraging low wage employers by supplementing the wages they pay with welfare benefits.

A coercive work requirement is no answer to the problems of welfare and will serve only to create an embittered welfare population and an harassed welfare administration. There is a problem of work in the present welfare system, but the fault is primarily with the system and not the recipient. The present system is designed to keep those who are working and poor from receiving any welfare benefits, and those who are poor and receiving welfare benefits from working. The present system *encourages dependency and discourages efforts at self-help*. This discrimination against the worker who is poor coupled with the overt discouragement of work for the welfare recipient has led in our society to an understandable but divisive enmity between those who work hard for a seemingly meager return and those who are on welfare.

But the solution to this is not to be found in a forced work requirement. Two things are needed first, an *adequate work incentive* that will encourage rather than discourage efforts at self-help, coupled with the supportive services necessary to enable a recipient to carry out his desire to work; and secondly, *extension of aid to the working poor* so that it is no longer possible for one who works

<sup>7</sup> *The Gallup Poll*, released Jan. 10, 1971.

<sup>8</sup> Wickenden, Elizabeth. "H.R. 1: Welfare Policy as an Instrument of Control." *Welfare Law News* (Vol. 1, No. 4), Center on Social Welfare Policy and Law, November, 1971.

to get less than one who is on welfare. A forced work requirement has no place in American social policy. The ends of a welfare system ought to be to help those who can work toward independence and to assure those who cannot an adequate level of income. No man or woman or child should be forced to give up his freedom to a government agency as the price of survival. We urge this Committee, therefore, to eliminate the forced work requirement from welfare reform, or at the very least to exempt mothers with dependent pre-school or school-age children from the requirement, and to protect others from abuse by mandating that the jobs to which they are referred pay the Federal minimum or prevailing wage, whichever is higher, and that the administrator be required to consider the "suitability of employment" in referring recipients to work or training.

*Day Care.*—This is, perhaps, the appropriate point to make additional comments about the day care provisions of Title IV of H.R. 1. In our judgment the day care provisions of Title IV are based on a fatal flaw. That flaw is that they are created not to serve the child but only to permit the mother to go to work. The children are treated simply as something to be gotten out of the way so that the mother can leave the home, not as persons in their own right. H.R. 1 provides only custodial day care; it does not require that day care services meet any quality standards whatsoever. It does not require that developmental day care be provided to the children. It does not require that the centers meet even the Federal Interagency Day Care Requirements. This, we suggest, is precisely the wrong approach to be taken to day care. The President has himself recognized the critically important nature of these early years of a child's life. He said on February 19, 1969, for instance: "So crucial is the matter of early growth that we must make a national commitment to providing all American children an opportunity for helpful and stimulating development during the first five years of life." But that commitment is not made in Title IV.

We favor the authorization of a variety of supportive services, including day care, that would enable the parents to seek employment. But day care must be primarily for the benefit of the child. It should be available to a family as an option, not as a mandatory imposition by government. It should provide nutritional, health and counselling services, sufficient indoor and outdoor space, a ratio of teachers to children that permits individual attention, as well as sound educational programs that serve to develop both the cognitive and non-cognitive aspects of the child's potential. To make sure that it strengthens and complements the family, parents ought to have a say in how the programs are run. Day care, in short, ought to be developmental and family-centered, not custodial and work-centered.

*Rights and Protection of Welfare Recipients.*—When an agency holds almost life and death power over a client, as in the case of the provision of a minimum income by the Public Assistance Agency, there are real and present dangers of serious injury to clients. Sometimes these are premeditated and apparently malicious in intent, as in the famous Newburgh, N.Y., incident of a decade ago, or the attempted repression of welfare recipients in Nevada last year. In many other cases, recipients may be denied benefits to which they are legally entitled because of carelessness, ignorance, work overload, or other unintentional failures by the welfare agency and its employees.

This situation requires that careful safeguards be built into the system to protect the recipient from being victimized by either intentional or unintentional denials of benefits. Safeguards fall into two general areas. One is to assure that every recipient knows his rights under the law. The other is a process that gives him a fair and just procedure by which to appeal when he thinks his rights have been denied. Title IV of H.R. 1 fails to provide these safeguards. It does not provide for any administrative appeal, and limits judicial review to questions of law. It does not provide for payment of any legal expenses incurred by a recipient in pursuing his claim. It does not provide for recipients to be informed of their rights, or to be consulted in the development of regulations. It permits the welfare administrator to veto a recipient's choice of counsel. We would, consequently, recommend that the following be provided for in the law:

*Information on rights.*—Each applicant and recipient should be given a clear summary of his rights at the point of application and at every point at which his situation subsequently changes.

The rights and benefits of public assistance should be advertised to the general public on the same basis that Social Security benefits are advertised through the media.



Organizations which act on behalf of welfare recipients and potential recipients should be given full information.

Every interested individual or organization, whether recipient or not, should have the right of access to laws, regulations, handbooks, and all other policy and procedure materials used for the administration of public welfare.

*Fair Hearings.*—Any recipient or applicant who has reason to believe that he has not been accorded his full rights and entitlement must have access to a system of review which includes both administrative review, commonly called "The Fair Hearing Process", and judicial appeal. In order to make such procedures as just as possible the law must provide for the poor person to be accompanied and represented by counsel of his own choosing. If he cannot afford to pay for these services (and no legitimate welfare recipient has resources for such purposes) the law must provide for all reasonable expenses incurred in pursuing such a claim, including the cost of legal counsel.

Because welfare recipients are dependent for their survival upon the public assistance grant, the assistance at issue must be continued during the hearing and appeal processes. This procedure can be guarded against abuse by providing for the recapture, subsequent to a final decision adverse to the recipient, of any overpayment of benefits. Such continuance of benefits may also provide an incentive to the welfare system to handle complaints without delay.

#### ADDITIONAL COMMENTS ON TITLE IV

Mr. Chairman, the above analysis does not exhaust even the most serious faults of Title IV of H.R. 1. Title IV would eliminate the "current need" test now used to establish eligibility and substitute a twelve-month accounting period as the basis for determining need. It would permit the states to impose a one-year residence requirement for any supplementary payment in contradiction to the Supreme Court decision in *Shapiro v. Thompson*. It would undercut efforts by recipients to improve their skills by denying benefits to family heads who are full-time students. By failing to specify which governmental agency has the initial responsibility for determining eligibility and employability, it promises administrative confusion. It would subject welfare recipients to Federally defined penalties and obligations not applicable to the rest of the population.

#### CONCLUSION

Despite our objections to Title IV of H.R. 1, it should be clear from our testimony that we want reform of the nation's welfare system. But that reform must serve the needs of people, not the projections of self-serving myths.

We have the opportunity to establish in this country a guaranteed minimum income that will assure that no one is needlessly without the basic necessities of life. We have the opportunity to create a system that responds not to arbitrary categories, not to distinctions between the so-called "deserving" and "undeserving" poor, but to human need.

From our perspective we have not only the opportunity but the responsibility. The only bills that presently embody the kind of welfare reform that we are talking about are S. 2747—the "Family Income and Work Incentive Act" and S. 2372—the "Adequate Income Act." We urge this committee to give the fullest consideration to the provisions of these bills, to reject the present punitive philosophy and provisions of Title IV of H.R. 1, and to report the kind of welfare reform bill that will help heal the divisions that permeate our society.

#### A POLICY STATEMENT OF THE NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA, ON GUARANTEED INCOME

(Adopted by the General Board February 22, 1968)

#### PREAMBLE

The purpose of this policy statement is to affirm the support of the National Council of Churches for the principle of a guaranteed income. Although we are not committed to any particular program or method for achieving this goal, we

are strongly convinced that this country can and should assure to all its people incomes adequate to maintain health and human decency.

We have come to this position by somewhat different routes. In the statement which follows we declare our major conclusions; we indicate some of the practical and theological reasons which underlie our position; and we affirm our commitment to work with the communions and others both for implementation of the policy and for further clarification of the reasoning behind it.

The National Council of Churches welcomes the growing interest of governmental and private agencies in proposals for a guaranteed income as a method for meeting human need. The President has appointed a commission of leading Americans to study and report to him on new proposals for guaranteeing income. The Department of Health, Education, and Welfare and the Office of Economic Opportunity have made studies of the guaranteed income. In February, 1967, the President's Commission on Law Enforcement and the Administration of Justice recommended the intensification of efforts for devising methods of providing minimum family income. The Chamber of Commerce of the United States sponsored a National Symposium on Guaranteed Income where various approaches were examined. The report of the National Commission on Technology, Automation, and Economic Progress recommended to the Congress that it investigate new approaches to the problem of income maintenance. The Ripon Society has supported the concept of a "standard" family income. The Advisory Council on Public Welfare issued a report in June, 1966, advising the establishment of need as a single criterion of eligibility for receiving transfer payments, and supported a national minimum standard for public assistance payments.

#### RELIGIOUS AND ETHICAL ASSUMPTIONS

In a policy statement entitled *Christian Principles and Assumptions of Economic Life* adopted by the General Board of the National Council of the Churches of Christ in the U.S.A. in 1954, certain fundamental religious and ethical assumptions concerning economic life were set forth:

"All the resources of the earth . . . are gifts of God, and every form of ownership or use of such property should be kept under such scrutiny that it may not distort the purpose of God's creation. God is the only absolute owner. Every Christian particularly should look upon all of his possessions, as well as his talents, as a trustee, and should use them in the light of his understanding of God's purpose for him. . . . That the material needs of men be met through their economic institutions and activities is one condition of their spiritual growth. . . . Christians should work for a situation wherein all have access at least to a minimum standard of living. . . . Great contrasts between rich and poor in our society tend to destroy fellowship, to undermine equality of opportunity, and to undercut the political institutions of a responsible society."

#### CONCERN FOR HUMAN NEED

In an era of national abundance, the unmet economic and social needs of persons and families become increasingly matters of concern to the churches. This concern has been stated by the National Council of Churches on numerous occasions and in relationship to varying social problems:

[1958] The National Council of Churches "wishes to call to the attention of the churches the needs, spiritual and social, as well as economic, of the large numbers of people who must depend on public assistance."<sup>1</sup> [1960] "Adequate support of public services by church members is necessary to insure basic services of sufficient quality and quantity to meet the needs of the whole community."<sup>2</sup> [1960] "Be it resolved that the churches be urged to work for availability of adequate public assistance for all needy people. . . ."<sup>3</sup> [1966] "Although a steady and adequate flow of income to the poor is essential to the elimination of their poverty, the Church must work for the restoration of selfhood and dignity and meaning to the lives of those whose economic poverty has damaged or destroyed these es-

<sup>1</sup> "The Churches' Concern for Public Assistance." Policy Statement of the General Board, June 4, 1958.

<sup>2</sup> "The Churches' Concern for Health Services." A Policy Statement of the General Board, February 25, 1960.

<sup>3</sup> "The Churches' Concern for People Without the Necessities of Life." A Policy Statement of the General Assembly, December 8, 1960.

sential elements of an abundant life."<sup>4</sup> [1966] "A society, in which abundance replaces scarcity and social structures are increasingly complex, demands reappraisal of traditional forms and relationships."<sup>5</sup> [1966] "Our burgeoning productivity makes possible, and our Judo-Christian ethic of justice makes mandatory, the development of economic policies and structures under which all people, regardless of employment status, are assured an adequate livelihood."<sup>6</sup>

#### NEEDS, RIGHTS, AND OBLIGATIONS

As noted above, the General Board has previously recognized that economic institutions exist to meet the needs of persons in community. The fact that these needs can be met only in the relationship of community establishes a claim upon the individual to contribute to the well-being of his neighbor as well as of himself. It also establishes a claim upon society to furnish those conditions which enable the individual to fulfill his needs and to discharge his obligations. Basic human needs provide clues to the specific character of these responsibilities and rights. A "human right" is a claim to a condition of facility which a person needs in order to contribute to the social good and to live at his best as a person.<sup>7</sup>

Such rights are grounded in the spiritual and moral relationships into which man was created and in which he lives. Whenever social or economic organization excludes persons from effective participation in the economy, they are entitled to assert their claim to the social and physical conditions necessary for the achievement of human dignity. As these claims are met and rights fulfilled, the opportunity and obligation of the individual for the responsible discharge of his duties to the community are correspondingly increased.

Millions of Americans live under economic conditions which deny to them the satisfaction of their basic needs.<sup>8</sup> This situation is scandalous because it is unnecessary.<sup>9</sup> It is immoral because it curtails the exercise of at least two basic human rights: (1) the right to live at a human standard of decency and (2) the right to participate in the control of the conditions of one's life.

To assure these rights, society must move toward full citizen participation by the powerless. It must provide more adequate services for all its members. It must make available sufficient income for those millions of family and individual consumer units which live below contemporary standards of health and human decency.

#### WAYS OF DEALING WITH POVERTY

Historically and currently, the major efforts to deal with the problem of poverty include: 1) policies to promote economic growth and increase employment opportunity; 2) measures to increase individual employability and productive capacity; and 3) income transfers such as various public welfare and social insurance programs.

There is need for the continuation, intensification, and improvement of all these efforts. For example, a greatly expanded program for providing meaningful jobs could bring many of the poor above the poverty line and greatly enrich our entire society. Such a program is urgent, both because productive activity enhances human dignity and because there are myriads of tasks that need to be done.<sup>10</sup>

<sup>4</sup> "The Church and the Anti-Poverty Program." A Policy Statement of the General Board, December 3, 1966.

<sup>5</sup> "The Church and the Anti-Poverty Program." A Policy Statement of the General Board, December 3, 1966.

<sup>6</sup> "Christian Concern and Responsibility for Economic Life in a Rapidly Changing Technological Society." A Policy Statement of the General Board, February 24, 1966.

<sup>7</sup> A right is "a condition of living without which in any given historical stage of society, men cannot give the best of themselves as active members of the community because they are deprived of the means to fulfill themselves as human beings." *Human Rights*, edited by UNESCO (New York: Columbia University Press, 1949), p. 263.

<sup>8</sup> "The aggregate income available to 7.2 million families and 5 million individuals in 1963 was only 60 per cent as much as they needed, or about \$11½ billion less than their estimated minimum requirements." Molly Orshansky, "Consumption, Work, and Poverty" in Ben B. Seligman (ed.), *Poverty as a Public Issue* (New York: The Free Press, 1965), p. 54.

<sup>9</sup> See Oscar Ornatl, *Poverty Amid Affluence* (New York: The Twentieth Century Fund, 1966). Chapter 21, "The Feasibility of Preventing Poverty," is a good discussion of the comparative costs of meeting basic needs.

<sup>10</sup> For specific suggestions, see "Christian Concern and Responsibility for Economic Life in a Rapidly Changing Technological Society." A Policy Statement of the General Board, February 24, 1966.

## INADEQUACY OF PRESENT PROGRAMS

However, thus far our efforts have not eliminated poverty nor solved the problem of distributive justice. Many of the poor will not be helped by expanded employment. Many heads of households under the poverty line<sup>11</sup> are already employed full time. Innovation has replaced the need for the skills of some. Others are too old, too young, or too ill to work. Still others have the responsibility of caring for children and should not be forced to choose between work and want.

These groups require an input of social services and transfer payments in order to meet their basic needs. The National Council of Churches has called for improved levels of payment in both public welfare and social security systems.

As presently designed and administered, however, the public assistance programs fail to provide the answer and frequently violate the human dignity of the poor.<sup>12</sup> Many of those in need are not covered by any of these programs. In most states, payments even for those covered are inadequate, often grossly so. Recipients commonly lose most of all of any supplementary income they may earn. They are subjected to humiliating tests, which in some cases place a premium on family disruption. The National Council of Churches has supported basic reforms in the public welfare program.

## NEED FOR AN IMPROVED SYSTEM OF INCOME ASSURANCE

We, therefore, believe that a more satisfactory system of guaranteeing income is both necessary and morally right. Widely discussed proposals for effecting this policy include the negative income tax, demogrants,<sup>13</sup> family allowances, and improved welfare programs based on need as the single eligibility criterion with adequate standards of assistance.

## THE PROBLEM OF INCENTIVE

The charge is often made that policy of guaranteeing family income would destroy the incentive to work. As noted above, for many of the poor, employment is not a solution. Nevertheless we recognize that motivation must carefully be taken into account by any plan for assurance of income. Many proposed assurance plans are designed to encourage the earning of additional income, rather than discourage it as some present programs do. Furthermore, motivational research is revealing various sources for incentives besides the economic, such as prestige, power, and social usefulness.<sup>14</sup> Indeed, access to income may strengthen motivation and liberate creativity.

## POLICY RECOMMENDATIONS REGARDING GUARANTEED INCOME

*In the light of the above consideration, the National Council of Churches endorses the concept and desirability of a guaranteed income.* Such a program should meet the following criteria:

1. It should be available as a matter of right, with need as the sole criterion of eligibility.
2. It should be adequate to maintain health and human decency.
3. It should be administered so as to adjust benefits to changes in cost of living.
4. It should be developed in a manner which will respect the freedom of persons to manage their own lives, increase their power to choose their own careers, and enable them to participate in meeting personal and community needs.

<sup>11</sup> See Oscar Ornati, *Poverty Amid Affluence* (New York: The Twentieth Century Fund, 1966), pp. 7-18 for an excellent discussion of standards of sufficiency for family income.

<sup>12</sup> Gilbert Y. Steiner, *Social Security* (Chicago: Rand McNally and Co., 1966). See Chapter 5, "The Politics of Eligibility," for a discussion of some of the present dissatisfactions with some forms of public assistance.

<sup>13</sup> A demogrant is a categorical form of a universal payment. For example a family allowance to all families with children between the age of birth and fourteen years would be a demogrant. Social security payments constitute a type of demogrant.

<sup>14</sup> See A. H. Maslow, *Toward a Psychology of Being* (Princeton: Van Nostrand Co., 1962). Also, Erich Fromm, "The Psychological Aspects of the Guaranteed Income," in Robert Theobald (ed.), *The Guaranteed Income* (New York: Doubleday and Co., Inc., 1965). An excellent popular treatment is by Mr. Scott Myers, "Who Are Your Motivated Workers?", *Harvard Business Review*, 42 (Jan.-Feb., 1964), pp. 73-88.

5. It should be designed to afford incentive to productive activity.

6. It should be designed in such a way that existing socially desirable programs and values are conserved and enhanced.

We recognize that the guaranteed income is not a substitute for programs of full employment and human resource development. It is not a panacea for all the socio-economic problems encountered by the family and the individual in the course of a life cycle. At the same time, we are compelled to acknowledge that our socio-economic system works imperfectly. It is, therefore, the responsibility of society to devise new institutions which more adequately fulfill basic human rights.

We recommend that the churches 1) study the various methods for guaranteeing every individual and family in need an income capable of supporting human life in dignity and decency; and 2) participate in the development and implementation of those policies and programs which best fulfill the above criteria.

The National Council of Churches commits itself to share in the continuing study, dialogue, and development of programs consistent with these principles.<sup>15</sup>

For—107. Against—1. Abstentions—2.

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NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.

RESOLUTION ON A FEDERAL FAMILY ASSISTANCE SYSTEM

(Adopted by the General Board, September 12, 1969)

The churches of the United States have long been concerned for the plight of the poor. This concern has been expressed in actions taken by the General Board which have supported both social insurance and public assistance as methods by which our society can enable its less fortunate members to provide for themselves and their families the necessities of life. It has expressed its preference for social insurance over public assistance for this purpose. It has specified certain conditions which should be met by a program of adequate income maintenance (The Churches' Concern for Public Assistance, 1958; The Churches' Concern for People Without the Necessities of Life, 1960; Guaranteed Income, 1968).

The beginning of a turnabout in a welfare system badly in need of reform, as indicated in President Nixon's message to the people of August 8th, 1969 is welcomed by the General Board.

As the Administration and Congress formulate actual legislation to implement the President's proposals, the General Board calls attention to criteria which have been set forth by his Board as essential to be met if any system of income maintenance is to be adequate.

The assurance of a suitable job at a living wage for every person able and willing to work is the foundation upon which an income maintenance system should be established. Therefore, improvement in job training and job placement services so that people who can work will be able to earn enough to provide adequately for themselves and their families is essential. If all poor people able to work are to be placed in jobs, there must be, not only incentives to increase jobs in the private sector, but an increase in public employment as well.

We welcome the proposal which calls for supplemental assistance for working people unable to maintain themselves and their dependents on an adequate standard of living. The incentive which President Nixon proposes, that the low income worker keep the first \$60.00 of his earnings plus one-half the remainder up to the stipulated maximum, represents an improvement on the incentives provided in the present Social Security Law.

The establishment of a federal floor on income for poor families has been endorsed by this Board in the past (Guaranteed Income, 1968). However, a contribution of \$1600.00 by the Federal Government for a family of four is entirely too low. We urge the Congress to enact legislation with an initial Federal level higher than \$1600.00 and providing for the progressive raising of the Federal contribution as rapidly as possible to an adequate level of subsistence. So long as we have a program of federal-state contribution so that no persons are living below the poverty level. If this is not done, in many states the poor family, under the pro-

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<sup>15</sup> See Shirley E. Greene, *The Guaranteed Income: A Dialogue-Focuser*, available from the Committee on the Church and Economic Life, National Council of Churches, 475 Riverside Drive, New York, New York 10027.

posed program, will actually have less to live on than it does under the present system.

Welfare reform legislation should make adequate provision for single individual and married couples under 65 without children, as well as for families with dependent children. We applaud the President's proposal to remove any necessity for applying "a man in the house rule which has worked a hardship on so many families."

Provision should also be made, however, to assure that the food stamp program only be phased out as cash payments approach the minimum necessary to lift a family out of poverty.

The principle of self-determination, endorsed by this Board on several occasions (*Crisis in the Nation*, 1967; *Guaranteed Income*, 1968) requires that mothers of school-age children have the same opportunity as mothers of pre-school children to decide whether their family responsibilities can be carried along with employment or a training program.

The General Board of the National Council of Churches of Christ in the U.S.A. therefore, records its agreement with the view that the welfare system of our country is in need of substantial reform. It expresses approval for those features of the proposed family assistance system which tend to improve the standard of living and undergird human dignity of poor people. It welcomes the separation of many payments from the provision of social services which is implicit in the President's proposals, since that will facilitate the development of needed social services. The General Board calls the attention of government and the churches to certain dangers in the proposals which must be guarded against as legislation is prepared and enacted to implement his program of welfare reform. It calls upon church people to support programs of adequate income maintenance and effective job training and employment services which will afford to all people full and equal opportunity to maintain themselves and their families at a standard of living which is conducive to health and human dignity.

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#### RESOLUTION ON REFORM OF THE WELFARE SYSTEM

APPROVED BY THE GENERAL BOARD OF THE NATIONAL COUNCIL OF CHURCHES  
SEPTEMBER 11, 1971

Whereas, the number of persons in the United States in dire poverty—nearly half of whom are children—has by the government's own estimates increased by over one million in the past year to more than twenty-five million persons; and

Whereas, the present Federally-assisted system of public assistance fails to reach most of those in need and is for those it does reach destructive of family life and inadequate to basic human needs; and

Whereas, the House of Representatives has passed a revision of the family welfare system (Title IV of H.R. 1) that falls short of the criteria laid down in policy statements and resolutions of the General Board and that perpetuates dehumanizing myths about the poor, such as their being morally culpable for their poverty;

*Therefore, be it resolved*, That the General Board—

(a) finds unacceptable the revision of the family welfare system as passed by the House of Representatives and strongly reaffirms the criteria for what would constitute an adequate system of guaranteed income laid down in the NCC policy statement "Guaranteed Income" (Feb., 1968), the NCC "Resolution on a Federal Family Assistance Program" (Sept., 1969), and the DCLM Program Board "Resolution on the Family Assistance Plan" (Dec., 1970); and specifically

(b) urges the Senate to pass promptly a bill that—

(1) creates a single Federally administered and financed system of guaranteed income with national eligibility and payment standards;

(2) provides initial benefits equal to the poverty level with provision for increases by 1976 to the level of the Lower Standard Budget as computed by the Bureau of Labor Statistics;

(3) covers all those in need, including the presently excluded working poor, single individuals, and childless couples;

(4) supports the structure of the family by removing present incentives to desertion, providing realistic incentives to self-support, and respecting the

rights of mothers both of pre-school and of school-age children to choose themselves whether their time is best spent working or in the home ;

(5) protects the constitutional rights of recipients ; and

(6) determines eligibility on the basis of current need.

(c) directs the transmission of this resolution to its member churches, calling upon them to engage in supportive action.

The 183rd General Assembly of the United Presbyterian Church in the U.S.A. meeting in Rochester, New York, in May, 1971 issued the following statement :

#### INCOME MAINTENANCE AND FULL EMPLOYMENT

##### STATEMENT OF POLICY

The current crisis in relation to poverty has two inter-related aspects :

(1) The need for replacing the system of welfare that supports those persons without adequate income with a program of income maintenance, and

(2) The need for full employment at adequate wages.

Consistent with the urgent concerns of the General Assembly and as a stepping stone in the self-development of people, the following recommendations are set forth.

##### *Income Maintenance*

The 183rd General Assembly (1971) of the United Presbyterian Church in the United States of America :

1. Urges the enactment of a national program for a basic and adequate guaranteed minimum income for all persons in the United States. The material conditions necessary for man's physical existence have been withheld from certain segments of our society. Since God has created life and the material resources to sustain life, man does not have the right to deny life by withholding the means of existence to some. It is not something for his fellowman to give in expectation of gratitude or to grant or withhold as an economic inducement. Neither is it to be rationed out to those who do not deserve it, as though mankind could be divided into those who do and those who do not deserve what God has given freely and lovingly. We rejoice that present levels of productivity and material abundance under our present economic system make it possible to translate this moral judgment into economic reality. Therefore, even as we urge enactment of Guaranteed Annual Income, we call Christians to redouble their efforts to establish concrete human relationships of mutual love and service across every barrier of class or race or station which hitherto has fragmented God's intended covenant community.

2. Believes that it is the church's responsibility to suggest criteria based upon moral insights which can be used to judge the adequacy of the proposed programs for income maintenance, rather than to attempt the adequacy of the proposed programs for income maintenance, rather than to attempt to specify the details of such programs. Accordingly, this Assembly proposes the following as standards by which an income maintenance program should be judged :

(a) Access to the basic necessities of life should be open and publicized to all people without regard to race, age, sex, family or marital status, health, abilities, or other judgment as to who does or does not "deserve" aid to live. Such income maintenance shall not, however, be regarded as a reward for willful indolence.

(b) The grants should be large enough to provide income for basic needs and to sustain every person's participation with dignity, in society.

(c) The implementation of any income maintenance program should not include mandatory work requirements which might be subject to punitive interpretations and local abuse.

(d) The provision of income should be in the form typical of the rest of society. In a basically money economy, guaranteed income should be primarily in money so that a social stigma will not be attached to the form of one's subsistence. (This does not exclude additional public provision of social services and facilities.)

(e) Provision of income maintenance should be separated from provision of social services and community development programs, so as to remove the implication that the government has a right to manage the lives of those it is assisting to live.

(f) The provision of grants should be in such a way that objective standards are set and maintained and arbitrary judgments by public officials are minimized. Under present conditions, national rather than state or local funding and administration seems most consistent with objectivity and uniformity of social justice.

(g) A basic and adequate guaranteed minimum income should provide an income geared to local cost of living standards starting at least as high as the Social Security Administration's "poverty level" and preferably including a plan to move toward those levels established by the Bureau of Labor Statistics for "adequate health and decency."

(h) Provision should be made for guaranteed income recipients to retain some portion of their job earnings, thus supplementing basic income grants, unless experience or change in the economy shows such an incentive to productive activity to be unnecessary or unwise.

3. Urges that the funding of a national income maintenance program should not divert funds used for existing socially desirable programs, such as public health care, housing, and education; and the further development of programs to address problems that cannot be solved by guaranteed income alone.

#### FULL EMPLOYMENT

##### *The 183rd General Assembly (1971):*

1. Reaffirms the Biblical doctrine of the dignity, beauty and worth of human work and creativity, even in its most mundane form, recognizing that meaningful labor is man's honor and duty as a response to God's grace.

2. Affirms that every employable person should have access to a job at adequate wages. Minimum wage levels should be established in all areas, based on Bureau of Labor Statistics definitions of what is adequate.

3. Urges that racial, religious, age, and sex barriers to employment—including those barriers imposed by labor unions—be removed.

4. Recommends strongly that retraining and relocation programs be instituted for those persons whose jobs are eliminated.

5. Requests vocational and professional training and rehabilitation for those whose capacities to work and produce have been destroyed, are non-existent or are insufficient for their basic needs.

#### IMPLEMENTATION

##### *The 183rd General Assembly (1971):*

1. Urges United Presbyterians, churches, and judicatories to give thorough study to specific income maintenance and full employment proposals and to help provide a climate of national opinion supporting the earliest possible enactment of an adequate program in harmony with the foregoing criteria and recommendations, and further urges vigorous support of specific legislation which meets the criteria.

2. Recognizing that ours is a society in which commercial, union, veteran, professional, and other citizen groups petition and lobby for subsidies in their own self interest, urges support of the powerless and those most directly affected by income maintenance and full employment proposals, such as welfare rights organizations, as they petition and lobby for income maintenance legislation which meets their self-determined needs.

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ACTION TAKEN BY THE BOARD OF DIRECTORS OF THE UNITED CHURCH BOARD FOR  
HOMELAND MINISTRIES, APRIL 29, 1970

#### WELFARE RIGHTS

Voted: To adopt the following statement of policy and program with respect to welfare rights and affirm that its future programs will be prosecuted in the light of this policy and consistent purposes:



1. All persons are entitled to a humane standard of living. Ultimately, the Government is responsible for providing the means to protect this right. The United Church Board for Homeland Ministries advocates a monetary criterion, at this time, of at least \$6,500 per year for a family of four as one prerequisite for a humane standard of living.

2. It is fundamental in this country that people are entitled to organize non-violent efforts to secure their rights, one of which is a humane standard of living. In keeping with this principle, the United Church Board for Homeland Ministries will support the National Welfare Rights Organization (NWRO) as a viable recipients' organization in pursuit of welfare rights for all people.

3. The recognition and protection of these rights require not only the organized efforts of those directly affected by welfare programs, but also the widest possible support among persons of all races and income levels. The Board is committed to building this general support; it is also mindful of the special responsibility for developing support within the membership of the United Church of Christ.

4. A moral criterion for a humane standard of living is that receiving welfare should in no way lead to the debasement of life. The Board, therefore, will support the movement for welfare rights so that welfare recipients' dignity and personal status are enhanced and protected.

5. The provision of adequate welfare should not contribute to the continued subordination of minority peoples; rather it should lead to the achievement of equal economic and social opportunity for all persons. The Board will support the movement for welfare rights as an essential component of its efforts toward the equality of Blacks, Indians, Puerto Ricans, Chicanos, Whites, and all others, and to give access to basic life needs and the fundamental structures of political freedom.

6. The Board recognizes the significant cost of this program if enacted. It recognizes also the potential social and economic benefits. It urges that one method to implement this program should be a change in national priorities including a shift of money from other government agencies—particularly the Department of Defense.

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#### THE CHURCH AND PUBLIC WELFARE

(Adopted by the Executive Council of the Episcopal Church, September 29, 1971)

##### INTRODUCTION

"The poor will always be with you in the land, and for that reason I command you to be open-handed with your countryman, both poor and distressed" (Deut. 15:11). The Biblical observation is true today not only in the relative sense that some people have less than others, but also in the absolute sense. Today there are over 7 million heads of families who are poor in spite of the fact that they work, and about 5 million children with inadequate food to develop their minds and bodies. With the abundance of resources at our disposal, the commandant cries out: "be open-handed with your countryman, both poor and distressed."

Too often the observation that "poor will always be with you" has become an excuse for disobeying the law, "you are to be open-handed with your countryman." Too often we have searched for the reasons of poverty in order to escape responsibility for justice and mercy, rather than address ourselves to the root causes of poverty and to be most helpful to our poor and distressed countryman.

The Biblical analyses of why there is poverty include: laziness, extravagant living, and folly—for which the individual does have responsibility; and oppression, disease, and fraud—evils of others or of society over which the individual poor does not have control. We must add that the very system designed to help the poor in our country is in fact a major contributor to their condition of dependence and misery.

At the present time, Congress and many state legislatures are considering changes in the basic programs of care for the poor and distressed. We welcome this public consideration, and offer first some principles for Christians to understand the issues, and then some suggested provisions of welfare reform.

## PRINCIPLES FOR CHRISTIANS

1. The poor are a special charge of God. Both the law and the prophets warn against the oppression of the poor, and exhort the rich to help the poor, the strong to help the weak. Provision and opportunity for the poor is the primary standard by which individuals and nations are to be judged. Giving to the poor and destitute from the leftovers is to be condemned; rather the poor have prior claim for adequacy on our resources.

2. Neither sin nor virtue is a function of a person's economic, educational, or employment status, nor is race or age. All have sinned, all may distort their ethics by their economic self-interest. The demand for justice and mercy for the poor, therefore, is based in the Old Testament on a remembrance of Israel's bondage, and in the New Testament on the commandment, "you shall love your neighbor as yourself."

3. God has created life and the resources which sustain life. Man does not have the right to withhold the abundance of God's resources from those in need, nor can he rightly determine who does and who does not "deserve" what God has given freely and lovingly. Man, a steward of God's resources, has the obligation to use God's resources for the development of life with dignity among His children.

## PROVISIONS OF WELFARE REFORM

It should be our national policy to assure that all its citizens have the opportunity to live secure from poverty, the access to adequate health services, and the right to enjoy the psychological and spiritual sustenance advocated in a democratic society.

We reject the popular misconception that the welfare rolls are filled with people who are able to work but won't. The U.S. Department of Health, Education, and Welfare reports that less than 1% of the nation's welfare recipients are able-bodied men, and these men have to be seeking jobs thru their state employment agencies to be getting any welfare at all. According to the same survey 24% on welfare are old-age recipients, 8% are permanently and totally disabled, 1% are blind, 50% are children, 2.9% are incapacitated parents in the home, the remaining 13% are mothers— $\frac{1}{5}$  of these welfare mothers are in job training or are already employed but are earning so little money that they still qualify for welfare.

The first objective of a basic national income policy must be to alleviate poverty among all our citizens.

The Executive Council of the Episcopal Church endorses the following position on Welfare Reform:

1. Coverage for all poor people, based on need, and including people employed at inadequate (substandard) wages, individuals under 65 and couples without children.

2. Assistance grant levels starting at \$3,940 for a family of four, the official poverty level determined by the Department of Agriculture, with provision for orderly steps to reach standards of adequacy for health and decency as periodically determined by the Bureau of Labor Statistics.

3. Incentives and realistic aids to encourage those eligible for public assistance to move into job training and full employment, such as: jobs at no less than minimum federal wage or prevailing wage whichever is higher; right to keep enough earned income to make working more attractive than relying solely on public assistance (with recognition that many people who have been trapped by the existing system may need as long as two years to make a full transition to self-support); day care service; and public service jobs where there is a shortage of private or other public sector jobs.

4. Acceptance of declaration of need as sufficient to establish eligibility, with provision for prompt and periodic checks to determine accuracy of eligibility and payment (in the manner of Social Security and Income Tax programs); and guarantee of rights to fair hearing with representation.

5. Program and administration of the welfare system should be Federally financed and controlled.

6. Reaffirms the General Convention policy of the right of poor people to organize and work together to achieve a human standard of living.

We commit ourselves to work towards these goals through education and other activities within the church, cooperate with other churches and organizations and support such groups as the National Welfare Rights Organization to achieve these goals.

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ECONOMIC JUSTICE ADOPTED BY EIGHTH GENERAL SYNOD, UNITED CHURCH OF CHRIST, JUNE 25-29, 1971

Goal 6.—To commit the United Church of Christ to changes in social structure and social action that will make the United States a nation in which racial pluralism is viable.

Objective 1.—To recognize that all persons are entitled to the wherewithal to sustain life; that each person is, a matter of right, entitled to and should be assured of a human standard of living.

Objective 2.—To urge through all appropriate means adoption of a guaranteed income for all Americans to eliminate poverty and hunger in the United States, a minimum of \$6,500 per year for a family of four being both reasonable and necessary at this time; to find means to make the lives of people living on guaranteed income more meaningful and more creative in order to fulfill their highest human potential.

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A STATEMENT TO LEADERS OF THE U.S. GOVERNMENT  
FROM THE CHURCH OF THE BRETHERN<sup>1</sup>

Expresses concerns on America's triple crisis—Poverty; Racism;  
War.

OUR CONCERNS

We come to you as deeply concerned citizens. It is our judgment that the nation is in a crisis which is tearing apart the fabric of our democratic society. Awakened racial minorities, stimulated by recent advances and promises of full participation in the good life in America, are no longer willing to remain outsiders while the white majority enjoys prosperity, power, and privilege. They know better than others that more than one third of their number live in poverty and in substandard housing. They are also aware that this nation is diverting a substantial share of its resources to an undeclared and controversial war in Southeast Asia at the same time it tells them there are not enough funds to help them live in dignity and security.

A small number of these persons have responded by rioting. An increasing number may conclude that violence, though regrettable, is necessary to obtain redress of their grievances and enjoy a full life.

We do not condone this violence. Those committing criminal acts should be apprehended and tried. But these acts have brought to light the daily violence visited upon our racial minorities and our poor by the imbalances in our political and economic system which drives them to desperate and self-wounding blows at society.

White Americans are slowly realizing that basic changes are called for in the structures of our society if the American dream is not to become a nightmare. Some are showing signs of irrational panic. Some are calling for brutal repression. Of great concern to us is the fact that so little leadership toward a way out of the threatened civil struggle seems forthcoming from our elected representatives. With significant exceptions, recent Congressional actions do not reveal a responsiveness to the gravity of the situation, nor a vision of the drastic and thoroughgoing changes that are needed.

OUR CHRISTIAN PERSPECTIVE

We come to you compelled by our Christian faith. In this we are like many of our fellow citizens, who have liked to look at the United States as a chosen nation upon which God has smiled. It is clear that the country has not always

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<sup>1</sup> Adopted by the Church of the Brethren Annual Conference, Ocean Grove, N.J., June 1968.

lived up to this claim, but at its best it has stood for the Judeo-Christian ideals of brotherhood, charity, and liberty and justice for all.

As Christians, we look upon the upheavals we experience as God-given opportunities for progress. Sometimes tragedy is required before an individual or a nation is ready to act in creative new ways. A fever in the body politic may allow debilitating disease to come to the surface and to be treated. Our faith teaches us that we must face the difficult problems at hand with courage and confidence, not with fear and hatred.

#### PROPOSALS TO MEET THE CRISIS

We come to you with moral concerns and with some general proposals for action by Congress and the Administration. Although we have studied the issues with some care, our proposals do not include details. These specifics lie within your realm of responsibility.

Our nation is faced with a triple crisis of poverty, racism, and war. They threaten to sunder the nation into two societies—a repressive majority and an alienated minority. We see these crises as interrelated. Tensions would not be so high if the country were not spending an estimated \$300,000 to kill each “enemy” in Vietnam and only \$53 per year to help each person classified as poor in this nation.

#### *Poverty*

The Poor People’s Campaign has helped to call attention to the plight of the thirty-four million Americans living under the poverty line and to the twenty-eight million persons living so barely above this line that a sudden calamity would plunge them below it. These “invisible poor” are becoming visible. This is the necessary first step in focusing energies to meet their needs. We are convinced that the country has the resources and the knowledge to solve the problem of poverty in large measure, if the will is forthcoming from the people and their government.

We commend the Administration for its initiative and the Congress for its legislative approval of past and current actions to meet the need of jobs, housing, and education for the disadvantaged. We view with concern those voices who would deny such programs the resources they need to succeed. A half-hearted and intermittent campaign will not win the war against poverty.

We believe that, to meet the present crisis of unemployment and underemployment, opportunities for full employment should be provided for all those able and willing to work. This will call for the cooperative efforts of government and private enterprise. We agree with the National Commission on Technology, Automation, and Economic Progress that, if necessary, the government should be the employer of last resort. We urge increased efforts at coordinated job training, and full incorporation of minority groups into all branches of labor, business, and industry. We commend the provisions of the poverty programs which provide for maximum feasible participation of the poor in plans to help them, and we urge the extension of this concept.

We call for drastic revision of the welfare system. Punitive and degrading aspects of current welfare practices should be eliminated, especially those which disrupt family life and discourage employment. Each citizen should be assisted toward receiving all the benefits which are legally his. More attention must be given to the reclamation of those individuals and groups currently alienated from society and unable to contribute to it positively.

We recommend enactment of legislation which would provide a basic floor of economic support for all Americans, be it by a guaranteed annual income, negative income tax, or family allotment, as may be found best after thorough study.

We call for appropriate education of quality for all children. Compensatory education must be provided where needed, as the best way to lift the disadvantaged out of the cycle of dependency and despair.

We recommend a shift in priorities in the use of existing government income in order to provide the resources needed for such programs. We pledge our willingness to help pay the taxes needed to make these possible.

#### *Racism*

The President’s National Advisory Committee on Civil Disorders (Kerner Commission) has made clear the need for massive change in the attitudes and actions of white America if domestic order is to prevail. We endorse the Com-

mission's findings and call on the Federal Government to implement its recommendations as a significant beginning.

We commend the passing of the Civil Rights Bill of 1968 with its open-housing provisions, and the Supreme Court decision upholding the constitutionality of the 1866 act. We urge more energetic enforcement of earlier civil rights legislation, in particular the vigorous application of Title VI of the Civil Rights Act of 1964 allowing Federal grants in aid to be withheld where discriminatory practices are found. We call for adequate funding of the agencies assigned enforcement responsibility.

We urge the erection of public housing for low-income families in all parts of our cities and towns, not just in the inner cities.

We call for a full sharing of power with racial minorities in deciding public policies which directly affect their lives and communities.

We urge an end to de jure and de facto segregation of schools.

We ask that law and order be enforced impartially and justly. Nonwhites will not respect a double standard of law enforcement.

We pledge our support for all efforts to eliminate racist actions and attitudes. We promise to do everything in our power in our home neighborhoods to create a more healthy climate of opinion and wholesome human relationships.

### *War*

It is clear to us that the widespread violence in our domestic life is linked to the violence with which this country pursues its foreign-policy goals. We cannot expect the populace to disavow the methods of force in solving real or supposed problems here at home when our nation follows methods of violence abroad. The riots and the assassinations in our nation can be fully understood only in light of this fact. We cannot continue to mobilize our national effort for destruction, and preparation for destruction, and yet expect this to have no adverse effect on our citizenry.

We commend the government for efforts to regularize trade and diplomatic relations with Iron Curtain countries and to control the nuclear arms race.

We plead for an end to the Congressional practice of treating military budget requests as all but untouchable.

The military system is economically and inherently wasteful. A dollar spent for armaments is in large measure lost to the economy, while a dollar spent for most nonmilitary ends helps to create more wealth. Furthermore, it is common knowledge that widespread waste is found within the military system itself.

We commend the Senate Subcommittee on Refugees for exposing the extent of graft and corruption related to our efforts in South Vietnam and encourage them to push for a correction of the situation.

We condemn the continuation of the military-industrial complex, which acts as a state within a state, unresponsive to the will of the people and the processes of a free-market economy.

We condemn the priority of military over domestic concerns. We call for major reduction in military spending, including the elimination of the Anti-Ballistic-Missile System (which even the former Secretary of Defense warned against), overseas military construction, and chemical and biological warfare.

We call for a broader and more realistic concept of security, based on international organization and a world of law, and the fullest cooperation with the United Nations and its programs. We should work harder at constructing a viable democratic society at home instead of trying to act as policeman for the world.

The Church of the Brethren has persistently opposed the military involvement in Vietnam. We reiterate our previous calls for a speedy end to the tragic fighting there.

We commend the government for its partial limitation in bombing of North Vietnam and its initiative in bringing about the talks in Paris.

We call for complete cessation of bombing in North Vietnam because it is morally wrong. The Secretary General of the United Nations and many others have indicated that a cessation is a necessary pre-condition to effective cease-fire negotiations.

We call for the United States to make a public commitment to support a government in South Vietnam representative of the major segments of political thought and dedicated to the elimination of corruption and graft and to reforms in land use and taxation.

We pledge our support for all measures calculated to limit the disproportionate investment of money and resources for the military. We promise to do whatever we can to further the growing public opinion for withdrawal of the American military presence in Vietnam.

#### WHAT WE ARE DOING

The Church of the Brethren is a denomination of only two hundred thousand members, but we have taken seriously our responsibility to respond to the three crises of poverty, racism, and war.

Many of our congregations and individual members are participating in programs to help relieve the crisis in our nation and communities. Some are taking initiative and leadership in their communities and states in such areas as adequate housing, employment, and education and in fair law enforcement. Some have initiated housing projects for low-income families, job opportunities and job training projects for the unemployed, and other programs of assistance to the poor, the handicapped, and the disenfranchised. Some of our congregations are working both for changed environments that provide increased opportunities for economic and social justice, and for changed lives through pastoral nurture of persons regardless of class or color.

During the present year, the Church of the Brethren General Board has undertaken the following new ministries in these areas of concern:

We have endorsed the "Crisis in the Nation" program of the National Council of Churches calling for unprecedented and immediate action by the churches in working together for justice on the domestic scene. We have allocated \$15,000 for participation in this program, in addition to re-allocating staff time and program to this effort.

We have provided information and called upon congregations to educate their members to the urgency of the crisis. We have called upon our congregations to involve lay persons and to free their pastors to work as agents for reconciliation.

We have authorized the investment of up to \$200,000—10% of our denomination's investment funds—in programs of inner-city renewal.

We have allocated \$15,000 for participation in the Poor People's Campaign sponsored by the Southern Christian Leadership Conference. This includes the assignment of two of our staff persons and sixteen of our seminary and college students to the campaign.

We have appropriated \$5,000 to the Negro Industrial and Economic Union, which seeks full participation of the Negro in America's economy.

We have contributed more than \$75,000 to programs of relief in Southeast Asia and are continuing our efforts to relieve suffering in Vietnam through Vietnam Christian Service and International Voluntary Services, Inc. More than a dozen Brethren young people have served as volunteers in these programs in Vietnam.

We have continued or increased our involvements in community development projects in several impoverished and critical areas of our nation, especially in Baltimore, Maryland, Los Angeles, California, Flat Creek, Kentucky, and Germantown, Pennsylvania.

#### MORE IS NEEDED

These are some tangible evidences of our determination to do what is needed to help meet the triple crisis of our nation. We confess that we have done too little. We are determined to continue and to increase our commitments.

Major action, however, to meet these crises must come from the government. We look to you to provide leadership. You are in a strategic position to take the initiative. Courageous and decisive action on your part can lead individuals, communities, and the nation to new and constructive programs to remove the causes of the crises, not to treat their symptoms. In this hour we appeal to you to provide the vigorous leadership needed for bold steps to eliminate poverty and racial discrimination, and to end the Vietnam War.

## NATIONAL INCOMES POLICY

ADOPTED BY WOMEN'S DIVISION OCTOBER 24, 1971

The Christian Church from its beginning has affirmed its belief that human persons are God's most precious creation. It is therefore a stewardship responsibility of the Church to encourage nations and societies to establish health and welfare systems which will enable persons to realize their greatest potential.

Human resource development is thus not only a moral imperative but also a social policy, and is deeply involved in national self-interest. We cannot afford the waste of human resources through poor health, limited cultural exposure, inadequate education, and ineffective rehabilitation. The far-sighted prevention of human illness and distress is even more important in the long run than cure and rehabilitation.

We call upon both the governmental and private sectors of society to become involved in a more comprehensive program which will meet at least these basic needs.

Adequate food, clothing, and housing are necessary ingredients in the development processes of human life. In a high money economy funds are needed to purchase basic commodities and services. But many Americans today live under economic conditions which deny them satisfaction of their basic needs. This situation is scandalous because it is unnecessary. The economic productivity of society is well able to meet the total needs of the society and more. However, present programs for producing economic growth and increasing employment are inadequate to meet the need. Likewise, various income transfer systems, such as public welfare, unemployment insurance, and even Social Security itself, have in many cases failed to make possible an adequate minimum standard of existence. While a national program of income maintenance is not a substitute for a full employment policy, neither is a full employment policy a substitute for an income policy. Both programs are needed, and if one or both are missing we shall continue to block the development of the maximum productive skills of a tragically large number of our fellow citizens. Wage standards are needed which provide a living wage. It is also necessary to broaden and improve social welfare services.

We must acknowledge that our economy functions imperfectly. It becomes the responsibility of society to develop new institutions which more adequately fulfill human rights. As Christians we have the obligation to develop the moral foundation for public policies which will provide every family with the minimum income needed to participate as responsible and productive members of society.

We call upon our Churches and the General Boards and Agencies:

1. To study the various methods for providing every individual and family an income capable of supporting human life in dignity and decency; and

2. To participate in the development and implementation of those policies which best fulfill the following criteria:

- (a) Available to all as a matter of rights;
- (b) Adequate to maintain health and human decency;
- (c) Administered so as to maximize coverage and adjust benefits to changes in the cost of living;
- (d) Developed in a manner which will respect the freedom of persons to manage their own lives, increase their power to choose their own careers, and enable them to participate in meeting personal and community needs;
- (e) Designed to afford incentive to productive activity;
- (f) Designed in such a way that existing socially desirable programs and values are conserved and enhanced.

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STATEMENT REGARDING WELFARE REFORM LEGISLATION OFFERED AS TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE BY THE DEPARTMENT OF CHURCH IN SOCIETY OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST), INDIANAPOLIS, IND., JANUARY, 1972.

The attached Resolution #26 entitled "Concerning Social Welfare" was approved by the General Assembly of the Christian Church (Disciples of Christ) meeting in Louisville, Kentucky, October 15-20, 1971. This statement of our church is presented in testimony by the Department of Church in Society of the

Christian Church (Disciples of Christ). Ours is a Protestant denomination of some 1,300,000 members and the General Assembly, our most representative body is attended by 6,000 voting delegates appointed by local congregations, regional and national units of the church.

The accompanying Resolution #26 speaks clearly and pointedly concerning our position on welfare reform. We further emphasize our conviction that the time has come for the federal government to assume its responsibility in this realm of our national life. Not to act now would only increase the frustration and suffering of millions, which would be destructive and irresponsible on the part of government.

Nor is it enough that government should enact legislation that falls far short of what is needed to meet the needs of the poor, the sick, the aging and the disabled— young and old. We do not lack the resources. Our only danger is that we may lack desire and determination. This nation is rich enough. The only question really has to do with the measure of our insight and our compassion.

We believe the American people are able to understand the problems created by our deficient and outworn welfare system. We believe the American people are also capable of recognizing the responsibility that is upon us all to deal justly and realistically with the needs of the poor. Our church, along with a large segment of the American religious community is committed to a society where it is made possible for all people to live in decency, dignity and freedom.

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## CONCERNING SOCIAL WELFARE

### THE SITUATION

The church has had a long-standing concern in the area of social welfare. In 1963 the International Convention of Christian Churches pointed out that "Christians, both individually and corporately, have been caring for the sick, the poor, the troubled, the halt, the lame, the blind since the beginning of the Christian movement." The assembly also declared then that "If any person is unable to care for his own health and welfare needs, we believe that he has every right to call upon the resources of the community without embarrassment and without being assigned second-class citizenship. Health and welfare agencies, private and public, should recognize that their services are not 'favors' to be bestowed but are resources on which any client in need has a rightful claim."

The church's continuing concern was again expressed in 1969 when the General Assembly endorsed "as a principle some form of family income support which will both be adequate to maintain health and human decency and also be designed to afford incentive to productive economic activity."

The problems of the welfare system continue to confront us. The Department of Health, Education and Welfare reports that over 12 million persons are now receiving public assistance.

Of these, 28 per cent are 65 years of age or older; 50 per cent are children; 12 per cent are mothers of those children; nine per cent are physically handicapped. An additional ten million persons are in families with incomes below the poverty level (as defined by the Department of Labor for a family of four in an urban setting, \$3,940), yet receive no assistance.

The present national administration has recognized the need for major changes in our welfare system and has proposed legislation incorporating the principle of a uniform national family income policy. Meanwhile, welfare groups such as the National Welfare Rights Organization have brought forcefully to our attention continuing major injustices which violate human dignity and impede a person's potential for growth.

### PRINCIPLES

1. *We reaffirm* the principle of a national family income plan to replace the present welfare system. The guaranteed family income in such a program clearly should not be lower than the present poverty level established by the federal government (for a family of four in an urban setting \$3,940).

2. *We reaffirm* the right of persons to be involved to the fullest degree possible in the decisions which affect their lives. Therefore, we support the principle of welfare recipients organizing to express their concerns and to suggest solutions



for their problems. Such suggestions must not merely be heard, they must be taken with the greatest seriousness.

3. We reaffirm that a family income support program should "be designed to afford incentive to productive economic activity." However, in the light of recent legislative discussion, we also feel the need to affirm:

(a) that work offered to those on public assistance should pay at least the minimum wage;

(b) that mothers with pre-school children should not be required to accept work to qualify for public assistance;

(c) that a work incentive program by itself does not solve the welfare problem since a relatively small percentage of those on public assistance are able to work in any case.

*Therefore be it resolved*, That the General Assembly of the Christian Church (Disciples of Christ) meeting in Louisville, Kentucky, October 15-20, 1971 urge the administrative and regional units and congregations of the church to implement the following actions:

1. We call upon the Division of Homeland Ministries of the Christian Church (Disciples of Christ) to develop an aggressive program aimed at federal legislation for a family income support program in accord with the principles given in this resolution.

2. We call upon each regional unit of the Christian Church (Disciples of Christ) through existing or newly created structures to investigate the public welfare situation in its own region and to suggest appropriate action for the congregations in light of the principles stated in this resolution.

3. We call upon each city or district organization of the Christian Church (Disciples of Christ) to make contact with those structures in its community through which the poor are making their voices heard. In light of such contacts, we call upon the congregations in each area to develop programs in accord with the principles given in this resolution.

*Be it further resolved*, That the General Minister and President of the Christian Church (Disciples of Christ) be requested to report to the next General Assembly on the church's implementation of this resolution.

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#### RIGHTS OF THE POOR

Believing that the rights of human beings include the rights to minimum income, adequate housing and legal services and dignity in old age; and

Believing that it is the responsibility of government to secure, protect and defend these rights, and to provide appropriate services to implement them;

*Therefore be it resolved*, The 1971 General Assembly of the Unitarian Universalist Association urges that the United States Government and the Government of Canada:

1. Provide family income through a program of income maintenance adequate to meet needs for food, clothing and housing; and

2. Commit whatever resources are necessary to provide a decent home for every American and Canadian family; and

3. Enact legislation to achieve equity in tenant-landlord relationships, protecting the rights of both tenants and landlords; and

4. Enlarge legal services for the poor and disenfranchised throughout the United States and Canada, with appropriate funding, without political harassment, manipulation and intimidation.

Adopted by the Tenth General Assembly of the Unitarian Universalist Association, held in Washington, D.C., June 11, 1971.

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#### A CALL FOR WELFARE REFORM

A Social Pronouncement of the Presbyterian Church in the United States—  
Adopted by the 1971 General Assembly.

The Presbyterian Church in the United States shares the widespread conviction that the welfare system in our nation has failed miserably. Public assistance benefits are not sufficient to provide a decent standard of living for

most recipients. Many needy persons receive no benefits at all. The system has built into it disincentives and inequities which tend to perpetuate the very poverty it is intended to alleviate. The need for reform is clear.

We confess that we have often accepted and taken comfort in common myths about the poor and those on welfare. We have believed along with many others misconceptions such as these :

Most poor people are able-bodied but lazy loafers.  
Those on welfare could work but prefer to freeload off society.  
Welfare recipients waste their money on expensive cars and the like.

Believing such myths, we have done little to effect change.

Now we emphatically reject these myths as false. Moreover, our recognition that God calls us to seek justice for all men, our sense that justice demands that every man have the material conditions necessary for his physical and social existence, our awareness of the injustice suffered by the poor in the midst of our affluent society, and our sensitivity to the fact that half of the poor in our nation are in the region served by our church compel us to act. Therefore, the Presbyterian Church in the United States in this 111th General Assembly :

1. Urges the enactment of a national program which provides a basic and adequate minimum income or opportunity to earn such for all persons in the United States.

2. Declares its judgment that the adequacy of any proposed program of income maintenance should be measured by these criteria :

(a) It treats the basic necessities of life as a universal human right, without reference to judgments as to who does or does not deserve them.

(b) It contains strong incentives for work, but does not require acceptance of employment as a condition for receiving public assistance for mothers with preschool or elementary school age children.

(c) It grants an income large enough to provide for basic needs and to sustain every person's participation, with dignity, in society.

(d) It provides job training and assistance, by the government if necessary, in obtaining jobs for all those desiring them.

(e) It provides income primarily in money so that a social stigma will not be attached to the form of one's subsistence, though this does not exclude additional public provision of social services, facilities, and the education of welfare recipients in the best use of their resources.

(f) It provides for grants in such a way that objective standards are established and maintained, and arbitrary judgments by public officials are minimized.

3. Urges church members, congregations, and middle judicatories to study the welfare system in their own localities and specific income maintenance proposals, and to help create a climate of national opinion supporting the earliest possible enactment of an adequate program of income maintenance.

4. Urges support of specific legislation which meets or moves significantly in the direction of the foregoing criteria.

5. Directs the Stated Clerk to inform the Administration and Congress of this social pronouncement, and directs the Office of Church and Society to seek implementation of the action called for herein.

Senator CURTIS. Mr. Chairman, our next witness, Dr. Roger Freeman, has had a very long and impressive career in government, in analysis, in studying various social proposals and programs, and I would hope that he would take just a moment at the opening of his statement to give a little résumé of his background and activity beginning from the very time he got started in State government matters.

Senator ANDERSON. You may do that.

**STATEMENT OF ROGER A. FREEMAN, SENIOR FELLOW, THE HOOVER INSTITUTE ON WAR, REVOLUTION, AND PEACE, STANFORD UNIVERSITY, CALIFORNIA**

Mr. FREEMAN. Thank you.

Mr. Chairman and members of the committee, I am Roger A. Freeman, senior fellow at the Hoover Institution on War, Revolution, and Peace at Stanford University.

Of course, any opinions I may express are my own and not to be attributed to the institution with which I am connected. Also, I represent nobody; I express only my own opinions and I appreciate the invitation of your committee.

In response to Senator Curtis' question, I have been at Stanford University now for the past 10 years, which was interrupted from 1969 to 1970 when I was serving as special assistant to President Nixon, as I served under President Eisenhower in the 1950's.

Prior to that I was an assistant to Governor Langlie of the State of Washington from 1950 to 1956.

I have served on several presidential commissions, on the staff of commissions, but this is too long a list to recite so I hope that this will suffice for my background.

I have had the privilege in prior years to testify before the Senate Finance Committee and a number of other congressional committees.

I submitted extensive testimony for the record and, with your permission, will summarize it in six points.

If you will permit me, may I refer to something that was just said a few minutes ago—the question about work and eating?

Of course, the quotation is from St. Paul's letter to the Thessalonians: He who does not work neither shall he eat—which is, incidentally, copied in the Soviet constitution, article 12, without giving credit to St. Paul and this is one of the provisions in the U.S.S.R. constitution which this Soviet Government enforces very strictly, that he who does not work neither shall he eat.

There is no welfare program in the Soviet Union; nor is there unemployment compensation, but everybody is entitled to a job at a minimum pay, which at the present time is 60 rubles or about \$70 a month; anybody who is satisfied with that, can take it. Who isn't satisfied may look for a better job if he can find it.

I personally think that is not a bad idea but this leads us somewhat afield.

Now, with your permission, I would present six points, a summary of my more extensive testimony.

Senator ANDERSON. Your entire document will be included. We will print the entire statement.

Senator BENNETT. The entire statement will be printed in the record.

Mr. FREEMAN. Yes, sir.

Senator BENNETT. Excuse me.

Mr. FREEMAN. Thank you, sir.

Point 1: A broad consensus appears to have been reached in recent years that time has come for a fundamental restructuring of our public assistance system. Title III of H.R. 1 would substitute new Federal public assistance programs for the existing Federal-State-

local adult programs. As an alternative those programs could be integrated with OASDHI. At the time when the Social Security Act of 1933 was passed, public assistance was viewed largely as a temporary expedient until social insurance coverage became universal. That stage has now been reached: more than 96 percent of all civilian paid employment was protected by public retirement systems by 1969. OAA recipients are, on the average, 76.6 years old; 70 percent of them are women of whom two-thirds are widows.

To grant recipients of adult public assistance programs—the aged, blind and disabled—the dignity and security of OASDHI pensions, at substantially higher benefits than at present, would seem to be an overdue act of equity and compassion. It would be enthusiastically received by the beneficiaries and greatly simplify administration.

Point 2: That AFDC is an abject failure and beyond repair is now generally agreed, admitted even by many of its former admirers and protagonists. Title IV of H.R. 1 would replace AFDC with a Federal family assistance program (FAP). You are familiar with the details of the program. I was part of the group that worked on it when the program was developed and I was then convinced that it was ill conceived. This is the first time, at your invitation, that I express criticism of that program publicly.

I would say that what Senator Ribicoff mentioned earlier today, the possibility of a pilot program or pilot programs, seems to me quite desirable. I wish that many of the existing programs in several other fields had been started as pilot programs so that we could see what they can accomplish—how productive they are, rather than invest billions of dollars, as we have in several unproductive programs, which I do not need to name at this time.

I feel that most of the specific features of FAP except aid to working poor have been tried repeatedly and unsuccessfully in some form or other in the past 15 years when Congress attempted, in vain, to make AFDC fair while controlling its explosive growth. Despite these efforts and all promises of the sponsors of the reform proposals, AFDC rolls multiplied fivefold during that period.

FAP would not only retain most of the damaging features of AFDC, it would make them worse. Besides doubling the welfare rolls immediately, FAP would, in my opinion, open a Pandora's box of undreamed of dimensions. Disruption of labor markets, steadily worsening social ills, and civil unrest could plague the country for years on an increasing scale.

I was surprised to find myself in agreement with the preceding witnesses in being critical of title IV, although for entirely different reasons.

That FAP rolls would decline in subsequent years or that by its activation "almost half of the AFDC mothers can be moved into regular employment," as this committee was told last July by Secretary Richardson, is not a hope but a mirage. Once enacted, FAP has no place to go but up. The so-called work-incentive program would subject recipients' earnings to a two-thirds deduction and offer them a net wage of only 40 to 67 cents an hour. This is hardly enough to motivate anyone to work.

Of course, it has been suggested in these hearings about 2 or 3 days ago by Mr. Pechman that retained earnings be raised to 50 percent;

that would cost far more money and would only be slightly more effective. It remains to be seen whether work and training requirements, already enacted in H.R. 10604 last December, will prove more effective than similar provisions have in the past, as long as welfare benefits offer persons with low skills and little ambition an attractive alternative.

Applicants will register for training, if they are required to do so, but most are not likely to obtain employment and keep it unless they truly want to work at the type of job they are capable of filling, which, in many cases, may be menial and low paid.

Point 3. The universal criticism of current public assistance programs does not mean that our social welfare system was ill planned and badly put together. In retrospect, it seems to me that the structure's architects in 1935 did a magnificent job that has stood the test of time well.

What happened over the past 36 years is not that the system failed but that it was perverted and so badly abused by its managers that its public assistance part has to be rebuilt from the ground. As formed in 1935, the social welfare system consisted of three major parts: (a) A Federal program of social insurance against the major hazards of life; (b) Federal-State-local programs for clearly identifiable and verifiable causes of need as a temporary bridge until social insurance coverage became universal and comprehensive; (c) State-local general-assistance programs for residual cases of need resulting from an infinite variety of individual deficiencies that could not be nationally categorized.

ADC was intended to cover, and initially benefited, mainly orphans and children of incapacitated fathers. Today fewer than 5 percent of the AFDC children are orphans. Three-fourths of the AFDC fathers are absent; six out of every seven AFDC fathers contribute nothing toward the support of their families, the whereabouts of better than one-half of the fathers is unknown.

A national system of public assistance that disregards the cause of dependence and offers benefits comparable to low-skill wages is bound to grow without limit. It is a permanent and irresistible invitation to abuse and ruin. In most AFDC cases the cause of need is not economic but social and requires individual consideration and judgment, which is impossible under a national uniform program.

Point 4. Enactment of H.R. 1 would be a major milestone in the process of concentration of all governmental power in the National Government. S. 2037 by Senator Curtis offers one attractive alternative that would return to the States powers which the Federal Government has assumed in recent years.

Point 5. Persons whose need stems from objectively determinable and verifiable causes, such as old age, blindness, disability, death or incapacity of the breadwinner, et cetera, can be and should be covered by a national insurance system. Most of the financial means for aiding other cases of need—the social problem families—may also be provided by the Federal Government. But the nature of preventive and corrective programs as well as decisions on the appropriate form of aid, treatment and training in each case must be individualized and can better be determined at State and community levels.

My proposal would shift old age assistance, aid to the blind, aid to the totally and permanently disabled and AFDC for widows, orphans, and families of disabled fathers to national social insurance. Other needy persons presently in general assistance and most AFDC cases should be aided by State and local governments largely from funds distributed among the States by the Federal Government in proportion to population, and in inverse ratio to per capita income, in other words, closed-end formula grants.

Point 6. The National Government could also assist the States in other ways. About 2 million fathers have left the families they spawned to the tender care of AFDC and most of them contribute nothing. Reciprocal support agreements among States have proven inadequate or ineffective. Parental failure to support should be made a Federal offense, because Federal money is involved, to be strictly and uniformly enforced throughout the country. At a time when 44 percent of all women are in the labor force—and 38 percent of the labor force is female—and half of all mothers of children 6 to 17 years of age do work, mothers should be held equally responsible for the support of their children.

For men and women who cannot compete for steady employment in an open market, because their productive capacity is below the wages they would have to be paid, whether it is due to low intelligence, lack of drive or for whatever reason, should be offered a sheltered work-shop-type of employment, either with the help of tax credits or by the Government acting as an employer of last resort. Work relief, which particularly includes the care of children of other working mothers, offers a valid and fair test of genuine need and of eligibility for public assistance.

This, Mr. Chairman, is the conclusion of my summary.

Senator ANDERSON. Thank you for a very fine and clear statement.

Senator Bennett?

Senator BENNETT. I will pass for a minute.

Senator CURTIS. I will yield to our colleagues down at the other end.

Senator HANSEN. Well, first of all, Dr. Freeman, it should be apparent to all of us that you bring to this committee a very distinguished career, a career sparked with a great number of experiences that I think eminently qualifies you to speak knowledgeably and forcefully on the subject to which you have addressed yourself.

I am greatly impressed with what you say here. I am struck with some of the statistics that you present, and I am looking forward eagerly to reading your full statement which, as the chairman pointed out, will become part of the record.

I do have one or two questions.

Your feeling, with respect to some of the programs, is that by their very nature they can be better administered by the State or at the local level than at the Federal level. I believe you said something that would indicate that.

May I refer specifically to your statement? You say:

But the nature of preventive and corrective programs as well as decisions on the appropriate form of aid, treatment and training in each case must be individualized and can better be determined at state and county levels.

Supposing most of the AFDC cases were turned over to the States. Some States operate an adequate program but others do not. Are not Americans who are in need entitled to be aided no matter where they live, and is it not the responsibility of the Federal Government to see to it that they do?

Mr. FREEMAN. Senator, State officials are elected by the people and responsible to them, exactly as Members of Congress are. If they do not carry out the wishes of their constituents they will not return to office; I do not believe that there is any difference in the feeling of responsibility which officials have at the State level from that at the Federal level.

If the Federal Government is to assume all responsibilities it will for all practical purposes eliminate our federal system, and we will have a uniform and centralized system of Government. I personally believe that the Federal Government is handling too many matters at the present time, and as a result the time of the President—and I was in a position to observe that in two administrations—and the time of Congress is largely consumed by domestic matters. As a consequence they do not have enough time for adequate consideration of matters which can be considered, and decided only at the national level, such as national security, international relations and so on and so forth.

Therefore, I believe that matters such as welfare which are well within the capacity of officials at the State and local level should be left there, with a financial contribution by the National Government.

Therefore, I feel that this is a matter that should be left to the decision of the States.

Second: Persons whose cause of need can be objectively determined and verified—the blind, the disabled, the aged—should be protected by a national insurance system—OASDHI.

However, general assistance and most of AFDC consist of individual problem cases, multiple problem families, where the situation differs from case to case and I don't believe that we can apply a national standard. At the local level each case can be judged on its own merits.

The preceding witnesses said that there should be no distinction between the deserving and the undeserving; that was news to me as part of the Protestant ethic but maybe this is a modern version of it.

Senator HANSEN. With further reference to your last observation, it has been contended by a number of witnesses repeatedly before this committee that while they agree to \$2,400 or a \$3,000 level for a family of four at the present time, person after person has testified that what we really should be paying would be not less than the poverty level, which I understand for a family of four last year was in the neighborhood of \$3,900. But, yesterday, I think there were some witnesses from New York State who left me, at least, with the impression that in New York City the lowest acceptable amount of income on which a family of four could make a go of it in that admittedly expensive living area was in the neighborhood of around \$7,700 or \$7,900.

As an economist, would you comment on what would happen if this Government were to agree to pay all persons, whether they are employed or not, money sufficient so that their total amount available to them for living, for a family of four, would be not less than, say,

\$8,000. This is the figure which I think was recommended to us yesterday.

Mr. FREEMAN. Well, Senator, the first thing I would quote is a statement by a famous classic French economist who defined government as a system under which everybody is trying to live at everybody else's expense.

Once we adopt a certain national income level to which everybody is entitled—whether there is a good reason for the lack of an adequate income or not—and we set it at \$2,400, there is no reason why it shouldn't be \$3,000, why somebody cannot say it ought to be \$4,000 and finally someone will come up with \$6,500 or \$7,800, the end result of it would be, as Senator Bennett pointed out, that nobody up to a medium level of skill would want to work or very few, shall we say—nobody may be a slight exaggeration—but the result of it would be that most people would see no reason why they should work for an amount which they can get for free, as long as it is guaranteed.

This is why the system in 1935 clearly established that a person is entitled to public assistance as long as there is an identifiable, recognized and verifiable cause of need—old age, blindness, disability and so forth. To guarantee to every household \$7,800 or \$6,500, or even \$2,400, I think, would ruin the economy, and abolish the low-skill labor market. Finally, we would find that nobody up to a medium skill would want to go to work and without work we cannot pay \$7,800 or whatever the guaranteed income is.

Senator HANSEN. Well, now, let's suppose that the Government decided that we would pay it?

Mr. FREEMAN. Yes.

Senator HANSEN. I mean, they wouldn't raise it with tax revenues. Let's assume that the Government decides, whether or not it may be appealing to economists, that we will pay it?

Mr. FREEMAN. Yes.

Senator HANSEN. Let's assume that no one should have to live on less than \$7,800. Would you think that under that situation the \$7,800 or the \$8,000 that was given to a family of four would buy for very long what it might have presumed to buy now?

Mr. FREEMAN. Senator, if the Government proceeded to pay everybody, shall we say, \$7,800 and does it by printing the money, then it would repeat what has been done in several countries around the world.

I have served in some of them as fiscal adviser after inflation ran wild. I was sent to Bolivia as financial adviser where the Government had instituted a system beyond its means. The peso boliviana which started out as an equivalent of \$1 was down to one fifteen-thousandths when I arrived.

I once lived in a country where my salary every month was about 4 million but for the 4 million I couldn't buy as much as \$300. This is exactly what would happen in such a system; the Government would print the money but there would be less production because fewer people would work.

Now, obviously, that cannot go on for very long. In fact, it would end in chaos very shortly.



Senator HANSEN. Just one further question, Mr. Chairman, and I realize I am taking more time than I should, probably, but this is indeed a very exciting witness and one whose background, I think, gives him a very unique position from which to comment.

Would you agree, without going into the mechanics of how the distribution of food and services may be divided up, and admitting, as I readily do, that there are inequities, that some people receive more than they should—others receive not as much as they should, but overall, as a people, is not the real measure of our standard of living more likely to be reflected by our total productivity and our total effort in the service fields rather than it is by any arbitrary level that may be arrived at insofar as the number of dollars goes?

I am trying to imply if we only have half of the people working, as some predict would result, were we to pay \$8,000 a year to every family of four, whether they worked or not, that there would be such a reduction in the output in this country and such a diminution in services as to cut back on what each of us would have—do you share that view, Doctor?

Mr. FREEMAN. Senator, I believe that the basic principle of our system is that a man's earnings are determined by the value of the goods or services he produces which is set in and by the market. In other words, whatever he produces is evaluated by the market and that may be \$200 or \$2,000 a month. Now, the market may not be a perfect judge but it is a far better judge than anything else we could do. Whenever we try to overrule the market then there is no limit to the foolishness we may commit. Therefore, it seems to me that our basic reliance on rewarding people according to the value of their output or service is sound.

Now, many of us will disagree with the judgment of the market; for example, the writer of some beatnik music or some rock song may have sold millions of his records. As long as there are people voluntarily paying their own money for his music and it is their judgment, I would defend their right to do so although I personally may not value his output at a million dollars. I believe that to uphold that principle is essential because if we abandon it we are bound to make foolish mistakes. There is one exception: people who meet with misfortune or who suffer an accident, whatever it may be, or are aged, are entitled to be helped. Otherwise, I do not believe that anybody has a claim to be supported by the Government. Everybody has a right to an opportunity to earn a living, but nobody has a right to have his living come from the Government except those who work for it directly.

Senator HANSEN. Thank you, sir.

Senator TALMADGE. Mr. Freeman, I found your statement very interesting and I find myself in substantial accord with virtually all of it.

You stated that you had been adviser to one of the South American countries in financial extremes and I believe you mentioned Ecuador?

Mr. FREEMAN. No, Bolivia, sir.

Senator TALMADGE. Bolivia?

Mr. FREEMAN. Yes.

Senator TALMADGE. Have you studied the recent history of Uruguay?

Mr. FREEMAN. I have followed it in general terms, and I think, it is a prime example of the welfare state at its extreme where a basically sound country that used to be quite prosperous has almost deliberately ruined itself when everybody was trying to go live at everybody else's expense.

Senator TALMADGE. That was my purpose.

Mr. FREEMAN. Someone once said that an election is an advance auction of stolen goods.

Senator TALMADGE. Thank you very much. I have no further questions. [Laughter.]

Senator BYRD. Thank you, Mr. Chairman.

Dr. Freeman, like Senator Talmadge, I am very much impressed with your testimony. I notice on page 56 your subhead says, "The Family Assistance Plan Reform or Road to Ruin."

Now, I assume that while you feel that there should be a reform of the present system, a change in the present system as you have testified, that you do not regard H.R. 1 as reform, welfare reform, but rather as welfare expansion?

Mr. FREEMAN. Yes, sir.

Senator BYRD. Would that be an accurate understanding of your belief?

Mr. FREEMAN. That is correct, sir.

Senator BYRD. I note on page 60 of your statement where you are talking about the potential work incentives, that you point out that FAP will disregard one-third of a recipient's earnings; the other two-thirds will be deducted from his welfare benefits; and then you point out that this means a 67 percent income tax on his wages which you equate with the tax now being paid on wages of, or salaries earned by those in the \$120,000 to \$140,000 bracket?

Senator BENNETT. Will the Senator forgive an interruption?

We changed the law in 1969 so that nobody pays more than 50 percent on earned income. That is the top limit on earned income.

Mr. FREEMAN. Yes.

Senator BYRD. Under this proposal, a welfare recipient would be subject to the equivalent of a 67 percent tax. Would that be correct?

Mr. FREEMAN. That is correct.

In other words, if a welfare recipient gets a wage of \$60 he can keep \$20 and \$40 will be deducted from his welfare check so that he nets only \$20, which is the equivalent of a few cents an hour and I think very few men or women would want to work for that.

Senator BYRD. I note on page 64 you make this statement:

There probably is only one way in which a man or woman can be made to take a job and keep it, namely, to make him want it.

It seems to me that is a logical and sound reason and you say further no mandatory work requirement can make him do that.

I think that is correct, too.

Then you get back to some figures which I really had not thought about before until you brought them out and point out, first, that a person may not necessarily refuse to take a job but could take a job and then get himself fired or his appearance be such that the pro-

spective employer would turn him down anyway; but if he didn't want to do that, and if as you say here, "Let us suppose a mother with four children lacks the imagination and plainly refuses to take an offered job, that means her FAP benefit will be reduced from \$267 a month to \$200 a month."

In other words, if what you are saying, am I correct in this, what you are saying is that under the proposal of H.R. 1 even though presumably it has work requirements in it, that a person can refuse to take a job and still be paid \$200?

Mr. FREEMAN. That is correct, sir.

Senator BYRD. Thank you.

Senator BENNETT. Thank you, Mr. Chairman. I would just like to make one observation. I think it is too bad the preceding witnesses left the room before Dr. Freeman talked, because on page 44 of his statement and following are all those figures about the relations of fathers who desert families and of woman who work which they brushed off with a casual statement that the information didn't exist. I just say it is too bad they left.

But what is the statement—there are none so blind as those who will not see.

Senator FANNIN. Dr. Freeman, we are very fortunate to have you with us today. I have been very impressed with having your counseling and advice and today I feel it is a double privilege because we are bringing out facts that I think can be valuable to us in making decisions. I congratulate you for the fine work you have done.

Dr. Freeman, I know of your extensive experience in many other countries of the world. You mentioned about the South American country, Bolivia. I understand you have studied the welfare system in the Soviet Union.

Can you tell us how the Soviet Union handles its welfare problem? Now, understand, I don't assume you want the United States to follow their system, but for information I think it would be valuable to the committee to know how they do handle this program.

Mr. FREEMAN. Senator, I have visited the Soviet Union for extensive periods several times for study purposes. Obviously, I do not want us to copy the Soviet system as such. But it would be foolish for us to assume that in certain aspects they haven't had some good ideas. It is always, I believe, most dangerous to underestimate your opponent.

One of the purposes of my studies in the Soviet Union was to find out about unemployment and welfare.

Now, unemployment does not exist in the Soviet Union. It was abolished by decree of the Supreme Soviet in 1932; therefore, it cannot exist and if you ask about statistical data they simply refer to the fact that it does not exist.

There is no unemployment compensation; there is no such thing as public welfare, but if you are aged, if you are disabled, if you are ill, then you are taken care of although to a very limited extent, but there is no such thing as public assistance or anything like ADC.

Now, what the Soviet Union does, as I mentioned earlier, is carry out a provision in the U.S.S.R. Constitution that every Soviet citizen is entitled and has a right to work. If he applies to a labor exchange because he cannot find a job on his own or her own, he is assigned to a

job at the minimum wage. This is why in Moscow and Leningrad you find thousands and thousands of men and women sweeping the streets; they are very clean compared to our own streets. The subways in those cities are sparkingly clean because there are usually a man or woman ahead of you and one behind you with mop and broom to clean up in front of you and behind you.

In New York we have dirty subways because cleaners have to be paid about \$700 a month and the men or women who would do the cleaning job in Moscow are paid \$200 or \$300 or more a month in welfare. Maybe it makes sense. There are many jobs in the Soviet Union, some of them make work jobs. There are in the Soviet Union, as there are here, many people, a small percentage of the total, but still many people, whose capacity or productivity are quite low. They may just sit somewhere and watch something or do very simple jobs, but that is a test, a very valid test, of need.

If someone is willing to do some work within his capacity, even if he doesn't contribute very much because he can't contribute much, that in itself, I think, is proof that he needs the money and if he gets only the minimum pay why that is it. That means, of course, that everybody will try as best he can to find himself a better job that pays more money.

But there is a floor and I think that makes sense.

Senator FANNIN. Well, thank you very much. I know that we all realize that the unit cost of production is the important factor as far as competing with the other countries of the world and we had that brought out to us when we visited Japan. We were talking to the American ambassador at the embassy and the first thing he told us was, the Japanese are guilty of unfair labor practices; they like to work.

But this is a serious matter because unless the attitude exists in this country, the same attitude that we are concerned about, we are not going to have those jobs and that is why when I was talking to the previous witnesses I brought out that surely we want to take care of those who could not take care of themselves and we talked about the blind and handicapped and infirm and the aged; but won't we need to change the attitude of many people regarding the necessity of working at a job that is available if we are going to compete with these other countries?

Mr. FREEMAN. I believe that is essential. As long as people of low productive capacity, many of whom may also be of low intelligence, learn that they can make about as much money by not working as by working, they'll ask, "Why should I work?" The way I expressed it in another paper is that many of our low-income people may be of low intelligence but they are not stupid. Why should they take a cumbersome low-paid job?

So, therefore, as long as a work-less opportunity exists I don't believe you will get them to do much work. The main purpose is not the value of what they produce; many cannot and will not turn out much of value. But it is a test whether somebody is entitled to assistance. Let us not forget that most people work to support other people who are not working. I believe somebody who claims support from other people who are working should demonstrate that he is willing to do his best within his capacity.

Senator FANNIN. Well, I think you bring out that when some people are working and supporting others. They would want additional pay, naturally, because their taxes are higher and their costs are higher, so then this is all cranked into the problems that are in manufacturing. Where I am vitally concerned is that we have jobs going overseas, a good many of our companies going overseas, and going into low-wage areas so they can compete with the other countries of the world. We are encouraging that by increasing their cost of production. This is just as serious a factor to me as any other increased cost that may come about from the standpoint of a competitive position of this country to other countries in the world.

Now, trying to determine how can we best lower these costs I think we all agree that good management would help considerably. Do you feel that the States can do a better job than the Federal Government in managing these programs?

Mr. FREEMAN. I believe that the only way to enforce fiscal discipline, which is really what it amounts to—

Senator FANNIN. Yes.

Mr. FREEMAN (continuing). Is to relate, as it was once well expressed, the pleasure of spending public money with the pain of raising it. It means that if a State knows under closed-end formula grants that with its population and its per capita income it will get a Federal grant for public assistance this year of, shall we say, \$10 million, all welfare spending beyond that amount will have to be justified by that Governor and legislature before their own constituents because they will have to raise the taxes for it.

Senator FANNIN. Well, there are—

Mr. FREEMAN. However, at the Federal level, legislators who make the decision on the spending have no responsibility for raising the funds. Under the present system the Federal Government is contractually committed to reimburse the States and there is no upper limit.

As you know, it has happened in most years that there was first an amount placed in the budget and later there was a supplemental appropriation because the States simply put more people on the rolls. Many of the States have been trying to restrain the expansion of their public assistance rolls through various measures. But often they were prevented from doing so; they were defeated time after time either by the Department of HEW or/and by the rules or by the courts. It usually was the Federal Government that prevented the States from restricting or restraining access to the public assistance rolls.

Therefore, to put restraints on the States it seems to me is putting the muzzle on the wrong dog. If you give the States a limited amount they will restrict their spending but if you leave control to the Federal Government it just means no limit to the expansion.

Senator FANNIN. Well, how about matching grants—would you be in favor of that?

Mr. FREEMAN. I have my doubts that matching grants are the best method of achieving a balance. A matching grant means under the medicare formula a Federal share of 50 to 83 percent, and the 1965 amendments permitted the States to use either the old formula with an upper limit or the medicare formula which has no upper dollar limit. This means that a State can spend 50-cent dollars and even 17-cent dollars. If a Governor or other official can spend a dollar to make some

constituents happy and it costs the States only 17 cents, I think that is a pretty good deal which invites some States to spend more than they need to.

The fact is, at the present time, two States alone, New York and California, which account for one-fifth of the population of the United States, receive one-third of the Federal grants; and since these are the two richest States, it really amounts to the rich robbing the poor.

Senator FANNIN. Well, Doctor, I certainly agree with you on the problem. The difference between a State and Federal Government, we can't spend money at the State level that we don't have, but when we come to the Federal Government, we can spend money whether we have it or not, and that is a sad situation. I can recall some of these Federal programs and your emphasis on what has happened because the Federal Government has almost forced these programs on States; they have enticed them to accept the programs. I can remember a program starting out with the Federal Government paying 100 percent the first year, 80 percent the second, 60, 40, and then the State had to take it over. We found the State was taking over many programs we did not need necessarily, as compared with other programs we needed. But I agree with you this is a very serious matter. I just hope that we can keep this control at the State level so that the people, as you say, can have their voice expressed by the elected constituents, because if their tax rate goes up, they must account for it.

Mr. FREEMAN. That is exactly it. This is; Senator, why I proposed that a closed-end grant would be a better system. At the present time with all the Federal regulations, whenever a State tried to restrict access to the public assistance rolls, it was slapped down either by the Department of HEW or by the courts. Just in the last few months, there were several cases where States adopted restraining rules—in New York and in California, particularly—and they were prevented from carrying them out by Federal orders.

If the controls were handed over to the States, it would be the duty of the State officials to justify to their own constituents what they do, for better or for worse, and they will then have to run on their record.

Senator FANNIN. I wholeheartedly agree with you. There is an Arizona regulation cutting recipients off welfare rolls after more than 90 days absence from the State, which was struck down. This is a sad situation because you cannot trace these people, and they hold the State responsible to pay these welfare grants, or pay welfare to these people; the recipient will go ahead and receive a check after they have left the State for even 90 days.

Well, I look forward to reading the balance of your testimony, Dr. Freeman. Thank you very much for being with us today.

Senator ANDERSON. Are there additional questions?

Senator JORDAN. Mr. Chairman, I had several questions, but I think they have been pretty well covered in the colloquy or in the comprehensive statement that Dr. Freeman has provided us here.

May I say that I have known Roger Freeman for 20 years, since the days when he was on the staff of my good friend, the late Arthur B. Langlie, Governor of Washington. I have watched his career down through the years, and when I saw he was to appear here as a witness, I knew his testimony would be constructive. I have not been disappointed. Thank you, Dr. Freeman.

Mr. FREEMAN. Thank you, Senator.

Senator CURTIS. Dr. Freeman, I think your principal points have been well established, but I do want to explore one situation. We have had testimony here the last few days to the effect that they accepted the principles of H.R. 1, but instead of a \$2,400 figure, it should be \$3,000. Others have suggested \$4,000; some of them \$6,000 or \$6,500. There is a great danger that the Congress and the people generally might find that those programs are very bad, and H.R. 1 probably isn't very bad.

What I am asking you is: Are the same erroneous principles existing in H.R. 1 that can lead to troubles that are in these other proposals that carry the family assistance plan or guaranteed income for a greater amount?

Mr. FREEMAN. The principle is the same, Senator, whether you have \$2,400 or \$3,000 or \$4,000 or \$5,000. In fact, I am convinced that even if you started at \$2,400, it wouldn't be very long when it would be up.

Senator CURTIS. It has been increased by 50 percent.

Mr. FREEMAN. Yes.

Senator CURTIS. In the last few months; it started out as \$1,600.

Mr. FREEMAN. It was originally \$1,600 with food stamps, and then the food stamps were eliminated, so now it is \$2,400, but the \$2,400 is not all.

Senator CURTIS. No.

Mr. FREEMAN. Because there are medical and various other ancillary benefits. For example, if you are on welfare, your children are counted for title I purposes, and there are several other benefits such as in public housing to which you are entitled if you are on welfare. Once you get in, you get more and more. I believe that the whole principle of H.R. 1 of a guaranteed income is wrong, for this reason: If there is a compelling reason why somebody cannot earn—such as a mother of a child under 3 or of several small children, or somebody who is totally disabled, or who is aged—then I believe he has a claim against society to be supported. But H.R. 1 introduces the principle that low income itself is the only criterion that entitles somebody to public support.

Now, we have at the present time many cases—and I see them out in California on the campus—of young people who show a disdain for work. A fellow and a girl are not entitled to public assistance, on their own, or to family assistance under H.R. 1. But supposing they get themselves a child, then they are in business; that child is their meal ticket, and although they may get only \$180 or \$200 or whatever a month, that may not seem much to us, but to people who live at the standard they are living and prefer to live, because many of them are intelligent enough to really earn money—

Senator CURTIS. Isn't it true that what we are talking about, \$2,400 or even the \$1,600, that that by no means is the full story, because those same people get medicaid; many of them get subsidized housing? And in arriving at the \$2,400, certain earnings are excluded?

Mr. FREEMAN. Right.

Senator CURTIS. As I see it, the only difference between H.R. 1 and, say, the proposal of the distinguished Senator from Connecticut, Mr. Ribicoff, is a matter of time in which H.R. 1 would grow into that; is that correct?

Mr. FREEMAN. I am convinced of that, Senator.

Senator CURTIS. Yes.

Mr. FREEMAN. No matter at what level it is established, once H.R. 1 is in—title IV, that is—then within not too long a time, the benefits would be raised and it would become a grab bag.

Senator CURTIS. And you would say, then, that although under these more ambitious suggestions the immediate dollar costs would be greater, that H.R. 1 still starts down the same wrong road of handling general assistance; wouldn't you say?

Mr. FREEMAN. It is the same thing; there is no such thing as a little pregnancy.

Senator CURTIS. Yes.

Mr. FREEMAN. And once it is in there, I believe it is one of those errors that cannot be undone.

Senator CURTIS. Yes.

Now, there will be, once that starts, too, there will be political pressures that will add momentum to it; isn't that correct?

Mr. FREEMAN. It is so easy to argue that \$2,400 is not enough; it must be \$3,000. Actually, Senator, \$2,400 a year, even if it were only that, regardless of ancillary benefits, is about as much as a full-time worker earns in the high-income industrial countries of Europe. It is more than middle class or the upper middle class people earn in much of the rest of the world.

Senator CURTIS. And it is tax free.

Mr. FREEMAN. And it is tax free, right; and the result of it is, as Senator Fannin pointed out so well, that this last year for the first time we had a trade deficit; in fact, this morning's paper revealed that for the first time the Soviet Union will exceed the United States in steel output, the reason being that our steel is becoming less and less competitive.

When I was in New York a few months ago, I was in the United States Steel Building and just across there was the New World Trade Towers being constructed and I was told those 100-story buildings are being constructed from Osaka steel.

We are becoming less competitive and if we continue to travel that road where is the production, output, and income to come from?

Senator CURTIS. If H.R. 1 is adopted without increasing the amount and it doubles the number of recipients of welfare, it will double the political pressure that gets back of further momentum; is that right?

Mr. FREEMAN. That is exactly the system which may bring us to the point of no return which has already been reached in some cities where there are so many beneficiaries who pay no part of the tax bill but only benefit, that politically it is hard for public officials to resist their demands.

You see, we are coming more and more to a system of representation with taxation. The number of people who only receive benefits and have no tax responsibility is increasing geometrically. That has been particularly evident in the last few years when taxes were cut at lower income levels. I think this is the most dangerous trend for any democracy, of dividing the population between those who pay the bill and those who have nothing to expect but the benefits and, therefore, will push for more and more without limit.

Senator CURTIS. Now, before our society became sophisticated, and when back in the days when almost everyone produced their own food,



they went hunting or they raised livestock and they produced potatoes and produced the other things that they needed. If at that time someone didn't produce the food and didn't gather the wood and didn't get the wool and skins for their own clothing they perished, or somebody else did it; isn't that right?

Mr. FREEMAN. Inevitably.

Senator CURTIS. Yes. Now, the fact that our society has grown more sophisticated and we shuffle a lot of papers and we use computers and people are mailed a check, the fact remains that for every person who does not work, somebody else has to do their work; isn't that right?

Mr. FREEMAN. It doesn't come out of nowhere so somebody has to produce it.

Senator CURTIS. Yes.

Mr. FREEMAN. Frankly speaking, this use of the term "sophisticated" reminded me of the saying that a sophisticated person is a person who has been educated beyond his intelligence. In this case it seems to me that obviously somebody has to be working if somebody else can consume without contributing.

Senator CURTIS. Yes. I think that in a way the testimony we have received the last week and this week on the gigantic costs of some of these proposals and the great number of people to place on the welfare rolls, 70 million or more, in a sense has been a good thing to alert the Congress and the country against such proposals. At the same time, I think they can be very, very dangerous because it might develop sentiment in and out of Congress in support of H.R. 1 because it appears to be more modest when, as you say, in reality, they are exactly the same so far as the principles; is that correct?

Mr. FREEMAN. That is correct, sir.

Senator CURTIS. I do want to commend you for your entire statement and your contribution. I would like to go on with him, many questions, but I think you have covered it well.

I want to commend you for what I think has been the most compassionate and humane suggestion that any witness has made, and that is, in substance, that we buy into social security and the other insurance programs the benefits for those on old-age assistance and the blind and the person who is totally disabled. They are faced with physical facts that can be determined objectively and caseworkers are not needed. I think that your recommendation in that regard contains more compassion and humanity than these more elaborate programs for family assistance.

I want to ask you this question in that connection:

If H.R. 1 is adopted and some eligible person chooses not to work will he be treated better than a blind person who is on welfare; isn't that true?

Mr. FREEMAN. That is correct. This is, Senator, where I believe a distinction should be made between those whose meager circumstances are beyond their control and those who choose not to work. If they so choose that is all right, but then they should fend for themselves.

Senator CURTIS. We have a rollcall.

Thank you so much.

Mr. FREEMAN. Thank you very much.

(Mr. Freeman's prepared statement follows. Hearing continues on p. 1620.)

SYNOPSIS

OF THE STATEMENT OF ROGER A. FREEMAN, SENIOR FELLOW,  
THE HOOVER INSTITUTION ON WAR, REVOLUTION AND PEACE,  
STANFORD UNIVERSITY, STANFORD, CALIFORNIA

ON H. R. 1 (SOCIAL SECURITY AMENDMENTS OF 1972)  
Titles III and IV (PUBLIC ASSISTANCE)

BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE

January 27, 1972\*

1) A broad consensus appears to have been reached in recent years that the time has come for a fundamental restructuring of our public assistance system. Title III of H. R. 1 would substitute new federal public assistance programs for the existing federal-state-local "adult" programs. As an alternative those programs could be integrated with OASDHI. At the time when the Social Security Act of 1935 was passed, public assistance was viewed largely as a temporary expedient until social insurance coverage became universal. That stage has now been reached: more than 96% of all civilian paid employment was protected by public retirement systems by 1969. OAA recipients are, on the average, 76.6 years old, 70% of them are women of whom two-thirds are widows. To grant recipients of "adult" public assistance programs, the aged, blind and disabled, the dignity and security of OASDHI pensions, at substantially higher benefits than at present, would seem to be an overdue act of equity and compassion. It would be enthusiastically received by the beneficiaries and greatly simplify administration.

2) That AFDC is an abject failure and beyond repair is now generally agreed, admitted even by many of its former admirers and protagonists. Title IV of H. R. 1 would replace AFDC with a federal Family Assistance Program (FAP) that would

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establish a nationally guaranteed annual income and ancillary benefits, recognize low or no income, regardless of the cause, as the single criterion for eligibility to public assistance, include the "working poor," impose work requirements and offer occupational training and work incentives.

Most of the specific features of FAP, except aid to the working poor, have been tried repeatedly and unsuccessfully in some form or other in the past 15 years when Congress attempted, in vain, to make AFDC fair while controlling its explosive growth. Despite these efforts and all promises of the sponsors of the "reform" proposals, AFDC rolls multiplied five fold during that period.

FAP would not only retain most of the damaging features of AFDC, it would make them worse. Besides doubling the welfare rolls immediately, FAP would, in my opinion, open a Pandora's Box of undreamed-of dimensions. Disruption of labor markets, steadily worsening social ills, and civil unrest could plague the country for years on an increasing scale.

That FAP rolls would decline in subsequent years, or that by its activation "almost half of the AFDC mothers can be moved into regular employment," as this Committee was told last July, is not a hope but a mirage. Once enacted FAP has no place to go but up. The so-called "work incentive" program would subject recipients' earnings to a 67% tax rate and offer them a NET wage of only 40 to 67 cents an hour. This is hardly enough to motivate anyone to work. It remains to be seen whether work and training requirements, already enacted in H. R. 10604 last December, will prove more effective than similar provisions have in the past, as long as welfare benefits offer persons with low skills and little ambition an attractive alternative. Applicants will

register for training, if they are required to do so, but most are not likely to obtain employment and keep it unless they truly want to work at the type of job they are capable of filling, which may be menial and low paid.

3) The universal criticism of current public assistance programs does not mean that our social welfare system was ill planned and badly put together. In retrospect, it seems that the structure's architects in 1935 did a magnificent job that has stood the test of time well. What happened over the past 36 years is not that the system failed but that it was perverted and so badly abused by its managers that its public assistance part has to be rebuilt from the ground. As formed in 1935 the social welfare system consisted of three major parts:

- a) a federal program of social insurance against the major hazards of life;
- b) federal-state-local programs for clearly identifiable and verifiable causes of need as a temporary bridge until social insurance coverage became universal and comprehensive;
- c) state-local "general assistance" programs for residual cases of need resulting from an infinite variety of individual deficiencies that could not be nationally categorized.

ADC was intended to cover, and initially benefited mainly, orphans and children of incapacitated fathers. Today fewer than 5% of the AFDC children are orphans. Three-fourths of the AFDC fathers are "absent"; six out of every seven absent AFDC fathers contribute nothing toward the support of their families, the whereabouts of better than one-half are unknown.

A national system of public assistance, that disregards the cause of dependence and offers benefits comparable to low skill wages is bound to grow without limit. It is a permanent and irresistible invitation to abuse and ruin. In most AFDC cases the cause of need is not economic but social and requires individual consideration and judgment, which is impossible under a national uniform program.

4) Enactment of H. R. 1 would be a major milestone in the process of concentration of all governmental power in the national government. S 2037 by Senator Curtis offers one attractive alternative that would return to the states powers which the federal government assumed in recent years.

5) Persons whose need stems from objectively determinable and verifiable causes, such as old age, blindness, disability, death or incapacity of the breadwinner, etc. can be and should be covered by a national insurance system. Most of the financial means for aiding other cases of need -- the social problem families -- may also be provided by the federal government. But the nature of preventive and corrective programs as well as decisions on the appropriate form of aid, treatment and training in each case must be individualized and can better be determined at state and community levels. My proposal would shift OAA, AB, ATPD and AFDC for widows, orphans and families of disabled fathers to national social insurance. Other needy persons presently in GA and most AFDC cases should be aided by state and local governments largely from funds distributed among the states by the federal government in proportion to population, and in inverse ratio to per capita income (closed-end formula grants).

6) The national government could also assist the states in other ways. About two million fathers have left the families they spawned to the tender care of AFDC and most of them contribute nothing. Reciprocal support agreements among states have proven inadequate or ineffective. Parental failure to support should be made a federal offense -- because federal money is involved -- to be strictly and uniformly enforced throughout the country. At a time when 44% of all women are in the labor force (38% of the labor force is female) and half of all mothers of children 6 to 17 years of age work, mothers should be held equally responsible for the support of their children.

For men and women who cannot compete for steady employment in an open market -- because their productive capacity is below the wages they would have to be paid due to low intelligence, lack of "drive" or for whatever reason -- should be offered a "sheltered workshop" type of employment, either with the help of tax credits or by the government acting as an "employer of last resort." Work relief -- which particularly includes the care of children of other working mothers -- offers a valid and fair test of genuine need and of eligibility for public assistance.

STATEMENT OF ROGER A. FREEMAN, SENIOR FELLOW,  
THE HOOVER INSTITUTION ON WAR, REVOLUTION AND PEACE,  
STANFORD UNIVERSITY, STANFORD, CALIFORNIA

ON H. R. 1 (SOCIAL SECURITY AMENDMENTS OF 1972)  
Titles III and IV (PUBLIC ASSISTANCE)

BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE

January 27 , 1972 \*

For well over two years Congress has been considering a Family Assistance Plan (FAP) which President Nixon has called "... the single most significant piece of social legislation to be considered by the Congress in decades," and which he has designated as the nation's number one domestic priority.

In his message of August 11, 1969, the President declared:

The present welfare system has failed us -- it has fostered family breakup, has provided very little help in many states, and has even deepened dependency by all too often making it more attractive to go on welfare than go to work.

I propose a new approach that will make it more attractive to go to work than to go on welfare, and will establish a nationwide minimum payment to dependent families with children....

This would be total welfare reform -- the transformation of a system frozen in failure and frustration into a system that would work and would encourage people to work....

For the first time, the more than 2 million families who make up the working poor would be helped toward self-sufficiency and away from future welfare dependency.

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For the first time, training and work opportunity with effective incentives would be given millions of families who would otherwise be locked into a welfare system for generations. . . .

For the first time, every dependent family in America would be encouraged to stay together, free from economic pressure to split apart.

In short, the President envisions this as a historic turning point in American social policy: from welfare to workfare.

I would like to read to you, at this point, from an Associated Press dispatch on the signing of a bill "shifting the emphasis of the nation's welfare program for the needy from the dole to rehabilitation" that admittedly will cost more to start with but will "eventually save the government money by stressing self-support and by simplifying welfare administration."

The President said Thursday that the bill he signed Wednesday night makes possible the most far-reaching revision of the public welfare program since it was enacted in 1935.

"This measure," he said, "embodies a new approach -- stressing services in addition to support, rehabilitation instead of relief, and training for useful work instead of prolonged dependency.

#### Incentives Listed

"This important legislation will assist our states and local public welfare agencies to redirect the incentives and services they offer to needy families and children and to aged and disabled people.

"Our objective is to prevent or reduce dependency and to encourage self-care and self-support -- to maintain family life where it is adequate and to restore it where it is deficient."

This may sound like President Nixon signing H. R. 1 into law. But it was actually President Kennedy signing an act with identical goals on July 26, 1962, to



carry out the 1961 and 1962 welfare reforms.

What were its results?

The population of the United States grew 11% between 1961 and 1971 but the number of AFDC recipients soared by 216%, from 3.2 to 10.2 million, and the AFDC recipient\_rate (per 1000 children under 18 years) multiplied two and a half times.

I could go back farther and cite from President Roosevelt's 1935 State of the Union Message, in which he proposed an alternative to "continued dependence upon relief" and promised "The Federal Government must and shall quit this business of relief." Upon signing the 1935 Social Security Act he said, "I can now see the end of public assistance in America" -- just as President Johnson on signing the Economic Opportunity Act in July 1964 announced: "The days of the dole in our country are numbered." The days that have since elapsed number about 2700, and they have witnessed a veritable welfare explosion -- from 7.7 million to 14.4 million recipients, from an annual cost of \$5 billion to \$18 billion. We are left to wonder: If the days of the dole are numbered, what is their number?

There is no doubt in my mind that each of the Presidents I quoted was genuinely

sincere in expecting and predicting that the reforms he had proposed and was about to carry out would work. But the harvest came up thistles every time.

I am reciting these facts to you because we can judge current proposals, and the likelihood that they will produce the desired results, best in the light of past endeavors with similar goals, plans and programs.

Let us suppose that H. R. 1 is passed as it now stands and that welfare rolls are doubled within one year, in the hope that they will diminish thereafter. Will someone, five or ten years hence, make comparisons between the promise of the Family Assistance Plan and its delivery, similar to those I gave you -- and will detail later on -- on past attempts to reduce or eliminate welfare dependency in our country?

There is a striking parallel between the concepts of welfare reform and the statements of the Secretary of H. E. W. in 1961-62 and of his successors in 1970 and 1971. Secretary Elliot Richardson testified at the opening of these hearings on July 27, that FAP would initially cost more but would save money in the long run because of

"the new thrusts to get people off the welfare rolls and onto payrolls . . . we are convinced that the actual caseloads under H. R. 1, over time, will be smaller than the actual caseloads under the rapidly growing and uncontrollable AFDC program."

When the Secretary of H. E. W. was asked in February 1962, "Might you save more than you spend by these changes?" he replied: "Not the first year. Eventually we will because we feel this way we will move people off relief."<sup>1</sup> But federal AFDC outlays jumped from \$771 million in FY 1962 to a budgeted \$3,656 million in FY 1972 (federal grants for all public assistance soared from \$3 billion to \$11.4 billion).

Will we repeat the experience of the past ten years over the next ten? Of course, nobody can foretell the future. A few weeks after the signing of the 1962 Social Security Act, I was called upon to address the National Legislative Conference -- composed of the leaders of the state legislatures -- on the subject of ADC. After outlining what I thought needed to be done, I warned that ADC rolls "may exceed 4 million by 1970, and could run closer to 5 million if present trends continue." I missed the mark. ADC rolls reached 9,666,000 in December 1970.<sup>2</sup>

Most of the techniques in the FAP-workfare plan -- work incentives, occupational training, work requirement, penalties for refusal of jobs or training -- have been tried before and proven ineffective. I see nothing in the pending proposal that should cause us to expect better results in the future.

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<sup>1</sup>U.S. News & World Report, February 5, 1962, p. 65.

<sup>2</sup>I am appending a copy of that paper as it appeared in Vital Speeches of the Day, November 1, 1962.

Current plans can be more reliably evaluated by a historical review and analysis of past attempts to move from welfare to workfare.

Public Assistance: The Adult Programs

During the past two years of debate in and out of Congress, not one good word was said about our public assistance programs. Condemnation of the present welfare system appears to be complete, universal and devastating, with virtually all pejorative adjectives in the vocabulary used to express utter disapproval.

Does this mean that our social welfare system was ill planned and badly put together? I do not believe so. In retrospect, after reviewing the welfare experience during the past 36 years, it seems to me that the system's architects -- President Franklin D. Roosevelt, his Committee on Economic Security and the 74th Congress -- did a magnificent job in designing and putting into practice a structure that has stood the test of time. It would still be serving its purpose well, if an initially minor segment had not been perverted to ends it had not been intended to serve and cannot serve. In other words, it is not the system that failed but subsequent abuse that caused its fall from grace and its need for major surgery.

The basic aim and principle of the system of economic security as it was shaped in 1935 and subsequently expanded, was to provide all Americans with social insurance against the major hazards of life: old age, death of the breadwinner, sickness or accident resulting in lasting inability to work, unemployment.

It was evident from the outset that it would take several decades until most members had built up enough employment credits for adequate retirement and survivors and

disability benefits. But aid to the victims of common life risks had to be granted immediately. Provision was therefore made for public assistance in specified categories of identifiable causes of need which could be clearly established: old age, blindness, death and incapacity of the breadwinner.

The founders of our economic security system recognized that there were other incidences of need, not covered by those public assistance categories, such as lack of income resulting from temporary local conditions, personal inadequacies, anti-social or destructive behavior, and a variety of other causes. They did not deem it necessary, or even appropriate, for the national government to participate in programs in which clearcut nationally applicable criteria were difficult or impossible to establish and where remedial action would often require more than -- or other than -- financial support. Above all, they felt that decisions on eligibility in such cases were subject to individual judgment in each instance and should be left to local relief through a "general assistance" program. It was expected at the time that membership in the categorical assistance programs would gradually diminish as social insurance expanded and matured. The Committee on Economic Security concluded: "Until literally all people are brought under the contributory system, noncontributory pensions will have a definite place even in long-time old-age security planning." (Report to the President, p. 26)

By the end of 1969, almost all Americans were in the contributory system: out of 77.9 million persons in paid civilian employment, 75.1 million -- 96.4% -- were covered by public retirement systems, 92.4% of those by social security (OASDHI). Eighty-five percent of persons 65-and-over now receive OASDHI benefits; about 16%

are in the labor force.<sup>1</sup>

Old-age assistance recipients have declined, if more slowly than had been expected, and now number only 2 million, or about 10% of the 65-and-over group. But three-fifths of those are also OASDHI beneficiaries and get OAA as a supplement. Only 4% of the 65-and-over group receives OAA alone. OAA benefits, however, are too low in several states to sustain recipients at an acceptable level.

Several proposals are now pending to improve the status of our senior citizens:

The Senate Finance Committee recommended in 1970 to establish a minimum floor of \$130 per month for a single individual and \$200 for a couple, in the aged, blind and disabled public assistance categories, to be footed entirely by the national government. (Senate Report 91-1431)

S. 2037 by Senator Curtis would provide federal revenue sharing or block grants to the states and would permit them to use their own judgment in raising public assistance benefits and forming criteria for eligibility.

The Administration proposed, and the House on June 22 approved in H. R. 1, a new federal public assistance program, to replace the existing federal-state assistance programs for the aged, blind and disabled. Monthly benefits for a single person would rise from \$130 in 1972 to \$150 in 1974; for a couple, from \$195 in 1972 to \$200 in 1973. States could supplement those monthly grants if they wished, with federal support.

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<sup>1</sup>The unemployment rate among men or women 65 years-and-over is only half as high as for the entire labor force.

The Senate Finance Committee plan would make the least changes in the existing system, besides raising benefits. The Curtis bill would give states the broadest policy discretion in dealing with all categories of public assistance, while granting them enlarged federal funds.

The Administration-House plan (H. R. 1) would federalize the public assistance categories for the aged, blind and disabled and provide uniform eligibility, benefits, etc. throughout the country except for optional state supplements.

There is a fourth possibility, which has come up repeatedly over the years: to transfer aged, blind and disabled persons from public assistance to social security. This could be done by "blanketing in," or by permitting a minimum period of coverage so that states could "buy in," paralleling an option offered all employers and employees in the 1950 Amendments. Also, the federal government could make an appropriate contribution from general revenue funds, somewhat larger than its present grants to states for public assistance.

It has long been evident that the recipients would prefer to get their checks from the Social Security System rather than from public assistance. This could abolish the means test and other onerous distinctions they resent and give them the dignity they desire. The two million recipients of OAA now average 76.6 years of age; 70% of them are women, of whom two-thirds are widows. Virtually none of them will ever be self-supporting -- they will continue to derive their sustenance from the government for the rest of their lives, in some form. The question is only: shall it be in the form of public assistance or through social security. Three-fifths of the OAA recipients already

get OASDHI benefits which, however, often are inadequate. So it would basically be a question of raising the OASDHI benefit to a level high enough to make a supplemental OAA check unnecessary, save in exceptional cases. On last count (February 1971) concurrent recipients of both OASDHI and OAA received an average of \$74.05 a month from the federal program, \$65.65 from the state program, for a combined total of \$139.70. Federal benefits were raised about 10% in June 1971, bringing the total close to \$150.

The federal government is presently footing 62% of the cash benefits to recipients of the three adult assistance programs, about \$2 billion annually, and certain to pay substantially more under pending plans. Two of those plans would give public assistance recipients a uniform level of benefits equal to the average of the OASDHI recipients. This means that about half of the OASDHI recipients, who contributed for many years, would get lower benefits than public assistance recipients who did not. That hardly seems fair. Admittedly, it is quite expensive to raise OASDHI benefits to a level that would grant most or all recipients a monthly amount requiring no supplementation. But it should be recalled that millions now receive substantial OASDHI benefits for which they made only small or mere token contributions.

A substantial increase in the monthly minimum OASDHI benefit, combining current OASDHI and OAA grants, appears justified and overdue. The inadequate level of many social security pensions results from a quirk in the current law: the wage and benefit base is computed by the average of the years elapsed since 1950, with only the five lowest years eliminated. The maximum wage base was only \$3,600 in the early



1950s, then rose to \$4,800 and reached \$7,800 in 1968; only in 1971 was it lifted to \$9,000 (scheduled to climb to \$10,200 under H. R. 1).

The social security laws of most other countries typically base benefits on the average earnings in the five highest years, as does the federal civil service retirement law and many state and other public pension systems. To pay in the 1970s social security benefits based on a maximum wage base in the 1950s and 1960s appears greatly inequitable. Contributions in the mid-1950s were made in dollars that were worth 50% more than 1972 dollars. Substantial relief could be provided by following in OASDHI the prevailing practice of basing benefits on the five highest years. The relevant provisions in Sec. 108 (b) of H. R. 1 are capricious and barely a token.

To provide social security protection to virtually all aged, blind and disabled persons and their dependents and survivors -- although they had slipped through the net that had gathered most of their contemporaries -- would be a momentous step that would generate broad enthusiasm beyond the ranks of its direct beneficiaries. It is likely to be well received by the American public as an act of fairness and justice. The move would signify that the social security system, initiated by Franklin D. Roosevelt and the 74th Congress in 1935, has come of age and matured after a growth of 37 years, and is ready to extend its umbrella, to all Americans even if, by a quirk of fate, they did not acquire credits in it during their own or their deceased or incapacitated husbands' or fathers' working lives.

If social security were made universal and extended to all aged, blind or disabled persons it would be proper to include widows and orphans who missed getting

social security coverage and are still under AFDC. That would bring into clearer focus the problem of other AFDC recipients which I shall discuss in the next section.

#### Aid to Dependent Children -- Its Origin and Growth

During the long drawn out and intensive congressional debates which led to the passage of the Social Security Act in 1935 only a few casual referencess were made to ADC, all of them complimentary. No one raised a question, and attention focused on contributory old-age pensions and unemployment insurance. ADC passed without much notice.

When the Social Security Amendments were up in 1970 and 1971, virtually the entire debate turned on AFDC and its proposed replacement by FAP while the many significant social security changes were hurried through without attracting much attention in Congress, in the press or among the public. The debate showed that views on AFDC were polarized, arguments emotional and heated. AFDC, spawned in harmony and compassion, had become the subject and, in fact, the very symbol of a deep ideological split and sharp dissension.

To clarify the nature of the conflict and to correct widely held misconceptions, it is necessary to go back to the origin of ADC and follow its history.

The idea traces back to the first White House Conference on Care of Dependent Children, called by President Theodore Roosevelt in January 1909. Its participants recommended:

Children of parents of worthy character, suffering from temporary misfortune and children of reasonably efficient and deserving mothers who

are without the support of the normal breadwinner, should as a rule, be kept with their parents, such aid being given as may be necessary to maintain suitable homes for the rearing of the children. This aid should be given by such methods and from such sources as may be determined by the general relief policy of each community, preferably in the form of private charity, rather than of public relief (Senate Documents, Vol. 13, 60th Congress, ed S., pp. 9-10).

Soon after, a few states adopted mothers' aid or widows' pensions programs and by 1934, 45 states had them in operation, at an annual cost of \$37 million, generally funded and administered by local communities.

When state and local treasuries fell on hard times in the mid-thirties, ADC was created to carry on widows' or mothers' aid through federal-state cooperation. Only one speech was given on ADC during the 1935 congressional debates, by Dr. Sirovich of New York. It lasted but 4 minutes and focused on the plight of fatherless children:

Death, through the loss of the breadwinner, has broken many a home. For centuries the widows, orphans and dependent children have cried aloud for help and assistance in their tragic periods of economic insecurity. In the past the only recourse for orphaned children was the poorhouse, almshouse, and the orphan asylum. . . .

This bill so carefully conceived, further protects the home because millions of dollars are granted by the Federal Government to the states, that will eliminate the orphan asylums and restore the orphaned child to the custody of its own mother, who is the proper and noblest guardian of childhood. (Congressional Record, April 16, 1935, pp. 5786-87)

The Committee on Economic Security included in its Report to the President a section headed "Aid to Fatherless Children" in which it recommended federal grants:

Such Federal grants-in-aid are a new departure, but it is imperative to give them, if the mothers' care method of rearing fatherless families is to become nationally operative. The amount of money required is less than the amount now given to families of this character by the Federal Government by the less desirable route of emergency relief. An initial

appropriation of approximately \$25 million per year is believed to be sufficient. If the principle is adopted of making grants equal to one-half of the state and local expenditures (one-third of the total cost) with special assistance to the states temporarily incapacitated, this sum might in time rise to a possible \$50 million.

Presenting ADC (Title IV) to the House, the Chairman of the Ways & Means Committee said:

The enactment of this title would not involve any larger expenditures than the Federal Government has been making for the support of these families on relief, but will very materially aid the states in caring for this group of their unemployables, for whom they must now assume responsibility. (Congressional Record, April 17, 1935, p. 5904)

Edwin Witte, the Executive Director of the Committee on Economic Security, complained about a "complete lack of interest [in Congress] in the aid to dependent children" and wrote: "It is my belief that nothing would have been done on this subject if it had not been included in the report of the Committee on Economic Security."<sup>1</sup>

The federal share was limited to one-third of an \$18 monthly maximum grant per child. No notice was taken when the program's name was changed to "Aid to Dependent Children" -- the broadest possible title, since all children are necessarily dependent. A dependent child, eligible for federal matching, was defined as one under 16 years "who has been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent." Nobody, except members of the social welfare profession close to the scene, could have then realized that the "absent from the home" clause was the inconspicuous enter-

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<sup>1</sup>Edwin W. Witte, The Development of the Social Security Act, Madison: University of Wisconsin Press, 1962, p. 164.

ing wedge that would eventually overwhelm the entire program. The law was carefully drawn so that federal administrators could put their own ideas into practice and prevent the states from applying restrictions they had used in the mothers' aid laws or use other safeguards against a flooding by applicants whom neither Congress nor state legislatures had intended to become beneficiaries under this program.

Congress and the American public were given to understand that ADC was intended mainly for the protection of children whose fathers were dead or incapacitated, with possibly a small number included whose fathers had deserted. The federal administrator of the public assistance programs could say in 1939 that "the father's death is no doubt the most frequent cause of dependency." To begin with, orphans accounted for nearly half the ADC-load and children of incapacitated fathers for another 25%. But this dwindled gradually until by 1969 only 5.5% of the ADC cases were due to death and 11.7% to incapacity of the father. Five percent of the fathers were unemployed, while three-fourths of all fathers were "absent." It had originally been intended to take care of the social problem cases and of unemployed persons not covered by unemployment compensation by general assistance programs that were locally financed and locally controlled. But by a gradual shift, particularly in the past ten to fifteen years, the ADC program was made to serve predominantly a clientele that should have come under General Assistance.

The prevailing ideology of the social welfare profession not only favored but demanded that shift. Because the profession holds the command position in the administration of the public assistance programs at federal, state and local levels, it

was able to carry it out. State and local governments came to like the shift from General Assistance to ADC which enabled them to have the federal treasury foot 50% to 83% of their relief load.

Franklin Roosevelt had warned of the danger of relief in apocalyptic terms:

The lessons of history . . . show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fibre. To dole out relief . . . is to administer a narcotic, a subtle destroyer of the human spirit. . . . The Federal Government must and shall quit this business of relief. (1935 State of the Union Message)

Congress had intended to shift from public assistance to contributory programs, as the American Assembly expressed it:

The present theory is that, as our insurance-type plans approach complete coverage and maturity, assistance will wither away until finally it is confined to the irreducible residue of situations not capable of insurance treatment. (Economic Security for Americans, 1954, p. 26)

Federal Security Commissioner Arthur J. Altmeyer testified in February 1947 on the public assistance appropriations:

. . . we cannot expect this load on the general revenues of the United States to decline as rapidly as it should decline until and unless we improve our contributory social-insurance system to include the entire working population, instead of just a portion which is included at the present time. . . .

So, if we had coverage of the old-age and survivors insurance system which include the whole working population -- farmers and farm laborers particularly -- we would find that our old-age assistance rolls and our aid-to-dependent children rolls, would decline rapidly. . . .

You will recall that the intent of the Social Security Act was that the insurance system in course of time would largely supersede this public assistance plan that is financed out of general revenues. I just mention it because it seems to me that the Appropriations Committee, which is concerned with the charge upon the general revenues, would want to know

what the potential effect would be of a more comprehensive, adequate contributory social-insurance system on reducing the general disbursements of the Government (emphasis supplied). (Hearings, Labor-Federal Security Appropriations Bill, 1948, House, p. 603)

Coverage of public retirement systems was indeed broadened repeatedly by Congress and inched up from 62% of all paid civilian employment in 1939 to 70% in 1949, and to 93% in 1959. At the end of 1969 coverage reached 96.4% of all civilian paid employment so that it can truly be said that the entire working population is now included. But welfare recipients and expenditures did not decline as Mr. Altmeyer predicted; they rose at ever-increasing rates: federal public assistance outlays multiplied ten times between FY 1950 and FY 1972, the number of ADC recipients multiplied nearly five times.

Social security benefits were liberalized. The Social Security Board recommended that aged widows and orphans of covered workers be made eligible for benefits and Chairman Arthur J. Altmeyer testified before the Senate Finance Committee in June 1939:

As this insurance system gets into operation and a young man dies, leaving a widow and children, there will be benefits payable until the child becomes 18 years of age. It ought to remove a large proportion of these dependent children from the state mothers' pensions rolls, and also ought to remove some from the W. P. A. rolls. (Hearings, Social Security Amendments, p. 14)

The reference to "state mothers' pensions" was apparently a slip of the tongue: they had been taken over by ADC in 1936. In reply to a question from the House Ways and Means Committee Mr. Altmeyer replied: "It seems evident, therefore, that in the future the proposed liberalization of these insurance benefits would provide for some of the children who would otherwise be cared for by assistance under Title IV." (Hear-

ings, Social Security, Ways and Means Committee, April 1939, p. 2298)

In 1939, Congress made social security benefits available to surviving families of insured workers who had died and in 1959 to families of incapacitated workers. It also increased benefits substantially. Monthly amounts averaged:

	<u>Widow and 2 children</u>	<u>Incapacitated worker, wife and 1 child</u>
1940	\$ 47.10	
1950	93.90	
1960	213.70	\$192.90
1969	268.30	235.20

Source: Social Security Bulletin, Annual Statistical Supplement, 1969, Dept. of HEW, August 1971, Table 97.

Under H. R. 1 the widow of an insured worker, with 2 children, assuming an average wage base of \$400, will receive \$354.70 a month.

The number of OASDHI beneficiaries grew rapidly; recipient retired and disabled workers and their families, and their survivors numbered:

1945	1.3 million
1950	3.5 million
1960	14.8 million
1970	26.2 million

Source: Social Security Bulletin, July 1971.

In Oct. 1971 there were 27 million beneficiaries, of whom 6.6 million were survivors of workers (one-half of them children) and 2.8 million persons in disabled workers' families, nearly 1 million of them children.

The number of orphans on ADC rolls dropped, from 350,000 in 1950 to 202,000



in 1960 and to 165,000 in 1966.<sup>1</sup> In 1969 there were only 89,700 families on AFDC rolls for reason of the father's death.<sup>2</sup>

While the number of orphans on AFDC rolls shrank, as had been predicted, the total number of recipients slightly declined only from 1950 to 1953 and then started rising with ever-increasing rapidity:

	<u>Children receiving AFDC</u>
1945	647,000
1950	1,660,000
1953	1,493,000
1955	1,691,000
1960	2,322,000
1965	3,241,000
1970	7,034,000
July 1971	7,390,000

Between 1953 and 1971 the U. S. population under age 18 grew 35%,<sup>while</sup> the number of children on AFDC increased by 394%. There was one child on AFDC for every 35 in the population in 1953 -- now there is one in ten. If children were evenly distributed among the schools, there would be about 3 AFDC children in every classroom.

This spectacular increase in welfare dependency took place during a period of remarkable improvement in family incomes.

<sup>1</sup>David B. Eppley, "Decline in the Number of AFDC Orphans: 1935-1966," Welfare in Review, Dept. of HEW, September-October 1968

<sup>2</sup>Findings of the 1969 AFDC Study, Part I, Table 13, Dept of HEW, December 1970.

Median Family Money Income in the United States

	<u>In Constant 1970 \$</u>	<u>Unemployment Rate</u>
1947	\$5,259	3.9%
1950	5,385	5.3
1960	7,376	5.5
1970	9,867	4.9
1971	N. A.	6.0

Source: Bureau of the Census, Current Population Reports, Series P-60, #80.  
Bureau of Labor Statistics, Employment and Earnings, Dec. 1971.

The number of families with a money income under \$3,000 (constant 1970 \$) was cut in half:

1950	9.1 million families = 22.8% of all families
1960	7.1 million families = 15.6% of all families
1970	4.6 million families = 8.9% of all families

Source: As above.

The number of persons below the poverty level dropped sharply during the 1960s, the period of the steepest rise in welfare:

	<u>Persons with money income below poverty level</u>		<u>Children under 18 in families below poverty level</u>	
	<u>Million</u>	<u>Percent of all persons</u>	<u>Million</u>	<u>Percent of all children</u>
1960	39.9	22.4%	17.3	26.5%
1970	25.5	12.6%	10.5	15.0

Source: Bureau of the Census, Current Population Reports, Series P-60, #77.<sup>1</sup>

Some of the reduction in poverty could undoubtedly be traced to a rise in public income maintenance programs and particularly to higher and more easily available pub-

<sup>1</sup>Threshold of Poverty Level in 1970: 4-person family \$3944  
6-person family 5212  
Unrelated individuals under 65 2005

lic assistance and social security benefits. About 170 anti-poverty programs were reported to be operating in 1971 at an annual cost of \$34 billion. Public income maintenance programs have been growing twice as fast as personal income generally:

Public Income Maintenance Programs

	<u>Billion</u>	<u>Percent of Personal Income</u>
1940	\$4.4	5.6%
1950	9.5	4.2
1960	27.8	6.9
1970	79.9	9.9
1971 (first half)	\$94.0	11.1%

Public concern arose when the Census Bureau reported in May 1971: "Poverty increases by 1.2 million in 1970." (Series P-60, No. 77) After declining from 39.5 million in 1959 to 24.3 million in 1969, the poverty population grew to 25.5 million in 1970. In percent of the total population, the number of persons below the poverty line had fallen from 22.2% in 1959 to 12.2% in 1969, but risen to 12.6% in 1970.

What causes this trend reversal?

When we study income distribution (Series P-60, No. 78 and No. 80), we find that the number of families with an income under \$3,000 (constant 1970 \$) declined from 15.9% of the total population in 1959 to 8.6% in 1969, then went up to 8.9% in 1970. In current dollars, however, families with an income under \$3,000 declined between 1969 and 1970, from 9.3% to 8.9%. What happened between 1969 and 1970 is that the definition of poverty was changed; the so-called threshold was raised for a 4-person family

from \$3721 to \$3944. That 6% increase equals the rise in the Consumer Price Index. In other words, the increase in the incidence of poverty was caused by higher prices without equivalent boosts in the income of many families in the lowest income brackets.

Millions of workers were able to have their wages lifted by 7%, 8% or more in 1970, although their manhour productivity grew less than 1%. Consequently prices went up.<sup>1</sup> This left large numbers of families at the low end of the scale, particularly those with a fixed income such as from pensions, insurance, bonds, savings accounts, etc. behind and they were pushed below the official poverty line. This seems to confirm a long-known fact, namely, that inflation hurts low-income persons severely. Fiscal policies of huge spending and budgetary deficits, expansionary monetary policies and outsized wage boosts depress the living standards of a substantial number of persons in the lowest income brackets. Inflationary policies therefore must be blamed for at least part of the mushrooming welfare costs.

When ADC rolls and expenditures started increasing after the 1950-53 lull -- contrary to official predictions that they would continue to decline as social security benefits were liberalized -- concern arose in the Administration, in Congress and among the public. A search began for corrective policies. In 1956 Congress amended the stated purpose of public assistance and declared that in addition to financial aid, services should be provided to guide recipients toward independent living. Since few

<sup>1</sup>Between 1969 and 1970 employee compensation increased from 74.0% of the national income to 75.6% while simultaneously corporate profits before taxes fell from 11.0% to 9.5%, after-tax profits from 5.8% to 5.2%.

fathers were around in ADC cases, interest arose in helping mothers to become self-supporting. When ADC first came into being, no thought had been given to have mothers seek employment. At a time when up to 9 million men, more than one-fifth of the male labor force, many of them well educated and skilled, were treading the streets, the idea of having mothers of small children compete with their fathers for the few available openings seemed futile and improper. The alternative then was not between mothers working or not working but between supporting needy children in institutions or in their homes.

Jobs became more plentiful during and after World War II and the labor force participation rate of women climbed from 31.8% in 1947 to 36.9% in 1957, to 41.2% in 1967 and reached 44.3% <sup>Nov.</sup> in 1971. Limited action toward turning welfare recipients into workers in the late 1950s produced few results and by 1961 there were nearly one million more children on ADC than there had been five years before. So, early in 1962, President Kennedy recommended to change the emphasis in welfare programs, "stress-  
ing services instead of support, rehabilitation instead of relief, and training for useful work instead of prolonged dependency." Congress responded favorably and approved various training and community work programs, day-care to help welfare mothers to become working mothers, and 75% federal matching for the training of welfare personnel. Aid to Dependent Children (ADC) was renamed Aid to Families with Dependent Children (AFDC), and the Manpower Development and Training Act of 1962 was passed to train and upgrade the skills of unemployed and underemployed persons. This revived practices of voluntary charitable organizations which had been trying, for a century before

ADC was established, to guide needy families to self-support.

In his 1962 State of the Union Message, President Kennedy declared that "emphasis must be directed increasingly toward prevention and rehabilitation -- on reducing not only the long-range cost in budgetary terms but the long-range cost in human terms as well."

Those hopes and efforts, however, went for naught when another million children was added to AFDC rolls between 1961 and 1967, and federal public assistance grants jumped from \$2.4 billion to \$3.2 billion.

Concern in Congress grew over this apparent discrepancy between promise and delivery. During the 1964 H. E. W. House appropriations hearings Rep. Denton recalled, "...we told the people back in 1951 that the social security system is going to supersede this welfare program and it isn't doing it." He quoted Arthur Altmeyer's statement before the same committee in 1947 that "aid-to-dependent children rolls would decline rapidly" and President Roosevelt's promise that this legislation would end the relief program, and social security and unemployment insurance would take care of it. (Hearings, Depts. of Labor and HEW Appropriations for 1964, House, pp. 142-45)

In its report (House Report #1316) the Appropriations Committee said it "cannot believe that the cost of this program needs to continue going up, especially in view of the 1962 amendments which were supposed to reduce these costs and in view of the increase in economic activity estimated to result from the tax cut, and the inroads to be made by the anti-poverty program."

That year, as in most others, Congress reduced the President's appropriations

request for public assistance grants. But those were merely paper cuts because the federal government's commitments to reimburse the states are statutory and have to be met, as they were year after year, by supplemental appropriations.

The FY 1966 appropriation for public assistance grants was cut \$242 million below the request of the Dept. of HEW. The House Committee explained, "It would seem that this should be a very modest reduction to expect in view of the expansion of programs under the Social Security amendments of 1962 that were aimed at reducing dependency and whose sponsors promised the American people that they would reduce dependency." (Report, Departments of Labor and HEW Appropriation Bill, 1966, April 29, 1965, pp. 47-48)

A few months later, however, a supplemental appropriation was requested to restore not only the \$242 million cut but add an additional \$140 million. The Committee commented:

... When Congress acted on the regular annual bill for the Departments of Labor and Health, Education, and Welfare for fiscal year 1966, it reduced the request for grants to States for public assistance by \$242,100,000 on the basis that we have been appropriating hundreds of millions of additional dollars every year for the past few years for programs that are aimed at combating dependency, and the outlook for a reduction in the rate of unemployment was better than it had been for a long time. Of course, unemployment rates have gone to even lower levels than was anticipated when Congress acted on the original appropriation for 1966. Yet, in the face of this fact, the request for a supplemental appropriation is not only to restore the reduction made by Congress last year but for an additional amount of approximately \$140 million. Of course, this is purely a mathematical calculation and nothing can be done under the law but to pay the bill. (Report, Second Supplemental Appropriation Bill, 1966, March 25, 1966, p. 18)

Early in 1967 President Johnson sent to the Congress a Message on Welfare for Children, in which he proposed a 12-point program. After concluding its hearings, the Ways and Means Committee reported (House Report #544):

Your committee has become very concerned about the continued growth in the number of families receiving aid to families with dependent children (AFDC). In the last 10 years, the program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. Moreover the amount of Federal funds allocated to this program will increase greatly (from \$1.46 billion to \$1.84 billion) over the next 5 years unless constructive and concerted action is taken now to deal with the basic causes of the anticipated growth.<sup>1</sup>

\* \* \* \* \*

It is now 5 years since the enactment of the 1962 legislation, which allowed Federal financial participation in a wide range of services to AFDC families -- services which your committee was informed and believed would help reverse these trends -- and your committee has had an opportunity to assess its effect on the status of the AFDC program. While the goals set for the program in 1962 were essentially sound, those amendments have not had the results which those in the administration who sponsored the amendments predicted. The provisions for services in the 1962 amendments have been implemented by all the States, with varying emphasis from State to State as to which aspects receive the major attention. There have been some important and worthwhile developments stemming from this legislation. The number of staff working in the program has increased so that the caseworkers have smaller, more manageable caseloads. The volume of social services has increased and some constructive results have been reported. It is also obvious, however, that further and more definitive action is needed if the growth of the AFDC program is to be kept under control.

Your committee has studied these problems very carefully and is now recommending several coordinated steps which it expects, over time, will reverse the trend toward higher and higher Federal financial commitments in the AFDC program. The overall plan which the committee has developed, with the advice and help of the Department of Health,

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<sup>1</sup>It should be mentioned that most of the proposed reforms were enacted, but the budget for FY 1972 recommended not \$1.84 billion, as the Ways and Means Committee said it might, but \$3.72 billion.



Education, and Welfare, amounts to a new direction for AFDC legislation. The committee is recommending the enactment of a series of amendments to carry out its firm intent of reducing the AFDC rolls by restoring more families to employment and self-reliance, thus reducing the Federal financial involvement in the program. (pp. 95-96)

A 12-point program was proposed which included training programs for AFDC recipients in all states, penalties for not accepting an offered job, work incentives, earnings disregard, child-care services, etc.

This was the most comprehensive and energetic program yet conceived for converting AFDC recipients into workers. The committee added, "Your committee believes that a great many mothers, as well as virtually all unemployed fathers, of AFDC children can be trained for and placed in productive employment."

The Senate Finance Committee followed parallel lines (Report #744):

We are very deeply concerned that such a large number of families have not achieved and maintained independence and self-support, and are very greatly concerned over the rapidly increasing costs to the taxpayers. Moreover we are aware that the growth in this program has received increasingly critical public attention.

\* \* \* \* \*

The Committee is recommending the enactment of a series of amendments to carry out its intent of reducing the AFDC rolls by restoring more families to employment and self-reliance. (pp. 145-46)

The committee concluded "that the new provisions will mean that fewer children will be receiving aid [in FY 1972] than if the law were continued in its present form."<sup>1</sup>

(p. 167)

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<sup>1</sup>These were the results:

AFDC recipient children in FY 1967: 3,557,800

AFDC recipient children budgeted for FY 1972: 7,895,000.

In presenting the 1967 welfare amendments to the House, Ways and Means Committee Chairman Wilbur Mills stated: "We sincerely mean for the states to reduce these rolls as fast as they can train these people to work."

Mr. Mills referred to the 1962 amendments, passed at the behest of the President and his Secretary of HEW: "We were told at the time that these provisions would result in a downturn in expenditures [in public assistance grants]. But actually there was a sharp increase -- from \$2.5 to \$4.5 billion." He added:

"I am sure it is not generally known that about 4 or 5 years hence when we get to the fiscal year 1972, the figure will have risen by \$2.2 billion to an amount of \$6,731,000,000." (Congressional Record, August 17, 1967, pp. H 10668-69)

As it turned out, the appropriation for FY 1972 amounts to \$11,411,693,000, which means that the 5-year growth (1967 to 1972) totalled \$6.7 billion rather than \$2.2 billion, although virtually all of the changes proposed in 1967 were enacted and carried out. Only the "freeze" of the AFDC rolls at the then prevailing percentage of the entire young population (under 18 years) in each state, though approved, was postponed and finally rescinded. The freeze, devised in the Ways and Means Committee but opposed by the Administration, was a crude device, adopted in frustration and near-desperation, which would have placed the muzzle on the wrong horse. Most states need not be restrained. They have not been pushing for and causing the welfare expansion. In fact, many states over the years have repeatedly been trying to adopt restraints on AFDC. But they were enjoined from enforcing or continuing them by federal administrators in the Dept. of HEW, under federal law, by administrative fiat, or by courts

interpreting statutory or departmental rules. If states and communities had been permitted to exercise their own judgment -- according to the wishes of their citizens -- the AFDC explosion would never have occurred. It is an ironic comment that ADC grew at a moderate rate during its first 25 years and began skyrocketing only when the Congress tried to arrest or restrain its then modest growth. Increases in AFDC rolls averaged 120,000 in the program's first 25 years (1936-61), and 700,000 in each of the past 10 years (1961-71). This suggests that the changes which Congress ordered, mostly at the request of the Administration then in power, had the opposite effect of what Administration witnesses predicted they would have. To what an extent this outcome was the result of deliberate action on the part of federal, state and local administrators and welfare workers, who were determined to carry out the announced programs of the social work profession rather than the intent of Congress, is purely speculative. But it may be well to keep this experience of the past 10 years in mind at a time when proposals are under consideration which parallel so closely the measures recommended and adopted in 1962 and 1967.

The spectacular growth in the ADC rolls did not take place among the categories which Congress had in mind when it approved the program in 1935: children of deceased and incapacitated workers. It was entirely among children whose fathers were "absent from the home." In the beginning, and for many years afterwards, the number of ADC children with absent fathers increased slowly. It reached 334,000 in 1946, jumped to 818,000 by 1950, then remained steady until 1953, took off and reached 1,658,000 in

That was the year when Congress first took action, intended to remove a father's incentive to leave home in order to put his family on welfare; it was the year when measures were first adopted to turn welfare mothers into working mothers; it was also the year when the spectacular increase began in fathers "absent from the home." By 1967 there were a million more children on AFDC whose father was "absent" -- 2.6 million altogether -- and Congress adopted a stronger and more comprehensive program to put their fathers and mothers into jobs. But in 1969 there were 3.5 million children with "absent fathers," and their number may be estimated at 5.5 million in 1970.

Something has gone wrong, very wrong, and should be studied in greater detail because of its implications for the likely results of current plans.

#### The "Unemployed Fathers" Program and Other AFDC Reforms in the 1960s

The most forceful and telling charge against ADC in the 1950s, and the most widely repeated, was that the program tended to break up families. A man without a job who for some reason or other was not getting unemployment compensation could make his family eligible for ADC benefits only by leaving it, because death, incapacity or absence from the home of the normal breadwinner were <sup>the</sup> required criteria for admission to the rolls. Unemployed men and their families might be eligible for General Assistance but those programs are wholly state-local financed and subject to restrictions in most locations. Federally matchable ADC grants are much more attractive.

If the man or woman did not know how to get on the ADC rolls, their social worker would tell them. "Caseworkers who are caught up in the child's need, or what

they regard as the mothers' best interests, on occasion advise women to get rid of their men," wrote an HEW official.<sup>1</sup> It is obviously an intolerable situation when a governmental program offers an inducement for anti-social behavior. ADC rolls of children with absent fathers had climbed from 257,000 in 1945 to 1,493,000 in 1960.

In February 1961 President Kennedy recommended that needy children of unemployed fathers be included in ADC and his Secretary of HEW testified:

H. R. 3865 would eliminate one of the major concerns that has been expressed through the years about the aid to dependent children program -- namely, that unemployed fathers are forced to desert their families in order that their families may receive aid. Under existing law aid is available to children deprived of parental support by the death, absence, or incapacity of a parent, but not when the parent is able-bodied and unemployed. The inclusion of unemployment of the parent as a basis of eligibility would eliminate this long-standing problem. (Hearings, Extended Unemployment Compensation, Ways and Means Committee, House, February 1961, p. 95)

The change was quickly enacted, at first for 14 months, extended for five years in 1962, and made permanent in 1967.

No longer did a father have to desert his family to make it eligible for ADC -- he only had to be unemployed. So we might expect that the incidence of desertion and family breakup would have diminished from 1961 on, at least in the states which adopted the new AFDC-UF program. The record shows, however, as I mentioned earlier, that fathers continued to leave home and their children wound up on AFDC rolls at an increasing rate. But the most significant fact is that this trend was far more pronounced in the states that included unemployed fathers in AFDC than in those that did not.

If we divide the states into those operating AFDC-UF programs and those that do not, we find that the number of AFDC children increased between 1960 and March

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<sup>1</sup>Alvin L. Schorr, "ADC-What Direction?", Child Welfare, Dept. of HEW, February 1962.

1971:

In the 24 states where children of unemployed fathers are not eligible  
by 1,354,000 children = 133%

In the 26 states where children of unemployed fathers are eligible  
(not counting children on the rolls for reason of father's unemployment)  
by 3,107,000 children = 229%

Evidence suggests that fathers left their families in larger numbers and at an accelerated rate in the states where unemployment made their families eligible for AFDC. The reason is not hard to find: an unemployed father can, if he so chooses, continue to live with his family and subsist on AFDC. But a man may do financially better if he leaves his family to go on AFDC -- and makes his living elsewhere. In other words: AFDC plus a wage are better than AFDC alone. It has been suggested to correct this situation by subsidizing low-wage earners so they would not find desertion attractive. But it would still be more lucrative to put the family on AFDC (or FAP) and keep whatever wage he can earn by working, than to stay with his family and be permitted to keep one-third or one-half of his wages. I shall discuss this in greater detail later on in connection with pending proposals on FAP for the working poor under H. R. 1.

Unemployed fathers accounted for only 8% of the increase in AFDC rolls between the 1958 and 1969 AFDC surveys. No less than 84% of the intervening growth was due to fathers absent from the home, a mere 4% to death or incapacity of the father:

Status of Fathers in AFDC Families 1958 and 1969

	<u>1958</u>	<u>1969</u>	<u>Increase</u>	<u>Percent</u>	<u>Percent of Increase</u>
Father: dead	82,092	89,700	7,608	+ 9%	1%
incapacitated	162,621	190,700	28,079	+ 17	3
unemployed	-	75,500	75,500	-	8
absent from home	487,515	1,228,900	741,385	+152	84
other	<u>13,060</u>	<u>45,500</u>	<u>32,440</u>	<u>+249%</u>	<u>4%</u>
	745,288	1,630,300	885,012	+119%	100%

Source: Dept. of HEW, Characteristics of Families Receiving AFDC, Nov-Dec 1961, April 1963.

Dept. of HEW, Findings of the 1969 AFDC Study, December 1970.

Of the increase among absent fathers, 39% was due to divorce or separation, 17% to desertion and 41% to the fact that the father was never married to the mother.

It is apparent that <sup>the</sup> /AFDC-UF program, that had long been demanded and was held out to offer a solution to the "absent father" problem proved to be ineffective. Nor were results impressive of other reforms introduced between 1962 and 1967 to make welfare families self-supporting.

The main purpose of the 1962 welfare amendments, as stated by the committees of both Houses recommending them, was to reverse the trend toward ever higher AFDC rolls and expenditures by helping needy families to attain independence. The theme of President Kennedy's message was "rehabilitation instead of relief."

The federal share of the cost of training for employment and self-support was raised from 50% (authorized in 1956) to 75%. Federal matching was made available for community work and training programs, states were permitted to disregard certain earned income of children, AFDC-UF was denied to a parent who refused to accept

training or a job without good cause, funds were earmarked for children's day care, etc.

Occupational training programs were vastly expanded under the Manpower Development and Training Act of 1962: about a million persons -- 83% of them unemployed for an average of 3-4 months, 42% of them women, 39% of them nonwhite -- have participated in institutional training, half a million persons underwent on-the-job training over the past 9 years, others went through the Neighborhood Youth Corps, Operation Main Stream, Concentrated Employment Program, J. O. B. S. , and others. Outlays have been steadily rising and exceed \$1.5 billion in the current year.

Reports on the results of these training programs are conflicting. They were successful mostly when the participants were well selected so as to get the best prospects -- when unemployment rolls were "creamed" -- and where trainees exerted strong efforts of their own toward skills and jobs. Program impact on welfare recipients was minimal -- as the ever-expanding rolls suggest.

When the 1962 provisions proved to be disappointing, amendments were shaped in 1967 so as to strengthen them. States were now required -- not just encouraged -- to conduct training programs for case workers; welfare departments now had to refer AFDC recipients and their relatives with a work potential to the Department of Labor for training or employment; trainees were given \$30 a month; to offer a work incentive, the first \$30 of earned income plus one-third of the remainder had to be disregarded for computing assistance benefits; procedures were tightened for the location of absent fathers, etc.

At that time the War on Poverty was in full swing. On signing the Economic



**Opportunity Act of 1964, President Johnson had issued a statement:**

**We are not content to accept the endless growth of relief or welfare rolls.  
We want to offer the forgotten fifth of our people opportunity and not doles.  
This is what this measure does for our times.**

\* \* \* \* \*

**The days of the dole in our country are numbered. I firmly believe that  
as of this moment a new day of opportunity is dawning and a new era of  
progress is opening for us all.**

**Many billions of dollars have since been expended under the Economic Oppor-  
tunity Act, the number of persons below the official poverty level was cut by one third --  
though largely not by the "opportunity and independence" route. The "endless growth  
of relief and welfare rolls" which President Johnson criticized in 1964 speeded up to an  
unprecedented pace, doubling the number of persons on relief. We are left to wonder --  
if "the days of the dole in our country are numbered," what is that number?**

#### **The Absent Father**

**From time immemorial, nearly everywhere on the face of the earth, the father  
has been regarded as the breadwinner, the provider of the necessities of life for his  
children. His death or incapacity almost always meant disaster, or at least misery,  
for his family. This is why the Bible and other great books time and again called at-  
tention to the plight of orphans and widows, heaped praise on compassionate men who  
would extend charity to them.**

**It was the children of dead or incapacitated fathers whom Congress had in mind  
when in 1935, without debate and as a matter of course, it adopted the Aid to Dependent  
Children program. But few of those children are left on AFDC rolls at this time,**

probably no more than 14% of the total. Absence of the father who defaults on his support responsibility is now the main cause of AFDC dependency. It accounted for 75.4% of all cases at the time of the 1969 survey and may now be responsible for over 78%. This is a phenomenon without parallel or precedence. "Throughout most of history," Daniel P. Moynihan wrote, "a man who deserted his children pretty much ensured that they would starve, or near to it, if he was not brought back, and that he would be horsewhipped if he were."<sup>1</sup> "The poor of the United States," Mr. Moynihan said earlier, "today enjoy a quite unprecedented de facto freedom to abandon their children in the certain knowledge that society will care for them and, what is more, in a state such as New York, to care for them by quite decent standards."

While at some time it could have been said that expanding ADC rolls were caused by the growing incidence of family breakdown -- separation, divorce, desertion, illegitimacy -- it is becoming increasingly clear that ADC itself is a major cause of family breakdown because it offers economic incentives, not otherwise available.

The existence and generosity of the AFDC program, and concomitant failure to hold the father responsible, undoubtedly account for much of the spectacular growth in the number of absent fathers during the 1960s. Between December 1960 and December 1970 the number of AFDC families grew from 803,000 to 2,553,000, that is, by 1,750,000, of whom an estimated 1,435,000 were in the "absent father" category. During the same period, the number of female-headed families in the general population increased by 1,410,000. In statistical terms then, the entire increase in female-

<sup>1</sup>Daniel P. Moynihan, "The Crises in Welfare," The Public Interest, Winter 1969.

headed families in the United States during the 1960s wound up on the AFDC rolls.

This does of course not mean that all families that split in the 1960s went on AFDC. There were 4.8 million divorces during the 1960s, involving 6.6 million children. Many of the divorcees remarried,<sup>1</sup> receive alimony from their former husbands, or work. Also, 37% of the absent fathers were never married to the mother.

There were in March 1970 5,582,000 female-headed families in the United States  
2,217,000 of those families were childless, which leaves  
 3,365,000 female headed families with 8 million children under 18

Female-headed Families with Children under 18, in March 1970:

930,000 headed by widows  
 2,235,000 headed by women, separated or divorced  
200,000 headed by women never married  
 3,365,000

AFDC rolls totalled 2,023,000 cases in March 1970, of which  
96,000 were AFDC-UF cases, which leaves  
 1,927,000 cases where the father was dead, incapacitated  
 or absent

Source: Bureau of the Census, Current Population Reports, P-23, #37; Monthly Labor Review, December 1970; Public Assistance Statistics, Dept. of HEW.

We may estimate that in 1,465,000 AFDC cases, the father was absent. This suggests that of 2,435,000 families with children, headed by women who were divorced, separated or never married, 60% were on AFDC rolls. The other 40% of those families were supported by the father, the mother, or both.

It seems that for families below the top two-fifths of the socio-economic scale, family breakup usually means AFDC dependency. It also suggests that for about half of

<sup>1</sup>One-half of the divorced women remarry within 3 years: Bureau of the Census, Current Population Reports, P-23, #32.

all fathers, family breakup means liberation from having to devote a sizeable share of their earnings to the support of their families; they are free to shift the burden unto the backs of all others, the families that stay together, and the fathers -- and mothers -- who work to support their children after divorce or separation.

This may go a long way to explain the phenomenon that during the 1960s, while the number of male-headed families grew 12%, the female-headed families grew 34%.<sup>2</sup> What may be even more significant: the number of children under 18 in male-headed families grew 6%, in female-headed families 55%. Children in female-headed families increased by 2,859,000 between 1960 and 1970; the number of AFDC children grew 4,664,000, of whom about 3.7 million were on the rolls because their father was absent from the home. This suggests that going on AFDC has become standard operating procedure among 60% of the families which break up, and among most families in the lower half of the income ladder.

That the AFDC program was causing many fathers to leave home had long been charged and was the most often repeated and decisive argument in the drive to include unemployed fathers in ADC, which succeeded in 1961.

It is now evident that AFDC-UF did not do the job it was expected to do. Nor could it. AFDC offers an attractive alternative to a man with a low earnings potential who may not make as much as AFDC would pay. This is now proposed to be corrected by subsidies

2

Families by Sex of Head

	<u>1960</u>	<u>1970</u>	<u>Increase</u>	<u>Percent</u>
Male-headed	40,829,000	45,657,000	4,828,000	+ 12%
Female-headed	<u>4,172,000</u>	<u>5,582,000</u>	<u>1,410,000</u>	<u>+ 34%</u>
All families	45,001,000	51,239,000	6,238,000	+ 14%

Source: Bureau of the Census, Current Population Reports, P-23, No. 37.

to the "working poor." But no combination of benefits or earnings and benefits can alter the fact that a man can still maximize his and his family's income by desertion: he can then keep whatever he earns -- instead of only one-third, as he would under plans in H. R. 1 -- and let his family be supported by AFDC. This can be corrected only by direct action against the absent father -- action that is today sporadic or nonexistent.

The father's responsibility for the support of his children is established under the statutes of each state and there are many state and federal provisions aimed at aiding enforcement against fathers who default and let their families go on AFDC. The applicant for AFDC is supposed to provide the necessary information to the welfare agency, which in turn must inform law enforcement officials, who cooperate nationally under the Reciprocal Enforcement of Support Act that has been on the books of all states since the 1950s. But the law has remained largely on paper. The whereabouts of more than half the absent AFDC fathers is "unknown," one-fourth are known to live in the same county as their abandoned family, most of the rest in other counties or states.

Private tracing companies have, on the whole, been successful in running down four-fifths or more of the deadbeats who skip town. Even better results should be possible with the help of all the information and power in the hands of government agencies.

As it is, six out of every seven AFDC absent fathers contribute nothing toward the support of their children, and the seventh man pays, on the average, \$72 a month. In May 1971 a family's monthly AFDC grant averaged \$183.75. Three out of four absent but paying fathers send less than \$100 per month; only 3% pay \$200 or more.

Why is this so? Because there is little interest in carrying out the law on the

part of the parties expected to cooperate and enforce it. The AFDC mother, whether married to her child's father or not, whether she had agreed in advance to the separation or divorce -- or had asked for or demanded it -- or not, usually prefers getting a dependable monthly check from AFDC rather than having to wait, often in vain, for a smaller check from the children's father. In many cases she is now getting more money from the government than she ever did from him. Why should she help to locate, apprehend and prosecute him? It is a lot easier and much less trouble to get money from AFDC than out of a recalcitrant man.

Welfare agencies and social workers hold that their loyalty belongs to the needy family, not to the taxpayer. They view the task of going after the absent father with distaste, as long as his family is taken care of by the government. So, they avoid it.

Nor is there much glory in this unpleasant task for a district attorney and other state and local officials. Aside from an occasional crash action by an ambitious D.A., an absent father can usually feel quite safe from the reach of the law.

An absent father -- average age now 37 -- having abandoned his support responsibility may take a job elsewhere and start a new family. Many, however, especially those with little propensity for work and low earning capacity, prefer to move in with another AFDC mother and live off her grant, at least for 9 or 10 months, when his own child is born and he swaps girl friends with another man. There could be half a million <sup>or more</sup> men/who thus benefit from AFDC although they are not listed on the rolls. The number of adult AFDC recipients is probably substantially understated in official statistics.

Several of the states tried to defend themselves through "man in the home" or "suitable home" rules and by unannounced inspection visits. But those practices were

forbidden by the Dept. of HEW and the courts, leaving welfare rolls wide open. That explains to a large extent the appalling incidence of family breakdown among low-income Negro families, which D. P. Moynihan described in a famous report a few years ago. Negroes account for 11% of the U. S. population but for one-fourth of the female-headed households. This is not unrelated to the fact that half the AFDC families are black.

How prophetic Franklin Roosevelt's warning now sounds that "continued dependence upon relief induces a spiritual and moral disintegration, fundamentally destructive to the national fibre."

Family Status of Absent AFDC Fathers in 1961 and 1969

	1961		1969		Increase	
	(000)	Percent	(000)	Percent	(000)	Percent
Divorced or legally separated	120.9	20%	268.7	22%	147.8	+ 122%
Separated w/o decree	72.7	12	177.6	14	104.9	+ 144
Deserted	164.7	28	258.9	21	94.2	+ 57
Not married to mother	188.6	32	454.9	37	266.3	+ 141
In prison	37.5	7	42.0	4	4.5	+ 12
Other	<u>5.7</u>	<u>1</u>	<u>26.8</u>	<u>2</u>	<u>21.1</u>	<u>+ 370</u>
<b>Total</b>	<b>590.1</b>	<b>100%</b>	<b>1228.9</b>	<b>100%</b>	<b>638.8</b>	<b>+ 108%</b>

Source: Dept. of HEW: 1961 and 1969 AFDC Surveys

There were in 1969 714,000 families on AFDC where the father had deserted or never been married to the mother and 446,000 where he was separated or divorced, for a total of almost 1.2 million. By 1971 there may be close to 2 million men who let the taxpayers foot the bill for their children and wives or girl friends. Assuming that the unemployment rate among them is three times the general rate, or about 20%, that still leaves 80% or over 1-1/2 million fathers who should and could contribute. But

only 14% do, most of them very little.

Can absent fathers be made to live up to their support responsibility? At this point probably only through federal action. For over twenty years bills have been introduced to make nonsupport a federal offense. This is also proposed in H. R. 1 (Sec. 2176) if the father resides in another state. But only 10% of the absent fathers are known to be in other states. With large amounts of federal money involved in AFDC -- and any conceivable successor program -- there seems to be no reason why non-support should not be made a federal offense regardless of the father's residence. Moreover the resources of several federal agencies would become available to locate absent fathers and collect from them, by garnishment, or otherwise.

To be sure, federal law enforcement, social security and Internal Revenue officials have displayed no more enthusiasm for the job than their counterparts at state and local levels. But they should obey a congressional mandate.

It has correctly been said that to put a father in jail does not give his family much money. But imposition of a prison sentence, <sup>on non-supporting fathers</sup> suspended during "good behavior," might work wonders -- even on fathers who are now merely thinking about disappearing or who have not yet been found.

It is undoubtedly true that many men, particularly those who possess few if any skills, have difficulty in landing and keeping a job, especially in a tight market. But individual effort appears to play a significant role in this. Married men (20 to 64) living with their wives had an unemployment rate of 2.9% in November 1971, divorced, separated and widowed men of 6.3%, and single men of 9.9%. This is not due to em-



employers' discrimination against single men. But men who live with their families and are aware of their responsibilities hang on to a job more tenaciously (even if they don't like it), don't quit until they have another job, and if they are laid off, search more intensely for new employment. This may be the major reason why men who have no, or don't live with, their families have two to three times as high an unemployment rate.

When New York in July 1971 required relief claimants to pick up their checks at an employment center, about one-fifth failed to show up. This suggests, at least, that work opportunities are more flexible than is widely believed and depend, at least partially, on the individual -- how badly he needs and wants a job.

Fathers who claim to be without income and unable to land a job might be placed on public maintenance or cleanup work on subsistence pay, with the balance of the wage equivalent applied to the support of their families or illegitimate children.

In fairness to the millions of fathers who work to support their families and are presently forced to pay for the children -- and abandoned wives and girl friends -- of other men who preferred to skip, enforcement of support responsibility should rank high priority on any program of family assistance. It would, at least, give taxpayers the assurance that they are not left to hold the bag for deadbeats.

To locate an absent father and proceed against him is usually impossible without the cooperation of the mother. How can such cooperation be obtained from a woman who for good reason prefers an AFDC check? By making the alternative uncomfortable. She should be denied welfare benefits -- or be made to work to support her children, even if the only job she can hold is cumbersome, menial and low-paid, unless she

helps in making the father pay.

### The Nonworking Mother

The father, if present in the home, is still regarded the head of the family, and, unless incapacitated, he is almost always the breadwinner. But mother has increasingly been pitching in. This is part of a secular trend that has pushed the female sector of the labor force from 18.8% in 1900 to 22.0% in 1930, to 28.8% in 1950, to 32.3% in 1960, to 37.7% in 1971. As domestic chores eased with wider use of, and technological improvement in, household appliances and the availability of convenience foods, and as sex discrimination faded from the scene, labor force participation among women climbed from 33.9% in 1950 to 37.8% in 1960 and to 44.3% <sup>November</sup> in 1971. The upward trend shows no signs of weakening and we may have a long ways to go, considering that in the Soviet Union nearly 80% of the women are gainfully employed.

Two-fifths of married women work if their husband is around, more than half if he is absent, and nearly three-fourths if they are divorced. Presence of children does make a difference: 42% of married women with husbands present work if there are no children under 18, 49% if there are children 6 to 17 years old, and 30% if they have children under 6 years. It is significant to note that women work outside the home more often if they have children between 6 and 17 than if they don't.

That wives are the more likely to take an outside job the lower their husbands' wages are, is not confirmed by evidence. Forty-six percent of the women work if their husband's income runs between \$5,000 and \$10,000, 41% if it is between \$3,000 and \$5,000 and only 35% if it amounts to less than \$3,000. If the husband makes \$10,000

or more, however, 36% of the wives work.

During the 1960s the number of children with mothers in the labor force grew from 16 million to nearly 26 million.<sup>1</sup> The sharpest increase took place among mothers of children under 6 years, whose labor force participation jumped from 20% to 30% in the 1960s, compared with a rise from 43% to 51% among mothers with children between 6 and 17 years. But the 1960s were also the decade when the number of AFDC recipient children jumped from 2.4 million to 7 million.

If some of these trends appear conflicting, a few additional facts may help to throw light on the situation. As I mentioned earlier, women with husbands in the lowest income bracket (under \$3,000) also have the lowest labor force participation rate -- contrary to what is widely assumed to be the case.

Reasons are not hard to find. Husbands and wives tend to come from comparable socio-economic backgrounds and, on the average, to differ not very widely in regard to intelligence, drive and other characteristics related to the type of job they can hold. Men and women with low productive capacity and therefore usually low earnings have been finding work less attractive in recent years, as welfare benefits became more easily available and compared favorably with potential earnings. When the difference becomes substantial enough, father moves elsewhere -- actually or "pro forma" -- and keeps his wages; mother and children go on AFDC.

AFDC mothers have an extremely low occupational background. Among those

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<sup>1</sup>Most of the statistics are taken from population surveys by the Bureau of the Census and labor force surveys of the Bureau of Labor Statistics. Particularly helpful were: Elizabeth Waldman and Kathryn R. Govor, "Children of Women in the Working Force," Monthly Labor Review, July 1970; Elizabeth Waldman and Anne M. Young, "Marital and Family Characteristics of Workers, March 1970," Monthly Labor Review, March 1971; and Robert L. Stein, "The Economic Status of Families Headed by Women," Monthly Labor Review, December 1970.

who were previously employed and whose occupation is known, nearly four-fifths had been in unskilled jobs -- more than half of all in household and other service work -- less than a fifth in semi-skilled trades and only 2% in skilled vocations. This contrasts with the general female labor force, of which one-fifth is in the skilled fields, over one-half in semi-skilled callings and only one-fourth in unskilled jobs.

Not surprisingly, AFDC mothers have a far lower educational background than other women, and consequently lower earnings -- if they work at all. Female workers in the general labor force earned an average \$295 a month during 1969, and women who worked full time, year-round, \$422. In contrast, 86% of the AFDC mothers had no earnings during 1969, 8% made less than \$200 a month, a mere 2% netted \$300 or more.

This means, that women who possess a low earning capacity -- because of low intelligence or low drive or both -- and who therefore have acquired little education and few, if any, skills, are prone to shun employment which is likely to pay them little more than welfare, if any, and in many cases less. An account of a meeting of welfare mothers in Palo Alto, California, where I live, was captioned "Economic necessity forces E. Palo Alto moms to take welfare instead of jobs." (Palo Alto Times, Feb. 8, 1968) It recorded the reports of a number of AFDC recipient mothers that they were doing financially better on welfare than they would by taking jobs offered to them.

Rather than work at the type of job they can perform -- which is often of a character referred to as "menial" -- and offers them little additional income, if any, mothers with low productive capacity join the new leisure class and go on welfare. This is a perfectly reasonable choice for which they can hardly be blamed. Intensive

attempts at training welfare mothers for higher occupational skills have yielded insignificant results in terms of lasting well-paid jobs.

The inclusion of adults in grants has made AFDC financially more attractive. One adult in each family first became eligible for ADC benefits in 1950 -- previously only the children counted -- and about half a million mothers joined the rolls. In 1961 a second adult -- an unemployed father -- could be granted benefits, and in 1971 there are 2.8 million adult recipients on AFDC rolls. This does not include an undetermined number of men -- which could be half a million and possibly as many as a million -- who live off their girl friends' welfare checks, partially or wholly, whether they have actually moved in with the family or not.

The single largest cause of AFDC dependency is illegitimacy -- a father not married to the mother. Over the past three decades the number of illegitimate births has increased ten times as fast as the number of legitimate births -- a 279% rise for illegitimate births vs. 28% for legitimate births between 1940 and 1968. Illegitimacy rates inched up in earlier periods, from 3.5% of all births in 1940 to 3.9% in 1950 and 5.1% in 1960, then jumped to 9.7% by 1968.

What may even be more significant: the number of illegitimate births increased between the 1940/44 average and 1968:

141% among girls 15 to 19 years old  
354% among women between 25 and 34  
303% among women between 35 and 39<sup>1</sup>

This suggests that the increase in illegitimate births is not so much a result of ignorance, youthful indiscretion or unconcern among teenagers as the action of persons old

<sup>1</sup>Bureau of the Census, Current Population Reports, Series P-23, #36.

enough to know what they are doing. It is an interesting phenomenon that Florence Crittendon homes for pregnant girls, which used to be crowded, have in recent years been running at a low occupancy rate and that the percentage of unmarried mothers who bring up their own infants that used to run at 10% to 20% only five years ago has jumped to about 60%, according to a report in TIME (September 6, 1971, p. 48).

Of course, the illegitimacy rise extends far beyond the welfare rolls and was not caused by AFDC. But the easy availability and attractiveness of benefits has not escaped widespread attention and probably contributed to the spectacular increase.

It has been said that no woman would have a baby just to get an average \$30 to \$40 a month, less in some states, up to \$60 in others. But let us consider the situation of a man and his girl friend, both of whom dislike work, or at least the type of work open to them. They can get nothing from AFDC -- nor from FAP if H. R. 1 is enacted as it stands. But if they produce a baby they make themselves eligible for \$166 a month under FAP (plus medical and various other benefits), for \$233 if they have 3 children. That may not seem much by middle-class standards but it is a lot more than what many young couples live on, particularly those of the hippie type who display a strong disdain for regular work.

Or, let us take a young girl in an AFDC family with many children. She has never had her hand on much cash nor standing in her family. But a baby of her own will give her a regular monthly check and independence -- with men competing to move in with her.

A man may normally have some concern about getting a girl pregnant because of

the consequences to her and to him. But he won't, if he knows that he not only will not have to accept financial responsibility but that a child will enable her to get a dependable monthly income from the government. As long as having the first illegitimate baby is rewarded with a monthly support check for mother and child, and the bonus is raised with every additional offspring, there is no hope that present trends will change for the better. As so often, we are putting a premium on undesirable, anti-social behavior. Further deterioration in the illegitimacy situation is inevitable until parental responsibility is defined and strictly enforced against both, father and mother. This may require a federal child support law with real teeth.

Do expenses for an additional child not exceed the \$30 to \$40 which an AFDC family gets for it, on the average? Not necessarily, at least in the beginning. With all the complaints about the inadequacy of welfare grants, the use of drugs and liquor happens to be most widespread in poverty areas, and much of the money to buy them comes from poverty programs, including public assistance grants.

It is a well known phenomenon that the lower a family's income is, the more children it tends to have. This does not suggest that welfare grants per child are too low. The long-range implications of a faster rate of growth among the lowest socio-economic group with the poorest endowment in intelligence, drive, motivation, responsibility, discipline or desirable characteristics, aside from the inevitable environmental influences, need not be spelled out.

An AFDC mother's median age is 32, an age when nearly half the women in the general population are gainfully employed. But only 7.5% of the AFDC mothers are working full-time, 5.8% part-time, for a total of 13.3%. Another 12% are reported to

be actively seeking work, enrolled in a work or training program, or waiting to be enrolled -- a total that may be taken with a grain of salt.

More than one-third of the AFDC mothers are claimed to be "needed in home full-time." That percentage varies widely among the states -- e.g., 4.9% in Florida, 15.7% in Texas, 25.0% in Louisiana, 29.0% in Georgia -- but 56.3% in New York, 55.3% in Massachusetts, 55.0% in Pennsylvania. This suggests that the listed percentages express local administrative policy more than the actual situation in each family which could hardly vary so sharply among the states.

It is widely claimed that unavailability of day-care facilities prevents many AFDC mothers from working. The record shows, however, that day-care centers have never been used by more than a small percentage of the children of working mothers. Supervision by relatives and neighbors is the most favored and prevailing practice.

Even in World War II when 3,000 day-care centers were built under the Lanham Act, only 11% of the working mothers relied on them. Most mothers preferred relatives, older children, or neighbors.

Few statistics exist on child-care arrangements of working mothers. A survey by the Children's Bureau in 1965 found that 46% of those children are cared for in the child's own home, mostly by relatives, 15% in someone else's home, only 2% in day-care centers.<sup>1</sup> Fifteen million mothers held jobs outside their homes in 1970 though licensed day-care centers have an estimated capacity of only 750,000 children.

There is not a shred of evidence to sustain a claim that children are harmed

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<sup>1</sup>Child Care Arrangements of the Nation's Working Mothers, Departments of HEW and Labor, 1965. Other surveys have reported similar findings.



when their mother holds a job. A study by the Child Study Association found:

There seem to be no studies which show a significant difference between the adjustment of children with mothers who go to work and children with mothers who stay home.

In the same way, no one has been able to discover any significant differences in how well the two groups of children do at school.<sup>2</sup>

Ben J. Wattenberg and Richard M. Scammon reported in their encyclopedic This U. S. A.,<sup>3</sup> "A Detroit police study has indicated that the rate of juvenile delinquency is lower in homes where the mother of the family works. An educational analysis in Texas has revealed that the children of working mothers are better students, get better grades, than children of non-working mothers."

Employed AFDC mothers, according to a 1969 HEW survey, had their children cared for in their own homes in 46% of the cases, in other homes in 29%, for a combined total of 75% -- 41% by relatives, 34% by non-relatives. Only 7.5% had their children in group (day-care) centers.

A study of AFDC recipients in the WIN program in March 1971 found that two-thirds of the children were taken care of in their own, relatives', or other homes and fewer than 10% in day-care centers.<sup>4</sup>

In the Soviet Union where four-fifths of the women of working age are gainfully employed outside their homes, the babushka (grandmother) is the mainstay of child

<sup>2</sup>Violet Weingarten, The Mother Who Works Outside the Home, Child Study Association of America, 1961, pp. 9-10.

<sup>3</sup>Garden City, N. Y., Doubleday, 1965, p. 183.

<sup>4</sup>NCSS Report E-4, Dept. of HEW Publication No. (SRS) 72-03253.

care. On visiting the huge apartment complexes in Russian cities and nearby parks one can always see many elderly women supervising sizeable groups of children. Only about 10% of the children under the age of two, and 20% between 3 and 7 years are enrolled in nurseries or kindergartens. Two-thirds of the women whose children are in nurseries or kindergartens replied to a 1969 survey that they did so only because they did not have a grandmother or other relative or neighbor to care for them. Fewer than one-third of those who sent their children to nurseries said that they did so because they preferred it.

in American cities

General and easy availability of day-care centers would of course facilitate job-holding for many AFDC mothers. But the Community Council of Greater New York prepared a report in August 1971 which pointed out that it is uneconomic to have an unskilled mother go to work at low wages while her children are being taken care of in public child care centers at a cost to the taxpayers of \$2,500 per child. It obviously makes no economic sense to have a mother work at a lowly job while her children are meanwhile supervised by college educated, high-skilled and highly paid employees on the public payroll.

This would parallel the trend in other programs in medical care, education, housing, etc. which give persons in the poverty bracket benefits at public, i. e., taxpayers', expense which many middle class or lower middle class working persons cannot afford when they have to foot the bill from their own earnings.

There is no reason why some of our AFDC mothers can not supervise the offspring of several working mothers in the neighborhood -- and turn this into a regular

job. Much babysitting can also be done on a mutual basis in exchange for other services.

The Department of HEW estimated that centers for all children eligible for day-care services -- including the children of all working mothers and of present welfare recipients -- would call for places for 13 million pre-school children and 26 million school-age children. The annual cost for custodial care for 39 million children would be \$25 billion, for developmental care \$30.5 billion.<sup>1</sup>

H. R. 1 would authorize an appropriation of \$750 million annually for free day-care services for all families with an income under \$4,320. A far more liberal child-care program would have been created by S 2007 at an initial annual cost of \$2 billion which could eventually have reached \$20 billion per year. It was passed by the Congress early in December 1971 but vetoed by the President on December 9. That Child Development Program would have relieved many mothers of much of their child caring chores. Whether it would have caused many of them to work instead of depending on welfare checks appears somewhat doubtful. Its cost would have been disproportionate.

Inability to have her children taken care of during daytime often is not the real reason why an AFDC mother doesn't work. The crucial question is whether she truly wants to take the type of job she can handle at the wage it pays, or would rather be on welfare. Rising AFDC benefits and easy access to the rolls, especially since verification procedures were dropped at the order of the Department of HEW and replaced

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<sup>1</sup>Family Assistance Act of 1970, Hearings before the Committee on Finance, U. S. Senate, 1970, p. 1017.

by the acceptance on faith of applications ("declarations"), have tipped the scales in favor of welfare.

The basic issue is whether a mother -- as well as any other man or woman -- who lacks qualification for a skilled and well paid job, should be given welfare benefits as a matter of routine, or be compelled, under economic sanction, to accept the type of work he or she has the capacity to handle -- even if it pays low wages and is of a strenuous, cumbersome, inconvenient or "menial" type, such as cleaning, indoors or out. Should he or she be able to insist on accepting only a "suitable" job, whatever that may be for a person with few, if any, occupational skills?

The social work profession holds strongly that no mother should be forced to work outside her home and that the choice should be entirely her own. To make mothers work who would prefer staying home, has been called involuntary servitude and even slavery. So, for many years welfare workers have been following the concepts of their professional leaders and supervisors rather than the intent of Congress and state legislatures. Legislators were told time and again that lower caseloads would enable caseworkers to get more recipients "off the roll." They approved steep increases in the number of welfare department employees, only to find out that this enabled the welfare workers to recruit more recipients.

Last April 19, speaking at the Governors' Conference, President Nixon reported an incident at a welfare hearing when a lady got up and screamed, "Don't talk to us about any of those menial jobs." He then gave his belief:

If a job puts bread on the table, if it gives you the satisfaction of providing for your children and lets you look everyone else in the eye, I don't think that it is menial.

He then referred to "scrubbing floors, emptying bedpans. My mother used to do that. It is not enjoyable work, but a lot of people do it -- and there is as much dignity in that as there is in any other work to be done in this country, including my own...."

The question is: how is such a policy to be implemented when the employees at the firing line who are supposed to carry it out, don't believe in it and bend it to their own concepts?

Domestic help has been difficult or impossible to obtain for many years, with -- according to some estimates -- several millions of jobs going begging.<sup>1</sup> As a result, millions of our college-educated women cannot use their talents to pursue the professional careers for which they have been trained and must spend much of the rest of their lives as chambermaids, cooks and cleaning women -- to the amusement of foreigners who think that Americans are crazy. They may have a point.

A good case can be made that a woman should have the right to decide whether she wants to work and what type of work at what rate of pay she wants to accept. Most Americans make that decision as a choice between the alternatives available to them. The question is whether between two and four million men and women should continue to be able to make that decision by shifting responsibility for their children's and their own support on to the backs of millions of other Americans who do work.

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<sup>1</sup>Martin J. Shannon, "Importing of Maids Swells as U.S. Girls Shun Domestic Work," Wall Street Journal, November 9, 1966. Foreign supply has since been cut off by the Department of Labor. Also: Myra MacPherson, "The Diminishing Domestic," Washington Post, January 13, 1970.

The Family Assistance Plan -- Reform or Road to Ruin?

That AFDC is an abject failure and beyond repair is now generally agreed, and admitted even by many of its former admirers and protagonists. Born in obscurity and without much public attention in 1935, ADC served its intended purposes well for some years, and became the social welfare profession's most cherished program, the prime recipient of its T. L. C. But it has since become so distorted, socially destructive and bitterly controversial that it has outlived its usefulness and must now be replaced.

Congress has struggled with AFDC for the past 15 years -- since the 1956 amendments -- trying to make it fair to all concerned while keeping its growth propensity within reasonable limits. It failed on both accounts.

While the number of ADC children was the same in 1955 as it had been in 1950, it doubled during the succeeding 10 years, then more than doubled again in the next five years. Between 1956 and 1971 ( May ) the number of AFDC children multiplied 4.3 times, an increase of 332%, while the country's under-18 population grew only 24%. AFDC membership went from 3% of all children to over 10%.

From one million ADC children with an "absent" father -- who had either left the mother or never been married to her -- in 1956, their total soared to well over 5 million now. To many of them AFDC undoubtedly was a lifesaver. Others -- nobody knows how many -- would not be in a fatherless home, if it had not been for AFDC which offers a bonus to a father for leaving his family or for not marrying his children's mother.

Since 1956 Congress has been trying with increasing intensity to guide, aid, in-

duce or force ADC adults and <sup>their</sup> older children on the path to self-support through work. Year after year, it expressed its expectation that newly adopted amendments would help gradually reduce welfare dependency, as had been promised by the various plans' proponents. But the promises went unredeemed.

In his message of August 11, 1969 (which I cited at the beginning of this paper) and subsequent statements, President Nixon declared that the goal that had been sought for so many years would now be accomplished by the Family Assistance Plan (FAP) and Opportunities for Families (OFF): from welfare to workfare.

HEW Secretary Richardson told this committee on July 29: "... we are convinced that the actual caseloads under H. R. 1, over time, will be smaller than under the rapidly growing and uncontrolled AFDC program" (Hearings, p. 37) and the Ways and Means Committee reported to the House:

... it is reasonable to expect that almost half of the AFDC mothers can be moved into regular employment with training, child care, and concentrated employment efforts.... It is assumed by your committee that large numbers of recipients can be placed directly in jobs, and that extensive "employability" plans will be necessary only for more difficult cases.... Your committee believes that many of the provisions contained in this bill will reduce the number of families which are eligible for assistance and slow down the rate of growth of those which are receiving assistance, ... (House Report No. 92-231, pp. 166, 169, 217)

These statements closely parallel predictions which the Ways and Means Committee, the appropriations committees and others had made repeatedly over the past 15 years. Do we have reason to expect that H. R. 1 will succeed where all of its predecessors failed?

The number of AFDC recipients multiplied five times in the last 15 years,

doubled just in the past four years. FAP would double that again, from FY 1972 to FY 1973, by federalizing AFDC, guaranteeing a national minimum of \$2400 to a family of four with no other income, and, for the first time, making persons eligible for governmental subsidation who work full time for low wages.

Past experience suggests that once large groups have become accustomed to receiving regular governmental payments, they will stay on the rolls, and can permanently be removed only under rare circumstances. It is the first step, the enactment of a program, that is decisive. Benefits tend to become more generous as time goes on and the numbers multiply.

The Department of HEW, however, has projected a gradual decline in FAP recipients in later years. That expectation is based on two features of the FAP-OPF plan: work incentives and work requirement. Both have been tried before and produced little.

To be sure, H. R. 1 provisions, as passed by the House, are tighter than AFDC rules have been since 1967 and more sophisticated. But they are based on the same assumptions and principles and cannot overcome the inherent and insuperable conflict between offering an adequate monetary incentive and keeping the number of beneficiaries and program costs within acceptable limits.

In 1967, HEW Secretary Gardner testified before this committee:

**We believe that with the universal existence of work training programs and day care arrangements so wisely provided in the House bill, plus the \$20 incentive payments provided in the administration proposals plus the prospect of reasonable income exemptions, a very high percentage of mothers will want to be trained and will want to go to work." (Hearings, Social Security Amendments, 1967, p. 215)**



But only about one AFDC mother in eight is employed, a figure that has not changed significantly since the 1950s. If an increasing number of welfare mothers have quit public assistance to take jobs, the AFDC rolls certainly do not show it.

The 1967 work incentive program, administered by the Department of Labor, ordered state welfare agencies to refer for work or training projects all "appropriate" AFDC recipients, that is, all except those specifically excluded by law. "Appropriate" recipients who refused to participate could be dropped from the rolls or be subjected to other penalties. But that compulsory work requirement remained largely unenforced.

Persons with a low income potential were offered an incentive to earn at least part of their subsistence: they could keep the first \$30 a month plus one-third of all additional earnings by an adult, and most wages of children. Those amounts were disregarded in computing monthly assistance grants. As it turned out, the prospect of being able to keep one-third of their wages did not lure many welfare recipients into working.

H. R. 1 would strengthen incentives and the Department of HEW assured your committee: "Under the provisions of Title IV of H. R. 1, no family, either male-headed or female-headed, could be financially better off by not working than it would by working." (1971 Hearings, p. 109)

H. R. 1 proposes to double the earnings disregard to \$720 per annum, to offset expenses caused by working. There are, in fact, 10 types of earnings disregards which can total up to \$2,000 for a family of four, and up to \$3,000 for a family of more than 8 persons. But the decisive incentive remained unchanged: FAP will disregard one-third of a recipients's earnings; the other two-thirds will be deducted from his welfare benefits.

This means that an FAP recipient will be subject to a 67% income tax on his wages, the same rate that applies to heads of household on taxable income between \$120,000 and \$140,000. Most people recognize that a taxpayer faced with such an exorbitant tax rate will search for ways to minimize his liability -- and that goes for persons with a \$4,000 income as well as for those in the \$120,000-and-up brackets. It has been stated that this reasoning does not apply to low-income persons: they are forced to use most or all of their money for necessities of life, so that additional dollars coming in are discretionary money that is eagerly sought after and highly prized.

That rationalization runs afoul of a very simple arithmetic, which is well within the comprehension of most persons: someone who, for example, is paid the present legal minimum wage of \$1.60 an hour and can keep only one-third of it, is working for 53 cents an hour net. How many men or women will work for 53 cents an hour -- at a time when it is hard to find people willing to work for several times that rate? The minimum pay permissible under H. R. 1 is actually \$1.20 per hour -- so that a person might be called on to work for 40 cents an hour. Few will be willing to do that. Supposing the minimum wage is raised to \$2.00 -- that will still leave an FAP recipient with 67 cents per hour which is not enough to get even a child to work for, let alone a grown man or woman.

Alfred and Dorothy Tella have presented the case in a more sophisticated version which was made available to this committee ("The Effect of Three Income Maintenance Programs on Work Effort," Hearings, pp. 493-531). They conclude that "negative tax-type plans of even moderate generosity will have a negative effect on

labor supply. Such plans are likely to result in significant reductions in the work effort of low-income non-aged family heads. . . ." The Tellas found that "both the supplementation of income and the imposition of high marginal tax rates on earnings under a negative income tax could be expected to reduce the annual hours of market work of low-income family workers." They hold that among working female family heads "a considerable portion of reductions in work effort would take the form of complete withdrawal from the labor force."

The adverse impact of a partial offset of earnings by reduced welfare benefits would be only slightly lessened by raising the disregard from 1/3 to 1/2 of the earnings. But the number of recipients would then go up by another 9 million eligibles, from 19 to 28 million persons. If the benefit level were lifted from \$2,400 to \$3,200 -- and there are proposals pending that would boost it as high as \$6,500 -- the number of eligibles (with a 50% earnings disregard) would go up to 42 million, at a \$3,600 level to 54 million. That means that one-fourth of the U.S. population would then be "on the dole."

We have so far considered only the impact of FAP grants with a one-third earnings disregard but not certain "fringe" benefits which accrue to FAP recipients, but not to wage earners. Workers pay social security taxes, state and local taxes, and are subject to a higher "deductible" on medicaid benefits. They may also lose their public housing privileges when they start earning wages. Your committee staff has prepared tables which show that to earn a dollar may cost the worker more than a dollar in aggregate benefits. According to those tables (pp. 366-371 of the Hearings), a mother with 3 children in Chicago may lose \$1.12 for every dollar earned between

\$2,000 and \$3,000, \$1.28 for every dollar earned between \$4,000 and \$5,000.

The Department of HEW has taken issue with those tables and underlying concepts. It questions whether social security, and state and local taxes (paid by workers) should be counted or that recipients would consider the impact on potential medicaid benefits when they make a decision on whether to work and how many hours. It is undoubtedly true that some of these computations are beyond the comprehension of some welfare recipients. But we have learned in the past that the National Welfare Rights Organization and similar groups lose little time to enlighten and guide their members and other potential beneficiaries on how to make the most of the opportunities offered by welfare programs.

The chances are that if H. R. 1 were enacted as it stands, it would not only immediately double the number of assistance recipients, but cause the rolls to keep going up at a rapid pace, as fewer people, rather than more, decide to work.

H. R. 1 uses tough language in spelling out mandatory work requirements. It stipulates that every FAP recipient, unless he is in an exempt category, must accept an offered job or undergo training to acquire a marketable skill. So does the present AFDC law, because this is the type of provision that helps to sell Congress, the newspapers and the public on a welfare bill. But -- will it work?

In H. R. 10604 the Congress on December 14 approved, and the President on December 28 signed, essentially the work registration requirements of H. R. 1, making registration for work or training a requirement for the receipt of cash assistance. This clearly expresses the intent of Congress -- and undoubtedly the wishes of the

great majority of the American people -- and places emphasis on where it is needed. But if the income differential between net wages and welfare plus fringe benefits remains small (let alone absent or negative) and/or if an offered job is strenuous, unpleasant, menial, a long distance away, otherwise uncomfortable or disagreeable, or if the man or woman has little, if any, drive or ambition and possesses a distinct dislike for work -- as a small minority of the American people, young or old, probably numbering no more than a few million persons who prefer workless pay do -- they will profit little by training and are unlikely to be hired. Anyone who does not want to be hired can easily make himself unacceptable to the boss or interviewer by slovenly or repulsive appearance, disheveled clothing, by negative or provocative replies or in any of a hundred ways. Should he be hired nevertheless -- or discover only after taking a job that he does not like it -- he will have no difficulty getting himself fired -- by absenteeism, sloppy work, damage to equipment, antagonism toward coworkers or supervisors, by feigning illness or disability, etc. It just goes to prove the old saying that you can lead a horse to the trough but you can't make him drink.

In a review article last summer, Alvin L. Schorr, dean of the Graduate School of Social Work, New York University, demonstrated "Why Enforced Work Won't Work in Welfare."<sup>1</sup> He predicted that if H. R. 1 is adopted it "cannot succeed" and that "we shall be forced to a new debate in three or four years."

Earlier, Irene Cox of the Department of HEW's Social and Rehabilitation Service outlined the reasons why efforts to put welfare mothers into jobs have failed:

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<sup>1</sup>Saturday Review, June 19, 1971.

Other studies of AFDC families estimated that from 45 to 55 percent of AFDC mothers are potentially employable because of age, education, and work experience but that barriers to employment are present such as poor health, residence in a poor labor market area, and the presence of young children. They also indicate that most would not earn more than the AFDC payment if employed in occupations for which they could qualify.<sup>1</sup> (emphasis supplied)

There probably is only one way in which a man (or woman) can be made to find and take a job and keep it: to make him want it. No mandatory work requirement can make him do that -- but if the alternative to a job is genuine discomfort, everyone will try to land and hold a job, even though he may not like it.

H. R. 1 would reduce FAP benefits by \$800 per annum, = \$67 a month, for refusing an offered job. As mentioned before -- nobody really has to refuse a job, he just has to make himself unacceptable. Also, unless many millions of child care center slots are provided, at an annual cost of at least several billions of dollars -- since working mothers presently have 26 million children only 2% to 3% of whom are in child care centers -- a woman can usually find the excuse that she has nobody to whom she can entrust her child or children during the day. Most working mothers make personal and informal child care arrangements with relatives or neighbors, but that will usually be done only by a woman who really wants to hold a job, not by someone who prefers an officially acceptable alibi for not taking it.

But let us suppose a mother with four children lacks the imagination and plainly refuses to take an offered job. That means that her FAP benefit will be reduced from \$267 a month to \$200. That is a sizeable cut -- but the alternative would give her only

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<sup>1</sup>"The Employment of Mothers as a Means of Family Support," Welfare in Review, November-December 1970.

40 cents per hour on a full-time working basis and she may prefer leisure to working for 40 cents an hour at something she detests.

There are of course more questions that may be raised on the work requirement. The social welfare profession has always been adamantly opposed to it and found ways not to enforce it. It will continue to do so, whether it remains on state and local payrolls or is transferred to the federal civil service. The chances are that the number of imaginary job-disabling ills will multiply and few welfare recipients who do not really want to work will wind up in jobs.

So far, I have not yet discussed the major problem in the public assistance field that makes work incentives ineffective in most cases: the absent father.

No conceivable incentive system can make it financially more attractive to a man with no property and a low earning potential to stay home, hold a job and support his family than to leave (or not to marry his children's mother) and let the taxpayers foot the bill. If he has property or a good earning power, his wife or girl friend (if she has a child by him) will usually locate and nail him. But if the chances are slim that she can get out of him as much as she can get from the government, she'll prefer AFDC or FAP.

A recent Census Bureau survey found that men with an income under \$8,000 are twice as likely to be divorced as those with an income over \$8,000, and the highest divorce rate is among men with an income under \$3,000.<sup>1</sup> No statistics are available on the rate of desertion or informal separation by income levels. But it is apparent from a variety of reports that that rate is very high among low earning men and very

<sup>1</sup>Bureau of the Census, Current Population Reports, Series P-20, No. 223, October 1971.

small in middle and higher brackets.

The 1969 AFDC survey found that there were 455,000 fathers absent, who were not married to the children's mother, and 705,000 fathers who had left their wives and children; only slightly over one-third of the latter group had at least observed the legal niceties. As of now, we may estimate that there are about 2 million fathers "absent," whose families are on AFDC because they left or were never married to the mother.

This is the crux of the AFDC problem -- and it cannot be solved by work incentives. It can be solved only by much tighter laws than are proposed in H. R. 1 and by strict enforcement.

To expect that the work incentives offered in H. R. 1 will succeed in motivating millions of men and women to move from welfare to workfare is not a hope. It is a mirage. The substantial raise in benefits it grants AFDC recipients in a sizeable part of the United States will attract millions to FAP who will try to stay on forever. Why should Congress be called upon to take promises on faith and to enact a program, affecting 20 million persons, costing \$10 billion, without first having it thoroughly tested on a limited scale? The preliminary results of the tiny New Jersey project, from 509 families, are quite insignificant. A test, to be meaningful, would have to be conducted on a broader basis, and, preferably, not in a high-income state.

H. R. 1 offers several perverse incentives. For example: only couples with children are eligible, no single individuals nor childless couples.

Such a bonus for having children might be worth considering if the problem in the United States were that we do not have enough people to settle the country and must offer incentives. Even then there would be a serious question of offering a baby bonus



in a form that could cause dysgenic consequences of disastrous proportions. It is not widely known that several states now pay AFDC benefits for unborn children -- there were 28,400 such children in 1969, equal to 1.7% of all AFDC cases. Nobody knows how many babies are born (or conceived) while their mothers are on AFDC or because it qualifies their parents for welfare.

The principle on which FAP is based may be seriously questioned: that a claim to support from the government can be sustained merely by the absence of adequate income.

When the present public assistance system was founded in 1935, two criteria were required for admission to the rolls:

- 1) the absence of an income at a minimum level, established by each of the states;
- 2) the existence of a recognized and valid reason why there was no adequate income. This is why categories for the aged, blind, disabled and for fatherless children were established; the residual needy population was left to the judgment and discretion of states and localities.

The social work profession has long demanded that public assistance categories be abolished, and income be recognized as the only criterion. APWA and the Department of HEW's Advisory Council on Public Welfare recommended that there ought to be only a single criterion for the claim to public assistance: need, defined as the absence of an adequate income. The standard should be set nationally and implemented

by a comprehensive aid program, financed and administered by the federal government.

(Having the Power, We Have the Duty ... 1960)

The single criterion precept assumes that all persons -- not just most -- try to the best of their capacity to maximize their income. Absence of sufficient income is held to be adequate proof that a person is unable to earn his keep. It assumes, contrary to much evidence, that lack of money is the only difference between the huge majority that work for their living and a small but growing minority which do not, that all other differences are caused by lack of money -- rather than the other way around. It would, for example, grant regular financial assistance to the thousands of young people who now flaunt their disdain of work and keep themselves in bread and drugs by "ripping it off," though some of them also get food stamps and other forms of public aid.

To be sure: H. R. 1 would not go that far. It does incorporate a work requirement. But, that requirement, as I pointed out, is virtually unenforceable.

President Johnson's Commission on Income Maintenance Programs, chaired by Ben W. Heineman, recommended the type of program demanded by the social welfare profession. With but few changes, and the work part (OFF) added, it would be carried out by Title IV of H. R. 1.

One new principle it encompasses is wage supplementation for the working poor. In 1961, when it was charged that jobless fathers could make their families eligible for ADC and a higher income only by leaving the home, families with unemployed fathers were admitted to the rolls. This, to all appearances, did not diminish the incentive for leaving. It certainly did not reduce the incidence of paternal absenteeism. It is

now said that a man working at very low wages -- due to his limited productive capacity -- can improve his family's income only by quitting his job or leaving his home, since these are the only methods by which he can make his family eligible for AFDC.

To enable a family to obtain a higher income if its head is not working than if he works appears clearly unfair. That inequity could be corrected from the welfare side, or from the working side, or both.

It has been proposed to resolve the problem from the working side by a substantial raise in the legal minimum wage. That would lift many of the "working poor" out of poverty -- if they can keep their jobs. It would make large numbers of men and women with a low productive capacity unemployable because the wages they would have to be paid would be higher than the value of their work output.

It would, for example, be easy enough to boost the minimum wage rate for laundry workers, who are notoriously low paid. But this would cause even more people to do their own washing and put large numbers of laundry workers out of jobs, permanently. Such a boomerang effect would be paralleled in many other low-skilled occupations whose practitioners would become welfare dependent if their minimum wages were boosted beyond the value of their service or product. That, in fact, has been happening for many years.

H. R. 1 aims to resolve the problem of the working poor from the work side, by supplementing the wages of low-income workers. This seems fair -- if work incentives can be maintained, which is very difficult, if at all possible, as demonstrated earlier. It also raises the specter of employers who depend on governmental subsidies to the

"working poor" to open a supply of employees at below-market wage rates.

H. R. 1 would establish a nationally guaranteed annual income of \$2,400 for a family of four. AFDC, of course, also guarantees a minimum income but at a level set in each state in keeping with local living standards and job market conditions.

What impact would a \$2,400 minimum have? According to HEW estimates, H. R. 1 would raise welfare dependency from 6.8% of the U.S. population to 11.6%. But in six states<sup>1</sup> between 20% and 29% of the population would become eligible for welfare. That would create havoc in many labor markets and create a dangerous situation, with a sizeable share of the residents dependent on federal handouts.

Experience with the AFDC program demonstrates that the size and growth of the rolls depends largely on the benefit level. Since 1950 (to May 1971) the average monthly benefit of an AFDC family has more than doubled, from \$71 to \$184, a 157% increase during a period when consumer prices rose 68% and Old Age Assistance grants were raised 80%. A study by the Citizens Budget Commission of New York in 1968 found that the average monthly benefits in the ten states with the fastest rate of AFDC growth in the preceding ten years (median + 101%) were twice as high as in the ten states with the lowest rate of AFDC roll growth (median + 6%). Monthly benefits averaged \$88 in the latter group of states, \$177 in the former.

Welfare rolls still respond to the level of benefits. When the steady rise in monthly AFDC benefits came to a halt in December 1970, the number of recipients stopped increasing about three months later, and subsequently even showed a small

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<sup>1</sup>Alabama, Arkansas, Louisiana, Mississippi, Tennessee, West Virginia.

decline. About twenty states had taken steps to reduce benefits and this made welfare less attractive to potential recipients. Average monthly AFDC benefits declined only slightly -- from \$187.30 in December 1970 to \$183.40 in June 1971 -- that is, by 2.1%. Considering simultaneous price increases (CPI) of 2.0%, the effective reduction was 4.1%. This ended, for the time being, the expansion of the welfare rolls and caused even a slight decline in July 1971. Whether this trend will continue depends to a considerable extent on the size of available benefits.

Enactment of the Medicaid program helped to boost public assistance rolls because it made all persons on welfare eligible for free medical services. To be sure, the "medically indigent" are also eligible but those provisions have been tightened in New York, California and several other states. Medicaid provides a powerful incentive for persons who need medical services to get on welfare because that makes their right to free services unquestionable.

If a man or woman or their children require treatment, it may be advantageous for them to make any arrangements, such as quitting a job, to place themselves on the welfare rolls and thus obtain free services. The medically indigent may in some of the jurisdictions receive only certain "basic" medical services free.

Furthermore, receipt of welfare makes children countable and eligible for purposes of the Elementary and Secondary Education Act of 1965 (Title I) even if their parents' income exceeds the statutory level. In other words, presence on the welfare rolls confers benefits other than the monthly check which make that status more attractive.

Some of the states were encouraged to raise their AFDC benefits when the 1965

amendments gave them the option to change from the established formula with a \$32 federal matching maximum per recipient, to the Medicaid formula which knows no maximum. Increased grants often made potential wage earnings look pale by comparison.

H. R. 1 would charge the Department of Labor with responsibility for the employment and training part of FAP-OFF. So did the 1967 amendments, with disappointing results. The department is apparently unable -- mostly through no fault of its own -- to place the over 5 million persons who are reported to be unemployed, nor even the 1.1 million who have been jobless for 15 or more weeks. How optimistic can we be with regard to the nearly 3 million adult AFDC recipients, most of whom are much less employable than the average member of the labor force who is presently out of a job?

Occupational training is, of course, an essential part of any attempt to help welfare recipients attain independence. Numerous training programs were authorized and activated within the past 10 years. Their results, which were presented to your committee and extensively discussed in hearings in 1970 as well as in July-August 1971, have been somewhat less than encouraging, to put it mildly.

Well-designed job training programs can help to raise the skills, attitudes and work habits of their participants to a level that will greatly improve their ability to land and hold a job. But they are no panacea and cannot perform the miracles that were widely expected of them. Persons of low intelligence and drive, who dropped out of school because they were lagging one or several years behind their classmates or national norms, who neither then nor later acquired a basic mastery of the 3 Rs, never showed ambition, usually followed the line of least resistance, and never held any but

simple, unskilled jobs-- if that -- can be converted into skilled workers only in very exceptional circumstances.

MDTA aimed to retrain workers from trades that had become obsolete to skills that were currently in demand and expected to expand. It was not designed to lift the "hard-core" unemployed. MDTA programs largely "creamed off" the most promising of those who had lost their jobs, and to that extent succeeded. The poor results of the WIN program that was launched with the greatest of hopes four years ago, were recorded at hearings of your committee on July 29 and August 2; I need not repeat them here.

There are several lessons to be drawn from those experiences: the chances of success are good for trainees who sincerely need and want a job of a type they can fill. They are poor for persons who participate because they are required to do so, or want to be eligible for the training allowance and welfare benefits, or because they want to avoid what they regard to be a menial job, although they lack the capacity to meet the requirements of a higher-level, more demanding type of job.

Too many attempts to train welfare recipients and hard-core unemployed were based on a naive belief in the unlimited plasticity of the human mind, derived from a theory that differences among persons are wholly attributable to environmental influences and can be undone or eliminated by changes in the environment. This seeming inability to distinguish what may be desirable from what is possible, explains the disappointing results of many ill-conceived training programs -- as well as the failure of Headstart and compensatory education programs to reduce the large and growing educa-

tional lag in basic educational skills of "disadvantaged children."<sup>1</sup>

This is not to underrate the importance of training for the acquisition of a marketable skill. But it must be preceded by a realistic evaluation of a person's potential in the current labor market. What many of the hard-core unemployed and welfare recipients need is not so much training to fit them for higher jobs, but jobs that fit their capacity. Often they need training for positive work attitudes and habits. Like many or most of us, they do not have an unbiased and objective evaluation of their own potential and therefore not an adequate judgment of the type of job they can fill. They can hardly be blamed for rejecting jobs they regard to be menial or inadequately paid -- as long as they are offered an alternative, an opportunity to do financially no worse, or even better, without work.

A recent study of "Employment and Unemployment in Urban Ghettos" under the aegis of the National Bureau of Economic Research concluded: "It may be increasingly true that the patterns of unemployment and unstable employment among disadvantaged workers are dominated not by their inabilities to find work -- by their supply of labor characteristics and handicaps -- but rather by their refusals to work in certain kinds of jobs -- by the nature of the demand for unskilled labor." It pointed out that while in American history "a new 'disadvantaged' immigrant class of workers has always been available to fill the lowest strata in the American wage and occupational ladder," today's "disadvantaged" groups are no longer "willing to accept and remain on the

<sup>1</sup>I described this more extensively in "The Alchemists in Our Public Schools," Congressional Record, April 24, 1969, and "Math and Aftermath in the Public Schools," Congressional Record, December 22, 1970.



job" that is low-paid or menial.<sup>1</sup>

The main reason for this change in attitude is the availability of an alternative to low jobs that did not exist until a few years ago: welfare benefits that compare favorably with potential wage earnings.

On-the-job training has on the whole been far more successful in placing participants into lasting jobs than institutional training. Since employers cannot be expected to foot the entire training cost of employees they would not normally hire, some form of temporary subsidy is required. That subsidy can, in my opinion, be granted more effectively through tax credits than through direct payments of subsidies to employers. The Administration had long considered such credits. They were authorized last December by Title VI of the Revenue Act of 1971 (Talmadge Amendment).

Well-designed training can prepare many present welfare recipients for regular jobs. But there is a large number of men and women whose productivity cannot be raised to a level that enables them to compete in an open market for jobs at prevailing wage rates, even by the most intensive training. If the value of their service or output is less than the wage they would have to be paid, they will be relegated to permanent unemployment or, at best, to casual employment. ~~Much as~~ we may dislike the fact, there is a residual "hard core" at the bottom of the ability ladder who cannot climb it. To send those people from one training course to another only adds to their string of defeats,

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<sup>1</sup>David Gordon in: National Bureau of Economic Research, 49th Annual Report, 1969, p. 63.

to their discouragement, frustration and embitterment, and serves no purpose. It is doubtful that occupational training for welfare recipients that cannot be completed within a few months is anything but an exercise in futility. Nor is it advisable to pay private employers a perpetual subsidy to keep low productive workers on the payroll.

That residue of men and women can either be permanently supported in idleness or be put to work at simple tasks of the "sheltered workshop" type. Government may, to a limited extent, have to act as their "employer of last resort."

Work relief will give its recipients the dignity of having earned their keep instead of being permanently supported by the work of others. It will give taxpayers at least some return on their investment and, above all, the assurance that only persons who are genuinely in need and merit help will be aided. Such a "work test" for public aid could be the best criterion of eligibility and make all other tests of need superfluous.

It may be well to consider how the Soviet Union deals with the problem of poor, low-productivity, unemployed persons. I have observed it at close range on several visits. The USSR Constitution says and Soviet society practices: "He who does not work, neither shall he eat" (Article 12). The USSR offers no unemployment compensation nor welfare payments to able-bodied persons. But everybody can get a simple job at the minimum rate of pay -- presently \$66 per month -- by applying to a labor exchange. That is why there are always swarms of men and women with mop and broom cleaning the streets, stores, and subways in Moscow and other cities and keeping them sparkling clean -- in contrast to ours which are in a disgraceful state most of the time, because we pay comparable men and women several hundred dollars a month for doing

nothing.

A program of work relief is what Franklin Delano Roosevelt may have had in mind when he wrote to Colonel Edward M. House in November 1934: "What I am seeking is the abolition of relief altogether. I cannot say so out loud yet but I hope to be able to substitute work for relief."<sup>1</sup>

Attempts at providing work relief have not been successful in the United States for some years because work relief cannot compete with welfare benefits. Recently, however, California, New York, and Illinois / have initiated small projects of requiring able-bodied welfare recipients to perform some simple public tasks which otherwise would not be done. This is normally not permitted on federal public assistance programs but in August 1971 President Nixon gave his approval on an experimental basis. The \$2.25 billion Emergency Employment bill which was passed by Congress in July 1971 could provide jobs for at least 150,000 men and women for two years. That approach could be substantially expanded -- if simultaneously workless pay through public assistance were commensurately reduced. One obvious task would be for some AFDC women to take care during daytime of the children of other welfare mothers who would then be free to fill regular jobs.

I would like to repeat here something I have said elsewhere: I do not believe that the government owes anybody a living. But organized society certainly owes its members an opportunity to earn a living. Work relief for those unable to keep a job

<sup>1</sup>Elliott Roosevelt, ed., F. D. R. His Personal Letters, 1928-1945. New York: Duell, Sloan & Pearce, Vol. II, 1947-50.

in the open market seems a better way to aid the poor than giving them relief without work.<sup>1</sup>

A most delicate subject is the high birth rate among the poor. In 1967 the states were required to offer family planning services; H. R. 1 would transfer them to the Departments of Labor and HEW. But it could be that this difficult problem needs to be faced squarely and without euphemisms. Maybe we should call it plainly "birth prevention" and start offering a bonus for voluntary sterilization rather than for every additional baby. Whether the time has come when this is politically possible, I do not feel qualified to judge.

Last but not least: Maybe we should consider whether a child is always best off with his mother, or whether growing up in a well-run institution may not give it a better chance in life than living under inferior parental care or in a detrimental environment.

In Summary on the FAP-OFF Plan

H. R. 1 would establish a nationally guaranteed annual income of \$2,400 plus ancillary benefits (for a family of four), recognize low income as the single criterion that entitles a family to public assistance, and grant wage supplements to the "working poor." It would offer work incentives and impose a work requirement which, however, do not differ much from similar measures that have proven ineffective in the past. Projections by the Department of H. E. W. of future recipients inspire little confidence, in the light of the experience of the past 15 years when, every time, the number of AFDC recipients turned out to be larger than had been estimated at the time the budget was submitted to the Congress. Welfare dependency could well rise far beyond present

<sup>1</sup>"Guaranteed Poverty or Guaranteed Opportunity?" Vital Speeches of the Day, January 1, 1969; also Congressional Record, August 6, 1971, pp. S. 13705-10, etc.

plans within the next few years.

H. R. 1 would not only double the welfare rolls immediately, it would open a Pandora's box of undreamed of dimensions. Disruption of labor markets, steadily worsening social ills and civil unrest could plague the country for many years at an increasing scale.

This does not mean that the AFDC program should be permitted to continue operating in the manner in which it has in recent years. But there is no reason to take panic action, to jump from the frying pan of AFDC into the fire of FAP-OFF.

There are alternatives to H. R. 1 available which I shall discuss in the next and concluding section of this paper. Their details may require further study but they should receive earnest consideration.

#### Alternatives to the Family Assistance Plan

Among the alternatives to the welfare provisions of H. R. 1 that have been advanced, S. 2037 by Senator Curtis appears to have received the widest attention and attracted the broadest support. In contrast to H. R. 1, which would federalize public assistance and remove most or all state influence and financial participation, S. 2037 would give the states greater control over welfare policies and administration. It would prohibit federal employees from exercising supervision or control over state public assistance programs, or imposing requirements or limitations in regard to eligibility, etc.

This is the decisive difference between H. R. 1 and S. 2037: H. R. 1 would continue and reaffirm the trend of recent decades to concentrate power over domestic serv-

ice programs in the national government, while S. 2037 would reverse that trend in the welfare area. H. R. 1 would institutionalize and complete federalization of public assistance, virtually eliminating the states from the field; S. 2037 would confer broader decision-making authority on the states.

Whether in a governmental system such as ours power should increasingly be centralized, or ought to be dispersed among its component parts, is a question of personal and political philosophy, subject to neither proof nor rebuttal.

What impact a directional change in the power distribution is likely to have on the operation of a program and its costs can, however, be judged from past experience.

The record is unequivocal on this point: ever since the inception of the joint federal-state public assistance programs in 1935, most of the impetus for expansion has come from the federal level, whether through statutory changes, incentive matching formulas, administrative mandates or by court decisions. Most of the states have at some time or other, and repeatedly, attempted to limit the spectacular growth in their welfare rolls and costs, by the adoption of restraining rules or administrative practices. But they were frustrated nearly every time when the Department of H. E. W. ruled them "out of conformity" and forced them back into line. That the states have not given up is indicated by recent action in California, Illinois, New York, Pennsylvania, Texas, Nebraska and other states. In the light of past experiences though, their chances of being able to prevail against the power of the Department of H. E. W. to cut off their funds remains in doubt, unless Congress intervenes. Court decisions, based on federal laws and regulations have in many cases overruled the attempts of various

states to control their welfare rolls. This can be remedied only if Congress returns to the states wider powers over public assistance.

Congressional committees have on several occasions expressed their concern over the inordinate increases in the welfare rolls but have not taken action that succeeded in restraining the expansionary forces. When, in the spring and summer of 1971, it appeared, for the first time, that the tightening-up efforts of several states may have slowed down the growth rate, the administrator of the Department of H. E. W.'s Social and Rehabilitation Service was reported by the Associated Press to have voiced concern about that unexpected turn of events "because the needs of welfare recipients haven't loosened." It is easy to predict what would happen to welfare rolls if control were shifted entirely to the federal level, as H. R. 1 proposes.

The field administration of public assistance has always been state and local, at least in name. H. R. 1 would federalize it, thus bringing the entire apparatus more clearly in the federal chain of command. It would subject all employees active in the administration of public welfare, numbering about 200,000, to direct orders from the same federal officials who have been in the forefront of the expansionist forces. This suggests that H. R. 1 would not only double the welfare rolls in the next fiscal period, but is likely to lead to continued increases in future years. I doubt that the exorbitant growth trend in public assistance can be reversed unless policy decisions and administration are transferred to the control of the elected officials of state and local governments. S. 2037 would move in that direction and I regard it far preferable to H. R. 1 or the current law.

S. 2037 would authorize federal block grants to the states to match their public assistance expenditures, employing the Medicaid formula of 1965, now used for public assistance by the majority of the larger states, which reimburses them for between 50% and 83% of their outlays.

This raises serious questions. An offer to reimburse states for 50% to 83% of their outlays, in a program which they control, opens the door to raids on the U. S. Treasury. Even the present system has been and is being exploited by a number of states which manage to obtain disproportionate amounts of federal funds -- at the expense of taxpayers in the other states.

I believe, therefore, that the distribution method of S. 2037 could be improved while retaining its basic emphasis on state-controlled welfare systems. But before discussing the type of formula I would recommend, I would like to name one other basic proposal, namely, a restructuring of the aid-recipient categories. Such a restructuring will greatly simplify the problem of a just distribution formula.

If the time has come to reverse the trend of shifting welfare program control to Washington -- and I believe it has -- then the time may also be here to consider a more fundamental restructuring of our public assistance system.

It seems to me that the system designed in 1935 was basically sound: It established comprehensive social insurance, supplemented by three public assistance programs to which a fourth one was added later. Public assistance was intended mainly to serve until social insurance matured and coverage became universal. Its categories established seemingly clear criteria for eligibility which were objectively determinable and largely



beyond the power of welfare applicants and administrators to bring about or manipulate: old age, blindness, permanent and total disability. It was not then foreseen that the category for fatherless children would be so perverted as to include -- and even produce -- a vast number of problem cases which eventually swamped public assistance.

It had been intended that the residual cases, those with a multiplicity of personal or social problems, would be taken care of by a state-local controlled and financed program of General Assistance. As it turned out, the welfare bureaucracy manipulated ADC to take over, and this multiplied the residual cases that should have been in General Assistance, when most of its intended clients -- the widows, orphans and disabled -- were absorbed by OASDHI. That cannot now be reversed.

But the time may be ripe to combine the residual segment of AFDC with General Assistance to a new program that is state-locally controlled with a federal contribution on a formula grant. There are good reasons for such a move.

The typical AFDC recipient family has multiple problems which cannot be resolved with money alone. Nor is it easy to fit their adults into regular jobs in the open market, even with some occupational training. The infinite variety of their problems makes it very difficult or impossible to devise national rules that can be uniformly applied. Controversies over the "suitable home" and the "man in the house" are good examples of the necessity of judging situations individually and dealing with them on a case-by-case basis rather than by a general regulation. National rules on whether a mother is employable or has the right to stay home and be supported there if she so wishes, whether adequate child care is available, and on dozens of similar situations

are either too harsh in some cases or in some locations, or at certain times, or they are too lenient in others. Community views and local job market conditions and opportunities often play a decisive role in arriving at a viable solution.

If such decisions are made by persons who are independent of the citizenry and electorate, they are less likely to be in consonance with the views of the American public and the community. Proper judgment and decisions are more likely when compassion for the applicant has to be balanced against the need for obtaining consent to the spending of tax money from those who in the end must pay for it, and from elective officials who must accept political responsibility for raising the funds.

This suggests the following plan for the basic restructuring of the recipient categories:

Persons who are aged, blind or disabled should be phased into a pension program, preferably OASDHI. So should be the widows and orphans who because of some quirk of fate did not acquire sufficient social security credits and are on AFDC. So should the families of totally and permanently disabled parents. The remainder of the AFDC program should be merged with General Assistance, controlled by state and local governments, with the greater share of the funds contributed by the federal government.

With the General Assistance category simplified, therefore, it will be easier to devise a just formula of distribution, with a built-in technique of fiscal discipline.

Fiscal discipline in intergovernmental relations can be enforced by one of two methods:

- a) The "closed-end system" under which the size of the grants is pre-determined by a formula so that each grantee government knows that its welfare outlays are protected only up to a certain level and an excess will be at its own expense;
- b) The "open-end system" under which the grantor government promises reimbursement without limit; it must then exercise direct control lest costs develop a runaway tendency. Experience shows that it is not wise to say to a state: you may spend according to your own judgment and the federal government will reimburse you for 60% or 70% or 83% of whatever you spend.

Therefore, the size of the grants will have to be limited if program control is to be vested in the states. Otherwise some states may be unable to pass up an opportunity to extract 25 cent or 17 cent dollars from the U. S. Treasury.

Closed-end grants, which are employed in most other federal aid programs therefore appear to be a sounder method of financial assistance to the states. Federal grants to the states for General Assistance should, in my opinion, be based on population, modified in inverse ratio to economic capacity.

A system of federal grants for general public assistance on an equalization formula, taking into account state differences in per capita income, was recommended in 1956 by the Joint Economic Committee (Report No. 1311, 1956). The committee intended those closed-end, formula grants to include all public assistance programs with about 6 million persons. If recipients of OAA, AB, ATPD and AFDC fathers dead

or incapacitated were transferred to a pension program such as OASDHI, the remainder of AFDC and GA would constitute "general assistance." Between 9 and 10 million of the present 14.4 million welfare recipients would come under the new program.

I am proposing a formula as follows:

The total amount appropriated by Congress for General Assistance should be prorated among the states according to population, with each state's allotment divided by the percentage which the state's per capita income is of the U. S. average per capita income.

The attached table shows the distribution by states of \$4 billion in federal grants under the current law and under my proposed new formula. Column 1 shows the actual distribution of federal AFDC grants in F. Y. 1970, blown up to \$4 billion. Column 2 shows the allotments under the new formula, based on each state's population, modified in inverse ratio to its per capita income.

Column 3 shows the changes from Column 1 to Column 2. Twelve states and D. C. would lose, the other 39 states would gain. Main losers would be the large high-income states -- New York and California -- main gainers would be the low-income states, as well as a few states which are now tightly controlling their benefit levels and welfare rolls.

Under existing law, federal AFDC grants on a per capita basis amount to: \$36.04 in New York, \$21.98 in California ... \$5.47 in Arkansas, \$4.05 in South Carolina, \$4.17 in Texas, \$5.85 in Virginia, \$10.42 in Georgia.

This, obviously, is Robin Hood in reverse: New York and California, which account for less than one-fifth of the U. S. population, are getting more than one-third of all AFDC funds. Smaller and low-income states get far less than their proportionate share. It is about as unfair a distribution of federal funds as could be conceived: New York which enjoys the second highest per capita income of any state -- 22% above the national average -- and has 9% of the U. S. population collects nearly 20% of the federal AFDC funds. California, another high-income state, has less than 10% of the U. S. population but gets 15% of the funds. This truly amounts to the rich robbing the poor.

To continue such a distribution of federal largesse seems patently unjust. Why should residents of New York enjoy generous assistance grants -- at the expense of taxpayers in other states? Why should they disproportionately benefit from the spending of funds, collected elsewhere by the U. S. government?

A gradual adjustment over a number of years, that would bring the distribution into a closer relationship to population and make low per capita income a factor in awarding larger rather than smaller federal grants, would certainly be desirable.

The purpose of the table is to demonstrate the obvious discrepancy in the distribution of AFDC funds that has been permitted to exist and, in fact, to become increasingly worse in recent years. The table also serves as a frame of reference for consideration and further discussions of a revision, based on population and per capita income rather than on a policy which amounts to a raid on the federal treasury -- or, more precisely, the taxpayers in the other states -- by a flagrant abuse of open-ended federal grants. To some extent this distribution amounts to a reward for profligacy and a pen-

alty on tight fiscal management: the states which have controlled their public assistance rolls pay for the states which have permitted them to grow out of proportion.

In F. Y. 1970 federal grants equalled 54% of AFDC payments while the states bore 100% of General Assistance. Thus they received 47% of their combined AFDC-GA costs through federal grants. A proviso might be added to the new plan that a state could be reimbursed for up to two-thirds of its program costs, with an upper limit established by the population-income formula.

Enlarged federal grants to low-income states would make it possible to reduce the sharp discrepancies in the size of AFDC benefits among the states, which have long been criticized. Monthly AFDC benefits average (July 1971) \$186.77 nationally, and run as high as \$281.75 in New York, as low as \$53.51 in Mississippi and \$58.49 in Alabama, a spread of about 1:5. What may be more important, an AFDC family in Mississippi receives less than one-third of the national average. National minimum standards might well be established and increased federal grants would enable the low-income states to finance them.

In conclusion then, I think that the basic concept of Senator Curtis' bill -- S. 2037 -- is sound, namely, a return to the states of greater power over welfare policy and administration. The welfare system could be made more rational by the restructuring of the categories which I outlined and the distribution of federal funds for public assistance could be improved by the use of a closed-end formula based on each state's population and per capita income.

<u>State</u>	<u>Actual Distribution in FY 1970 Increased to \$4 billion</u>	<u>According to Population and in Inverse Ratio to Per Capita Income</u>	<u>Difference Between Columns 1 and 2</u>
----- millions of dollars -----			
Alabama	\$ 33.9	\$ 91.1	+\$57.2
Alaska	3.9	5.0	+ 1.1
Arizona	27.4	37.2	+ 9.8
Arkansas	18.2	52.0	+ 33.8
California	604.1	340.2	-263.9
Colorado	32.2	43.6	+ 11.4
Connecticut	54.3	47.1	- 7.2
Delaware	9.7	9.6	- .1
D. C.	22.3	10.6	- 11.7
Florida	84.6	140.7	+ 56.1
Georgia	94.2	103.9	+ 9.7
Hawaii	14.9	12.8	- 2.1
Idaho	11.9	16.6	+ 4.7
Illinois	181.3	186.3	+ 5.0
Indiana	36.6	103.7	+ 67.1
Iowa	39.9	57.8	+ 17.9
Kansas	33.7	44.4	+ 10.7
Kentucky	65.1	79.0	+ 13.9
Louisiana	73.7	90.2	+ 16.5
Maine	23.7	23.0	- .7
Maryland	65.2	69.6	+ 4.4
Massachusetts	144.4	98.5	- 45.9
Michigan	147.3	165.0	+ 17.7
Minnesota	64.1	75.1	+ 11.0
Mississippi	24.7	65.0	+ 40.3
Missouri	65.0	95.3	+ 30.3
Montana	7.7	15.5	+ 7.8
Nebraska	14.8	29.9	+ 15.1
Nevada	5.9	8.1	+ 2.2
New Hampshire	5.5	15.5	+ 10.0
New Jersey	155.4	117.6	- 37.8
New Mexico	27.4	24.5	- 2.9
New York	772.7	287.8	-484.9
North Carolina	65.0	119.6	+ 54.6
North Dakota	8.1	15.6	+ 7.5
Ohio	127.7	202.4	+ 74.7
Oklahoma	51.4	58.3	+ 6.9
Oregon	41.4	42.6	+ 1.2
Pennsylvania	289.3	226.6	- 62.7
Rhode Island	21.0	18.4	- 2.6
South Carolina	18.0	66.6	+ 48.6
South Dakota	10.4	15.9	+ 5.5
Tennessee	64.3	96.0	+ 31.7
Texas	96.1	239.3	+143.2
Utah	20.6	24.9	+ 4.3
Vermont	9.2	9.7	+ .5
Virginia	53.2	97.2	+ 44.0
Washington	68.2	64.4	- 3.8
West Virginia	42.9	43.6	+ .7
Wisconsin	44.9	90.3	+ 45.4
Wyoming	2.5	7.0	+ 4.5
Total	\$4,000.0	\$4,000.0	+ \$ .0

Based on: Population, April 1970 (Census)  
 Per capita income in 1970 (Survey of Current Business, August 1971)  
 Actual federal grants to states for AFDC in FY 1970

The CHAIRMAN (presiding). The next witness will be Mr. Allen Nixon.

**STATEMENT OF ALLEN NIXON, PRESIDENT-ELECT, SOUTHERN STATES INDUSTRIAL COUNCIL, ACCOMPANIED BY ANTHONY HARRIGAN, EXECUTIVE VICE PRESIDENT**

Mr. NIXON. Senator, I will make this as brief as possible. I had some other comments on the side that I am going to ignore because of the time element.

I am here representing the Southern States Industrial Council. My name is Allen Nixon. I am president of E. C. Barton and Co. of Jonesboro, Ark. Our company operates retail building material stores in 26 different towns in the Mississippi Delta area from Sikeston, Mo., to Eduora, Ark., near the Louisiana line, as well as a wholesale building material concern at Jonesboro, a small insurance agency and a finance company. We employ about 250 people.

The gentleman on my right is Anthony Harrigan, the council's executive vice president who is assisting me.

I am appearing before you in behalf of the Southern States Industrial Council, of which I am a vice president and president-elect. The council has a membership of approximately 2,800 business and industrial firms employing more than 3 million people. A majority of the member companies are located in a 16-State area extending from Texas to Maryland, but a substantial number are situated elsewhere throughout the Nation. Our headquarters are in Nashville, Tenn.

The Southern States Industrial Council is dedicated to restoring and preserving the free enterprise system which is the basis of our strength as a nation. We are here to register strong opposition to so-called welfare reform proposals in H.R. 1, as amended, because they would violate the principles of the free enterprise system and move us along the road toward a welfare state and a Socialist society.

Specifically, we wish to address ourselves to the provisions relating to family programs, the opportunities for families program and the family assistance plan, which would replace the present aid to families with dependent children. It is in this area that most of the blame falls for our present welfare mess.

Few people will deny that we have a real mess on our hands in the AFDC program. It has caused welfare costs to skyrocket out of control. It discourages the formation of stable family units; it promotes illegitimacy and it encourages fathers to abandon their children and rely upon the taxpayers to provide for them.

As a parenthetical statement here, Senator, I served as sheriff and collector of Jefferson County, Ark., a number of years ago for two terms and I know from personal experience that is the truth.

Would H.R. 1 solve the problems of illegitimacy, family instability, evasion of responsibility, and unwillingness to work, which are at the heart of the welfare crisis? Instead of attacking the roots of the problem, the welfare reform plan proposed by the administration and approved by the House with some modifications would set up a guaranteed annual income, available both to those who work and those who escape working through a series of exemptions provided in the bill.



One such exemption states that an individual shall not be required to accept employment in order to get welfare payments "if he has demonstrated the capacity to obtain work that would better enable him to achieve self-sufficiency, and such work is available." It does not take much imagination to see the size of the loophole this somewhat ambiguously worded exemption provides for the person who does not want to work.

Furthermore, such an exemption is difficult to reconcile with a statement made by President Nixon about the work ethic. Mr. Nixon said, "I guess every job my father had was a menial job, but any job that puts food on the table and buys shelter and clothing and education for a mans' family is not a menial job. Let's recognize that in America, once and for all. Let us recognize that the only thing demeaning in America is for one man to refuse to work and to let another man who does work pay taxes to keep him on welfare. Any work is preferable to welfare."

The President is to be highly commended for that statement.

We do not intend to comment on each of the specific provisions of the pending welfare reform legislation, however, or to suggest how they might be changed. The Southern States Industrial Council believes the entire concept of providing a guaranteed income for any segment of the populace, at the expense of another segment of the populace, is wrong and should be rejected in toto as the basis for welfare reform. No tinkering with the lengthy and complex provisions in the bill could alter the fact that the one basic premise behind it is wrong, in our judgment, and commenting on the detailed provisions would therefore serve no useful purpose.

Administration spokesmen have argued that establishing a minimum income for welfare recipients, to be paid in whole or in part from the funds provided by those who work and pay taxes is not a guaranteed annual income. Calling it by any other name does not alter the plain fact of the situation, and efforts of the administration to avoid the guaranteed annual income tag have been unsuccessful. The press and general public identify the guaranteed annual income in the welfare reform bill for exactly what it is.

Almost all Americans, and the Southern States Industrial Council, as well, feel an obligation to provide the necessities of life for the blind, the infirm, and the aged; we know of no real demand for elimination of such programs. Americans are willing to bear their share of the burden of helping these people; however, we believe most Americans do not feel a similar obligation for those who can provide for themselves but fail to do so.

In this country for many years we admired and paid tribute to the self-reliance, fortitude, and character exemplified by those who pulled themselves out of poverty by their own bootstraps.

Yet today's forgotten men are those who, starting from poor and humble circumstances and often handicapped by lack of education, have nevertheless successfully made their own way. Why, we ask, is there now so much sympathy and concern for the individual who exerts little or no effort to provide for himself, and so little concern for the wage earner whose tax burden has become tremendously heavy because of the money spent on those individuals in our society who are appar-

ently lazy, indifferent, shiftless, or unwilling to assume their responsibility as Americans to earn their bread by the sweat of their brow? Isn't it time someone thought about that ordinary everyday, average citizen—the American taxpayer?

The legislation before this committee is not a welfare reform bill but a welfare expansion bill. The committee chairman, Senator Long, has said, "Any good welfare reform measure should remove from the rolls millions of recipients who have no business being there in the first instance."

We could not agree more. Yet both proponents as well as opponents of H.R. 1 agree that its immediate effect would be to put several million more people on the welfare rolls. To assert that this would help break the present welfare cycle, as do proponents of H.R. 1, is to us completely illogical.

Even if the welfare program in the pending legislation were an improvement over the present welfare program, its cost would be prohibitive. The urgent need is to reduce the costs of welfare which have risen to the point where they are one of the prime causes of our present economic crisis. Yet the House has passed, and this committee is considering, legislation which would add billions of dollars—no one is sure exactly how many—to the already staggering costs of welfare.

Furthermore, if the principle of a guaranteed annual income should be made the basis for the Nation's welfare program, the realities of political life dictate that the level of income guaranteed will continually rise. The burden on the taxpayer will become greater and greater.

On July 31, 1968, Mr. Nixon said:

The economy cannot afford four more years of abuse from irresponsible federal managers without suffering grave and perhaps permanent damage. The damage done thus far can and must be repaired by a new Administration committed to the economics of responsibility.

That statement about the economics of responsibility was applauded by the Southern States Industrial Council. The current pressure from the administration for a multibillion-dollar increase in welfare spending, while admitting a current deficit of nearly \$39 billion, seems to us to represent the economics of irresponsibility.

True welfare reform is urgently needed. A tentative step in the direction of reform was taken by the Congress late last year when it passed workfare legislation requiring most able-bodied welfare recipients to sign up for work or training.

That legislation should be strengthened considerably without tying it to the guaranteed income proposal as in H.R. 1. Welfare eligibility requirements should be tightened and the rolls purged of able-bodied people who can provide for themselves if they have to.

As Chairman Long has proposed, steps should be taken also to facilitate locating runaway fathers and forcing them to provide support for their children.

Instead of giving the Federal Government a larger welfare role as H.R. 1 would do, the role of the States should be enlarged. Such restraints as have been exercised in welfare spending can be attributed to the States, not to the Federal Government. If the States can pass along all costs to the Federal Government they will have no incentive

to strictly enforce eligibility requirements and eliminate welfare cheaters.

In conclusion, the efforts of advocates of larger and larger welfare payments to more and more people are neither just nor humanitarian. The effects will be to impoverish the working people who are capable of energizing the economy. They threaten the destruction of our private enterprise system and our society. The Southern States Industrial Council, therefore, urges that the Senate Finance Committee reject the welfare reform provisions of H.R. 1, as amended, and any similar proposals providing for a guaranteed annual income.

Senator TALMADGE (presiding). Thank you, Mr. Nixon. I compliment you on your statement.

(The following communication and statement was subsequently received by the committee for inclusion in the printed record:)

E. C. BARTON & Co.,  
Jonesboro, Ark., February 2, 1972.

Hon. RUSSELL LONG,  
U.S. Senate, Senate Office Building,  
Washington, D.C.

DEAR SENATOR LONG: You certainly were nice last Thursday to permit us to testify for the Southern States Industrial Council on H.R. 1 so that we might catch our plane. We had a quick trip to the airport but we made it.

We had hoped to be able to visit with the Committee about the employee training program that we have in our company. In the testimony of Dr. Freeman, and in the testimony of the gentleman from Morrison and Knudson, there was a great deal of discussion on training programs.

Our school program started in 1964. We are a small business, but we have averaged spending approximately \$40,000 a year buying equipment, paying the employees full time while on company time for training and, of course, paying our instructors, who are key men and officers in our company. Most of our people are not college graduates but are youngsters right out of the cotton field. A great number of these youngsters have not graduated from high school. In many instances, they are children of sharecroppers or day laborers. We are proud of the fact that, in Northeast Arkansas alone, where we have 14 stores, eight of the managers are graduates of our training program and only one of the eight is a college graduate. At least one is not a high school graduate.

We bring our youngsters to Jonesboro, put them in motels and pick up all the expenses. We give them a total of 120 hours training in basic estimating (blue print reading) and product knowledge, basic salesmanship, and a basic mathematics course coupled with some training in routine office procedures.

We have never requested financial help nor have we received any from the federal or state governments for our school. We have not penalized one employee in pay while he was attending the school and, in some instances, have paid overtime where they traveled long distances in order to be present. Since we began, we have trained over 360 young people. As a guess, our company has retained approximately a third of these individuals. We place no restrictions on who will attend.

As to the financial aid from the federal or state government that some had mentioned might be possible, we think this is not good for several reasons. First, we prefer to pay our own way. This is the American way. Second, our company, in the last six or seven years, has been brought under the regulation or control of seven different federal agencies in addition to the internal revenue service and the social security administration. The regulations of these various agencies are of great concern to us. Particularly is this true when no one seems to know, in many cases, what is the right way to comply with the regulations. The expanse is staggering to implement these requirements. These different government regulatory bodies are virtually taking our freedom. Plainly speaking, we do not want any more government control of our business.

There are so many bills introduced, that, of necessity, the Congress has to rely on economists and others who are either school teachers or men with little practical experience for consultation and advice. It would appear to us that the

Senate Finance Committee might consider calling in more successful and qualified businessmen and conferring with them about important legislative matters. Many companies, as was pointed out last Thursday, have the capability to gather information in matters such as welfare and taxation that could be most helpful to the Congress.

Again let us express our appreciation to you. We are sorry that we did not get a chance to talk to you personally and to some of the other members of the Committee about the other phases of this welfare situation.

Sincerely yours,

ALLEN NIXON, *President.*

## STATEMENT OF THE SOUTHERN STATES INDUSTRIAL COUNCIL

### THE TRUTH ABOUT FAP

Apologists for the current welfare system often contend that the rolls are made up largely of the aged, blind, disabled and, of course, children. Therefore they insist that very few recipients are capable of earning their living as an alternative to subsidy. That this claim is, strictly speaking, true obscures many realities about American welfare and prematurely dismisses significant arguments against President Nixon's gargantuan Family Assistance Plan (FAP) which has passed the House as H.R. 1 and is now before the Senate.

In fact the three "adult programs" in the federal public assistance system, aid to the aged, blind and disabled, constitute barely one fourth of the whole cost, (1) with the overwhelming majority devoted to Aid to Families with Dependent Children (AFDC), a system which has ironically made participating parents as dependent upon their children as their children are upon them.

When federal aid to children was first conceived in 1935 its backers called the scheme "Aid to Fatherless Children," intending the beneficiaries to be orphans or children whose father was in some way incapacitated. (2) But when the program got on the books the name was changed to Aid for Dependent Children (ADC), and a seemingly innocuous phrase referring to a father's "continued absence from the home" was slipped in as one standard for eligibility. At first the measure stayed largely within Congressional aims, and five years later considerably less than a third of all ADC recipients were on the rolls as a result of the father's absence. (3) By 1961, however, children of absent fathers represented nearly two thirds (63%) of the total, (4) and that same year, in an effort to discourage such paternal desertion, Congress made children of unemployed fathers eligible as well, in those states which agreed to the change. Even so, by 1970 children with absent fathers had risen to 73% of the total, and strangely, this change was most marked in states where children of unemployed fathers were eligible for grants. (5)

In 1962 the name of the program was changed to Aid to Families with Dependent Children (AFDC) and nine years later there were 2.8 million adults on AFDC rolls, in addition to an approximately equal number receiving benefits under the official "adult" programs. (6) Congressional intent was thwarted, however, as the rate of absentee fathers continued its relentless growth.

It was not a mindless desire to squander public funds which motivated the Congress thus to expand welfare eligibility; indeed lawmakers almost unanimously had exactly the opposite intention. Likewise President Nixon tells us that FAP will get people "off the welfare rolls and onto payrolls." Yet the grand total of AFDC recipients has quintupled in the last fifteen years, doubled in the last four, and FAP proposes to double it again. (7) President Nixon has tried to sell the plan to Congress by stressing its work incentives and the fact that no one would be better off on the dole than on the job. The fact remains that such work incentives, by reducing welfare payments, would subject a recipient to a 67% tax on earnings, leaving him 67 cents an hour if the base pay were two dollars. Common sense dictates that few people, especially the least motivated members of society, would work at boring, menial jobs for such a reward, particularly when FAP *guarantees* a family of four an income of \$2400—plus substantial fringe benefits, regardless of work. Passage of FAP will prove that Congress has failed to learn what it should have learned ten years ago—increased benefits will continue increased paternal desertion because, as Dr. Roger Freeman testified to the Senate Finance Committee:

“. . . no combination of benefits or earnings and benefits can alter the fact that a man can still maximize his and his family's income by desertion: he can then keep whatever he earns—instead of only one third as he would under plans in H.R. 1—and let his family be supported by AFDC.” (8)

The current welfare structure is plainly inadequate, and while FAP represents an even worse alternative, a general consensus does exist to the effect that some drastic change is desirable. Certainly the most serious welfare problem is the absent father, and some Congressmen, such as Senators Harry Byrd and Russell Long, believe that the best way to deal with it is to make desertion a federal offense. H.R. 1 goes halfway in this direction, by making a deserting father who crosses state lines subject to federal prosecution, but only about ten per cent of absent fathers are known to have changed states. (9) To be truly effective, federal law should cover all deserting fathers regardless of residence who leave their families dependent upon AFDC funds largely provided by the federal government.

And welfare mothers should be firmly encouraged to assist in establishing the whereabouts and often even the identity of the missing father. Mothers now have an incentive not to bring back their mates since the missing man is generally not productive enough to support the family on his earnings alone as well as they had been living on AFDC, supplemented perhaps by his own surreptitious additions. Although the mother is now protected in her silence by HEW's confidentiality regulations, Congress can legislate an end to this counterproductive “right” and should authorize federal investigative forces such as the FBI to join the search for the elusive fathers.

Additionally the myth must be exploded that it is the scarcity of day care facilities which prevents mothers of young children from working. Statistics show that while fifteen million mothers worked outside the home in 1970, day care centers had capacity for only 750,000 children. In 1965 the Children's Bureau found that 46% of all children of working mothers were cared for in the home, mostly by relatives, 15% went to another home and only 2% were in day care centers. (10) It is reasonable to suppose, therefore, that the huge majority of mothers can, if they wish, find some means of caring for their children during working hours, especially now that new laws tax deductions for household help in families earning less than \$18,000. (11) As Dr. Freeman has observed, the important question is whether the mother “truly wants to take the type of job she can handle at the wage it pays, or would rather be on welfare.” (12) With what some have estimated as “several million” domestic jobs going unfilled, (13) the lack of available employment cannot credibly be argued.

But perhaps the most important welfare reform is also the simplest. Rather than federalizing public assistance as in FAP, states should be granted wider discretion to set their own welfare standards. Governor Ronald Reagan testified to the Senate Finance Committee on February 1 that his administration had cut nearly half a million potential welfare recipients from the rolls in California and had thereby been able to raise benefits to those truly needy who remained. Some Reagan proposals included denying aid to families of strikers and making recipients who could not find private employment work for no additional pay at public jobs that would not otherwise be filled. One provocative sidelight to Reagan's presentation occurred when the Governor was asked what had happened to the citizens his changes had caused to become ineligible for welfare. While Reagan naturally could not specifically answer the question, he did observe that the unemployment rate in his state had remained stable, and he did not mention any sudden onslaught of Californians dying in the streets for lack of any means of survival. Likely they had returned to where they should have been all along, working within the private system at jobs which circumstances no longer permitted them to feel were too boring or too menial.

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3. “The Welfare Mess: A Scandal of Illegitimacy and Desertion,” an address of Hon. Russell B. Long, Chairman, Committee on Finance, and Supporting Material, U.S. Government Printing Office, Washington, Table 2, p. 12.

4. *Ibid.*, p. 13.
5. "Statement of Roger A. Freeman," p. 31.
6. *Ibid.*, p. 47.
7. *Ibid.*, pp. 57-58.
8. *Ibid.*, p. 39.
9. "The Welfare Mess," Table 6, p. 17; "Statement of Roger A. Freeman," p. 42.
10. *Child Care Arrangements of the Nation's Working Mothers*, Departments of HEW and Labor, 1965, cited in "Statement of Roger A. Freeman," p. 50.
11. "Washington Newsletter from Senator Russell B. Long," January, 1972, p. 1.
12. "Statement of Roger A. Freeman," p. 53.
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Senator TALMADGE. The next witness is the Honorable Henry A. Wise, former member of the New York State Legislature.

**STATEMENT OF HON. HENRY A. WISE, FORMER MEMBER OF THE  
NEW YORK STATE LEGISLATURE**

Mr. WISE. Mr. Chairman and members of the committee, I don't know just why I asked to be on the list but I think maybe once in a while it is a little good thinking to have an individual who represents only himself rather than some group; but one of the things that impressed me—

Senator TALMADGE. If you will yield, I completely agree with you. We occasionally have a witness come in and claim he speaks for millions of people and sometimes we doubt that he speaks for anyone but himself.

Mr. WISE. Well, I am responsible only to myself but I hope I will be responsible in what I say.

Senator TALMADGE. I appreciate your candor, sir.

Mr. WISE. One of the things that impresses me most about this hearing is the dedication of the members of this committee. Up to this roll-call they have had a large number, and when back as long as 22 years ago when I used to hold these hearings in Albany, about the time that the testimony got repetitious and redundant we would draw lots and see who was hooked with sitting there while the rest of us went on about other more pleasant business.

But you gentlemen can read, so I am going to spare you—

Senator TALMADGE. Without objection, your entire statement, Mr. Wise, will be inserted in the record and you may summarize it as you see fit.

Mr. WISE. I just want to make—I am not going to say what has already been said here. The thing that I think is one of the finest statements here, of course, is Dr. Freeman and Governor Smith, Senator Percy and Mr. Knack from Idaho this morning covered a lot of ground.

I just wanted to make a couple of observations.

In writing it comes out this statement may look rather harsher than I meant it. What I meant by this statement was not to blame any individual, whether poor person or an administrator of this program; but what I am trying to point out is that there is a jerrybuilt system which has grown up year after year while the public had their mind

elsewhere and we politicians felt that fooling with welfare was political death. So up until a very few years ago it was just let go on its own.

Now, the Governor of Ohio came and said here he was tired of hearing welfare pilloried. But the welfare system has got to be pilloried until people realize that this thing is entirely off the track, and not doing what it was intended to do: To take care of needy poor people who can't take care of themselves.

Now, the—almost the irony of this thing is that the administrators of this program, the top administration of it, which is the Department of HEW, can do almost anything necessary to reform the program except appropriate funds. The bill that Senator Talmadge got passed was only necessary because the Department of HEW apparently disagrees with Senator Long who said in his statement on December 29 that society, it is elementary commonsense that society should pay for the things it values and not for the things it looks down upon.

Well, if HEW had the same values and commonsense as the members of this committee who have taken an interest in this thing have, most of these bills would not be necessary.

Now, I just want to make one other couple of points and I wish Senator Ribicoff were here. When I was down here once before in 1962 we had some business with him; we didn't get what we wanted but what I am leading up to today for a man who is a self-proclaimed liberal, I think he has shown more commonsense in his observations today than any other self-proclaimed liberal I have ever heard. He mentions that these should be pilot programs. That is one of the reasons this got out of hand. They went hog wild nationwide on these things without trying them out first.

Another thing he says they ought to have an independent research and review system of it. I couldn't agree more. I think that you would have far less problems and the system would use the money more productively for what it was intended for if you had those things.

I do beg you, gentlemen, that any bill you finally reach a compromise on or H.R. 1, I know H.R. 1 in its present form is a dead horse; I am not going to review all the terrible things about it, as passed by the House, but I know you are going to come up with some kind of compromise and I beg of you whatever you do, have it for—have a cutoff date on there, or a pilot program, and not have another thing that looks so good on paper before it is tried wind up by doing things that nobody ever expected would be done or intended to be done.

Now, recently, of course, the Supreme Court held that State laws requiring residency of a certain period of time before people could be taken care of on public assistance was invalid. I don't quarrel with the law on that because Federal funds are in it; but I do think it is very unfortunate for Congress to force a State to support a policy which it has every right to disagree with, that is, that State funds should not have to go to the support of people who come in the State with no means of support and no really solid means of ever having it.

Now, it seems to me the way to correct the situation is for Congress to pick up the whole tab or the Federal Treasury pick up the whole tab for people who have not, who have come to a State and not lived there, in other words, for people who have moved into a State for the period until they at least have lived there long enough to become a qualified voter.

Now, a somewhat similar system operated in New York State where the county is not responsible for a person who moves into the county until he has been there for at least 4 months. The State picked up the whole tab; of course, the Federal paid part of the share of that, but that would be a way to get out of this thing.

It just burns State legislators up that they are forced to have to use their scant public funds that they cannot use them in priority first for their own bona fide residents and I think that is the way you could take care of that matter and problem.

Dr. Freeman went over—he took care of the Curtis bill and I am not going to mention the Curtis bill which, I think, is the ideal answer but I realize it is politically impossible in this day and age to have the Federal Government give away any of its powers and give them back to the traditional repositories thereafter, so I won't dwell on that.

But there are a few other couple of little things here that, in the generalities of the witnesses have not been mentioned and that is in the appendix to my sheet here I will just mention a few of them:

The main problem with this whole HEW thing is that your predecessors in this body have got clauses throughout the Social Security Act which say, in effect, "The Secretary shall prescribe such standards as he may deem necessary to implement this act." Well, they have deemed some of the doggonest things necessary to implement the act you can ever think of and I beg you, as Senator Ribicoff said, I do want to say something about a self-proclaimed liberal that is nice: Senator Ribicoff said that you have given away too much legislative power to the executive branch. I think you have given away too much power to the administrative part of the executive branch and that Congress has got to specify some of these standards that itself, rather than giving carte blanche to the administrators to do it.

Now, on the matter of work relief, and Senator Talmadge's bill. I just hope that due to the resistance of stiffnecked administrators who have demonstrated for years that they think there is something dishonorable about menial labor, which practically all you gentlemen have done, even including the President of the United States, this menial labor has to be done by somebody and most of us thought it was honorable in our time; but you will find that certain administrators will evade that unless Congress is ready to implement Senator Talmadge's bill with whatever it is necessary to see that it works, because it should be borne in mind that often with the tolerance and even cooperation of government employees, at all levels, State, county, and Federal, these are supposed to protect the public and help poor people, but in some welfare cases they cooperate with their clients who are really clever at beating the system.

Certain so-called hardcore cases are so disenchanting with the work ethic that subsistence, meager enough to make it more uncomfortable to continue in indolence, than take a job or training is the only spur. Minimal aid for such persons is the best incentive just as special help, such as a typewriter, for instance, sometimes will bring out motivation or talent in some women if they had the resources to do that sort of work.

But another basic fault of our system is which person deserves this minimal aid and which should have incentive aid, and that is something



that nobody but people with a knowledge of human nature, common-sense and a knowledge of the case can determine.

Now, it will be said, well, that would leave it to the hardboiled people; they would be too hard; and the bleeding hearts would be too soft. Of course, you have to have somebody review it, but under our present system no credit whatsoever is given to the social worker's recommendation on the spot and they don't even recommend anything most of the time so there is nobody who will pay any attention to it.

I don't make these seemingly rather broad statements just out of hand. Where did I get that information? From talking with people on welfare, both black and white, in their homes, ghettos, and in rural slums, also with lower echelon administrators and investigators.

Now, one of these people here, that slavery quotation at one point, that came from a black woman who was a girl, moved from North Carolina to Harlem with her father and mother; she went to work scrubbing floors, got that whole family off welfare, got herself a law degree at the age of 20, now making \$100,000 a year, using her spare time to do practical efforts for ghetto people, telling them, "Get up off your duff or you will never get out of stewing in your own juice." That woman was here in 1962 and testified before this committee. I hear from her once a year and I asked her if she wanted to come down and testify and she said, "I give up. Just go on your own way," was her attitude.

You gentlemen can read. I am not going to be any more redundant or bore you. But there are some little bills regarding these things about allowing the local level to decide how to handle public assistance grants.

Year after year money is given to householders who either will not or do not know how to—anything about home economics or how to handle the family budget. The people at the ground level ought to be allowed to decide to give those people grocery orders, food orders, or pay the money to a third party, not just keep on giving that money out year after year. They say it is demeaning. The real reason that HEW won't allow that is because it would make it more difficult for the system if they had to judge on an individual basis. "Just write the check; make ourselves as little trouble as possible"—that is the philosophy about that.

Well, if it was early in the day I could say something rather that might interest you, but I thank you very much—

Senator BYRD. Mr. Chairman, I am sorry I was not here when Senator Wise presented his testimony. As he knows, the Senate was voting, but I want to say that Senator Wise has had a very distinguished career in New York State, a member of the New York Senate.

Mr. WISE. 350 miles from a place called New York City, though.

Senator BYRD. And I would like to ask him—but my recollection is that during his service as a member of the New York Legislature you had a great deal to do with the welfare program in New York?

Mr. WISE. Yes.

Senator BYRD. You were on a committee?

Mr. WISE. I was chairman of the Standing Committee in the Senate, and how it got this way somebody said, "Somebody has got to

be stuck with this, and you are the most immune from bleeding heart influence than anybody here," so I got this job. I got so fascinated as that went on that I turned down the Banks and Insurance Committee chairmanship and I kept this thing and wound up on several commissions, and so forth, and if you gentlemen ever had time, which nobody does, to read the couple of thousand pages of testimony taken around New York State in 1960, you just couldn't believe some of it would make you fall out of your chair laughing; others of it would make you cry, and all that stuff is even more true today than it was 10 years ago. The system has not improved any; it has proliferated in its wanderings.

Senator BYRD. And from your experience, wide experience, in New York, your view is that H.R. 1 is not, could not properly be labeled "welfare reform" but more accurately labeled "welfare expansion"?

Mr. WISE. I think it should be entitled "An act to transform the United States of America into the Uniform States of America."

Senator BYRD. Well, the Secretary of HEW, in his formal statement to this committee, I thought very accurately described this program, and his own words were that this program which he has submitted is, and I quote him: "revolutionary and expensive." They are his own words.

Mr. WISE. I think it would more properly be "retrogressive and expensive," which would say it is just more of the same, really; it is not revolutionary. What HEW said, it is more of what they have been doing all the time. You are rewarding a bunch of people who have made a mess for 35 years by giving them more millions and millions of dollars for people and saying, "something is wrong here but you are the ones who did it, so you straighten it out."

Senator BYRD. I think the fact that you served in the capacity you did in New York, that you had that wide experience in the New York Legislature, with the welfare program there—your testimony before the committee is tremendously beneficial.

I want to say that we in Virginia are very pleased that you have come back to Virginia, living in Lexington. The Wise family has been a wonderful and important family to the State of Virginia for many, many years.

Mr. WISE. That doesn't make them any votes with the welfare people, though.

Senator BYRD. The Virginia people are proud of Henry A. Wise, the name Henry A. Wise and Gennings Wise and many of the other Wise family in our State, and I just want to say I am pleased that you are before this committee, Senator Wise. I am glad my colleagues have had a chance to hear you testify.

Mr. WISE. I appreciate very much what you said, sir.

Just as I leave here I want to say—

The CHAIRMAN (presiding). Could I say something to you, Mr. Wise?

Mr. WISE. Yes; certainly. I was just going to add that the abuses in welfare which you people are so—with which you people are so familiar are not the fault of the people on welfare; anybody would take advantage of the loopholes that are given to them. That is the fault of the system, not the people.

The CHAIRMAN. Yes. The thought that does amuse me somewhat is to see these Governors down through the years talking about the erosion of State sovereignty and urging that something be done either to restore or preserve some of the sovereignty in the States.

How, here we have a program where we thought we were helping some poor people and then the courts expanded it to make us, sometime in a single decision, to make the States increase the rolls by as much as 50 percent in a single year by striking down the man-in-the-house rule, for example. Then the States, in trying to administer a program with the HEW interfering with regulations and the courts, particularly the Supreme Court, doing its own legislating to load those rolls with people that were never intended to be there, and then the States seeking in some cases to be generous in their own right, such as New York with extending these high benefits to more people; then here comes a maintenance of effort proposition which is one of the increases that went into effect so they were strapped with their own generosity and with the courts loading their rolls, and the courts and HEW loading them down with people who never, even by the Congress, nor by the States, were ever intended to be on the rolls: by the time they got through with that it was bankrupting them and so the Governors come in and asked to be unburdened of it and, mind you, now to get out of this thing they recommend to us that we take over a program that starts out by doubling the number of people again; so we have for every one person who was intended to be on there, there are two and now we are asked to get rid of this. The Governors are just hoping to get rid of it, are asking us to double it all over again, but just get them out of the picture by making it a Federal responsibility.

I think what you say is indisputably correct, that when you really try to get down to trying to solve problems there is a personal equation involved in all these and the people who are closest to those individuals would come nearer knowing what it is.

For example, I asked in the case of one particular person—I assumed that person's family was on the welfare, be investigated to see what the record would show because I had knowledge of that man and his family situation; and so that case is reflected somewhere in these figures where he is listed as father deserting family. There was no desertion involved there. It was just that the family discovered they could make twice as much money on welfare, with the food stamps, as he could working for a living. Just that simple.

Can you explain to me why anybody would want to work for a living when he could make twice as much on welfare?

Mr. WISE. They wouldn't. Where I live, when this first started, how I got into it I couldn't believe. One of my constituents came and said the guy is a truckdriver for the county highway department, quitting his job because with six children he can make more on welfare. I said, "Well, that can't possibly be true." I looked there and found that was just a minor part of what was going on, so I got into this thing.

Here is a man, a truckdriver, for a political subdivision of the State like New York, who could make money on welfare with six children by just giving it up.

But I just say, I have got to comment that when I first—when I left up there, about 1964, didn't run again, the recent and then Governor

branded as the greatest hardhearted reactionary baiter of the poor there ever was. He vetoed our residence bills and everything else. Now he has adopted every one of the programs and he is crying because the Supreme Court won't uphold him.

The CHAIRMAN. He is advocating now that you ask all those people, including those mothers, to work for the welfare checks.

Mr. WISE. Yes. I really think someday, I hope that the political realities will realize that the Curtis bill is not a repeal of the 14th amendment and despite the politics of race and the vested interests of the great, this big business of poverty, which it is—the poverty is where the money is, you know—from the people who don't have to exist on it, but a vital thing. And if I can have just one more minute, I am sorry; you got me going again, Senator, but it is on this uniform statewide standard of support—that is the most little understood and the most vicious thing in this to make the problem.

Uniform statewide standards of support were the same all over the State, are the same—it is something administratively ordered by HEW. Now, the worship of uniformity and objectively as the way to eliminate discrimination has been carried to absurd extremes. For example, take the big State of New York and a big agricultural State, too. The basic public assistance grant is the same to a resident of the city of New York as to that resident of Hamilton County which has the area of the State of Delaware and the population of 5,000 people. So they let him have variances a little bit up to last year until they said, "No, we have to have it all the same." So what happened? It backfired on the people who were most intended to be helped.

So they did not raise upstate to New York City but they cut upstate back—New York City back to the upstate level.

The CHAIRMAN. Well, my impression is that if you talk to anybody who lives among welfare clients, and I regard myself as being one of those at one time when 100 percent of my neighbors were on welfare, admittedly I lived in a rural area and didn't have many neighbors but a hundred percent of them are welfare clients and if you talk to anybody whose neighbors are in large degree welfare clients, and I have in mind these people who live in congested urban area, like here in Washington, as well as those who live in the rural areas—those who live among the welfare clients are stronger against having all these people on the rolls than anybody because they can show you so many people on there and so many abuses that shouldn't be. If you have a maid here in Washington, who is familiar with the situation of her neighbors, she will complain bitterly she has to work for her money while all these people draw these large amounts of welfare payments for doing nothing.

If you go into the States and propose, just try it, propose that you double the amount of money for welfare, or even make a major increase, make a 25 or 50 percent increase, in State expenditures for welfare, I would venture the assertion you can't get elected in one State in 50 on the platform you are going to double the number of people on welfare or even increase them by 50 percent.

Now, in Louisiana we just got through having an election, 18 men running for Governor and not a single man out of the 18 was campaigning for an increase in this welfare.

That is about how it is in 50 States out of 50, notwithstanding which somebody seems to think here in Washington there is some compelling demand to keep everybody on there who is on and pay them more and then to double the numbers.

Now, are you aware of any State in the Union where there is some great demand to expand the welfare rolls?

Mr. WISE. I don't know. Just the opposite; but here is the funny thing—a funny thing that happened here 20 years ago:

I started holding this type of hearing on a State level and it was useless because we were boxed in by HEW and couldn't do a thing; but I find today some of the same witnesses there 20 years ago when I was presiding over it and they haven't learned one thing. Their testimony is they have got a rubber stamp dated today instead of 1952.

Thank you, sir.

The CHAIRMAN. Thank you very much, Senator Wise.

(Mr. Wise's prepared statement follows.)

SUMMARY OF STATEMENT BY HENRY A. WISE, 311 S. JEFFERSON ST., LEXINGTON, VIRGINIA, FORMERLY A NEW YORK STATE SENATOR (1949-64)

TO THE COMMITTEE ON FINANCE, UNITED STATES SENATE:

I. The root cause of the chaos in public assistance is administrative policy built up over the years. Welfare "abuses" are results of such policy, rather than the underlying cause of "the mess". HEW has the power to reform itself by administrative action, but hope for that was gone years ago.

II. The Family Assistance Plan of HR 1 is no reform. It stems from and reinforces the same old thinking. It would exacerbate the problem because it rewards the System for its shortcomings by entrusting it with many more "clients" and much more money. FAP holds the potential for further waste of human resources and public funds.

III. If political realities changed so that the Curtis bill (S 2037) could be enacted, that holds the answer. That bill recognizes that poverty is individual wretchedness, a people problem, which cannot best be treated by a factory-like assembly line approach.

IV. Substantial reform should not wait. Some legislative proposals are outlined in the attached Appendix.

STATEMENT

TO THE COMMITTEE ON FINANCE OF THE UNITED STATES SENATE:

GENTLEMEN: Thank you for permitting me to be here. That is a rare privilege for one who is responsible only to himself. My remarks, if blunt, are responsible, I believe.

I. THE ROOT OF THE PROBLEM

Your Chairman in a press release on Dec. 29 said, and I quote: "It is elementary common sense that society should pay for those things it values rather than those things it looks down upon." End of quote. Amen. That pinpoints the basic fault with the federal system of public assistance administration, because your creature, HEW, has demonstrated time and again that it does not use common sense or hold in high esteem things valued by society and by the majority of you gentlemen and your colleagues. With its fetish for uniformity and rigid objectivity implemented by dogma, doctrines, theories, policies, rules, regulations and other directives down to the minutae, it has managed judiciously to ignore the basic fact that, although all men are equal in the eyes of the law, no man is the same. Each is different with different characteristics, motivations, talents and sense of responsibility. Abuses in AFDC, of which you are aware, are results, rather than the cause.

HEW has the power, which you so generously gave it, to do almost everything necessary, short of appropriating funds, to make public assistance a practical and workable operation. Sen. Talmadge's bill, now law, would not have been necessary had HEW deemed work or work training an important value, nor

would much of the legislation now being formulated by Sen. Long. It is possible, yes practicable, to be subjective, yet fair. The judgment of administrators and workers on the ground level should be encouraged and given credence in dealing with the problems of individuals. Those with personal knowledge of the "case" should have a big say in deciding who is a deadbeat and who deserves incentive aid. And a terrible consequence of this uniformity and inflexible objectivity is the slavery of this welfare prison—a slavery perhaps more harmful to its captives of whatever race than the chattel slavery of old.<sup>1</sup>

## II. HR 1 IS NO REFORM

Your Chairman said that, too. With its guaranteed annual income and nationwide minimum public assistance grant, FAP is simply a great big dose of the same bad old medicine. FAP would reinforce the same thinking that created this chaos, which Secretary Richardson frankly has admitted it is. An apt title for that bill would be: "An Act to Transform the United States of America into the Uniform States of America". Do not reward HEW for its failure by giving it a bigger host of "clients" and more money to waste.

## III. BELIEVERS IN THE OMNIFICENCE OF FEDERAL FUNCTIONARIES, DON'T LAUGH! THE CURTIS BILL IS THE ANSWER

When some of us representing constituencies immune from "bleeding heart" influence used to point out on the floor at Albany what we were heading for, and now have arrived at, what happened? Nothing, except the shrill epithets of the instant Liberals and their allies in the Eastern metropolitan media. We were frustrated because HEW was totally in the driver's seat, and it did not agree with liberalizing welfare administration. Now comes the Curtis bill (S 2037) which squarely meets the problem—too squarely doubtless to be adopted now. That bill would give back to the States their traditional responsibility, and take HEW out of the public assistance business except to watchdog the use of federal funds for public assistance as Congress defines it . . . It would be far easier for Congress to give the States a chance, and, if they fail, to take the mess back than to try to bring down to earth its hugest agency. That bureaucracy would mushroom further under the encouragement of HR 1.

I recognize that the States are not ready for this headache even with more federal money than they get now. Also, I realize that those who flourish on the Big Business of Poverty will not abdicate easily to fifty "provinces". What howls there would be that this would open the door to race prejudice and be a step back into the age of the Elizabethan Poor Laws. Nonsense. This is the 1970's, not the 1870's, or even the 1940's. Partisans of the status quo try to protect their position by cloaking their empire in a mystique of federal omnificence and the politics of race. Bias is not today S.O.P. in any public operation. There are many safeguards. Not a few thoughtful black people are saying, in effect, that life is better in erstwhile bastions of bigotry than in classic citadels of today's intolerant New Liberalism. No, the Curtis bill does not—repeat, not—repeal the XIV Amendment.

## IV. ACTION SHOULD NOT WAIT

HRI, or rather FAP, may be breathing weakly, hopefully to die. Meantime the public, including its poor, should not have to wait for some true reform. Several measures are suggested in the Appendix hereto. None are original. Some Senators already have, or are about to, offer legislation along these lines. The first thing should be, it seems to me, after thorough analysis of HEW policy built up over a generation, to define by amendments to the Social Security Act just what that quasi-legislative body, HEW, can and cannot do. And the first

<sup>1</sup> NOTE. This slavery statement is direct from a black woman who, as a girl, moved from N.C. with her father and mother to Harlem and went on welfare. As an adolescent, she did "mental" jobs and earned enough to take the family off welfare and to go to night school and earn a law degree. She is a highly successful lawyer in Harlem and does many practical things which help the poor become self-supporting.

Other conclusions in this statement are based on confidential talks with persons on, or formerly on, welfare, both black and white in their homes in ghettos and "rural slums", and also with social workers, investigators and lower-echelon administrators plus hundreds of pages of testimony at public hearings presided over by me. Conditions today are even more deplorable than twelve years ago.

H.A.W.

thing it should do is to throw out the "Uniform Statewide Standards of Assistance". The worship of uniformity and objectivity as The way to eliminate discrimination has been carried to absurd extremes. For example, take the big State of New York, a big agricultural state, too. The basic public assistance grant is the same to a resident of the City of New York as to a resident of Hamilton County. That county is as big as the State of Delaware but has a population of under five thousand. Costs and habits of living thus are ignored (as in FAP). Proven methods of reward and penalty remain unused. Despite uniform standards, people still are not uniform.

#### V. CONCLUSION

Americans, out of tacit shame, at need in the midst of plenty, have tolerated nonsense from the experts and the resulting abuses for too long. They hoped that, by giving generously, on the whole, of their earnings and savings through taxation, they could turn their backs on this unpleasant facet of American life. We cannot. We still must be generous, but at the same time, practical. And we should no longer be cowed by the exploiters of the Big Business of Poverty.

You gentlemen, too, would like to get this monkey off your backs. The majority of you, I hope regardless of the pressures, will not buy FAP with its guaranteed income and all, as the way to do that. But, at the very least, please curb the too broad discretion you have given this agency of your making. Its performance has earned it no vote of public confidence. Its powers should be redefined; its authority curtailed.

Thank you.

#### APPENDIX

##### SUGGESTED MEASURES FOR WELFARE REFORM

First, it would be a giant leap forward to drop provisions in the Social Security Act that give HEW almost unlimited power to implement and interpret the law as those who inhabit that labyrinth would have it. Guided by analysis of the evolution of the system over more than thirty-five years, Congress should specify in the statute just what HEW can and cannot do—do not let it continue in effect as a legislative as well as an administrative body. A lot of people want to exercise your powers, gentlemen. Without a very tight rein, HEW will find a way, its weird way, as it so often has. Following are some things that ought to be specified.

Second, forbid imposition of "Uniform Statewide Standards of Assistance". Concern for avoiding invidious discrimination should not be carried to the point of ignoring clear and material differences, which should be recognized by relevant and fair classification. How ridiculous it is to force a State to pay out welfare grants based on a standard identical for every region! New York is a big and diverse State in territory as well as population, with vast rural areas, too. Costs and habits of life between its various communities vary greatly. Conditions in the City of New York are as far apart from those in many upstate communities as they are from those in communities of other states. People, by nature not uniform, should not be treated as if they were. Let's substitute fairness for uniformity and common sense for rigid objectivity.

Third, granted that many persons on AFDC are unemployable because of young children or for other reasons, still certain social scientists for years have discouraged "unsuitable" work, "menial" labor, the kind of a job that has to be done and that most of you, and the President, too, have done at one time or another. The bill sponsored by Senator Talmadge, now law, tries to do what HEW always could have done, had it wanted to. Let us hope that this law will not fail because of stiff-necked administrators or lack of any needed further implementation.

In respect to work and work training requirements, it should be born in mind that, often with the tolerance and even co-operation of government employees, who are supposed to be there to protect the public and help the poor people, some welfare cases are really clever at beating the system. Certain so-called hard core cases are so disenchanted with the "work ethic" that subsistence meager enough to make it more uncomfortable to continue in indolence than to take a job or training is the only spur. Minimal aid for such persons is the best incentive, just as special help, a typewriter, for instance, sometimes

will bring out motivation and talent in others. Which individual should get the least and which more than average in the form of incentive aid is a matter that should be decided on recommendation of those who know the "client", who possess knowledge of human nature, and judgment. It will not be easy, even if authorized, to get the run-of-the-mill social investigator to exercise this judgment. Many social workers have the job merely because they have a college degree, usually wholly irrelevant to the work. They have been brain-washed too long in bureaucratic routine and paper work, suddenly to assume greater responsibility.

Last year New York enacted a law to require all employable welfare recipients to pick up their checks at a state employment office and to register for work or training. In the first months of its operation the rolls dropped some 20%. Why, is not altogether clear. Undoubtedly, some were erroneously tabbed as physical fit. Some had been getting checks by mail under phoney names or names of others. Some probably were willing to try anything rather than work. Some even took jobs. The law, however, was sloppily drawn. HEW was opposed until it had its collective mind changed. Aggrieved persons challenged in court. Does Welfare confer on its subjects a constitutional right to have checks come in the mail while some working folks have to drop by the paymaster's office? Let us pray that the courts will not rule that the old fashioned tenet that one must work to eat is "involuntary servitude" or "cruel and unusual punishment". Hopefully, the propensity of certain courts to usurp legislative power is going out of style.

Fourth, families should be encouraged to stay together. AFDC grants to mothers for children should not be cut off automatically because the father is in the home. Strengthen methods, as Senator Long proposes, of identifying and chasing down absconding fathers. Encourage the rewarding of families who supplement public assistance grants by letting them keep more of their total income (welfare plus earnings) than if solely supported by Welfare. Put a stop to the notion that a person has a right to public assistance but the authorities have no right to investigate him in his home. The taxpayer who is paying for all this is always subject to scrutiny by some government agent.

Fifth, make it clear that State agencies in their sole discretion may, on a case by case basis, grant assistance in kind (e.g. grocery orders), or by cash paid to a third party on behalf of the case, as well as by direct cash payment. All the talk about rehabilitation to the contrary, public assistance generally is cash on the barrel head. Money is doled out year after year to persons clearly unable or unwilling to use it properly for their children or for themselves on the excuse that any other way would be "demeaning" or "harmful to the client's dignity and independence". A more cogent reason is avoidance of red tape and the burden of complying with rules requiring detailed substantiation of such a "shockingly unobjective" appraisal, no matter how clear it might be that Mrs. Jane Doe doesn't know how to, or will not, spend the money as intended. Check writing is easier for the system. It is natural for the system to put itself first. It cannot be concerned about morals it says, but how about the morality of doling out public funds knowing that they will be spent for unauthorized purposes? In too many cases, as we all know, money for the essentials goes for other things. Wage earners and taxpayers don't like to have their money spent for joys, which, however, delightful, are not their duty to finance.

Sixth, several weeks ago an ill-conceived child care bill fortunately, I believe, was vetoed. A less harmful plan is contained in HR 1. This goody in theory, however, could not only become another grand boondogg'e but also very dangerous unless standards for the centers are specified by statute, not administrators. Do you think it a good thing to entrust the rearing of, perhaps, millions of very young children, to the supervision of certain types of child experts with their screwball theories? There is a shortage for baby sitters. (I am told some places standards for baby tenders for an AFDC family are such that few self-supporting mothers could find one if they had to comply.) There is a shortage of physical facilities. Such a program could run into astronomical figures. One estimate for the City of New York puts the cost of a place with capacity for 90 children at \$400,000 and the annual cost per child at \$2500.

Seventh, establish by an amendment to the SSA that the courts would not overturn (if that is possible) the right of States to limit use of their tax money to support bona fide residents. Some people equate state welfare residency laws with alien immigration laws. The first says "if you come to our State, you cannot rely



on it for help". The second says "you cannot enter the U.S. Period." Why is the Constitution distorted to mean that a State has to spend its own funds for those who arrive with no means of support and little prospect of remedying that sad condition? Priority for its own citizens is a natural and proper State policy. If Congress, aware of mobility of people in this age, wants to dip into the public treasury to help itinerant indigents, that is its prerogative. However, it should pay the whole shot and not force a State to help pay for a policy with which it has every right to disagree.

Eighth, this is too much to hope for, because only an ex-politician can afford to suggest that Civil Service is not sacred. Yet, welfare reform will not have maximum effect until rules of job tenure applicable to HEW become more realistic. Until there is more power to fire as well as to hire, that Department will continue to be a haven for dreamers and loose spending.

Ninth, the administrative review procedure granted the States under Sec. 1116, SSA, seems an empty gesture. The Secretary of HEW, or rather that monolith over which he reigns but which no man can rule, is prosecutor, jury, and judge. It is a rare administrator who will overrule himself. A court has no power to substitute its judgment for that of an administrator who supports his determination with "substantial" evidence, an easy thing to do. (But isn't it odd that some courts seem to have a penchant for substituting their ideas for those firmly established by the experiences of almost 200 years of American independence?) Certainly it would be impractical to adopt the "preponderance of evidence" rule which pertains in civil suits. That could paralyze the bureaucracy (is that bad?). Even though it would be a drastic departure in relations with agencies it has created were Congress to grant the States meaningful recourse by effective administrative review, could this not be initiated before a disinterested body or officer? Isn't it time to get drastic with a Department which professes devotion to "due process" for almost everybody except its vassals, the States?

The CHAIRMAN. The next witness will be Dr. Doris Hansen, executive director, American Home Economics Association. We are pleased to have you, Dr. Hansen.

**STATEMENT OF THOMAS M. BROOKS, DEAN, SCHOOL OF HOME ECONOMICS, SOUTHERN ILLINOIS UNIVERSITY, CARBONDALE, ILL., MEMBER, AMERICAN HOME ECONOMICS ASSOCIATION, ACCOMPANIED BY DORIS HANSEN, EXECUTIVE DIRECTOR, AMERICAN HOME ECONOMICS ASSOCIATION**

Miss HANSEN. Pleased to be here. I am Dr. Hansen, executive director and our witness today is going to be Dr. Tom Brooks who is dean of home economics at Southern Illinois University at Carbondale, who will present our testimony.

The CHAIRMAN. We will be glad to hear you.

Mr. BROOKS. Mr. Long and members of the Senate Finance Committee, it is as a member of the American Home Economics Association that I have been asked and I am pleased to present the association's statement concerning family assistance plans.

Since its founding in 1909, the American Home Economics Association, a national educational and scientific organization with a membership of about 50,000 men and women in home economics, has consistently been guided by its purpose: to improve the quality and standards of individual family life through education, research, cooperative programs, and education to the public.

The impact of the current welfare system and of any changes in this system on American families, whether recipients or taxpayers, is a natural concern of professional home economists. Therefore, a National

Conference on Family Income Maintenance Plans sponsored by the Family Economics-Home Management Section of the American Home Economics Association was held in June 1971, in Denver, Colo., to examine and discuss the social, economic, political, and historical implications of the varied approaches to income maintenance for families.

As a result of this conference, the following statement was developed with regard to family assistance plans:

This afternoon I would not reach the statement. I think each of you has been provided with a copy of it.

I would like to mention that this publication came out of the conference and included in this statement was a proposed position paper with regard to the family income maintenance plans.

The statement which you have received about the family income maintenance plans was submitted to the Executive Committee of the American Home Economics Association and adopted by them as their position on these programs.

The committee that developed this position paper, and I think we can say that also the American Home Economics Association, is favorable toward a guaranteed income plan. We feel that it is the right step to make in terms of handling the financial plight of many families in this country.

The committee that developed this plan—I was not a member of that committee and I wish to actually set forth my qualifications here in presenting this testimony—the person who was to have presented the testimony became ill and is not here so I cannot give you the background, the actual background thinking as they developed this, but I would be glad to try to answer any questions you may have.

A couple of points that it was specifically requested that I bring out:

One is that we recognize that productive effort of individuals can take many forms, some of which are not reflected in present national income accounting. Much of the concern about families on welfare is that they are drawing something for nothing. I think that is a mistaken attitude, a mistaken impression.

It is well known that the majority of the persons are mothers and their children. I think if we say that these people are not producing anything we overlook the entire role of the family in American life, and they are productive; they are managing the household; they are caring for the children; they are providing an extremely important ingredient toward stability, toward the soundness that this country needs so much today.

There is certainly the very strong trend toward erosion, instability of family units and it seems to me that we need to really seriously consider this and try to reverse that trend.

Undoubtedly there is much more that needs to be done besides the financial aspects in overcoming this, but that is certainly one of the important aspects.

In this statement there is—the committee set forth a set of principles that I believe they felt that they would like for the committee to accept in preference to the section of H.R. 1 that is covered by these principles as being the definition of a benefit unit, the question of eligibility and the benefit levels to be paid under the program.

They would ask you to accept these principles as they are set forth rather than those that are expressed in H.R. 1.

There is also pointed out that it seems somewhat inconsistent in our American society that we have many groups that are heavily subsidized by our Government—we have farmers in corporation farms who receive heavy subsidies for keeping land out of production; we have many businesses receiving subsidies through the Small Business Administration and other programs such as that. We have, of course, subsidies being provided through our Defense Establishment for manufacture of defense materials, many of which become obsolete before they are ever used.

These can be looked at, it seems to us, as make-work programs as well as many other types of welfare programs that have been labeled the same thing.

It seems to be inconsistent to us that our Government is so willing to subsidize these areas in such large amounts of money but when it comes to that individual family unit that is facing dire circumstances, extreme hardship, that they are willing to downgrade that and denigrate the unit that is struggling along here in our society. This seems to be a somewhat inconsistent attitude when it comes to, say, business versus the family and the consumer.

I believe I will stop there.

If Dr. Hansen would like to add anything, or if you gentlemen would like to ask any questions, I would be happy to try to answer them.

The CHAIRMAN. Thank you very much.

Are there any questions, gentlemen?

Thank you very much for your presentation here today.

Mr. BROOKS. Yes, sir.

(Dr. Brooks' prepared statement follows:)

STATEMENT PRESENTED FOR THE AMERICAN HOME ECONOMICS ASSOCIATION BY  
DR. THOMAS BROOKS

I am Dr. Thomas M. Brooks, Dean, School of Home Economics, Southern Illinois University, Carbondale, Ill. 62901. It is as a member of the American Home Economics Association that I have been asked and am pleased to present the Association's statement concerning family assistance plans.

Since its founding in 1909, the American Home Economics Association—a national educational and scientific organization with a membership of about 50,000 men and women in home economics—has consistently been guided by its purpose: to improve the quality and standards of individual and family life through education, research, cooperative programs and education to the public.

The impact of the current welfare system and of any changes in this system on American families, whether recipients or taxpayers, is a natural concern of professional home economists. Therefore, a National Conference on Family Income Maintenance Plans sponsored by the Family Economics-Home Management Section of the American Home Economics Association was held in June, 1971, in Denver, Colorado to examine and discuss the social, economic, political and historical implications of the varied approaches to income maintenance for families. As a result of this conference the following statement was developed with regards to family assistance plans.

The human resource is a valuable asset in our society. Each individual should have the opportunity to develop and exercise his potential. The function of a democratic society is to provide such opportunity to each of its citizens. To this end, the following general principles are set forth:

Each individual has a right to a minimum income; if the individual is otherwise unable to obtain it, society should supply such income, subject to certain conditions.

A minimum income should be available to those who are engaged in productive activity and to those who are dependent or disabled.

We recognize that productive effort of individuals can take many forms, some of which are not reflected in present national income accounting.

The level of such income should be adjusted to reflect both changes in the cost of living and trends in income levels.

A benefit unit need not conform to traditional nuclear family structure.

Benefit amounts should vary with age, with disability and with family size.

Money income from whatever source and all other financial resources should be used in determining benefit levels for recipients under a minimum income program.

Benefit schedules should be such that the income level at which recipients become ineligible for income supplements is at or slightly below that level at which positive income taxes rates apply.

Standards of eligibility for such income and minimum amounts of benefits should be uniform among all the states.

The existence of a minimum income program of itself is insufficient to insure the well-being of individuals and should be supplemented by the availability of appropriate social services, including child care facilities, vocational and family counseling and basic education.

The design of the minimum income program should promote administrative efficiency.

Specific provisions of a minimum income program designed in keeping with the principles outlined above and adequate to meet the minimum basic needs of individuals under current conditions should include:

#### BENEFIT UNIT

A benefit unit shall consist of an individual or any group of individuals who register as an income-sharing group. The incomes of each member of the group shall be aggregated in determining the amount of benefits for which the unit is eligible.

#### ELIGIBILITY

Individuals shall fit into one of the following categories in order to qualify for benefit consideration:

1. Dependency or disability—

- (a) under 18 or under 22 and attending school full time
- (b) over 65 or
- (c) disabled.

2. Engaged in productive activity—

- (a) employed (fulltime in either the private labor force or in a public work program)
- (b) participating in a training or educational program
- (c) providing homemaker services in relation to a dependent or disabled person in the household. Only one adult in the household is eligible for this category.

To receive benefits, the income and wealth of the benefit unit shall not exceed defined limits. A residence, personal property and other financial assets below a defined level should be exempt from consideration in determining eligibility.

#### BENEFIT LEVELS

1. The adult benefit shall be the base unit from which other benefit values are derived subject to the income and financial resource limitations specified—

- (a) Each adult in a household who is 18 years of age or older shall be eligible for one basic benefit unit per year;
- (b) Each child between the ages of 12 and 17 inclusive shall be eligible for benefits equal to 80 per cent of the basic adult unit;
- (c) Each child less than 12 years of age shall be eligible for benefits equal to 60 percent of the basic adult unit;
- (d) Each disabled adult shall be eligible for a benefit equal to 150 per cent of the basic adult unit.

2. Money income from all sources shall be taken into account in determining benefits. No benefit shall be paid when a benefit unit's total income would exceed an amount on which federal income tax would be due.

(a) Benefits for a unit shall be reduced by one dollar for each dollar from sources other than earned income;

(b) A benefit unit with one adult and in which that adult is employed shall have its benefit reduced by fifty cents for each dollar of the adult's earned income.

(c) For a benefit unit in which there are two or more adults, the benefit for that unit shall be reduced by one dollar for each dollar of earned income up to and including \$3120, and reduced by fifty cents for each dollar of earned income greater than \$3120.

#### ADMINISTRATION

The administrative responsibility for implementing a minimum income program shall be as follows :

1. The payment of benefits shall be under the jurisdiction of the Social Security Administration.

2. Educational and other social service programs shall be under the jurisdiction of the Department of Health, Education and Welfare.

3. Employment, whether in private or in public work programs, shall be under the jurisdiction of the Department of Labor.

The Family Economics-Home Management Section of the American Home Economics Association believes that the above guidelines for a minimum income plan are more adequate and equitable than the existing system.

The CHAIRMAN. Let's see, is Mr. Allen B. Cohen present here?

Mr. Edward Lippert was scheduled to appear for the Americans for Democratic Action. Is Mr. Lippert present? He was not in the room when they called his name before.

Then the committee will now stand in recess until 10:00 o'clock tomorrow morning.

(Whereupon, at 4:45 p.m., the hearing was adjourned, to reconvene at 10:00 o'clock a.m., Friday, January 28, 1972.)