

WELFARE REFORM PROPOSALS

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

FEBRUARY 7 AND 9, APRIL 17, 18, 25, AND 26,
MAY 1, 2, AND 4, 1978

PART 5 OF 5 PARTS
ORAL TESTIMONY
MAY 2 AND 4, 1978
AND
COMMUNICATIONS



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WELFARE REFORM PROPOSALS

TUESDAY, MAY 2, 1978

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

The subcommittee met at 9:50 a.m., pursuant to notice, in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Long (chairman of the full committee) and Moynihan.

Senator MOYNIHAN. The subcommittee will be in order.

I wish you a very pleasant good morning, and I would like to express a regret which comes from having as much business as we do in the Finance Committee. It was necessary to have an executive session this morning which we hadn't expected but which we felt we owed our colleagues who wanted to deal with the matter that came up, and so we are late. I am particularly conscious that this was done to the last persons in the world we would want to delay, because they are just as overscheduled as we are.

It is our great pleasure to have the Honorable Stanley Steingut, who is the speaker of the New York State Assembly, here speaking on behalf of the National Conference of State Legislatures and the Leaders' Coalition for Welfare Reform; the Honorable Irv Stolberg, who is a State representative of Connecticut, is unable to testify because of a full legislative schedule; we also have the Honorable John Brandl, a State representative of Minnesota, who is here on behalf of the National Conference of State Legislatures; and the Honorable Richard Snyder, who is a State senator of Pennsylvania.

STATEMENT OF HON. STANLEY STEINGUT, SPEAKER OF THE NEW YORK STATE ASSEMBLY, ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES AND THE LEADERS' COALITION FOR WELFARE REFORM, NEW YORK

Mr. STEINGUT. Thank you very much, Mr. Chairman. Of course, we, being members of the respective legislatures, fully understand the legislative process and the problems that we all have. Certainly we appreciate the opportunity of spending some time here in Washington with you and presenting for you and your colleagues our posture and some views concerning the problems which you understand very well.

I came here from Albany this morning because of my very deep concern, a concern about the political climate on Capitol Hill and the possibility that comprehensive welfare reform may not be passed during this session of Congress.

I appeal to you and to the Congress for expeditious treatment of this problem. As far as the States are concerned, the coalition of States represented by my presentation today believes that this welfare reform program must be passed during this session.

Fifteen States in this Nation, including, of course, my own, account for 85 percent of the non-Federal cost of public assistance. These States, using vast amounts of their own resources, assume the burden of the Nation's poor. In times of economic recession, that burden is crippling. In the best of times it represents a chronic drain on the States' resources.

Seven of the ten States that pay the most in non-Federal welfare costs also have the highest State, local, or combined per capita taxes in the Nation.

For the past decade we have borne the spiraling costs of a continually increasing number of Federal welfare programs. That trend cannot be permitted to continue if the fiscal viability of our largest States, and indeed our major cities, is to be guaranteed.

In fact, it makes no sense to discuss a national urban agenda if we do not agree that welfare reform must be the cornerstone of that agenda. We cannot enter into a partnership with the Federal Government to aid cities and counties until national welfare reform becomes a reality.

Many suffer from the delusion that the welfare crisis is over because the rolls have leveled off and fewer States are having extreme budget crises.

The fact remains that benefits are inadequate, even in terms of subsistency in many States; that many classes of the poor are not covered; that coverage is frequently based on geography, not need; that the working poor are penalized for their industry; and that the system is counterproductive in the drive to reduce unemployment.

For over a year now, a coalition of legislative leaders from the Nation's largest States has been working with the Congress and the National Conference of State Legislatures to develop a comprehensive welfare reform bill. The concepts I would like to touch on today reflect that cooperative effort. We were guided in our approach by four principles:

First, to set a ceiling on State spending for open-ended programs;

Second, to provide universal coverage to the poor on the basis of need;

Third, to assure that all who are needy receive decent benefits and that no recipient lose benefits as a result of reform measures—that no legitimate recipient—and I emphasize "legitimate recipient"—will lose benefits; and

Fourth, to assure that every able family head work and receive adequate income.

The single most compelling reason for comprehensive welfare reform is the necessity for limiting the States' responsibility for Federal open-ended programs.

Let me explain. The costs of these programs rise during periods of economic decline. Yet rising unemployment causes the State tax base to shrink. These are economic conditions beyond the power of the State to control. National economic policy is required to address them.

The Federal Government has the tools: Deficit spending; the broadest tax base; and the powers to change interest rates, pour dollars into the economy and develop public employment programs. It is unfair to expect the States to match the Federal Government in spending on open-ended programs. They do not have the fiscal and monetary powers of the Federal Government, or do their subdivisions of local government.

Therefore, our first goal of welfare reform was to effectively limit total State liability for all welfare costs. H.R. 10950 has a fiscal limitation section which would accomplish this. It does so by putting all of a State's prereform welfare costs—general assistance, SSI, AFDC, et cetera—under the fiscal ceiling, as you did in 1972, Mr. Chairman, when SSI became effective 2 years later.

And all postreform expenditures are also counted in determining the hold-harmless level. This section of H.R. 10950 is a model, we believe, for welfare reform.

The cost of welfare to New York State and our localities increased by well over 300 percent from 1967 to 1977. If H.R. 10950 is enacted, under its rules, assuming a 5-percent annual inflationary rate, State and local welfare costs in New York will increase by no more than 65 percent between 1977 and 1987. It is a rational approach for State and local government.

Translated into dollars, we will be spending no more than \$2.5 billion in 1987 in theory and only in theory because we can't pre-judge what is going to happen in the future. If the 1967 to 1977 growth rate continues, under the present system we will be spending over \$5 billion by 1987.

Our second principle, universality of coverage, ends the long disparaged system of categorical assistance, which, I repeat, you were able to accomplish, Mr. Chairman, in your SSI program which was enacted in 1972. The incremental welfare reform programs do many useful things but they retain categorical distinctions. For example, mandating the AFDCU youth program does not solve the problems of providing assistance to the working poor or couples without children.

H.R. 10950 makes giant strides toward the principle of universality.

We also wanted to see a benefit framework which encourages States to supplement the basic Federal grant, our third principle. By accomplishing this, those who are in need would be able to have their current benefit levels maintained as well as receive periodic cost-of-living adjustments. Again, in H.R. 10950, the Federal Government subsidizes the State supplement. This is done within the context of the hold-harmless concept.

Finally, we all recognize the fact that the cornerstone of our democratic society is people working for wages. Comprehensive welfare reform must include work incentives and job opportunities. The bene-

fit reduction rate in H.R. 10950 addresses the need to maintain work incentives. The jobs program in the bill is tied to income maintenance and resolves two key problems: Work opportunity and adequate income.

We know that the welfare system is resistant to change. But this is no time for hesitation in the drive for comprehensive welfare reform. You must begin to see the problem through the eyes of the State and local taxpayers. We in the State legislatures can give only so much to the localities. Then our ability to help is in direct proportion to the Federal Government's assistance to us. What the localities demand from the States, we must demand from the Federal Government.

We in New York have done everything in our power to eliminate abuse in the programs and achieve efficient administration. We have saved the Federal Government a great deal of money: Last year the savings of \$477 million from the Federal, State, and local levels, and over the next 3 years, hopefully, an additional \$500 million with the new management program. We can go no further without you.

I want to commend the President and those Members of Congress who are trying to initiate welfare reform in an atmosphere of calm rather than crisis. I urge you to give serious consideration to the approach taken in H.R. 10950—to push ahead with the task that is years overdue. Reform our welfare system. Thank you.

I want to pay my personal respects to you, Senator Moynihan, for the leadership role that you have taken not just yesterday or the day before but over the years in this regard, and I know that you will continue in this very effective leadership role in our request that we bring to you today. Thank you very much.

Senator MOYNIHAN. Thank you, Mr. Speaker. You would know how much I appreciate what you have just said. President Johnson once remarked after an introduction like that: "I wish my mother and father were present to hear that. My father would have enjoyed it, and my mother would have believed it."

Before I ask any questions, Mr. Brandl, would you like to speak, sir? And, Senator, we will get to you next. We are a little bit pressed for time, and I think you possibly have a more comprehensive statement than you would want to read entirely.

Mr. Brandl will speak on behalf of the National Conference of State Legislatures.

Would you like to put your statement into the record in full and then you might want to summarize it so that we can proceed?

**STATEMENT OF HON. JOHN BRANDL, A STATE REPRESENTATIVE
OF MINNESOTA, ON BEHALF OF THE NATIONAL CONFERENCE
OF STATE LEGISLATURES**

Mr. BRANDL. I appreciate it and I would like to put the statement in the record and I can say a few words of summary.

I am John Brandl. I am a member of the Minnesota House of Representatives, representing today the National Conference of State

Legislatures. I am also an economist and professor in the Hubert Humphrey Institute of Public Affairs at the University of Minnesota.

The National Conference of State Legislatures and a number of other organizations representing Governors, county officials and mayors organized a coalition over a year ago. The coalition developed a set of principles, six principles agreed upon by all, for welfare reform. I would like to go over the first four of the six.

They are the principles that Speaker Steingut has discussed. I won't elaborate at any great length on them, but I would like to emphasize the increasing agreement among a variety of Governors, county officials, and legislatures about those principles and those criteria for judging welfare reform.

Perhaps I would say a few words about those and then something about some of the bills that are before you now in the Congress and how they seem to us to stand up to those principles.

As the speaker said, the first principle is putting some kind of a ceiling on State spending and fiscal relief for the State and local governments.

The second is universal coverage and consolidation of the categorical programs.

Third, providing adequate benefits for those in need and encouraging supplementation on the part of the States.

And, fourth, work for those who can work.

Fifth, we would like to mention equity among the States in the benefit levels provided.

And then, sixth, streamlining of administration of welfare programs.

Perhaps I can say just a few words on some of the proposals that have been bouncing around this city now for the last several months.

The first is universal coverage. The ceiling on State spending is not as self-serving a proposal as it might sound. A number of States, including my own, are at present supplementing AFDC benefits to a considerable extent, and ask only that some kind of protection from an open-ended commitment—which we now have—might be given to us.

All of the proposals that are before you now provide some of that. We are especially impressed with the attempt that has been made in the House by the Corman subcommittee to provide that kind of relief.

Second, on the universal coverage and consolidation of categorical distinctions, our impression is that there is a movement in that direction. It is in the President's proposal and in the proposal that has come out of the special subcommittee in the House.

We believe that the Baker-Bellmon proposal here in this body is a step in that direction as well.

Third, encouraging supplementation and providing adequate benefits for those in need: Again our sense is that we think we perceive a growing consensus that we are moving in that direction. Again the several bills are moving in the direction which, we hope, suggests that major welfare reform can happen this year.

Fourth, a strong work requirement: Some of the proposals leave the State out of the administration of this. We would like to suggest that

the States can effectively administer the work program. I would immodestly suggest that my own State has a record of administration of welfare programs which would commend itself to the Congress.

Fifth, equity among the States in the benefit levels provided: We are hoping that a national minimum level will be provided and that the Congress will at least be erasing some of the major distinctions among the States in that regard.

And, finally, streamlining of administration: We would hope that you would be flexible in the options you give us for State administration.

In years to come, Mr. Chairman, I would hope to be able to look back and say I was a part of government at the time when we provided a decent income for all and provided jobs for all who needed them. All of us, hopefully, one day will be able to look back and say that; and, it is good to remind ourselves that, until we do so, our forms of economic and political organization will be on trial.

Finally, I am suggesting a timetable by which welfare reform might be enacted. I know that Chairman Long has thought long about this. The President has asked that whatever welfare reform comes out of the Congress, it be implemented several years in the future. This will allow it to operate in one or more States before being extended to the whole country.

In the past dozen years the country has undertaken several social programs which have encountered administrative difficulties when they are under operation. One thinks of the payments of medicare and medicaid. I certainly would not argue that these programs should not be enacted, but would only suggest that some money could have been saved had the States been used early.

Whatever welfare program is enacted, a timetable would allow for ironing out administrative wrinkles and would prevent poor administration and implementation of good and important legislation. It would also be a sensible return to the Founding Fathers' notion that, on occasion, the Federal Government can learn from the States. Thank you, Mr. Chairman.

Senator MOYNIHAN. It is well said. Before going on to Senator Snyder, I would like to say I think you may be the first witness to appear before this committee who is a member of the faculty of the Hubert H. Humphrey School of Public Administration. I can't imagine that you are not, and I just want to say how much we welcome you on that score.

Mr. BRANDL. Thank you very much.

Senator MOYNIHAN. I am sure what you are beginning will be a long and honored tradition of public testimony by persons from that institution.

Mr. BRANDL. I might say, Mr. Chairman, we are hoping that the institute will emphasize legislative work. There is a tendency, when similar institutions have developed, not to do that.

Senator MOYNIHAN. Like the Kennedy School, it is very much executive oriented; isn't it?

Mr. BRANDL. We think we have a model of a legislative orientation.

[The prepared statement of Messrs. Stolberg and Brandl follow:]

STATEMENT ON PROPOSALS FOR COMPREHENSIVE WELFARE REFORM BY STATE REPRESENTATIVE IRVING STOLBERG (CONNECTICUT) AND STATE REPRESENTATIVE JOHN BRANDL (MINNESOTA) ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES

A. INTRODUCTION

Mr. Chairman and members of the Subcommittee on Public Assistance, like Speaker Steingut, from whom you have just heard, Representative John Brandl and I are speaking to you this morning on behalf of the National Conference of State Legislatures (NCSL) on the importance of enacting comprehensive welfare reform legislation this year.

My name is Irving Stolberg. I have been a Legislator in the Connecticut House of Representatives for the past seven years, and for the last three years I have served as co-chairman of the Joint Committee on Human Services. For over a year, I have also served as the chairman of the Human Resources Committee of the National Conference of State Legislatures. This Committee has the primary responsibility for recommending policy with respect to health and welfare issues to the national organization.

John Brandl is a member of the Minnesota House of Representatives, an economist, and a professor in the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota. Representative Brandl is also a member of NCSL's Human Resources Committee.

Senator Richard Snyder, a member of the Pennsylvania Legislature, will also testify on welfare reform this morning. The views he will express are his own, and do not represent the position of the National Conference of State Legislatures.

Our written testimony is lengthy, as you can see, Mr. Chairman. I request that our entire written statement be placed in the record. I will review for you the highlights of this statement (see page 20). Then, I would like to turn our presentation over to Representative Brandl, who will comment about how the reform proposals are likely to affect his home state of Minnesota.

B. OVERVIEW OF DEVELOPMENTS IN WELFARE REFORM FROM NCSL'S PERSPECTIVE

New coalition

Over a year ago NCSL joined with organizations representing Governors, County Officials, and Mayors, through a vehicle known as the "New Coalition," to examine the present welfare structure and develop a set of common principles for welfare reform. That effort was a most successful one. Representatives from the five organizations that comprise the "New Coalition" agreed on a set of common goals which welfare reform ought to address. These goals include: Equity among the states in benefit levels provided; adequate benefits for those in need; fiscal relief for state and local government; a strong work requirement for those who can work, with an emphasis on job creation; consolidation of existing programs, and the resulting elimination of categorical distinctions; and streamlining of administration and reduction of administrative costs.

Administration's efforts

The Carter Administration is to be commended for its initiative and leadership in bringing welfare reform once again to the level of a national debate. The energy and the intelligence the Administration has brought to bear on formulating a true welfare reform proposal has been quite remarkable. We within the Legislatures have been very impressed with the process by which it all came about. The effort to reach out and involve almost every segment of society in the formulation of this proposal was truly unique. The eagerness of the Administration to consult with state and local government officials at different stages of the policy development process was unprecedented. Out of this open process evolved a proposal which offers, in the words of Congressman James Corman, a good "Blue Print for Change."

Corman subcommittee

The Special House Welfare Reform Subcommittee chaired by Congressman Corman, should also be commended. The hard work of the Subcommittee mem-

bers during last fall and the early part of this year resulted in a bill that, NCSL believes, improves the Administration's already excellent blue print for reform.

Other proposals

NCSL is pleased to see that several Members of Congress have expressed a keen interest in welfare reform. As you know, Congressman Al Ullman has introduced H.R. 10711, and a number of Senators, including Senators Baker and Bellmon, have sponsored S. 2777. While we do not agree with the incremental approach embodied in these proposals, we do believe that the introduction of these measures signals a welcome interest on the part of Congress to enact major welfare reform legislation this year.

Consensus building

Secretary Califano and other HEW officials are now stressing the commonalities among all of the welfare proposals currently before the Congress. Both the Ullman proposal and the Baker/Bellmon proposal include features that are also contained in the Administration bills and the Corman Subcommittee bill:

Cash assistance is extended to 2-parent families;

A national minimum benefit is established;

There is a move toward greater uniformity of rules and eligibility standards;

Administration is simplified; and

The earned income tax credit is expanded.

State Legislators recognize that true reform will now come about unless all of us—you at the national level and we within our states and local governments—are prepared to exercise real leadership. Inherent within our elected offices are the powers to educate and to persuade. If we wish to redirect the system, it is critical that we continue the process of building a fundamental consensus as to the goals and structure a reformed welfare program ought to incorporate. Those of us within the state legislatures offer our cooperation and pledge our best efforts toward shaping that consensus.

C. SPECIFIC RECOMMENDATIONS BY NCSL FOR WELFARE REFORM

NCSL has identified several specific guidelines and recommendations which, we believe, should be incorporated in welfare reform legislation enacted by Congress.

1. Cash Assistance Program

Consolidation

NCSL remains firmly committed to the concept of consolidating the existing categorical welfare programs into a single cash assistance program that provides basic cash grants to needy families, including two-parent families, single individuals and childless couples.

Financing of floor and supplements

NCSL believes that there should be a basic minimum floor of \$4,200 (for a family of four), funded entirely by the federal government. There should be 75 percent federal participation in state supplementation between \$4,200 and \$4,700, and 50 percent participation in state supplementation between \$4,700 and the maximum allowable supplementation (either the present payment level in the particular state or the regionally adjusted poverty level).

State expenditures should be frozen at 90 percent of the level spent during an indexed year. States would then be required to maintain their effort for welfare expenditures at the 90 percent level and be held harmless against any additional expenditures in future years.

Federal increases in the basic cash assistance payments should exceed the cost of living index, so that states will experience a gradual reduction in their share of supplementation costs.

The federal government should seek to reduce, over time, through systematic increases to the federal benefit standard, the differences between high and low benefit states.

State supplements of the basic benefit must be designed in such a way that they will preserve work incentives without reducing basic benefit levels.

Benefits

Present and future recipients should not receive lower benefits than they receive under current AFDC, SSI and general assistance programs, adjusted an-

nually for inflation. Current beneficiaries, as well as classes of beneficiaries, should be held-harmless against reductions in benefits.

Payments to newly eligible recipients should be provided from additional revenues to the program, not by reducing benefits to current recipients.

All benefit levels should be adjusted periodically based on the cost-of-living index.

Attention should be given to the special needs of disabled children. Federal funding of benefits for foster children should be continued.

2. Jobs Program

Groups of recipients

The low income population should be separated into two groups: Those who may work but should not be required to do so and those who are expected to work as a condition for receiving benefits. Those not required to work should receive a basic cash payment. Those required to work should be provided with access to a private sector job.

Public versus private employment

While employment within the private sector is preferable, a strong public service employment program must be provided to assure jobs if they are unavailable within the private sector. Priority placement for jobs within the public sector should go to families with children. However, public sector employment should eventually be extended to single individuals and childless couples.

Ultimately, those eligible for public sector employment should not be limited exclusively to welfare clients, but should also include persons who are capable of working and unemployed.

Measures must be taken to ensure that new public sector jobs do not displace current wage earners.

Treatment of public sector employees

Reasonable and adequate wages should be provided to those employed in a public sector job.

Individuals performing essentially equivalent public service job tasks, with the same degree of seniority, ought to receive the same wage rate.

Countercyclical aid

If CETA funds currently supporting counter-cyclical employment opportunities are to be diverted to support public service employment under the reform plan, federal funds should continue to be available to address counter-cyclical needs as they occur.

Day care

An increase in the earned income disregard or an expansion in the Title XX program will be necessary to assure the provision of needed day care services for working cash assistance recipients.

3. Eligibility Determination

Filing unit

The filing unit, i.e., the group of persons who jointly apply for and receive benefits, should approximate the nuclear family definition as applied by the AFDC and SSI programs. The aged, blind, and disabled should be considered as separate filing units. Within the filing unit, attention should be given to the special needs of disabled children.

Accountable period

For the purpose of determining eligibility under the program, the accountable period, i.e., the length of time over which the need for assistance is measured, should be no longer than one month, retrospectively.

Assets test

Greater reliance should be placed on an assets test designed to exclude individuals with liquid or convertible assets sufficient to meet need. Items such as real property used as a home and burial plots should not be considered as assets.

4. Administration

Flexible options for the state's role in the administration of the welfare program should be preserved.

5. Medicaid

States must be protected against any increased costs in the Medicaid program which directly result from a new welfare reform program. Medicaid benefits should, however, be extended to new recipients based on an income related spend down provision. The federal government should bear the full costs of the expanded program.

D. DISCUSSION OF KEY ISSUES

1. Role of Legislatures

Generally none of the major welfare reform proposals currently before Congress, adequately addresses the relationship between the executive and legislative branches of state government.

Historically, state options have largely been left to the governor, either by contract with the federal government or pursuant to statewide plans approved by the appropriate federal agency. In too few instances have state legislatures been involved in such decision-making, either by means of enacting enabling legislation or through the review and approval of appropriations. Consequently, the NCSL believes that the federal program should contain a requirement for state legislation to authorize these potentially costly options. State fiscal control is a shared responsibility between the governor and the legislature, and any welfare reform proposal should recognize this co-equal status.

2. State Options for Administration

As I previously noted, NCSL supports flexible options for state administration of the new welfare program.

Because poverty is a problem of national dimensions, a strong federal effort is clearly needed to attack the problem. However, as is reflected by the variety of experiences and opinions of the state legislators you will hear from today, there is a need to preserve each state's flexibility to attack the problem in a manner consistent with the state's needs, experiences and resources.

Neither the Administration's proposal, the Ullman bill, nor the Baker/Bellmon bill provides adequate choices to the states with respect to the administration of a new welfare program.

Administration's proposal

The administration only allows states to administer the intake portion of the cash assistance program. Eligibility determination, benefit calculations and payments are left to the Federal Government. This precludes states from choosing to play a stronger role.

NCSL believes that most states are capable of exercising more administrative responsibilities than the intake function. More flexible options for state administration would appear to be especially relevant in the formative years of the welfare program, since the states will continue to administer Medicaid (including certification of eligibility), social services and emergency assistance. Moreover, effective coordination and accountability should exist at the state level in order to ensure that the differing priorities of cash assistance and employment are reconciled.

Ullman and Baker/Bellmon bills

Consistent with present law, both the Ullman bill and the Baker/Bellmon bill give the states the responsibility for administering AFDC and food stamps, with the administration of SSI maintained at the federal level. Both bills remove or provide strong incentives for the removal of local responsibility for the welfare programs.

While NCSL finds the strong state role attractive, in theory, there are a few points to bear in mind. First, states vary in their capacity and interest in administering a comprehensive welfare program. Some states would, no doubt, prefer the Federal Government to administer the welfare program. Second, as I previously stated, poverty in our country is a problem which is national in scope. This means that a strong federal role in the implementation of the welfare program is required to adequately address the problem.

Corman subcommittee bill

NCSL believes that the bill reported out of the House Welfare Reform Subcommittee contains the most desirable features with respect to state options

for administering the cash assistance program. The bill allows states the following choices: To perform all intake and benefit payment procedures; to perform intake procedures only, in which case the Federal Government would administer the benefit payments procedures; or to turn over all the administrative functions related to intake and benefit payments to the Federal Government.

We believe that under the Corman Subcommittee bill it would be possible to develop varying degrees of administrative involvement by states depending on their interest and competence without risk to the national goals of the reformed welfare system. The Federal Government obviously must have the authority to determine a state's competence, but Congress should insist that the Federal Government not get into administration which is duplicative and which a state is competent and willing to perform.

3. Jobs Program

Public employment

State Legislators on NCSL's Human Resources Committee support the work and training component of welfare reform proposals. However, they expressed several concerns about the specifics of the public service employment part of the program included in the Administration's plan. Most of these concerns relating to public service employment were not adequately addressed by the House Welfare Reform Subcommittee.

It should be stressed that both proposals leave state legislatures very much on the outside of the CETA process through which the jobs program is to be carried out. Both proposals require increased involvement of the governor and state manpower services council in reviewing the plans of prime sponsors, but provide no authority to the state to correct deficiencies. In such a situation, the legislature can hardly hold the state executive agencies responsible for the success of the jobs program.

Neither proposal directly involves the state in developing public service employment to meet state needs. Local prime sponsors often have a very different sense of priorities than the state would have when it comes to designing public service jobs.

There is nothing wrong with using public service employment for developing playgrounds and bicycle paths but it would be beneficial if the state were more directly involved in developing public service employment to meet state needs.

Other concerns

In addition to the preceding concerns about public service employment, state legislators expressed several other concerns about the jobs program. These include:

1. Minimum wage jobs are not appropriate in some regions.
2. Not enough emphasis is being placed on getting people into private employment.
3. Creation of jobs and training positions should, wherever possible, develop skills and contribute to an individual's ability to compete for regular jobs in today's labor market.
4. Participation of single individuals or childless couples will not be allowed under the subsidized job component. Such a policy will have grave consequences, since among those excluded are a high proportion of young adults, who in many cases, comprise a high percentage of general assistance recipients who are most acutely affected by high unemployment rates and lack of work experience, and whose future economic independence is a function of becoming part of the labor force.
5. Federal legislation should not pre-empt state employment initiatives, states should be permitted the latitude to experiment with counterpart or related programs of their own, on a demonstration basis. Presently, Hawaii, for example, maintains a state emergency employment program that complements CETA. Similarly, some job generation and rehabilitation could occur within the context of state-sponsored community development programs that are complementary to the federal public assistance program.

Private employment

NCSL's position on the jobs component of welfare reform clearly acknowledges that private sector employment is preferable to public sector employment. State legislators have voiced their opinion that the earlier proposals for

welfare reform do not place enough emphasis on getting people into private employment.

As you know, both the Ullman bill and the Baker/Bellmon bill include provisions for the creation of jobs in the private sector. NCSL's Human Resources Committee has not yet closely examined these proposals. On first glance, however, the positive aspect of developing private sector jobs is partly offset by the absence of any requirements that the private employers must agree that the jobs will last for a given, extended period of time.

4. Emergency Assistance

Various proposals

NCSL is concerned that none of the reform proposals offers sufficient emergency assistance to the states.

Mr. Ullman's bill includes no provisions for emergency assistance. The Baker/Bellmon proposal includes only \$150 million.

The Corman Subcommittee added some additional funds for emergency assistance to the Administration's proposed \$600 million for block grants. Under the Subcommittee's bill a state's allocation may be increased by up to 25 percent of its basic emergency assistance grant.

Pressures for more assistance

The pressures on each state to provide emergency relief are likely to be greater under the new federal program. A few examples suggest why this is likely to be the case.

The 6-month accountable period in the Administration's proposals, the 1-month accountable period in all of the other bills, and retrospective accounting, provided for in all of the proposals, will all lead to a large number of applicants being ineligible, at least on a temporary basis, for welfare benefits. For example in the case of the Administration's 6-month accountable period provision, if an applicant loses a job at the end of August, that person's eligibility might not begin until December. If that person needs help in October and November, emergency assistance would be provided.

In addition, even if a person is eligible for assistance, there might be delays in starting benefit payments to that person, especially at the outset of the new reform program. Once again emergency assistance would be called upon to tide the person over until the payments start flowing.

5. Medicaid

Effects of reform on welfare

One of NCSL's greatest concerns about the comprehensive reform proposals presently before Congress relates to the relationship between welfare reform and Medicaid. While we recognize that Medicaid reform belongs more properly in the context of discussions on national health insurance and that a welfare reform bill is not the proper vehicle for resolving health care problems, there simply has to be more attention to the potential impact a reformed welfare system might have on the Medicaid program.

Both the Administration's proposal and the bill reported out of the House Welfare Reform Subcommittee state that current Medicaid eligibility rules will be retained to ensure that new welfare eligibility rules do not automatically expand the Medicaid roles and impose large additional costs on the states and the federal government.

States, therefore, would be permitted to differentiate their treatment of present Medicaid recipients from those who become eligible for cash and job assistance under the new program. We must point out that states have been unsuccessful when such distinctions have been tested in court. Court challenges raising equal protection arguments are likely to force states to provide identical treatment to the new recipients and classes covered by the reformed welfare system.

Furthermore, the political and equity arguments for extending coverage for medical assistance are hard to refute and, consequently, enormous pressures on the legislatures will likely occur.

Cost of Medicaid

The Medicaid program is now the most expensive state human resources program. In most states, Medicaid expenditures outstrip expenditures for AFDC

and SSI. The extension of Medicaid coverage to large numbers of new recipients would be disastrous and would consume any fiscal relief the states hope to gain by the new welfare reform program.

There appears to be a general belief around Washington that states are primarily interested in having the Federal Government assume the financial burden for the Medicaid program. I would like to take this opportunity to state, unequivocally, that this is not the case. At the same time, however, I must stress that states need to be protected from spiralling Medicaid costs which would result from enactment of either of the comprehensive reform proposals.

6. Fiscal Relief to and Fiscal Liability of the States

The states can play an effective role in the state/federal partnership required to carry out a reformed welfare program, only if the states know ahead of time what their share of the costs will be. This knowledge is essential if the fiscal integrity of the states is to be preserved.

We would like to stress that despite arguments, presently heard in Washington, that state budgets have extraordinary surpluses, the fact of the matter is that more demands than ever are being placed on these budgets. As you are aware, retirement financing obligations are growing in many states. School finance reform is taxing state budgets in many states, including New York and Ohio, to mention just a few. State costs involved in maintaining inter-state highways also consume significant state funds.

Under any new welfare program, states need to be protected from unanticipated or uncalculated costs resulting directly from the new program. Only in this way can the states be fiscally responsible.

There are several mechanisms for providing this protection to states. Emergency assistance and federal funding of Medicaid benefits for the newly eligible welfare recipients have already been discussed. Fiscal relief and "hold harmless" provisions are 2 other mechanisms that warrant our attention.

Fiscal relief

Fiscal relief to states for welfare costs must be one of the issues of paramount concern to be addressed in any proposal for welfare reform. Any reform proposal must recognize fiscal relief early in the life of a new welfare program. The following estimates have been made for actual dollar amounts of fiscal aid to states under each of the plans:

Carter plan—\$3.4 billion.

Corman Subcommittee—\$2.2 billion.

Ullman bill—\$1.2 billion.

Baker/Bellmon bill—\$3.0 billion.

NCSL believes that a strong fiscal relief provision must be included as part of any welfare proposal enacted by Congress.

"Hold harmless"

Another mechanism for ensuring that states know ahead of time the limit of their fiscal liability under any new welfare program is the enactment of strong "hold harmless" provisions.

In NCSL's opinion the most desirable hold harmless clauses are included in H.R. 10950, the bill reported out of the House Welfare Reform Subcommittee. The Subcommittee holds states harmless for higher levels and more types of expenditures than is the case under the Administration's bill.

Under the Subcommittee's bill the expenditures for which each state receives "hold harmless" protection include: The state's contribution toward the basic Federal program in the state; expenditures for matching supplements up to current benefit levels (cash assistance plus food stamps, indexed); the state's contribution required under and the administrative cost associated with Title IX in CETA; expenditures to grandfather SSI, AFDC and general assistance recipients; expenditures for the cost of administering the grandfather provisions; and administrative costs associated with Medicaid eligibility determinations that are attributable to the new cash assistance program.

SUMMARY

In summary, Mr. Chairman and Members of the Subcommittee, allow me to highlight for you the key points of our testimony today:

New coalition goals

NCSL and organizations representing governors, county officials, and mayors organized a "New Coalition" over a year ago. The Coalition developed a set of principles, agreed upon by all, for welfare reform: These principles include: Consolidation of existing welfare programs, and the resulting elimination of categorical distinctions; adequate benefits for those in need; equity among the states in benefit levels provided; a strong work requirement for those who can work, with an emphasis on job creation; fiscal relief for state and local governments; and streamlining of administration and reduction of administrative costs.

Reform proposals

NCSL believes that the bill reported out of the House Welfare Reform Subcommittee improves the already excellent blueprint for welfare reform proposed by the Administration. While NCSL strongly believes that comprehensive welfare reform is needed now, we are encouraged by the introduction of the Ullman and the Baker/Bellmon proposals as clear signals of a deep interest on the part of Congress to enact major welfare reform legislation this year.

NCSL position

NCSL has identified several specific guidelines and recommendations which, we believe, should be incorporated into welfare reform legislation enacted by Congress. The key recommendations are:

Consolidate the existing categorical programs into a single cash assistance program;

Enact the levels and financing of a basic minimum floor and state supplementations which are included in H.R. 10950, the House Welfare Reform Subcommittee's proposal;

Provide for a strong public service employment program to assure jobs if they are not available in the private sector;

Require that the accountable period, i.e., the length of time over which the need for assistance is measured, should be no longer than one month;

Provide flexible options for the state's role in the administration of the program; and

Extend Medicaid to recipients who become newly eligible under the welfare program, and require the Federal Government to pay for this.

Key issues

Role of legislature.—NCSL believes that any federal reformed welfare program should contain a requirement that state law must authorize options which the governor or state agency would like to pursue. Historically, state options have been left largely to the governor. We would like to stress that state fiscal control is a shared responsibility between the governor and the legislature, and that any welfare reform proposal must recognize this co-equal status.

State options for administration.—NCSL believes that the bill reported out of the House Subcommittee contains the most desirable features with respect to state options for administering the cash assistance program. The bill allows each state to choose whether it would like to perform all, part, or none of the intake and benefit payment functions.

Jobs program.—NCSL is concerned that both the Administration's proposal and the House Subcommittee's proposal leave state legislatures very much on the outside of the CETA process through which the jobs program is to be carried out. Neither proposal directly involves the state in developing public service employment to meet state needs.

NCSL's position on the jobs component clearly acknowledges that private sector employment is preferable to public sector employment. NCSL is pleased to see the emphasis on developing private sector jobs under the Baker/Bellmon and Ullman bills. However, we are concerned that there are no requirements that private employers must agree that jobs will last for a given, extended period of time.

Emergency assistance.—NCSL is concerned that none of the welfare reform proposals offers sufficient emergency assistance to the states. Mr. Ullman's bill, in fact, provides none. We expect to find increased pressures for emergency relief under a new federal program. These pressures would be a result of

the system of retrospective accounting provided for in all of the bills (although under the Baker/Bellmon proposal current need may be used in place of retrospective accounting). These pressures would also be a result of delays between eligibility determination and the payment of benefits, which are likely to occur with more frequently as the new welfare program is implemented.

Medicaid.—One of NCSL's greatest concerns about the comprehensive reform proposals is that newly eligible recipients of assistance would not be eligible for Medicaid. The political, legal, and equity arguments for extending coverage for medical assistance to those persons are hard to refute. As a result, legislatures will encounter enormous pressures to provide this coverage. NCSL believes that the Federal Government should provide and pay for Medicaid benefits to the newly eligible welfare recipients.

Fiscal relief "hold harmless."—The states can play an effective role in the state/federal partnership required to make welfare reform work, only if the states know ahead of time what their share of the costs will be.

Contrary to arguments presently being made in Washington that state budgets are fat with surplus monies, the fact of the matter is that more demands than ever are being placed on these budgets. As a result, under any new welfare program, states need to be protected from unanticipated or uncalculated costs resulting directly from the new program. Only in this way can states remain fiscally responsible.

There are several mechanisms for providing this protection to states. Emergency assistance and federal funding of Medicaid benefits for newly eligible welfare clients have already been mentioned. Fiscal relief for welfare costs and strong "hold harmless" provisions are 2 additional mechanisms.

NCSL believes that strong fiscal relief is an issue of paramount importance which must be addressed in any proposal for welfare reform that is enacted by Congress.

NCSL also believes that the "hold harmless" clauses included in the House Welfare Reform Subcommittee's proposal should be enacted as part of any new welfare program. Some of the expenditures for which the states need "hold harmless" protection include: Expenditures to grandfather SSI, AFDC and general assistance recipients, and expenditures for the cost of administering the grandfather provisions; administrative costs associated with Medicaid eligibility determinations that are attributable to the new cash assistance program; and the state's contribution required under and the administrative costs associated with Title IX in CETA.

Senator MOYNIHAN. Senator, you are next.

STATEMENT OF HON. RICHARD SNYDER, A STATE SENATOR OF PENNSYLVANIA

Mr. SNYDER. Thank you, Senator and Senator Long. This will be a dissenting voice in a way, although I want to preliminarily give a word of praise to the President for opening the subject to your committee for going into it in such depth and to my colleagues for endeavoring to synthesize the wide variety of opinion that there is on the welfare subject.

There is one basic thing which has to be remembered, I think, and that is that the Governors and the State legislatures want the Federal Government to take over public assistance, and a prime motive is, rather obviously, to escape the growing burden of cost. It is something that Speaker Steingut quite properly addressed.

However, it is my theory, from the standpoint of the people as a whole, we are better off if welfare is managed and funded closer to home. Now, in the Carter plan the cost estimates vary from \$21½ billion that I believe the President started with to something like \$60 billion that Senator Long expressed one time, and this uncertainty should worry us as much as the amount.

Senator MOYNIHAN. May I say that we have a Congressional Budget Office, which has estimated the cost of this bill at \$20.22 billion with a net cost to the Federal Government of \$18 billion.

Mr. SNYDER. That is as of the moment. I show some summaries that it ran from \$13 to \$18 billion.

Senator LONG. The way I get to the \$60 billion is that par for the course for a social welfare program is that it usually exceeds the cost by about 3 to 1. For example, that is an assumption which, I assume, is based on a theory that nobody is going to lie to you, which is not a safe assumption at all.

I don't know a State in the Union where you back up that assumption that no one is going to come in and exaggerate or misrepresent the facts. It is par for the course.

It also has not taken into account that as soon as you get this into effect, it is not going to be enough. Right now you have 30 million people on one form of welfare or another, and this would add 22 million more. Well, you add 22 million to the 30 million and that gives you a bigger pressure group to work with.

When you get that many people who have one thing in common, that they would like to have larger payments, you can just anticipate a modest 50 percent more than you counted on when you make the rules more generous and then anticipate also a modest increase in what you are paying, and there you are. You can move up from \$20 to \$40 billion in short order and to \$60 billion.

Mr. SNYDER. Certainly the cost speaks for itself.

Senator LONG. I am not talking about our experience with the social services program, which in short order was costing 100 times the original cost, or the medicaid program that was costing 50 times the estimate given in a few years; I am talking about just a run-of-the-mill, ordinary increase which is \$60 billion.

Mr. SNYDER. With respect to the emphasis on jobs in the bill, what the plan proposes is creation of government jobs which may compete with private employment, and I think that that brings the same cluster of trouble such as favoritism, political manipulation, temptation to leave jobs in the private sector for easier public jobs, and boondoggling.

We have a pilot project in Pennsylvania which hasn't surfaced yet but it was done with title XX money and, while it is very fragmentary, it is quite promising. The State department of welfare contracted with private employment agencies—these are the personnel people who hunt jobs for people—to find jobs in private industry for welfare recipients.

The first returns come from Lehigh County—that is the Allentown area—where 115 welfare applicants had been referred to private agencies. Of those, they placed 27, 16 were removed from the welfare rolls for noncooperation, and 12 found jobs on their own. In other words, it was a total of 55 out of 115.

Another phase of this is the productive side of things. The Carter plan would add millions of what are loosely called the working poor to the rolls and give them welfare supplements. Now, it is a very appealing idea but let me pose this question:

We have at the upper income levels people who jiggle what they do with regard to the tax consequences, taking that into view. At the other end we have the welfare people who balance the welfare and food stamps and so on against what they could make while working. Here again they are tempted to limit the amount of work they do to maximize the public money they get as a supplement.

I think the Rand Corp. just issued something 2 weeks ago that shows the effect of the negative income tax in New Jersey and in my State.

If we adopt the Carter plan or any of these similar ones, we are going to have a middle class who could and would naturally manipulate their schedules to produce the most dollars in a combination of work and welfare.

I think this wouldn't happen immediately but it would grow and in time we would have a middle class hiring accountants to figure how the emphasis should be in their activities and how much should they work in order to get the most in a combination of work and welfare.

Our present system in the American economy is essentially productive. You work longer and you get more. I am afraid this would change it.

As to quality control, at present we have a quality control system which should include the results of your recent legislation and it is quite helpful, I think. Any advances we make in the near future in this area could be lost if we add a large number of people to the rolls.

We have seen enough inefficiency in the welfare bureaucracy, and Secretary Califano talks about 10 percent and the AFDC last year was 11 percent and the medicaid was 24 percent and totaling something like \$3 billion a year. So if there is any shift to a new system, we are bound to have some more of the same for a long time, bleeding the Treasury and eroding public confidence.

Now something worries us much more; that is family breakup. The pilot studies—and I believe you had some testimony yesterday—indicates that the family breakup is hastened by systems of cash distribution. If that is going to be the result, we should recoil immediately and continue pilot projects until we know exactly where we are going.

If we engage in a nationwide change in pattern, in the light of these results that I read, we will have what the French call something worse than a crime—a blunder.

Now, what is the alternative? Well, it is to improve the present system, faulty as it is, but to improve it by targeting in with changes as the changes appear desirable, beef up quality control and get rid of the 33 $\frac{1}{3}$. One of our former Presidents said no one in Government gets credit for being 10 percent more efficient, but I think it is time we don't bother with the politics of it and let us try to be more efficient.

It is always more appealing to see a sweeping new approach that implies that we have a better answer, but don't make the broad change without a good pilot program. Thank you.

Senator MOYNIHAN. Senator, am I correct that you have Mrs. Dorothy Forney with you, who is head of the National Welfare Fraud Association? We welcome you to this committee.

Senator LONG. Let me make one or two points that occur to me about this. I have worked with State legislatures previous to serving here, but I notice this in Mr. Steingut's statement and Mr. Brandl's statement: That the NCSL believes in a floor funded entirely by the Federal Government.

Now, I helped to raise revenue at a Governor's council in the State Legislature and I also helped to raise it at the local level. Basically, I know what appeals to these Governors. My father was Governor of the State and my uncle was Governor three times, and I know something about how Governors think and I have supported Governors and helped them perform a program.

They welcome the idea of the Federal Government's taking the burden off their hands—but once in a while those people ought to think about what it is going to cost them. They are taxpayers, not necessarily paying money to the State government but as far as the taxpayer is concerned he has been separated from his money just as much by an act of Congress as he is by an act of the State legislature.

Now, someone from my State in our welfare agency said: "Well, Senator, under the welfare relief it looks like Louisiana is supposed to get \$8 million of relief but it is going to cost us \$26 million to get it."

That is what our taxpayers are paying. I made a quick calculation and it comes out to a lot more than that. \$20 billion is the CBO estimate—and that is low in my opinion—of what the President's bill would cost.

Now, just taking 50 States and dividing that into the \$20 billion, that is \$400 million more in taxes that has been levied on the taxpayers of every State of the Union on the average. If you just put it on the average State with about 4 million people, you are putting \$100 extra tax burden on every person.

I don't know how many of you fellows can get reelected if you put another \$100 of taxes on your people unless you can prove that what you are doing is really necessary.

Now let us look at the ADC rolls, and that is the program we are talking about. How many of those people do you think you might be able to put to work? I think the best you could hope for would be about perhaps half of them. If you put half of them to work, and you are going to subsidize those jobs by \$3,000, hoping they would get \$6,000—which, I think, is a reasonable estimate of what a program ought to do—that would cost \$4½ billion.

If you are trying to put more taxes on people, it is a lot more reasonable for them to think of being hit for \$25 a head, than it is to hit them for \$100 a head.

You ought to have a big saving against that \$4.5 billion because if you are subsidizing jobs, you ought to be moving those people off the welfare rolls and so you ought to have a big saving on your welfare rolls. Hopefully your costs would be a lot less than that.

Now, thinking in those terms, why should we just move in here to soak the people of this country for \$100 a head?

Mr. BRANDL. Thank you very much. I appreciate the chance to respond to that statement, and clearly it is a concern of a lot of people.

I would like to start by saying that it seems to me the President made a mistake a year ago when he said he was going to reform the welfare system without spending any more money. I think that is a contradiction in terms. We can't have a reformed welfare system without putting some more money in. The question is whether we can balance the advantages to outweigh the disadvantages of putting more money into welfare.

I say there are inequities in our process and I agree there are people in this country who ought not to be required to live on the benefits that they are receiving, and a minimum floor would be only decent. I say that coming from a State which, at present, supplements greatly above the minimum which we are proposing that the Federal Government might provide.

The minimum we are talking about is a \$4,200 minimum. The National Conference of Legislatures is proposing that \$4,200 and, in my State and in Speaker Steingut's State and Senator Snyder's State, benefits are already past that. I think the people in our States are prepared to say that a decent level of income ought to be provided to folks and provided to folks in other States.

Senator LONG. Let us look at one of the reforms that I don't find much enthusiasm about at all. To pay for this program, we will have to put an average extra tax of \$100 on every man, woman and child in America—and, of course, the people on welfare won't be putting up any of that extra tax; they will be taking it down. How could we justify doing that when one of the principal purposes of that program is to say, if a woman has a child below age 6, she should not be expected to work? How can we say that she shouldn't be expected to turn to and do anything for the advantage of herself or her child but can just stay there at home until that child is 7 years old?

How do you justify putting \$20 billion more taxes on the American people to assure that that mother will not be expected to turn to and work?

Mr. STEINGUT. Senator, if I may, I would like to make an observation, and you weren't here earlier when I did make reference to what we are doing in our State.

Senator LONG. Which State is that?

Mr. STEINGUT. In New York, and I assume other States are similarly situated, the coalition of 15 States that I represent here today, and I mentioned that over the past year and a half we on our own have attempted, with success, to cope with the fraud and abuse and the irrationality that was built into a system that had been abused for too many years.

I made mention that in the first year our savings resulted in Federal, State and local of \$477 million. In the foreseeable next 2 or 3 years there will be an additional \$500 million in savings through a new management computerization system.

In addition to that there is much that we can do on the State and local level that hasn't been done. And may I refer for a moment to the food stamp program, which, if used properly, as intended by the Federal Government, I believe would generate thousands of jobs in my State and infuse hundreds of millions of dollars into the economy and thereby reduce the cost considerably to the Federal and local governments.

So when we talk in these terms, if I may, I don't think we can isolate the figures, except when we do we accept the \$20 billion figure. In effect, many of the components are there—or should be if we are going to have an urban agenda in this country. Components of job incentives and job development should be a major part of this. There again we are improving the economy.

And again, Senator, I join Representative Brandl of Minnesota in the observation that we need to have a decent system in caring for people. As I said earlier, we represent States that provide 85 percent of spending on the poor. Most people in this country, I believe, a great, overwhelming percent of the people in this country believe in taking care of the legitimate poor, those who are truly in need.

When we talk in terms of a \$4,200 minimum, as provided in the House subcommittee bill, we are talking in terms of a level way below the national poverty level and in excess of the level of benefits in some of the States, which should have been increased, in my opinion. In doing all of this, I believe that you ultimately will solve a national problem of in-and-out migration of the poor from one State and one locality to another. Whereas basically, as I repeat again, the legitimate, honest poor persons would like to remain where their roots are but we prevent them by an inadequate system.

Senator LONG. Let us understand one another. I don't come from a background of being against doing something for the poor. When I came here, I had just helped the State of Louisiana implement a program for the aged. Under that program we were paying more money to help the aged people of Louisiana than New York was paying to the aged people in New York.

Mr. STEINGUT. We haven't gone as far as we should in some areas.

Senator LONG. I don't come from a background of being against spending money to help the poor, but, if there is one thing that welfare reform means to the rank and file of the people of this country, it means that you will help people who are unable to do something to help themselves and help those unable to work; but those people who can work ought to be doing something in return for what they are being paid.

Mr. STEINGUT. There is no disagreement there.

Senator LONG. If we can agree on that, we are making some headway. When President Nixon sent down his welfare program, I told Mr. Nixon: "If you want to spend \$4 billion, that is fine. But you are going to pay all of this money out for people who do nothing, and you ought to pay them for doing something."

Mr. STEINGUT. There is one built-in problem: that our minimum wage, which would be the prevailing wage in many of these areas, would be well below the poverty level.

Senator LONG. But that is easy enough to handle. For one thing, you don't have to work people 40 hours a week; you can pay them to work 20 or 30 hours a week and, that being the case, you could subsidize that wage for 20 or 30 hours.

Also, as long as you are paying somebody to do something for his own benefit, you don't have to pay him the minimum wage; you don't have to pay a mother a minimum wage to look after her own

children or to clean up her own house or to keep the area clean in front of her own house or to report a crime in an area. You don't have to pay someone a minimum wage to be a good citizen. If you think in terms of spending that money to get something useful for society, I think we have great potential.

That seems to me to be where we ought to be moving. If we are moving in that direction, you don't have all of these problems and worries about someone getting on the rolls who shouldn't be there. We had a lady down in Louisiana who was on the welfare rolls, under 18 different names; and, in fact, at the Democratic National Convention one of our delegation—not this last convention but the previous one—was on welfare under more than one name. That helped to pay her expenses to go to the Democratic National Convention.

That type of thing the public does not approve—the idea of people ripping us off and getting on welfare under more names than one. But this would stop if they had to show up somewhere and report in and do what was expected of them. They can't be at two places at the same time. So you know that you are not getting ripped off when you are paying welfare recipients to do something useful since they have to be somewhere to do it.

Mr. STEINGUT. I couldn't agree with you more in your observations, but may I just respond by some experiences that I have had.

The first day care legislation in the State of New York I sponsored and I have followed it very closely. Through my personal involvement I found that mothers with children in day care want to work. I find that the legitimate needy want to work—those who can.

I might respond, too, Senator, by mentioning a New York Times poll that was taken about 6 months ago, which is vividly in my mind, where the American people overwhelmingly approve of our system if you don't call it welfare—if you call it by another name. This is one of our problems.

I couldn't agree with you more. Governor Carey and the New York Legislature have zeroed in on all of the fraud and abuse and chicanery that is possible to zero in on and we are going to pursue it—that is, without affecting the benefit level of the legitimate people who are in need.

Mr. BRANDL. I also would like to make clear that we are supporting legislation which would distinguish between those folks who can work and those who can't but to point out as well that you have a situation now where many people in this country, even though they are working, find themselves better off if they stop working and, one way or another, are able to be supported.

Part of the reason why we are proposing this, which costs money, is because we are saying it ought to be the case that the people who are working will receive assistance as well. We argue that these people deserve that.

Second, let me just mention in my own case my wife stayed home with the children when they were young, before they were in school, and she wanted to do that. I think most of us would want mothers, if they can, to care for their children when the children are small.

When the time comes for the people to be leaving that nest, in many cases mothers will want to work. It is our obligation to provide

opportunities for those folks to work. We have not done that in most cases, and I would like to mention again that until we make a commitment to a decent level of income and to jobs for everybody who can work, we are on trial as well.

Senator LONG. It seems to me that the program ought to be one that doesn't pay anybody for doing absolutely nothing. You can find a way to pay those people for doing something useful—to clean the streets and clean the neighborhood, to have the best gardens or the most attractive neighborhoods. A low-income neighborhood can be made to look very nice if someone would pick up all of the litter and have some flowers planted and spread some paint around to make the place look attractive. You could also pay somebody to patrol the streets. This doesn't need to be a full-time policeman—just some people to keep an eye out and call the police if they see an infraction of the law.

In this way, you would be paying people to do something and make their area a better place to live. This is much better than paying them to sit there in idleness. That has to be a demoralizing thing.

Furthermore, you talked about your wife staying there with the children. Of course, we like to see that if they can afford it. But, if she has no husband and she has to go out and work to help support that family, I think that is better than just sitting there in idleness.

If there is a mother who has three children, why not pay her to look after one more. They can all go and play tag. And the mother with the one child will not have to use day care that is going to cost you \$3,000. Instead, you can pay the mother right next door to look after that child.

Mr. STEINGUT. That is a great program—family care.

Mr. BRANDL. The experience we have had is that sometimes it costs us a great deal to put a child in day care when we are, in effect, forcing the mother to work. I would prefer to allow that mother to have the opportunity to raise that child herself. To some extent, this is an investment to break this cycle, that that child can get the kind of nurture and attention that will allow the child to grow up and not be on welfare.

Senator LONG. Well, now, how can you justify that when more than half of the mothers in this country leave the home to find employment? How can you justify taxing them in order to give someone else the option to stay there at home without doing any other act to justify her keep?

If she is going to stay in the home and we are going to pay her money, why shouldn't she at least make herself available to look after an additional child—some child the same age as her own?

Mr. BRANDL. Most of those mothers are people without very small children. Most of those mothers are mothers of children who are older, and it seems to me unwise to force infants into the care of someone other than the mother if the mother doesn't want that.

Senator LONG. I think you are going to find it very hard to sell the idea that we ought to tax the people another \$20 billion if the purpose of that is to relieve a mother of the burden of doing anything to support her family other than looking after her own child. Why can't she look after someone else's child in the same age bracket?

Mr. STEINGUT. It depends upon the age. It is a dangerous concept.

Senator MOYNIHAN. Mr. Speaker, I believe you have Mr. Schiff with us; we welcome you, and we welcome Mr. Horning. You are flanked by your experts.

I have two quick questions I want to put to the panel generally. While I believe Mr. Brandl and the Speaker are speaking on behalf of a nationwide group, and you can't be too concerned about your own States, I have a great concern about costs in this program in terms of New York. Our State, after all, has the largest city in the Nation, and it is nearly bankrupt.

Mr. STEINGUT. Just a minute, Senator. We are far from bankrupt, and we have paid exorbitant interest rates to the Federal Government for a long time.

Senator MOYNIHAN. Let me say to you my job is to get legislation through the Senate, a very unwilling Senate that thinks we spend too much.

Mr. STEINGUT. I heard you on television last week debating this question of bankruptcy.

Senator MOYNIHAN. You are in a different atmosphere now. The President has estimated that it will cost \$20 billion and New York State, if you think of it in terms of taxes, will pay about \$3 billion of that. Now, we had a very good friend, the present head of welfare for the city of New York, Blanche Bernstein, who is a very distinguished economist and a fine person here testifying 2 weeks ago. She said that New York City would get about \$66 million in fiscal relief.

Now, I don't know what the State might get but if we are putting \$3 billion in and the city is getting \$66 million back—we have 1.2 million recipients and most of them are in New York City—that is a pretty substantial gap.

Just to make the point, Minnesota is a very generous State and it provides, as Mr. Brandl will agree, a \$271 average benefit per month while New York State provides \$370, 40 percent more.

Do you think that the President's proposal, which might produce only \$66 million in fiscal relief for the city, is enough?

Mr. STEINGUT. We are talking of the President's initial proposal?

Senator MOYNIHAN. Dr. Bernstein talked about H.R. 10950 before the House.

Mr. STEINGUT. That was a considerable refinement of the President's original presentation. I understand that Mrs. Bernstein's estimate was a model. We are not accepting that as a final conclusion.

As I said, and I must repeat for the purposes of emphasis, not only what the fiscal implications are, but we believe that it far exceeds that from a State and local point of view. I must say, Senator, that in the last several years, our local program in the State has increased tremendously in all areas, including home relief. That is our intention and we have held the line on spending, which is most unusual, over the past 20 years in New York State. For the past 3 years, we have held the line well below the inflationary rise, so that we question the amount.

We enthusiastically endorse the purpose, and I don't think that the save-harmless provision had been taken into consideration, which,

I believe, over the years will provide State and local governments with massive increases.

Now we are back to this and three times as an aside in my presentation I mentioned your involvement concerning the change in SSI. I must say that, to a great extent in our State, many people who are eligible for SSI are on home relief because of the involvement of making determinations on the blind and disabled. On the aged, to them it is very easy and while pending the determinations of eligibility, the State has been picking that up.

So if we took the components of H.R. 10950 and put them altogether, as you did with SSI, I think you would see massive savings and ultimately massive savings for the Federal Government.

Senator MOYNIHAN. I won't pursue it and I will ask each of you a question but let us be clear that the President's bill is estimated to cost \$20 billion and that means New York State will pay almost \$3 billion in additional taxes.

Mr. STEINGUT. I don't accept that, Senator, because I think that, as I said earlier—

Senator MOYNIHAN. Where will the taxes come from?

Mr. STEINGUT. I think the program will generate in and of itself a recycling into the economy which will be revenue-producing for the Federal and State governments.

Senator MOYNIHAN. But the taxes will come out of New York State.

Mr. STEINGUT. If we stop cost overruns in defense, that will be helpful, too.

Senator MOYNIHAN. There are four bills before us. Mr. Speaker, the bill I introduced—and you see that in this blue book here—which is the President's bill, Mr. Corman's bill, Mr. Ullman. Chairman of the Ways & Means Committee has introduced a bill, and now Senator Baker has introduced a bill on behalf of himself and Senators Ribicoff, Danforth, and Bellmon. The bills are different with respect to one key issue, which is the question of whether local governments should pay part of welfare costs.

The bill which Senators Baker, Ribicoff, Danforth, and Bellmon have introduced includes a provision which penalizes States by reducing Federal funds to those States that do not prohibit local funding of FDIC. Mr. Ullman, the chairman of the Ways and Means Committee, also prohibits States from requiring localities to finance any portion of AFDC payments. On the other hand, the President's bill and Mr. Corman's bill do not.

How do you feel about local payments and how would you feel about a bill that prohibited or penalized States for requiring local payments?

Mr. STEINGUT. I think it is counterproductive and shortsighted. It can be done, and I recall working with you when you were in the State administration. Governor Harriman and you know the budgetary process very well in our State. As I said, we provide 60 percent of our budget for local government.

Now, we can shift to comply with penalties but I don't think it is the way to handle it. We are moving in that direction. Sure, I would

love to and I have been a proponent of the State's picking up education and welfare costs, as I am for the Federal Government's picking up the entire welfare cost for our State and local governments, but I know it is very impracticable. I won't sit here and delude myself especially, and I know I can't delude you distinguished Senators, and I won't attempt to.

We can shift funds around within a budget to avoid penalties but I don't think we are looking for that. We have started to study the cost and we change our formula for home relief in the direction of local government and our efforts will continue along those lines, and ultimately if we can afford it and if the economy merits it—and in the Northeast you know what is going on and what our problems on energy are—we would like to see it done.

I think penalties such as this can be complied with, but I don't think it is fiscally sound to do it in that fashion.

Senator MOYNIHAN. I must sympathize with you but that is what Mr. Ullman wants and Mr. Baker wants.

You have been such a responsible figure in our State, I would like to ask you a question about fiscal relief in the President's program.

It was originally estimated that the State of New York, which is the one State that has a crisis, would get as much as \$527 million in fiscal relief. This sum has been cut down by administration reanalyses and estimates by the Congressional Budget Office and it now looks as if we might end up with relief at the minimum level of just 10 percent, \$160 million. This is rather surprising.

Is there something, Senator, that you would like to say?

Mr. SNYDER. I would like to somewhat echo what Senator Long said. I think dumping this whole problem on the Federal Government is not going to solve anything in the long run. I think if the Federal Government wants to be helpful it can get rid of the 33 $\frac{1}{3}$ provision and bear down on quality control.

When the average man hears about welfare reform, he thinks it is going to reduce the cost and he doesn't realize we are sitting here talking about spending \$18 or \$20 billion more. If he did he would be shocked, and it scares me.

Mr. BRANDL. I would like to say that there are some people in this country and some legislators—and I am one—who are prepared, both at the State and at the Federal level, to appropriate additional funds for a more decent welfare system, but that is a brief response to the last question that you had for Speaker Steingut.

The implication in the Baker-Bellmon bill is that the counties are involved in the administration; it seems to me that that is not obvious at all. If you go across the country in those States which have county involvement and those that don't, you will find in some cases that those where the counties are involved in administration are, in fact, not doing a more efficient job than otherwise.

If there is to be some kind of benefit or consensus for efficiency or inefficiency, it ought to be done that way rather than taking it for granted that decentralized administration is necessarily inefficient.

Senator MOYNIHAN. It is a fair point, and we thank you all.

Mr. STEINGUT. We appreciate this and, if we may, Mr. Schiff, representing the coalition, and the staffs would be delighted if we

could have the opportunity of pursuing the figures and the implications that were discussed.

Senator MOYNIHAN. It is just not enough to say that, well, everyone has his own opinion. We are talking about \$20 billion here and we are talking about some municipalities which are clearly being crushed now.

Senator LONG. If I could mention one more point about New York. These figures from the statistical abstract indicate—and this is the kind of thing that Senator Moynihan has complained about—these figures indicate that people in New York are spending about \$3.4 billion more for these programs than the State is getting from the Federal Government.

A program that would enormously increase the cost of welfare would cause New York State to be paying still more for a program where you wouldn't be taking down as much in terms of benefits as you are putting up in taxes to pay for it. I think that you ought to keep that in mind.

Mr. STEINGUT. Absolutely, Senator Long; and, as I said to Senator Moynihan, we would like the opportunity of refining these figures. And again may I, just as an observation, say that one of the cruelest problems that we have in this Nation has been the shopping around by the poor, unfortunately; the in-migration and out-migration of people created by a system that is permitted to languish in this country should be cured and there may be some revenues that are necessary to do it. But we would be glad to pursue that.

Senator MOYNIHAN. On behalf of the conference would you submit some estimates of fiscal relief as you put them together? Thank you very much.

Now to continue with a bright list of witnesses, we have the distinct honor to have before the Finance Committee the former Secretary of Health, Education, and Welfare and now dean of the School of Education—are you still dean?

Mr. COHEN. Until June 30.

Senator MOYNIHAN. And then you will become a professor?

Mr. COHEN. I will become a full-time professor who can spend full time in Washington then.

Senator MOYNIHAN. There is no higher honor that awaits you. Welcome, Wilbur Cohen.

Senator LONG. Let me welcome my fellow litter-picker-upper. We both find something useful to do in our spare time. We both go out and pick up tin cans and broken bottles and litter that other people throw down. and we feel that that doesn't do us any harm and we recommend it for others.

**STATEMENT OF WILBUR J. COHEN, DEAN, SCHOOL OF EDUCATION,
UNIVERSITY OF MICHIGAN, AND FORMER SECRETARY OF
HEALTH, EDUCATION, AND WELFARE**

Mr. COHEN. I will touch on that later in my testimony, Senator Long.

If it is agreeable with you, Senator, I would like my full statement and my attachments to be put in the record and then I will speak extemporaneously.

Senator MOYNIHAN. Certainly.

Mr. COHEN. Apropos of what you said about President Johnson's statement, I have been hopeful that Senator Curtis would be here this morning because, like the mother in your story, he would be quite surprised for the first time at my supporting a Republican initiative bill here before the committee and I would like to see how he would react to that statement.

I am pleased to appear before you to give you my views on welfare reform, including the various bills pending before you. As you know, Mr. Chairman, my contact with welfare reform began with my association as a staff person in President Franklin D. Roosevelt's Cabinet Committee on Economic Security in 1934-35.

The welfare reform incorporated in the 1935 Social Security Act was the most significant welfare reform since the Elizabethan Poor Law of 1601. Therefore you might say that I have been supporting welfare reform for 43 years now and I suspect I would be supporting it for many more years in the future.

The predominant character of that reform in the 1935 act was the implementation of the policy enunciated by Beatrice and Sidney Webb in their minority report of the Poor Law Commission of 1909—namely, the breakup of the poor law by the establishment of categories which gave priority to social insurance and the employment service and special programs for special groups, such as the aged, blind and children.

This philosophy was strongly supported beginning in 1911 by Sir Winston Churchill and later by Sir William Beveridge and has been, in my opinion, a constructive and practical one, which is the foundation of social welfare policy in the United States ever since.

If I might say so, Mr. Chairman, the present situation in welfare reform might be characterized as a situation involving "maximum feasible misunderstanding." The advocates of welfare reform, in my opinion, represent two very different philosophies: one which advocates broadening the coverage to include the working poor, coordinating programs and policies and establishing Federal standards and a greater degree of Federal financing and State fiscal relief; the other, which believes welfare reform is giving the States more autonomy, less standardization, restricting coverage and an overall lower cost with emphasis on eliminating abuse, fraud and error.

There is a third position which is both consistent in part and inconsistent in part with the two major philosophies and which believes we can, should and must make some substantial incremental progress this year because welfare reform is not a once for all situation but, if one begins in 1601, one must recognize that it historically has occurred and will reoccur periodically as economic, social and political conditions change.

I do not come before you to espouse a particular bill which in my opinion will solve all of these problems forever and which would make it possible for the Senate Finance Committee to disband, because I would like to see you here in the future to be working on these problems.

I have learned one significant lesson from 44 years of helping to design, implement and administer a number of human service pro-

grams: Beneficiaries, taxpayers, employers, employees, lawyers, physicians, States, Governors, et al. are a lot smarter and more inventive than the drafters of Federal legislation. Whatever loopholes, opportunities, incentives or restrictions are written into the Federal statute, some one of these people will figure out a way to get around the Federal policy.

The reason I say this is twofold: I believe that means that the cost estimates for any proposal are larger than the cost estimates that you get; and, second, it therefore behooves us to be careful about enacting what we do in order to be sure we can see what the results of their inventive quality will be.

I do not depreciate this vital quality of people's being able to change their practice as a result of Federal law. In my opinion it is the pioneering, innovative, entrepreneurial spirit which has made America great. We should not dampen the essential ability but recognize its inevitability in planning a welfare reform strategy.

But we must likewise recognize it for what it is. For that reason I favor an incremental, phased-in program which will enable us to take several steps, then stop, look, and listen, evaluate the experience, correct any mistakes, and then go ahead on another incremental improvement.

It is an approach which I learned from John Winant, the Republican Governor of New Hampshire and first chairman of the Social Security Board, who once counseled me: "Don't be dissatisfied with an incremental improvement, but always be unsatisfied."

Abraham Epstein, one of the great American social reformers, also advised me, during my days of youthful enthusiasm for advocating millennial solutions: "Be sure to leave something for your grandchildren to do." I am at that stage now where I have grandchildren and I would like to allow them to come before your committee sometime in the future and suggest some changes later on.

Now, it is based upon this general analysis that I come to support the imperfect bill before you. It is not a perfect bill or the bill I would draft if I had to consult only with myself. But I am indeed worried that at this late day in this session, in which you must still handle the tax bill and then you are in an election year—that unless we can gain some forward motion on some welfare reform, we will lose the possibility of any progress in this area during the next 2 years.

In 1978–80 you must handle national health insurance, which, I predict, will take you a long, long time. In 1981 and 1982 you will have to reexamine and probably completely restructure the financing and benefits of unemployment insurance. If you do not come to some accommodation with the House and with the liberals, middle of the roaders, and conservatives on welfare reform in the very near future, welfare reform in 1979 will have the same destiny as the family assistance program (FAP) several years ago.

Remember, however, that you did salvage a very, very significant program of supplemental security income in 1972 from the stalemate over FAP. Senator Long was most instrumental in working out that accommodation. And I believe that it is an indication that when you

can't get everything you want—which, Mr. Chairman, you and I were parties to at that time—it is important to get an incremental improvement which has proved to be rather successful. Why can't we salvage something from the present stalemate over BJAI? I believe that JOFSA offers you that opportunity.

The tactical issue we face is whether to press and wait for the most desirable legislative instrument and not settle for too little too soon. I recognize the conventional wisdom of such a legislative strategy. But in my years of watching and participating in congressional legislative activities, I have never witnessed the passage of a major bill emanating from the Senate Finance Committee which solved all problems for all time without any further amendments.

If I am given a choice between an excellent bill which will not be enacted and a less than millennial bill which will become law, I will—and I hope you will—choose the latter.

SUGGESTED AMENDMENTS

I would like to offer some suggested amendments:

1. Provide States with the option of cashing out food stamps on a State-by-State basis.
2. Authorize the simplification and uniformity of the main concepts and terms affecting two or more programs. My suggested amendment would read as follows:

Notwithstanding any other provision of law, a State may, with the approval of the Secretary of Health, Education, and Welfare, and when appropriate, the Secretary of Agriculture, establish a consistent and uniform definition of "income," "resources" and income "disregards" of two or more income tested programs administered or financed in whole or part by the State of the general funds of the Federal Government. Such approval shall be for a stated period, be subject to review and revision, and shall be evaluated periodically by arrangements mutually agreeable to the State and the Secretaries concerned.

3. Modify the existing "income disregard" provision: The income disregard in the present AFDC law was established over 10 years ago. At that time, I recommended to the Congress that the disregard be \$50 and 50 percent. When that was rejected, I recommended \$40 and 40 percent. When that was rejected, the House Committee on Ways and Means settled on \$40 and 33 $\frac{1}{3}$ percent and said it would be wise to see how it worked and adjust it on the basis of experience.

We now have had that experience. My own view is that the present disregard for 1978 should be \$69 a month—that is \$3 per working day—plus 50 percent of the first \$100 a month of earnings plus 40 percent of the next \$100 and 25 percent of the next \$100 a month. I would index these amounts by annual increases in wages rounded to easily divisible amounts.

4. Raise the minimum level of payments to 65 percent in 1982, 70 percent in 1984, and to 75 percent in 1986.

5. Provide that disability payments under SSI would be payable to any disabled person who was unable to engage in his or her customary occupation or employment and in the judgment of the State agency cannot be rehabilitated for work in the community, with due

regard to the age of the individual, the costs and the prospective beneficial results of such rehabilitation.

6. Establish a special neighborhood cleanup and employment program—NECEP—a special time- and dollar-limited experimental voluntary program. Our streets, cities, highways, and neighborhoods in many cities are strewn with rubbish, dirt, paper, filth, and junk.

I suggest we clean up this blight with the help of welfare recipients. I recommend that, for any such employment, the Federal Government may pay the State up to 100 percent of the poverty level for the family of any person so employed on a project and that, for any person on welfare, up to \$100 a month be disregarded from deduction from the grant plus such additional amount not to exceed 50 percent as the State may determine. The State would be required to include such employment in worker accident compensation coverage.

I suggest authorizing \$50 million for the first year, \$100 million the second year, \$150 million for the third year, \$200 million the fourth year, and \$250 million in the fifth year. In the fourth year there should be a special evaluation and recommendations as to the continuation or modification of the program.

I am including for the record three articles I have written on welfare reform which may be of interest to the committee.

Now, there are many items in S. 2777 which I think merit your attention. The fiscal relief that is in there approximates about \$3 billion, which, I think, warrants very serious importance. It is approximately the same as the administration bill and, I believe, even the Corman bill.

I might add that, as the dean of a school of education, one of the reasons I am strongly for fiscal relief is because I think that that is one of the best Federal aid to education programs I can think of. I will make this as an estimate: It could mean at least 75 percent of that will go back into either additional State aid for education or for mental health.

Now, I can't certify to that but I believe that would be true. I think that, therefore, fiscal relief, which is not only important to many States, is a great step in the direction of strengthening our educational system.

The emergency aid program that is in S. 2777 and various other aspects, I think, in an incremental way would make great progress, and I would hope that if you have time I would like to answer questions about several of them which I think are very important.

But I have included in my statement certain suggested amendments. I would like to talk about only one, which has not yet been discussed.

If you will look at my testimony, item 6, it is my opinion that what you ought to do is establish a special program which I would call the neighborhood cleanup and employment program. This would be a special time- and dollar-limited experimental voluntary program in which persons on welfare would voluntarily help to clean up our streets, cities, highways, and neighborhoods in many cities and outlying areas which are strewn with rubbish, dirt, paper, filth, and junk.

Might I say, although I thought of this many times, it really came to me most pointedly when I got off at the airport at LaGuardia

recently and I saw vast areas of the street strewn with tin cans and junk and debris, which I think are a blight upon America.

Now, I suggest we can clean up this blight with the help of welfare recipients. I recommend that, for such employment, the Federal Government pay the State the entire cost up to 100 percent of the poverty level for the family of any person in which one person is so employed on a project to be paid at the minimum wage and that for any person on the welfare rolls—I am talking about aid to dependent children—up to \$100 a month be disregarded in the deduction from the grant plus such additional amount not to exceed 50 percent of earnings. The State would be required to include such employment in both worker accident compensation and unemployment insurance coverage.

I think, Senator Long, this would be a program particularly possible where a mother had one child and was a younger person. While I would make it voluntary, I believe that if we gave these incentives to both the State and to the mother in a family, they would get employment experience. I would put a training program like we have in the WIN program with it and the mother would be able to obtain work skills in my opinion.

I have thought that such a program could provide work for about 40 hours a month or 4 hours a day or maybe 10 days a month. We shouldn't think of doing it as full-time work but part-time work, which would enable a mother to take care of her child, but also for the younger mother—and I am talking about the 17 or 18 or 19 and 20 age group—to get some work and training experience and still get her welfare check.

From the long experience we have had since I first appeared before you in 1961 and 1962 in connection with the community work and training program and the WIN program, this is a refinement out of the experience of all of those programs, which I hope you would try for a 5-year period because I think it would meet your objectives of giving employment opportunity to them while at the same time providing for a higher standard of welfare.

I would also like to say, before I conclude, that I think there are other important incremental amendments. I would like to see you not only lower the age in the supplemental security income as is in S. 2777 down to 62 because I think that those people ought to now, with social security at 62, be able also to get supplemental security income.

Incidentally that would help New York very greatly, Senator Moynihan. I think that the supplemental security income has shown that that is workable now. We have ironed out the administrative bugs and I see no reason why you can't lower that age. That would take more of those welfare people and it would put them on some Federal amount which would give some extra fiscal relief.

And I also would like to see you change the disability test so that at age 55 and over, the disability test would be inability to engage in one's normal occupation. That would take care of problems like coal miners in West Virginia and elsewhere, where they can't get a job but they are employable in the sense of the present disability test, which says that they must be unable to engage in any substantial, gainful employment.

Those two amendments would help the larger industrial States, add additional fiscal relief, be incremental and administratively feasible and, in my opinion, would add a great deal to our ability to handle the major welfare needs at the present time in a constructive manner.

There are other suggestions I have in my statement, which I am sure the staff will review.

Senator MOYNIHAN. You toss ideas around in as lively and interesting a fashion as you always have.

Senator LONG. Mr. Secretary, let me say that you made some good suggestions as you always do. I just want to take issue with you when you ask these people to pick up that litter and help keep the place clean on a voluntary basis.

You and I are voluntary litter picker uppers. I have gotten better, by the way, and I have even started bringing in garbage bags. Along the highway, particularly near the place where I live, I find that some people throw some of these garbage bags out. I take a look around to see if I can find something to identify who is doing this; then I go and report those people and try to teach them to be good citizens.

In that way, I am working on the litter at the source. But I do go around and pick up this litter. I try to keep the Kennedy Center free of litter, and you do it in your neighborhood. But I think it would have more meaning if we pay people on welfare something for doing that, and I would hope that you wouldn't object to paying them.

Mr. COHEN. I did so recommend and probably I should state it over again. I would pay them the minimum wage for the hours that they work but, since under what I propose, they wouldn't work full time and would work in accordance with whatever time the State would agree to, we would calculate the income that they earn with the income disregard based upon the poverty standard so that they would have an incentive to do this because they would get more income by working than by not working.

Senator LONG. In addition we might be well advised to pay some people, and maybe in this case it might be better to pay some of the young teenage men to help keep the place safe. The thought occurs to me that if they would organize some boys' clubs and perhaps some young ladies' clubs in these areas for young people, they could engage in some recreation and that sort of thing but also devote themselves, under a little bit of guidance and leadership, to help keep the place safe. They could help make good citizens of themselves and their neighbors.

I think this would be moving in the right direction and that it would appeal to young people to help make it a safe neighborhood rather than an unsafe neighborhood. I read where in New Orleans the father and mother of Andrew Young feel they can't safely walk around their neighborhood any more. Well, that is because the young people there are not doing what we ought to be expecting of them.

It seems to me that it would be worth paying them a little something to do that, to organize themselves and work together and make it a safe neighborhood as well as a clean neighborhood.

Mr. COHEN. Could I suggest something on that point that has come out of a number of discussions we had at the Harvard School

of Education some time ago, and that was making grants directly maybe to the school system. You have to have an administrative mechanism to do that. You could do that if you gave the high school where you had boys and girls from 14 to 17—if you give them the money and allow them to make grants or stipends or whatever you want to call it to the high school students who would engage in a specific task, which would include saving the schools.

We have a tremendous problem of vandalism in the schools which has been simply terrible in the last few years. If they were to say to a young boy or girl in a program for certain periods of time, over the weekend or early evenings, that the students would patrol inside the school or outside and for that you will get \$5 for an evening but have the money channeled through the school system, which could then monitor it.

I would like to see that, something of that sort, because quite frankly the discipline inside our school systems today is simply tragic in many areas of this country. I speak for only the Detroit area, where we are having a terrible time. I was one of the three monitors in the Federal court case in Detroit and when I met with the parents about the judge's decision, the first thing they said to me was: "Can you do anything about discipline in the schools?"

So to follow your idea, there would be some merit in making the school a mechanism for dealing with that boy or girl and I think it would have very great results, constructive results.

Senator MOYNIHAN. There has not been a more creative mind in social policy possibly since Abraham Epstein, possibly ever, than yourself, sir, and I want to ask two questions of you and get clear about something that is important that you said. You said: Why can't we salvage something from the present stalemate of the President's program? And you said, I believe, that this bill offers you that opportunity. You mean the Baker-Bellmon bill?

Mr. COHEN. Yes, sir.

Senator MOYNIHAN. This is important. You think that it is a good approach, and while it would leave something for our grandchildren to do, it is an achievement. Time and welfare changes are on the agenda this year, and they may not be on the agenda of the next Congress or the one after that.

Mr. COHEN. As you know, Senator, philosophically I find myself in agreement with the President's bill, as I did with the family assistance program, but my experience as an administrator when I was Under Secretary and Secretary of HEW leads me to believe that, while conceptually they might have great merit, the implementation of them is, to some extent, beyond our immediate capacity to put into realistic effect.

I don't challenge the conceptual point, the virtue of those bills, but I do challenge the in-place administrative competence right now to do that. It is somewhat like saying we will eat all three meals at once and save all of the time. You get indigestion if you eat three meals at one time and therefore we string it out to three times a day.

I think that you should stretch welfare reform out in about three stages, not because the things that are left out are not important; I

think that they are important. But I have to say quite frankly that if I were still the Secretary and were given the President's bill to implement within the time frame that they have, I would feel that I couldn't do it conscientiously and in an administratively competent way.

The implementation of the unemployed parent program which we have now had 15 years has demonstrated that that program can be constructively improved. If I had time, I would like to demonstrate to you that since 1961, when that program was first put into effect, that program has worked realistically and practically and there are some suggested amendments in the program which have resulted from experience.

I think that you extend that program to all States and add the emergency assistance program and fiscal relief and the other program, particularly the program that guarantees—and I don't know whether Senator Long is quite aware of it—in the Baker-Bellmon bill there is a provision for guaranteeing one parent in every family a job.

Now, I think if you were to accept that in principle—although in this bill it is made an amendment to CETA, which may not be in your jurisdiction—you could put that in as an amendment to the WIN program if you decided you wanted to make that commitment. I think that is an important commitment. So that incremental principle is workable.

Senator MOYNIHAN. I would like to ask you one last thing, and don't answer if you really think it is too much to put to you at the moment. But you do know that we have had testimony from, first of all, Dr. Bishop of the Center for Poverty Research at the University of Wisconsin, and most recently Dr. Spiegelman from the Stanford Research Institute. This was startling testimony to the effect that the incidence of marital dissolution and family breakup under the negative income tax experiments has been strikingly higher than under the present system. The results of four projects uniformly indicate that marital dissolution is 70 percent higher in each case for the main level of payments.

We have heard from Dr. Bishop, to the effect that while we don't have any final evidence yet, we do have this strong experimental evidence. What are we supposed to do with that, Wilbur?

Mr. COHEN. I thought that you would ask me that, so I got up at 4 o'clock and read the Bishop memorandum.

Senator MOYNIHAN. It is a good paper.

Mr. COHEN. Therefore, since it was early in the morning I may not do it justice, and that is what I intended to say; but let me make first a sort of facetious remark: There has been a lot of research that more people die in hospitals than in movie theaters. What should we conclude from that research? When you feel sick, should you go to a movie theater?

It is one thing to have a research paper and it is quite another thing to draw a social policy conclusion from it.

Now, why do I say that? If Dr. Bishop's analysis were to be acceptable, in my opinion it is then a valid indictment of the present AFDC program as well and you should therefore repeal the present

AFDC program because, if marital dissolution is the result of payment, it is even more correct with regard to the case where, if a husband does desert, then the mother does become eligible under the program, which has been one of the major criticisms of the existing program.

I believe that my view from reading this paper twice during the early morning is that what it fails to take into account is that the constituency in the aid to families with dependent children group already have a very high marriage dissolution potential. These are marginal families with very low educational attainment on the whole, and in many cases people who are a second generation on welfare with irregular earnings and lack of skills.

All of these things produce a very high potential for marriage dissolution, as also evidenced by the fact of alcoholism of many of the men which is a cause for the wife many times wishing and encouraging marriage dissolution, because she cannot take care of the alcoholic husband and the number of children.

While I would not say the research is incorrect, I believe that we face a situation which presently has a number of complex factors which undermine family life and marital stability which exist outside of the income maintenance program.

I find that while he has a short section in his paper that tries to deal with this point, I am not convinced that he really has analyzed this aspect sufficiently.

Senator LONG. Could I comment on that to get your reaction to it?

My impression on that is that what has been holding these low-income families together is that the father, for all of his shortcomings, has been doing the best he could to bring some money home to support the family. Now, when you provide the mother of the children with as much income as the father has been able to provide them anyway, it tends to take away from "Pop" the only real dignity that he has. And that is that he has been going out and trying very hard to support that family with what little he has to work with. But if the income is going to be provided without his work effort, it would seem to me that he has been denied the one thing that gives him dignity in the family.

Mr. COHEN. I would agree, and as to Dr. Bishop's recommendations as a solution, to solve the unemployment problem, he is making the same point Senator Long is: Provide a job to everyone of those men with a refundable tax credit and a number of other things, all of which, however, would have costs, in my opinion, above existing welfare costs.

Senator LONG. I think we agree on the answer, to put someone to work and pay them better.

Senator MOYNIHAN. I think it is the case and I think Secretary Cohen might agree that some of the basic thrusts which have come out of this committee and which have been very unpopular and the object of fashionable disdain particularly with your former department, look a lot better in the aftermath of some rigorous social experimentation.

Mr. COHEN. Of course now you entered on a subject which is close to my heart and I have made several speeches on it. I think the con-

ventional wisdom that much of what we did during the sixties and which the press say has turned out badly, is not the correct interpretation of what has happened.

May I give you just one point. Let us take this last recession, 1974 and 1975. We paid out about \$15 or \$16 billion a year in unemployment insurance for those 2 years, some \$30 billion in 2 years, which is roughly \$10 billion a year more in each year.

Unemployment insurance, that extra \$20 billion or \$30 billion, coupled with the welfare payments, made a sustaining amount of purchasing power which, I believe, has resulted in less social discontent than at any time since the sixties.

If you look at income maintenance programs during 1975 and 1976, and take all of the OEO programs and social security and medicaid and everything that people are critical of because it costs a lot of money, but we came through the worst recession since 1929-33 and it has had no substantial political or social impact.

Now that is a tremendous achievement that, if I were the chairman of the Senate Finance Committee and the chairman of the Ways and Means Committee, I would tell the American people how well a job we had done in preserving the free enterprise social structure against social discontent as a result of these programs. But nobody takes credit for what we do.

Senator MOYNIHAN. Mr. Chairman, would you like to take credit for that? You may be sure you would have gotten the blame if it had not worked out.

Senator LONG. It would be one more case of a politician taking credit for something that happened.

Mr. COHEN. I would be willing to go to Louisiana and make a speech to that because, I think, it is a correct interpretation of history. Of course, there are many specific faults in these programs and there needs to be many changes, but if you look in global terms at the total result, where other countries are having all sorts of other kinds of political difficulties, whether it is Italy or whether it is France or whether it is England, we have come through the most recent period somewhat more successfully from the manner of social and political stability than almost any country in the Western World.

Senator LONG. Along the line of your testimony, it is interesting to note, as you pointed out, that we have put the SSI program into effect. That is one very big program which we put into law in 1972. At that time, in this committee we were also advocating the earned income credit, and that is now a law. Under that program we say that, where people work, we will add a little something to their income because they are poor and they are working to try to improve their condition.

And the committee back at that time was recommending a job credit. We were saying in addition to that earned income credit, you ought to put in a credit for the purpose of the employer so that he will give these people jobs. That is in the law now. The House sent that to us last year. It needs to be improved on, but it is in the law.

Back at that time, we were talking about creating some jobs for people who needed jobs and the CETA program does that. Even talk-

ing about the idea of providing people with income whether they work for it or not, the food stamps have done that. In fact, it is costing more—more than the family assistance plan was estimated to cost. Those are basically the same components that you were talking about putting in the family assistance plan. That supports your argument.

Now, there is one point I do think we ought to do, and I hope you will agree with me. That is that these welfare regulations should not prevent welfare money from being paid for people to work. As I understand it, the people over in HEW contend that under the law and their regulations, you can pay a person something because they have no job or you can pay them something because they are dependent, but you cannot pay money through these welfare agencies of the States for work.

Now, I was thinking in these terms: A mother is given the money, and she is supposed to look after that child. If you want to, you can regard that as the work she is to do, but if we are paying the money to her, she ought to do it.

Now, if the mother has three children, as I mentioned previously, she also ought to be willing to look after an additional child so someone else can go out and take a job somewhere. And there is no good reason why we should not be able to pay her for that.

I wonder if you agree with me that there should be no prohibition in using this money to pay the poor people to work. This is with the full understanding that, in many of these cases, what you would be paying them to do is look after their own children in their own home.

Mr. COHEN. I don't know about the interpretation that you just made, but let me say this: I have actually, through my staff, run a program of what we call family day care. I believe when you are talking about day care in an institutional setting and there may be about 1 million children in that, that is not a very practical way to handle 8 or 9 or 10 children. Therefore, you should go to family day care just as Senator Long has said.

I would put into the bill a special encouragement for arranging for selected mothers to take in one or two children and pay them so there would be a financial incentive. But you have to give the State an incentive to do it because there must be some supervision of those homes, and someone has to, under the State law, license them and see that they are feasible.

But in my view, if you want more mothers to go to work, since as I said, 50 percent of all mothers are working anyway, and you want to give one out of two welfare mothers a chance to work, which would be fair, then you ought to encourage family day care because the institutional type of day care is not always feasible in many places.

So I think that your point is very well taken. We trained welfare mothers on the welfare rolls at the University of Michigan from a grant I got from title IV-B of the Social Security Act. We trained welfare mothers to go out and supervise these family day-care homes. I think you should give encouragement to do that. That has not

been given enough encouragement. We always think of day care in an institutional sense.

Senator LONG. Mr. Cohen, when we were working on the family assistance plan, one witness amazed this committee. It was something we did not know, but he pointed out that there was a much higher percentage of mothers who were working in middle-income families than there were mothers who were working in low-income families. That really did put some of us scratching our heads as to why would that be.

After a while, the obvious answer occurred to us. That is why those families were middle-income families; because Mom was working, they had two sources of income. So now you have 50 percent of mothers working in these middle-income families. Here is what you could do. Where a mother has only one child, if you could just get someone right next door to look after that child—someone who perhaps has three children and is going to have to be around the house to look after them anyway. She could let that little child from next door come and play with a child of the same age in her family, and this would free the mother with one child to go and take a job.

Now, where you can do that you would benefit both families. You also benefit a third family; that is, those who are able to employ that person.

Mr. COHEN. I do not know whether you are aware of the study that Professor Podell made some time ago. He did a very remarkable study in which he asked welfare mothers if they would like to go to work. That was at the period of time when people were saying "Don't force welfare mothers to work," and he wanted to find out what they wanted to do. Seventy percent of them, this is about 5 years ago, responded by saying—these are welfare mothers—said that they wanted to go to work, which is even higher than the 50 percent of the average middle-income worker.

Of course, when various conditions were applied, how many hours and so on, the percentage dropped, but the important point of that piece of research is that it is not to be assumed that because these people have lower educational attainment and lower skills and have children, that they do not want to go to work. I think the problem is for us to find a method and a program, Senator Long, either like revision of the WIN program or the credit program that is in the Baker-Bellmon, that would be an incentive for them to go to work.

The incentive should be largely directed to women who have one child and who are under 22 or 23 years of age, and adapt an education, and training program, including plans for spacing of children and budgeting.

I wanted to comment a moment ago that the big problem, as I see it, that occurs in these marriage dissolution cases that Senator Moynihan raised, is the fact that there are so many cases where the girl becomes a mother at 14 or 15 or 16 and 17 and 18, when she is both unprepared physically, mentally, and otherwise for these tremendous responsibilities of parenthood. Just a few weeks ago, President Carter approved my appointment as Chairman of the White House Conference on Families. It is going to be my attempt in dealing with this question to try to strengthen family responsibility where these women and men are very young.

That is the point where I think we are failing to put our resources, because those women become discouraged; they have tremendous responsibilities in taking care of young children. They do not have a work skill, and the best Federal dollar you can allocate would be intervention at the very earliest age between age 14 and 19 in those cases—that will help, very materially, not only in preventing marital dissolution, but preventing the large families. Because once a woman like that gets more than two children, the financial as well as the caretaking responsibilities are so great that she will probably be on AFDC for a substantial period.

Senator MOYNIHAN. Let us congratulate you on that task. It is a very important one, and we look forward to hearing more from you and hearing about that White House Conference, and once again it is an honor to this committee to have you before us.

Mr. COHEN. It is a pleasure for me to come before this committee because I think the committee has had a very remarkable realistic and pragmatic effect on social policy in the United States, and I am glad to see you a member of the committee, Senator Moynihan, and I hope you enjoy it.

Senator MOYNIHAN. We are very glad to have you appear before us.

I am sorry we have taken a long time, but to those of you who have been waiting, I emphasize it is not every day that Wilbur Cohen appears before this committee, and it is an important day when he does.

I will, in the interest of the committee staff and since we have some votes coming up, see if we cannot keep to a schedule on which we ask everyone to stick to 15 minutes.

[The prepared statement and attachments of Mr. Cohen follow:]

IT IS MAY DAY NOW FOR WELFARE REFORM

(by Wilbur J. Cohen, formerly Secretary of Health, Education, and Welfare, 1968; Professor of Public Welfare Administration, the University of Michigan)

I am pleased to appear before this Subcommittee to present my views on welfare reform including the Administration bill and the Baker-Bellmon-Danforth-Ribicoff-Hatfield-Stevens-Young bill.

As you know Mr. Chairman, my contact with welfare reform began with my association with President Franklin D. Roosevelt's Cabinet Committee on Economic Security (1934-35). The welfare reform incorporated in that legislation was the most significant reform since the Elizabethan Poor Law of 1601. The predominant character of that reform was the implementation of the policy enunciated by Beatrice and Sidney Webb in their Minority Report of the Poor Law Commission of 1909, namely, the "breakup of the poor law" by the establishment of categories which gave priority to social insurance and the employment service and special programs for special groups. This philosophy was supported by Sir Winston Churchill and later by Sir William Beveridge and has been, in my opinion, a constructive one.

Might I say that the present situation in welfare reform might be characterized as a situation involving "maximum feasible misunderstanding." The advocates of "welfare reform" represent two very different philosophies: one which advocates broadening the coverage to include the working poor, coordinating programs and policies, and establishing federal standards and a greater degree of federal financing and state fiscal relief; the other which believes "welfare reform" is giving the states more autonomy, less standardization, restricting coverage, and a overall lower cost, with emphasis on eliminating abuse, fraud, and error.

There is a third position which is both consistent in part and inconsistent in part with the two major philosophies and which believes we can, should, and must make some substantial incremental progress this year because welfare reform is not a once-for-all situation but one which historically has, and will, reoccur periodically as economic, social, and political conditions change.

I have learned one significant lesson from forty-four years of helping to design, implement, and administer a number of human service programs: beneficiaries, taxpayers, employers, employees, lawyers, physicians, states, governors, *et al.* are all a lot smarter and more inventive than the drafters of federal legislation. Whatever loopholes, opportunities, incentives or restrictions are written into the federal statute, someone of these people will figure out a way to get around the federal policy. I do not deprecate this vital quality. It is the pioneering, innovative, entrepreneurial spirit which has made America great. We should not dampen the essential ability but recognize its inevitability.

But we must likewise recognize it for what it is. For that reason, I favor an incremental, phased-in program which will enable us to take several steps, then stop, look, and listen, evaluate the experience, correct any mistakes, and then go ahead on another incremental improvement.

It is an approach which I learned from John Winant who counseled: Don't be dissatisfied with an incremental improvement, but always be unsatisfied. Abraham Epstein, one of the great American social reformers, also advised me during my days of youthful enthusiasm for advocating millennial solutions: be sure to leave something for your grandchildren to do.

It is based upon this general analysis that I come to support the imperfect bill before you. It is not a perfect bill or the bill I would draft if I only had to consult with myself. But I am indeed worried that at this late day in this session preceding an election year that unless we can gain some forward motion on some welfare reform, we will lose the possibility of any progress in this area during the next two years.

In 1978-80 you must handle national health insurance; in 1981-82 you will have to completely restructure the financing and benefits of unemployment insurance. If you do not come to some accommodation with the House and with both the liberals, middle of the roaders, and conservatives on welfare reform in the very near future, welfare reform in 1979 will have the same destiny as FAP several years ago.

Remember, however, that you did salvage SSI in 1972 from the stalemate over FAP. Why can't we salvage something from the present stalemate over BJAI? I believe that JOFSA offers you that opportunity.

The tactical issue we face is whether to press and wait for the most desirable legislative instrument and not settle for too little too soon. I recognize the conventional wisdom of such a legislative strategy. But in my years of watching and participating in Congressional legislative activities, I have never witnessed the passage of a major bill which solved all problems for all time in the area under consideration.

If I am given a choice between an excellent bill which will not be enacted and a less than millennial bill which will become law, I will—and I hope you will—choose the latter.

SUGGESTED AMENDMENTS

I would like to offer some suggested amendments:

1. Provide states with the option of cashing out food stamps on a state-by-state basis.

2. Authorize the simplification and uniformity of the main concepts and terms affecting two or more programs. My suggested amendment would read as follows:

"Notwithstanding any other provision of law, a state may, with the approval of the Secretary of Health, Education, and Welfare, and when appropriate, the Secretary of Agriculture, establish a consistent and uniform definition of "income," "resources" and income "disregards" of two or more income tested programs administered or financed in whole or part by the state of the general funds of the federal government. Such approval shall be for a stated period, be subject to review and revision, and shall be evaluated periodically by arrangements mutually agreeable to the state and the Secretaries concerned"

3. Modify the existing "income disregard" provision: The income disregard in the present AFDC law was established over ten years ago. At that time I recommended to the Congress that the disregard be \$50 and 50%. When that was rejected, I recommended \$40 and 40%. When that was rejected, the House Committee on Ways and Means settled on \$40 and 33-1/3% and said it would be wise to see how it worked and adjust it on the basis of experience. We now have had that experience. My own view is that the present disregard for 1978 should be \$69 a month (i.e., \$3 per working day) plus 50% of the first \$100 a month of earnings plus 40% of the next \$100 and 25% of the next \$100 a month. I would index these amounts by annual increases in wages rounded to easily divisible amounts.

4. Raise the minimum level of payments to 65 percent in 1982, 70 percent in 1984, and to 75 percent in 1986.

5. Provide that disability payments under SSI would be payable to any disabled person who was unable to engage in his or her customary occupation or employment and in the judgment of the state agency cannot be rehabilitated for work in the community, with due regard to the age of the individual, the costs, and the prospective beneficial results of such rehabilitation.

6. Establish a special Neighborhood Cleanup and Employment Program (NECEP)—a special time and dollar limited experimental voluntary program. Our streets, cities, highways, and neighborhoods in many cities are strewn with rubbish, dirt, paper, filth, and junk. I suggest we clean up this blight with the help of welfare recipients. I recommend that for any such employment the federal government pay the state up to 100% of the poverty level for the family of any person so employed on a project and that for any person on welfare up to \$100 a month be disregarded from deduction from the grant plus such additional amount not to exceed 50% as the state may determine. The state would be required to include such employment in worker accident compensation coverage.

I suggest authorizing \$50 million for the first year, \$100 million the second year, \$150 million for the third year, \$200 the fourth year, and \$250 million in the fifth year. In the fourth year there should be a special evaluation and recommendations as to the continuation or modification of the program.

I am including for the record three articles I have written on welfare reform which may be of interest to the Committee.

STATEMENT BY FORMER HEW SECRETARY WILBUR COHEN

The bill—Job Opportunities and Family Security Act of 1978—introduced by Senators Bellmon, Ribicoff, Baker and Danforth is a constructive and incremental approach to the improvement of the existing welfare system. While it does not solve all the problems which the Administration's proposal attempted to handle, it is a pragmatic and reasonable series of steps in the right direction.

We believe it is sound to undertake those legislative steps which are within our managerial, administrative, and fiscal capacities at the present time. There is nothing in the proposed bill which will impede future incremental improvements on the basis of experience and fiscal ability. Rather, the principle of federal standards incorporated in the bill is a significant step forward. This principle can be extended in the future. The standards established by Congress in the Supplemental Security Income program in 1972 have led the way to the adoption of standards in the Aid to Families with Dependent Children-Unemployed Parents (AFDC-UP) program and we believe that further progress in this direction can be achieved step-by-step which will demonstrate the ability of the federal-state system to work effectively in achieving welfare reform.

The AFDC-UP program, originally enacted in 1961, has been shown to provide a base upon which the coverage can be extended in the course of time to all the working poor.

The broadening of the SSI program to cover individuals age 62-65 will assist in helping many older persons, including any older persons affected by long-term unemployment. It will also result in less pressure on determinations for disability payments under the SSI program.

The proposal includes three provisions which utilize the federal tax system as an incentive to provide employment to low-income individuals and welfare

recipients. We believe that it must be recognized that the welfare system cannot and should not be responsible for locating or providing work for welfare recipients. The proposal recognizes this principle and thus should help to advance improvements in the adequacy of welfare payments in the long run.

We recognize that several aspects of any comprehensive welfare reform plan, such as the one advocated by the Administration, are controversial. But we believe it is important to make some progress this year in improving the existing program. We believe that aspects relating to employment and to the financial aid of those persons (with children) who are unemployed and are capable, available, and willing to work will assist in bringing a better understanding to the general public of the constructive aspects of the welfare program.

[Reprinted from Current History, June 1973]

"Setting the elimination of poverty as a national goal is a huge and complex undertaking. The nation has the economic capacity, the technological capability, and the intellectual resources to accomplish this goal before the end of the next decade."

TOWARD THE ELIMINATION OF POVERTY

(By Wilbur J. Cohen, Dean, School of Education, University of Michigan)

A program to reduce, prevent, and subsequently to eliminate poverty in the United States requires a comprehensive and coordinated attack in several different areas simultaneously. The outlines of such a program are as follows:

First: A successful national attack on poverty is dependent on continued economic growth and economic development.

We could probably reduce the number of persons in poverty from 25.6 million in 1971 to about 20 million in the next 5 years, and to about 15 million in the next 10 years, with continued economic growth and the expansion of employment in areas where underemployment now exists. To achieve these goals major changes in tax policies, housing and related programs as well as successful control over inflation would be required.

We should reduce and close the tax loopholes and shelters which provide favored tax treatment to certain industries and activities. The increased tax yield of \$10 billion to \$20 billion a year (at 1973 prices) should then be allocated in part to increased public expenditures (as for example in health, education, and welfare), and in the further reduction of taxes among the lowest income groups. The amendment by Senator Russell Long (D., La.) providing a refund of 10 per cent of low-income earnings (which passed the Senate in 1972 but was dropped from the final version of H.R. 1) is a step in the right direction and would make an important contribution to increasing the income of the "working poor." The combined effect of these changes would be to increase incentives to work, to sustain a continuing overall increase in the gross national product, and to reduce poverty.

With the termination of the war in Indochina and the prospects for international peace, it should be possible further to reduce federal expenditures for defense, military, and foreign aid, and to increase funds for domestic programs related to individual well-being.

Second: Opportunities for work—meaningful, productive, self-supporting work—must be expanded.

Economic security is perhaps best defined as a job when you can work and income when you cannot. Job opportunities must be made available for all who can work, and programs that improve the ability of the individual to earn must be expanded.

Well-planned and useful work, not made-work, could be developed. There are several million useful potential public service jobs—jobs in hospitals and nursing homes, work that would contribute to improved roads, parks and recreation centers, jobs that would help relieve the pains and anxieties of children, the aged, and the disabled, services in community colleges, universities, libraries, day care centers, senior citizen centers and similar community activities.

A federal-state-local public service employment program is a high priority requirement in the war on poverty.

Some sheltered jobs for disadvantaged individuals must be developed. This has already been done successfully for the blind and disabled.

Special consideration should be given by employers and unions to shorter hours of work for women with family responsibilities (25 to 30 hours a week) to enable more of them who wish to work to handle their family responsibilities properly.

For those whose capacity to earn is low, and for those who have a potential capacity but are unable to find jobs, much can be done to extend local programs that prepare them for full participation and full opportunity. Special educational programs, vocational training, rehabilitation programs, manpower retraining and relocation, and compensatory education and skill training programs could enable more of the disadvantaged to obtain income-producing jobs in the labor market.

Third: Racial discrimination—in jobs, in education, and in living—must be ended.

Justice and opportunity must become a reality for every American, regardless of race, creed, sex, or national origin. Every effort must be made to carry out the constitutional obligations and the statutory requirements of the Civil Rights Act so there is equality of opportunity for every boy and girl and every family in the nation. In addition to its other insidious effects, discrimination by race, sex, religion or national origin is economically wasteful, costing the nation about \$25 billion to \$30 billion a year in terms of reduced earnings, a smaller gross national product, and less federal and state tax yields.

People must be equipped for full participation in all aspects of our economy and in all aspects of American life. Jobs are basic to economic security and we must see to it that everyone is given a realistic chance to learn and to earn in terms of his potential.

Fourth: Family planning services must be available, on a voluntary basis, to those with lower incomes and less than a college education as they are to the higher-income, college-education person in the suburb.

In 1971, less than 10 per cent of all families with only one or two children were poor, but 30 per cent of all families with five or more children were poor.

In the period from 1960 to 1965, low-income women of child-bearing age had an annual fertility rate of 153 births per 1,000. The rate for the rest of the female population was 98 births per 1,000. The fertility rate is thus 55 per cent higher among the poor than among the non-poor.

But it is considered likely that the poor would have children at the same rate as the non-poor if they had access to the same family planning services. And, on that basis, it is estimated that in 1966, among 8.2 million low-income women of childbearing age, there were 450,000 births of what might be called unplanned-for children. Among these 8.2 million women, there were about 1 million receiving family planning services, and 4 million who were not but indicated they would cooperate if services were available. To provide family planning services to an additional 4 million families would cost about \$200 million a year. This is an investment we could afford.

The 1972 Social Security Amendments further extend family planning services under Medicaid to present, former, or potential welfare recipients funded 90 per cent by federal funds. The states should take more effective leadership in implementing this legislation.

EXPANDED OPPORTUNITIES

Fifth: Opportunities for education at all levels must be expanded.

The vitality and economic growth of our society depend, to a major extent, upon the effectiveness of American education. We must assure equal access to high quality education from preschool through graduate studies. The cost of educating every American must be recognized as an investment in a stronger, more vital nation. To raise the necessary funds, the property tax must be eliminated as a major source of revenue for education, and the federal government must contribute at least one-third of the total cost.

Quality preschool opportunities, for instance, are essential for disadvantaged children if they are to hope to succeed in regular classroom studies. About only one-fourth of the nation's 6.8 million children age three and four are enrolled in nursery schools or kindergartens. The proportion of children from low-income families enrolled is less than those from higher-income families.

The need for modern and effective technical and vocational education is also self-evident. We need a vastly expanded and a strengthened vocational education system, as well as imaginative new ties between school and the world of work in commerce and industry.

Unless children born into poor families have the opportunity to learn and develop skills, they will not only be poor children but will face the high probability that they will be poor adults and that they themselves will raise poor children.

IMPROVED SOCIAL SECURITY

Sixth: The social security program should continue to be improved.

A job today not only provides current income but carries its own insurance against the loss of that income due to retirement, disability, death or unemployment, and major medical costs during old age or disability. This social insurance device is an institutional invention of first-rate importance. It is based on the idea that since a job underlies economic security, loss of income from the job is a basic cause of economic insecurity.

Social security provides a highly effective institution for income maintenance—one that is acceptable to the public, has a very low administrative cost, and is practically universal in application. The social security program now keeps some 13 million persons out of poverty. But it could have a still stronger impact in reducing poverty. Some major changes which should be adopted are:

1. *Improvement of the system in line with rising earnings and productivity.* Benefits should be paid based on average earnings over a worker's 5 or 10 consecutive years of highest earnings, rather than on his lifetime average, so that the benefits will be more closely related to the earnings actually lost at the time the worker becomes disabled, retires, or dies.

2. *Provision of protection against the loss of earnings that arises because of relatively short-term total disability.* Disability benefits should be paid beginning with the fourth month of disability without regard to how long the disability is expected to last. Under present law, the benefits begin only in the sixth month of disability and are payable only if the disability is expected to last for at least a year.

3. *Improvement of protection for older workers by liberalizing the definition of disability for workers aged 55 or over.* A revised definition of disability should permit benefits to be paid to a worker aged 55 or over if, because of illness or injury, he can no longer perform work similar to the work he performed in the past. Under present law, the definition of disability requires that the worker be unable to engage in any substantial gainful activity.

4. *Improvement of work incentives by liberalizing the "retirement test" provision under which a beneficiary's earnings may reduce the benefits received.* At the present time, an individual can receive his full benefits if his annual earnings are less than \$2,100. This amount should be increased to \$3,000 at 1973 prices. The reduction above \$3,000 should continue to be limited to one-half the amount earned above the exempt amount, regardless of the total amount of earnings.

5. *Financing the system more equitably by introducing a governmental subsidy from federal general revenues.*

If the cash benefit program were to remain entirely self-financed, the ultimate contribution rate paid by employees and employers for the total social security program would have to be increased somewhat to meet the cost of all the proposals outlined. General revenue financing should be used to meet the increased costs to reduce the impact of the payroll tax, particularly on low-income individuals.

These benefit increases and the other program improvements would help all workers and their families. They would also reduce the number of poor in the future and would provide a level of living somewhat above poverty for many beneficiaries. The effect of these changes coupled with the other changes suggested subsequently in this article would practically eliminate illness, disability, old age, and death of the breadwinner as causes of poverty.

NATIONAL HEALTH INSURANCE

Seventh: We must establish a national health insurance program which will cover everyone in the nation.

Ill-health, disability, and medical costs play an important role in creating poverty, low income and insecurity. A universal national health insurance pro-

gram with a comprehensive scope of medical services would do much to prevent poverty and pain.

Minority groups have higher rates of infant mortality than the general population and a shorter average life expectancy. A comprehensive program of prenatal and postnatal care which would benefit many lower-income families should be a high priority in any expanded national health program.

In the area of health, the idea of national health insurance has gained widespread acceptance. The passage of Medicare brought to an end one of the most bitterly fought ideological battles in the political history of this country. Today the emotional content is no longer present and the major issue is how to deliver access to health services for everyone. Even the American Medical Association, the most active adversary of publicly sponsored national health insurance legislation, has presented a legislative proposal to Congress which is designed to broaden and improve health insurance coverage.

A national health insurance plan should cover the costs of long-continuing and catastrophic illnesses. The inclusion in 1972 under Medicare of disabled beneficiaries and the coverage of persons requiring kidney transplantation or dialysis are important steps in this direction. The Medicare program should also be broadened to include coverage of the cost of continuing use of prescription drugs for serious chronic diseases.

The Medicare program should be financed entirely on a social insurance prepayment basis so that both the medical and the hospital benefits would be financed from social security contributions and a matching contribution from the federal government. This would reduce the costs in the case of aged persons and help to raise their standard of living by eliminating the premium payment for medical care after their earnings have terminated.

Eighth: We must improve other social insurance programs. Other social insurance programs—unemployment insurance and workmen's compensation—although not administered by the federal government, require federal standards to assure adequate protection. Coverage of both of these programs should be expanded, and benefit levels in practically all states should be substantially improved.

The introduction of federal benefit standards into unemployment insurance, where there is already a federal-state relationship, would not be structurally difficult. In workmen's compensation, which has been entirely a state matter, it would be necessary to establish some new device, such as a federal program providing a given level of protection, which employers would not have to join if they presented evidence of membership in a private or state insurance arrangement with an equivalent level of protection.

Ninth: Our welfare system must be radically overhauled.

Drastic changes must be made in the existing welfare system—in the scope of coverage, the adequacy of payments, and in the way in which payments are administered.

Although work opportunities and improvements in social insurance can bring economic security to the overwhelming majority of people, they cannot do the whole job.

The federal-state welfare programs have been confined to certain categories of recipients—the aged, the blind, the permanently and totally disabled, and families with dependent children when a parent is either missing from the home, dead, disabled or unemployed. In addition, the states have been allowed to define the level of assistance provided in these programs and many have set the level below a desirable minimum; payments also vary widely among the states. General assistance for those not eligible under the federal-state categories is entirely supported by state and local money and with few exceptions is very restrictive.

There are about 15 million persons receiving assistance payments—about 14 million under the federally aided programs, and about 1 million persons receiving general assistance not financed with federal aid. This figure would be increased if the states took full advantage of the available federal financial aid and removed from state plans and administrative procedures the restrictions that now bar needy people from getting assistance. Moreover, because of the low level of assistance standards in many states, a high proportion of those receiving assistance are still below the poverty level.

But criticism of existing public assistance programs is not confined to inadequate coverage or inadequate amounts. The list of criticisms is long, going

to the nature of the program itself and its administration. The determination of eligibility is an unnecessarily destructive process, involving the most detailed examination of one's needs and expenditures and frequently prying into the intimate details of one's life. Moving from detailed budgeting to broad categories of allowances and to simplified determinations of income and resources would help to protect the dignity and self-respect of the assistance recipient.

AID AND INCENTIVES

One problem that has haunted assistance and relief programs for years is how to provide adequate assistance without destroying economic incentive for those who can work. Reasonably adequate welfare payments, particularly to a large family, will sometimes turn out to be more than can be earned by a full-time worker with low skills.

Under aid to families with dependent children, the federal government assists states to make payments to families with the father unemployed. In the 29 states that do not take advantage of this federal offer and continue to provide aid only if the father is dead, disabled or absent from the home, the assistance program is correctly criticized on the grounds that it provides an incentive for the unemployed worker to leave home.

Support for an assistance program that applies to all in need and that pays an adequate amount has been faced with hard going because of the incredible longevity of myths about those whom the programs are supposed to aid: that the poor live high on welfare handouts and that the poor are lazy.

The myths persist despite the fact that over 3 million of those on welfare are aged, blind or disabled, and some 10 million are children, and despite the fact that 80 per cent of working-age men who are poor but not on welfare have jobs, and about 75 per cent of them are holding full-time jobs.

THE NIXON ASSISTANCE PLAN

President Richard Nixon, in August 1969, proposed a dramatic reform in the welfare system which included:

1. A federally financed and administered assistance plan to replace the aid to dependent children program which would pay each working and non-working family in the United States a minimum income. For a family of four without any income the amount proposed was \$1,600 a year with \$300 additional for each child.

2. States would be required to supplement existing federal payments to families with dependent children.

3. A work-incentive provision which allowed the family on assistance to keep the first \$60 a month earned and also 50 per cent above \$60 up to a maximum level set according to the size of the family.

4. A work component which required all family heads to register with the state employment office and accept suitable jobs.

5. An expanded day-care program for the children of working mothers and a job-training program to enable the parents to prepare for full-time employment.

6. Federal minimum payment standards for the three million aged, blind, and disabled receiving welfare.

President Nixon's welfare proposal failed of final passage in Congress in 1970 and again in 1972. An attempt to reach a compromise settlement in 1972 was rejected by the President and he did not resubmit the proposal to Congress in 1973. The need for uniformity in payments to welfare recipients remains an urgent necessity, as does broadening the program to include low-income, "working poor," where both parents are in the home, and single persons and couples without children.

The protracted controversy did produce some unexpectedly beneficial and potentially far-reaching legislative developments.

An important step in welfare reform was incorporated in the Social Security Amendments of 1972, which may serve as a model on which to build further changes in the future. A new program entitled "Supplemental Security Income" was established to provide federal income payments to the aged, blind and disabled. This new law replaces the federal aid to states for these groups which was first established in 1935 for the aged and blind and in 1950 for

the disabled. The program, effective January 1, 1974, is wholly federally financed from general revenues and federally administered through the Social Security Administration.

Under the law, about 5 million to 6 million aged, blind, and disabled persons with little or no resources and without any other income will be guaranteed a monthly income of at least \$130 for an individual or \$195 for a couple. An individual receiving social security or any other earned or unearned income will be guaranteed a total of \$150 a month and a couple, \$210.

In 1971, there were still about 4.3 million persons age 65 below the poverty line. The 1972 legislation is another step in the incremental elimination of poverty among the aged, blind, and disabled. The concept of a guaranteed annual income first embodied in the social security program has now been extended and should be extended further to cover all individuals.

Tenth: The services that will help people move out of poverty must be brought to the people—where and when they need them.

Family planning services, visiting nurse services, day care services for the children of working mothers, community action programs and consumer and legal aid must be available where needed. City Hall—and Washington—must be closer to the people they govern. There must be an adequate program of consumer and legal protection for the poor. There must be an end to practices that shortchange the poor in the grocery store, in the welfare office or in the landlord's office, at the neighborhood department store, and in the courts—in short, in all the way stations that add up to life in the ghetto.

It is important, too, that credit union facilities be available to the poor and that credit unions take even greater responsibility for the consumer education of their members.

Eleventh: Extreme variations in opportunities and services among the states must be eliminated.

A major problem in overcoming poverty in the United States is the wide variation in incomes. The increased militancy of the poor and disadvantaged in recent years is clearly the product of awareness of the economic and financial ability of the nation to eliminate poverty and the extent of affluence and concentration of income and wealth.

REGIONAL VARIATIONS

But even if poverty were abolished in the United States overnight, glaring inequalities in services among states would continue to exist due to past practices and institutions. Medical, educational and social services would still vary by states and localities unless measures were taken to minimize these inequalities.

The problems of poverty and economic insecurity in the United States do not lend themselves to easy, magic solutions. They require a combination of deliberate, carefully designed, wide-ranging approaches, for the problems themselves are not simple. Being poor means more than not having enough money. It often means being poor in spirit, hope, health, and intellectual resources.

The abolition of poverty will cost additional money. The cost of bringing the income of all 25.6 million poor persons up to the poverty line was estimated at \$12 billion for 1971. The total cost of eliminating poverty with appropriate work incentives would cost more than \$12 billion initially. But the cost should be reduced as the number living in poverty declines. The 1959 cost deficit (in 1971 dollars) was \$18.9 billion, which declined to \$12 billion by 1970—a drop of about \$7 billion.

The additional costs of abolishing poverty are in the range of 1 to 2 per cent of the gross national product. We can afford the money, if we decide to eradicate poverty. But money must be accompanied by far-reaching innovative approaches, by bold and coordinated public and private programs that provide opportunities for the poor. For those who are able to work, greater emphasis must be placed on jobs, education, and training. For those who cannot or should not be expected to work, improvements must be made in the social security program, which, combined with private benefit plans, constitute the most effective institutions for income maintenance. They cannot, of course, do the whole job. The present welfare system must be drastically overhauled to serve adequately those whose needs are not met by other programs. Programs for the more effective housing of low-income persons, eradication of slums, and the

elimination of hunger and malnutrition must be accelerated. Concomitant with improvements in existing programs, the search must continue for new and imaginative programs that will meet the demands of the decade ahead.

Setting the elimination of poverty as a national goal is a huge and complex undertaking. The nation has the economic capacity, the technological capability, and the intellectual resources to accomplish this goal before the end of the next decade. But the most difficult task will be sustaining the determined commitment of the nation to the American promise: full and equal opportunity for all to share in the good life that can be offered by a dynamic, prosperous, democratic society.

WELFARE: THE FAILURE OF OTHER SYSTEMS

(By Wilbur J. Cohen, Dean of the School of Education, University of Michigan)

Welfare reform has been a perennial quest since the Elizabethan poor law was established in 1601. Four major lines of reform over the past 371 years have been evident: changes in the welfare system itself; the establishment or modification in other social welfare programs and policies such as social and private insurance; changes in the basic tax, economic and social system; and attempts to change human behavior and attitudes with respect to such policies as family planning, thrift, the relation of work and leisure, relative responsibility, etc.

In the *New York Times* of July 18, 1971, William V. Shannon, a member of the editorial Board of the *New York Times*, said: "If there were a single solution to the welfare and poverty problem, we would have thought of it long ago."

The Elizabethan poor law, enacted by the British Parliament in 1601, was clearly a significant reform of the chaotic welfare situation which had existed during the previous century in Great Britain. By placing public responsibility on each local community for the care of the poor, it was hoped that a more responsible and, at the same time, more humanitarian approach would be adopted by the local authorities. Ever since, for 371 years, welfare and workfare has been a recurrent, persistent and controversial public issue in Great Britain and subsequently in the United States.

Welfare reform became a national issue in the United States in the 1850's. Local inability to deal with the problem of the mentally ill led to the passage of legislation in Congress in 1854 to provide federal aid to the states in the form of land for the construction of facilities for the care of the insane. President Franklin Pierce vetoed the bill on the grounds that it would set a precedent which might lead to federal participation in programs for other indigents. Welfare reform was postponed for several generations until economic disaster precipitated far-reaching changes. Since 1929, welfare reform has been a key issue faced by seven Presidents.

The great depression of the 1930's brought with it the first major reform of the Elizabethan welfare system in the United States, long after the system had been reformed in Great Britain. The establishment of county and state laws to provide aid to the blind, widows and orphans, and the aged (1900-1929) and federal financial support and federal requirements in the Social Security Act (1935) which created state statutory rights to payment marked some basic departures from the Elizabethan welfare system. After 334 years of operation, the "breakup of the poor law" (as advocated by Sidney and Beatrice Webb in 1909 in Great Britain) began to take place in the United States.

A fundamental change in approach occurred with the establishment of old age and unemployment insurance as part of the social insurance programs in the Social Security Act. Social insurance institutions evolved out of widespread pressures for welfare reform to alleviate the impact of poverty. Social insurance received major impetus from the middle class aversion to the stigma and humiliation of the investigation involved in the needs test in welfare. These objectives resulted in the provision of statutory benefits as a matter of explicit legal right, subject to administrative and judicial protections, with benefits paid according to a specific objective formula whether recipients were poor or not. About 33 to 40 per cent of all social insurance beneficiaries (approximately 11 million persons at the present time) would be added to the number of persons

living in poverty if existing social insurance programs were repealed. While a major proportion of social insurance beneficiaries live above the poverty line, many others are in the near-poor or low-income groups.

One of the major objectives of social insurance is to prevent poverty and humiliation. It is also designed to enable individuals to build additional protection on the base provided by the program. Its contribution to welfare reform has been tremendous. By reducing the number of poor persons and making payments to the "deserving poor," it has, however, resulted in a concentration of poor individuals on welfare who are considered by many in the community to be less deserving or not deserving at all. Thus, as the number of widows and orphans needing welfare declined (due in part to expanded insurance protection) and the number of women with children born out of wedlock increased on the welfare rolls, the welfare system came under greater criticism, and with it grew the demand for welfare reform.

THE NEGATIVE INCOME TAX

A major factor in producing a new climate of opinion about welfare reform appeared in 1962, when Professor Milton Friedman of the University of Chicago (generally considered a "conservative" economist and an adviser to Presidential candidate Barry Goldwater in 1964) began to advocate the "negative income tax" as a substitute for existing welfare and other public income maintenance programs. I have discussed some of the difficulties involved in a negative income tax being substituted for existing programs in my debate with Professor Friedman, *Social Security: Universal or Selective*, American Enterprise Institute for Public Policy Research, Wash. D.C. 1972.

Proposals for reform of the welfare system and for new programs like the negative income tax have important implications for existing social insurance programs. A major administrative question is whether any new programs should be administered by the social security administration or by the income tax system of the government. More basically, should any negative income tax be a substitute for all other programs (which Professor Milton Friedman has suggested) or should it be an underpinning to all other programs?

Economists generally advocate some kind of income redistribution, a negative income tax, or a minimum income guarantee as a simplistic solution to the welfare or poverty problem. They contend that by paying money to large numbers of persons (including the working poor) through an institution like the Bureau of Internal Revenue, the nefarious welfare system can be abolished and true welfare reform can be achieved.

But members of the general public and of Congress ask many specific questions which the economists cannot answer authoritatively without actual operational experience. What effect would such a plan have on work incentives? Would some people quit work if the payment is set at \$3,000 for a family of four, or if the payment is \$4,000, or \$5,000? What effect would such payments have on minimum wages and on the supply of labor for unskilled work? What effect would it have on mobility, earlier marriages, more children or the establishment of separate households? What impact would it have on the self-supporting family whose income is just slightly above the income level of the plan? What would happen if the voters decide to change the plan after some experience with it?

If the payment level is set too low, a welfare supplementation system will be needed to care for demonstrated need. If the payment is set at a relatively high level, what effect would it have on the economic system? What is the "right" level of payment, considering all the factors? How do we go about evaluating what the proper payment level should be in relation to changing economic conditions?

All plans which provide payments to the working poor—whether through a reform of the welfare system or by the establishment of a wholly new system of negative income tax payments—run into the difficulty that "conventional wisdom" indicates that offering the worker a minimum income payment might result in the supervision or regulation of his work, the provision of alternative work opportunities for him or the relocation of his employment. Is it possible to have a universal minimum income payment without controls relating to employment? For instance, what happens when the worker decides to work less than full time, quits work or fails to report to work regularly? Who does what then?

Only experience can give some answers to these questions. And experience is likely to indicate that the answers will be more varied and ingenious than can be imagined. We know what is wrong with the present welfare system, but we do not know what will work best or work wrong in some new system until it is tried. We don't know what interrelated developments will occur in other parts of the social system until we find out by experience.

We do know, however, that the extent of poverty in the United States declined from 40 million persons in 1959 to 25 million in 1970. The decline in the proportion of population living in poverty was even more significant—from 22 per cent of the United States population in 1959 to 12 per cent in 1970. This achievement should persuade us that we have the capability of reducing the poverty problem still more in this decade.

THE NATION'S POOR

The 13 million persons currently receiving welfare payments and the 12 million additional persons who make up the total of 25 million persons with incomes below the poverty line have the common problem of having little or no income. They are usually lumped together by economists and statisticians for economic analysis and policy consideration. But they are not a homogeneous group in terms of political, psychological or personal considerations, and their differences are as important to social policy as their common problem.

The aged, blind, disabled or other handicapped or "unemployable" persons in this group are generally treated differently by the community. They are considered by most people to be the "deserving poor." Community concerns about work incentives, laziness, illegitimate children or large families are not pertinent, and hence no substantial adverse questions or punitive behavioral actions are raised by giving them money. This group involves about 25 per cent of the total group of the poor. They could be raised above the poverty level by immediate legislative action increasing social security benefits and by establishing a federally financed income payment as is provided in H.R. 1 as passed by the House of Representatives in 1971.

The "working poor" consist of many male heads of families who work or want to work but who, because of their lack of skills, education or mobility, and the number of their dependent children, cannot earn enough to support their families. They are considered "deserving," but they have "problems" which may be intensified by any program offering incentives to have more children, to work less, or to quit work and live on the minimum level of income guarantee.

The family headed by a woman whose husband has deserted her or whose children have been borne out of wedlock raises many vexing questions for the community. Do income payments to broken families encourage illegitimacy or desertion? Should such a mother be required to work or take training? At what job and pay? Should the mother be wholly free to decide whether to work or stay home and care for the children and receive an income payment? Will day care for her children help the family?

REASONS FOR WELFARE

Attitudes toward the welfare program and its reform are basically determined by conventional wisdom as to why individuals apply for welfare. There are those who attribute the need for welfare aid as deriving primarily from *individual* acts of error or fallibility and who believe that many individuals can, if they wish, remove themselves from the welfare rolls by rehabilitation, motivation, mobility, employment or similar means.

On the other hand, there are those who believe that the failure of *society* to provide the institutional mechanisms to assist individuals to obtain satisfactory wages, housing, insurance protection, access to adequate medical care, training or employment is a major cause of the increase in the number of welfare recipients.

A third approach recognizes that there is an *interaction between individual and societal responsibilities* and that it is easy to attribute blame to individuals or society or both but that it is more important to establish public policies and programs which reduce the need for welfare.

As time goes on, a larger and larger proportion of the poor actually receive welfare. In 1959, only about 8 million of the 40 million poor received welfare

payments—about 20 percent. In 1970, about half of the smaller number of 25 million poor were receiving welfare. As the number of persons living in poverty is reduced and the proportion receiving welfare payments is increased, it is clear that more is being done for the poor. At the same time the problem becomes more visible and more subject to criticism, controversy and legislative review.

ILLUSIONS OF REFORM

Welfare reform a la President Richard Nixon, H.R. 1, Milton Friedman or anyone else in our competitive, work-oriented, urban and nuclear family society is likely to be incomplete, inadequate and illusory in any final sense. It can only be a step in a complex chain of events, experiences and trial and error (with emphasis on the probability of error). But as long as individuals make mistakes, as long as society fails to remedy basic difficulties in public education, medical care, social insurance, housing and employment conditions, there will be a need for some kind of welfare program, by whatever name it may be called.

Francis Piven and Richard Cloward in their recent provocative book, *Regulating the Poor: The Functions of Public Relief*¹ conclude that there is not much reason to expect entirely new forms of public assistance. They take the position that, in the absence of economic reform, the explosion of the welfare rolls "is the true relief reform, that it should be defended, and expanded." But they also believe that when large-scale relief programs diminish the proclivities toward disruptive behavior by the poor and "when peace and order reign, the relief concession is withdrawn."

It is doubtful whether either or both of these views will be acceptable policy in the United States for the long-run future. But it is still not clear where the continual increase in the welfare rolls will lead us. Continued stress on economic and institutional reforms could reduce the number of persons in poverty and this could eventually reduce the number who will need to remain on the welfare rolls. A 20 percent across-the-board increase in social security benefits with a substantial increase in the minimum benefits would reduce the number of persons in poverty. The following are components of an overall program to reduce poverty and the welfare rolls:

1. Continued and sustained economic growth without inflation or recessions.
2. A comprehensive, nationwide program to eradicate hunger and malnutrition and to provide family planning services.
3. Abolition of all forms of discrimination.
4. A substantial program of public service-employment for the hard to employ.
5. Day care facilities for parents who wish to work, with emphasis on child development services to overcome inherited and environmental disadvantages.
6. Improvement of social security virtually to eliminate the need for welfare for the aged, blind, disabled, widows and orphans and the unemployed.
7. Housing for low-income families and slum clearance.
8. Reduction in taxes on low-income persons.
9. Elimination of the residential property tax in order to utilize other forms of revenue to expand education, particularly for early childhood development and vocational education.
10. A national health program to assure medical care, rehabilitation and social services to the disadvantaged to enable them to be able-bodied, healthy and self-supporting.

As a first step, the present welfare system must be radically overhauled. No one is happy with the present system—not the welfare recipients, the taxpayers, the administrators, or Congress or the state legislators. Today, only about one-half of the poor are getting any assistance under federally-aided welfare programs, and in many states those who receive public assistance are still well below the poverty line. We can begin by converting the present state-by-state welfare programs into a federally-financed system of income payments for the aged, the blind, the disabled, and dependent children, with eligibility, the amount of payments, financing, and appeals determined on a national basis.

We must work to replace the welfare system with some new form of income maintenance or other program which would assure a reasonable income. However, much more work has to be done on devising a viable, acceptable program. In the meantime, we must continue to improve and build on the programs we have.

¹ New York: Pantheon, 1971.

If the number of persons who are poor were to decline from 25 million to 15 million in the immediate future because of the programs outlined above, the cost for welfare would be substantially less than what it otherwise might cost. A program to reduce and abolish poverty is thus the true welfare reform which should be defended and demanded.

The problem of eliminating poverty cannot be solved by so simple a method as handing every poor person a check that would raise him above the poverty level. In the first place, such a program probably would not be acceptable indefinitely to many taxpayers or to recipients, if it applied to large numbers of persons. In the second place, a simple monthly payment would not prevent future poverty. But the United States does have the material and intellectual resources to devise and afford a comprehensive, far-reaching, imaginative program which would be politically acceptable and would in the long run prevent people from becoming poor. We need the national will to do so. I believe that we can and we must develop this will. But the solution to the problem cannot be solved exclusively through reform of the welfare system. More far-reaching changes in other tax, economic, educational, job, housing, and social systems are necessary.

[From the Current History, vol. 61, No. 363, November 1971]

Can we eliminate poverty in the United States? Can the welfare system be improved? What will be the impact of the "new federalism"? In this issue, seven specialists discuss the history of the American system of welfare, the scope of the nation's poverty problem, and the proposals for welfare reform. Our introductory article notes that "A program to reduce and abolish poverty is . . . the true welfare reform which should be defended and demanded."

WELFARE REFORM: A PERSISTENT QUEST

(By Wilbur J. Cohen, Dean of the School of Education, University of Michigan)

In the *New York Times* of July 18, 1971, William V. Shannon said: "If there were a single solution to the welfare and poverty problem, we would have thought of it long ago."¹

The Elizabethan poor law, enacted by the British Parliament in 1601, was clearly a significant reform of the chaotic welfare situation which had existed during the previous century in Great Britain. By placing responsibility on each local community for the care of the poor, it was hoped that a more responsible and, at the same time, more humanitarian approach would be adopted by the local authorities. Ever since, for 370 years, welfare reform has been a recurrent, persistent and controversial issue in Great Britain and subsequently in the United States.

Welfare reform became a national issue in the United States in the 1850's. Local inability to deal with the problem of the mentally ill led to the passage of legislation in Congress in 1854 to provide federal aid to the states in the form of land for the construction of facilities for the care of the insane. President Franklin Pierce vetoed the bill on the grounds that it would set a precedent which might lead to federal participation in programs for other indigents.

The great depression of the 1930's brought with it the first major reform of the Elizabethan welfare system in the United States, long after the system had been reformed in Great Britain. The establishment of county and state laws to provide aid to the blind, widows and orphans, and the aged (1900-1929) and federal financial support and federal requirements in the Social Security Act (1935) which created state statutory rights to payment marked a basic departure from the Elizabethan welfare system. After 334 years of operation, the "breakup" (as advocated by Sidney and Beatrice Webb in 1909 in Great Britain) of the Elizabethan poor law began to take place in the United States.

A fundamental change in approach occurred with the establishment of old age and unemployment insurance as part of the social insurance programs in the Social Security Act. Social insurance institutions evolved out of widespread

¹ Newspaperman William V. Shannon is on the editorial board of *The New York Times*.

pressures for welfare reform to alleviate the impact of poverty. Social insurance received major impetus from the middle class aversion to the stigma and humiliation of the investigation involved in the needs test in welfare. These objectives resulted in the provision of statutory benefits as a matter of explicit legal right, subject to administrative and judicial protections, with benefits paid according to a specific objective formula whether recipients were poor or not. About 33 to 40 per cent of all social insurance beneficiaries (approximately 11 million persons at the present time) would be added to the number of persons living in poverty if existing social insurance programs were repealed. While a major proportion of social insurance beneficiaries live above the poverty line, many others are in the near poor or low income groups.

Social insurance is designed to prevent poverty and humiliation. It is designed to enable individuals to build additional protection on the base provided by the program. Its contribution to welfare reform has been tremendous. By reducing the number of poor persons and making payments to the "deserving poor," it has, however, resulted in a concentration of poor individuals on welfare who are considered by many in the community to be less deserving or not deserving at all. Thus, as the number of widows and orphans needing welfare declined (due in part to expanded insurance protection) and the number of women with children born out of wedlock increased on the welfare rolls, the welfare system came under greater criticism, and with it grew the demand for welfare reform.

THE NEGATIVE INCOME TAX

A major factor in producing a new climate of opinion about welfare reform appeared in 1962, when Professor Milton Friedman of the University of Chicago (generally considered a "conservative" economist and an adviser to Presidential candidate Barry Goldwater in 1964) began to advocate the "negative income tax" as a substitute for existing welfare and other public income maintenance programs.

Proposals for reform of the welfare system and for new programs like the negative income tax have important implications for existing social insurance programs. A major administrative question is whether any new programs should be administered by the social security administration or by the income tax system of the government. More basically, should any negative income tax be a substitute for all other programs (which Professor Milton Friedman has suggested) or should it be an underpinning to all other programs?

Economists generally advocate some kind of income redistribution, a negative income tax, or a minimum income guarantee as a simplistic solution to the welfare or poverty problem. They contend that by paying money to large numbers of persons (including the working poor) through an institution like the Bureau of Internal Revenue, the nefarious welfare system can be abolished and true welfare reform can be achieved.

But members of the general public and of Congress ask many specific questions which the economists cannot answer authoritatively without actual operational experience. What effect would such a plan have on work incentives? Would some people quit work if the payment is set at \$3,000 for a family of four, or if the payment is \$4,000, or \$5,000? What effect would such payments have on minimum wages and on the supply of labor for unskilled work? What effect would it have on mobility, earlier marriages, more children or the establishment of separate households? What impact would it have on the self-supporting family whose income is just slightly above the income level of the plan? What would happen if the voters decide to change the plan after some experience with it?

If the payment level is set too low, a welfare supplementation system will be needed to care for demonstrated need. If the payment is set at a relatively high level, what effect would it have on the economic system? What is the "right" level of payment, considering all the factors?

All plans which provide payments to the working poor—whether through a reform of the welfare system or by the establishment of a wholly new system of negative income tax payments—run into the difficulty that "conventional wisdom" indicates that offering the worker a minimum income payment might result in the supervision or regulation of his work, the provision of alternative work opportunities for him or the relocation of his employment. For instance, what happens when the worker decides to work less than full time, quits work or fails to report to work regularly? Who does what then?

Only experience can give some answers to these questions. And experience is likely to indicate that the answers are more varied and ingenious than can be imagined. We know what is wrong with the present welfare system, but we do not know what will work best or work wrong in some new system until it is tried.

We do know, however, that the extent of poverty in the United States declined from 40 million persons in 1959 to 25 million in 1970. The decline in the proportion of population living in poverty was even more significant—from 22 per cent of the United States population in 1959 to 12 per cent in 1970. This achievement should persuade us that we have the capability of reducing the poverty-welfare problem still more in this decade.

THE NATION'S POOR

The 13 million persons currently receiving welfare payments and the 12 million additional persons who make up the total of 25 million persons with incomes below the poverty line have the common problem of having little or no income. They are usually lumped together by economists and statisticians for economic analysis and policy consideration. But they are not a homogeneous group in terms of political, psychological or personal considerations, and their differences are as important to social policy as their common problem.

The aged, blind, disabled or other handicapped or "unemployable" persons in this group are generally treated differently by the community. They are considered by most people to be the "deserving poor." Community concerns about work incentives, laziness, illegitimate children or large families are not pertinent, and hence no substantial adverse questions or punitive behavioral actions are raised by giving them money. This group involves about 25 per cent of the total group of the poor. They could be raised above the poverty level by immediate legislative action increasing social security benefits and by establishing a federally financed income payment as is provided in H.R. 1 as passed by the House of Representatives in 1971.

The "working poor" consist of many male heads of families who work or want to work but who, because of their lack of skills, education or mobility, and the number of their dependent children, cannot earn enough to support their families. They are considered "deserving," but they have "problems" which may be intensified by any program offering incentives to have more children, to work less, or to quit work and live on the minimum level of income guarantee.

The family headed by a woman whose husband has deserted her or whose children have been borne out of wedlock raises many vexing questions for the community. Do income payments to broken families encourage illegitimacy or desertion? Should such a mother be required to work or take training? At what job and pay? Should the mother be wholly free to decide whether to work or stay home and care for the children and receive an income payment? Will day care for her children help the family?

REASONS FOR WELFARE

Attitudes toward the welfare program and its reform are basically determined by conventional wisdom as to why individuals apply for welfare. There are those who attribute the need for welfare aid as deriving primarily from *individual* acts of error or fallibility and who believe that many individuals can, if they wish, remove themselves from the welfare rolls by rehabilitation, motivation, mobility, employment or similar means.

On the other hand, there are those who believe that the failure of *society* to provide the institutional mechanisms to assist individuals to obtain satisfactory wages, housing, insurance protection, access to adequate medical care, training or employment is a major cause of the increase in the number of welfare recipients.

A third approach recognizes that there is an *interaction between individual and societal responsibilities* and that it is easy to attribute blame to individuals or society or both but that it is more important to establish public policies and programs which reduce the need for welfare.

As time goes on, a larger and larger proportion of the poor actually receive welfare. In 1959, only about 8 million of the 40 million poor received welfare

payments—about 20 per cent. In 1970, about half of the smaller number of 25 million poor were receiving welfare. As the number of persons living in poverty is reduced and the proportion receiving welfare payments is increased, it is clear that more is being done for the poor. At the same time the problem becomes more visible and more subject to criticism, controversy and legislative review.

ILLUSIONS OF REFORM

Welfare reform a la President Richard Nixon, H.R. 1, Friedman or anyone else in our competitive, work-oriented, urban and nuclear family society is likely to be incomplete, inadequate and illusory in any final sense. It can only be a step in a complex chain of events, experiences and trial and error (with emphasis on the probability of error). But as long as individuals make mistakes, as long as society fails to remedy basic difficulties in public education, medical care, social insurance, housing and employment conditions, there will be a need for some kind of welfare program, by whatever name it may be called.

Francis Piven and Richard Cloward in their recent provocative book, *Regulating the Poor: The Functions of Public Relief*,² conclude that there is not much reason to expect entirely new forms of public assistance. They take the position that, in the absence of economic reform, the explosion of the welfare rolls "is the true relief reform, that it should be defended, and expanded." But they also believe that when large-scale relief programs diminish the proclivities toward disruptive behavior by the poor and "when peace and order reign, the relief concession is withdrawn."

It is doubtful whether either or both of these views will be acceptable policy for the future. But it is still not clear where the continual increase in the welfare rolls will lead us. Continued stress on economic and institutional reforms could reduce the number of persons in poverty and this would eventually reduce the number who will need to remain on the welfare rolls. The following are components of an overall program to reduce poverty and the welfare rolls:

1. Continued and sustained economic growth without inflation or recessions.
2. A comprehensive, nationwide program to eradicate hunger and malnutrition and to provide family planning services.
3. Abolition of all forms of discrimination.
4. A substantial program of public service-employment for the hard to employ.
5. Day care facilities for parents who wish to work, with emphasis on child development services to overcome inherited and environmental disadvantages.
6. Improvement of social security virtually to eliminate the need for welfare for the aged, blind, disabled, widows and orphans and the unemployed.
7. Housing for low-income families and slum clearance.
8. Reduction in taxes on low-income persons.
9. Elimination of the residential property tax in order to utilize other forms of revenue to expand education, particularly for early childhood development and vocational education.
10. A national health program to assure medical care, rehabilitation and social services to the disadvantaged to enable them to be able-bodied, healthy and self-supporting.

As a first step, the present welfare system must be radically overhauled. No one is happy with the present system—not the welfare recipients, the taxpayers, the administrators, or Congress or the state legislators. Today, only about one-half of the poor are getting any assistance under federally-aided welfare programs, and in many states those who receive public assistance are still well below the poverty line. We must be willing to take a few risks and experiment with bold new approaches. We can begin by converting the present hodgepodge of state welfare programs into a federally-financed system of income payments for the aged, the blind, the disabled, and dependent children, with eligibility, the amount of payments, financing, and appeals determined on a national basis.

We must work to replace the welfare system with some form of income maintenance or other program which would assure a reasonable income. However, much more work has to be done on devising a viable, acceptable program. In the meantime, we must continue to improve and build on the programs we have.

² New York: Pantheon, 1971.

If the number of persons who are poor were to decline from 25 million to 15 million in the foreseeable future because of the programs outlined above, the cost for welfare would be substantially less than what it otherwise might cost. A program to reduce and abolish poverty is thus the true welfare reform which should be defended and demanded.

The problem of eliminating poverty cannot be solved by so simple a method as handing every poor person a check that would raise him above the poverty level. In the first place, such a program probably would not be acceptable indefinitely to many taxpayers or to recipients, if it applied to large numbers of persons. In the second place, a simple monthly payment would not prevent future poverty. But the United States does have the material and intellectual resources to devise and afford a comprehensive, far-reaching, imaginative program which would be politically acceptable and would in the long run prevent people from becoming poor. We need the national will to do so. I believe that we can and we must develop this will.

SOME OBSERVATIONS ON THE HISTORY OF WELFARE DURING THE 1960's¹

(by Wilbur J. Cohen, Dean, School of Education, the University of Michigan)

Ten years ago the decade of the so-called fabulous fifties was nearly completion and we were expectantly about to enter the decade of the soaring sixties. The complacency and widespread self-satisfaction of most people during the Eisenhower years did not serve to indicate the urgency, dissatisfaction and confrontations which were to mark the Kennedy-Johnson years. The absence of substantial social reforms during the fifties contributed to the festering of social problems and then to the rapid passage of the largest number of laws dealing with social conditions in the shortest period of time in our nation's history (1965-1968).

As one who participated very extensively in the development of the welfare and poverty policies and programs of the sixties, I shall attempt to summarize some of the main developments with the view of seeing whether any observations can be extricated at this early date which might be insightful for the welfare reform epoch of the seventies.

I am one of those who believed in 1960 and who believes now that if we had dealt during the period of 1946-1960 with our increasingly urgent domestic social problems by allocating more of our resources and know-how then to them we would have been able to meet the problems of the sixties and the prospects of the seventies in a more constructive and more effective manner. The post-war mood of our people and the quality of our national leadership failed us during these crucial years.

If the welfare program had been extended to cover the working poor in 1950 as President Truman recommended, or Medicare had been enacted in 1952 or 1961, as President Truman recommended in 1945 or President Kennedy recommended in 1960 and 1961, we could have been much farther along in our handling of our difficult social problems today. We seem to take too long to do whatever we need to do and whatever we eventually do do.

Ten years ago today we did not yet know who the candidates were going to be in the 1960 election. Nor could we know that the man who would lose that close election would win it by a close vote in 1968. Certainly in 1960 the losing candidate never gave any indication that he would be the advocate of a substantial extension of the welfare program. For that matter he never gave any such indication even in 1968. And there are still surprised Republicans today who look with doubt on his proposals for welfare reform.

How did this transformation take place?

Two events occurred in the Eisenhower Administration which were to have long-run repercussions.

First, in 1958, Senator John F. Kennedy introduced a very short bill in the Senate proposing an amendment to the aid to dependent children program (ADC). It added unemployment of a parent to the three existing factors giv-

¹ A paper presented to a Joint Session of the American Historical Association and the Social Welfare History Group, Shoreham Hotel, Washington, D.C. 9:30 A.M., Tuesday, December 30, 1969.

ing rise to eligibility of a child for Federal welfare aid—death disability or absence from the home of a parent.(1)

Senator Kennedy proposed this amendment as a result of his frustration over not being able to obtain passage of amendments improving State unemployment insurance benefits. He was eager to accomplish something constructive. In a discussion of unemployment insurance with him, I suggested this amendment and he quickly accepted it as something practical which he thought might be enacted while the battle on Federal standards for unemployment insurance went on. Federal benefit standards in unemployment insurance still do not exist but welfare aid to the children of the unemployed has become enlarged into the current proposal of aid for all the working poor.

I believe that it was necessary to have a welfare program for the children of the unemployed before Congress would consider realistically coverage of all the working poor. This incremental or pragmatic approach has been characteristic of our welfare, social security, and unemployment insurance programs. This approach could be said to be the past, present, and probably the future policy of the House Committee on Ways and Means and the Senate Committee on Finance on welfare reform. These two legislative bodies ultimately decides these policy questions in this area.

The second event occurred in 1960. It was the passage of the Kerr-Mills law for Federal aid to the medically indigent aged. The administration of this law exposed inadequacies in our system of providing medical care for the aged which served as the justification for the passage of Medicare in 1965, just as today the administration of Medicaid (Title XIX) has uncovered weaknesses in our general health system which is serving as one justification for universal health insurance legislation to cover the low income population.

The controversy over Medicare preoccupied the attention of the social reformers for many years. One might say that it was not possible to consider a major reform in the welfare program until the ideological controversy over Medicare was resolved. The difficulty arises because while the opponents in each battle of social reform may vary the proponents often are the same in many cases. The latter find it difficult to wage a two-front war at the same time with their limited resources.

President Kennedy brought with him to office a commitment to include the child of the unemployed parent in the welfare program and to obtain passage of Medicare. These were two of the main recommendations of his Task Force on Health and Social Security which I chaired in 1960-61. This is where the welfare legislation of the 1960's began to take shape. (2)

The unemployed parent program was promptly enacted on a temporary basis in 1961. In 1962 President Kennedy sent to the Congress the first message which any President devoted entirely to improvements in Welfare.(3) The unemployed parent program was extended for five years. It was extended again in 1967. Since State participation is voluntary only 24 jurisdictions are taking advantage of it. A proposal to make the program mandatory in all the States failed in Congress in 1967.(4)

The importance of this small step in making Federal welfare payments to employable persons must be viewed in historical perspective.

The enactment of Federal welfare aid to unemployables in 1935 was based on the assumption by Harry Hopkins and President Franklin D. Roosevelt that there would and should continue to be a nationwide work program for employable persons. This was generally true for the period of the late thirties before the outbreak of World War II. With the high employment levels of World War II the work program (WPA) was terminated and never reestablished. In 1949 the Truman Administration on the recommendation of the Social Security Commissioner advocated Federal welfare aid under a comprehensive single category including the working poor. The proposal was dropped by the Congress and instead the incremental approach was utilized to add another category of Federal welfare aid to the permanently and totally disabled in 1950.

It was the reluctance of Congress to include the working poor under the welfare program in 1949-50 which gave rise to the proposal for carrying out a program for the unemployed parent as the next step. Incidentally, Congress in 1949-50 rejected the request for a broad program of Federal welfare services which was achieved only in part in 1962, and in 1967. The proposal for Federal welfare aid for the medically indigent began in a most limited manner in 1950

but was expanded in 1956, 1958, 1960 and 1965. The lesson from these experiences is that rejection of a proposal does not end the matter for all time. There appears to be some educational result from every defeat. The question is how long does it take an idea to become accepted? Is this period becoming shorter, longer, or remaining about the same? Because of urgent national needs I think it must become shorter or, if not, dissatisfaction and discontent will become more extensive especially among our young people who do not have the patience to wait for social reforms as we learned to do during the thirties, forties and fifties.

Recognizing the controversial nature of proposals to improve the welfare program, I suggested to Senator Kerr in 1956 that he include in the pending legislation an authorization to establish a National Advisory Council on Public Assistance to study where we should go from where we were. On Senator Kerr's initiative, I was appointed by Secretary of Health, Education and Welfare, Arthur Flemming to be a member of the Council. The Council recommended that the working poor and all other needy persons be included under a single category of Federal welfare aid. Our proposal was more far-reaching than the present Eisenhower-Nixon Administration in 1958 or by Presidential candidate Nixon in 1960.

Another attempt at reexamining the whole welfare situation occurred in 1966 by another Advisory Council under the chairmanship of Fedele F. Fauri. This Council recommended comprehensive coverage of the working poor, minimum Federal payment standards, and increased Federal Aid to assist the States in meeting the problem. The Council's recommendations on major matters were largely ignored by the 1967 amendments.

But expected reports are not always as useful or provocative as unexpected events. In 1960 a major welfare issue erupted when Louisiana precipitately terminated thousands of mothers and children from the welfare rolls because the State alleged that a child born out of wedlock was living in a "unsuitable home." After much back and forth discussions between the Federal and State officials and an official hearing to determine whether Federal funds should be withdrawn from the entire program, the families were restored to the welfare rolls. Secretary Flemming then issued a regulation a few days before he left office which prohibited the States from taking such action in the future on pain of losing Federal welfare funds for all needy children. Since some of the lawyers in the Department of Health, Education and Welfare believed that there was no specific legal basis for this regulation, as one of my first actions in 1961 as Assistant Secretary for Legislation, was to draft legislation which would validate the regulation and which Chairman Wilbur D. Mills and Senator Robert Kerr supported and included in the 1961 amendments. But the issue of the "unsuitable home" and its concomitant "man-in-the-house" would continue to be a persistent issue along with illegitimacy which would plague welfare reform throughout the sixties as I am sure it will continue to do in the seventies.

One important influence during this early period was the extensive participation of Senator Robert Kerr in the welfare amendments of 1956, 1958, 1960, 1961, and 1962. Senator Kerr had been a strong advocate of welfare improvements ever since he was Governor of Oklahoma. His influential role on the Senate Committee on Finance assured a sympathetic hearing for changes in the welfare program. His premature death in 1963 removed a powerful voice who might not only have moderated the controversial amendments of 1967 but might have helped to work out a plan which Congress could adopt in 1970. Senators Robert F. Kennedy and Fred Harris attempted to take on the mantle of Welfare legislation leadership in 1967. It remains to be seen who will take on this role for the seventies. No successful legislative reform can be achieved without a legislative leader or at least a legislative midwife.

The 1967 welfare amendments became the basis for widespread national attention to many aspects of welfare policy. The National Welfare Rights Organization spearheaded by George Wiley a former Professor of Chemistry at Syracuse University dramatized the deficiencies of the welfare system and the controversial aspects of the 1967 law. For the first time since the depression welfare recipients became a key element in focussing discontent about the welfare program.(5)

Previously this responsibility had been handled almost exclusively by the social welfare personnel employed in the program and led by the American

Public Welfare Association and other welfare agencies and professional social work groups. This major change in who does what in reforming welfare legislation is of signal importance. The active and visible role of welfare mothers in demanding basic changes in the program is bound to have effect. The NWRO is now advocating a \$5500 annual income maintenance payment to a family of four. The issues and the participants in welfare reform in 1969 were strikingly different from those before 1965. They probably will never be the same—nor will the welfare program.

The middle sixties spawned many other developments which were to have a significant effect on welfare programs. The enactment of the poverty program in 1964 gave rise to legal services to the poor which opened up a whole new area of welfare law. This resulted in the elimination of the "man-in-the-house" rule which was the basis for most of the "snooping" and investigation so detested by welfare recipients. The legal attack on State residence requirements in welfare ended 368 years of restrictions and parochialism which began with the Elizabethan Poor Law of 1601. Moreover, it reinforced the demand for greater Federal financing of welfare costs. The growing application of the Fourteenth amendment of the Constitution to welfare procedures and policies fundamentally changes the program from a gratuity or hand-out to one with statutory rights and protections respecting the dignity and independence of the welfare recipient as a citizen of the United States.

I do not think one can overestimate the importance of these legal developments. If the poverty program fails in every other aspect, the legal services program for the poor will still have made the legislation worthwhile. The legal decisions on welfare in the past three years have done much to stimulate discussion on reform of the financing and administration of the welfare program and I am one who believes there are more legal decisions to come which will have far-reaching implications for welfare reform.

These developments encouraged the then Secretary of Health, Education, and Welfare in 1968 to issue new policies requiring the States to see to it that recipients had legal advice when they requested it in handling their appeals, the payment by the State for such legal advice and the payment of benefits while an appeal is pending. These policies were strongly supported by lawyers including the American Bar Association representatives but were vigorously opposed by many State Welfare Administrators. (6)

The full application of the Fourteenth Amendment of the Constitution to the welfare program still remains to be accomplished. Any new Federal legislation which is a reform or substitute for the existing welfare provisions must spell out the statutory entitlement, the specific rights and duties of claimants, recipients and administrators, and the administrative and judicial review procedures. This is an essential ingredient of welfare reform. (7)

The Nixon proposal does not basically deal with this important matter even though the proposal is based upon the idea that there is a wholly Federally financed basic payment in the welfare program. This aspect of welfare reform requires further consideration.

Another significant development grew out of a statistical study Pat Moynihan made in 1965. Pat was an Assistant Secretary of Labor who took on obvious fact and developed it into a national controversy. He focussed attention on the growing number of black families without a father and the fact that it was possible for families to obtain welfare if the father deserted them but not if he stayed home. His report provoked much discussion and opposition from both whites and blacks. It shoved Pat Moynihan right in the middle of the welfare controversy. No one could possibly predict when Moynihan made his report as part of the Johnson Administration that he would become the intellectual in residence in the Nixon Administration who would persuade a Republican President to advocate a substantial increase in the number of welfare recipients, and a substantial increase in welfare expenditures.

A major factor which I believe persuaded Moynihan to advocate welfare reform was his strong belief that the evolving priorities in social policy had been wrong. He believes we were and still are concentrating too much on our limited resources on meeting the needs of the aged and not enough on the needs of children. The same reason he advocates including all the working poor is the same reason President Kennedy favored including the unemployed, namely welfare should not be a factor in the breakup of a family. I think that

Moyulhan really favors a family allowance or childrens allowance such as exists in most other industrial countries. But since this did not appear politically viable at this time, he accepted a blending of the childrens allowance and the welfare approach into welfare reform rather than welfare abolition.

The acceptability of this approach by a Republican President was probably made possible by another unusual development which had occurred early in the decade. Professor Milton Friedman's recommendation of a negative income tax to provide income to those with little or no incomes was designed primarily to eliminate all social programs by concentrating on the use of income in the free market and the money economy. When Friedman became Senator Barry Goldwater's economic adviser in the 1964 Presidential Campaign, his radical idea became acceptable to many influential political conservatives. It soon became intertwined with the idea of a guaranteed income. Something new had been added to the welfare reform discussions which the perenneal discussions on family allowances had not succeeded in accomplishing.

Another major development in the sixties which may yet be one of the most decisive factors in changing attitudes on welfare is the open support for public funds and public programs for family planning services. The recognition by President Johnson in his several messages of the problem opened up wider public discussion of the views of the silent majority. In the 1967 welfare amendments Congress specifically earmarked maternal and child health funds for family planning and required State welfare departments to provide such services to unmarried mothers. However, when I attempted to enforce the latter provision in Wisconsin and Massachusetts, I met considerable opposition and I was forced to back down by an interesting legislative development involving an interpretation of the law written into a Committee report of the Congress. Despite this partial setback support for family planning is continuing to mount. President Nixon's special message on this subject—the first Presidential message entirely devoted to this subject—is especially welcome since he endorses in principle the recommendations made in a report which John D. Rockefeller and I made to the President in late 1968.

The importance of this whole development is that extensive illegitimacy, desertion and the families with large numbers of children on welfare will not be tolerated by the tax paying majority until there is a comprehensive and effective family planning program in actual operation throughout the nation. The problem which remains for solution during the seventies is whether the black minority will accept family planning services or view it as a political device to enforce what some black militants call "black genocide." I spent some time this year interviewing black welfare mothers with large families and I believe they welcome the availability of family planning services. Whether the black men will welcome it remains a question. I believe a satisfactory resolution of welfare reform is tied up with a satisfactory resolution of family planning services among low-income whites and blacks.

The idea of an attack on poverty is not new and was not an invention of the sixties. The idea has been recurrent in social reform in the United States since the beginning of the Century. The Social Security Act of 1935 marked an important step in that process. It is generally overlooked that an additional ten million persons would be below the poverty level if the Social Security program were not in existence.

Michael Harrington deserves the credit for resusitating the idea of eliminating poverty and dramatizing it for a new generation in his book *The Other America*. But Dwight MacDonal was the one who really popularized the idea by an extensive review of the Harrington book in the *New Yorker* magazine along with another book *Income and Welfare in the United States* published at the same time, of which I was one of the co-authors. The *New Yorker* review made the problem on poverty a public issue which increased the sales of the Harrington book and which aided in the enactment of the Economic Opportunity Act of 1964 popularly misknown as the poverty program.

This is not the place to review the origins, legislative history, or the trials and tribulations of the poverty program. It is germane to this paper but overwhelming by itself. The number of volumes being published on this program testifies to its unusual role in the history of the sixties.

With the mounting concern over both the administration of the poverty program and the interest in the negative income tax plan, President Johnson in 1968 on the recommendation of the Council of Economic Advisors and the

Secretary of Health, Education and Welfare appointed the Commission on Income Maintenance Programs. This Commission under the Chairmanship of Ben Heineman has just made its report. It advocates a Federal payment of \$2400 a year for a family of four without any income. It proves a more extensive incentive to work than does President Nixon's plan but it does not emphasize the work and training program as a solution to reducing the welfare rolls.

The development in welfare in 1968 and 1969 began to come faster and faster. In mid-summer 1968 as Secretary of Health, Education, and Welfare I recommended that the Federal Government finance the welfare program entirely. I believe I was the first Secretary to make such a recommendation. I repeated it in my final report to the President and the Congress.(8) The Governors (with the exception of Governor Maddox of Georgia) have endorsed this recommendation as has the Advisory Commission on Intergovernmental Relations (with four dissents).(9) What looked like a pipe dream several years ago when I was cautioned against making such a radical proposal is now endorsed by Republican and Democratic political leaders.

Governor Rockefeller persuaded Representative Conable (a member of the powerful House Committee on Ways and Means) and Senator Goodell to introduce a bill to carry out this recommendation. I think this proposal deserves more attention than it is getting.

Other bills are pending in the Congress to provide for various types of national income payment plans. The first of these type bills were introduced in 1968. There are now several variations on the theme. What first was just a general discussion idea such as the negative income tax of Friedman has now become embodied in specific legislative proposals all in the space of a few years in the sixties. This is important. An idea translated into a legislative proposal marks an essential step in achieving social reform.

The House Committee on Ways and Means completed hearing on welfare reform earlier this month. It is expected that the Committee will report out some welfare changes next year. One of my University of Michigan colleagues said whatever bill Chairman Mills reports out will be a "tainted bill." He said "taint going to be your proposal, taint going to be mine, and you can be sure taint going to be Nixon's."

One further hurdle was not overcome until late in 1968. A major administrative element in the development of almost any national income maintenance program involves the simplification of the eligibility requirements, the needed information on income and assets and the length and complexity of the application form. Before I involuntarily left office I issued a preliminary regulation requiring States to adopt a simplified declaration of eligibility under their welfare programs. While this policy was greeted with support in some quarters it resulted in opposition from some Governors and some State public welfare administrators. I subsequently made some modifications in a final regulation with the concurrence of Secretary-designate Finch because I believed any significant future reform in the welfare system must be preceded by the acceptance of a simplified application and payment procedure. If a simplified procedure goes into effect within the next year or so and is reasonably successful in its administration, it will make it possible for Congress and the American people to accept some new or revised method of making income payments on a nationwide basis without serious fraud, mismanagement or inefficiency. No national income payment program whatever its ideology, cost or effect can succeed with the voters unless it passes this pragmatic test.(10)

What do these experiences of the sixties mean in terms of possible program changes in the seventies?

The probability is that an acceptable program of welfare reform or a new income maintenance program which will resolve the problem of income deficiency in the United States has not yet been formulated. Undoubtedly it involves more than the matter of income.(11) Among the essential factors to be included in any such program are:

1. Balancing the adequacy of income payments to those who cannot work with reasonable incentives to those who can without including millions of persons who do not consider themselves welfare recipients;

2. Improving levels of payments above existing low standards while recognizing that for some families an adequate payment will exceed the income of fully employed earners and tax payers in the community;

3. Developing sufficient and suitable employment opportunities for persons with limited skills and intermittent employment histories;
4. Operating successful training programs for the unskilled;
5. Extending day care programs for the children of working mothers which include a learning experience in addition to custodial care;
6. Extending family planning services so they are available to all who voluntarily want such services.
7. Extending social services to persons who need them to become rehabilitated, to overcome health or other problems, or to become self-supporting.
8. Administering the program on an economical and efficient nation-wide basis with due regard to the protection of the rights of all concerned.
9. Assuring taxpayer acceptance of the philosophy, costs, and methods of administering a large and complex program in which payments may change each month with earnings.
10. Assuring that payments under the program will not inhibit mobility, employment, education and family responsibility.

We can look back on the decade of the Sixties today and recall the enthusiasm, optimism and vigor which characterized the inauguration of the New Frontier. Our problems today seem much more difficult than ten years ago. They are more difficult. The difficulty in dealing with them effectively compounds the complexities, the frustrations, the hostilities.

Yet I would like to complete this brief commentary on a somewhat optimistic note.

In 1959, there were about 39.4 million persons living below the poverty line. In 1968, the number had dropped to 25.4 million—a decline of 14 million persons. The decline in the proportion of the population in poverty is even more significant—from 22.4 percent of the U.S. population in 1959 to 12.8 percent in 1968. (12)

We should take pride in this accomplishment. It should persuade us that we have the capability of dealing with our domestic problems better than we have in the past.

The national concern over poverty; welfare, medical care, and education during the sixties is a hopeful sign that we are going to deal with these problems more effectively in the seventies. There are those who advocate the instant millenium and we need those kind of people to prod the nation into faster action. I believe we could eliminate poverty during the decade of the seventies if we really decided to do so.

I believe we have learned from the past that it is better to make consistent continual progress in improving our programs than following what I call the biblical approach to social legislation—seven lean years followed by seven fat years. We probably are going to make more progress in the seventies than we did in the sixties. I think so. I would like to return in 1979 and present a paper on the changes in our income maintenance programs which occurred during the seventies. I think they are likely to be more far reaching than the difficulties of the moment will permit us to imagine.

REFERENCES

(1) For my account of some of the major historical developments prior to 1954 in the evolution of the aid to dependent childrens program see Wilbur J. Cohen, "Factors Influencing the Content of Federal Public Welfare Legislation," in *The Social Welfare Forum* 1954, National Conference of Social Work, pp. 199-215.

(2) The full report of the Task Force will be found in the Congressional Record of 1961. It also contained recommendations for administrative changes in the Children's Bureau which Secretary Finch just recently implemented—some eight years later. Because of limitations of space and time this paper does not deal with the significant impact of President Nixon's Task Force on Welfare chaired by Richard Nathan of The Brookings Institution. As in my case Nathan was brought into the Administration to help implement his recommendations. An Assistant Director of the Bureau of the Budget he played an important role in the development of President Nixon's Family Assistance Plan.

(3) The first Presidential message on welfare was President Pierce's veto in 1954 of legislation which provided for federal aid to states in the form of land for the construction of facilities for the care and treatment of the insane.

President Pierce vetoed the bill on the grounds that it would set a precedent which might lead "to transfer to the Federal Government the charge of the poor in all the States."

(4) I would venture to guess that one of the possible welfare reforms of 1970 would be the enactment of legislation to make this program mandatory on the States.

(5) For the role of Wiley and of Professors Cloward and Piven in the mobilization of welfare recipients see Lester Velie, "Four Professors and the Welfare Revolution," in *The Reader's Digest*, January 1970, pp. 93-97.

(6) Secretary Finch has made the applicable date of these policies July 1, 1970.

(7) For a discussion of "the right to welfare" and its constitutional implications see my Annual Report (1968) to the President and the Congress, U.S. Department of Health, Education and Welfare (January 14, 1969), G.P.O., pp. 31-32, and 51-53.

(8) *Ibid.*, p. 33.

(9) *State Aid to Local Government*, Advisory Commission on Intergovernmental Relations, April 1969. See recommendation No. 2 and Chapter IV.

(10) More attention needs to be paid to the administrative aspects of any acceptable plan. No brilliant new philosophy or reform will succeed unless it is administratively feasible. See Sheldon S. Cohen, "Administrative Aspects of a Negative Income Tax" in *University of Pennsylvania Law Review*, March 1969, pp. 678-698.

(11) For my views on a comprehensive program to abolish poverty see "A Ten Point Program to Abolish Poverty," in *Social Security Bulletin*, December 1968, pp. 1-13. For a revision of this article with later statistical data see *Information Please Almanac 1970* which contains my article on "A Ten-Point Program to Abolish Poverty," pp. 66-72 and "Social Security," pp. 96-99.

(12) "Revision in Poverty Statistics, 1959 to 1968," *Current Population Reports, Special Studies, Series p 23, No. 28, August 12, 1969* U.S. Department of Commerce, Bureau of the Census. I believe that the development and publication of the estimates on the extent of poverty was not only an important factor in focussing attention on poverty during the latter part of the sixties but an essential step in any major change of program. It is one thing to discuss poverty in general; another when specific statistics are available to cite. Miss Mollie Orshansky of the Social Security Administration deserves great credit for developing these statistics. Special commendation also should go to Mrs. Ida C. Merriam under whose direction Miss Orshansky developed her statistical series, criteria, and analysis. While there will continue to be differences concerning the definition of the level of poverty and its count, any statistical series helps to make it possible to discuss alternatives in a more realistic and understandable manner.

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A TEN-POINT PROGRAM TO ABOLISH POVERTY

(By Wilbur J. Cohen¹)

The United States is rich in material and human resources. In 1968, the gross national product will probably reach \$846 billion; the average income of families will approach \$8,500. Moreover, abundance is growing. In the 1960's alone, some \$350 billion has been added to the GNP, and median family income has risen by about \$2,875. There is every reason to expect that the technological advances now being made will continue, that the Nation's economy will continue to grow, and that average incomes will continue to rise.

Historically, poverty has been the result of inadequate production. This situation still exists in most of Asia, Africa, and South America. The great majority of people on those continents are necessarily poor and will remain poor until there are major increases in the production of goods and services. By contrast,

¹ Secretary of Health, Education, and Welfare. This article is an adaptation of a statement to the President's Commission on Income Maintenance Programs, September 18, 1968.

the abolition of poverty in the United States is no longer a problem of productive capacity.

The Nation will have the material resources to eliminate poverty in the coming decade. In addition, there will be sufficient resources to assure the overwhelming majority of Americans (whether at work or retired, whether widowed, orphaned, disabled, or temporarily unemployed) continuing incomes paid as a matter of right—incomes sufficient to assure a modest but adequate level of living, not just enough to meet the very low standard that is used today to define poverty.

In recent years, remarkable progress has been made toward the twin goals of the abolition of poverty and the provision of economic security for all. In 1960, there were 40 million people living in poverty; in 1967 the number was down to 26 million—a decline of 14 million. It appears that by January 1969, the number who are poor will have been reduced to 22 million—18 million less than in 1960 (chart 1).

During this period, improvements in the social security program have brought higher benefit payments to a great majority of retired older people, widows and orphans, and the long-term disabled. Twenty-four million people—1 out of every 8 Americans—receive a social security check every month. Because of their social security benefits, about two-thirds of these beneficiaries are able to maintain a level of living somewhat above the minimum poverty level. Without their social security checks only one-fourth would be able to maintain this level of living, and only 5 percent would have continuing incomes above the amount needed to maintain what the Department of Labor has defined as a moderate living standard (for an elderly couple, \$3,900 a year). Nevertheless, 8 million social security beneficiaries still live in poverty, even with their benefits.

Yet, substantial progress has been made in reducing the number of the poor, in improving the level of living for people whose incomes are just above the very low level we have called the poverty level, and even in improving the position of those who are still below the poverty criterion.

The reduction of poverty during this decade is attributable to economic growth, to the various measures taken to make it possible for more people to participate in the economy through job training, rehabilitation, and improved educational programs, and to the major improvements that have been made in the social security program.

Nearly 30 percent of the 25.9 million persons counted poor in 1967 lived in households with an aged or disabled person at the head. Most of these people could be moved out of poverty through further improvements in the social insurance and assistance programs. One of the greatest challenges comes in finding solutions for the rest of the poor—those who lived in households where the head worked all year but was still poor or could find work only part of the time or had no job at all (chart 2).

We have, however, not only the resources but also much of the institutional framework to build upon to make poverty a thing of the past and to better the economic security of all Americans. With a comprehensive and coordinated plan, the job of eliminating poverty can be accomplished.

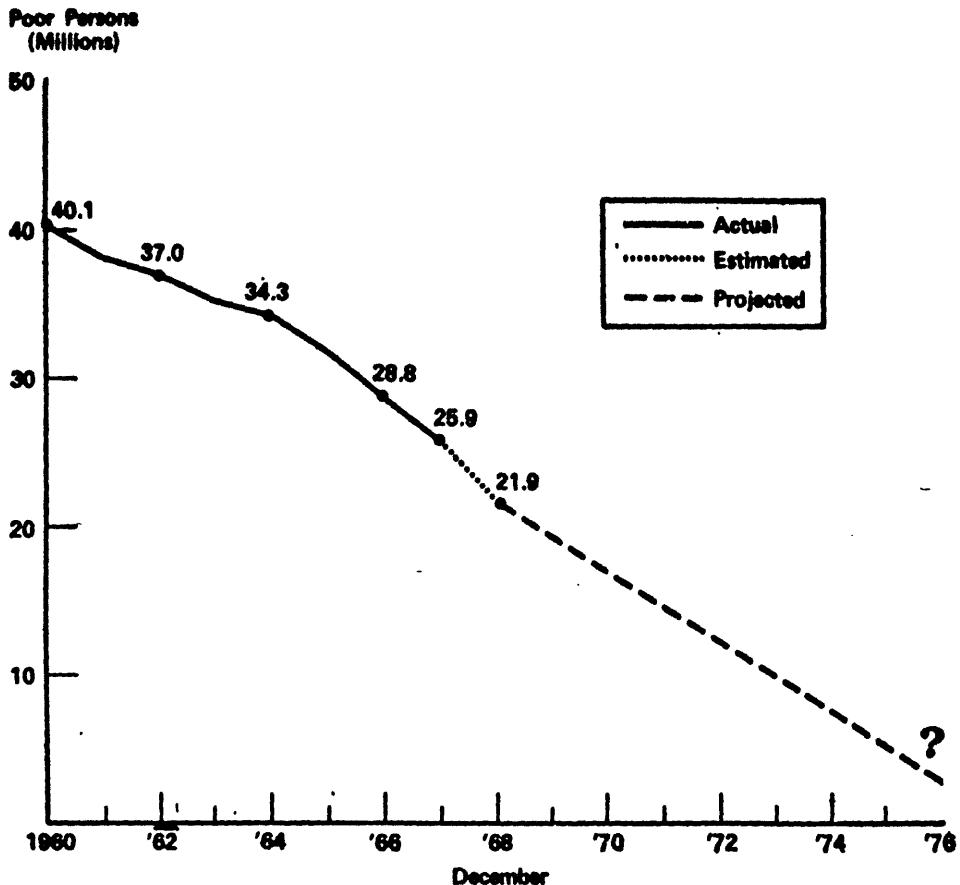
First: a successful national attack on poverty is dependent on continued economic growth and economic development.

I believe we could reduce the poverty group from 22 million to about 15 million in the next 4 years with continued economic growth.

Second: opportunities for work—meaningful, productive, self-supporting work—must be expanded.

Economic security is perhaps best defined as a job when you can work and income when you can't. Most fundamental is the opportunity to work. Job opportunities must be made available for all who can work, and programs that improve the ability of the individual to earn must be expanded.

Well-planned and useful work, not made work, can be provided. As the President's Committee on Technology, Automation, and Economic Progress has observed, there are over 5 million useful, public service jobs that could be developed—jobs in hospitals, jobs that would contribute to improved roads, parks and recreation centers, jobs that would help relieve the pains and anxieties of the homebound—a multitude of different jobs that would make noticeable improvements in our everyday life.

CHART 1.—The decline of poverty¹

¹ Estimates for 1967 and 1968 provided by the Social Security Administration.

For those whose capacity to earn is low, and for those who have a potential capacity but are unable now to get a job, much more can be done to improve programs that prepare them for full participation and full opportunity. Educational activities, job training, health and rehabilitation programs, manpower retraining and relocation, and special programs aimed at the disadvantaged young will enable persons who are presently at a disadvantage in competing in the labor market.

Third: racial discrimination—in jobs, in education, and in living—must be ended.

Justice and opportunity must become a reality for every American, regardless of race, creed, sex, or national origin. Every effort must be made to diligently carry out the constitutional obligations and statutory requirements of the Civil Rights Act so that equality of educational opportunity is a reality for every boy and girl and every family in the Nation. In addition to its other insidious effects, discrimination is economically wasteful, costing the Nation about \$30 billion a year in terms of the gross national product.

People must be equipped for full participation in our economy and in all aspects of American life because this is the only worthy goal of a free and democratic society. It would not be sufficient, for example, to design programs that kept people alive at minimum standards but continue to bar them from the chance to work and earn and participate. We must not buy our way out of facing the tough problems of providing opportunity by the acceptance of a permanent class of the disinherited, condemned to live on a dole when they want to be a part of society and equipped to move ahead. Jobs are basic to economic security and the first task is to see to it that everyone is given the chance to learn and to earn.

Fourth: family planning services must be available, on a voluntary basis, to those with lower incomes and less than a college education as they are to the higher-income, college-educated person in the suburb.

This is not now the case. In the period from 1960 to 1965, low-income women of childbearing age had an annual fertility rate of 153 births per 1,000 women. The rate for the rest of the female population was 98 births per 1,000. This rate of 98 per 1,000 is consistent with an ultimate family size of about three children—considered to be the size that most Americans, regardless of race or economic status, desire.

Thus it is considered likely that the poor would bear children at the same rate if they had access to the same family planning services available to the nonpoor. And, on that basis, it is estimated that in 1966, among 8.2 million low-income women of childbearing age, there were 450,000 births of what might be called unplanned-for children.

Fifth: opportunities for education must be expanded.

The vitality and economic growth of our society depends, to a major extent, upon the effectiveness of American education. We must assure not only equal opportunity for education but equal access to high-quality education. The cost of educating every American must be recognized as an investment in a stronger, more vital Nation. All Americans have a basic right to as much education and training as they desire and can absorb—from preschool through graduate studies.

Quality preschool opportunities, for instance, are essential for disadvantaged children if they are ever to have the hopes of succeeding in regular classroom studies. Less than one third of the Nation's 12.5 million children age 3-5 are enrolled in nursery schools or kindergartens. The proportion of children from low-income families enrolled is even less than the average. Clearly more early learning opportunities must be provided all children in this age group.

The need for modern and effective technical and vocational education is also self-evident. More than 1 million students a year fail to complete high school. We need a vastly expanded and a strengthened vocational education system, as well as imaginative new ties between school and the world of work in agriculture, commerce, and industry.

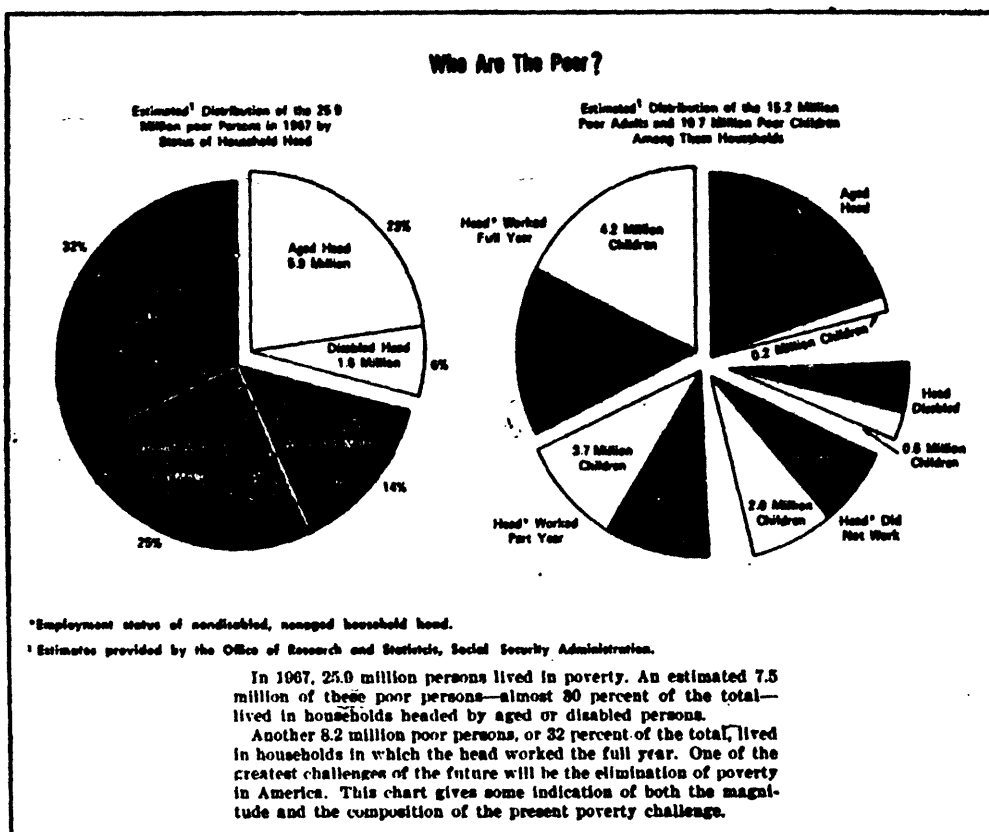
Unless job opportunities and the programs that increase earning capacity are improved and unless all have the full knowledge needed to plan family size, the poverty of one generation will continue in many cases to be repeated in the next. Unless children born into poor families have the opportunity to learn and develop skills, they will not only be poor children but will face the high probability that they will be poor adults and that they themselves will raise poor children.

Sixth: the social security program should be improved.

A job today not only provides current income but carries its own insurance against the loss of that income. This social insurance device is an institutional invention of first-rate importance. It came as a culmination of centuries of development, growing out of a variety of self-help efforts such as the sickness and accident funds of the medieval guilds, the mutual funds of early trade unions, and various protection plans of fraternal organizations and friendly societies. It is based on the idea that since a job underlies economic security, loss of income from the job is a basic cause of economic insecurity. The breakthrough in society's efforts to deal with poverty and insecurity—the significant social invention—was the idea of a compulsory insurance program protecting against this loss of work income.

Under social insurance, while a worker earns he contributes a small part of his earnings to a fund, usually matched by the employer. And then, out of the funds accumulated, benefits are paid to partly make up the income loss when the worker's earnings have stopped. Under this "income insurance," the payments made are usually related to the amount of the earnings lost and are thus designed to maintain in part the level of living obtained by the worker while he worked. In most countries, as in the United States, cash payments are made under social insurance programs to make up in part for earnings lost because of retirement in old age, disability, the death of the family breadwinner, and unemployment. The same social insurance approach is also frequently used to help meet extraordinary expenses such as those of hospitalization and medical care.

CHART 2.—Adults and children among the poor and status of the household head



The characteristics of the social insurance approach are that the protection grows out of the work that people do, with eligibility for benefits and the amount of the benefit related to past earnings and contributions. Also characteristic are the absence of any individualized means test and the inclusion of a detailed definition of legal rights to payment. Just about all industrial countries now base their "income maintenance" systems on social insurance.

In the United States, the largest and most important of the social insurance programs is the Federal system popularly called social security. This program insures against the loss of earnings due to retirement, disability, or death and pays benefits to meet the great bulk of hospital and medical costs in old age.

This year 90 million people will contribute to social security. Ninety percent of our population aged 65 and over are eligible for monthly social security benefits. More than 95 out of 100 young children and their mothers are eligible for monthly benefits if the family breadwinner should die. And 4 out of 5 people of working age have income protection against loss of earnings because of the long-term severe disability of the breadwinner. When the Federal civil-service system, the railroad retirement program, and State and local government staff retirement systems are taken into account, nearly everyone now has protection under a government program against the risk of loss of earned income. In addition, many are earning further protection under systems that build on social security.

Social security provides a highly effective institution for income maintenance—one that is acceptable to the public, has a very low administrative cost, and is practically universal in application. But it needs improvement, particularly in the level of benefits.

Indicative of the need for higher benefit levels is the fact that the *average* social security benefit for retired workers is now \$98 a month; for aged couples it is \$166; for aged widows, \$86; and for disabled workers, \$112. Many people get lower amounts, and about 2.8 million beneficiaries get the minimum

benefit. The minimum for a worker who goes on the benefit rolls at age 65 or later is only \$55.

As quickly as possible the general benefit level should be raised by 50 percent, and the minimum benefit to at least \$100 a month. These actions would remove about 4.4 million people from poverty. It may be necessary, however, to approach this goal gradually.

The next Congress could take a major step in this direction and improve social security in many other respects. Such legislation should embody the following proposals:

1. *An increase in benefit levels.* As a first step, Congress could increase all social security benefits by at least 15 percent, with an increase in the minimum to \$70 for the single retired worker or widow and to \$105 for the couple. These increases would go to all beneficiaries now on the rolls and to those coming on in the future. The benefit to uninsured persons aged 72 and over should be increased from \$40 to \$55 a month.

2. *A method of keeping the system in line with rising wages and the benefits "inflation-proof."* Benefits could be paid based on average earnings over a worker's 5 or 10 consecutive years of highest earnings, rather than on his lifetime average, so that the benefits will be more closely related to the earnings actually lost at the time the worker becomes disabled, retires, or dies. Once the beneficiary is being paid, the benefits should be kept up to date through provision for automatic increases tied to the cost of living.

3. *A way to make the program more effective as the basic system of income security for those who earn somewhat above the average, as well as for average and below-average earners.* The present ceiling on the annual amount of earnings counted under the social security program should be increased from the present \$7,800, in stages, to \$15,000. Then automatic adjustment of the ceiling should be provided, to keep it in line with future increases in earnings levels.

A provision in the original Social Security Act set the ceiling so that the full earnings of just about all workers were covered under the program. Restoring the ceiling to what was originally intended has two major advantages. First, because of the increased income to the program it is possible to maintain a given level of benefits with a lower contribution rate than would otherwise be required. Second, the system should be kept wage-related for those who have earnings somewhat above the average level. The social security program should be kept meaningful for workers at all earnings levels, not just for low earners.

There are advantages to using social security as the major income-maintenance program. The protection provided under this program follows the worker from job to job. The payments do not depend on the continuance of a single enterprise or industry, as many private pension payments do. Also in contrast to private plans, payments are provided for dependents of workers—in particular, for their widows—as well as for the workers themselves. Important as private pensions are, it is clear that the job of providing protection against loss of earnings suffered by those who have had even above-average earnings should be done substantially through the social security program and not left largely to private arrangements.

4. *Provide protection against the loss of earnings that arises because of relatively short-term total disability.* Disability benefits could be paid beginning with the fourth month of disability without regard to how long the disability is expected to last. Under present law, the benefits begin with those for the seventh month of disability and are payable only where the disability is expected to last for at least a year.

5. *Improve protection for older workers by liberalizing the definition of disability for workers aged 55 or over.* The revised definition should permit benefits to be paid to a worker aged 55 or over if, because of illness or injury, he can no longer perform work similar to what he has done in the past. Under present law, the definition of disability requires that the worker be unable to engage in any substantial gainful activity.

6. *Improve work incentives by liberalizing the provision under which a beneficiary's earnings reduces the benefit he receives.* The reduction could, for example, be limited to one-half the amount earned above the exempt amount, regardless of the total amount of earnings. At the present time the first \$1,680 of earnings has no effect on the benefit amount but there is a 100-percent reduction after annual earnings of \$2,880.

The increase in the earnings-base ceiling proposed—an increase to \$10,000 in 1970 and to \$15,000 in 1972—would result in higher income for both the cash benefits and the Medicare parts of social security. The increased income that would be channeled into the cash benefits part of the program, when combined with the actuarial surplus now to be expected in that part of the program, would go a long way toward financing the proposed reforms.

If the cash benefit program were to remain entirely self-financed, the ultimate contribution rate paid by employees and the rate paid by employers for the total social security program would have to be increased somewhat to meet the cost of all the proposals outlined. On the other hand, general revenue financing could be used to meet all or part of the increased costs.

In any event, consideration of higher social security contribution rates, even if the increases are quite small, should be accompanied by an exploration of ways to relieve low-wage earners from the burden of the higher rates. One way to do this would be to amend the income-tax laws so that, for low-income people, a part of the social security contribution would be treated as a credit against their income tax or, if no tax were due, could be refunded.

The Medicare program, too, can be kept actuarially sound and the proposed improvements in the program can be entirely financed by the additional income that would result from the proposed increase in the earnings-base ceiling and from making the Government contribution equal to half the cost of the entire Medicare program, rather than only half the medical insurance part as at present.

The benefit increases and the other program improvements outlined would help all workers and their families—not just the very poor. Their most important effect would be to reduce the number of poor in the future and to provide a level of living somewhat above poverty for most beneficiaries. But the effect of these changes on today's poor would also be very significant.

The 15-percent across-the-board increase and the \$70 minimum would move about 1.3 million persons out of poverty right away. The improvements in benefits would also make possible reduction in assistance payments for 1.1 million social security beneficiaries who are also getting old-age assistance because their social security benefits are too low. About 125,000 beneficiaries would be removed from the old-age assistance rolls altogether.

Seventh: our health services must be improved.

High-quality health care must be available to all—in the inner city as well as the suburb. We must reduce the high toll of infant mortality: a more effective method must be found for financing prenatal and postnatal care for mothers and children. We should also:

1. *Provide under Medicare for protection against the heavy cost of prescription drugs.* Specifically, the cost of prescription drugs should be covered in those situations where the patient has recurring drug needs.

2. *Cover disabled social security beneficiaries under Medicare.*

3. *Put the entire Medicare program on a social insurance prepayment basis.* Specifically, the medical insurance and hospital insurance parts of Medicare both should be financed from social security contributions and a matching contribution from the Federal Government.

Eighth: we must improve other social insurance programs.

Other social insurance programs—unemployment insurance and workmen's compensation—although not administered by the Federal Government, require Federal standards. Coverage of both of these programs should be expanded, and benefit levels in many States should be substantially improved.

The introduction of Federal benefit standards into unemployment insurance, where there is already a Federal-State relationship, would not be structurally difficult. In workmen's compensation, which has been entirely a State matter, it would be necessary to establish some new device, such as a Federal program providing a given level of protection, which employers would not have to join if they presented evidence of membership in a private or State insurance arrangement with an equivalent level of protection.

Although work opportunities and improvements in social insurance can bring economic security to the overwhelming majority of people, they cannot do the whole job. For example, a large proportion of the mothers and children receiving aid to families with dependent children are in need because the father has deserted the family, but loss of income through desertion has not been con-

sidered an insurable risk. There are also the men who have jobs but whose wages are too low to support themselves and their families.

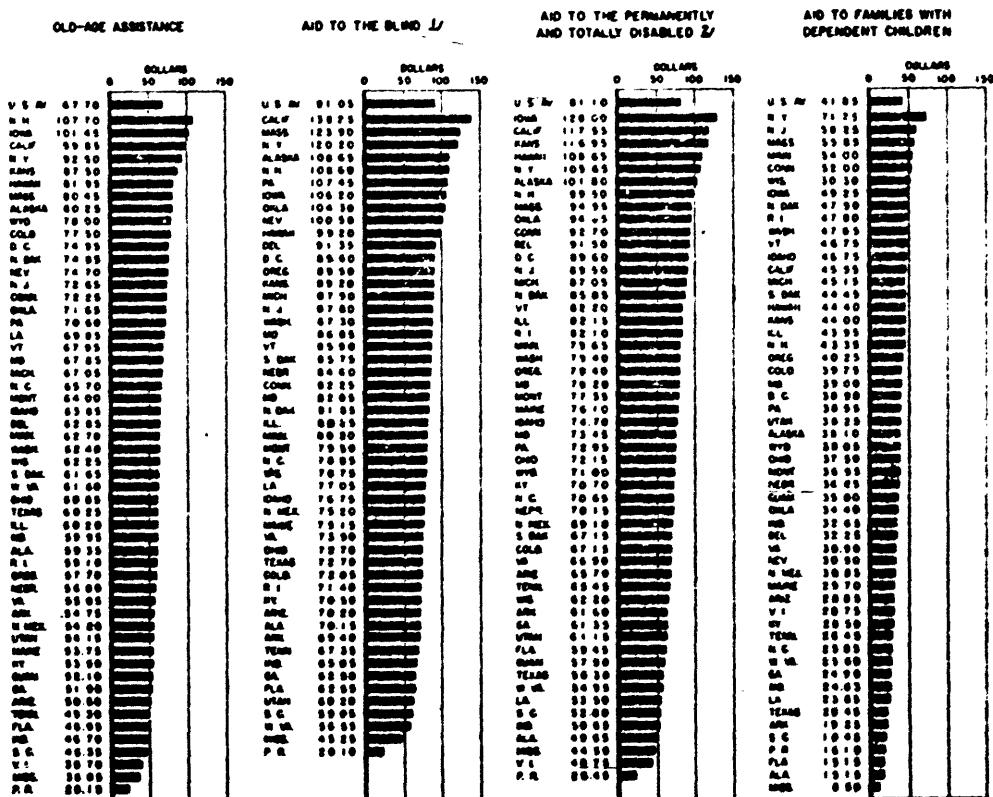
Public assistance is the program which, theoretically, could meet those needs that remain when income from other sources is insufficient. In principle, assistance measures the income of the applicant against the income the community considers minimal and then supplies the difference, thus bringing the individual's income up to the determined level. In practice the program has been limited in application.

The Federal-State programs have been confined to certain categories of recipients—the aged, the blind, the permanently and totally disabled, and families with dependent children when a parent is either missing from the home, disabled, or unemployed. In addition, the States have been allowed to define the level of assistance provided in these programs, and many States have set the level below any reasonable minimum, and payments vary widely among the States as chart 3 shows. General assistance for those not eligible under the Federal-State categories is entirely supported by State and local money and with few exceptions is very restrictive.

There are 8.4 million persons getting assistance payments under the federally aided programs. (In addition, about 800,000 persons receive general assistance not financed with Federal aid.) This figure would be approximately double if the States took full advantage of the Federal eligibility standards and removed from State plans and State administrative procedures the restrictions that now bar needy people from getting assistance.

Moreover, because of the low level of assistance standards in many States a high proportion of those receiving assistance are still below the poverty level. For example, the standard of need for old-age assistance in South Carolina is only \$78 a month. In other words, South Carolina says that \$78 a month is the amount an aged, single individual needs to live on if he has absolutely no other source of income. And in North Carolina the standard in aid to families with dependent children for a family of four is only \$148 a month. Further-

CHART 3.—Average monthly money payment per recipient under the Federal-State public assistance programs, June 1966



1 Not computed for Guam, Virgin Islands, and Wyoming (fewer than 50 recipients).
 2 No program for Nevada. Not computed for Guam (fewer than 50 recipients).

more, a number of States provide money payments that are less than the standard of financial need that the State itself has established.

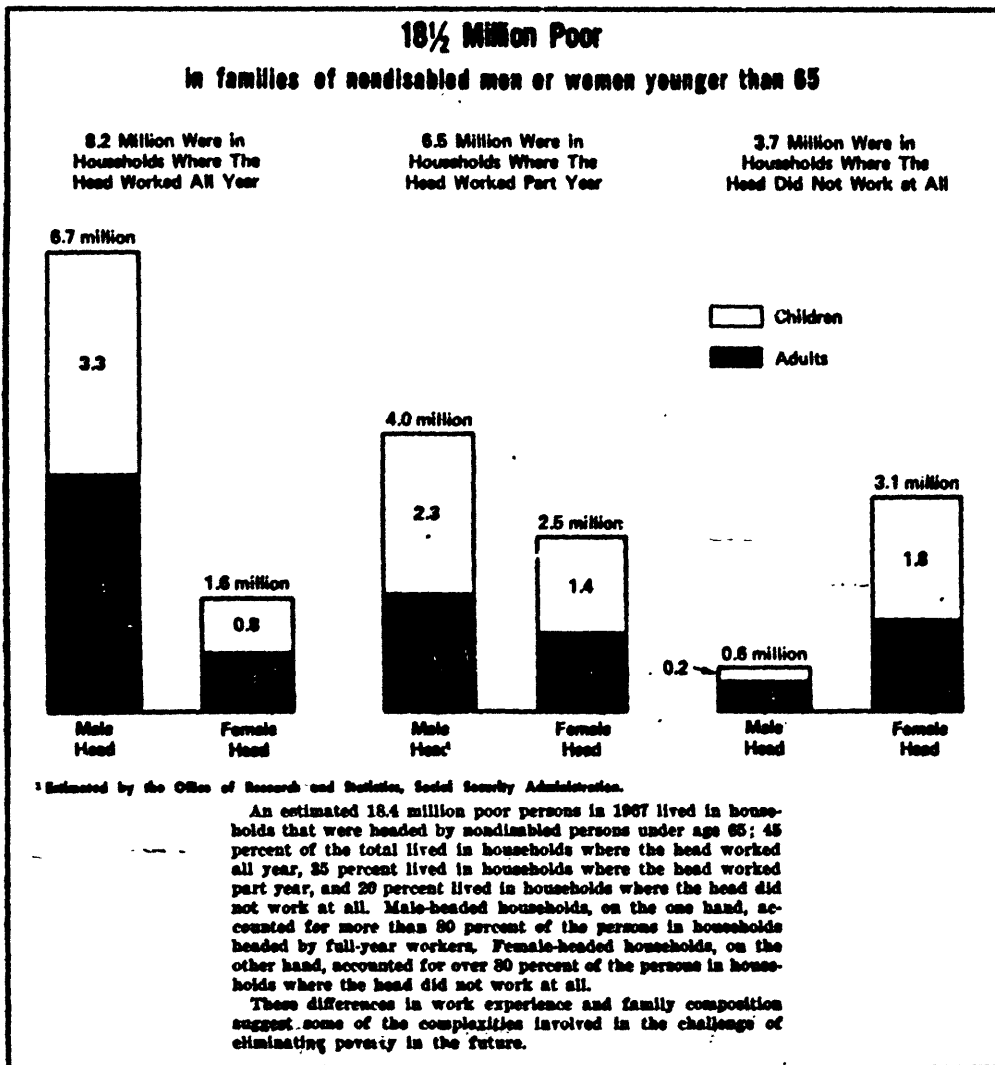
But criticism of existing public assistance programs is not confined to inadequate coverage or inadequate amounts. The list of criticisms is long, going to the nature of the program itself and its administration.

The determination of eligibility is an unnecessarily destructive process, involving the most detailed examination of one's needs and expenditures and frequently prying into the intimate details of one's life. Moving from detailed budgeting to broad categories of allowances and to simplified determinations of income and resources would help to protect the dignity and self respect of the assistance recipient.

One problem that has haunted assistance and relief programs for years is how to provide adequate assistance without destroying economic incentives for those who can work. Reasonably adequate payments, particularly to a large family, will sometimes turn out to be more than can be earned by a full-time worker with low skill. Thus, unless in determining need some exemption is provided for earnings, there may be no economic incentive for some people to take a job. On the other hand, any substantial exemption of earnings in an assistance program that pays those able to work may result in continuing eligibility for some who are living considerably above the assistance level.

For these reasons there has been considerable reluctance to provide adequate assistance to those able to get jobs, as well as great reluctance to have assistance supplement full-time wages. The tendency has been to provide assistance

CHART 4.—Poor persons living in households with nondisabled, nonaged head in 1967¹



for categories assumed to be largely unable to work and provide aid for others on a much more restrictive basis, if at all.

Under aid to families with dependent children the Federal Government assists States to make payments to families with the father unemployed. In the 29 that do not take advantage of this Federal offer and continue to provide aid only if the father is disabled or absent from the home, the assistance program is correctly criticized on the grounds that it sets up an incentive for the unemployed worker to leave home.

Support for an assistance program that applies to all in need and that pays adequate amounts has been faced with hard going because of the incredible longevity of myths about those whom the programs are supposed to aid: that the poor live high on welfare handouts and that the poor are lazy and don't want to work.

The myths persist despite the fact that more than 80 percent of the households that do receive aid are still poor afterwards, despite the fact that most of the welfare recipients are not employable, and despite the fact that 80 percent of working-age men who are poor have jobs, and about 75 percent of them are in full-time jobs (chart 4).

Despite the considerable difficulty in gaining public support for an adequate program, plans must be made for basic reform in public assistance. There is just no way, as a practical matter, that we can eliminate the need for a substantial assistance program in the near future.

Though creating job opportunities and improving social security will reduce the need of some groups for public assistance and the need could be reduced even further by the establishment of new programs such as the negative income tax or children's allowance, neither of these programs, in practice, would pay enough to supply an adequate level of living for the person unable to work and without other resources.

Few people have proposed children's allowances high enough to maintain every child at a minimum subsistence level. Most commonly, the proposed negative-income tax plans, to leave room for work incentives without at the same time having a major portion of the funds go to the nonpoor, pay less than an amount that approaches the poverty level of living. This is the dilemma: If the amount payable to a family with no other income were set near the poverty level—say, for a family of four at \$3,000—and the worker were to get the benefit of half his earnings in order to retain an incentive for work, the result would be that a worker who earns \$4,000 would get \$1,000 from the Government (\$3,000 minus half of his \$4,000 in earnings); with his \$4,000 in wages he would then have an income of \$5,000. If he earned \$5,000 he would still get \$500 from the Government for a total income of \$5,500. In this way the necessary incentives to work would be preserved, but the plan becomes very expensive and a considerable part of the money goes to those above the poverty level.

To avoid this difficulty, therefore, the plans usually start with less than the objective of meeting the full poverty standard. If, for example, the plan paid only \$1,500 to a family of four with no other income, then the individual earning \$3,000, roughly the poverty standard, would not get a Government payment and all the money would go to the poor. The problem is then that for those who earn less than the poverty standard the payments are not sufficient to meet need and in the case of those who have no income the payments in this illustration are only sufficient to meet half the need.

In light of the stage of development of present proposals for new programs, the need for assistance programs will not be eliminated in the near future. Thus, it is imperative that the existing programs be improved.

Ninth: our system of public welfare must be radically overhauled.

Drastic changes must be made in the existing welfare system—in the scope of coverage, the adequacy of payments, and in the way in which payments are administered.

One way this could be accomplished is through a federally financed system of income payments for the aged, for the blind and the disabled, and for dependent children—with eligibility, the amount of payments, financing, and appeals determined on a national basis as a substitute for the present State-by-State welfare programs.

Such a system would overcome many of the problems of inequity, State-to-State variations, and fiscal inadequacy that have plagued the States and the

present welfare system for more than 30 years. It would include financial incentives for people to seek employment, adequate day care for the children of working mothers, and an effective job-training program. And Federal financing would release State funds to meet need in the area of general assistance and would enable the States to solve more effectively their growing urban, education, and health problems.

Tenth: the services that will help people move out of poverty must be brought to the people—where and when they need them.

Family planning services, visiting-nurse services, day-care services for the children of working mothers, community action programs, and consumer and legal aid must be available where needed. City Hall—and Washington—must be closer to the people they govern. There must be an adequate program of consumer and legal protection for the poor. To avoid further discontent and rioting in our urban slums and to help eliminate poverty, there must be an end to practices that shortchange the poor in the grocery store, in the welfare office, at the landlords, at the neighborhood department store, and in the courts—in short, at all the waystations that add up to life in the ghetto. It is important, too, that credit union facilities be available to the poor and that credit unions take even greater responsibility for the consumer education of their members.

A DEMANDING TASK

The adoption of these ten proposals are necessary and important whether or not new programs such as the negative income tax or children's allowances or wage supplements are finally adopted. Moreover, they do not prejudice in any way the adoption of such new programs. If—in addition to the expansion of job opportunities, improved social security, and an adequate national assistance program for existing welfare categories—one of these new proposed Federal programs were adopted, income would be increased for those who are working regularly or fairly regularly but cannot now earn enough to meet their families' needs. Although people in this position are eligible for general assistance payments in New York and a few other places, they are not generally eligible for assistance payments or social security benefits.

There is, however, much more work to be done on the formulation of the proposals and the details of how they would operate in practice. Such programs are much more complicated than they seem to be on first presentation. They involve difficult problems concerning when to make payments and on what basis one determines the right to payment. A careful analysis must be made of the alternatives and the costs and benefits of such proposals before decisions can be made on their viability.

In summary, the problems of poverty and economic insecurity in the United States do not lend themselves to easy, magic solutions. They require a combination of deliberate, carefully designed, wide-ranging approaches, for the problems themselves are not simple. Being poor means more than not having enough money. It often means poor in spirit, hope, health, and intellectual resources.

The abolition of poverty will require money. But money must be accompanied by far-reaching, penetrating approaches, by bold and coordinated public and private programs that provide interrelated opportunities for the poor. For those who are able to work, greater emphasis must be placed on jobs, education, and training. For those who cannot or should not be expected to work, improvements must be made in the social security program, which, combined with private benefit plans, constitutes the most effective institution for income maintenance. It cannot, of course, do the whole job. The present welfare system must be drastically overhauled to adequately serve those whose needs are not met by other programs. Concomitant with improvements in existing programs, the search must continue for new and imaginative programs that will meet the demands of the decade ahead.

Setting the elimination of poverty as a national goal is a huge and complex undertaking. The Nation has the economic capacity, the technological capability, and the intellectual resources to accomplish this goal before the end of the next decade. But the most difficult task will be sustaining the determined commitment of the Nation to the American promise: Full and equal opportunity for all to share in the good life that can be offered by a dynamic, prosperous, democratic society.

Senator MOYNIHAN. Our next witness is Dr. Johnson, and I believe you are accompanied by Ms. Dorothy Patrick, who is a manpower specialist, and Mr. Robert Gibson who is assistant specialist and vice president of the Finex Corp., and all of you speak on behalf of the Long Island Coalition for Full Employment and the Center for Social Policy and Social Services of Adelphi University.

STATEMENT OF DR. HARRIETTE JOHNSON, PROFESSOR OF SOCIAL WELFARE POLICY, ADELPHI UNIVERSITY SCHOOL OF SOCIAL WORK, GARDEN CITY, LONG ISLAND, APPEARING FOR THE LONG ISLAND COALITION FOR FULL EMPLOYMENT

Dr. JOHNSON. Mr. Gibson is not able to appear because of sickness in his family.

We are members of the Long Island Coalition for Full Employment. I teach social welfare and most recently I was investigator of a Department of Labor funded study on the WIN and CETA merger in Suffolk County in the last year and the year before.

Ms. Patrick is a manpower specialist with the Economic Opportunity Council. She has been working with WIN clients.

The purpose of our testimony is to present evidence pertaining to the jobs component of the administration welfare reform bill.

The administration proposes the creation of more than a million public service jobs as the central means for developing employment opportunities for welfare recipients. The Baker-Bellmon bill proposes only very limited use of PSE, with emphasis on developing jobs in the private sector through creation of incentives to employers. It assumes that as the economy improves, the unemployment will be absorbed into the working population and that with a modest encouragement from the Federal Government in the form of a \$1 per hour tax credit or voucher, employers will hire hard-to-place welfare recipients.

By the time the bill goes into effect, it is likely that the minimum wage will be over \$3 per hour, so that employers will have to pay more than two-thirds the wage. The tax credit strategy requires the assumption that companies will have some real need for these workers. Otherwise they would have no incentive to assume these costs.

There is documentation in the written testimony which pertains to this question.

Senator MOYNIHAN. We will make your statement a part of the record.

Dr. JOHNSON. I am going to skip over a great amount of documentation which shows that the private sector probably never will provide these jobs and never has provided these jobs. So I refer you to the data at the end of the written testimony for that documentation:

I would like to mention one aspect of it, however. According to conventional wisdom, automation no longer poses any real threat to full employment because the jobs which are lost are replaced by other and better jobs. However, the fact of the matter is, while it is true that entry level jobs are being replaced still by automation, so are some other jobs which we consider good jobs.

Take the example of computer programmers. There are sophisticated computer systems being developed now which will make computer programmers obsolete. These systems probably will be in operation, so I am told by Mr. Gibson who is not here, within 5 years or so. They can generate programs without the assistance of human programmers.

I am sure you are familiar with the bank teller situation since you are from New York. Citibank has installed automatic tellers around the city and it is possible to do your bank transactions by going into an office where there are no people.

You stick the card in and you make a transaction which is monitored by computer which is a relatively inexpensive computer. I am told the computer part costs about \$1,000, and the equipment which pays out the cash and receives the deposits and makes the transfers is also relatively inexpensive. I am told that for the cost of wages for 3 years for two or three tellers, you can get this equipment. Then your operating costs become much, much less than if you were paying the wages of the bank tellers.

So this raises a question as to why these corporations would want to take a \$1 an hour tax credit, or even a higher rate of reimbursement, to hire welfare recipients, when these machines will do the job faster.

You are familiar with the figure on productivity which has doubled since 1950. This is not due to the fact that workers are now twice as efficient, but most of that is probably due to the substitution of capital plant and equipment for labor.

The second main topic I want to talk about is the employer utilization of the WIN and welfare tax credits which have already been used for several years as inducement to hire welfare recipients.

I refer you, if you have my testimony, to page 8. I have several items here. This was taken from a study that was released in February of this year by the Department of Labor.

Results of a study of employment tax credit utilization, contracted by the Department of Labor Employment and Training Administration, were released in February 1978. The data indicate that the employer tax credit strategy is of dubious value under the labor market conditions which have prevailed during the past few years and which, we contend, can be expected to continue to prevail in the future.

Information on employers in 22 States was collected concerning their usage of the WIN and welfare tax credits. The information was obtained through a telephone survey of employers who hired 709 AFDC recipients as well as others who did not receive the tax credit certification.

Some of the findings were: One, neither the WIN nor the welfare tax credits were extensively used. Two, only 11.1 percent of the employers in the national sample who received tax credit certifications stated that the WIN tax credit was a significant factor in their hiring decisions.

Seventy percent of the tax credit employees quit or were fired before their term expired. In many cases, employers do not attempt to locate

employees who were qualified for the tax credit because they feel the turnover in the job for which they were hired is too rapid to make a tax credit realistic.

This study reported that the WIN tax program was a cost-effective approach for promoting job development. It estimated that for every 53 cents that was lost in corporate tax revenue, \$1 in savings was generated through welfare grant reduction and increased social security and personal-income tax collection.

But this cost formula completely eliminated the cost of administering the program from the cost column. The salaries of personnel who contact employers, interview WIN clients, make referrals, and fill out forms, plus the costs of overhead, are completely left out of the calculations. Were they to be included, it is doubtful that the program would be found to be cost effective.

The study found that there are "complex organizational impediments within business firms which militate against easy and automatic utilization of the employment tax credit."

The research found that the WIN and welfare tax credits do not create new jobs. "The research failed to discover any cases which indicated that additional hires were made over and above those jobs which would normally have been filled." The tax credits are most useful in periods of generally high employment to reduce frictional and structural unemployment.

Finally, the tax credits are designed to give less qualified job-seekers a competitive advantage over more qualified jobseekers. If the WIN tax credit/voucher strategy is used to promote employment of hardcore welfare heads of household in preference to other CETA-eligible individuals, this intention "should be explicitly stated and its consequences fully understood."

I will talk briefly about the track record of the WIN program. The record of the WIN program from its inception to the present gives us additional insight into the reasons for the difficulties the program has encountered. A study conducted by Dr. Bradley Schiller and his associates of 6,000 WIN registrants, published in the fall of 1976 by the Department of Labor, showed that WIN participants, on the average, are no more likely to get off welfare than nonparticipating registrants with similar characteristics.

A study by Miller and Ferman found that the principal reason for very low reductions in welfare rolls was the paucity of appropriate job opportunities at pay levels sufficiently high to remove most family heads from the rolls. They found that welfare recipients were usually offered unskilled jobs or low-level clerical positions characterized by ~~low pay and~~ high turnover rates. As such the jobs offered neither job security nor the opportunity to escape poverty. Millions of full-time workers in the United States were found not to be earning enough to bring them above official poverty lines.

These conclusions were supported by Seltzer, who found that among 25,000 participants hired under the WIN employer tax credit program, the majority were placed in service and clerical jobs paying \$1.60 to \$2 per hour.

Schiller and his associates found that institutional training, OJT, and PSE were more cost-effective than placement activities. Place-

ment services yielded no net gain in income for males and a net gain of only \$231-\$361 per year for females. Even though subsidized employment cost more than placement activities, it yielded a higher level of net benefits. All WIN II services were found to be more cost effective in servicing the less job-ready. The higher costs of serving participants with no recent work experience were more than compensated for by net earnings gains. The readily employable who received WIN services were likely to have been able to find employment on their own without WIN.

Because of cutbacks in WIN funds, WIN has become increasingly dependent on CETA for institutional training, OJT, and PSE. According to Schiller, CETA was supplying between one-third and one-half of all institutional training, OJT, and PSE available to WIN participants by the spring of 1975. The question must be asked as to whether placement of welfare clients into existing CETA slots merely forces other people who are deprived of these slots onto the welfare rolls.

Now I shall talk about policy recommendations. Where is the evidence that participants in WIN and CETA eventually obtain unsubsidized employment without displacing others for these unsubsidized jobs? There isn't any evidence. It's a matter of simple arithmetic that if you only have a certain number of jobs in the labor market as a whole, and you have many more people who want to work than there are jobs, that every job filled by X is a job not filled by Y. You can rotate people between welfare, CETA, unemployment benefits, and back to welfare, but unless you increase the total supply of jobs available, you're still going to have approximately the same number of people without work who need some form of Government-financed income support.

The situation we have now is a revolving door/musical chairs recycling process, for two main reasons. One, the total number of jobs is far smaller than the total number of people who want jobs. And, two, the quality of many of the jobs currently being filled is very poor—many jobs provide neither an adequate wage nor any kind of job security. The evidence we've presented makes it clear that we can't anticipate any real improvement in this situation.

Therefore the legislators will have to decide whether to support people directly or to create jobs for them and pay for these jobs. We recommend direct job creation in areas where human labor is needed. All you need to do to be convinced that many such areas exist is to walk through a nursing home. Even in the more expensive homes where people's physical needs are attended to, the elderly residents are starved for attention and for the opportunity to do something other than just sitting and staring into space. They are grateful to you for just saying good morning. Aides with little education could help these people enormously by talking with them, listening to them, writing letters for them, reading out loud, or engaging them in activities.

Senator MOYNIHAN. Doctor, may I say we are going to have to stop there. Let me also anticipate two comments and ask you one question.

I very much share your concern about the unemployment experience in the last 20 years which baffles me. I was Assistant Secretary of Labor under President Kennedy when these patterns first began to appear. One of the things that has happened is that there has been a simultaneously great expansion in the number of jobs, while the proportions of unemployed have gone up.

Last year more than 3 million jobs were added to the economy. But in the 1980's, we have the prospect of lower rates of entry into the job market associated with demographic forces which will make a real difference. There are good economists who suggest there will be a labor shortage in this country in the mid-1980's, and there is something of a labor shortage now or we would not have as many illegal immigrants.

Let me ask you a question on the tax credit which is particularly interesting to this committee. In your studies do you find some time element that takes 10 years for a program to take root to the point where new jobs are created out of awareness of an economic advantage and tax credits which take some time to sink in?

Dr. JOHNSON. This would be based on the assumption that the private sector has some real need for labor. If the private sector is going to have some real need and all they need is a modest type of encouragement in the form of a tax credit, then perhaps that line of approach would work.

I think, however, there is a great deal of evidence, which I did not present orally, that this is not going to be the case and these people are not going to be needed in the private sector.

Senator MOYNIHAN. That is why one fairly distinctive feature of all of the programs we are talking about, as against the family assistance plan of a decade ago, is a very heavy emphasis on job creation, along with income maintenance.

Dr. JOHNSON. I would like to give my policy recommendations, if I might, because they are along these lines.

We had four recommendations. First of all, we support the administration proposal to create public service jobs for 1.4 million people, but only if there is no phasing out of the CETA jobs which already exist in order to avoid perpetuating the revolving door that we have now.

Second, we recommend building into PSE of both training and upward mobility components. The OJT model which has been used with employers in the private sector should be integrated into public service employment. Workers should receive training, and those who perform well should be rewarded by being able to become trainers and supervisors themselves. Instead of recycling participants off the subsidized jobs and back onto the welfare rolls when their 12-month stints have ended, we should give them the opportunity to utilize the skills they've gained by moving up within PSE.

I think there could be many more gains out of public service than we are having if you were to train workers. We could allow the better workers to become trainers and supervisors and renew their contracts instead of recycling participants off the jobs back on welfare roles. We would be getting an opportunity, also, to utilize the skills and motivate them for good performance.

Our third proposal is that we strongly support the creation of the types of jobs proposed under better jobs and income. These are jobs that badly need doing; do not require high levels of skill and education; and provide social benefits both to the target beneficiaries—such as the elderly or schoolchildren, and to the workers. These workers will be doing valuable work, not useless make-work. They will have an opportunity to feel useful rather than useless.

The fourth recommendation is that the upper limit on both the number of jobs to be created and the duration of these jobs should be extendable. When labor market conditions make it unrealistic to expect these people to be able to get jobs in the private or regular public sectors, we should utilize the skills they've learned on PSE jobs by allowing them to continue doing work which society needs to have done. Why train a person to be a nurse's aide caring for the elderly, and then just lay that person off after a year and replace him or her with a beginner who needs to be trained? Let's get a return on our investment in public service employment by continuing to use the services of the more experienced people who have already participated in the programs.

It is current practice for CETA workers to remain on their jobs far beyond the time limit. The longer duration is of great benefit both to employers and to workers. Now this is being done illegally. Why not legitimize what is already a reality by writing a clause into the welfare reform legislation which permits renewal of PSE assignments under CETA title IX on a yearly basis?

Such an arrangement would also permit the building of an incentive system for good performance. A productive worker could be rewarded by renewal of contract and also in some instances by promotion to a higher level within the PSE structure. Both CETA and WIN currently enjoy a negative public image, partly because the dead-end aspect of many of the jobs quells incentive for good performance by workers and good supervision by employers. The changes we recommend could do much to enhance the value and the public image of both the CETA and WIN programs.

They just get people trained, and then, if CETA is monitored—which is not always the case—the employers have to start fresh with people who do not know anything about the job. So this is a poor investment.

Thank you.

Senator MOYNIHAN. Thank you very much.

You are very kind to come. You contribute a whiff of reality which always helps in these hearings. Thank you, Dr. Johnson.

Now, Mr. William B. Welsh is the next witness.

Dr. JOHNSON. Ms. Patrick has not testified.

Senator MOYNIHAN. I will hear you at the end.

Ms. PATRICK. I have waited since this morning.

Dr. JOHNSON. We came all of the way from New York.

Senator MOYNIHAN. I am about to say I was going to hear you later. Let us be clear. We have only so many of us, and we can only do so much work, and you were asked to speak 10 minutes and you chose to speak for about 15 and not divide your time, but go ahead.

**STATEMENT OF DOROTHY PATRICK, MANPOWER SPECIALIST
OF THE ECONOMIC OPPORTUNITY COUNCIL OF SUFFOLK, INC.,
APPEARING ON BEHALF OF THE LONG ISLAND COALITION FOR
FULL EMPLOYMENT**

Ms. PATRICK. I am a manpower specialist of Economic Opportunity Council of Suffolk County, N.Y., and I am here as a member of the Long Island Full Employment Coalition speaking for the hard-core unemployed and most particularly for the female heads of poor households throughout Suffolk County.

People for whom I speak cannot prosper because of racism, sexism, and cultural prejudice or under any economic conditions.

I have worked for 7 years in Suffolk County and I have interviewed WIN clients at the EOC of Suffolk [where I am employed] for a period of 4 consecutive years. The case I wish to bring to your attention involves the problem of child care. I have interviewed and counseled AFDC women who are anxious to work, but the reoccurring problem of child care prevents some of them from pursuing employment and training opportunities. For example, when an AFDC minority mother is placed on a job, she does not hesitate to leave her employment to care for her sick child. The minority mother does not rely solely upon day care centers or other means of child care. Some feel it is their primary responsibility to care for their children. Therefore, to be fired from an entry level job in a racist society is unimportant to their primary role—caring and rearing their children coupled with education, training, and opportunity to compete on any given level in society. I am really here advocating comprehensive training and counseling be given to AFDC clients to afford them an opportunity to obtain real employment, preventing them from returning to the welfare rolls.

Senator MOYNIHAN. That was very concise. How does your program differ from training?

Ms. PATRICK. To work with the attitudes of the person who has not had an opportunity to compete in society, especially in the world of work and to encourage self-motivation. There are people who have been dismissed by the taxpayers because they have been a burden on the taxpayers. I am saying that you cannot place a person on the job and expect that person to function—especially if they have been unemployed for 20 years and held a factory or seasonal job. So without counseling it is impossible to create any kind employment change among welfare recipients. The recipient is encouraged to return to the welfare roll and I am sure this is what you want to avoid.

Senator MOYNIHAN. That makes perfect sense and that is what, of course, the social welfare profession speaks about.

Ms. PATRICK. I must say that the WIN program has not worked on an extensive basis.

Senator MOYNIHAN. We get testimony from other States where people say it works wonderfully.

Ms. PATRICK. I am speaking more of the blacks and the Hispanics. After they have completed the 13-week training, which is a make-work type of job and training, people who do not know how to answer

a telephone, for example, are taught right there on the job, but upon completion of the 13 weeks, where do they go? Do they return to the welfare rolls? This has been the case, or do they obtain private employment? I don't think answering a 3-button telephone is a skill.

Senator MOYNIHAN. It is a skill if you have not got it, and you have to get it.

Ms. PATRICK. How many employers would hire people just to answer a phone?

Senator MOYNIHAN. I have spent much of my day doing that. I think that may have something to do with the general employment climate, anyway. There are places where expectations about jobs are lower, and people tend to create jobs that are in fact low-income jobs.

Ms. PATRICK. And they are not realistic jobs.

Senator MOYNIHAN. They are realistic where they are, but they are not in Suffolk County. There are places like Georgia, which seems to be very enthusiastic about their WIN program, but I do not know. I think maybe that they may be operating in a context where new industry is opening up, and they can use lower skills.

Ms. PATRICK. Transportation in Suffolk County is an obstacle.

Senator MOYNIHAN. I spend a good deal of time getting about there. [The prepared statements of the preceding panel follow:]

STATEMENT OF THE LONG ISLAND COALITION FOR FULL EMPLOYMENT

Witnesses: Dr. Harriette Johnson, Professor of Social Welfare, Adelphi University School of Social Work, social work practitioner and administrator for 15 years, co-investigator of Department of Labor funded study of the experimental WIN-CETA merger in Suffolk County, 1976-1977; Ms. Dorothy Patrick, manpower specialist, Economic Opportunity Council of Suffolk County, and Mr. Robert Gibson, M.S., mathematician and computer specialist, Vice President, Finex Corporation, formerly in the computer departments of Boeing, Babcock and Wilcox, and Chase Manhattan Bank.

Dr. Johnson: The purpose of our testimony is to present evidence pertaining to the jobs component of the administration welfare reform bill (S. 2084) and the Baker-Bellmon bill (S. 2777). I want to address three main topics:

- (1) The ability of the private sector to provide jobs for welfare clients;
- (2) The effectiveness of the WIN employer tax credit; and
- (3) An analysis of the current status of the WIN and CETA programs.

The administration proposes the creation of more than a million public service jobs as the central means for developing employment opportunities for welfare recipients. The Baker-Bellmon bill proposes only very limited use of PSE (375,000 slots), with emphasis on developing jobs in the private sector through creation of incentives to employers. It assumes that as the economy improves, the unemployed will be absorbed into the working population and that with a modest encouragement from the federal government in the form of a \$1 per hour tax credit or voucher, employers will hire hard-to-place welfare recipients. By the time the bill goes into effect, it is likely that the minimum wage will be over \$3 per hour, so that employers will have to pay more than two thirds the wage (plus benefits in some cases). The tax credit strategy requires the assumption that companies will have some real need for these workers. Otherwise they would have no incentive to assume these costs.

THE PRIVATE SECTOR'S PAST PERFORMANCE

How warranted is this assumption? Let's look first of all at the private sector's job creating performance since World War II. Table I shows official unemployment rates from World War II through the present. The only time when unemployment has dropped below 4 percent was during wars: the Korean war (1951-1953) and the Vietnam war (1966-1969). Even at these times Black unemployment remained well above 4 percent. These years have been indicated by brackets on Table I.

The additional jobs which become available during wartime are, for the most part, generated in the public, not the private, sector, through expansion of the armed forces and through government contracts with the private sector. The private sector itself has never displayed an ability to provide full employment at any time since World War II—even under conditions of economic prosperity and expansion. Therefore it is hard to understand why people still cling to the belief that sooner or later the private economy is going to provide jobs for almost everyone. If it didn't do so under favorable conditions of growth and expansion, what is the basis for expecting it to do so under more restrictive conditions?

THE REAL DIMENSIONS OF UNEMPLOYMENT AND UNDEREMPLOYMENT

Table II contains data compiled by Eli Ginzberg based on Bureau of Labor Statistics figures and published in the November 1977 issue of *Scientific American*. The data indicate that real unemployment and underemployment are about 23 percent of the work force. The official count, which has hovered between seven and six per cent, shows only the tip of the iceberg. To the officially counted unemployed of about 7 million people, or seven per cent of the work force, Ginzberg adds several other groups of people who are unemployed or underemployed but not counted in the official survey. A special survey by the Department of Labor in 1976 estimated that 5 million people who state that they "want a job now" are not counted as part of the official labor force and therefore are excluded from official unemployment statistics. These 5 million include 1.4 million in school; 650,000 in poor health or disabled who nevertheless would be able to work if jobs were available; 1.2 million with home responsibilities; 900,000 whom we would call "discouraged workers" because they have given up looking for work; and 850,000 others.

In addition to those who state they "want a job now" but are not counted, many others are not counted including an estimated 1 million employable AFDC parents; 3.5 million involuntary part-time workers who want but cannot get full-time work; and another estimated 10 per cent of the 54 million who state they "do not want a job now" but would probably shift to the "want a job now" column were jobs available (5.4 million). This last group is comprised of retired persons, homemakers, people in poor health, students, and others. When all these groups are added together, the total is about 23 million people, or close to 23 per cent of the real work force. Estimates similar to Ginzberg's were made by Bertram Gross in 1971 with respect to the labor market conditions which prevailed at that time. These data are presented in table III.

JOB QUALITY

The Ginzberg study also focused on the quality of the new jobs that have been created in the private and public sectors between 1960 and 1976. Criteria for rating the "quality" of a job were wage levels, fringe benefits, regularity vs. intermittency of employment, working conditions, job security, and opportunities for promotion. The data show that two thirds of the 9 million new government jobs met the criteria for "good" jobs, while less than one third of the 25.3 private sector jobs qualified as "good" jobs. The private sector supplied six out of seven of the 21.2 million "poor" jobs added during this period. The private sector is demonstrably less likely to create jobs which offer people good wages, working conditions, and security.

EMPLOYMENT FIGURES AT PEAK PERIODS OF RECOVERY FROM RECESSIONS

Table IV presents figures on unemployment at peaks of recessions and peaks of recoveries from these recessions. These figures show that at each point of peak recovery from a recession, the economy has been at a higher level of unemployment than at previous peak recovery levels. We recovered from the recession of 1949 at an unemployment rate of 2.5 per cent in May 1953. Recoveries from succeeding recessions were at the following levels: 3.7 per cent unemployment at peak recovery in March 1957; 4.8 per cent unemployment at peak recovery in February 1960; and at more than 6 per cent unemployment at recovery in December 1977. Thus we can see that increasingly higher and higher levels of unemployment are being defined as "recoveries".

IS AUTOMATION STILL A THREAT TO JOBS?

The reasons for the shortage of jobs documented by all the data are many. They include automation, increased influx of women into the labor market, inability of both private sector management and the unions to reduce the work week, and other factors. According to conventional wisdom, automation no longer poses any real threat to full employment because the jobs which are lost through automation are replaced by other and better jobs.

It is true that automation is eliminating a large number of entry level unskilled jobs because the simplest operations are also the easiest and cheapest to automate. Most of the private sector jobs which welfare clients can obtain are of this type, so that automation will continue to cut into the job supply for his group of workers. However, many so-called "good" jobs in the private sector are also being eliminated. For example, within a few years a large number of computer programmer positions can be expected to be replaced by sophisticated computer systems which generate programs automatically without the assistance of human programmers.

Let's take the example of bank tellers. Citibank has just installed a system of automated tellers around the city and in nearby suburbs. Now I can go to the branch near my home, which is in Westchester County north of New York City, and make deposits or withdraw cash or transfer money between accounts without ever seeing a person. It's very convenient. You can go any time of the day or night and the transactions are very fast. You gain access to the bank by inserting your bank card. The cathode ray tube screen gives you clear simple instructions to follow according to the type of transaction you want to make. The equipment is run by a small computer which costs about \$1,000. Mr. Gibson has told us that he estimates that all the equipment could be bought and installed for the price of three years' wages for two or three tellers. After that, operating costs are negligible. These branches have no people in them at all. Labor costs are nil except for loading cash and occasional servicing, and there are no fringe benefits to be paid out. It's almost all sheer profit after initial costs have been retrieved.

This raises the question as to why any corporation would want to take \$1 per hour in tax credits, or even a higher rate of reimbursement for hiring welfare recipients, when machines will do the job faster at low cost.

Patterns of increases in productivity, or output per manhour, support the hypothesis that automation continues to eliminate jobs. Productivity has doubled since 1950 (see table V below).

TABLE V.—CHANGES IN PRODUCTIVITY, ALL INDUSTRIES, 1950-77

Year	Average work week compensation hours	Output per man-hour 1967=100	Unemployment rate (percent)
1950.....	40.5	59.7	5.3
1960.....	39.7	78.1	5.5
1970.....	39.8	104.5	4.9
1976.....	40.2	116.8	7.7
1977.....	40.5	119.3	7.1

NOTE.—Data presented by Martin Gerber, international vice president of the United Auto Workers, in a speech at Adelphi University, Apr. 17, 1978.

We are producing twice as much per manhour of labor now as we did in 1950. This doubling in productivity is clearly not due to each *worker* working twice as efficiently. It is more probably due in large part to the substitution of capital (plant and equipment) for labor. Table V shows that output per manhour has been rising continuously since 1950.

What is the likelihood that this trend will be reversed? There's no reason to think that it will. Technological advances are continuing and more and more jobs are being replaced by machines. On the contrary, it is likely that this increase in the level of unemployment which coincides with each recovery from recession, which we saw in the figures in Table IV, will continue. After our

next recession, we may have a peak recovery unemployment rate of eight or nine per cent.

**EMPLOYER UTILIZATION OF WIN AND WELFARE TAX CREDITS AS INDUCEMENT
TO HIRING WELFARE RECIPIENTS**

Results of a study of employment tax credit utilization, contracted by the Department of Labor Employment and Training Administration, were released in Feb. 1978.¹ The data indicate that the employer tax credit strategy is of dubious value under the labor market conditions which have prevailed during the past few years and which, we contend, can be expected to continue to prevail in the future.

Information on employers in 22 states was collected concerning their usage of the WIN and welfare tax credits. The information was obtained through a telephone survey of employers who hired 709 AFDC recipients as well as others who did not receive the tax credit certification. Some of the findings were:

(1) Neither the WIN nor the welfare tax credits were extensively used (p. 10).

(2) Only 11.1 per cent of the employers in the national sample who received tax credit certifications stated that the WIN tax credit was a significant factor in their hiring decisions (pp. 11-12).

(3) The percentage of employers who felt that the amount of the tax credit should be increased was approximately the same as the percentage who felt that it should not be increased (pp. 13-14). However, the majority of employers queried did not even answer the question as to whether or not the tax credit should be increased. When those who replied that it should not be increased were added to those who did not answer the question, the total included more than three fourths of the respondents. It seemed unlikely, therefore, that moderate increases in the amount of employment tax credits would encourage significant increases in utilization.

(4) Employers in the national study indicated that approximately 70 per cent of tax credit employees quit or were fired (p. 14).

(5) In many cases employers do not attempt to locate employees who would qualify for the tax credit because they feel that the turnover in the job categories for which they are hiring is too rapid to make a tax credit realistic (p. 15).

(6) Comparison between different areas showed that when an area has little economic vitality, it is difficult to place WIN clients regardless of whether or not an employment tax credit is available (pp. 18-19).

(7) The study reported that the WIN tax credit program was a cost effective approach for promoting job development (pp. 26-27). It was estimated that for every \$.53 lost in corporate tax revenue, \$1.00 in savings was generated through welfare grant reduction and increased social security and personal income tax collections. However, this formula excluded costs of administering the program from the cost column. The salaries of personnel who contact employers, interview WIN clients, make referrals, and fill out forms, plus the costs of overhead, are completely left out of the calculations. Were they to be included, it is doubtful that the program would be found to be cost-effective.

(8) The study found that there are "complex organizational impediments within business firms which militate against easy and automatic utilization of the employment tax credit" (pp. 24-26, 29).

(9) The research found that the WIN and welfare tax credits *do not create new jobs* (emphasis in original). "*The research failed to discover any cases which indicated that additional hires were made over and above those jobs which would normally have been filled*" (p. 32). The tax credits are most useful in periods of generally high employment to reduce frictional and structural unemployment.

Finally, the tax credits are designed to give less qualified job seekers a competitive advantage over more qualified job seekers. If the WIN tax credit/voucher strategy is used to promote employment of hard-core welfare heads of

¹ Jan Parkinson *Employment Tax Credit Utilization* Employment and Training Administration, U.S. Department of Labor, Feb. 1978 Study conducted by the Institute for Manpower Program Analysis, Consultation and Training, Inc. Minneapolis, Minn.

household in preference to other CETA-eligible individuals, this intention "should be explicitly stated and its consequences fully understood" (p. 84).

TRACK RECORD OF THE WIN PROGRAM

The record of the WIN program from its inception to the present gives us additional insight into the reasons for the difficulties the program has encountered. A study conducted by Dr. Bradley Schiller and his associates of 6,000 WIN registrants, published in the fall of 1976 by the Department of Labor, showed that WIN participants, on the average, are no more likely to get off welfare than non-participating registrants with similar characteristics.³

A study by Miller and Ferman found that the principal reason for very low reductions in welfare rolls was the paucity of appropriate job opportunities at pay levels sufficiently high to remove most family heads from the rolls.⁴ They found that welfare recipients were usually offered unskilled jobs or low-level clerical positions characterized by low pay and high turnover rates. As such the jobs offered neither job security nor the opportunity to escape poverty. Millions of full-time workers in the United States were found not to be earning enough to bring them above official poverty lines.

These conclusions were supported by Seltzer, who found that among 25,000 participants hired under the WIN employer tax credit program, the majority were placed in service and clerical jobs paying \$1.60 to \$2.00 per hour.

COST EFFECTIVENESS OF THE VARIOUS WIN COMPONENTS

Schiller and his associates found that institutional training, OJT, and PSE were more cost-effective than placement activities. Placement services yielded no net gain in income for males and a net gain of only \$231-\$361 per year for females.⁴ Even though subsidized employment cost more than placement activities, it yielded a higher level of net benefits. All WIN II services were found to be more cost-effective in servicing the *less job-ready*. The higher costs of serving participants with no recent work experience were more than compensated for by net earnings gains. The readily employable who received WIN services were likely to have been able to find employment on their own without WIN.

Because of cutbacks in WIN funds, WIN has become increasingly dependent on CETA for institutional training, OJT, and PSE. According to Schiller, CETA was supplying between one third and one half of all institutional training, OJT, and PSE available to WIN participants by the spring of 1976. The question must be asked as to whether placement of welfare clients into existing CETA slots merely forces other people who are deprived of these slots onto the welfare rolls.

POLICY RECOMMENDATIONS

Where is the evidence that participants in WIN and CETA eventually obtain unsubsidized employment without displacing others for these unsubsidized jobs? There isn't any evidence. It's a matter of simple arithmetic that if you only have a certain number of jobs in the labor market as a whole, and you have many more people who want to work than there are jobs, that every job filled by X is a job not filled by Y. You can rotate people between welfare, CETA, unemployment benefits, and back to welfare, but unless you increase the total supply of jobs available, you're still going to have approximately the same number of people without work who need some form of government-financed income support.

The situation we have now is a revolving door/musical chairs recycling process, for two main reasons: (1) The total number of jobs is far smaller than the total number of people who want jobs, and (2) the quality of many of the jobs currently being filled is very poor—many jobs provide neither an adequate wage nor any kind of job security. The evidence we've presented

³ Bradley Schiller et al *The Impact of WIN II: A Longitudinal Evaluation of the Work Incentive Program* report prepared for the Office of Policy, Evaluation, and Research, Employment and Training Administration, U.S. Dept. of Labor, Sept. 1976.

⁴ Joe A. Miller and Louis Ferman *Negroes and Jobs* Ann Arbor: Univ. of Michigan Press, 1968.

⁵ Schiller, op. cit.

makes it clear that we can't anticipate any real improvement in this situation.

Therefore the legislators will have to decide whether to support people directly or to create jobs for them and pay for these jobs. We recommend direct job creation in areas where human labor is needed. All you need to do to be convinced that many such areas exist is to walk through a nursing home. Even in the more expensive homes where people's physical needs are attended to, the elderly residents are starved for attention and for the opportunity to do something other than just sitting and staring into space. They are grateful to you for just saying good morning. Aides with little education could help these people enormously by talking with them, listening to them, writing letters for them, reading out loud, or engaging them in activities.

Or if you spend a morning in a classroom in an inner city school where one teacher is trying to teach 40 six-year-olds to read, you can see that if five or six teacher assistants were present, all the children could get much more practice in reading in small groups led by assistants.

High levels of academic achievement are not necessary for these jobs; all that is needed is kindness, interest, and training and orientation in order to integrate the workers into the existing organizations.

Therefore, first of all, we support the administration proposal to create public service jobs in human services for 1.4 million people, *but only* if there is no phasing out of CETA jobs which already exist. If you create more jobs for welfare heads of households while laying off other people by reducing CETA slots, you're just playing musical chairs. Eventually that other group of people will end up on welfare to replace the heads of household you have now put to work in PSE.

Secondly, we recommend the building into PSE of both training and upward mobility components. The OJT model which has been used with employers in the private sector should be integrated into public service employment. Workers should receive training, and those who perform well should be rewarded by being able to become trainers and supervisors themselves. Instead of recycling participants off the subsidized jobs and back onto the welfare rolls (perhaps via the detour of unemployment benefits!), when their 12-month stints have ended, we should give them the opportunity to utilize the skills they've gained by moving up within PSE.

Third, we support strongly the creation of the *types* of jobs proposed under Better Jobs and Income. These are jobs that need badly need doing; do not require high levels of skill and education; and provide social benefits both to the target beneficiaries (such as the elderly or schoolchildren), *and* to the workers. These workers will be doing valuable work, not useless make-work. They will have an opportunity to feel useful rather than useless.

Fourth, the upper limit on both the number of jobs to be created and the duration of these jobs should be extendable. When labor market conditions make it unrealistic to expect these people to be able to get jobs in the private or regular public sectors, we should utilize the skills they've learned on PSE jobs by allowing them to continue doing work which society needs to have done. Why train a person to be a nurse's aide caring for the elderly, and then just lay that person off after a year and replace him or her with a beginner who needs to be trained? Let's get a return on our investment in public service employment by continuing to use the services of the more experienced people who have already participated in the programs.

It is current practice for CETA workers to remain on their jobs far beyond the time limit. The longer duration is of great benefit both to employers and to workers. Now this is being done illegally. Why not legitimize what is already a reality by writing a clause into the welfare reform legislation which permits renewal of PSE assignments under CETA Title IX on a yearly basis?

Such an arrangement would also permit the building of an incentive system for good performance. A productive worker could be rewarded by renewal of contract and also in some instances by promotion to a higher level within the PSE structure. Both CETA and WIN currently enjoy a negative public image, partly because the dead-end aspect of many of the jobs quells incentive for good performance by workers and good supervision by employers. The changes we recommend could do much to enhance the value and the public image of both the CETA and WIN programs.

TABLE 1.—OFFICIAL UNEMPLOYMENT RATES—ANNUAL AVERAGES 1949-1975

Year	Total	White	Black and other minorities
1949	5.9	5.6	8.9
1950	5.3	4.9	9.0
1951	3.3	3.1	5.3
1952	3.0	2.8	5.4
1953	2.9	2.7	4.5
1954	5.5	5.0	9.9
1955	4.4	3.9	8.7
1956	4.1	3.6	8.3
1957	4.3	3.8	7.9
1958	6.8	6.1	12.6
1959	5.5	4.8	10.7
1960	5.5	4.9	10.2
1961	6.7	6.0	12.4
1962	5.5	4.9	10.9
1963	5.7	5.0	10.8
1964	5.2	4.6	9.6
1965	4.5	4.1	8.1
1966	3.8	3.3	7.3
1967	3.8	3.4	7.4
1968	3.6	3.2	6.7
1969	3.5	3.1	6.4
1970	4.9	4.5	8.2
1971	5.9	5.4	9.9
1972	5.6	5.0	10.0
1973	4.9	4.3	8.9
1974	5.6	5.0	9.9
1975	8.5	7.8	13.9

Source: Employment and Training Report of the President, U.S. Departments of Labor and Health, Education, and Welfare. Transmitted to the Congress 1976, table A-18, p. 239.

TABLE 2.—The real dimensions of unemployment

	Millions
Officially counted as unemployed (have actively looked for work during the past 4 weeks)	7.0
People not in the labor force who characterize themselves as being in group who "want a job now" (source: Department of Labor's special survey, 1976)	5.0
In school—1.4 million	
In poor health or disabled—650,000	
Home responsibilities—1.2 million	
Believe they cannot get a job—900,000	
Other—850,000+	
Total—5,000,000+	
Employable AFDC parents (estimated)	1.0
Federal training program participants (estimated)	1.0
Part-time employees who want full-time work but can't get it	3.5
10 percent of 54 million who state they "do not want a job now" who would probably shift to "want a job now" if jobs were available. This group includes 30 million with home responsibilities, 8.5 million retired, 5 million in poor health, 6.4 million in school, 3.5 million categorized as "all other reasons"	5.4
Total	22.9
	Percent
Official unemployment rate (7 million people)	7
Real unemployment (estimated) (22.9 million people)	22.9

¹ Ginzberg includes another 1 million food stamp recipients. We are omitting this category because it seems probable that this category comprises considerable double counting.

Source: Eli Ginzberg "The Job Problem" *Scientific American*, Vol. 237, No. 5, Nov. 1977, pp. 43-51.

TABLE 3.—*Real unemployment in the United States, 1971*

	Millions
1. Official labor force (including Armed Forces)	85.8
2. Gainfully employed (including Armed Forces)	81.1
3. Official unemployment:	
a. Numbers	4.7
b. As percentage of civilian labor force	5.7
4. Unofficial unemployment:	
a. Disclosed but set aside:	
1. Underemployed	2.7
2. Job wanters:	
(a) Discouraged .....	.8
(b) Encourageable	3.6
b. Hidden and ignored:	
3. "Unemployables" on AFDC who could work	1.0
4. Housewives	5.0
5. Men (25-54) .....	.5
6. Older people (55 and over)	4.0
7. Students	3.0
8. Enrollees in manpower programs .....	.3
Subtotal (4)	20.9
5. Real labor force (1 plus 4, excluding underemployed)	104
6. Real unemployment:	
a. Millions	25.6
b. As percentage of real labor force	24.6

Source: Bertram Gross and Stanley Moses "Measuring the Real Work Force: 25 Million Unemployed" in *Social Policy*, vol. 3, No. 3, September/October 1972.

TABLE 4.—*Four recessions since World War II: Peak unemployment and peak recovery figures*

Peak unemployment		Peak recovery	
	Percent		Percent
October 1949	7.9	May 1953	2.5
September 1954	6.1	March 1957	3.7
July 1958	7.5	February 1960	4.8
May 1975	9.0	December 1977	6.4

Source: Bureau of Labor Statistics figures quoted by Martin Gerber, United Auto Workers, at the annual conference on Full Employment, Long Island Full Employment Coalition, Garden City, N.Y., Apr. 13, 1978.

STATEMENT OF DOROTHY PATRICK, MANPOWER SPECIALIST OF THE ECONOMIC OPPORTUNITY COUNCIL OF SUFFOLK, INC.

Mr. Chairman and members of the Senate Finance Committee, I am Dorothy Patrick, Manpower Specialist of the Economic Opportunity Council of Suffolk County, New York, and I am here as a member of the Long Island Full Employment Coalition speaking for the hard-core unemployed and most particularly for the female heads of poor households throughout Suffolk County.

Today our welfare system is despised by recipients and taxpayers alike, and the truth is, it is unworkable. Our goal is to reform the welfare system in the belief that work is good, work brings self-respect and an essential sense of self worth, and that everyone who wants to work must be allowed to work. Protests and demonstrations and mounting crime tell us loud and clear, ladies and gentlemen, full employment is the answer.

How can we solve the related problems of unemployment, poverty and welfare? Some people can prosper in good times and bad. Some people prosper or fail depending upon the state of the economy. For them, counter-cyclical public service employment is a useful new program that we should continue, understanding that a growing economy is the real solution to their problem. But *some* people, and these are the people for whom I speak, cannot prosper under any economic conditions, good times or bad, and these are the people who call for our greatest understanding and the creation of dynamic new policies to bring them into the mainstream . . . into America's world of work.

How? Let us face the fact that we are just avoiding the real issue when we put an unskilled person into a "make work" job that lasts three months

to a year. He or she continues to be unskilled. Jobs for the unskilled have just about disappeared forever from our country, and racism, sexism and cultural prejudice still fight all that we are working for. These are the problems we MUST solve, and we are not going to take even one step forward if we plan programs on the old assumptions that poor people do not want to work, or that private industry just needs a sweet inducement to hire the hard-core unemployed, or that a few months in a public service job trains anyone to move into a job in the private sector. You have heard the expression . . . no way!

What we must do is this: we must provide two essential strengths. Victims at the bottom of our social system must be given expert and empathetic counseling, for we are talking about people who see themselves as failures. They must be taught to see themselves as important, worthwhile members of society, as people *worthy* of success. Men and women perpetually unemployed have lost faith in themselves and their abilities . . . they have learned to accept rejection and a view of themselves as outcasts. And after, or rather *along with* this extensive counseling we must provide realistic, long-term training for jobs that really do exist and will welcome them, jobs that offer upward mobility and prospects for growth in both financial rewards and gain in personal stature.

To continue our present unworkable system will really just lead to chaos, for what we are doing is just recycling poor people out of and right back onto the welfare rolls and reintroducing them to despair. I urge you to change this picture of human frustration . . . give us real, long-term, self-worth counseling and honest, practical training for real jobs open to men and women who are trained.

Thank you.

Senator MOYNIHAN. Our next witness is Mr. Welsh, executive director for Governmental Affairs, American Federation of State, County and Municipal Employees, AFL-CIO.

**STATEMENT OF WILLIAM B. WELSH, EXECUTIVE DIRECTOR FOR
GOVERNMENTAL AFFAIRS OF THE AMERICAN FEDERATION OF
STATE, COUNTY AND MUNICIPAL EMPLOYEES, AFL-CIO**

Mr. WELSH. I brought with me today Miss Nanine Meiklejohn who is our assistant director of legislation and James Savarese, who is our director of public policy, in case you have any questions that I cannot answer.

I would like to have our full statement in the record. Our union, as you know, is a union of public sector employees who work in State, county and municipal governments throughout the United States and we have 1,000,000 members as a result of a recent affiliation in your State. I think it is accurate to say that we are now the largest union in the AFL-CIO.

Senator MOYNIHAN. That is what I read in the New York Times this morning, that you surpassed the steelworkers. That is a mark in the history of unionism.

Mr. WELSH. It is a comment on what is happening to the work force.

I think I can use my 10 minutes most beneficially to you if I skip over most of the testimony and summarize a couple of points that seem to us to be very important.

We were, as you know, one of the first groups to comment in detail on President Carter's program.

Senator MOYNIHAN. I wonder if we could put that statement in the record as well.

Mr. WELSH. We would like to have it in as part of our testimony. Two things it seems to me are important to bring before this committee and before the Congress. One is the fact that the President has sent up to the Congress now finally an urban agenda, that has components that seem to us to be very important in terms of what you are attempting to deal with the welfare program.

If I might illustrate that, particularly as it relates to the whole employment aspect of the welfare program, it is our experience that the public sector itself cannot completely deal with the scope and size of the employment opportunities being considered.

The President is submitting part of the urban agenda to this committee; particularly his revised tax incentive programs and investment programs. This gives you a chance to integrate those policies as you work on the welfare employment program and work programs and we think that presents a rather exceptional opportunity for you.

Then there is an additional piece of legislation that is before your committee this year for extension. It has a very real impact upon the public sector's capacity to absorb some of the public service jobs that you want to create. It is the extension of the so-called counter cyclical assistance that is designed to impact the budgets of those more distressed States, but particularly the more distressed cities.

Let me simply illustrate in New York State what the significance of continuing some form of special assistance means, in terms of an area of being able to deal with the welfare employment opportunities we are talking about and the continuation of CETA. In the city of Buffalo the work force is about 33 percent totally funded under the CETA program.

Now, I am not sure exactly what the scope of the potential welfare work components would be, but it would be several tens of thousands in a municipality such as Buffalo.

Now, if we are going to create those public sector jobs and work opportunities in an area like Buffalo for welfare recipients that have some meaningfulness for them, we have to be sure that we try to build into the CETA program some protection of the existing public sector workers, to be sure that we are not involved in substitution, in simply running people in and out of a revolving door. One of the key programs in preventing that and helping the more distressed cities maintain an adequate and stable existing work force is the counter cyclical assistance or emergency special aid targeted into those more distressed cities. We think that there is a unique opportunity now to build in an additional program that in the long run will provide the opportunity for meaningful and significant employment in the public sector and not just a revolving door.

Senator MOYNIHAN. That will come to this committee, of course.

Mr. WELSH. Yes, and there are hearings and we are going to testify on that tomorrow.

Finally there is a very unique opportunity presented by the fact that Congress is working on the extension, revision and reform of the CETA program, which means that you have an opportunity to mold the work components of your welfare reform into the CETA programs, and if I might just refer to our testimony for a few moments, let me illustrate some of the kinds of concern we have.

For example, we found last year in the county of Milwaukee the formal county budget there was budgeting about 100 positions for county welfare work opportunities, at the same time in the same departments and in the same kind of work, they were providing for a reduction of the present work force of 48 county employees who were doing that work.

This is the kind of thing that we have to be very careful about, and we believe, Senator, that, along the lines developed in the Corman proposal, any work components that you proceed to set forth should basically use the framework of the CETA mechanism and the CETA programs, so that at the local level we do not have two or three or four different Federal, State and county programs all attempting to deal with the welfare recipient or the structurally unemployed or the cyclically unemployed, by moving them into the public sector. We should design, to the extent we can, a coordinated multi-faceted, in other words, a comprehensive employment strategy run under one basic administration such as CETA. Then many of the kinds of problems we have to deal with everyday in the union and that the mayor has to deal with and the county official always have to deal with become much more manageable.

And, the standards we have worked out under the CETA amendments, protect us from abuse of the programs.

We would urge very strongly if a work component such as the Ullman approach is considered, that while the money might be authorized and appropriated in a welfare bill, the people be referred to and the program administered by the existing manpower system.

We are looking at the CETA amendments that are going through to be sure that some officials can't say, I can get a section of my public work force fully federally subsidized and in effect reduce my own whole budget and therefore perhaps my taxload and what have you.

We also want to be sure that there are opportunities for training, upgrading, and mobility. If you bring someone in as an entry level clerk under a CETA subsidized position, we hope that the machinery is there not to simply cycle those people at the end of 18 months back onto welfare, but rather to upgrade and move them on to the work force.

So, we believe that would be one important thing for the committee to deal with, as well as understanding that as you relate to private employment, to the extent you can, that we should fully bring to bear all of the programs, particularly in these distressed urban areas, that we can to influence investment opportunities for private sector employment because it is clear to us that in any of these places, the total burden of these work opportunities cannot be shouldered just by the private sector.

Senator MOYNIHAN. You could do that, I know.

Mr. WELSH. There are many other things that we have addressed in our testimony such as fiscal relief and federally maintained benefit standards. We want to be a little careful we do not indicate to you that an incremental approach as you discussed with Secretary Cohen means the minimum rather than the maximum that can be obtained by the committee this year.

Senator MOYNIHAN. We want to declare ourselves in favor of a comprehensive incremental approach to the merger of CETA. We have two committees, and we do not have a bill before us. We are waiting on the House, which is our constitutional responsibility, but at the same time we want to be ready.

Mr. WELSH. Senator Nelson who, fortunately, is the chairman of the Subcommittee on Manpower serves on the Senate Finance Committee and we think that that is a very useful way that we can begin to integrate persons who understand both aspects of the problem.

Senator MOYNIHAN. There are people, speaking for myself, who pretend to understand.

This is good testimony and a clear point and this member of the committee agrees with you completely.

Mr. WELSH. We appreciate the chance to appear.

[The prepared statement of Mr. Welsh follows:]

STATEMENT OF WILLIAM B. WELSH, EXECUTIVE DIRECTOR FOR GOVERNMENTAL AFFAIRS, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, AFL-CIO

Mr. Chairman, members of the subcommittee, I am William B. Welsh, executive director for governmental affairs of the American Federation of State, County and Municipal Employees. AFSCME is now the largest union in the AFL-CIO, with over 1 million members nationwide. We appreciate this opportunity to present our views on welfare reform.

It was unclear when the President's welfare reform plan was introduced that a comprehensive measure to transform our welfare system could gain a political consensus in time to meet the needs of all those concerned with welfare. Our poorest citizens (and all of us) have had to endure an on-again, off-again debate on comprehensive welfare reform for the past 8 years. Yet despite the recent actions of the House Special Subcommittee on Welfare Reform which developed an improved version of the administration's program, it is unlikely that comprehensive reform can muster the necessary support in this session of Congress to become law.

This is not to say that nothing more needs to be done to reform welfare. On the contrary, there is a clear national consensus that four key problems need immediate congressional attention: broader coverage and better benefit payments, an expanded earned income tax credit, fiscal relief for State and local governments, and jobs for welfare recipients eligible to work. The President's welfare plan, and legislation introduced by Senators Baker, Bellmon and Ribicoff in the Senate and by Congressman Ullman in the House demonstrate this consensus for specific and immediate reforms in these areas.

First, we need to keep families together. Only 26 States today grant welfare to needy families headed by an unemployed father. There is no reason why families should have to separate simply to get public assistance. All four welfare reform proposals attack this cruel and irrational hardship by extending the AFDC—unemployed parent program nationwide.¹

At the same time, AFDC benefits vary substantially from state to state. The Finance Committee's staff data on Public Welfare Programs show that an average monthly payment to an AFDC family ranges from under \$48 in Mississippi to over \$371 in Hawaii. Cost of living differentials could not conceivably account for such extremes. Again, all four welfare reform proposals would move toward remedying this problem by establishing a minimum federal benefit payment.

Second, state and local governments need substantial and immediate fiscal relief. Subcommittee Chairman Moynihan rightfully deserves high praise for his leadership and continuing efforts to gain immediate fiscal relief.

¹ The President's proposal (and the Corman substitute) would of course accomplish this by terminating AFDC and creating an entirely new program of cash assistance, but the result would be virtually the same as in S.2777 (Baker-Bellmon-Ribicoff) and H.R. 10711 (Ullman).

All four welfare reform proposals would grant some fiscal relief, but only the Baker-Bellmon-Ribicoff and Ullman plans would deliver immediate relief, while the President in his recent urban message acknowledged the need for immediate fiscal aid if tied to adequate structure reform.

Third, the Earned Income Tax Credit program should be expanded and improved to provide broader coverage to the working poor.

Fourth, at least one able-bodied welfare recipient in each family should be offered work at a meaningful job that will enable him or her to move off welfare and into regular employment. Virtually every study concludes that welfare recipients want and need decent jobs at decent wages.

Our union has had considerable difficulty with the notion that welfare recipients can somehow move into the same kinds of jobs as regular public employees at less pay, or no pay at all. Workfare programs like Milwaukee's "Work Experience and Training Project" are dismal failures because they attempt to exploit both welfare recipients and public employees. Welfare recipients have been expected to work off their welfare grants alongside of and in some cases in place of regular employees. Our union successfully defeated the layoff of 48 employees in Milwaukee and their replacement by welfare workers.

Barely a step above the Milwaukee program is the Administration's proposal to create 1.4 million minimum wage public service jobs for welfare recipients. Virtually half of the jobs proposed by the Administration would duplicate regular, substantially higher wage public employment. The chaos and conflicts inherent in the Administration's jobs program have been described at length by AFSCME's "Critical Analysis of the Carter Welfare Reform Plan" (submitted for the record with this statement).

The House Special Subcommittee on Welfare Reform appears to have wisely rejected major aspects of the President's unworkable welfare jobs proposals through a requirement of equal pay for equal work and, as with benefits and fiscal relief, a consensus has emerged for welfare reform. Congressional efforts presently underway to restructure manpower programs under CETA will assist thousands of welfare recipients without distinguishing the rates of pay which they will receive under PSE jobs.

At the same time there is general recognition that the public sector neither can nor should absorb all able-bodied welfare recipients. Private sector employment is not only desirable, it is essential. Proposals such as the Baker-Bellman-Ribicoff bill have effectively stimulated debate on how to achieve more active private sector involvement.

While the Administration's proposal and the Baker-Bellman-Ribicoff bill would amend the CETA program to provide jobs specifically earmarked for welfare recipients, such an approach creates conflicting equities between welfare recipients and other job seekers. An alternative approach, conceptualized in the Ullman bill is to provide money in the welfare reform bill to purchase services or jobs from the basic manpower programs for welfare recipients who are expected to work. Such an approach should have clear directions that existing manpower systems be utilized rather than establishing a duplicate manpower program for welfare recipients. It should, at the same time, leave to the manpower agencies such as CETA the authority to set the wages and other conditions of work for the public service jobs at a comparable basis with other jobs.

Finally, the emerging consensus on welfare reform has defined two areas that do *not* need change: state and local administration of welfare programs and the Food Stamp program. Both provide needed welfare services and assistance better than any simply-devised, federally-administered welfare reform program. Except for a possible cash-out of Food Stamps for SSI recipients, both should be left intact.

State and local administration of welfare programs is necessary because it is less expensive, and more efficient than a federalized system and it is directly available to welfare recipients.³ The difficulties that occurred during the much-criticized SSI federalization of state and local aged, blind and disabled programs would be multiplied a hundred-fold if the federal government took over all welfare programs.

³ See Rufus E. Miles, Jr., "The Carter Welfare Reform Plan: An Administrative Critique", National Academy of Public Administration, Washington, D.C.: 1978.

The nearly eight years that have passed since the introduction of the Family Assistance Plan have demonstrated the political difficulty of fashioning a comprehensive welfare reform bill. The emerging trend toward incremental reform is therefore a working development. It means better benefits, equitable eligibility standards, and decent jobs for welfare recipients; and it means long-awaited fiscal relief for state and local governments. By any standard these objectives would substantially improve our welfare system. They are realistic objectives and they signify that real welfare improvement is close at hand. At the same time, we need basic reforms to achieve universal coverage and jobs for all. But it is clear that the Congress can enact needed improvements now.

THE CARTER WELFARE PLAN: A CRITICAL ANALYSIS

(Prepared by the Department of Public Policy Analysis of the American Federation of State, County and Municipal Employees, September 1977)

SUMMARY

President Carter's welfare plan (H.R. 9030/S. 2084—"The Program for Better Jobs and Income") unquestionably contains needed reforms of America's complex and inequitable welfare system. But the plan's principal flaw is its failure to address the welfare problem in the context of our severely distressed cities. Unless a welfare reform plan can work in these cities—where the greatest concentration of America's poor live—it will have failed its principal objectives.

An analysis of the Administration's program demonstrates its adverse impact on the nation's "hardship" cities,¹ including St. Louis, Newark, Atlanta, San Jose and New York. Specifically, the shortcomings of the Carter plan are apparent in the context of the following considerations:

- (1) Impact on the residents of older central cities;
- (2) Impact on the fiscal viability of these cities and the state governments upon which they depend; and
- (3) Impact on the existing work force in these cities—including the public, non-profit and private sectors.

IMPACT ON CENTRAL CITY RESIDENTS

Fact.—Most of the funding for the welfare plan's minimum wage jobs (1.4 million, including 300,000 part-time jobs) comes from the elimination of \$5.5 billion from the existing Comprehensive Employment and Training Act (CETA) program.

Implication.—In the older central cities workers in CETA positions have become an integral part of the system for delivering public services. Terminating \$5.5 billion in CETA funds will force many of these cities to cut back services such as sanitation, public safety, health and education—which already are at precariously low levels.

Buffalo—33 percent of the city work force are CETA employees.

Cleveland—18 percent are CETA.

Detroit—15 percent are CETA (including police).

(See Table 1, page 10, which shows the number of CETA employees in the work force of the twenty "hardship cities").

Conclusion.—The Administration has argued that it is improper to consider the elimination of the CETA program in assessing its welfare proposal. Since the termination of CETA is the source of funding for the bulk of the welfare jobs provided in the Carter proposal, the Administration's argument is specious. The total effect of the welfare proposal must take into account the impact of terminating \$5.5 billion of CETA funds—a large portion of which are targeted to older cities.

FISCAL IMPACT

(1) *Fact.*—The fiscal impact of the Carter Administration's proposal provides substantial aid to rural, southern, and Rocky Mountain states. Industrial states

¹ As defined in the Brookings Institution's "Central Cities Hardship Index", in Richard P. Nathan and Charles Adams, "Understanding Central City Hardship", The Brookings Institution (Tech. Ser. Reprint TX012), Washington, D.C. (1976).

of the Northeast and Midwest and Far West states (California, Washington, Oregon, Alaska, and Hawaii) make scant gains under the Carter plan.

Implication.—Sixteen of the twenty Brookings hardship cities are located in states which are clustered in the bottom one-third of those receiving aid under the Carter welfare proposal.

(See Table 2, page 11, for a state-by-state breakdown).

(2) *Fact.*—The OETA program is targeted on areas with high unemployment rates. OETA jobs, of course, pay prevailing level wages while the welfare plan will pay the minimum wage to welfare (states may supplement the minimum wage up to 10 percent). Minimum wage jobs are far more appropriate to the economy of rural, southern and Rocky Mountain states (excluding California). Such jobs will not be compatible with entry level jobs in the rest of the country.

<i>City</i>	<i>Entry level wage, per hour</i>
1976-1977 park attendant entry level wages:	
Boston	\$4.16
Houston	2.12
Lincoln, Neb.	2.19
Little Rock, Ark.	3.01
Miami	4.45
San Antonio	2.70
San Francisco	3.88
Tampa	2.60
1976-1977 food service worker entry level wages:	
Boston	3.63
San Antonio	2.37
San Francisco	4.54
St. Louis	3.09

Source: AFSCME Wage Information Computer System (August 1977).

Unemployment rates for SMSA's 1977 six-month average

	<i>Percent</i>		<i>Percent</i>
Baltimore	7.5	Memphis	5.5
Dallas	3.8	New York City	9.5
Detroit	7.7	Philadelphia	8.1
Houston	5.0	Tulsa	4.8

Source: Bureau of Labor Statistics.

Implication.—Public sector minimum wage jobs for welfare recipients would be compatible with the economy of rural, mountain, and southern states because entry level rates are close to the minimum wage. Industrial states, however, pay substantially above the minimum wage for entry level public sector jobs, and have higher unemployment rates than the rest of the country. Minimum wage welfare jobs would therefore work best where they are needed least—in those areas where private sector wage rates are low and job opportunities are expanding.

(3) *Fact.*—Most welfare recipients are now automatically covered for health care costs under the Medicaid program. The Carter Welfare plan would restrict Medicaid eligibility to those groups now covered for Medicaid, but it will deny Medicaid to new groups that will become eligible for welfare under the plan. The Administration maintains that coverage for new groups will have to await enactment of national health insurance.

Implication.—Serious fiscal and programmatic inequities are certain to develop unless Congress enacts national health insurance simultaneously with welfare reform. States will be unable to bear the cost of Medicaid benefits for newly eligible groups of welfare recipients because coverage costs of currently eligible groups have skyrocketed. With more people eligible for welfare under the Carter plan than at present, and with minimum wage welfare workers unable to purchase costly health insurance policies of their own, state and local governments will face enormous pressure to provide health care coverage. Medicaid must either be federalized and extended to all welfare recipients, or national health insurance must be enacted prior to welfare reform.

Most OETA employees, however, are covered under regular public employee health plans.

(4) *FACT.*—The Administration's welfare plan denies fiscal relief to state and local governments until Fiscal Year 1981. Despite campaign promises to eliminate state and local welfare costs, the Carter plan delays any assistance for three years, and then only provides \$2.1 billion (or an average of 18.1 percent of state and local welfare expenditures for 1976).

Implication.—Delayed fiscal relief means continued budgetary pressures on state and local governments to cut vital services. State and local government costs for the Aid to Families with Dependent Children (AFDC) program alone have risen 533 percent since 1966. Local government AFDC costs have risen 350 percent in the same period.

RISING STATE AND LOCAL AFDC COSTS

[Dollars in millions]

Fiscal year—	State	Local	State and local total
1976.....	\$3,588	\$830	\$4,418
1970.....	1,442	453	1,895
1966.....	592	236	828

Source: Social and Rehabilitation Service, HEW.

IMPACT ON WORK FORCE

(1) *Fact.*—The Administration's plan provides 1.4 million public service jobs at the minimum wage rate. These are to be absorbed by state and local governments and some nonprofit agencies. While the Administration maintains that welfare jobs will fill the same types of employment as the CETA program, it also asserts that welfare jobs will "involve work that is not currently being done by local and state governments" (HEW/DOL Press Release, August 6, 1977).

The fact of the matter is that over half of the types of jobs planned by the Department of Labor are jobs currently held by regular public employees or CETA workers.

Implication.—The impact on the wages and working conditions of regular city employees, employees of nonprofit enterprises (e.g., hospitals) and workers in such service industries as laundries and food service is devastating. Paying workers unequally for the same work will create chaos. If welfare workers were instead paid the lowest entry level wage, these problems could be averted.

(2) *Fact.*—The Administration's welfare plan is designed to funnel 2.5 million people annually into 1.1 million full-time and 300,000 part-time minimum wage public service jobs. Before a welfare recipient can get one of the jobs, however, he must conduct a mandatory 8 week search (at a stipend of \$44 per week for a family of 4) for a regular public or private sector job. But after a year has passed, the welfare worker will be laid off for another 8 week mandatory job search before he can return to his special welfare job.

Implication.—Administrative chaos is inevitable. In each year, at least two people will have to hold each job if all 2.5 million welfare recipients are to be employed, according to Department of Labor projections. Jobs will have to be tailored to unskilled, transient day labor—the wrong kind of labor for big cities with fundamental service deficiencies.

(3) *Fact.*—The Administration's plan relies on the private sector of the economy to absorb millions of minimum wage jobs when the national unemployment rate falls to 5.6 percent. The Congressional Joint Economic Committee has recently termed the Administration's 1981 inflation and unemployment targets to be "plainly inconsistent."*

Implication.—The Administration's private sector jobs strategy relies on the theory that a modest drop in the national unemployment rate will cause a dramatic drop in the unemployment rate in the older central cities. This is extremely unlikely in view of the unemployment rates currently in New York, Detroit, Baltimore, Philadelphia and St. Louis. It is hard to imagine that un-

*"The Macroeconomic Goals of the Administration for 1981: Targets and Realizations," Joint Economic Committee, 95th Congress, 1st Session, (August 5, 1977), p. 15.

employment levels will drop enough in these typical central cities to permit private employers the luxury of hiring large numbers of welfare recipients.

(4) *Fact.*—Large central cities have been losing manufacturing jobs at an alarming rate.

CENTRAL CITY DECLINE IN MANUFACTURING EMPLOYMENT 1970-75

City	1970	1975	Percentage decline
Baltimore.....	96,800	80,400	16.9
Boston.....	70,500	52,200	26.0
Buffalo.....	65,700	48,200	26.6
Chicago.....	506,700	386,100	23.8
Cleveland.....	156,300	126,800	18.9
Detroit.....	188,100	148,900	20.8
Hartford-SMSA.....	107,700	89,600	16.8
News Orleans.....	28,300	24,400	13.8
New York City.....	833,500	608,800	27.0
Philadelphia.....	243,800	167,000	31.5
St. Louis.....	160,700	91,200	43.2

Source: U.S. Department of Commerce, Annual Survey of Manufactures 1975 (August, 1977).

There has been a similar decline in big city service industry employment. At the same time, rural, southern and Rocky Mountain states have experienced a service industry growth rate that has more than doubled the rate of growth in the northern industrial states.

Implication.—The Administration's welfare program creates relatively fewer new jobs in areas which need them the most.

(5) *Fact.*—Each year, according to the Administration, 2.5 million welfare recipients will take one of the 1.4 million minimum wage welfare jobs. The success of the jobs program therefore is dependent upon a high transition rate for welfare workers moving into regular private and public sector jobs. The Administration maintains that a 5.6% national unemployment rate will assure an adequate number of regular private and public sector jobs. Transition rates in past welfare and public service jobs programs, however, have been very poor when the national unemployment rate was 5.6%.

REGULAR EMPLOYMENT TRANSITION RATES FOR PUBLIC EMPLOYMENT AND WELFARE JOBS PROGRAMS

Location	Program	National unemployment (percent)	Local unemployment		Transition rate to regular jobs (percent)
			Date	Percent	
Milwaukee.....	PEP ¹	5.46	July 1971–October 1972.....	5.70	0.7 including public sector.
Chicago.....	PEP ¹	5.46	July 1971–August 1972.....	5.90	1.2 including public sector.
New York City.....	PEP ¹	5.46	July 1971–August 1972.....	6.85	1.1 private sector.
Do.....	WREP ¹	4.90	1973.....	6.0	6.5 including public sector.
Utah.....	WEAT ¹	7.20	June 1974–December 1976..	6.0	25 including public sector.

¹ Public employment program (PEP), work relief employment program (WREP), work experience and training program (WEAT). The WEAT transition rate is due to the relatively low number of welfare recipients competing for the number of available jobs in the private sector. In 1 year the number of people in PEP in just 3 cities was 5 times the number of people in Utah's WEAT program during a 1-year period. The number of people assigned to WREP in New York City was 11 times the number of people in Utah's WEAT program during a year.

Source: Survey of public employment and welfare jobs programs, AFSCME Department of Public Policy Analysis (1977).

Implication.—The Administration's program depends upon private sector job placement. Approximately 2.5 million people each year will take 1.4 million public service jobs and then supposedly move rapidly into the private sector. In deteriorating cities with high welfare caseloads, high unemployment, and a declining number of jobs, transition rates to regular jobs will almost certainly parallel past welfare jobs programs.

(6) *Fact.*—The Administration insists that public sector jobs must be created at no more than the minimum rate in order to prevent workers in welfare jobs from being attracted out of the private sector, or to discourage workers from refusing to seek private sector employment.

Implication.—Given the fact that older central cities are simply not creating private sector jobs for their unskilled populations, the insistence on paying minimum wage to avoid competition with the private sector is an unfounded concern.

(7) **Fact.**—The CETA program is an ongoing job creation mechanism funded by the federal government which employs nearly $\frac{3}{4}$ million workers, who are hired at local entry level wage rates, who work side-by-side with regular municipal workers and who provide real public services in the jurisdictions in which they are employed.

Implication.—The use of an expanded CETA program—using the lowest entry level rates for unskilled jobs (but with a chance for advancement)—is the most sensible approach to a jobs component of a welfare system.

TABLE 1.—BROOKINGS HARDSHIP CITIES: CETA (ECONOMIC STIMULUS) AND THE REGULAR WORK FORCE

Rank on brookings hardship scale and city	Estimated CETA slots in city government ¹	CETA economic stimulus allocation (millions)	Most frequent job types	CETA workers as estimated percent of total city government work force
1 Newark.....	1,490	\$22.6	Clerical, laborer, sanitation, health.....	22.8
2 Cleveland.....	1,837	² 38.1	Laborers, clerical, maintenance, police aide.....	18.4
3 Hartford.....	619	² 18.1	Security, mechanic, exterminator.....	25.8
4 Baltimore.....	2,737	² 51.2	Social service aide, sanitation aide, tutor.....	7.3
5 Chicago.....	(*)	85.0	All job types.....	(*)
6 St. Louis.....	2,041	19.9	Custodian, laborer, clerical.....	19.4
7 Atlanta.....	1,818	22.3	Laborer, clerical, nurse aide, draftsman.....	18.5
8 Rochester.....	792	10.0	Public works, capital improvement jobs.....	21.1
9 Gary.....	430	5.3	Laborer, sanitation, parks, clerical, health.....	16.3
10 Dayton.....	250	² 14.0	Clerical, recreation, job development aide.....	8.0
11 New York City.....	23,000	245.0	Clerical, machinist, guard, health workers.....	9.2
12 Detroit.....	3,042	48.7	Security guard, clerk, typist, teacher aide.....	15.2
13 Richmond.....	306	² 4.7	Street cleaner, clerical, microfilmer, steam cleaner.....	5.1
14 Philadelphia.....	1,900	² 52.8	Street cleaner, social services, vacant lot cleaner.....	5.3
15 Boston.....	2,898	26.6	Laborers, social service, health, clerical, inspector.....	11.2
16 Milwaukee.....	500	² 24.4	Laborer, typist, museum worker.....	8.3
17 Buffalo.....	1,149	21.5	"Everything": all skill grades.....	32.8
18 San Jose.....	662	² 29.4	Custodian, typist, laborer, groundskeeper.....	18.9
19 Youngstown.....	298	² 20.7	Laborer, police, clerical, draftsman.....	15.9
20 Columbus.....	766	² 19.9	Building inspector, sanitation, guard.....	10.0

¹ Titles II and VI, Sustaining and Buildup, under Economic Stimulus Package (does not include private nonprofit or other local government slots).

² Prime Sponsor Consortium (includes local governments in addition to central city government).

³ Figures unavailable from Chicago Mayor's Office of Manpower.

Sources: U.S. Department of Labor (Economic Stimulus Allocation); CETA Prime Sponsor and City Government Personnel Office telephone survey (CETA slots, jobs type, total city government work force, CETA work force percentage).

THE CARTER WELFARE PLAN: FAVORING RURAL OVER INDUSTRIAL STATES

Calculations based on Departments of Labor and Health, Education and Welfare figures show that federal payments under the Carter Administration's Program for Better Jobs and Income would actually favor rural Western and Southern states over the more needy industrial states of the Northwest and Far West. Wyoming, South Dakota, North Dakota, Nebraska and Iowa would gain the greatest increases in federal payments under the plan, while New York, California, New Jersey, Massachusetts, Washington, Alaska, and Hawaii would receive the smallest increases—less than 5.3 percent above present funding.

The calculations are based on a comparison of current federal spending in each state for welfare and CETA economic stimulus jobs with federal spending in the first year of the Carter welfare plan. The President's plan consolidates the current CETA economic stimulus jobs program with welfare cash assistance. HEW officials confirmed the accuracy of the calculations on September 9, 1977.

HEW statements describing the welfare plan have emphasized fiscal relief for the states by asserting that "No state will save less than 10 percent (of its present welfare expenditures)." While this statement is true as far as it goes, it does not account for what amounts to a termination of the present CETA program. An assessment of the complete impact of total federal spending under the welfare plan must include CETA, because CETA funds constitute the bulk of the plan's jobs money.

The Carter plan targets welfare jobs funds to states based on the number of able-bodied welfare recipients in that state, while CETA funding is determined by unemployment rates. As a result, urban states with high unemployment rates actually receive less federal welfare jobs funding than they do under the CETA program. In fact, 16 of the nation's most depressed cities, according to a Brookings Institution study, are located in states that rank in the bottom third of all states receiving federal welfare reform payments.

Accordingly, what the attached table demonstrates is the actual impact of total federal spending under the Carter welfare plan compared to present federal spending.

FEDERAL FLOW OF FUNDS UNDER THE CARTER WELFARE PLAN

[Dollar amounts in millions]

Rank and State	Pre-reform CETA plus Cash	Post-reform Federal cash and jobs	Increase or decrease in Federal payments	Percent increase or decrease
1 Wyoming.....	\$11	\$32	\$21	190.1
2 Nebraska.....	62	157	95	153.2
3 South Dakota.....	38	87	49	128.9
4 North Dakota.....	28	58	30	107.1
5 Kansas.....	98	186	88	90.0
6 Idaho.....	51	96	45	88.2
7 Oklahoma.....	241	430	189	78.4
8 Texas.....	966	1,690	722	74.9
9 Mississippi.....	356	622	266	74.7
10 North Carolina.....	548	942	394	71.9
11 Montana.....	48	82	34	70.8
12 Iowa.....	149	250	101	67.8
13 Virginia (B).....	353	587	234	66.3
14 Georgia (B).....	619	979	360	58.2
15 Wisconsin (B).....	306	477	171	55.9
16 Indiana (B).....	311	478	167	53.7
17 Tennessee.....	463	711	248	53.6
18 Alabama.....	419	619	200	47.7
19 Utah.....	75	108	33	44.0
20 Vermont.....	55	79	24	43.6
21 Florida.....	841	1,205	364	43.3
22 Kentucky.....	441	631	190	43.1
23 Arizona.....	193	274	81	42.0
24 Louisiana.....	507	718	211	41.6
25 South Carolina.....	343	482	139	40.5
26 Missouri (B).....	400	555	155	38.8
27 Arkansas.....	278	382	104	37.4
28 West Virginia.....	206	282	76	36.9
29 Nevada.....	45	61	16	35.6
30 Minnesota.....	270	364	94	34.8
31 New Mexico.....	145	194	49	33.8
32 Alaska.....	28	37	9	32.1
33 Michigan (B).....	982	1,286	304	31.0
34 Pennsylvania (B).....	1,097	1,435	338	30.8
35 Delaware.....	50	64	14	28.0
36 Illinois (B).....	1,145	1,394	249	21.7
37 New Hampshire.....	61	74	13	21.3
38 Connecticut (B).....	259	313	54	20.8
39 New York (3B).....	2,267	2,727	460	20.3
40 California (B).....	2,452	2,927	475	19.4
41 Ohio (4B).....	1,645	1,881	196	13.0
42 Colorado.....	198	222	24	12.1
43 Maryland (B).....	339	378	39	11.5
44 New Jersey (B).....	768	852	84	10.9
45 Rhode Island.....	99	106	7	7.1

FEDERAL FLOW OF FUNDS UNDER THE CARTER WELFARE PLAN—Continued

(Dollar amounts in millions)

Rank and State	Pre-reform CETA plus Cash	Post-reform Federal cash and jobs	Increase or decrease in Federal payments	Percent increase or decrease
46 Massachusetts.....	681	714	33	4.9
47 Oregon.....	250	258	8	3.2
48 Hawaii.....	105	108	3	2.9
49 Washington.....	350	339	-11	-3.1
50 District of Columbia.....	129	123	-6	-4.7
51 Maine.....	139	131	-8	-5.8
United States.....	21,310	28,489	7,179	33.7

Notes: Prereform Fed cash includes Federal share of AFDC, SSI, and food stamps (less administrative costs). Post-reform Fed cash includes Federal share of basic benefit, Federal share of State matching supplements, hold harmless payments, and emergency needs grants. Prereform and postreform cash and jobs are in 1978 dollars. "B" indicates presence of "hardship" city as defined in the Brookings Institution's "Central Cities Hardship Index." Richard P. Nathan and Charles Adams, "Understanding Central City Hardship," the Brookings Institution (Technology Series Reprint T-012), Washington, D.C. (1976).

Source: Department of Health, Education, and Welfare.

Senator MOYNIHAN. Now we have a panel that has been very patient.

We have Mr. Frank Porter, who is a VISTA attorney in Richmond, and we have Mrs. Fletcher, who is the head of the Neighborhood Welfare Rights Organization in New Orleans, and Mr. Michael Lefkow, who represents the Welfare Rights Organization.

STATEMENT OF VICTORIA FLETCHER, A STUDENT OF SOCIAL WELFARE AT SOUTHERN UNIVERSITY AT NEW ORLEANS, AND REPRESENTING THE NEW ORLEANS LEGAL ASSISTANCE CORP.

Ms. FLETCHER. My name is Victoria Fletcher and I am from New Orleans, La., an AFDC recipient, a CETA employee (short-term), student of Social Welfare at Southern University at New Orleans, member of the National Client's Council, Welfare Rights, Southern Region Welfare Reform Steering Committee, and am representing the New Orleans Legal Assistance Corporation and with me is Frank Porter, from Richmond, Va. Also sharing our panel is Mr. Mike Lefkow, from Illinois Welfare Rights Organization.

I would like the gentlemen to know I just received an award of merit from Moon Landrieu, outgoing mayor of the city of New Orleans.

Although this testimony focuses on the many problems in Louisiana, our concerns are the problems of our Nation.

Our Nation was founded upon the realization of "life", "liberty", and the "pursuit of happiness" for all Americans. This means that all people regardless of sex, race, rich, poor, young, old, and so on, are entitled to these rights. Yet, in our society the lawmakers, by way of redistributing our Nation's wealth, are always classifying its people, that is, those expected to work and those not expected to work is an example.

The cost of living keeps rising. The living standards of the poor and needy are not rising. There is no dignity in their lifestyles. One

has to be an economic specialist and a mathematician to deal with life's necessities, as figures will show in the testimony.

More and more people are becoming unemployed and they are applying for and are receiving some kind of public assistance. Therefore, our welfare rolls continue to grow. Moreover, the unwed mother, the broken home without a father, minorities and other poor people are bearing the blame. Whoever be blamed, we need to draw the line somewhere and come up with a workable welfare reform plan that will help all of our people live in dignity. Gentlemen, this is your task.

In our State, welfare or AFDC if I may, is not one of the priorities in our present legislative session. The priorities are; education, housing, employment, consumer and welfare. Of course, all of the above mentioned are very important, but one needs money before they can seek education or rent a house. Our children need clothing, food and shelter. After we have these things, then we can have consumer problems. I am sure that we all agree that food, clothing, and a place to stay are the basic needs for human existence.

I ask that what you gentlemen hear and read today will be taken very seriously. Unemployment, hunger, broken homes and the lack of proper attire, "breeds crime," among both frustrated parents and disadvantaged children. There is unmentionable talent among our poor. Help us to help ourselves develop these talents. Give us meaningful jobs.

If these proposals are passed in their present state of inadequacy for the poor, we will be downtrodden for the next 30 years. Give us room for adjustment. Our lives are so instant with change it is like taking a glass out of very hot water and putting it into very cold water—it cracks.

The persons who are expected to work and are willing to work need adequate dental and medical care just as our babies need adequate child care. When we get these jobs, we need carfare to get to them, we also need lunch money while we are waiting for that first paycheck to come through.

The levels of the standard of need in our Nation among the poor are the poorest of standards. We ask this committee to see carried through comprehensive welfare reform for all Americans.

That is the summary of my remarks, but I would like to make a statement concerning Senator Long's plan as far as children being kept by families or neighbors while other people work.

Senator MOYNIHAN. Secretary Cohen talked about that, which is day care, as they call it.

Ms. FLETCHER. I would like to make two comments on that and they are not very favorable because I can see that for a neighbor to keep another neighbor's child could be very detrimental and cause dissension among families who have been friends for years.

Another problem I see is that children will not be learning anything. They will just know how to play, and when they get to school, they will have no formal background, and it will make it difficult to do that. It would be better if they were in an institutionalized setting.

Senator MOYNIHAN. I thought children should learn to play, and that it is about the only time in life that a person can play.

The problem with institutionalized settings is that they are so institutionalized. I think the best thing is to give people choices wouldn't you say?

Ms. FLETCHER. That is true.

Senator MOYNIHAN. Some parents like one and some parents like the other, and children probably have preferences, too. I do not know how a 2-year-old or 3-year-old states the preference, but you can always tell when they are not happy.

I think this is a first-rate statement, Mrs. Fletcher, and I thank you for it.

Let me go on to Mr. Porter and then Mr. Lefkow, and we will continue our panel.

**STATEMENT OF FRANK A. PORTER, REPRESENTING THE
RICHMOND TENANT ORGANIZATION, RICHMOND, VA.**

Mr. PORTER. My name is Frank Porter, and I am here representing the some 15,000 residents of public housing in Richmond, Va., who are members of the Richmond Tenant Organization. I have a little more extensive statement that I would like to submit for the record and just highlight a few of the points that I have made.

Senator MOYNIHAN. That will be done.

Mr. PORTER. The tenants recognize that any reform measure is going to have to provide income support, income supplementation, and a comprehensive job component, but what they would like me to talk to you about today is the income support aspect; that is, support for people who have no other means of income.

Senator MOYNIHAN. That is one witness and one subject, and that is not bad.

Mr. PORTER. They consider that this aspect, the aspect of sufficiency of benefits, is the most important part of any welfare reform, and if there are not adequate benefits, the other components become irrelevant in any reform measure.

Now, assessing the sufficiency of income support levels, I am going to compare the current benefits, the proposed benefits, and the actual need levels.

Senator MOYNIHAN. You are going to use the President's program?

Mr. PORTER. I will use \$4,200 for the family of four, which comes from the President's plan and the Ullman plan, which would provide \$4,200 combined cash and food stamps. The Baker-Bellmon bill would provide slightly less than that.

Now, rather than use the poverty standards, we are going to go down to Virginia and use some of their standards of need to determine just what actual need is going to be. We have taken the May 1972 Virginia standards of assistance and inflated them 50 percent for the rise of the cost of living since 1972, and the result is what the Virginia standards of assistance should really be in 1978. Then, the appropriate food stamps bonus has then been determined and added to that inflated ADC benefit to come out with what the actual need is in 1978.

This is also an appropriate national measure of need because Virginia provides the median, ADC, and food stamps benefits of all of the 50 States as well as enjoying close to the national median income. The national median income is \$17,315 and Virginia's is \$17,955.

Senator MOYNIHAN. That is a nice point.

Mr. PORTER. Doing these calculations results in a current need of between \$5,817 and \$6,006 for a family of four. Currently, the single-parent family of four receives between \$4,248 and \$4,752, while the two-parent family in Virginia, which has no ADC-UP program, gets only \$2,088 in food stamps. Consequently, the \$4,200 benefit level that has been proposed is lower than actual need and results in a reduction of benefits for a single-parent family of four.

Senator MOYNIHAN. Will you say that again?

Mr. PORTER. For the single-parent family of four, which currently receives between \$4,248 and \$5,752—

Senator MOYNIHAN. You are saying that the President's proposal would reduce those benefits?

Mr. PORTER. Of course, there would be grandfather proposals, but yes.

Senator MOYNIHAN. But with no earned income, you mean?

Mr. PORTER. That is what we are talking about, so the working incentive proposals are really irrelevant for this segment of the population because they have no other source of income.

Senator MOYNIHAN. All right, I follow that.

Mr. PORTER. When these benefit levels are coupled with the proposals for increased income supplementation, the work incentive proposal if you wish, this will provide work incentives at the expense of those who have no source of income other than public assistance. While the shift in benefits from the very poor to the working poor would be acceptable if public assistance provided subsistence, this is not the case here.

It has long been the policy of the National Government to provide subsidies to sustain the economy, and I think it is time that we made it the policy of the Government to provide subsidies to sustain people.

Senator MOYNIHAN. That is a very concise statement, and it is a real problem you pose. That is, would there be a transfer of resources under these proposals from the working poor to the very poor? I do not have a good answer.

I thank you for raising the question as concisely as this and for using Virginia as a kind of model State.

Let us hear next from Mr. Lefkow.

STATEMENT OF MICHAEL F. LEFKOW, ESQ., REPRESENTING THE ILLINOIS WELFARE RIGHTS ORGANIZATION, SPRINGFIELD, ILL.

Mr. LEFKOW. Thank you. I wish to thank the subcommittee for the opportunity to appear before it.

Senator MOYNIHAN. We are sorry to be so late. I am particularly pleased to have a chance to direct my remarks to you, and also I would like to thank Mrs. Fletcher from the New Orleans Welfare Rights Organization and for Mr. Porter to share the time with them.

I think it is good fellowship. It reflects a community of interest among the poor and brings attention to the problems and their possible improvement.

Mr. LEFKOW. Briefly, I would like to advise you about a pending decision in the U.S. Supreme Court, which I believe will have substantial effect on assistance programs. I have had occasion to argue that case last November, and I have been on it since it started in 1973, when Illinois reduced emergency assistance benefits 80 percent and again referring people to private charities.

Sixteen of the major Illinois charities, including 9 in Metropolitan Chicago, have appeared in support of the welfare organizations.

Now, Senate bill 2084 appears to be drafted to circumvent, if possible, an adverse Supreme Court decision. Of course, I do not know what the decision of the Court will be and we are not here to argue the merits of the case, but I am here to inform the subcommittee of the existence of the suit.

This legislation would have powers to set standards for emergency assistance. There is no assurance that food, clothing, and shelter needs in emergency situations will be met for people who have no available resources. I believe HEW should come before the subcommittee and give it its views about this case and its impact on emergency assistance provisions of the bill.

I have had occasion, also, to testify in the House last October, prior to arguing the case, and I understand and I have not seen the report, but I think the House has modified the emergency provisions.

We would hope that the Senate would build on the 1968 congressional policy contained in the Social Security Act. It provides to meet emergency needs without limitation.

We would strongly and sincerely urge the committee to recommend to the Senate that eligibility standards for emergency assistance be made clear and adequate, and to be delivered in a forthwith manner.

Senator MOYNIHAN. That is a pretty clear and forthright statement. Let me ask you, and I should know this and do not, but how does it come out in the bill which Mr. Corman has assembled over there? It is H.R. 10950.

Mr. LEFKOW. Your Honor, I do not know if I can tell you.

Senator MOYNIHAN. I am not "Your Honor."

Mr. LEFKOW. I am sorry, I am used to arguing cases.

Senator MOYNIHAN. You have not done yourself any harm. This committee desires to find out. There are two bills over there, the Corman bill which, of course, has been extensively worked on; and then the bill that Mr. Ullman has put in, H.R. 10711. Why don't you write this committee and tell us what the provisions are there, because clearly there is no point in going into it here?

Well, let me thank each of you for making very important points. I think, Mr. Lefkow, you have suggested one thing that is readily resolvable, but we hold these hearings in order to learn about the problems we have. As Wilbur Cohen suggested this morning, his great mentor, Epstein, said, "Leave a few problems for your grandchildren, but not that many."

We are going to do the best we can, and we thank you for your courtesy in traveling here. We appreciate hearing from you and particularly you, sir.

Mr. LEFKOW. You would like me to look at the situation in the House and report to this subcommittee?

Senator MOYNIHAN. Yes; if you could say from the point of view from which you testified which provisions in these two House bills are good, bad, or indifferent and if you can do it quickly enough to make it a part of our record, it will be added to your testimony.

Mr. LEFKOW. Thank you, sir.

[The prepared statements of the preceding panel follow:]

TESTIMONY BY VICTORIA FLETCHER, NEW ORLEANS LEGAL ASSISTANCE CORP.

I am from New Orleans, Louisiana, an AFDC recipient, CETA employer (short term), student in Social Welfare at Southern University in New Orleans; member of The National Clients Council, Welfare Rights, Southern Region Welfare Reform Steering Committee and is representing the New Orleans Legal Assistance Corp. and Frank Porter. Jack Stoller, an employee, was unable to accompany us.

Greetings gentlemen of the Senate Committee, and I certainly thank you for giving me this opportunity to speak here today on behalf of the Deep South and the problems that we face. I'm happy to announce that I have just received an award of merit from the outgoing mayor of our Great City, Moon Landrieu, for services rendered in the community.

Our nation was founded upon the realization that every human being has an inevitable right to life, liberty, and the pursuit of happiness. Yet, in our nation today, there are people who lack basic necessities of life essential to these rights.

This Committee is given the task to review legislation that would remedy the situation. These rights are not defined in terms of some of the people, be they of color, age, and some family in living sector, but for every human being.

We ask this committee to see carried through comprehensive Welfare Reform to assure that everyone, regardless of such factors, be assured the basic necessities for human existence, and development with dignity.

Take a closer look at all Welfare Reform Proposals. These proposals—Ullman, HR 7200, etc.—will leave most AFDC Recipients with an income that is more than below the official poverty level and under half of the labor departments "lower budget" based on a family of four. These bills further eliminate the basic principal of current needs in establishing eligibility, especially in the South. Some parts of HR 7200 have little to do with AFDC, and if these bills pass in their present state, they will govern the lives of the poor and the minority for the next thirty years.

The work incentives of these proposals are no different from the Nixon Family Assistant Plan.

1. They force mothers to go to work in dehumanized jobs at low pay in private and public sectors.

2. It discriminates between recipients with equal needs. Recipients would be classified into two "tiers", those "expected to work" and those "not expected to work".

Expected to work		Not expected to work	
Category	Grant (year)	Category	Grant (year)
Individual.....	\$1, 100	Aged, blind, and disabled individual.....	\$2, 500
Couple.....	2, 200	Aged, blind, and disabled couple.....	3, 750
Family of 4.....	2, 300	Family of 4.....	4, 200

These levels are totally inadequate by the poorest of today's standard of living, according to the Consumer price list. The cost of living has gone up 50-60% since 1972. Welfare payments have gone up very little.

PRESENT MAXIMUM GRANTS TO A FAMILY ON AFDC IN LOUISIANA. BOXES ARE BY THE NUMBER OF PERSONS IN THE FAMILY

Number of persons on grant:	Maximum grant allowed (monthly)	
	Nonurban	Urban
1.....	\$46	\$50
2.....	86	96
3.....	121	133
4.....	151	164
5.....	180	193
6.....	206	222
7.....	233	246
8.....	259	272

LOUISIANA ACT SHEET

POVERTY

In Louisiana in 1969, 22 percent of all families and 26 percent of all persons lived in poverty.¹ This compares with national averages of 11 percent and 14 percent respectively.

Louisiana was 48th among the states in percentage of families in poverty.

The mean family income of families in poverty in the state was \$1,987.

44 percent of all persons in poverty, or 4 in every 9, were children under eighteen.

Among persons living below 75 percent of the poverty line,² the percentage of children was even greater (46 percent).

14 percent of the persons in poverty were 65 years of age or older.

While 22 percent of all families were in poverty, of families headed by males, 17 percent were in poverty; of families with female heads, 51 percent were poor, four-fifths of these living below 75 percent of the poverty level.

When children under 18 were present, the percentage of families in poverty rose to 24 percent; where the head was female, 62 percent of such families were in poverty. When there were children under the age of six and the family head was female, the incidence of poverty was 72 per cent.

Of unreleased individuals in the state, 53 percent lived in poverty,³ four-fifths of them below 75 percent of the poverty cutoff point. The mean annual income of unrelated individuals who lived in poverty was \$825.

7 percent of the persons in poverty were unrelated individuals under 65 years of age (including 14-17 year olds).

POVERTY BY RACE

In Louisiana in 1969, 13 percent of white and 47 percent of Black families were in poverty.

15 percent of white persons and 53 percent of Black persons were in poverty.

Of families headed by males, where the head was white, 11 percent were in poverty; where Black, 39 percent were poor.

Of female-headed families, where the head was white, 30 percent were in poverty; where Black, 70 percent were poor.

Of children under 18, 30 percent lived in poverty. 13.4 percent of white children and 59.1 percent of Black children were in poverty.

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)
AND GENERAL ASSISTANCE (GA)

Office of Family Services statistics for September, 1976, show that 13% of all children under eighteen in Louisiana are AFDC recipients.

The average cash assistance for AFDC in Louisiana is about \$123 a family for the month. This is about \$37 a month per individual recipient, or about \$1.19 a day. From this must come rent, utilities, food stamps, clothing, shoes, soap, dental supplies, household supplies, transportation, and so on.

¹ The poverty cutoff point for 1969 for a family of four was about \$3,700. The cutoff varies for different family compositions as well as for size and for farm and non-farm residence.

² In 1969, 75 percent of the poverty cutoff point for a family of four was \$2,790; for unrelated individuals, \$1,376.

³ In 1969 the weighted poverty cutoff for an unrelated individual was \$1,834.

The state share of the per-recipient grant for the month is about \$10.22, or about 33¢ a day.

The *maximum* payment per recipient in the three and four person families at present grant rates is from \$1.26 to \$1.42 a day, depending on size and location of family. In larger families, the amount is *less*.

In the quarter July, '77-September, '77, the average net payment to the temporarily or partially disabled adult (General Assistance) for the month was about \$58.80. Maximum payment to the one-person case is \$65. These rates were changed in July, 1977, for the first time since February, 1960. They were raised from a maximum of \$60 for the one-person case to one of \$65.

PERCENTAGE OF FAMILIES AND MEAN FAMILY INCOME OF FAMILIES BELOW THE POVERTY LEVEL, LOUISIANA
1969

Parish	Percent of families below the poverty level	Mean family income of families below the poverty level	Mean family income of all families
Acadia.....	29.5	\$1,978	\$6,897
Allen.....	30.1	2,016	6,975
Ascension.....	22.2	1,982	8,470
Assumption.....	30.2	2,329	6,920
Avoyelles.....	38.3	1,936	5,594
Beauregard.....	21.4	2,073	8,165
Beinville.....	33.8	2,037	6,013
Bossier.....	16.5	1,945	8,555
Caddo.....	18.7	2,134	9,358
Calcasieu.....	16.5	2,019	9,253
Caldwell.....	33.7	2,107	6,428
Cameron.....	16.7	1,954	8,168
Catahoula.....	36.6	1,620	6,029
Claiborne.....	33.0	1,967	6,588
Concordia.....	31.9	2,015	7,637
Desoto.....	34.6	2,105	1,536
East Baton Rouge.....	13.6	2,036	10,842
East Carroll.....	50.4	1,893	5,570
East Feliciana.....	33.6	2,034	6,911
Evangeline.....	39.3	1,730	5,682
Franklin.....	42.1	1,637	5,610
Grant.....	29.0	1,977	6,185
Iberia.....	22.7	2,131	7,985
Iberville.....	30.3	2,194	7,567
Jackson.....	23.3	2,080	7,925
Jefferson.....	8.5	1,951	11,377
Jefferson Davis.....	28.0	1,927	7,191
Lafayette.....	19.3	2,061	9,599
LaFourche.....	15.4	2,159	8,728
LaSalle.....	24.3	2,029	6,675
Lincoln.....	23.9	1,871	8,204
Livingston.....	19.6	1,921	8,033
Madison.....	45.1	1,983	6,118
Morehouse.....	32.8	2,140	6,819
Natchitoches.....	37.7	1,875	6,634
Orleans.....	21.6	1,878	9,536
Ouachita.....	20.8	2,037	8,663
Plaquemines.....	14.8	1,948	9,103
Pointe Coupee.....	36.2	1,090	6,294
Rapides.....	21.6	2,142	8,166
Red River.....	40.0	1,952	5,889
Richland.....	36.8	1,923	6,195
Sabine.....	34.8	1,980	6,065
St. Bernard.....	8.5	1,887	10,319
St. Charles.....	16.3	2,406	9,469
St. Helena.....	44.3	2,036	5,434
St. James.....	21.5	2,180	8,260
St. John.....	21.8	2,014	8,332
St. Landry.....	38.3	1,823	6,201
St. Martin.....	36.1	2,103	6,204
St. Mary.....	19.0	2,189	8,811
St. Tammany.....	16.9	2,083	9,950
Tangipahoa.....	33.5	1,972	6,638
Tensas.....	50.1	1,605	4,785
Terrebonne.....	15.3	2,098	9,081
Union.....	26.9	2,053	6,760
Vermillion.....	25.0	1,883	7,319
Vernon.....	18.7	2,038	7,140
Washington.....	26.3	2,015	7,296
Webster.....	21.2	1,950	7,698
West Baton Rouge.....	26.9	2,153	8,020
West Carroll.....	36.9	1,666	6,040
West Feliciana.....	38.4	2,080	7,941
Winn.....	21.0	2,193	7,214

Source: Statistical Abstract of Louisiana, Division of Business and Economic Research, University of New Orleans 5th ed., 1974.

Critical is hardly the word . . .

The average family in the AFDC program in Louisiana consists of four persons, usually a mother and three children. A family of this size without other resources receives \$150 a month (urban parishes \$164) with this amount the family must pay rent and utilities, food, shoes, clothing and household supplies. The family is usually eligible for food stamps and the family who lives in Public Housing has cheaper rent. However, there is no simple way to stretch the amount of \$164.00.

We are all mathematicians and renowned economists in our own right. In the quarter July-September 1977, the average cash assistance per recipient was about \$37 a month. Of that, Louisiana paid about \$10.22 or about 33¢ a day.

Crime among minority youth is increasing because we as parents have no way of providing for our children's needs as they grow into adolescence. They want to take their girl out and buy her an ice cream soda or to a movie . . . No good. They can't find jobs, so some of them take what they want. Those of us who live in public housing is being told that when the child gets up to the age 18, you must take them off the lease. They have been with their parents all of their lives and the system encourages that our children be thrown away . . . Crime marches on. Our youth are gambling on public services buses, in hallways everywhere. Give them jobs so that they can be fruitful Americans.

Gentlemen, there is so much to say; it would take weeks. However, I hope that this committee will find a solution that will give the poor people of this nation an economic way of life with dignity and stop playing checkers.

We want meaningful jobs that will last for more than a year, we need adequate child and medical care for our children. If there is a job plan for the AFDC recipient make sure that we get them. The government know who and where we are.

There is much talent among the poor. If you don't believe me, walk through the ghetto. You will hear singing; you will see dancing; you will hear bands playing with home made musical instruments and you will see graffiti all over buildings and side walks. Please find ways to develop this talent.

Thank you.

TESTIMONY OF FRANK A. PORTER, SUBMITTED ON BEHALF OF
THE RICHMOND TENANT ORGANIZATION

PRINCIPAL POINTS

1. Welfare reform is required in which a comprehensive philosophy or approach to public benefits is adopted.

2. This philosophy must provide adequate income support or supplementation for all in financial need and realistic job opportunities for those able to work.

3. The *sine qua non* of any reform is the provision of adequate benefits; without this element the other components of a welfare reform package is not even productive.

4. The benefits that would be provided by any of the reform proposals currently before Congress are clearly inadequate:

A. Virginia provides the median combined AFDC and Food Stamp benefits of any state.

B. ADC benefits in May 1972 varied between \$3462 and \$3588.

C. When the cost of living increase since then is factored in, the current ADC/Food Stamp combined benefit should be between \$5193 and \$5882 rather than the between \$4248 and \$4752 that is actually provided.

5. Because of this inadequacy of benefits, the increased work incentives that have been proposed will result in a shift of benefits from the very poor to the working poor at the expense of those who have no means of obtaining the additional income necessary to obtain subsistence.

This statement is submitted on behalf of the 15,000 residents of public housing in Richmond, Virginia who comprise the Richmond Tenant Organization (RTO). The members of RTO are deeply concerned with welfare reform because the current public benefits system has proven unable to adequately respond to the needs of those whom it is supposed to serve. This failure is the result of the refusal of this country to adopt a comprehensive philosophy or approach to the provision of public benefits.

Because of this philosophical vacuum, we now have a system that is dangerously out of control. Widely disparate benefits treat similar needs unequally and encourages interstate migration and family dissolution. Different operating rules in each of the several transfer payment programs has resulted in excessive complexity and the utter confusion of both recipients and administrators. The grant of great discretion to local administrators has led to vastly different programs in each jurisdiction and the development of subjective standards. Finally, the design of programs that fail to deliver what they promise has led to widespread cynicism among recipients. Consequently, major welfare reform is needed and it is needed now.

To be effective, any revision of the welfare system must be based on a clearly defined comprehensive welfare philosophy with specific goals and objectives. Any other approach would merely continue the current conflicting patchwork of programs.

At a minimum, it must be the policy of the United States to provide adequate income support or supplementation for all in financial need and realistic job opportunities for those able to work. To be deemed adequate the level of income support must at least provide the bare necessities required for the recipient to escape from poverty. A realistic jobs program must provide skills where none exist, help those looking for work find employment, create jobs in the existing public and private sectors and provide rewarding public service employment for those not otherwise able to find work. Finally, confusion and the local abuse of discretion must be eliminated by the establishment of uniform definitions of filing unit, countable income, disregarded income and countable assets as well as by totally eliminating categorical eligibility.

While the RTO is concerned about all of these objectives, the presentation this morning will be limited to a discussion of the adequacy of benefits. It is the position of the RTO that adequate benefits is the *sine qua non* of any meaningful welfare reform proposal. Unless adequate benefits are provided, it is not even productive to discuss other components of a welfare reform proposal.

The fundamental requirement is that of adequate income support for those without other income. Unless this is done, benefits will be seen by recipients as nothing more than a cynical attempt to quiet the poor without any real commitment to deal with the realities of poverty. Because of the significance of this segment of the welfare population, the needs of units without other income will now be assessed and compared with the benefits that would be available under the administration proposal, the Ullman proposal and the Baker proposal.

SINGLE PARENT FAMILY OF FOUR

Currently, Virginia has three levels of ADC benefits. A jurisdiction is placed within a particular level depending upon the actual cost of living in that locality. The benefits for a family of four without other income are:

Area	ADC	Food stamps	Total benefit
I.....	\$2,940	\$1,308	\$4,248
II.....	3,168	1,236	4,404
III.....	3,732	1,020	4,752

These benefit levels take on more significance when it is noted that Virginia provides the median combined ADC and Food Stamps benefits of all states (as determined by the Center on Social Welfare Policy and Law).

Both the administration and the Ullman proposals would give the family of four \$4200 a year while the Baker proposal would provide slightly less. Consequently, all those currently receiving ADC would lose benefits unless Virginia supplements the basic federal grant or additional income is brought in. States are not required to supplement and additional income is not possible for those units that do not have a member who can find work. The issue of relative change notwithstanding, a review of the derivation of the current ADC standards of need suggest that they grossly understate actual need.

The Virginia standards of assistance for ADC have not been changed in some time. In fact, the May 1972 state manual indicates that the annual standard varied

between \$3462 and \$3588 depending upon geographical location. Since Virginia law requires transfers to provide "a person with a reasonable subsistence," VA. CODE 63.1-110, and Virginia presumably complied with 45 U.S.C. 602 (a) (23) which required states to raise their standards of assistance to take into account rises in the cost of living, it may be assumed that the 1972 standards of assistance reflected the actual 1972 subsistence need. Since the consumer price index rose 50% between May 1972 and January 1978, current ADC grants should be between \$5193 and \$5382 to accurately reflect subsistence need. Adding the Food Stamps bonus results in a current need of between \$5817 and \$6006 which is far in excess of any current or proposed benefits.

Th estimates of need are quite consistent with the recent Department of Labor poverty standard of \$6200 for the family of four. When compared with the Department of Labor's lower living standard of \$10,481, it is not excessive to place subsistence income at between \$5817 and \$6006. Clearly, the provision of benefits in the amount of \$4200 is inadequate.

TWO PARENT FAMILY OF FOUR

The results for the two parent family of four are slightly different because Virginia has no AFDC-UP program. Consequently, only Food stamps benefits of \$2088 a year are currently received in the absence of other income. As compared with the proposed \$4200 in benefits, this would be a substantial increase. However, when the benefits are compared with the actual subsistence need (same as that for a one person family of four), it is seen that the benefits will clearly be inadequate. The great increase in benefits for this unit, then, is not an endorsement of the proposals but rather an indictment of the present system.

CHILDLESS INDIVIDUALS AND COUPLES

As with two parent families of four, childless individuals and couples are only entitled to Food Stamps at the present time. Only the administration proposal would extend benefits to them.

	Food stamps	Administration proposal
Individuals.....	\$624	\$1,100
Couples.....	1,152	2,200

As with the two parent family of four, while benefits will increase they still do not approach need.

A current realistic standard of need can be calculated for individuals and couples by taking the 1972 ADC standards of assistance and inflating them for the rise in the consumer price index as was done for the family of four. The addition of Food Stamps benefits results in a current subsistence need of between \$2343 and \$2520 for an individual and \$3495 and \$3612 for a couple. Current need, then, is significantly more than that which would be provided even though a relative increase would result.

CURRENT SSI RECIPIENTS

The final group which must be considered, is made up of those currently receiving SSI benefits.

Unit	SSI	Food stamps	Current total	Administration proposal	Ultman proposal
Individuals.....	\$2,134	\$156	\$2,290	\$2,500	\$2,314
Couples.....	3,200	336	3,536	3,750	3,561

There would be no changes in income under the Baker bill. Consequently, while providing more benefits, the benefits provided would still not reach need.

In addition to providing income support, effective welfare reform requires that the income of the working poor be supplemented. The administration proposal recognizes this need by providing that wage earners will be eligible for benefits at a higher level of earned income than at present. One effect of this will be increased work incentives. On the other hand, the extension of benefits to the working poor will result in a shift of benefits from the very poor to the working poor. This shift is acceptable if benefits in the absence of other income is adequate to provide subsistence. Since this will not be the case under any of the proposals, work incentives will be provided at the expense of those who have no means of obtaining the additional income necessary to achieve subsistence. This is clearly an unacceptable policy decision in that it fails to adequately provide for the genuinely needy.

The emphasis on benefits is not novel but neither is it academic. Poverty exists in the United States and consists of a number of problems precipitated by a lack of money. Until we make the initial decision to provide subsistence to all our citizens, the many faces of deprivation will continue unabated.

In Richmond we have a serious problem of wife abuse. Once the wife has made the fateful decision to leave her husband, she is too often prevented from doing so because she cannot afford to live anywhere else. As a result, she must remain with her husband and run the risk of serious injury.

In the Churchhill section of Richmond, apartments have no heat in many cases. People move in because public housing is filled up and they cannot afford apartments with heat. A year ago an elderly man froze to death in his apartment. Subsistence benefits would mean habitable apartments.

In the old city of Manchester, there are a number of businesses that thrive by selling inferior goods at inflated prices and interest rates. People patronize these stores because their limited incomes compel them to buy on credit and no one else will give it to them. When informed that a proposed sale of a repaired item was in violation of state law, one of these proprietors told me that she would rather go out of business than comply with the law.

There are many other problems similar to these, and the all, in one way or other, result from a failure to provide subsistence to those in need. Consequently, the members of the RTO are quite correct that a welfare reform proposal which does not provide higher benefits is destined to fail. Only when we adequately provide for those in need can we hope to successfully deal with the infinitely more complex problems that cause poverty. As Senator Ribicoff said on March 22, "... poverty is the overhead in the operation of our society." It is time we decided to foot the bill.

STATEMENT OF MICHAEL F. LEFKOW, ILLINOIS WELFARE RIGHTS ORGANIZATION

Michael F. Lefkow will testify, if granted leave by the subcommittee, on behalf of the Illinois and Chicago Welfare Rights Organizations concerning the emergency assistance provisions of S. 2084. Mr. Lefkow, a Chicago attorney, represents these organizations in *Quern v. Mandley* and *Califano v. Mandley*, pending before the U.S. Supreme Court, cases wherein IWRO and CWRO seek to enforce existing federal emergency assistance legislation.

Mr. Lefkow practiced law with federally funded legal services programs in Chicago from 1966 to 1976, specializing in welfare matters. From 1968 to 1972 he was general counsel to CWRO and from 1972 to 1976 served IWRO in that capacity. During that decade, he represented poor people in many forums. He was counsel for the appellants in *Townsend v. Swank*, the landmark Supreme Court decision which upheld the supremacy of congressional eligibility standards over restrictive state practices. Mr. Lefkow is well qualified to speak on interpretation of federal welfare statutes and their effect on beneficiaries of the programs.

THE EXISTING EMERGENCY ASSISTANCE LEGISLATION GRANTS BOARD ELIGIBILITY

The present statutory emergency assistance provisions, found at §§406(e) and 403(a)(5) of the Act, 42 U.S.C. §§606(e) and 603(a)(5) (a copy of which is appended to this statement), provide a broad federally funded program, optional with the states, to provide emergency assistance to needy families

with children. The guiding principle is to provide immediate aid and services to meet *emergency needs* (for food, clothing, shelter, utilities, medical care, etc.). Individuals eligible for aid are needy children, under age 21 and living now or recently with a relative, who lack available resources to avoid destitution or obtain living arrangements in a home. Assistance is not limited to families eligible for or receiving aid to families with dependent children (AFDC). To enable states to meet needs promptly, the statute, §406(e), authorizes flexibility in the form of payments by authorizing payments in kind, vendor payments, or other payments as the state agency may specify. The assistance is limited to 30 days in a 12 month period. Once HEW has approved a State plan for emergency assistance, the Secretary of the Treasury must reimburse a State for 50% of the payments it makes.

II. THE COURT OF APPEALS HELD THAT THE CONGRESSIONAL ELIGIBILITY STANDARD IS MANDATORY ON PARTICIPATING STATES

Briefly, the facts and circumstances of the cases now before the Supreme Court are these:

When Illinois adopted its first emergency assistance plan in 1971 it nearly met the federal eligibility criteria, but in 1973 the Illinois Department of Public Aid (IDPA) by administrative rule severely constricted the eligibility of families in order to create administrative ease and to save money. The IDPA did this by imposing additional eligibility requirements that specified that the need must have arisen from certain, narrowly defined events. This limited aid essentially to AFDC recipient families burned out of their homes. For example, Frances Gallman, one of the plaintiffs in the case and the mother of six children who received AFDC from the State petitioners, was attacked, beaten and robbed of \$550 by four assailants on the afternoon of November 23, 1973 just after alighting from a bus in Chicago. Lacking any other resources her family was destitute, but the IDPA denied emergency assistance because of the restrictions in the revised plan. Mrs. Gallman's IDPA caseworker referred her to a number of private charities for help, including the Salvation Army and Red Cross. She received but a small amount of food from these sources.¹ Victims of thefts, vandalism, utility failure, abandonment by a parent, welfare agency errors, and of many other emergency circumstances were not eligible under Illinois' constricted program. Illinois' expenditures for emergency assistance fell from \$2.5 million a year to \$.5 million, an 80% cut.

As it did with Mrs. Gallman, the IDPA began to refer these unfortunate families to private charities where they existed. Charities were not equipped to meet the onslaught of desperate families, and to the extent they diverted resources from their regular programs to help, they jeopardized their private contributions, many of which were earmarked for specific purposes. Seventeen charities² filed a brief *amicus curiae* in the district court and at all subsequent stages of the litigation arguing that Illinois' program contravened federal and state welfare law and policy.

Plaintiffs in the lawsuit claimed that Illinois' restrictions violated the emergency assistance provisions of the Act and the Illinois Public Aid Code. They also claimed violation of the Equal Protection Clause of the Fourteenth Amendment on the grounds that Illinois had arbitrarily selected to aid one class of needy children and to abandon another class of needy children who

¹ Without emergency assistance the family's suffering grew in severity and complexity. When robbed, Mrs. Gallman was carrying the money to a landlord of an apartment she intended to rent. She was under pressure to move from her cousin's apartment, where she and her children were staying, after the landlord threatened eviction because too many people occupied the apartment. The amount stolen, which she had saved from previous public assistance checks, covered two month's rent and a security deposit. After the robbery, Mrs. Gallman was left with \$30 until her next monthly check of \$389 arrived, which was several weeks away.

When she received it, she rented an unfurnished apartment paying the landlord \$140 for December's rent and \$70 as a partial security deposit. She used her remaining funds for a deposit on a refrigerator and stove, food for her family, and blankets. For six weeks she and her children slept on the floor. Lacking a stove or refrigerator, the family ate out of cans heated on the radiator or ate fruit, cold cuts, cereal and other foods that did not have to be cooked or refrigerated. The family was without winter clothing since such items remained in storage in New York, their previous residence. They searched alleys for discarded furniture but found little of use.

² One subsequently ceased functioning.

equally required emergency assistance in order to avoid destitution. Further they claimed HEW was unlawfully dispensing federal funds.

The federal district court for northern Illinois held in favor of the governments on these claims. The court of appeals in *Mandley I* reversed, however, and held that the restrictions violated the Act. The court relied squarely on a group of Supreme Court decisions that have established that a State may not vary congressionally defined eligibility standards ". . . in the absence of congressional authorization for the exclusion clearly evidenced from the Social Act or its legislative history. . . ." *Townsend v. Swank*, 404 U.S. 282, 286 (1971); *King v. Smith*, 392 U.S. 309 (1968); *Carleson v. Remillard*, 406 U.S. 598 (1972); *Burns v. Alcala*, 420 U.S. 575 (1975). The holdings of these cases were promulgated in 1974 as an HEW regulation at 45 C.F.R. §233.10(a) (1) (i) and (ii) (A). The appeals court rejected HEW's position that States are free arbitrarily to aid some families and abandon others whom Congress has declared eligible for emergency aid. Because the case was disposed of on statutory grounds, the equal protection and state law claims were not reached.

After *Mandley I* was returned to the district court for enforcement, the IDPA misled the district court by advising it that Illinois would abandon federal funding in favor of a wholly state-funded program. Illinois and HEW obtained dismissal of the case as moot. Neither notified the district court or the plaintiffs that the IDPA simply relabelled its illegal "emergency assistance" plan "special assistance" and submitted it to HEW for approval for federal funding as "special needs" which approval HEW gave.

The court of appeals in *Mandley II* struck down this "artifice". It ordered the IDPA, if it continued to claim federal funds for payments made as emergency assistance, to comply with the governing federal statutes. It also ordered HEW not to approve state plans that do not comply with these statutes.

On June 6, 1977, the Supreme Court granted review. The decision will be the Court's first on the emergency assistance provisions of the Act.

III. THE EMERGENCY ASSISTANCE PROVISIONS OF S. 2084 DO NOT APPEAR TO IMPOSE ELIGIBILITY REQUIREMENTS

A. *The congressional policy of the 1968 amendments apparently would be abandoned*

The foundation of a decent welfare system is the protection of our needy children. This is reflected in the existing emergency assistance legislation which provides a fast and flexible method of delivery of assistance in times of crisis, legislation which originated as a proposal of the House Ways and Means Committee in 1967 and was then endorsed by the Johnson administration. This enactment in 1968 filled an important gap in the AFDC program.

The proposed bill, S. 2084, authorizes \$600 million to be distributed to the states for emergency assistance, but the provisions do not specify who is eligible for the assistance as the existing legislation does. In fact, the bill gives the states and HEW virtually total discretion to determine eligibility. If enacted, the result may well allow arbitrary exclusions such as that struck down by the court of appeals in the *Mandley* case. In our view, this would be a departure from existing Congressional welfare policy and of questionable constitutional validity.

B. *Eligibility is not clearly defined in the proposed legislation*

The definitions pertaining to emergency needs appear in §2017 of Title XX found at pp. 106-07 of the bill. Eligibility is defined in terms of who is not excluded rather than in terms of who is included. This negative definition is coupled with vague provisions granting the federal and State governments discretion in making allocations to families under varying circumstances.

Subsection (1) (B) (ii) states that the term "needy families and individuals" "does not exclude an individual who is a member of a household unit eligible for, or receiving, a payment under Title XXI". Section 2101 of Title XXI (pp. 5-9) creates the eligibility of the household unit. The definitions of who are within the unit is contained in §2110 of that title (pp. 29-35). However, the emergency aid provisions of Title XX do not state that all those eligible under Title XXI are also eligible for emergency aid under Title XX. The implication is to the contrary. The section on "State Adoption of Program Plan",

§2015, appears to give the states wide discretion in imposing the circumstances under which assistance will be provided. Subsection (2) (B) (p. 102). The section describing a "Plan of Assistance", §2014 (pp. 98-101), moreover, indicates a new flexibility would be given to HEW to allocate "assistance among classes or categories of needy families and individuals", subsection (a) (7).

C. HEW's interpretation is that eligibility is not mandatory on participating states

These significant proposed changes are reinforced by HEW's claim that "emergency needs will be handled by emergency funds, not general rules."³ This statement lacks clarity since "emergency funds" and "general rules" are not categories which one thinks in opposition to each other. Another HEW statement says the \$600 million is given to states "to handle special situations based on local judgments of emergencies which cannot be met under the "general rules."⁴ This indicates that HEW interprets the bill to allow participating states to act on a case-by-case basis or to generate "help-one-leave-another" categories such as Illinois has done.

Clearly, HEW believes it proper to have as much discretion as possible delegated to itself and the States, ostensibly to enhance flexibility in a generous sense. In light of the state agency actions to limit eligibility in *King v. Smith*, *Townsend v. Swank*, *Carlson v. Remillard*, cited above and in a plethora of public aid cases in the lower federal courts, this subcommittee should consider the wisdom of such delegation.

Even if the proposed delegations were granted, a question arises whether the proposed emergency assistance provisions in S. 2084 meet constitutional requirements. The only federal court to have made a constitutional decision under the existing legislation held that Connecticut's denial of emergency assistance to families who were victims of robbery while granting aid to families in fires violated equal protection guarantees. *Burrell v. Norton*, 381 F.Supp. 339 (D. Conn. 1974).

Rarely is absolute, unregulated and undefined agency discretion perceived by beneficiaries of a program, by the public, or by the courts, as just. See *Figures v. Swank*, 128 Ill. App. 2d 211, 263 N.E. 2d 559 (1970).

D. Congress, not HEW or the States, should define eligibility for emergency assistance

Eligibility for emergency assistance under the existing Act, Section 406(e), is defined by Congress. The Supreme Court in interpreting the Act has consistently looked to the statutory eligibility standard and required that all those eligible under the Act receive "some aid," absent clear authorization in the Act or its legislative history to exclude eligible individuals. HEW, however, contends in *Mandley* that it can authorize states to deny this aid to needy families whom Congress has made eligible.

To our knowledge, HEW has not assured this subcommittee that all eligible needy families with children will receive some emergency aid under S. 2084. Nor do the emergency aid provisions of S. 2084 assure us that they will be construed to prevent states from denying aid to persons Congress intends to assist. As written, the bill may allow HEW to circumvent a possible adverse ruling by the Supreme Court in *Mandley* and perhaps accomplish a result which Congress does not intend and which may violate constitutional guarantees. Under these circumstances, Congress itself should define eligibility for emergency aid.

42 USCS § 606—SOCIAL SECURITY ACT

(e)(1) The term "emergency assistance to needy families with children" means any of the following, furnished for a period not in excess of 30 days in any 12-month period, in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a) (1) in a place of residence maintained by one or more of such relatives as his or their own home, but only where such child is without available resources, the payments, care, or services involved are necessary to avoid destitution of such child or to provide living

³ DHEW, Better Jobs and Income Act, H.R. 9030: A Summary and Sectional Explanation at 10.

⁴ Id at 11.

arrangements in a home for such child, and such destitution or need for living arrangements did not arise because such child or relative refused without good cause to accept employment or training for employment—

(A) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial care recognized under State law on behalf of, such child or any other member of the household in which he is living, and

(B) such services as may be specified by the Secretary;

but only with respect to a State whose State plan approved under section 402 [42 USCS § 602] includes provision for such assistance.

(2) Emergency assistance as authorized under paragraph (1) may be provided under the conditions specified in such paragraph to migrant workers with families in the State or in such part or parts thereof as the State shall designate.

POOR PEOPLES' SUGGESTIONS ON HOW TO IMPROVE THE EMERGENCY ASSISTANCE PROVISIONS OF S. 2084, S. 2777, S. 7200 AND H.R. 10950, 9030, AND 10711, VARIOUS WELFARE REFORM PROPOSALS

I. INTRODUCTION

This statement by the Illinois and Chicago Welfare Rights Organizations is submitted to the subcommittee pursuant to the request of the Chairman, Senator Moynihan. It supplements the written and oral statements presented at the hearing on May 2, 1978. At that time request was made for the organizations to express their views on the provisions for emergency assistance in the various welfare reform bills pending in Congress.

IWRO and CWRO believe the principle that the federal government should fund payments to avoid the destitution of children, without limitation as to the cause or type of destitution, now embedded in the existing emergency assistance legislation, §406(3) of the Social Security Act, is sound and should be continued and enhanced in any new social welfare legislation Congress enacts.

They also believe the principle of protection from the deprivation of or lack of the necessities of life should be extended to include all persons within the jurisdiction of the United States. Further, the principle should be strengthened by legislation expressly providing for delivery of assistance at the time of need.

The bills now before the Senate and House—S. 2084, S. 2777, H.R. 9030, H.R. 10711, and H.R. 10950—all appear to reduce the protection afforded poor children in existing legislation. They do not continue the principle of avoiding destitution in full, or at all in the case of H.R. 10711. Limited emergency assistance for adults would be provided, for the first time, under H.R. 10950 and S. 7200. These proposed retreats and narrow advances in social welfare policy are not consistent with our children's needs, our national traditions and rights as citizens, or our international commitment to human rights.

A discussion on each bill follows.

II. THE ADMINISTRATION'S BILLS, S. 2084 AND H.R. 9030

A statement was submitted May 2, 1978 on S. 2084 and one was submitted on H.R. 9030 on October 31, 1977 in the House.

Briefly, the language of the emergency assistance provisions of these bills, and the explanation of them by the Department of Health, Education and Welfare, could provide the means of circumventing an adverse (to HEW) Supreme Court decision (pending) on statutory or constitutional grounds in *Califano v. Mandley* and *Quern v. Mandley*, Nos. 76-1159 and -1416 (reviewing 545 F. 2d 1062 (7th Cir. 1976)). The bills appear to be drafted with that intent. HEW and the states seem to be granted discretion to deny or grant emergency assistance for whatever reasons and under whatever circumstances they may choose. Such unregulated discretion is not sound legal or social policy and may also deny needy persons due process of law and the equal protection of the laws guaranteed to them by the Constitution.

Who is eligible for this aid and the speed with which it must be given should be spelled out clearly in the legislation. This has a double advantage for Congress. First, it sets well-defined standards for the executive branch to imple-

ment. Second, it is likely to avoid protracted litigation, as in the *Mandley* case, which would likely result in more harm to the intended beneficiaries than to the government.

III. H.R. 10950, THE BILL INTRODUCED BY THE HOUSE WAYS AND MEANS SUBCOMMITTEE ON WELFARE REFORM AFTER HEARINGS WERE HELD ON H.R. 9030

This bill, introduced by the committee after it held hearings on the Administration's bill, does not reflect the principle of avoiding destitution. It would require participating states to help some but not all persons with emergency needs. It authorizes state plans for emergency assistance *only* where a person or family has "emergency requirements for essential food or shelter" (§2164(a)(2) at 125-126) and, in a baffling use of English, prohibits the granting of any other emergency assistance such as for clothing, bedding, utilities or medical care under the conditions of the plan (§2165(a)(1) at 129), except as the state may wish to dispense. §2165(b) at 130. The limited grant of aid for food and shelter may be further restricted by the circumstances attendant upon the need (§2165(a)(2) at 129-130). Thus destitution from lack of food and shelter could exist but not be relieved.

In addition, the requirement of timely delivery of payments is ambiguous because it is expressed by two terms—"rendered promptly" and "acted upon with reasonable promptness." §2164(a)(3) at 126. This should be corrected. At present a federal regulation, 45 C.F.R. §233.120(a)(5), requires emergency assistance to be provided "forthwith" in contrast to the statutory requirement, 42 U.S.C. §602(a)(10), of "reasonable promptness" in the provision of aid to families with dependent children (AFDC). HEW interprets "reasonable promptness" to allow states 45 days between the date of application and provision of AFDC. A statutory "forthwith" standard for provision of emergency assistance is more suitable for emergency assistance than one of "reasonable promptness."

The courts in the *Mandley* litigation have interpreted "forthwith," pointing out that *immediate* action is needed to determine eligibility and, if a person is eligible, to make the payment. 523 F. 2d 415 (7th Cir. 1975); Supreme Court Appendix at 44-45 (enclosed). Under the final order entered in *Mandley* the state agency administering the plan must not exceed a 24 hour standard (with certain exceptions) for reaching a decision on eligibility and must offer the eligible person an immediate vendor payment or mailing of a check. Appendix at 151-152. The order was made after a finding that delays of 7-10 days in delivery were "not uncommon." Similar and greater delays appear to exist in other states. (See the attached New York September 19 and 20, 1977 articles.) Legislation which adopted standards worked out in the *Mandley* litigation would assure implementation of the legislative goals.

IV. S. 2777, THE BAKER-BELLMON BILL

The definition of emergency assistance set forth in §484 of the bill (p. 112) while appearing quite broad, does not adopt the principle "to avoid destitution." Thus, if aid has been granted but lost in a robbery, rendering a family destitute, it may not be eligible for emergency assistance. In addition, a "reasonable promptness" standard is set down for investigating eligibility but no time standard exists for delivery of payments. As discussed above, "forthwith" seems to be a better standard. The use of "reasonable" seems to lessen the requirement of "promptness," implying delays will be permitted where none should.

V. S. 7200, SENATOR LONG'S BILL

The limitation of emergency assistance in this program for aged, blind and disabled adults to "nonrecurring emergencies" (p. 107) does not assure that they will receive aid when facing destitution in any situation. Further, federal financial participation is limited "to one period, not in excess of thirty days, in any twelve month period" (p. 108). This limitation discourages states from meeting a second emergency situation in a year. The existing emergency assistance provision, §406(e), now has the thirty days in twelve months limitation on federal financial participation in payments made by states. This should be deleted.

VI. H.R. 10711, THE ULLMAN BILL

The bill would repeal the present emergency assistance program. This is not sound social policy. The right to protection of life is an attribute of national and state citizenship.

Preferably the administration of emergency assistance should be placed entirely in the hands of the federal government rather than the proposed federal-state programs. If, however, the federal government withdrew entirely from financing emergency assistance, many states would stop giving any such help. That, we think, would be most unwise and even dangerous. For governmental protection the citizen reciprocates with allegiance to the governments. Without protection allegiance crumbles, as the (Kerner) report of the 1968 President's Commission on Civil Disorders acknowledged.

VII. CONCLUSION

Emergency assistance is not a partisan political issue. It should be supported by both parties because it must be provided by the government. The *Mandley* case in which major Illinois charities participated at all stages of the litigation, including the U. S. Supreme Court, demonstrates that private charities do not have the financial resources to meet the emergency needs of our poorest citizens.

For children or adults to go hungry, homeless or unclothed in our nation mocks our free institutions and undermines our claim to lead the world in protecting human rights.

We hope the Congress will continue and expand the protections afforded by the existing emergency assistance legislation.

[From the New York Times, Sept. 19, 1977]

'UNCONSCIONABLE DELAYS' CHARGED IN OBTAINING WELFARE IN NEW YORK

(By Matthew L. Wald)

Getting emergency help from the New York City Department of Social Services takes an average of 25.3 days instead of the five-day maximum set by city and state regulations, according to a report released yesterday by the Community Service Society, a civic group.

People who are unemployed and without food or money to buy food, and people who are homeless or about to lose their homes or utilities, face "unconscionable delays" at the department, according to the study. The report, entitled "Applying for Public Assistance in New York City," is based on the experiences of 78 families that agreed to give details of the handling of their cases by the East End Income Maintenance Center at 312 East 94th Street.

Martin Burdick, a spokesman for the Department of Social Services, said the findings were not valid because the report had used the term "emergency" too freely. The only situations treated by the department as emergencies, he explained, are those involving people who are homeless, or without electricity or gas, or facing either eviction or a utility shut-off.

The Community Service Society lists an applicant who has neither food, money nor a job as an emergency.

SPEED IN EMERGENCIES DISPUTED

In nearly all the cases that the department classes as emergencies, Mr. Burdick contended, the applicant is interviewed the day he goes to a welfare center or the day after, and his problem is solved on the day of his interview.

However, the report said it took an average of 14.2 days for the six cases in its sample that fell into this category to get help.

The study found that the department did "not consider hunger, per se, an emergency need." It contended that help should be given immediately to all who met three criteria: no money, no food, no job.

For the 22 of its 78 cases that fell into that category, the report said, it took an average of 28.3 days to get help. This included people who were unemployed

because of layoff, illness or injury and people waiting for unemployment insurance benefits.

The Department of Social Services does not consider people without money or food to be emergency cases, Mr. Burdick explained, because "that's what the condition is of almost all the people who come to us," and "when you call somebody an emergency, you're talking about taking him up front and out of turn."

LONG WAITS DEFENDED

Defending the practice of letting people who say they have no money or food wait more than four weeks for help, Mr. Burdick said:

"Most people in the city who are running short of funds have someone they can turn to and say, 'I need \$5 or \$10 or \$15 until I get help.' They have friends, relatives, family or a line of credit at the grocery store where they shop."

In addition, Mr. Burdick said, conditions at the East End center at the time of the study—May through August of 1976—were only "fair" compared with those at other centers. He noted that "the top manager and several middle-level managers" had since been replaced.

The Community Service Society picked that center because it thought the high acceptance rate there—92.5 percent—indicated less severe application problems than at other centers.

The 43-page report said nonemergency cases were handled in 23.9 days, more quickly than what it called emergency cases. However, in 15 percent of the nonemergency cases, the 30-day time limit specified in state and city regulations was not met.

[From the New York Times, Sept. 29, 1977]

THE NEEDY GET ICINESS

(By Daniel Reich)

On May 24, 1976, John Smith (a fictitious name) went to a Department of Social Services center in New York City to apply for public assistance. He had stopped working to enter a hospital for surgery, and was applying because his wife and four children would be without financial resources.

The receptionist refused to give him an application form, stating he would first need a letter from his doctor. She said his wife should apply after he was hospitalized, although the law entitled him to receive an application at once.

Mrs. Smith went to the center June 1—in distress, because the family had no money for food. She stated that the physician had assured her that the letter was in the mail. She was told to come back after she had received it. At 7:30 A.M., June 3, she arrived at the department's income maintenance center with the letter. The receptionist saw her at 11:55 A.M., and because it was close to the receptionist's lunchtime, Mrs. Smith was given an application form and told to return the next day. The receptionist refused to answer questions about the complicated, 11-page application form.

Mrs. Smith returned June 4 with the necessary documents and was told that her application was filled out incorrectly, that she would have to return the next Monday to submit a new form. She objected, stating that she needed help that day. After pleading with the interviewer, Mrs. Smith was permitted to complete and submit the new application. Afterward, she asked, "Can't you tell me if you're going to help me?" The interviewer responded, "Lady, I told you that we will answer you in the mail"—and turned away.

Mrs. Smith had met the criteria for a food grant on June 4. She had submitted the necessary documents. By law, she should have received the grant immediately.

While Mr. Smith was still in the hospital and the family was awaiting a response from Department of Social Services, Mrs. Smith also was admitted to the hospital in critical condition with a ruptured appendix. After Mr. Smith left the hospital, he finally received a check—38 days after the family was legally entitled to assistance. By not issuing an application and the immediate food grant, the department had denied the family legally-entitled benefits.

The Smith family's experience is not an isolated instance of what might be called official welfare "fraud"—the system's cheating needy people by not providing their legally-entitled benefits.

A study by Project Access, a Community Service Society program in East Harlem, focused on the response of a Department of Social Services center to the needs of families applying for public assistance from May to August 1976. The findings were shocking. At the time of application, 63 of the 78 families studied who were eventually determined eligible for assistance were without resources to purchase food. After the 63 families had supplied documents to establish presumptive eligibility, they should have been issued an immediate food grant to sustain them until their first public-assistance checks arrived. Only *one* family received a grant on the same day and only after the Access staff had intervened. Families waited an average of 17 additional days from the date they should have received a grant; two families waited 38 days.

In addition, 28 of the 78 families also were judged eligible by Access for the emergency-assistance-to-families program. By law, these families should have received benefits within the five-day time limit established by city procedure and state regulation. One family with an eviction order was entitled to assistance but was told to bring back documents not required by law. On the average, these 28 families received assistance in 25 days, a clear violation of the time limit.

Client fraud often receives front-page coverage; *official* fraud is newsworthy only to the unlucky families who learn the hard way about the welfare bureaucracy.

Both kinds of fraud result from maladministration of the system. Meaningful welfare reform must not only address the issue of fraud by a small minority of clients but must also respond to fraud perpetrated against vulnerable, powerless people. For in the end, if government welfare workers are permitted to ignore the law, then no policy can be effectively implemented.

Senator MOYNIHAN. Thank you. The hearing is adjourned.
[Whereupon, the committee adjourned at 1:40 p.m.]

WELFARE REFORM PROPOSALS

THURSDAY, MAY 4, 1978

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

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senator Moynihan.

Senator MOYNIHAN. A very pleasant good morning to this somewhat diminished panel on this last day of this second series of subcommittee hearings on public assistance.

We have the distinct pleasure and high honor once again to hear from our friend and colleague from New York, the Honorable Charles B. Rangel, who is a member of the Committee on Ways and Means, our counterpart in the House.

Congressman, would you defer, just for one moment, while I put something into the record which I think will be of interest to you?

This last Monday we heard in great detail, as we had done the previous Wednesday, about the social science research which has been accumulating in the area of the negative income tax, which is, at the very least, damaging to the Government's case, as they might say on television if this were a trial, which obviously it is not.

But the literature, as the sociologists say, is very bearish about some of the things in which you and I have placed a good deal of confidence, and the question is, why did the administration not come forward and talk to us about these matters when we have queried them in the past? Well, they did not. It occurred to me that maybe the literature was not available to them, so I called the Library of Congress to see if they had volume 82 of "The American Journal of Sociology," in which in 1977, Hannon, Tubin, and Groenveld had their article, "Income and Marital Events, Evidence from an Income Maintenance Experiment."

The Library of Congress has the volume. There is no evidence of HEW's having checked it out.

I would like also on this occasion to say that I was not able to be here Monday when a group of social scientists, and, in particular, our friend Martin Anderson, who was formerly an assistant to Dr. Arthur Burns and who is now at Stanford University, elaborated on some of these details. I did not have an opportunity to say what a first-rate job he has done in his book, "Welfare: The Political Economy of Welfare Reform in the United States."

He did not agree with Moynihan, and he did not agree with Rangel, but he disagrees in a thoroughly agreeable way, and I would like that to be in the record.

Now, good morning, sir. You have other things to do besides this hearing, and it is very courteous of you to come over.

**STATEMENT OF HON. CHARLES B. RANGEL, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Representative RANGEL. Thank you, my Senator and Chairman. I have Bill Signer from my staff with me and I want to thank you for this opportunity to appear before you today. I have had the honor and pleasure to testify before this committee on several occasions, but never before have I had the forum to address the question of comprehensive welfare reform and this I welcome.

For too long, we in the Congress have tried to patch up an ailing system which was put together in a piecemeal fashion over the last 40 years. As a Representative of the 19th Congressional District of New York, which includes the communities of Harlem and East Harlem, I have been able to see first hand the legacy of despair and degradation that our current social welfare system has bequeathed on needy Americans.

We have, in our infinite wisdom, built in disincentives for people to work while, at the same time, we have pursued policies which would encourage families to break up.

President Carter, during his campaign, recognized the urgency of the problem facing the poor in America and pledged to address them upon becoming President. The Better Jobs and Income Act, as reported by the House Welfare Reform Subcommittee which, as you well know, is H.R. 10950, goes a long way in rectifying many of the shortcomings which have evolved over the years.

It is an entirely new approach which provides minimum national benefit levels, encourages States to supplement those levels, and which provides training and jobs for those Americans who cannot find work.

At the same time, it would guarantee sorely needed fiscal relief to States and localities.

H.R. 10950, which I will refer to as the subcommittee bill, expands current coverage and provides more equitable treatment for families and individuals in similar circumstances. In our own State of New York, families headed by an unemployed father are presently covered under the AFDC-UF program, but in 27 States there is no such insurance against poverty for families in which the father is unemployed.

The subcommittee bill would continue the present coverage for single parent families and for the SSI, the aged, the blind, and the disabled, but it would expand that coverage to include two-parent families as well as individuals and childless couples.

It would be unrealistic for us to say that we were reforming welfare if we failed to eliminate the inequities that currently exist among the States, particularly the vast disparities in benefit levels. The uni-

form benefit floor provided by the subcommittee bill, will insure that poor individuals and families will be guaranteed a minimum level of assistance nationwide.

A family of four, with no one expected to work, would receive a basic Federal benefit of \$4,200. An aged, blind or disabled individual would receive \$2,500. A single individual would receive \$1,100 and a childless couple's benefit would be \$2,200.

The \$4,200 for a family of four is greater than the existing AFDC and Food Stamp benefit level in approximately 12 States. Of course, in many States, the current benefit levels are higher than the proposed minimum floor.

To take care of those recipients in these States, the subcommittee bill would encourage supplementation by allowing the Federal Government to share in the cost of the supplement. In addition, the Federal benefit schedules would be indexed to the cost of implementation and an annual cost of living escalator would be provided.

The subcommittee bill contains many other features which simplify the welfare system and are beneficial to welfare recipients.

At this point, I would ask the committee whether the full text of my statement could be included in the record.

Senator MOYNIHAN. Surely. If you want to go on in a more informal way, please do.

Representative RANGEL. Thank you, Mr. Chairman, and I would like to again congratulate this committee for providing the leadership on one of the initiatives that the President has taken, but also to indicate that it appears to me that there is some slackening of support from the White House as it relates to welfare reform.

Last week, and again this morning, I was privy to conversations with the leadership of the House of Representatives where we have been given 10 bills which have been considered to be priorities by the White House, and once again, the welfare reform bill was not included on this list.

Senator MOYNIHAN. Would you just hold there? Are you saying that the White House gave the House leadership—as it would do about this time in the congressional session when we are beginning to think about winding up, a list of 10 priority bills, and welfare reform was not among them?

Representative RANGEL. That is exactly it, Mr. Chairman, and I thought perhaps last week, or 2 weeks ago when I first received this information that it was an oversight, so again this morning when the priority list was announced by the leadership, again, welfare reform was not included and I took this occasion to ask the Speaker whether or not there was an oversight and he indicated that it was not.

As you know, this special subcommittee which the Speaker had put together, worked through the holidays because it was a Presidential mandate—

Senator MOYNIHAN. You worked for 12 months without a break on this. And the President said that this is the major domestic social program which he put forward. You did not go home for Thanksgiving, you did not go home for Christmas, and now it is not on their list?

Representative RANGEL. Well, it appears to me that this bill has not even been referred to the standing committee that has jurisdiction. I would hate to see, with the work that the administration has put into this bill that the Senate would find itself in the position of providing the leadership, working out a bill that would benefit the poor of this Nation, and then find that the House of Representatives was not even in a position to go into conference on the work which your fine committee is doing.

I will again be calling out to the executive branch to restate its position. I spoke with the Secretary's office yesterday and was assured that this was still a high priority, but I just cannot see how it can be when the leadership is unfamiliar with that position.

Senator MOYNIHAN. Oh, my God. Do you mean we are going to lose this again?

We cannot lose it again. If we lose it again, this will become a loser, instead of something that almost passed and was on the edge of enactment; it is going to be something that never passes.

Representative RANGEL. I would like to add that the Senate, at one point, had been used as a whipping boy by the House when the indication was that so many of these legislative initiatives occur in the House and the Senate does not do anything, but I certainly think that you have shattered that myth by moving, as you assured the President that you would, to have hearings on this bill; and so, the problem in my opinion lies in the leadership of the House, at the direction of the Executive.

Senator MOYNIHAN. Congressman, I am glad you came over here to say this. It needed saying. I observe that there are four faithful members of the press on hand, and I hope they call their desks. This is devastating. We have all put in a long year and a half on this.

Would it be presumptuous of a colleague to ask, to suggest, that you go right straight downtown and raise hell with the White House? What have they done to us? We have certainly been as faithful to this enterprise as possibly we could and now to have, in the end, something else zipped under it—

Representative RANGEL. And it is not as though it is just a single piece of legislation. As you well know, the House Banking Committee just yesterday reported out a bill, 32 to 8, which would give some type of guarantees to relieve the fiscal crisis we have in New York City. I think it is abundantly clear that major cities throughout the country are reaching the point that we are at in the city, that some part of this burden of welfare must be assumed by the Federal Government. This must become a part of a domestic policy.

Senator MOYNIHAN. Right, right. I mean, that loan guarantee for the city, that 4-year budget projection that calls for a balanced budget, assumes welfare reform.

And there is another thing. You would have been interested to hear Wilbur Cohen who came and testified on Tuesday. He observed, as is his way of thinking ahead, that the next Congress is going to be very much taken up with health insurance and then, after that, it is going to be absorbed with a complete restructuring of the unemployment insurance system.

This is the Congress to do welfare reform.

Well, there is no man who has been as faithful to this purpose and as skillful and reasonable on it as yourself, sir, and if you have not brought us good news it is because we needed to hear the other.

We thank you. You will remember that this committee is in a position, if worse comes to worst, to try to put together some legislation here and send it back to the House on H.R. 7200. We will not talk about that today, but that is something that we may end up talking about. Did I not hear the other day that the President was going to veto a bill to create a national White House Conference on the Arts? And did I not read this morning that he signed it after all?

He has been known to change his mind, and you are therefore faithfully charged to make your way to the White House and instruct the Chief Executive that he has got to come back—

Representative RANGEL. It is not that easy, Mr. Chairman. I am afraid that he is missing a vote on the deregulation of national gas and I may be holding that, so I have been avoiding the White House for this week. But I am confident—

Senator MOYNIHAN. I cannot believe that that which John Brademas is capable of, Charlie Rangel is not capable of also.

Representative RANGEL. I do hope, Mr. Chairman, that when the Senate finally completes its work on H.R. 7200 that you might find some way to bring over the \$400 million which certainly you initiated in the Senate. We were able to get it included in the House budget resolution and somehow it was not included in the Senate budget resolution but we will be fighting hard for it in conference when we do get a bill, and anything that could be done there certainly could alleviate some of the fiscal problems, as you well know, of our cities while we are waiting for the national bill.

Senator MOYNIHAN. We thank you very much, sir, for coming forward here this morning.

Representative RANGEL. Thank you, Mr. Chairman.

[The prepared statement of Mr. Rangel follows:]

STATEMENT OF HON. CHARLES B. RANGEL

Mr. Chairman, I would like to begin by thanking you and the Subcommittee for this opportunity to appear before you again. I have had the honor and pleasure to testify before this Committee on several occasions, but never before have I had the forum in which to address the question of comprehensive welfare reform. This I welcome.

For all too long, we in the Congress have tried to patch up an ailing system which was put together in a piece-meal fashion over the last 40 years. As the representative of the 19th Congressional District of New York, which includes the community of Harlem, I have been able to see first hand the legacy of despair and degradation that our current social welfare systems have bequeathed upon needy Americans. We have, in our infinite wisdom, built in disincentives for people to work while, at the same time, we have pursued policies which would encourage families to break up.

President Carter during his campaign recognized the urgency of the problem facing the poor in America, and pledged to address them upon becoming President. The Better Jobs and Income Act as reported by the House Welfare Reform Subcommittee (H.R. 10950) goes a long way in rectifying many of the short-comings which have evolved over the years. It is an entirely new approach which provides minimum national benefit levels, encourages states to supplement those levels, and which provides training and jobs for those Americans who cannot find work. At the same time, it would guarantee sorely needed fiscal relief to states and localities.

H.R. 10950, which I will refer to as the Subcommittee bill, expands current coverage and provides more equitable treatment for families and individuals in similar circumstances. In my own state of New York, families headed by an unemployed father are presently covered under the AFDC-UF program, but in 27 states there is no insurance against poverty for families in which the father is unemployed. The Subcommittee bill would continue the present Federal coverage for single parent families and for the SSI, aged, blind, and disabled, but it would expand that coverage to include two-parent families as well as individuals and childless couples.

It would be unrealistic for us to say that we are reforming welfare if we failed to eliminate the inequities that currently exist among the States, particularly vast disparities in benefit levels. The uniform benefit floor provided by the Subcommittee bill will ensure that poor individuals and families will be guaranteed a minimum level of assistance nationwide. A family of four with no one expected to work would receive a basic Federal benefit of \$4200; an aged, blind or disabled individual would receive \$2500; a single individual would receive \$1100; and a childless couple's benefit would be \$2200. The \$4200 for a family of four is greater than the existing AFDC and food stamp benefit level in approximately 12 states. Of course, in many states, current benefit levels are higher than the proposed Federal benefit floor. To take care of recipients in those states, the Subcommittee bill encourages supplementation by allowing the Federal government to share in the cost of the supplements. In addition, the Federal benefit schedules would be indexed to the year of implementation and an annual cost of living escalator would be provided.

The Subcommittee bill contains many other features which simplify the welfare system and are beneficial to welfare recipients. The needs and assets test, which would determine eligibility for assistance under the program, would be uniform nationwide. Certain assets such as the home, the value of a vehicle up to certain limits, and household goods and personal effects would be excluded from the assets test. Fifty percent of monthly earnings for the aged, blind and disabled, single parent families with children under 14, and single individuals would be excluded from the income test. The first \$317 of monthly earnings for families with children would also be excluded if someone in the family is expected to work. The costs of child care for single-parent families with a child under age 14 would be offset by an exclusion from earnings up to a certain limit.

Another accomplishment of the Subcommittee bill, and probably the most important aspect of the bill, is the emphasis placed on self-sufficiency as a result of the comprehensive employment and training opportunities program. Employment in the private sector is the central focus of the bill. Generally, all able-bodied adults would receive assistance in looking for a job in the private sector during the first five weeks after application to the new program. If the principal wage earner in a family with children cannot find employment in the private sector, a public service job or job training slot would be available at either the minimum wage or the prevailing wage in a given area. The Congressional Budget Office has estimated that 1.1 million public service jobs and training positions would be needed during the first year of enactment of the new program. The employment and training opportunities would be administered under the new Title IX of the Comprehensive Employment and Training Act (CETA) by CETA prime sponsors.

Contrary to the common belief, the vast majority of those who are on public assistance desperately want to work. In our society an individual's self-esteem is defined and measured largely by his contribution made through work. In my district, which has an unemployment rate well above the national average, I constantly hear the demand for jobs. This message also came across loud and clear during the hearings we held in the House on H.R. 9030. If we fail to make employment the primary target of our welfare system, we will deprive poor people of self-esteem and encourage family instability and further dependence on welfare. But providing a job often isn't enough. If we fail to train these people, they will forever be looking to the federal government for work. Without training, the private sector will never be inclined to hire them. While I support public sector jobs, those jobs should be only temporary learning experiences and not permanent places of employment.

At the same time, we must learn from our past mistakes and insure that proper day care facilities are made available to those families which need

such assistance. Unless we do this, we will again be building in disincentives to those who wish to work. If a recipient ends up losing money because he has to pay for day care, we will have just recreated a situation where the recipient will be resentful that his situation is worse when he does work than when he doesn't. Such policies can only be considered counter-productive to what we are all trying to accomplish: Assisting all Americans to be self-sufficient contributing members of our society.

Finally, I would like to say that while our first consideration should be providing jobs and adequate benefits for recipients, it is critical that in so doing we also provide fiscal relief for the States and localities which are already overburdened with the cost of providing public assistance. Any program, which does not provide adequate incentives for the States to supplement the federal minimum benefit to the poverty line or to the current level of assistance, whichever is higher, will be unacceptable to the States and Cities as well as to the vast majority of the recipient groups. It is critical that the provision in the Subcommittee bill, which would provide federal coverage and participation in state supplements for singles and childless couples, be retained. Also critical are other provisions which would establish an emergency needs program, holding localities harmless for increased administrative costs for medicaid and cash assistance programs, and those other provisions which relate to insuring that States and localities will be granted fiscal relief. Without the guarantee of fiscal relief for States and localities, there is little hope that all the best intentions embodied in the Better Jobs and Income Act will be favorably received by already hard pressed local governments.

The Better Jobs and Income Act is unique in that it affords us the chance to completely overhaul a system which I think we all agree is decayed. The hopes and aspirations which were so high among the nation's poor when the President originally proposed his reform proposals are quickly turning to despair with the realization that time is running out for legislation in this Congress. It is essential that you as members of the Senate send a message of renewed commitment to the poor through your swift action on the President's proposals.

Senator MOYNIHAN. Our next witness was to have been Clarence Mitchell who is a little delayed, and I wondered if Mrs. Louise Brookins, who is the executive director of the Philadelphia Welfare Rights organizations might—

Mr. WEISAUB. Mr. Chairman, she has not yet arrived, but I expect her momentarily. Could we have a slight delay while waiting for her.

Senator MOYNIHAN. Sure.

I see that Mr. Hyman Bookbinder, who is ubiquitous in these matters, is present. There was to be a panel with Mr. James Harvey of the American Friends Service Committee and Mrs. Sara Ehrman, representing the American Jewish Congress.

I hope the word has not gotten around that the White House has dropped this bill. We do not have any witnesses. Maybe she is at the White House.

Well, we welcome Mr. Bookbinder who is an old and stalwart friend of this cause and Mr. Harvey, we welcome you. I should perhaps say that you are chairperson of the National Community Relations Committee of the American Friends Service Committee.

Mrs. Brookins, you will be next unless Mr. Mitchell arrives and we get back to our routine.

Good morning, gentlemen. Mr. Bookbinder, your name is first on this list, and so why don't you start?

Mr. BOOKBINDER. Senator, while you seemed very shocked and surprised at the news that the Congressman brought you, I do think that the record ought to include an observation that this is not the first

time you have heard a President seeming to be receding from a commitment on welfare reform.

Senator MOYNIHAN. I am beginning to have my lines down pretty well.

**STATEMENT OF HYMAN BOOKBINDER, WASHINGTON, D.C.
REPRESENTING THE AMERICAN JEWISH COMMITTEE**

Mr. BOOKBINDER. Senator, I appear here officially for the American Jewish Committee, but I would like to feel that I am wearing another hat, sort of an 11-year-old hat of concern about this issue. During the sixties, I served on the President's Task Force on Poverty and I was assistant to Vice President Humphrey in his responsibilities in the welfare area, and also during that period, as I hope you will remember, I worked closely with you in the late sixties and early seventies. We thought we had a commitment then, not only from the White House, but from the American people, to proceed and do something about the welfare situation.

And from that experience, we have sought—I have participated with others in seeking, both in Government and out—to fashion remedies for our social problems which continue to reflect our hopes and our expectations, but also the sobering lessons of these past defeats.

I do not cite this background in order to claim any special expertise. I am not a technician and I will not give you much technical advice today, but I would like to make a few observations about the human relations and the political dimensions of this situation.

I would like to submit for the record a copy of a letter which the president of my organization, Mr. Richard Maass, sent to President Carter last year, expressing our basic endorsement and support for the principal thrust of the administration's welfare proposals, and I hope that that letter can be included in the record.

[The following was subsequently supplied for the record:]

THE AMERICAN JEWISH COMMITTEE,
New York, N.Y., August 10, 1977.

President JIMMY CARTER,
The White House,
Washington, D.C.

DEAR MR. CARTER: The American Jewish Committee wishes to record its support of your efforts to restructure the nation's welfare system as outlined in your message of August 6th at the press conference in Plains, Georgia. We are heartened by the general plan you have projected as an important step toward insuring social justice for those too long deprived. The American Jewish Committee has long been concerned with the existence of a permanent underclass of Americans whose chief characteristic is their dependency. We have recognized the intimate relationship between poverty and community tensions and while there may be details about which we have questions, we see in the plans you have outlined the beginnings of a system that will be concerned with the most vulnerable segment of our population at the same time as we commit ourselves to providing work for those able to take jobs. We believe that, as the country implements the goals you have projected, we will begin to see the reduction of community tensions and the building of a more secure, more tranquil nation.

In February 1977, we submitted a detailed statement outlining our views to Secretary Callfano during the hearings on welfare reform conducted by the Department of Health, Education and Welfare. We pointed out if we are to

be successful in breaking the cycle of poverty we must combine our efforts into an integrated program that would include a system of income maintenance; an expanded system of day care programs for pre-school children and after school programs for school-age children of working mothers; a simplified and wider system of distribution of food stamps; housing supports to benefit those persons most in need of decent housing; an employment program targeted to stimulate private and public employment, with emphasis on public service jobs; special concern for youth employment and training, and for work for older citizens who must supplement their social security benefits.

We are pleased to note that your message addressed these issues and we support your plan for providing tax relief to the working poor and for increasing federal subsidy to the states.

We wish to point out that two additional areas about which you have spoken in other contexts need to be integrated into your program to revamp our present system. These are the establishment of a national health care system—a need long recognized but not implemented, and our Social Security system which should be reviewed so that it too becomes an integral part of our basic income maintenance system. We believe that with these additional programs becoming a part of the total plan, we would improve the possibility of creating a meaningful bulwark against poverty.

We recognize that the creation of this new system to supplant the old one is one of the most complicated efforts we could undertake as a nation and we pledge our support in this long-needed effort. We believe that we can—as we have in other periods of national emergency—move more expeditiously toward the implementation of this program. To wait until fiscal year 1981 is to prolong the present inadequate program under which the poor and particularly the elderly poor must live, and means to perpetuate the alienation of many of our unemployed youth and to deprive them of the creative and constructive experience of work and independence. We would hope that you and the Congress can find ways to speed up the process.

Finally, we would like to suggest that we need to look ahead to a system of social services for the nation as a whole. In addition to restructuring our welfare systems to help the poor, there is a whole realm of human services that can help those whose needs are not necessarily related to finances. The experience of other countries—less favored by geography and resources—indicates that not only the poor, but people from all strata of society find stability and a sense of community through a plan that does not segregate one or another group from the country as a whole.

We congratulate you and wish you well in this enormous undertaking.

Sincerely,

RICHARD MAASS.

Mr. BOOKBINDER. Early last year, Mr. Chairman, I appeared before Secretary Califano and I made an appeal to him, an appeal that I want to direct, through you, again to the Senate of the United States. That appeal is that, as a result of these hearings, and hopefully discussions on the floor of the Senate, the Congress will be addressing itself not only to the business of restructuring the welfare system, but will try to do something to clarify the public understanding of the so-called welfare mess.

I am terribly concerned, as a community relations professional, about the myths that have developed about the welfare mess, and I think that there is a great need to help educate the American public generally about the nature of this problem and to help restore some dignity and self-respect to those Americans who must look to the Government to sustain them because of conditions beyond their own ability to control or change.

It is time, Mr. Chairman, to eliminate some of the social meanness that has developed in our attitude toward the poor. I cannot believe but that if the priority of this issue is going down, in the minds of the

White House or the Congress or elsewhere, it is because, unhappily, it is reflecting a general public attitude about the poor. We have got to do something about changing that.

One of the myths, of course, is that those who are on welfare are lazy, shiftless Americans who prefer handouts to self-sufficiency. Now you and I know, and most of us, I hope, know, that the human condition is such that there are people who are less than totally energetic and contributory and so on, but why should we expect a higher standard from poor people, than we do from taxpayers, from people who use our highways and speed and, occasionally, in the Congress itself?

So I hope that you will be addressing yourself to these myths and help get some better public understanding.

The most important myth that I would like to spend a minute on now. Mr. Chairman, is the myth that poor people do not want to work. They just do not want to work. I would like to set the record straight in one regard.

During the years that I served in the antipoverty program we developed and implemented one work program after another: Job Corps, Neighborhood Youth Corps, Work-Study Programs, Foster Grandparents, Green Thumb and many others. Now, here is a fact that has not gotten the attention that it should have. Without exception, every one of these work programs was always fully subscribed. We had only one continuing heart-breaking problem—there were never enough slots, as we called them, for these poor people, and welfare clients who were desperately trying to work.

Last summer, you in your State and your city had a dramatic illustration of this. I am sure you will never forget the photographs of the thousands of Harlem youths who were lined up, some the night before, to apply for 200 temporary jobs that had been created in the aftermath of the blackout.

There is fraud in the welfare program and we ought to correct it. But study after study shows that it is not of the size and of the type that has been given so much publicity.

You have before you a comprehensive plan for restructuring the welfare system. There will be many suggestions for improving the proposal. I am sure you will give these suggestions your careful consideration. But I want to repeat to you what I said to the Senate and what I said to the House 8, 9 years ago, and you honored me by quoting me in your book on this subject.

I said then that the best can be the enemy of the good, and again, again, I am afraid that the combination of those who think that you are trying to do too much and those who think you are not doing enough can combine to defeat meaningful welfare reform this year.

I know the tremendous difficulties involved in establishing a single, unitary system that covers the whole ground. You may not be able to achieve that this year, but there are some things you can do, and you ought to be sure to get started on—a decent, national minimum; bringing in two-person families; relieving the plight of the States and the cities. Let's get started on this tremendous job.

I know that one of your favorite figures in history was a former President, Franklin Roosevelt. I want to conclude with words that

are very well-know, but it goes to the heart of this thing: "The test of our progress," President Roosevelt said, "is not whether we add more to the abundance of those who already have much. It is whether we do enough for those who have too little."

That test requires, Mr. Chairman, that we not delay for 1 day longer than is absolutely necessary, the enactment of a welfare system that assures both security and dignity for all of our people.

Senator MOYNIHAN. I would like to commend the extraordinary clarity of your insight 8 years ago when you would that the good not become the enemy of the best. I do not know whether that is what has happened now, but surely it is something very disturbing. This is the most disturbing day I have had in a year and a half on this committee.

[The prepared statement of Mr. Bookbinder follows:]

STATEMENT OF HYMAN BOOKBINDER, WASHINGTON REPRESENTATIVE
OF THE AMERICAN JEWISH COMMITTEE

Mr. Chairman, I appear here today before this very important committee primarily in my official capacity as Washington Representative of the American Jewish Committee, which has taken an active interest in welfare reform for the past ten years. But I hope also to reflect in this brief statement to you my own deep-felt concerns which are the result of my previous positions and experience. It was my great privilege and honor to serve as Executive Officer of the President's Task Force on Poverty in 1964, serving under Sargent Shriver. After the Economic Opportunity Act was passed by the Congress, I served as Assistant Director of OEO and concurrently, from 1965 through 1967, as Special Assistant to Vice President Hubert Humphrey in the areas of welfare, poverty, and social programs generally.

During these years, it was also my privilege and pleasure to work closely with the distinguished Chairman of this sub-committee, Senator Moynihan. There were great moments of exhilaration and expectations in those years—but also, unhappily, many disappointments and failures. From that experience we have sought, in government and out, to fashion remedies for our social problems which reflect our continuing expectations but also the sobering lessons of the past.

I do not cite this background in order to claim any special expertise in the highly technical problems of welfare administration. There are a number of human-relations and political dimensions of the issue which I do wish to discuss briefly with you. Before I do, however, I would like to submit for the record of these hearings the text of a letter from the President of the American Jewish Committee, Mr. Richard Maass, to President Carter expressing our basic endorsement and support for the principal thrust of the Administration's welfare proposals.¹ In the period since that letter was written we have come to feel particularly strongly about one of the recommendations contained in the letter: the need to co-ordinate and improve the whole range of social services, to help those whose needs are not necessarily related to financial help as such.

Mr. Chairman, early last year I appeared before HEW Secretary Califano and made an appeal to him—an appeal which I wish now to direct to you and through you to the Congress as a whole. That appeal was and is to face a challenge that goes beyond the restructuring of a welfare system which would cut down waste and eliminate even the suggestion of scandal, which would provide maximum incentives for training and rehabilitation and employment, to provide adequate levels of support across the country, and to relieve states and local jurisdictions from the burdens imposed on them as a result of national economic stagnation. These are all legitimate and critical challenges. But there is another—and that is to deliberate and legislate in a spirit of understanding and compassion, to help destroy the myths about the nature of the "welfare mess", to help educate the American public generally about the

¹ See p. 1234.

nature of the problem, and thus to help restore some dignity and self-respect to those Americans who must look to the government to sustain them because of conditions beyond their own ability to control or change. It's time to eliminate some of the social meanness that has developed in our attitudes toward the poor.

It is a tragedy that the word "welfare"—that word contained in the noble commitment in our Constitution's preamble, "to promote the general welfare" . . . should itself have acquired negative, pejorative, even anti-social tones in the public consciousness. And the phrase "welfare mess" has contributed to a public perception of an army of lazy, shiftless Americans who prefer hand-outs to self-sufficiency. It is time to put this whole sorry situation into some proper perspective, and we are hopeful that these hearings and the debate in the Senate itself can help bring about that perspective.

There *is* mismanagement in our welfare and social-service program. There *is* waste. There *is* overlap. There *is* cheating. All this must be changed.

But there is also a lot of good in what we are doing. There are millions of Americans not hungry or less hungry because of our generosity. There are families with roofs over their heads because America cares. There are children who can hope some day not to be on welfare because of the programs we have developed. There are millions of Americans who have been on welfare—but who no longer are, because even in what we all agree has been a messy welfare system, Americans have been able to move into the mainstream of American economic life.

One of the most outrageous, irresponsible myths about poor people generally and welfare clients particularly is that "They just don't want to work. They want to be on welfare or live on food stamps."

Mr. Chairman, it is time to set the record straight. During the years that I served with the anti-poverty program, we developed and implemented one work program after another—Job Corps, Neighborhood Youths Corps, Work-Study program, Foster Grandparents, Green Thumb—and others. Now here's a fact that has not gotten the attention it should have: Without exception, every one of these work programs was always fully subscribed. We had only one continuing, heart-breaking problem: there were never enough slots, as we called them, for those poor people and welfare clients who were desperately trying to get one of those jobs. That, I submit, is the most eloquent refutation of the canard that poor people do not want to work. And in almost every case, taking one of the jobs meant a reduction or total elimination of welfare or other payments.

Last summer we had dramatic illustration of this truth. I assume that the members of this committee saw photographs or TV coverage of the thousands of Harlem youths who lined up—some the night before—to apply for 200 temporary jobs in New York City in the aftermath of the looting that took place during the great "black out."

Recently, I called the appropriate experts in the Labor Department to inquire whether what I recalled from the Sixties was still true today. "And how!" I was told. It was pointed out to me that in recent years a number of states added to their regulations a requirement that welfare recipients able to work would be required to accept jobs offered to them. These states have now dropped the requirement as such because the experiments have uniformly led to the finding that the requirement is not necessary, that when jobs are offered to men and women who can work they take the jobs.

I shall not take the time to discuss in detail another major myth about the welfare situation—the issue of fraud. But I hope that these hearings and your further review will help put that issue in proper perspective.

I am distressed over any cases of welfare fraud—and they surely do exist—but I find it most distressing that poor people are expected to reflect higher standards of ethical conduct than, let us say, income-tax payers, expense-account beneficiaries, highway drivers—or any other groups in our society. A recent study by 18 major social service agencies in New York has provided some useful data about alleged abuses, that only 3% of all welfare clients, for example, are able to hold a job.

Mr. Chairman, you have before you a comprehensive plan for restructuring the welfare system. There will be many suggestions for improving the proposal. I am sure that you will be giving all of these suggestions your careful attention and that they will be thoroughly debated. But I hope that this necessary debate over specific provisions will not detract from the overall goal—

and that differences can and will be resolved so that we can at least start the complicated job of restructuring the welfare system.

In 1970, Mr. Chairman, I appeared before the Senate Finance Committee in general support of the then-pending Family Assistance Plan—the welfare reform program which you had devised. After describing it as “the most exciting and promising program in the domestic field for many, many years,” I warned that the search for perfection was threatening its prospects. “It would be a tragedy of incalculable proportions if understandable concerns about some aspects of the plan should obscure the basic ingenuity and purposes of the central plan and lead to indefinite delay, perhaps preventing passage this year—requiring a new beginning in a new Congress.” I said in 1970 and I repeat today that “the best can be the enemy of the good.” We are again faced today with the possibility, perhaps even likelihood, that a combination of those who think the proposals before you go too far and those who think they do not go far enough will succeed in blocking it in the Congress.

If the Administration in 1970 had not lost interest in its own proposal and had not rejected a reasonable compromise, if the Congress had had the courage to reject the arguments coming at it from both sides and had enacted the basic elements of F.A.P., we would now be operating under a better welfare system, we would by now have eliminated some of the inevitable kinks in it, and we would now be considering further improvements.

From our earlier experience, and from the multitude of studies that have been completed since, we know that there are colossal technical and administrative problems involved in a single, comprehensive, unitary program of income security—and also the difficulties of getting a political consensus for such a comprehensive system. If these cannot be overcome in a single legislative effort—and I do not assume they cannot be overcome—then I hope that we at least take some critical incremental steps this year towards a humane and efficient welfare system. Surely it should be possible in this Congress to establish a decent national floor for welfare payments, to cover two-parent families and childless couples, to establish a large enough public jobs program to provide for all welfare clients able to work, and to provide relief for states and localities burdened by welfare costs forced upon them by national rather than local economic conditions.

I am keenly aware of the fact that welfare reform these days is in tough competition with other great public issues—competing for the interest, the time, and the dollars required with other vital needs: education, energy, business expansion, and lots more. But we dare not forget what Franklin Delano Roosevelt declared forty years ago:

“The test of our progress is not whether we add more to the abundance of those who already have much; it is whether we do enough for those who have too little.”

That test requires that we do not delay for one day longer than absolutely necessary the enactment of a welfare system that assures both security and dignity for all our people.

Senator MOYNIHAN. Mr. Harvey, do not be disturbed because I am. I think that Ms. Ehrman has arrived, and good morning to you.

Ms. EHRMAN. Good morning, Senator. I am sorry I am late.

Senator MOYNIHAN. That is quite all right. You are on ahead of time. Everybody was a little slow this morning.

Mr. Harvey, you are next.

STATEMENT OF JAMES HARVEY, CHAIRPERSON, NATIONAL COMMUNITY RELATIONS, AMERICAN FRIENDS SERVICE COMMITTEE AND ON BEHALF OF FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Mr. HARVEY. Mr. Chairman, my name is James Harvey. I am chairperson of the National Community Relations Committee of the American Friends Service Committee. I am appearing today on behalf of AFSC and the Friends Committee on National Legislation. Both

are organizations connected to the Society of Friends, the Quakers. No organization can speak for the Society of Friends.

I want to point out that I am speaking from our statement that we submitted dated May 4 that replaces the previous statement that we submitted at the canceled hearing.

The views of the American Friends Service Committee are based upon the experience of AFSC's community relations division. Their programs address problems of poverty, exclusion and denial, with community-based projects working in urban and rural settings in many parts of the country. The FCNL speaks to Federal policy issues of interest to Friends. Our views are based upon a commitment to the idea of economic rights—that is, a recognition that certain goods and services are a matter of human rights, just as civil and political rights are human rights.

Among these basic human rights in the economic sphere are income, work, food, shelter, and health care. We are committed to a basic redistribution of income and wealth in this country to be achieved, in large measure, by the revision of government programs and tax policy.

The present maldistribution of income and wealth results, to a major extent, we feel, from discrimination and exclusion because of race and sex. Therefore, the basic question we ask of any welfare reform proposal is whether, and to what extent, it would move in the direction of correcting this maldistribution and its causes.

We find it useful to avoid terms like "recipient" which conceal the human reality of the people we are talking about, particularly the fact that the great majority of people on AFDC are women and the children they care for. These women are black, white, Spanish-speaking, rural and urban. The rest of the people receiving assistance are the old and disabled, also from all population groups.

With respect to the welfare reform proposals now before this committee, we wish to make a number of points.

One, we strongly approve the establishment of a Federal floor for aid to families with dependent children. Women and children in the South suffer now from the lack of a Federal floor. Our experience working in the South has shown us the consequences of the extremely low AFDC benefit levels—malnutrition, bad housing, vulnerability to exploitative employers and lack of hope.

Second, we believe, however, that the proposed benefit levels are too low. We do not understand setting levels at anything less than what the Government itself says is needed for simple survival—that is, the poverty level. A major reason for keeping the levels low, at two-thirds of poverty, is to assure that anyone who can work outside of the home does so. Yet the effect of this provision falls most heavily upon those who are not included in the work component—again, women and the children they care for.

Third, we strongly approve the principal of comprehensive coverage with benefits based upon need and family size. We regret that the current reform proposals contain substantial differentials based upon status, rather than need. For example, there are different benefit levels for the elderly, blind and disabled as compared to

children and parents. Differential treatment in the jobs component between those in public and those in private jobs; and differential treatment of citizens living in Puerto Rico, Guam, and the Virgin Islands.

Fourth, it is our observation that most people at all levels in our economy want to work and do work. The question is not how to provide sanctions against failure to work, but how to provide opportunities to engage in work that is useful and provides adequate income.

Caring for children in homes is important work. It should be recognized as work by being compensated adequately. Opportunities for work outside the home should be made available to all who want work.

In AFSC programs in the South, we know of too many people who work at two jobs just to gain enough money to keep their family going. Of all wage and salary workers in the South, over 20 percent of women and 8 percent of men in May 1977 earned less than \$2.50 an hour and many of these were part time or seasonal jobs; requiring others to work at the minimum wage that is offered to them will not bring them and their families out of poverty, rather, it will lock them in more tightly than ever.

Fifth, another major obstacle to adequate income through employment is the pervasive discrimination against women and minorities. We feel that the jobs portion of the legislation should address discrimination, by, one, establishing priority for women in the public sector jobs to be created under this legislation; and two, stating that nobody should be required to take a job with an employer who discriminates against women and minorities in the higher paying jobs.

Sixth, no one should be required to take a job with an employer who has unlawfully resisted unionization of workers or does not comply with existing regulations regarding safety and health.

Seventh, we are also concerned about the possible effects upon native Americans of the jobs component of the proposed legislation. There are few private jobs accessible to people on reservations. Public service jobs have been an important economic factor. If wages for most CETA jobs are reduced, this would be a serious blow to already impoverished communities.

Similarly, we are concerned about rural areas where low-paying agricultural jobs are the major source of private employment. The proposed legislation holds out only the prospect of other, low-paying jobs on a short-term basis.

A final point on the jobs portion—we are distressed by the presumption that private employment is intrinsically better than public employment. The contrary is often true.

Services to the elderly, the ill, children, the environment are ordinarily public sector jobs. They are more worthwhile to our society than, for example, the manufacture of hairspray or Kepone or bullets. We do not believe that the Government should require people to leave jobs in the first category to take minimum wage—or any wage—jobs in the second category.

We recognize that some of these changes would mean additional costs. We believe, however, the public funds would be far more

efficiently used to help people secure their economic rights and to move toward economic independence than for military expenditures or for across-the-board tax cuts.

Pending comprehensive welfare reform, however, there are steps that can and should be taken to correct the hardships resulting from the disparities of the low levels of AFDC payments. We urge that a Federal floor at adequate levels be established for AFDC and that this be done immediately.

Senator MOYNIHAN. Thank you.

As usual, that was a refreshing, somewhat heretical, and innovative statement; the kind we expect from the Friends Committee on National Legislation.

Mr. Harvey, I was struck by one point. In the emergence here of a new social theory, or rather the formulation of one, you say that the Friends are committed to a basic redistribution of income and wealth in this country. And then you say that the present maldistribution of income and wealth results, to a major extent you feel, from discrimination and exclusion because of race and sex.

Is this backing away from a view that the Friends have had for a long time, that it is the distribution of capital which is the basic source of income disparities in America?

Mr. HARVEY. No; I do not believe it is a backing away. I think it is really reinforcing our previous commitment to redistribution of capital. But we are talking about all forms of wealth.

Senator MOYNIHAN. I observe, in this drift of testimony, a de-emphasis on wealth as a source of the perpetuation of social differences, but that is the old professor talking.

Let's go to Mrs. Ehrman. Good morning.

Ms. EHRMAN. Good morning, Senator. I hope you will not examine me on economic theory.

**STATEMENT OF SARA EHRMAN, WASHINGTON, D.C.,
REPRESENTING THE AMERICAN JEWISH CONGRESS**

Ms. EHRMAN. My name is Sara Ehrman and I am the Washington representative of the American Jewish Congress, a national organization of American Jews. On behalf of my organization, I want to thank you for the opportunity to testify on S. 2084.

With your permission, I will briefly summarize the prepared statement in the interests of time, and I would appreciate it if you would have the entire text inserted in the record of this hearing.

Senator MOYNIHAN. We would most happily do that.

Ms. EHRMAN. In general, we agree with the major thrusts that are embodied in this bill. These include providing jobs for those able to work, increasing the level of benefits and reducing the fiscal burden borne by many States and local governments.

We do, however, wish to present the following recommendations for improvements.

First, the principal earner is defined in title I, part C, section 951(b) as the adult with highest income or most hours worked in the preceding 6 months. We fear that this language will serve to perpetuate the disadvantaged position that women have in our

economy, since it will usually mean that the male in a two-adult household will be the one who qualifies for work training and job placement.

We would like to offer several alternatives: (A) The use of shared time, since many of the jobs originally suggested by the Department of Labor do not require long periods of technical training. We view this as a top priority.

(B) Enable both adults to work or train for an initial period.

(C) Afford adults with a choice of which one in a two person household should be eligible for a job or job training.

Two; regarding eligibility determination, we believe that a prospective accounting period should be used. While this would be more costly than the retrospective system embodied in the proposal, we are deeply concerned that retrospective accounting will deny eligibility to many families in need who have not been able to put aside adequate funds due to their limited income.

We also fear, contrary to HEW tables, that a \$10,600 annual income for a family of four would not enable many families to survive during the proposed full month that they would be required to wait until they were eligible for assistance.

Three; the jobs program. The jobs program could be effective in putting to work many who might otherwise not find employment. However, we believe that the number of jobs called for is far too modest, especially in the CETA program, and we fear that if this program is implemented, it may institutionalize workers in a secondary work force. We therefore recommend that wages be comparable to those paid for similar jobs.

Four; concerning benefits levels, we recommend that those be established at the Federal poverty level and that they be indexed to reflect changes in the cost-of-living. I would like to point out that in New York City, which is often attacked for paying inordinantly high levels of benefits, the 1978 payments were adopted in 1974 and based on a 1971 determination of need. Not many of us are still being paid at 1971 levels, and those who are fixed at the 1971 level are not very satisfied.

We believe that better coordination must be achieved in social services programs. An elderly adult with mobility problems may be required, under the present system, to go to one location for medicare information, a second for medicaid, a third for home care, a fourth place for housing information, a fifth for recreation information, and so forth. We strongly recommend that core centers be established to facilitate the flow of information to the poverty population.

These centers would not provide direct services. They would, in a one-stop location, provide information on services offered.

Finally, while the administration feels that welfare reform must be coordinated with medicaid, the President has indicated that he would prefer that this action be deferred until National Health Insurance is enacted. At the present time, if all indications are to be believed, it seems to be in the somewhat questionable future.

We would therefore suggest that, as a means of immediate fiscal relief, medicaid would be reimbursed by the Federal Government at a uniform 75 percent.

Finally, Mr. Chairman, in January, my organization conducted a so-called welfare workshop at which probably 100 people in the profession, the welfare professions, attended and which was addressed by many of the advocacy group representatives, some of whom are here today. And it occurred to me then, in January, that a good part of my professional life I have walked up and down the halls of Congress and heard about welfare reform and I felt very deeply the absence of people like George Wylie, and presences like his, walking up and down the halls of Congress and pressing for something to be done.

Thank you, Mr. Chairman.

Senator MOYNIHAN. We all miss George Wylie, a dear friend of mine. When he was married in Syracuse, he came to our house for champagne many years ago.

I just have to remark—I want to get back on schedule and Clarence Mitchell has arrived—but I hope that what you have said, Ms. Ehrman, and perhaps what Mr. Harvey said, is not an illustration of what Mr. Bookbinder warned us against.

Most of you ask that the administration's proposal to set benefit levels at 65 percent of the poverty line, which was in the family assistance program, too, be raised to the poverty line itself. Of course, that would mean national payments would go to families of four with incomes up to \$13,000 a year. That would more than double the cost, and I should think it would bring in a program of around \$40 billion.

Unfortunately, we began this morning with testimony from Charles Rangel saying that, in the House of Representatives the administration has taken it off its list of priorities. I fear, if this is so, it is because the President has seen that a program he wanted to come in at zero cost, was proposed at \$7 billion and is now estimated at \$20 billion. The good becoming the enemy of the best is becoming a pattern.

But I thank you very much, and I know that you are as anxious as I am to hear our next witness, and again, my appreciation to you.

Ms. EHRMAN. Thank you.

[The prepared statement of Ms. Ehrman follows:]

STATEMENT OF SARA EHRMAN, ON BEHALF OF THE AMERICAN JEWISH CONGRESS

The American Jewish Congress, a national organization of American Jews, welcomes this opportunity to present its views on welfare reform. For the last decade we have been actively interested in programs to assist all of the poor. Our concern stems from three sources:

1. Our Jewish tradition which teaches us that a society must be judged in part by the manner in which it treats its needy members;

2. The belief that the challenges of anti-Semitism and racism can most effectively be met when greater economic opportunities have been created for the entire community. Democratic living is only possible when freedom from fear and freedom from want have been securely established. The fight to achieve a fair and adequate national welfare program is therefore a fundamental part of our struggle to end discrimination in all of its forms.

3. Recent demographic studies of the American Jewish community which have demonstrated that it has its share of poor, especially among the elderly. These poor include many who are foreign born, have limited education and live in deteriorated neighborhoods. They suffer from the wide range of problems associated with poverty and they share with many other elderly a pride that often prevents them from admitting their circumstances and seeking benefits for which they may be eligible.

In the last few years AJCongress has engaged in many activities aimed at improving the status of the poor. These include testifying before legislative and executive bodies on improvements in the Medicaid and Medicare programs (especially concerning nursing homes and home health care), sponsoring an information and referral service to make the needy more aware of the benefits to which they are entitled and publishing English and Yiddish informational booklets—at times upon request of the Social Security Administration—on public and private programs for the poor. We also sponsor a volunteer legal assistance program for the needy in six cities, visit patients in nursing homes and have been involved in major litigation to make government programs more responsive to the needs of the poor.

Less than three months ago, we sponsored a major all-day workshop in Washington on the President's welfare proposals as a means of informing the public about his suggestions for changes and possible alternatives that are deserving of consideration. More than forty national groups were in attendance at our meeting in the Russell Senate Office Building to hear diverse spokesmen representing the Administration, Congress, community groups, universities and policy institutes. The remarks that follow benefited from consideration of the pending proposals by this workshop, contact with the poor, welfare administrators and academicians and intensive discussions by our highest governing bodies.

S. 2084

The Administration's bill, S. 2084, sponsored by Senators Moynihan, Williams and Javits, would overhaul the welfare system and replace most existing programs with an entirely new one. The major components of this program are a work-benefit plan which would require those on assistance to accept available jobs or training opportunities; income supports for the aged, blind and disabled and single parents of children under age 14; and, the creation of up to 1.4 million public service jobs for low-income families who could not find jobs in the public and private sectors. The plan would also expand and provide increased tax relief to the working poor and guarantee states a minimum 10 per cent reduction in current welfare expenditures. It would at the same time eliminate such major federal programs as Aid to Families With Dependent Children (AFDC), Food Stamps and most jobs under the Comprehensive Employment Training Act (CETA).

We agree with the President that the time is ripe for major changes in the welfare system. Much that he proposes is worthwhile, including creating jobs and making them available to those able to work, increasing the level of benefits of some families on assistance and alleviating part of the financial burden borne by the states and local communities.

We differ, however, with many of the specific parts of the President's proposals and call for changes in his welfare reform package that would improve the proposed public service job program, increase cash benefits up to the federally defined poverty levels and better coordinate social service programs with welfare reform. In addition, we believe that fiscal relief must be provided for the cost of Medicaid borne by local governments, the procedure for eligibility determinations must be improved and more women should be eligible to qualify for public service jobs and work training opportunities.

Jobs program

The jobs program provision in S. 2084 would continue to impose a work requirement on adults and also offer them employment opportunities. Up to 1.4 million public service jobs would be created for principal earners in families with children. While most would be at the minimum wage, approximately 15 percent would pay 25 percent above this figure, thus providing incentives for promotion.

There is a high degree of acceptance by the public and many government officials of the need to provide jobs for the needy. It is clear that those able to work ought to work and for the most part want to. What is usually lacking is not the desire, but the job. This program would accomplish part of that goal by targeting jobs to those who normally would not get them. Furthermore, it contains a work incentive which would allow those who are employed to receive higher benefits.

The major difficulties we have with the public service jobs are (1) their limited number, (2) the fear that most of them will not enable their holders to transfer into permanent positions in the public or private sectors of the economy and (3) their low wages. Turning to the number of jobs first, the 1.4 million jobs do not all represent new positions. Included in this total are approximately 750,000 CETA slots that will be eliminated. (With several large cities depending on CETA for 10 to 20 percent of their work force, this will have a severe negative impact on the viability of the affected areas.) Since the 650,000 additional jobs will probably not provide work opportunities for more than a small percentage of the needy, their number must be expanded.

In theory, the proposed jobs are merely temporary measures of up to one year which will last until those on welfare can find employment in the private sector. However, most of our nation's older areas are losing private sector job opportunities and it will therefore not be possible to pick up all of those enrolled in welfare jobs. Also, in light of the fiscal crunch on the local level and the projected loss of most of the jobs under CETA, it appears unlikely that state or local governments will be able to transfer those in the public service jobs to permanent positions.

The salaries for 85 percent of the 1.4 million jobs will be at the minimum wage while CETA positions pay the prevailing wage. This will lead to many situations in which those holding such positions are working alongside of other employees earning much higher wages. It is our position that people performing the same work should be paid comparable wages. The failure to do so will only lead to widespread dissatisfaction and abuse of the employment component of welfare reform. This may be manifested by institutionalizing a large number of low paid workers in a secondary work force and is also susceptible to employer abuse. It almost seems as though the underlying thesis of the jobs program is that by making them unattractive, we will force people into private employment. This ignores the paucity of available positions in that sector for the welfare population.

Benefit levels

The basic annual benefit paid to a family of four with no other income will be \$4,200. The aged, blind or disabled individual will receive an annual benefit of \$2,500, and couples will receive \$3,750. A single individual who is neither aged nor disabled will receive \$1,100 and the childless couple will receive \$2,200 if no job is available.

The basic federal cash grant of \$4,200 will unquestionably represent an improvement for poor people on public assistance in those states which have the lowest benefit levels. However, since this figure represents barely two-thirds of the poverty level, it leads one to question the Administration's seriousness in seeing that all children are provided with a fair start in life.

We recommend that the basic federal grant be established at the federally defined poverty level. Furthermore, it should be indexed to reflect increases in the cost of living. The latter would overcome the not uncommon situation found in New York State where public assistance benefit levels in 1978 are still based upon a 1971 determination of need.

The Administration also proposes, as an incentive to seek and accept employment, that heads of households be denied benefits during an initial job search period. This would result in annual benefits of \$2,300 for this family during this period. The only purpose we can see to this is to starve the family into finding work. We recommend for the period in which a family member is looking in good faith for employment, that their benefits equal the poverty level.

Failing this, they should at least equal the benefits paid to a family of four that is not seeking employment. Additionally, the incentive to encourage families to stay together must be improved so that the father is not encouraged to leave the household in order to increase total assistance.

Relationship between public assistance and social services

Under present law, individuals and families eligible for public assistance are also frequently eligible for a variety of social service programs. These include child care, legal services, school lunches, meals for the elderly and counseling with respect to employment, housing family planning and health.

While social services are not a substitute for an adequate level of benefits, they can be useful in making sure that the poor make better use of their cash

payments, while also providing information regarding other opportunities and resources for which they may be eligible. However, the social services programs contain two problems that require action: the need for a coordinated approach and the need for expanded programs.

The development of a coordinated social services program would help eliminate fragmentation among agencies and units of government, the lack of strict accountability and the added expenses brought on by overlap and duplication of services. Additionally, it would change the situations in which access to services by the public at large is determined more by chance than by design. Too often the availability of particular services in a given community depends more on historical factors than on present needs.

There is a need for a "supermarket approach" to providing services, especially to the elderly. In hearings held on welfare reform in Region II, one of the major conclusions was that "*Many people, particularly the elderly, express concern over lack of coordination among programs and the dearth of funds to provide quality services.*" [Their emphasis.]¹

The problem for the elderly is especially exacerbated by their limited physical mobility. Yet, they may find Medicare problems handled at one location, Medicaid at a second and home health care at a third. Interest in a job program, recreation, meals and housing may all require additional trips to separate offices. Under these circumstances, it is very difficult to see how these people will be able to benefit from all of the services to which they are legally entitled. Similar situations confront other groups on public assistance.

What is required are local core centers which will inform the targeted population of all social services and welfare benefits for which they might be eligible in their communities. Such centers, which would not be responsible for operating programs, would be a more efficient way of providing information, making referrals and determining eligibility. The actual services would be delivered in other locations.

Child care programs must also be better coordinated with welfare. It is not enough to suggest that child care expenditures of up to \$150 per month will be taken into account in computing benefits. If a parent is going to be required to engage in employment or work training, then the child or children should be assured of places in day care programs. Moreover, efforts must be undertaken to insure that such programs function as educational and cultural programs rather than merely as baby sitting services.

The need to expand social service programs is also clear. In the entire nation, but 400,000 of the elderly receive meals under programs funded under the Older Americans Act. This is so in spite of the fact that such programs can be effective in preventing far more costly institutionalization. Similarly, the number of day care slots for which federal assistance is available are but 500,000. (Hopefully, the Administration will fulfill the Department of Labor's suggestion that 150,000 of the 1,400,000 proposed jobs be used to provide child care.) With the Congress and the President interested in a widespread overhaul of our welfare program, these areas deserve serious consideration.

Medicaid

Under Medicaid, the federal government, states and localities pay providers of medical services to give care to the poor. People on AFDC and SSI are automatically eligible for this program and, in more than thirty states, those with high medical bills may also be eligible.

In 1977, Medicaid expenditures of \$18 billion exceeded the combined costs of AFDC and HR by \$4 billion. Additionally, this program enrolled more beneficiaries than all other government programs outside of Social Security. The number of people on Medicaid is more than double the number of those receiving benefits under the AFDC program. These figures indicate the overall size of the Medicaid program. When one considers that the local share in some states is 50 percent of the total cost, the size of the local fiscal burden becomes clear.

While the Administration's position is that Medicaid should be coordinated with welfare reform, they have concluded that this would be best dealt with

¹ Department of Health, Education and Welfare, Region II, "Welfare Reform: Final National Summary Report on Regional Outreach," (New York: HEW, April 15, 1977, p. G-2).

as part of a forthcoming national health insurance proposal. At a meeting in the White House held two weeks ago, President Carter promised to publish within the next few months a statement of general principles on health insurance. However, the earliest timetable for the implementation of such legislation would probably be at least four years away. During this period, states such as New York, Illinois, California and Maine will continue to pay 50 percent of the costs of Medicaid, a figure that will exceed their costs for public assistance.

While we are in agreement with the ultimate need for national health insurance, since the implementation of such a program will require a long time, we recommend that the proposed welfare legislation incorporate a new Medicaid reimbursement formula at the same time that it initiates welfare reform. As a first step we suggest that a uniform medical assistance reimbursement formula be adopted that would have the federal government pay 75 percent of Medicaid costs, with the remaining 25 percent paid by the states and localities. This would provide immediate fiscal relief and avert the possible bankruptcy of several cities.

Eligibility determination—accounting period

Under the current programs, eligibility determinations vary from category to category. For example, under the AFDC program, the accountable period is one month prospective, while under the SSI program, it is three months prospective.

The Administration's proposal will measure income retrospectively, using an applicant's income for the preceding six months. Several advantages are cited in determining need on the basis of past income, including avoidance of overpayment, making it more difficult to manipulate income and increasing the likelihood that families with similar annual incomes will receive similar benefits.

However, under this proposal a family with no prospective income could be refused assistance due to earlier income. It is unreasonable to believe that such a family, one which had earnings just above the poverty line a few months before applying for assistance, would have saved much money.

We recommend that a prospective accounting period be used and not a retrospective one. Families that have expended their resources should have their eligibility determined not on the basis of how much was earned in the past, but the likelihood of earnings for the future. The failure to base eligibility determinations in this manner will deny eligibility to many families in genuine need. We are not unmindful that our recommendations would lead to considerably added costs. However, it is our belief that in the interests of equity these costs are worthwhile.

Principal earner

Where there are two parents in a family, it is the principal earner who will be expected to work. According to the proposed legislation, the principal earner is the one with the highest earnings or the most hours worked in the previous year.

The problem with this language is that it would perpetuate the situation in which the woman in the household is historically far less likely to establish a work record. Special efforts must be initiated, with appropriate monitoring, to train people to qualify as principal earners. One alternative where both spouses are in the household, is that they be provided the opportunity to decide which of the two shall be eligible for a job. Beyond this, there is also the possible use of shared time and even having both spouses work if they are amenable to doing so. The failure to incorporate one or several of these changes will only perpetuate the poor position that women now have in our economy.

CONCLUSION

In conclusion, we believe that S. 2084 represents an important move in the right direction. By incorporating the recommendations suggested here, the Administration's proposals would be significantly improved. We urge that this Subcommittee seriously consider them prior to taking action.

Senator MOYNIHAN. And now, the committee has a distinctive honor in welcoming a gentleman familiar to this committee for his towering reputation and for his deep involvement in such matters as the oil depletion allowance.

Clarence Mitchell, there is not a more distinguished spokesman on social matters and constitutional questions in this country today. You have often been referred to as the 101st Senator, and with good reason. There are few men in our age who have contributed as much to the work of this body.

We welcome you.

Mr. BOOKBINDER. Some of us call him the first Senator.

Senator MOYNIHAN. The first Senator. Well, I have at this moment no problem with the leadership, and I do not want any.

I should tell you before you speak, sir, that we had some very discouraging testimony from Charles Rangel who came over and opened up this morning's hearings. He said that he had met with the leadership, in the House, once again, this morning and that welfare reform is not on the priority list of 10 bills sent over by the White House.

So this is not a very happy day, saving for your presence. Good morning.

STATEMENT OF CLARENCE MITCHELL, DIRECTOR, WASHINGTON, D.C. BUREAU, ON BEHALF OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. MITCHELL. Mr. Chairman, I must reply to the expressions of good will that you extended. In fact, I had intended to say this before you were generous enough to compliment me.

It is my opinion, from my knowledge of what you tried to do on welfare reform long before it was apparent that you were coming to the Senate, that you have a record of deep commitment to help the poor.

You referred to George Wylie awhile ago. As you will remember, when you were a part of the executive branch of Government, we sometimes met with you and George, as well as with some of his followers. What always struck me about your attitude in those meetings was the demeanor in which you conducted yourself, showing sympathy and understanding even under circumstances where some were not quite as civil as we had expected, or might be led to expect.

It is my opinion that if this legislation becomes law—and I am aware of the difficulties with which we are confronted—you will certainly deserve the top priority in being commended for the leadership that you have given, before you came to the Senate and now in the Senate itself.

Having said that, I call attention to the fact that I have a very brief statement which really represents not only the views of the NAACP but the Leadership Conference on Civil Rights.

Senator MOYNIHAN. The record will so state. We have it that you are indeed speaking for the Leadership Conference on Civil Rights as well.

Mr. MITCHELL. The Leadership Conference on Civil Rights has a somewhat longer statement which was approved by our executive board, and I would like to offer that also.

Senator MOYNIHAN. That will be made a part of the record.

Mr. MITCHELL. The position of these organizations and those who just preceded me are in the Leadership Conference. The position was taken after very careful study and necessarily shows a kind of common denominator of views. Therefore, it seems to me that the safest thing to do would be to summarize what we are advocating.

First, we are advocating a uniform national benefit program that will be set at the poverty level with automatic adjustment for the cost-of-living increases.

Second, adequate fiscal relief would be guaranteed to the hard-pressed States and cities through the Federal Government's assumption of the total cost of such benefits over a period of 4 or 5 years.

Third, persons and families be assured that they will not receive benefits below those which are now payable in the States in which they reside, at least to the extent that such payments are comparable to the poverty level.

Four, the existing food stamp program be continued, at least until the benefits paid are equal to the poverty level.

Five, jobs in both the public and private sectors pay at least the prevailing wage for comparable work where such work exceeds the minimum.

Six, jobs created in the public sector not be viewed as inferior to private sector employment. The earned income tax credit and other benefits should be applicable to all public sector jobs.

Seven, eligibility be based on current needs; for instance, a 6-month retrospective accounting period should be opposed.

Eight, provision of Federal funds be made for job training efforts that will enable welfare recipients to qualify for decent jobs.

Nine, existing medicaid eligibility standards be maintained in the expectation that a National Health Insurance Act will be passed and become effective in 1981.

I call attention also, Mr. Chairman, to the fact that the typographical error on the first page of what I have just given, it says S. 2184. It should be S. 2084.

That concludes my statement.

Senator MOYNIHAN. Well, as usual, you are concise and to the point. I see, as you suggested, that the Friends Committee and the American Jewish Congress are part of the Leadership Conference, and that you all are together in wanting the benefit level set at the poverty level. You do recognize the difficulties, the damnable difficulties, that Anderson pretty well illustrates in his book that if you go up to the poverty level, before benefits start declining you have got to go to at least double that level before benefits cease. Suddenly you are out with people making \$13,000 a year, who are not thought of as people who need income supplementation, and that would be about 40 percent of the American population.

Mr. MITCHELL. The problem, as you will remember from the last time that you were working on this before you came to the Senate, was just that kind of thing, the belief of people that some would get

too much and others who felt that, while it might raise the level of benefits for people in the South and some other parts of the country, it might lower the level of benefits for those in New York and other places.

But I think these are problems that we just have to face.

Senator MOYNIHAN. Well, you know, in the House bill, what Congressman Rangel refers to as the subcommittee bill, there is a grandfathering of payments for people in high-benefit States. Anyone now receiving them would not be affected, although new people coming into the system would be.

It is an effort to cope with that problem.

As you know, we have had discouraging testimony from Mr. Rangel, but while this legislation is technically revenue legislation and must begin in the House, we have a prospect in the Senate. We have a bill here that we can send back to the House, and it would be possible to put some welfare measures on it. We also have a proposal before us which has been submitted by Senators Baker and Bellmon and Senators Ribicoff and Danforth, both members of this committee. This bill enjoys the reputation that you would expect with such sponsors.

Has the Leadership Conference been able to address the issues in this bill—we call it the Baker-Bellmon bill for short? Have you had a chance to look at it?

Mr. MITCHELL. We really concentrated on the administration's proposal—

Senator MOYNIHAN. Yes; this is new. It is only within the last few weeks that this has come forth.

Mr. MITCHELL. And because of the diverse nature of our organization, we always try to insure we touch bases with everyone before we take a position, so I could not say.

I would say, with respect to the procedural question, though, that you raised, we have done that before, that is, where we found ourselves facing a stalemate in the House on a given matter, we would, by amendment in the Senate, send a broader bill back. Indeed, that is the experience that we had in the passage of the 1968 fair housing bill. We got through a provision in the House which really related to the criminal code, but in the Senate, we were able to amend that and then it went back to the House for consideration and it did become the law.

So the procedure of using a Senate vehicle to amend a bill which receives favorable consideration is something, it seems to me, that we ought to try if we feel that we are in a relatively hopeless situation.

Senator MOYNIHAN. All right. I think that is perhaps wise counsel from a man who knows the procedures.

You see, the point is that the President's bill has a total gross cost of \$42 billion and a new net cost of \$17.4 billion. The Baker-Bellmon bill comes out at \$8 billion to \$9 billion, which is more than the President's original estimate. It may be that the Baker-Bellmon bill will have some more traction in that it will not cost so much, and it keeps the momentum going.

Why do we not leave it that we are still expecting the House to act and that, if it should come about that this is not possible, we

will adopt the Mitchell strategy and see if we cannot send something over to them and have some friends there waiting for it.

Sir, it was most thoughtful of you to come. It is important that you should be here today. This is not the first cause you have seen go through a somewhat gloomy passage and yet, nonetheless, revive. I mean, look at you. You are still smiling, and you have been in this business 40 years.

Mr. MITCHELL. I would say, Mr. Chairman, that you are absolutely right, with respect to the need to maintain the belief that these laws will pass. It is my personal knowledge from involvement around here that almost every favorable piece of social legislation, every piece of civil rights legislation, was thought of as something impossible of passage, when I first came to Washington some 40 years ago.

I have lived to see the day that these things become possible when the people are aroused. It is my belief that that welfare reform will become the law, and that everybody will be glad it happens when it does happen.

I think it is very important never to give up; just as you are thinking of possible alternative approaches even though you have some bad news, I am no stranger to that kind of thought. I have seen predictions that bills we wanted could not pass and then that same Congress passed them.

I share your determination and certainly want to pledge, in every way that I can, to be a part of your effort to get this done.

Senator MOYNIHAN. Let that go down as Mitchell's Law, to wit: the impossible takes a little longer.

Thank you very much. It was very good of you to come.

[The prepared statements of Mr. Mitchell follow:]

STATEMENT OF CLARENCE MITCHELL, DIRECTOR OF THE WASHINGTON BUREAU OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. Chairman and members of the Committee, thank you for this opportunity to present testimony on proposed legislation on welfare reform.

Today, I am representing the National Association for the Advancement of Colored People as director of its Washington bureau. However, I am also chairman of the leadership conference on civil rights. The leadership conference has been in existence for twenty-eight years and it is presently composed of 147 organizations.

The administration's proposal (H.R. 9030-S. 2084) for welfare reform represents a significant step toward the development of a federalized system through the establishment of both a minimum benefit level applicable to all states and a single set of eligibility and benefit standards. The proposal also recognizes that adequate welfare reform will cost additional dollars and that there is need for fiscal relief for states and cities presently overburdened with welfare costs. We think that the extension of the program to two parent families, single individuals and childless couples whose income is below fixed levels represents acknowledgement of a need for universal coverage that is long overdue. We also support provisions for the creation of jobs for those who want to work or for those who are expected to work as a condition of receiving cash assistance.

The summary of a long statement agreed upon by the constituent organizations of the leadership conference is as follows:

1. Uniform national benefits be set at the poverty level with automatic adjustments for cost of living increases.

2. Adequate fiscal relief be guaranteed to hard-pressed states and cities through the federal government's assumption of the total cost of such benefits over a period of four or five years.

3. Persons and families be assured that they will not receive benefits below those which are now payable in the states in which they reside—at least to the extent that such payments are comparable to the poverty level.

4. The existing food stamps program be continued at least until the benefits paid are equal to the poverty level.

5. Jobs in both the public and private sectors pay at least the prevailing wage for comparable work where such wage exceeds the minimum.

6. Jobs created in the public sector not be viewed as inferior to private sector employment. The earned income tax credit and other benefits should be applicable to all public sector jobs.

7. Eligibility be based on current needs (the six month retrospective accounting period should be opposed).

8. Provisions of federal funds be made for job training efforts that will enable welfare recipients to qualify for decent jobs.

9. Existing Medicaid eligibility standards be maintained in the expectation that a national health insurance act will be passed and become effective in 1981.

PROPOSED STATEMENT ON WELFARE REFORM

(NOTE.—A redrafting committee, under Leonard Lesser, Center for Community Change, has redrafted this statement to reflect the changes suggested at the last meeting of the Executive Committee.)

The Administration's proposal (H.R. 9030; S. 2184) for welfare reform represents a significant step toward the development of a federalized system through the establishment of both a minimum benefit level applicable to all states and a single set of eligibility and benefit standards. The proposal also recognizes that adequate welfare reform will cost additional dollars and that there is need for fiscal relief for states and cities presently overburdened with welfare costs. We think that the extension of the program to two parent families, single individuals and childless couples whose income is below fixed levels represents acknowledgment of a need for universal coverage that is long overdue. We also support provisions for the creation of jobs for those who want to work or for those who are expected to work as a condition of receiving cash assistance.

While these are pluses that merit general support, unfortunately they do not go far enough toward establishing a program that will provide people with recent jobs or an adequate income. They do not do enough to offer states and cities immediate relief. Further, the wages for the public jobs which are created and the private jobs which employable applicants are required to accept will undercut the wage standards of workers in both public and private employment.

Looking to those who are classified as not expected to work, the Federal benefit level of \$4200 for a family of four is less than two-thirds of the poverty level; and is less than the combined amount of cash and food stamps which families in 38 states are receiving under current programs. And while the benefits of the existing Food Stamp and the Supplemental Security Income (SSI) program for the aged, blind and disabled, both of which are eliminated by H.R. 9030 and S. 2184, are automatically indexed to increases in the cost of living, the proposal contains no provisions to assure that the benefits which are proposed in their place will be raised to keep pace with increases in the cost of living.

We recognize that H.R. 9030 and S. 2184 contains financial incentives designed to encourage states to supplement the basic federal benefit, through provisions for federal sharing in the cost of the supplemental benefits. But the federal share offered in these incentives should be higher than the Administration proposes if the benefits paid to recipients and the relief for states and cities is ever to approach an adequate level. The incentives aimed at encouraging supplemental benefits are only applicable to the first three years after enactment. However, the declining amounts which the States are authorized to spend under the President's bill, are unlikely to produce much supplementation in other than the first year.

We recommend a specific requirement for State supplementation to assure that individuals residing in States where existing benefits are greater than the amounts provided by H.R. 9030 are not hurt. Even the provisions aimed at protecting the aged, blind and disabled are applicable only to current recipients

and provide no protection for those who become aged, blind or disabled after the proposal becomes effective.

This country can certainly provide benefits to all persons and families not expected to work at least equal to the poverty level. If current budget priorities preclude the immediate enactment of such benefit levels, we would urge that the legislation contain a specific timetable for raising the Federal payments to such levels. Food stamps should not be eliminated until the benefit is at least adequate to assure that no person or family must live at less than the poverty level.

When one turns to those individuals and families that are expected to work, the inadequacies of the proposal become most revealed. These millions of persons would be treated as second-class citizens both as to work which they will be required to accept and the benefits which they will receive during certain periods when no job is available to them.

For the first five weeks for which they are claimants, they will be forced to seek work in the private labor market (regardless of the levels of unemployment) and to accept any job with a private employer which pays at least the minimum wage even though it is less than the wage which prevails for similar work in the locality.

During this period of job search, a family of four would be paid \$44 a week (\$2300 on an annual basis) only \$5 more than it would now be entitled to under the existing Food Stamp Program. In contrast, such family would be entitled to \$81 (\$4300 on an annual basis) if the family head was not expected to work. The payment of such a meager stipend can only be based on the premise that near starvation is a prerequisite to poor people accepting work—although experience under all programs has demonstrated that the number of applicants has greatly exceeded the number of available jobs.

At the expiration of the five week period, if no private job has been made available, the family of four will continue to be paid the sum of \$44 a week for an additional three week period during which attempts will be made to place the individual who is required to work in a publicly created job.

While we strongly support the creation of public service employment on the basis of productive work that needs to be done in local communities, we strongly believe that such jobs should pay the wages which prevail for such work. We see no reason why poor people who are required to perform such work should be paid lower wages than other persons performing identical work.

We also believe that the Administration proposal should make a more specific commitment to job training as part of its reform package. At present, the proposal simply mentions training but leaves actual implementation strictly to the states. Given other demands placed on states, we believe that specific sums provided for in the bill should be set aside for training purposes since it is only fair that work requirements be accompanied by job preparation.

While the payment of the minimum rather than the prevailing wage may create more jobs for the amount of money allocated, the jobs will produce less benefit for the community and do little to enhance the self-respect of the individuals who perform the work at the lower wage. The provisions of the Bill which would supplement their income through a reduced welfare payment do nothing to remove the stigma of their being considered welfare recipients and eliminating the public misconception and rejection of "welfare."

The problem is made more acute when one recognizes that the 1.4 million jobs which the Administration claims will be created under the "Better Jobs and Income Act" will include the 725,000 jobs created under Title VI of the Comprehensive Employment and Training Act, which contains provisions assuring the prevailing wage to the job recipients.

We would also point out that the provisions of the Youth Employment Act, the Federal Unemployment Tax Act which govern the provisions of all State unemployment compensation laws, all contain such protections. So too did the provisions of the Family Assistant program as proposed by the President in 1969 and passed by the House. The provisions of H.R. 9030 and S. 2184 should do no less.

We are concerned about the provisions which would deny the Earned Income Tax Credit to the holders of the jobs created under its provisions.

While we agree that one must look to the private economy for the bulk of jobs, yet there is an important role for government job creations in achieving

a full employment economy. Shifts to the private job market when jobs are available can be accomplished through the phasing out of government created jobs and the referral of the workers to available jobs in private industry. It does not require the downgrading of public service employment through the payment of inadequate wages or the failure to treat it in other respects as productive and worthwhile employment. Certainly the kind of employment which the Administration has indicated it intends to create, such as public safety, school aids, day care and other public service jobs, are as socially productive and should be treated with no less respect than millions of jobs performed in private industry.

In summary, we urge that:

1. Uniform national benefits be set at the poverty level with a definite timetable for staging, if fiscally necessary, and with automatic adjustments for cost of living increases.

2. Adequate fiscal relief be guaranteed to hard-pressed states and cities through the federal government's assumption of the total cost of such benefits over a period of four or five years.

3. Persons and families be assured that they will not receive benefits below those which are now payable in the States in which they reside—at least to the extent that such payments are comparable to the poverty level.

4. The existing Food Stamps program be continued at least until the benefits paid are equal to the poverty level.

5. Jobs in both the public and private sectors pay at least the prevailing wage for comparable work where such wage exceeds the minimum.

6. Jobs created in the public sector not be viewed as inferior to private sector employment. The Earned Income Tax Credit and other benefits should be applicable to all public sector jobs.

7. Eligibility be based on current needs (the six month retrospective accounting period should be opposed).

8. Provision of federal funds be made for job training efforts that will enable welfare recipients to qualify for decent jobs.

9. Existing Medicaid eligibility standards be maintained in the expectation that a National Health Insurance Act will be passed and become effective in 1981.

Finally, we strongly oppose adoption of the Senate version of H.R. 7200 either as a separate bill or as amendments to the Social Security Financing bill. Adoption of such amendments will have a harmful effect on current efforts to reform the welfare laws.

Senator MOYNIHAN. And now we have Ms. Brookins, who arrived on the train from Philadelphia, no doubt, just a few moments late. We knew you were coming, and we are happy to have you.

Ms. Brookins is the executive director of the Philadelphia Welfare Rights Organization, and you are accompanied by?

Mr. WEISAUB. I am Richard Weisau from the Philadelphia Community Legal Services.

Senator MOYNIHAN. Good morning. We are glad to have you here.

Mr. WEISAUB. I am glad to be here, Mr. Chairman.

Senator MOYNIHAN. Ms. Brookins?

STATEMENT OF LOUISE BROOKINS, EXECUTIVE DIRECTOR, PHILADELPHIA WELFARE RIGHTS ORGANIZATION, ACCOMPANIED BY RICHARD WEISAUB, PHILADELPHIA COMMUNITY LEGAL SERVICES

Ms. BROOKINS. Good morning, Senator Moynihan and forgive me for being late, but that traffic coming down is something.

Mr. Chairman, Senators, ladies and gentlemen. Thank you for the opportunity to testify today. I am Louise Brookins, executive director

of the Philadelphia Welfare Rights Organization and chairwoman of the Pennsylvania State Welfare Rights Organization, a coalition of local WRO's around the State.

As many of you know, we have been vocal in advocating the rights of poor people since our inception, when it was generally felt that poor people had no rights. We have gained some rights since then but, if the legislation before this subcommittee is any indication, we face a constant fight to keep those rights and to establish that most elusive right, the right to be free from hunger and despair. The right to a minimally adequate income is long overdue in this wealthy country.

This is what welfare reform should be all about—reform that will put an end to hungry children and desperate senior citizens. Reform that will allow people to put an end to the rats and squalor of North Philadelphia.

In the limited amount of time that I have to testify, I am not going to try to discuss in detail the shortcomings and merits of individual proposals. Attached to the copy of today's testimony is PWRO's detailed position paper¹ on the President's program.

What I would like to do is outline some of the principles that are essential to—

Senator MOYNIHAN. We will make your full statement a part of the record.

Ms. BROOKINS. Thank you.

What I would like to do is outline some of the principles that are essential to true welfare reform. Some may think that these principles are too simple or obvious, but they must be repeated because we see one congressional proposal after another, from FAP to JIP, that ignores some of all of these fundamental rules.

Adequate income for all. No welfare reform—

Senator MOYNIHAN. I am going to have to interrupt you for purposes of making our record clear. By "JIP," I suppose you mean the President's better jobs and income program?

Ms. BROOKINS. Better jobs and income program.

Senator MOYNIHAN. I could have thought up a happier acronym, but it is not your thought. Go right ahead.

Ms. BROOKINS. No welfare reform proposal deserves that name if it does not guarantee a minimally adequate income for survival. It is a moral outrage for the leaders of this country to make proposals that do not guarantee that every American will at least live at the Government's poverty level. For years, WRO has urged the leaders of this country to adopt the BLS budget as a goal that will put an end to poverty. For years we have been told that this is an unrealistic request. We feel that it is not, but we challenge you to come up with a livable standard based on what people need to live in decency.

The biggest problems with all of the existing proposals is that they start with a preconceived notion of how many total dollars should be spent and then they go on about making rules to divide up this inadequate amount. I cannot tell you how disappointed we were when President Carter announced that one of these principles for

¹ See p. 1260

reform was that his new program cost no more than the existing one. This is not reform—it is a new shuffle from an old, stacked deck.

I am here to ask you to reframe the debate on welfare reform. Let's start by talking about how much people need to live and let's get specific. We should talk about how much it costs to feed a family, how much it costs to buy clothing and decent housing. You decide that this country cannot afford to maintain people at a level of minimal adequacy; we may not agree with your figures on how much people need; at least, the main issue—how much people need to survive—will be out in the open.

All of the programs before Congress seem to forget this. Mr. Ullman forgets this when he puts forth a proposal that all families get the same amount, regardless of family size. The Baker-Bellmon bill forgets this when it sets a target of 55 percent of the poverty line in 1981. I could give you more examples, but I think you get my point.

We are not asking the unreasonable; we are asking for a grant to allow people, with no other income alternatives, to live in a dignified, healthful manner. Such a suggestion can hardly be called outrageous in this, the richest country in the world.

For those people who could work if there were jobs, decent work which provides real service to the community must be provided. I must stress that welfare recipients want to work. They want real jobs that provide benefit to society and pay decent wages. They do not want to work off their inadequate grants at depressed wages in jobs that provide them with no training and no chance of advancement.

What troubles me about all the proposals is that none truly guarantees a job. Our own experience has shown us that there are many people who want to work—certainly many more than the Carter proposal plans to provide jobs for.

I challenge this country's leadership: If you think that able-bodied welfare recipients should work, guarantee them a decent job, and the services, especially child care, that they will need to take them.

We also support steps, like the Baker-Bellmon bill, that will encourage job creation in the private sector. We also urge that the Federal and State Governments take affirmative steps to hire welfare recipients. Such steps could be taken through a preference system for recipients much like the present preference for veterans.

One of the most inhuman aspects of the present system is the indignity that it subjects people to. There is tremendous need for a simple, demystified system. Such a system must include: One, assistance based on current needs; two, uniform Federal policy that must be followed and a bureaucracy capable of dealing with the program; three, a flexible, adequately funded emergency assistance program; four, guarantees of prompt determination and payments and access of recipients to the system; and five, universal coverage.

National Health Insurance with a sliding premium scale must replace the massively expensive, corrupt medicaid program. Only when the rich and the poor have access to the same medical care will those services be adequate and the least vulnerable to abuse by care providers...

Thank you for this time. I hope you will act on what was said.

Senator MOYNIHAN. Well, we thank you, Mrs. Brookins. You come from an organization, of course, which is well-known and respected in this field.

I would like to ask you a number of things, in particular, the matter of the title IV-D program. We have heard a lot of testimony about that in the course of the past 4 weeks of hearings. We have heard it, however, from administrators and social workers and people who are interested in these matters. We have not yet heard it from people who were actually caught up in the experience.

Title IV-D is the program which requires parents, typically I suppose, fathers, of dependent children to contribute to their support when that is possible. In the testimony which Martin Anderson gave to us on Monday, he referred to a passage in his book on welfare in which he makes a considerable point about this.

He says.

For every absent parent who can be required to contribute to the support of his or her spouse and children we could remove, on the average, three or four people from the welfare rolls. If only as a matter of justice, parents who desert their families should be tracked down—across State lines if necessary—and required to provide a reasonable level of support.

Now, actually, Pennsylvania is pretty good in its program. In the ranking of collections, it ranks fifth in the Nation and about 21 in the ratio of collections to expenditures.

It has seemed to some of us that this addresses a legitimate question of women's rights. Most of the dependent families are headed by females, whose husbands have abandoned them, and who in most cases, are not contributing to the support of their children.

The question of how much effort should be put into the program is an important one. What is your view, as an organization representing recipients for whom this is a real-life situation and not a theoretical social question?

Ms. BROOKINS. You would like my views on whether a parent should support their children if they are working? Is that what you are asking?

Senator MOYNIHAN. Yes, ma'am.

Ms. BROOKINS. I feel that if a father, or a mother, that is removed from the home and is capable and able enough to support their family they should support them. Our whole organization feels that.

But we find, in Pennsylvania and Philadelphia, that many of the parents that are removed from the home is because of the inadequacy of the welfare and they are not working, they are unemployed and they are away from the home receiving a general assistance grant.

Senator MOYNIHAN. Well, clearly, those persons are not in any position to contribute.

Ms. BROOKINS. But also in Pennsylvania, we did not fight, we also supported, the support measurement where that if the parent that is on welfare signed the support payment over to the Department of Welfare, so that they collected it.

Senator MOYNIHAN. That is a very clear statement and an important one, and we are very happy to hear, on the last day of these hearings,

of the experience of people for whom this is a reality and not a social theory.

We thank you very much for coming, and we appreciate your testimony. Do you have the full text of your statement that we can put into the record?

Ms. BROOKINS. Yes.

Senator MOYNIHAN. It has been submitted? Fine. Thank you very much.

[The prepared statements of Ms. Brookins follow:]

TESTIMONY OF LOUISE BROOKINS ON WELFARE REFORM

Mr. Chairman, Senators, ladies and gentlemen, thank you for the opportunity to testify today. I am Louise Brookins, Executive Director of the Philadelphia Welfare Rights Organization (PWRO) and Chairwoman of the Pennsylvania State Welfare Rights Organization (PSWRO), a coalition of local WRO's around the State. As many of you know, we have been vocal in advocating the rights of poor people since our inception, when it was generally felt that poor people had no rights. We have gained some rights since then but, if the legislation before the subcommittee is any indication, we face a constant fight to keep those rights and to establish that most elusive of rights, the right to be free from hunger and despair. The right to a minimally adequate income is long overdue in this wealthy country. This is what welfare reform should be all about—reform that will put an end to hungry children and desperate senior citizens; reform that will allow people to put an end to the rats and squalor of North Philadelphia.

In the limited amount of time that I have to testify I am not going to try to discuss in detail the shortcomings and merits of individual proposals (attached to the copy of today's testimony is PWRO's detailed position paper on the President's program, S. 2984—H.R. 9030. What I would like to do is outline some of the principles that are essential to true welfare reform. Some may think that these principles are too simple or obvious but they must be repeated because we see one Congressional proposal after another, from FAP to JIP, that ignores some or all of these fundamental rules.

ADEQUATE INCOME FOR ALL

No welfare reform proposal deserves that name if it does not guarantee a minimally adequate income for survival. It is a moral outrage for the leaders of this country to make proposals that do not guarantee that every American will at least live at the Government's poverty level. For years, WRO has urged the leaders of this country to adopt the BLS Budget as a goal that will put an end of poverty. For years we have been told that this is an unrealistic request. We feel that it is not, but we challenge you to come up with a livable standard based on what people need to live in decency.

The biggest problems with all of the existing proposals is that they start with a preconceived notion of how many total dollars should be spent and then they go on about making rules to divide up this inadequate amount. I can not tell you how disappointed we were when President Carter announced that one of these principles for reform was that his new program cost no more than the existing one. This is not reform—it is a new shuffle from an old, stacked deck.

I am here to ask you to reframe the debate on welfare reform. Let's start by talking about how much people need to live and let's get specific. We should talk about how much it costs to feed a family, how much it costs to buy clothing and decent housing. You decide that this country can not afford to maintain people a level of minimal adequacy; we may not agree with your figures on how much people need, at least the main issue—how much people need to survive—will be out in the open.

All of the programs before Congress seem to forget this—Mr. Ullman (H.R. 10711) forgets this when he puts forth a proposal that all families get the same amount regardless of family size. The Baker-Bellmon bill (S. 2777) for-

gets this when it sets a target of 55 percent of the poverty line in 1981. I could give you more examples but I think you get my point.

We are not asking the unreasonable: we are asking for a grant to allow people, with no other income alternatives, to live in a dignified, healthful manner. Such a suggestion can hardly be called outrageous in this the richest country in the world.

ENTITLEMENT TO JOBS

For those poor people who could work if there were jobs, decent work which provides real service to the community must be provided. I must stress that welfare recipients want to work. They want real jobs that provide benefit to society and pay decent wages. They do not want to work off their inadequate grants at depressed wages in jobs that provide them with no training and no chance of advancement.

What troubles me about all the proposals is that none truly guarantees a job. Our own experience has shown us that there are many people who want to work—certainly many more than the Carter proposal plans to provide jobs for. I challenge this country's leadership: if you think that able bodied welfare recipients should work, guarantee them a decent job and the services especially childcare, that they will need to take them.

We also support steps, like the Baker-Bellman bill that will encourage job creation in the private sector. We also urge that the Federal and state governments take affirmative steps to hire welfare recipients. Such steps could be taken through a preference system for recipients much like the present preference for veterans.

SIMPLIFIED, FAIR AND RESPONSIVE ADMINISTRATION

One of the most inhuman aspects of the present system is the indignity that it subjects people to. There is tremendous need for a simple, demystified system. Such a system must include:

- (1) Assistance based on current needs
- (2) Uniform federal policy that must be followed and a bureaucracy capable of dealing with the program.
- (3) A flexible, adequately funded emergency assistance program.
- (4) Guarantees of prompt determination and payments and access of recipients to the system.
- (5) Universal coverage.

MEDICAL COVERAGE

National Health Insurance with a sliding premium scale must replace the massively expensive, corrupt medicaid program. Only when the rich and the poor have access to the same medical care, will those services be adequate and the least vulnerable to abuse by care providers.

Thank you for this time. I hope you will act on what was said.

We urge you to shift the focus of the current debate to one based on human needs. We also look forward to the day when every American will have a right to a job.

PHILADELPHIA WELFARE RIGHTS ORGANIZATION POSITION ON CARTER'S WELFARE REFORM PLAN

The Philadelphia Welfare Rights Organization is vehemently opposed to the Carter Welfare Reform Plan (H.R. 9030). None of the major goals of constructive welfare reform are achieved by this plan. An adequate income is not provided those who cannot work to support themselves. Job opportunities, skill development and career opportunities are not provided for those who could work if the economy permitted it. Fiscal relief is not provided for most states if they are to continue even the current level of support to their poor citizens. Simplicity of system and administration is overwhelmingly lacking.

BENEFIT LEVELS

The ultimate criterion for evaluating a welfare program is whether or not it provides all Americans with a decent standard of living. H.R. 9030 (Carter's

Welfare Reform Plan) does not begin to meet this basic criterion as it also fails even to raise poor people out of poverty. The projected poverty line in 1978 is \$6,800, yet the proposal would give \$4,200 to a family of four that was not expected to work, and \$2,300 to an expected to work family. The benefit levels proposed by the Carter Plan miss their mark by up to 66% for one category of recipients and various lesser percentages for all other categories. In other words, no welfare recipient would receive benefits at the poverty level. Not only that, but the poverty level itself is unrealistic. The more carefully calculated Bureau of Labor Statistics Lower Standard of Living sets the level of adequacy at over \$8,000 in 1976 for a family of four without an employed member.

The situation is even more drastic because the proposal eliminates the Food Stamp Program. These proposed benefit levels represent a slash in benefits for recipients in thirty-eight states. Although states will have an opportunity to supplement the benefits of their recipients, they are not required to do so after the first three years of the program and the plan establishes disincentives for states to supplement benefits.

These inadequacies seem almost generous in comparison to the treatment afforded individuals and couples without children in their care who are under 65 and not blind, or disabled within the strict program definitions. Thus a 59-year-old widow would receive \$1,000 and a couple in their 60's only \$2,200. Clearly these amounts are so inadequate that it is hard to imagine that people in this group could survive.

People who are 65, or blind, or disabled (under the strict definition of disability of the Supplemental Security Income (SSI) program), fare slightly better. Their benefit level of \$2,500 for a single individual and \$3,750 for a couple brings them nearly to the poverty level, but still a long way from adequacy as established by Bureau of Labor Statistics Lower Living Standard.

Clearly all of these levels are inadequate for those who are completely dependent on the program benefits. But the situation is not that much better for those who are able to obtain paid employment and to therefore qualify for an income supplement on top of their wages. A family of four with an employed member in a minimum wage job paying \$5,512 in 1978 would receive a cash supplement of \$1,444 and an Earned Income Tax Credit (EITC) of \$475. This would provide a total gross income of \$7,432 in 1978 dollars, an amount far below the Bureau of Labor Statistics Lower Living Standard for a family with an employed member and only 16% above the poverty line.

Although there is a theoretical justification for providing lower benefits for those expected to work (a justification we do not accept), there appears to be no justification for differing benefit levels within the broad categories of expected-to-work and not-expected-to-work. Surely at this survival level, living expenses are the same for any individual or family unit. The 62-year-old widow without income is no less hungry than she will be when she reaches 65. Indeed, her very ability to reach 65 may depend on whether she can receive sufficient aid to meet her hunger now. Similarly why should a family of four, with no one expected to work, receive only \$500 more than an aged couple?

Because the President has promised to keep within present costs, bringing in more working people means other poor people must suffer a reduction in benefits. Only 45 cents out of every program dollar (as opposed to 55 cents under the current system) will go to people below the poverty line. This means that 27% of all families below the poverty level will lose benefits.

Finally, the fact that benefits are not indexed to the cost of living increases, further renders the proposal insufficient and unacceptable.

JOBS

The job's portion of the Carter Welfare Reform Plan is the other major feature of the proposal.

The Plan calls for the establishment of 1.4 million public service employment jobs (PSE) which will be doled out to the families with children in the expected to work category. In order to get one of these jobs, a person must have been unsuccessful in finding a job in the private sector. The job will pay the minimum wage and may only be held for one year.

The jobs program will replace the current CETA Title VI program. The elimination of the CETA program will force 725,000 people currently employed

back on the welfare rolls. As a result they will be paid less through the Welfare Reform Plan. The number of jobs actually available for recipients will be reduced almost by half. Many CETA workers without children will be unemployed, since one must have a child living with them to qualify for PSE.

CETA jobs now pay the prevailing while the welfare plan jobs will pay the minimum wage to welfare workers. While minimum wage jobs may be appropriate for rural and southern economies, it is not at all compatible with the labor market in other parts of the country. For example, a job under CETA pays \$7,800 on the average and provides fringe benefits. Under the Welfare Reform Plan, the same job would pay \$4,700 with no fringe benefits. There is no assurance that regular employees will not be fired or that their wages won't be reduced with the advent of cheap, welfare labor. There is certainly no way for the current prevailing wage level to remain constant for low-skill, low wage jobs. Since recipients must accept employment, private and public employers will feel confident of their steady supply of cheap labor and feel no pressure to maintain the current prevailing wage. Ultimately, this will cause the welfare rolls to increase because when private employers pay their workers less, the workers will qualify for supplemental welfare grants.

The jobs program does not contain any specific provision for the stimulation of private sector jobs and no specific provisions for the training of recipients so that they might qualify for meaningful jobs. The annual job search requirement, when much reduced benefits would be paid (\$44 per week for a family of four), is a cruel exercise at anytime but particularly so when unemployment is high. To go from year to year in one low-level job to the next, never making more than the minimum wage, never getting fringe benefits and never having the opportunity to advance, hardly qualifies as a decent living. The maximum, a family of four could make with minimum wage salary and benefits (without supplement) would be \$7,432 a year or 16% above poverty line.

The Department of Labor has estimated that 2.5 million welfare recipients will be vying for the 1.4 million PSE jobs. The "left overs" will have to live on reduced benefits until a PSE opening occurs. This inadequacy is of great concern because many major American cities experienced a severe decline in manufacturing employment between 1970 and 1975. Philadelphia suffered a 31.5% loss during that time.

All of these shortcomings become almost irrelevant when the magnitude of the problem is compared to the remedies proposed by the plan. Currently in Pennsylvania, the unemployment rate is 5.8%. There are 293,600 unemployed persons. This figure does not count the people who have given up actively looking for work. Carter projects that in 1981 when the program will take effect, the unemployment rate will be 5.6% which means approximately the current number of people in Pennsylvania will be out of work. If that prediction is accurate, the size of the welfare population should be about what it is currently in Pennsylvania.

Presently in Pennsylvania, there are approximately 738,956 persons receiving AFDC and General Assistance. Of these recipients, 135,728 are deemed employable and would be required to find work in order to supplement the low benefits to which they would be entitled under the Carter Plan. The proposed allocates 58,000 PSE jobs for Pennsylvania, 26,701 of which would be present CETA jobs.

Therefore, there will be 31,299 new jobs available for those expected to work. Of the 135,728 employable welfare recipients, 87,888 are General Assistance recipients who would be ineligible for a PSE job. Since the unemployment rate is not expected to change appreciably between now and 1981, it is safe to assume that most expected-to-work recipients will not find jobs in the private sector. Because they will be ineligible for PSE jobs, these people will be forced to survive on \$1,100 per year. Moreover, for the 47,840 employable recipients who would be eligible for PSE jobs, only 31,299 slots will be available.

For all the reasons discussed, the Carter job plan is not only inadequate and unworkable, but ultimately it is totally insufficient for the need.

ADMINISTRATION AND COMPLEXITY OF THE PLAN

Although it, the present welfare system, is by no means easy to understand or explain, the Carter proposal is even more complicated than the program it replaces. Furthermore, by doing away with AFDC, GA, SSI, CETA Title VI,

Food Stamps and extended UC benefits, the welfare system will lose much of the flexibility to deal with people with exceptional needs.

The jobs component of the program has a minimum of safeguards and controls built in, yet it will be administered by thousands of local government units, each with its own understanding of what the program should mean. Moreover, although great reliance is placed on finding private sector jobs for many who are presently among the long-term unemployed, there are no concrete provisions for establishing a program of job development in the private sector.

A second administrative hurdle that contributes to the unworkability of the bill is that states probably would continue to interview clients and fill out eligibility forms but the federal government (HEW) would have sole power to determine payments and set eligibility rules. Not only that but HEW would also have sole power to write checks from a central computer. Anyone familiar with the SSI program can attest to the inefficiencies and injustice of this sort of system.

Adding to this problem is the prior month budgeting-accounting period system¹ on which payments are based. The way the plan is set up, payments are based on past income and not current need. It requires that people be able to verify what income they had for each of the last six months. Many people will have difficulty doing this and will be denied benefits even if they are eligible.

Even when verification is available, the operation of prior month budgeting and the accounting period will work terrible harm upon many, especially the newly unemployed. Presently, the receipt of public assistance and food stamps can begin almost immediately (within a week) in Philadelphia. Such a feature is one of the few positive points of the present system. It was of vital importance during last winter's gas crisis when thousands were laid off for as long as two months. When people unexpectedly lose their job or their unemployment runs out, they most often do not have anything to live on (if they did have savings, they would be ineligible under the assets test). To use a fictional system of carrying forward income earned some time ago only adds to the misunderstanding of the system and creates unnecessary suffering. In short, the program is too complicated. There are complex assets and income accounting tests, classification rules, etc. The program will involve three separate federal agencies (HEW, DOL and Treasury), as well as state and local governments. Since many people will move in and out of PSE jobs, change work categories, or have changing incomes, this complicated administrative structure means there is a good chance that people will simply "get lost" in the bureaucracy.

STATE SUPPLEMENTATION

Many will argue that the basic \$4,200 benefit level is only a starting point and that most states will choose to supplement the basic benefits up to a livable level. However, there is nothing in the bill that would ensure that states provide any meaningful, permanent supplement. As written, the bill only requires that states continue to spend a portion of the money that they now spend on current, inadequate programs and that level of effort only has to be maintained for three years.² After the three years, the states are totally free to supplement or not supplement as they see fit. Rather than putting a timetable into the bill that would require states to move gradually toward a level of adequacy, the proposal is geared toward allowing states to get off the hook. Nowhere does the plan guarantee that people won't be worse off than they are now. This is clearly unacceptable.

Even if a state choose to supplement people, recognizing that the basic benefits are inadequate, recognizing that the basis benefits are inadequate, the state will have a hard time making sure that the money they put in will go to those who are most in need. To repeat the figure used earlier, and the Carter proposal, only 45 percent of the money budgeted will go to the people below the poverty line (as compared to 55 percent now). This is because the program is based on the assumption that poor people need tremendous incentive to work.

¹ Prior month budgeting means that assistance is not based on current need but on what income was received in a previous month. The use of an accounting period means that a person is treated as if they still had money that they earned up to six months before, even if the money is no longer available.

² Expenditures in the first year of the proposal must be 90%.

To build a program on this negative assumption is cruel and costly. With respect to disregards, H.R. 9030 has the effect of taking money away from those who are the poorest (i.e. those without any source of income) to guarantee a large bonus to those who work, especially in the private sector. For example, a Pennsylvania family of four now gets \$5,112 in basic benefits; if they work at a 40 hour a week job at \$2.65/hour, their new income from all sources would be \$6,744. Under the Carter plan, the unemployed family would get \$4,200 (\$912/year less than now)³ but a family with a worker in the same minimum wage job would get more than now—\$6,956. Obviously, such a program is based on a choice that we find unacceptable when it will leave many families in crushing poverty.

Further, the bill's insistence on protecting the benefit reduction rates when the states supplement worsens the situation. If the benefit reduction rate cannot exceed 52 percent for those expected to work and 70 percent others, the state will be unable to raise the basic benefit level when each new dollar of benefits brings in more and more workers whose incomes are considerably higher.

For example, consider an unemployed woman who has no unemployment benefits and can't find a job. Presently, she would get general assistance and food stamp benefits of about \$200. Under the new proposal, the basic benefit would be \$91/month. In order to bring this woman back to where she was before, the state would have to supplement her with \$100. In order to do this however, the state would have to give cash benefits to all those single individuals whose earnings were less than \$385 (as opposed to now where Pennsylvania gives GA only to those whose gross income is less than \$230). While giving benefits to all those workers who earn less than \$385 is mandatory, it is politically impossible given the enormous expense it would entail. Given this choice, the Pennsylvania GA recipients will probably wind up worse off than before.

Senator MOYNIHAN. And now it appears that lastly this morning we are going to hear from Mr. David Crowley who is executive vice president of the American Association of Homes for the Aging, and Mr. Laurence F. Lane, who is the director for public policy.

Mr. Crowley and Mr. Lane, we welcome you. If you will allow me to leave the podium for one moment, I think that Mr. Mitchell may have to leave, and I want to say hello to him.

[Pause.]

Mr. Crowley and Mr. Lane, we welcome you.

**STATEMENT OF DAVID C. CROWLEY, EXECUTIVE VICE PRESIDENT,
AMERICAN ASSOCIATION OF HOMES FOR THE AGING, WASHINGTON,
D.C., ACCOMPANIED BY LAURENCE F. LANE, DIRECTOR FOR
PUBLIC POLICY**

Mr. CROWLEY. Thank you, Senator. My name is David C. Crowley. I am the executive vice president of the American Association of the Homes for the Aging. Our association represents some 1,600 non-profit, mostly church sponsored, fraternal homes, labor homes, civic and county organizations around the country.

You might be familiar with some of our member facilities in the New York area such as the Jewish Home and Hospital and the Hebrew Home for the Aged at Riverdale.

A large number of our member homes provide shelter and services to SSI recipients residing in residential living arrangements while

³ Of course, if the family was job searching, they would get \$230 less per month than now plus they would not get any training or expense allowances which they now can get.

an additional number of our homes are linked to the SSI program through the categorical eligibility under present law for title XIX services.

Inasmuch as we are directly engaged in the provision of services to the indigent elderly, and in particularly to the frail, indigent elderly, we believe we are in a unique position to evaluate the merits of welfare reform with respect to the aged.

I have a statement, Mr. Chairman, and a somewhat lengthy appendix which we, with your permission, would like to submit in total for the record.

Senator MOYNIHAN. Of course.

Mr. CROWLEY. I will just make some comments that summarize the essence of our testimony.

We would like for the committee to consider some basic questions in reviewing welfare reform legislation.

The first is, should the supplementary security income program be amalgamated into a general welfare reform package?

Second, what constitutes an adequate floor for income support for the aged, blind, and disabled?

Third, do we have a governmental capacity and ability to administer a comprehensive welfare reform program?

Fourth, does the comprehensive approach provide sufficient flexibility to account for differing needs of aged, blind and disabled recipients in different circumstances?

And fifth, should medicaid eligibility be separately debated by the Congress?

We feel, Senator Moynihan, that the administration has made several significant tradeoffs in their proposal. Limited consideration has been given to the impact of combining SSI programs into a general income assistance approach. The general income assistance approach is based on family size, and family consumption patterns. However, we feel that the aged, blind and disabled have different consumption patterns and that these need to be looked at separately and uniquely.

The aged particularly need assistance based on different circumstances and I think an example of that is the fact that 30 percent of the aged who are receiving SSI benefits are over the age of 80; consequently, a whole new set of life circumstances are concomitant with that upper age bracket that are not with the younger.

Senator MOYNIHAN. Thirty percent are over age 80?

Mr. CROWLEY. Yes, sir.

Senator MOYNIHAN. That is a striking figure.

Mr. CROWLEY. Thirty percent of the aged receiving SSI are over 80.

Senator MOYNIHAN. I do not want to interrupt you, but I guess I am. Has there not been some talk on developing consumer price indexes, as it were, family budgets, for the aged, thinking that they have such a different pattern of expenditure?

Mr. CROWLEY. In this legislation?

Senator MOYNIHAN. No; I am just talking about among the statisticians, as it were.

Mr. LANE. Yes, Mr. Chairman, there has been. The Senate Special Committee on Aging, for example, has been very supportive of that effort.

However, in the supporting appendix that we submit to the committee, we are drawing on some work that was done at the University of Michigan which shows that beyond the consumption pattern of 65-plus, there are significant differences of consumption at age cohorts of 75 to 85 and 85-plus. Those different consumption patterns may not be adequately accounted for; an index that is for 65 and over may not be totally appropriate for the consumption pattern of one who is in the so-called "frail category."

You may be familiar with the work of our past president, Monsignor Fahey, with the Federal Council on Aging?

Senator MOYNIHAN. Yes.

Mr. LANE. Well, Monsignor Fahey has led the effort on the Federal Council on Aging to develop a strategy towards the frail elderly, and some of the data that we drew upon in our supporting appendix comes from work that the Federal Council has, in fact, done.

Mr. CROWLEY. If I could continue, Senator, on the very point you raise here, we see that this is really the fatal flaw of Senate bill 2084, and that is the failure to provide sufficient incentives for flexibility to meet the individual needs.

We feel the variations established under the title XVI program to account for different living arrangements, differing geographic placements is to ignore the real income needs of potential recipients.

There is another example with statistics. It has been estimated that 10 percent of the aged and 30 percent of the disabled are eligible for SSI, yet a recent national nursing home survey shows that some 40 percent of the residents in personal care facilities depend on assistance programs as their principal source of funds.

We see, again, a skewing towards the older age category of much more dependence on the supplemental security income program. These funds are presently provided through the State-supplemented arrangements through incentives allowed under title XVI with respect to both the variations for circumstances and with respect to the calculation of the adjusted payment level.

Congress must be careful not to undermine the alternatives to costly medical care and institutional care by neglecting the income support needs of those individuals who require a socially intense, congregate housing setting.

We maintain, as do a number of States that responded to the Senate Finance Committee inquiry on the SSI program, that more, not less, flexibility should be allowed in the national income support program. We would also like to point out that the members of this committee have debated at length section 1616(e) of the present law recognizing that not all institutions are nursing homes.

Given the dynamics of the demographic changes occurring in our aged population, recognizing the tremendous utilization of the institutional setting by older Americans aged 85 and over and the increased medical model emphasis of the intermediate care facility benefit under title XIX, we appeal to Congress to provide incentives to the States to expand their supplemental programs for the purpose of nonmedical, long-term care within institutional settings as an alternative to costly nursing home care.

We sense the effects of this legislative proposal upon the dynamic of longer-term care were not carefully analyzed. Not only does Senate bill 2084 continue the denigrating phrase "inmates of public institutions"—it come right out of the Elizabethan poor laws—but it—

Senator MOYNIHAN. Again—

Mr. CROWLEY. "Inmates of public institutions" is a very old expression. It comes from the Elizabethan poor laws and was built into our early social security legislation. It referred to those residing in an almshouse—that is, the aged, the feeble, the insane, the criminal—

Senator MOYNIHAN. Is that actually the Elizabethan phrase, "inmates of public institutions?"

Mr. CROWLEY. The concept comes out of those laws, and it is in our system.

Senator MOYNIHAN. All right.

Mr. LANE. The phrase itself, sir, comes right out of the New York 1932 Social Security law, which was the forerunner of the 1935 model enacted by the Congress. You may be familiar with Dr. Thomas' volume from Columbia University on the drift in decision in long-term care, the politics of New York State.

Senator MOYNIHAN. No, I am not.

Mr. LANE. Well, it is a fascinating study that shows this relationship of noninstitutional and institutional care and the fact that, through a number of unintended results, we ended up in the mess we are in today, and that is because there has been very little conscious decision of policy in long-term care. It has generally been a spinoff of other decisions, either an income strategy, a health strategy, a building strategy, or a manpower strategy.

Senator MOYNIHAN. Yes.

It is a book with which I should obviously be more familiar.

Mr. CROWLEY. Just a few more comments, Senator. We are primarily making the point of a need for variations and special arrangements of living conditions for elderly who are not in their homes.

With respect to the Corman measure, as Congressman Rangel was testifying earlier, we see this measure as superior to the original welfare reform package. Serious consideration was given to the Ad Hoc Welfare Reform Subcommittee to the need for strengthening State supplementation programs. However, even in the text of that bill, H.R. 10950, is the restriction on uniform State supplementation levels for each category of recipients.

As has been debated by the Congress with respect to both H.R. 8911 and H.R. 8912 during the 94th Congress, and H.R. 7200 in the 95th Congress, there is a need to be conscious of the potential difference in cost of living within the States.

Title XVI permitted the States the option to distinguish among geographic settings. At a minimum, the reform package should allow the States the opportunity to justify the regional distinctions which they select, rather than to impose a restrictive uniformity.

Finally, our association believes that the practical effect of separating medicaid benefit from the categorical eligibility for recipients will be to disadvantage sizable numbers of the aged, blind, and disabled.

We believe eligible recipients would be best served by putting the health program mechanism in place first and separating the entitlement at that time.

We encourage the Congress to exercise caution in tinkering with the fragile linkage of income supports with the title XIX program. Certainly, any provisions to change for the nature of that linkage should include a requirement for States to establish and maintain a medically needy eligibility category under their title XIX program and with liberal spend-down requirements.

We are pleased that the administration has incorporated into Senate bill 2084 several of the recommendations our association advanced with respect to H.R. 7200, that is, program linkage particularly with respect to benefit allowances for institutional persons.

However, we believe that there is room for further improvement with respect to benefit allowed for personal needs.

In closing, Mr. Chairman, we would just like to reiterate our basic point, which is the need to be aware of the relationship of the needs of the elderly, particularly the frail elderly, and their need for special living arrangements, and this important linkage between the medicaid eligibility and SSI eligibility.

Senator MOYNIHAN. Sir, I am going to have to do something which is unusual here, which is to cut off the hearing, as I have been summoned to the floor to introduce an amendment to the legislation now before us which is suddenly coming up for final vote. It is unusual, but it has happened.

We very much appreciate your testimony. It is very good and important testimony to us, and we do want you to be close at hand as we move forward—and hopefully, we will do so.

We thank you both very much. Will you forgive me for what I hope will not appear to be a discourtesy? It is a matter of necessity.

Mr. LANE. We appreciate your interest, sir, and we look forward to working with you and the staff of this committee in working on this legislation and in discussing the impact which different alternatives might have on long-term care.

Senator MOYNIHAN. Mr. Lane, you have touched upon an altogether legitimate and important interest, and we are happy to have you here.

[The prepared statements of Mr. Crowley follow:]

STATEMENT OF DAVID C. CROWLEY, EXECUTIVE VICE PRESIDENT OF THE
AMERICAN ASSOCIATION OF HOMES FOR THE AGING

Mr. Chairman: I am David C. Crowley, executive vice president of the American Association of Homes for the Aging. Accompanying me this morning is Laurence F. Lane, director for public policy of the association's staff.

The American Association of Homes for the Aging (AAHA) represents non-profit homes for the aging, housing and health-related facilities. Its 1,600-member homes are located throughout the United States and are sponsored by community-based, religious, fraternal, labor, civic and county organizations. A large number of our member homes provide shelter and services to SSI recipients residing in residential living arrangements, while an additional number of our homes are linked to the SSI program through the categorical eligibility under present law for Title XIX services. Inasmuch as we are directly engaged in the provision of services to the indigent elderly, and in particular

to the frail, indigent elderly, we believe we are in a unique position to evaluate the merits of welfare reform with respect to the aged.

While we have a short prepared statement, Mr. Chairman, we request permission to submit for the hearing record a supporting appendix which we believe will be helpful for members of this committee and staff to evaluate the merits of our oral presentation.

Our Association has serious reservations with respect to the legislative package submitted by the Department of Health, Education and Welfare to the Congress for the purposes of reforming the welfare system. While we can appreciate the time and effort which was taken to prepare S. 2084, the Better Jobs and Income Act of 1977, we are concerned that in the rush to submit a reform package to stimulate Congressional action, important considerations were lightly reviewed.

The Ad Hoc Welfare Reform Subcommittee in the House of Representatives has done an admirable job of redrafting the administration's proposal. H.R. 10950 introduced by Congressman Corman is a much improved version of the comprehensive reform package. Should this committee view the sweeping approach as feasible, we highly encourage their using H.R. 10950 as a working draft.

However, several of the fundamental problems which our Association pointed out with respect to the original proposal developed by the Department of Health, Education, and Welfare remain unresolved in the revised Corman measure.

We ask the members of this committee to consider the following five questions:

(1) Should the Supplemental Security Income Program be amalgamated into a general welfare reform package?

(2) What constitutes an adequate floor of income support for the aged, blind and disabled?

(3) Do we have the governmental capacity and ability to successfully administer a comprehensive welfare reform program?

(4) Does a comprehensive approach provide sufficient flexibility to account for differing needs of aged, blind and disabled recipients in different circumstances?

(5) Should medicaid eligibility be separately debated by the Congress?

With respect to each of these questions, we are concerned that the administration has made major trade-offs that disadvantage the aged, blind and disabled vis-a-vis their present entitlements. At the heart of that legislative proposal is the unintended potential—we assume unintended—to stagnate income maintenance benefit levels at a substandard level and to remove incentives for states to offer additional supports to help the indigent. While the most serious flaws have been removed from the Department's bill by the redrafted product of the Ad Hoc Subcommittee on Welfare Reform, there is still room for improvement.

Our Association is concerned that limited consideration was given to the impact of combining the SSI program into a general income assistance approach. While Title XVI has never quite reached the vision of its creators that it "would be a major departure from the traditional concept of public assistance as it applies to the aged, the blind, and the disabled," neither has it been such a failure that the approach should be completely repudiated. We appeal to this committee to carefully analyze the value of terminating the Title XVI program and to weigh carefully the impact which a general income assistance approach would have upon those segments of the population whose circumstances and needs differ significantly from the norm.

Great care was taken in developing public support for the Title XVI program to emphasize that those individuals receiving assistance under the program would not be tainted with the broad brush stigma of welfare. Even in its performance, the SSI program has made significant inroads in educating the public that many recipients of income maintenance are on the public roles through no fault of their own and that Congress, recognizing this need for additional income, developed a program that was sufficiently flexible to meet the needs of the aged, blind and disabled. We question whether we should abandon that approach to human dignity.

The wisdom of merging the SSI program into a general income maintenance approach immediately comes to question with respect to the adequacy of the benefit level provided in S. 2084. While the general income support approach makes certain assumptions based upon family size and household unit, premised upon certain patterns of consumption, limited attention is given to the differing consumption patterns and needs requirements of the aged, blind and disabled. We can ill afford to enact a support program that neglects the flexibility to provide needed assistance based on differing circumstances. For instance, we must be mindful that over thirty percent (30%) of the aged recipients of SSI are over the age of 80. If we correlate these figures with the numbers entitled to Title II benefits, the incidence of medical expenditures non-reimbursed under Title XVIII and Title XIX, and the incidence of need for shelter, or residential living arrangements, we conclude that their reliance upon public and charitable assistance is extremely important.

In previous testimony delivered to this committee by a coalition of organizations representing the blind and disabled, figures for minimum supports were offered—levels of \$3,000 for a single individual, \$4,500 for a couple—our Association wishes to endorse these minimums. Likewise, we wish to be associated with the comments of our fellow organizations with experiences under Title XVI with respect to the need to re-evaluate S. 2084 provisions on price-indexing of the benefits, treatment of unearned and of earned income. We propose, also, that each arbitrary dollar limitation with respect to income and resource restrictions be cost-indexed so as to keep current with changing economic circumstances.

For those of us who have been deeply involved in the implementation of Title XVI, the provisions of S. 2084 raise immediate concerns as to whether there is a capacity and an ability to administer this complex program. We do not ask this question in a cynical manner, but in the factual context of our experience with Title XVI. One of the grave mistakes of that program's implementation was that few questioned the mechanics. We are disturbed by the finding of this committee that "when the SSI program became effective in January 1974, the SSI Systems were largely untested and many subsystems were not operating." The same report speaks to the manpower needs and the limitations of computer operations. We hope considerable effort will be made to evaluate the ability of the government to perform the many adjustments required by the welfare reform proposal. If the benefit cannot be delivered in a timely, accurate manner, the recipient suffers.

Perhaps the major problem which our Association has with the provisions of S. 2084 is its failure to recognize the differing living arrangements needed by potential eligibles. One can debate in the abstract the merits of divorcing income needs from other requirements to assist in consumption supports, and to argue the merits of administrative ease in a flat rate system, but this ignores reality. The fatal flaw of S. 2084 is its failure to provide sufficient incentives for flexibility to meet individual needs. To repeal the variations established under the Title XVI program to account for differing living arrangements and differing geographic placements is to ignore the real income needs of potential recipients. To illustrate, it has been estimated that 10 percent of the aged and 30 percent of the disabled are eligible for SSI. Yet, according to the National Nursing Home Survey, upwards of 40 percent of the residents of personal care facilities depend on assistance payments as their principal source of funds. These funds are presently provided through the state supplemental arrangements through incentives allowed under Title XVI with respect to both the variations for circumstances and with respect to the calculation of the adjusted payment level. Congress must be careful not to undermine its efforts of developing alternatives to costly medical institutionalization by neglecting the income support needs of those individuals who require a socially intense, congregate setting. We maintain, as do a number of states that responded to the Senate Finance Committee inquiry on the Supplemental Security Income program, that more, not less flexibility should be allowed in a national income support program.

While we do not wish to digress into a lengthy discussion of the requirements for additional incentives to encourage states to supplement for social

care environments under the SSI program and/or under the general welfare reform approach, we point out that the members of this committee have debated at length Section 1616(e) of the present law recognizing that not all institutions are nursing homes. Given the dynamics of the demographic changes occurring in our aged population, recognizing the tremendous utilization of the institutional setting by older Americans aged 85, plus and the increased medical model emphasis of the intermediate care facility benefit under the Title XIX program, we appeal to the Congress to provide incentives to the states to expand their supplemental programs for the purchase of nonmedical, long-term care within institutional settings as an alternative to more costly nursing home care.

We sense the effect of this legislative proposal upon the dynamics of long-term care were not carefully analyzed. Not only does S. 2084 continue the haunting phrase "inmates of public institution", but it repeals the incentives provided under the Keys Amendment for exempting small community residences from that exclusion clause. Issues addressed by the Congress under Public Law 94-566 with respect to upgrading living conditions for recipients appear to have been ignored. Suggested provisions to phase out incentives for state supplementation and requirements that such supplementation cannot distinguish among groups of recipients appear ill conceived. We solicit a careful Congressional review of the impact of these provisions upon the aged, blind and disabled.

With respect to this particular concern, we find the Corman measure far superior to the original welfare reform package. Serious consideration was given by the Ad Hoc Welfare Reform Subcommittee to the need for strengthening state supplementation programs. However, even in text of H.R. 10950 is the restriction on uniform state supplementation levels for each category of recipient. As has been debated by the Congress with respect to both H.R. 8911 and H.R. 8912 during the 94th Congress and to H.R. 7200 in the 95th Congress, there is a need to be conscious of the potential difference in costs of living within states. Title XVI has permitted the states the option to distinguish among three geographic settings. At a minimum the reform package should allow the states the opportunity to justify the regional distinctions which they select rather than to impose a restrictive uniformity.

Finally, our Association believes the practical effect of separating the Medicaid benefit from the categorical eligibility for recipients will be to disadvantage sizable numbers of the aged, blind and disabled. While spokespersons for the Department of Health, Education and Welfare have indicated a sincere desire to provide health benefits under a revised national health strategy, we believe eligible recipients would be best served by putting the health support mechanism in place first, and separating the entitlement at that time. We encourage the Congress to exercise caution in tinkering with the fragile linkage of income supports with the Title XIX program. Certainly, any provision to change the nature of that linkage should include a requirement for states to establish and maintain a medically needy eligibility category under their Title XIX program with liberal spend-down requirements. We are pleased that the Administration has incorporated into S. 2084 several of the recommendations which our Association advanced with respect to H.R. 7200 vis-a-vis this program linkage, particularly with respect to benefit allowances for institutionalized persons. However, we believe there is room for further improvement with respect to the benefit allowed for personal needs.

Given our serious concerns with respect to the design of the comprehensive welfare reform packages, we find ourselves in the position of counseling the committee to proceed with caution. There is merit in the incremental approaches which would combine sections of H.R. 7200 with the more modest reforms advanced by Senator Baker and Ribicoff in S. 2777 or by Congressman Ullman in H.R. 10711. These proposals essentially leave the Supplemental Security Income Program in its present design to serve the aged, blind and disabled. Should this be the course of action followed by the Committee, we would encourage a second review of the provisions of Title I of H.R. 7200. As enacted by the House of Representatives this measure proposed a number of technical improvements in the SSI program to better serve the needs of the

aged, blind and disabled. We are concerned that the measure reported by this committee may have deleted several important items from the House-passed bill.

In closing, Mr. Chairman, it is difficult to adequately comment within the time frame imposed by the Committee on an issue as important to the elderly whom we serve, as welfare. While our comments have broadly dealt with major shortcomings within the comprehensive reform measures, we hope that in the process of Congressional review, reforms can be developed that establish both a national income support strategy for all needy Americans and one which meets the particular needs of the aged, blind and disabled. We trust that through the process of reviewing present programs, an inventory will be made of the adequacy of support levels maintained, the flexibility of such programs to help special circumstances and the ease of administering these programs on both the national and state level. Finally, we encourage the Congress to look at both the long-run and short-run costs of the decisions which they confront. For instance, we maintain that while there may be short-run savings in reducing supplementation for living arrangement variations, that the long-run costs both in dollars and human measurements of quality of life weigh heavily in favor of expanding, rather than reducing the opportunities for payment flexibility.

We thank you for this opportunity to testify, and, we look forward to cooperating closely with you and your staffs in reforming our welfare system.

SUPPORTING DOCUMENT—AMERICAN ASSOCIATION OF HOMES FOR THE AGING

The American Association of Homes for the Aging (AAHA) represents non-profit homes for the aging, housing and health-related facilities. Its 1,500 member homes are located throughout the United States and are sponsored by community-based, religious, fraternal, labor, civic and county organizations. A large number of our member homes provide shelter and services to SSI recipients residing in residential living arrangements, while an additional number of our homes are linked to the SSI program through the categorical eligibility under present law for Title XIX services. Inasmuch as we are directly engaged in the provision of services to the indigent elderly, and in particular to the frail, indigent elderly, we believe we are in a unique position to evaluate the merits of H.R. 9030, with respect to the aged.

While our Association has presented formal testimony to the Special Welfare Reform Subcommittee of the House of Representatives, we offer the following supportive data to assist committee members and staff in evaluating our remarks.

1. DEMOGRAPHIC DATA

Basic demographic data reveals that America's population has a sizable percentage of older citizens; that the trend toward the aging of the population is likely to continue for several more years at least; that among the 65 plus the greatest increase is among the older old (85 plus, 75 plus); and that survivors into old age are increasingly likely to be women.

Age	Population (In millions)			Percentage increase	
	1965	1975	1985	1965-75	1975-85
Total.....	202.9	222.6	239.1	9.7	7.4
Under age 65.....	184.1	199.8	212.3	8.5	6.3
Age 65 and older.....	18.8	22.8	26.8	21.3	17.5
65 to 74.....	12.1	13.9	16.2	14.9	16.5
75 to 84.....	5.6	7.0	8.3	25.0	18.6
85 & over.....	1.1	1.9	2.3	72.7	21.1

Note.—Actuarial Study No. 74, Office of the Actuary, Social Security Administration, June 1975.

DECENNIAL PERCENT INCREASE OF THE POPULATION IN THE OLDER AGES, BY RACE AND SEX, 1950 TO 1990¹

Age, sex, and race	1950-60	1960-70	1970-80 (projected)	1980-90 (projected)
All ages.....	18.7	13.4	8.7	10.0
65 plus.....	34.5	20.4	22.1	18.0
75 plus.....	59.3	35.2	19.9	25.1
85 plus.....		52.3	44.6	20.1
Whites:				
Males:				
65 plus.....		10.2	16.9	15.5
75 plus.....		21.6	9.4	21.0
85 plus.....		34.3	26.0	10.6
Females:				
65 plus.....		26.7	23.8	18.3
75 plus.....		44.2	24.4	25.9
85 plus.....		62.3	51.5	23.5
Blacks:				
Males:				
65 plus.....		21.9	27.0	21.2
75 plus.....		26.5	20.3	30.5
85 plus.....		39.3	40.2	8.0
Females:				
65 plus.....		38.6	37.0	25.3
75 plus.....		48.3	34.4	34.7
85 plus.....		41.1	74.6	18.1

¹ Adapted from: Current Population Reports, series P-23, No. 59, "Demographic Aspects of Aging and the Older Population in the United States," Bureau of the Census, May, 1976, table 2-1, p. 3, table 2-2, p. 5, and table 3-2, p. 14.

In a Draft Report on National Policy for the Frail Elderly, the Federal Council on Aging suggests that a "familial intergenerational dependency ratio" can be used to measure the population shift. The report measures the population 80+ to the population 60-64 during selected years, providing a means of ascertaining the changes in the number of adult children available to assist in serving and supporting their old, old parents (80+). Changes over the years do indicate strongly that those in later maturity (60-64) are increasingly likely to have living parents.

Familial intergenerational dependency ratios, 1900-90

Ratio of population 80 plus to population 60-64:	
1900.....	0.217
1910.....	.22
1920.....	.21
1930.....	.22
1940.....	.24
1950.....	.28
1960.....	.36
1970.....	.43
1980 (projected).....	.49
1990 (projected).....	.59

NOTE.—Federal Council on the Aging, *Report on National Policy for the Frail Elderly (Draft)* Sept. 3, 1976.

II. CONSUMPTION PATTERNS

Recent research by Professor Teh-wei Hu of the University of Pennsylvania has confirmed a significant difference in the way elder vs. younger persons spend their money. Using data from the University of Michigan Panel Study of Income Dynamics, as well as the Consumer Expenditure Survey of 1963, Dr. Hu's research indicates that there is a clear and significant difference in the spending patterns of older and younger persons. The elderly spend significantly less on clothing, alcohol, tobacco, autos and recreation but spend significantly more on housing, gifts, and medical care. The research further indicates that the consumption patterns of the older segment of the population (75+) differ significantly from the purchasing habits of the younger aged (65-74). The most sig-

nificant skewing of consumption for the older population being caused by medical and shelter expenditures. The following chart is a summary of Dr. Hu's research as reported by Thomas Borzilleri, staff economist, National Retired Teachers Association/American Association of Retired Persons:

AVERAGE BUDGET SHARES¹ DEVOTED TO VARIOUS EXPENDITURE CATEGORIES²

Item	Under 65	Age 65-74	.75 plus
Alcohol.....	0.013 (0.010)	0.011 (0.008)	0.007 (0.005)
Tobacco.....	.016 (.012)	.012 (.008)	.009 (.004)
Household operations ³.....	.046	.050	.057
Housing ⁴.....	.140 (.199)	.164 (.274)	.190 (.322)
Clothing.....	.091	.062	.051
Auto Purchase.....	.053	.034	.025
Auto Operation.....	.068	.052	.035
Personal care.....	.025	.022	.021
Recreation.....	.035	.022	.015
Gifts.....	.043	.070	.072
Food.....	.197 (.214)	.204 (.185)	.223 (.195)
Medical care.....	.053	.075	.098
Total expenditure.....	.942	.900	.898

¹ Average budget share = average expenditure on an item divided by average income.

² Source: 1963 Consumer Expenditure Survey, BLS. The figures in parentheses were derived from the Panel Survey of Income Dynamics data gathered by the University of Michigan for the period 1968 to 1972.

³ Includes phone, supplies, and services.

⁴ Includes rental expenses if renting, interest on mortgages, property taxes, property insurance, repairs, replacements, and water.

Source: Internal NRTA/AARP Memorandum from T. C. Borzilleri, July 8, 1975 (by permission).

Health care expenditures continue to be a burden for older Americans in spite of Medicare and Medicaid. While public funds met more than two-thirds of the aged total expenses, more than a fourth of their expenses were met by out-of-pocket payments. Medicare benefits paid less than 38 percent of the aged health expenses. An estimated 3.9 million aged persons were assisted by Medicaid. The aged themselves or their families paid over 27 percent of their medical expenses. This expense was \$404 per person in 1976, not including private health insurance premiums or Medicare premiums.

Type of expenditure	All ages			65 and over				
	Total	Private	Public	Total	Public	Total	Private	Public
Total.....	\$476.40	\$287.48	\$188.92	\$212.14	\$141.85	\$1,360.16	\$468.53	\$891.63
Hospital care.....	215.12	96.74	118.38	71.23	94.07	602.89	61.75	541.14
Physicians' services.....	102.02	74.99	27.03	69.99	19.14	217.66	88.96	128.69
Dentists' services.....	34.62	32.71	1.92	21.27	1.80	24.17	22.45	1.72
Other professional services.....	9.69	7.35	2.35	6.36	1.67	19.74	9.83	9.91
Drugs and drug sundries.....	48.93	44.76	4.18	27.73	3.62	117.68	102.30	15.38
Eyeglasses and appliances.....	10.62	10.15	.47	5.23	.65	22.55	22.29	.26
Nursing-home care.....	41.55	17.54	24.01	3.10	8.52	342.47	159.88	182.58
Other health services.....	13.85	3.26	10.59	7.23	12.37	12.89	1.05	11.84

NOTE.—HEW, Social Security Admin., "Age Differences in Health Care Spending, fiscal year 1975," Research and Statistics notes, May 1976.

III. PHYSIOLOGICAL AND EMOTIONAL INDICATORS

In addition to the differences in consumption pattern which affect the income usage of older persons, there is increasing documentation that as an individual becomes older, needs and ability to meet those needs change. The Federal Council on Aging report on Frail Elderly points out:

There is sufficient evidence regarding both physiological and social decrements to support the conclusion that it is no longer sufficient for national policy on the elderly to be premised on (1) the theme that those past 65 (or 60) fit into a single old age status or category; (2) the strategy of income maintenance, which may serve the younger, well, mobile elderly but which is not adequate

for those with symptoms of frailty; or (3) the pattern of social services which are not coordinated, not universal, and not accessible.

The following three charts speak to the different needs of the oldest segment of the aging population. These needs must be considered prior to an amalgamation of the SSI program into a broader income support strategy.

LIMITATIONS IN PHYSICAL PERFORMANCE BY AGE, BY PERCENTAGE

Limitations on Physical Performance

Respondents by age	Minimal limitation	Some limitation	Substantial limitation	Severe limitation
18 to 44.....	90.5	7.5	1.2	0.8
45 to 54.....	77.1	14.3	5.0	3.6
55 to 64.....	65.3	18.8	8.4	7.4
65 to 74.....	56.4	23.7	9.7	10.1
75 plus.....	29.7	27.9	22.5	19.9

LIMITATIONS IN EMOTIONAL PERFORMANCE BY AGE, BY PERCENTAGE

Limitations in Emotional Performance

Respondents, by age	Minimal limitation	Some limitation	Substantial limitation	Severe limitation
18 to 44.....	36.2	42.4	17.1	4.1
45 to 54.....	34.7	37.0	20.0	8.2
55 to 64.....	29.5	41.4	20.4	8.7
65 to 74.....	32.1	35.2	22.6	10.1
75 plus.....	25.5	39.3	22.2	12.9

LIMITATIONS IN INDEPENDENT LIVING BY AGE, BY PERCENTAGE

Respondents by age	None	Limited but independent	Mobility assistance needed	Personal care assistance needed
18 to 44.....	96.4	2.5	0.6	0.5
45 to 54.....	89.8	6.2	2.6	1.4
55 to 64.....	80.1	12.0	5.2	2.7
65 to 74.....	77.4	11.1	8.5	3.0
75 plus.....	59.5	14.7	16.7	9.1

Source: Saad Nagi, "An Epidemiology of Adulthood Disability in the United States," Marshon Center, Ohio State University, 1975, as reported in Federal Council on Aging, Report on National Policy for the Frail Elderly (Draft), Sept. 3, 1976.

Our Association cannot underscore the problems which must be confronted if the decision is made to merge the SSI program into a general strategy to meet the needs based on characteristics of the total population. In a 1973 study conducted by Dr. Burton Dunlop and published by the Urban Institute, it was shown that isolation is a major problem for older persons. Using 1970 census data, Dunlop points out the following:

(1) A little over 6 million elderly individuals (30%) of the population 65 years of age and older live alone. Only 26% are male.

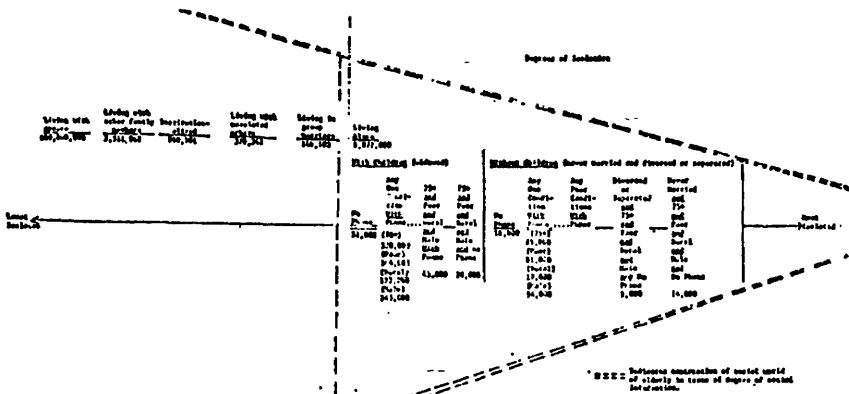
(2) 13.6% of all elderly persons living alone have never been married and can be considered childless. 8% of the elderly who live alone are separated or divorced. Therefore, over 21% of the elderly who live alone may be lacking a very important source of interaction and support—grown children.

(3) Nearly half of the individuals living alone may suffer from some kind of immobilizing condition.

(4) Half of the elderly living alone also experience poverty.

(5) Approximately 1.5 million of the elderly living alone reside in rural areas.

(6) Approximately 17% of those elderly living alone have no phone. Using these facts, Dunlop develops the following chart:



Source: Isolation Among the Elderly: Definition, Measurement and Policy Considerations, Dr. Burton Dunlop, Urban Institute, June 28, 1973.

We question whether there is sufficient flexibility in the proposed income welfare reform approach to confront the realities of being old, isolated, and in need.

IV. DOMICILIARY CARE

Domiciliary care involves the provision of room, board, supervision, and assistance in daily living to persons who, because of age or infirmity, cannot live independently. Under the Old Age Assistance, Aid to the Blind and Aid to the Totally and Permanently Disabled programs administered by the states, the extent to which this care was available and the ways in which payments for care were made varied widely. The state policies, procedures, and programs for the provision of domiciliary care were as diverse as the 50 state welfare programs.

When the Social Security Administration assumed responsibility for the SSI program in January, 1974, it was immediately faced with the problem of integrating diverse payment practices and policies into the new centrally administered SSI program. The basic mechanism for making payments for domiciliary care was the use of state supplemental payments authorized by Section 1616 of the act. In an attempt to understand the impact of the payments on the quality and availability of domiciliary care, the Social Security Administration, Office of Research and Statistics contracted with Booz, Allen & Hamilton, Inc. to study the impact of state supplemental payments for domiciliary care on the availability and quality of care. Booz, Allen and Hamilton performed a field survey of 140 facilities and 840 SSI recipients in seven states, analyzing that data in comparison with information copied from available sources. The following is drawn from that report to the Social Security Administration:

(1) Approximately half of the SSI recipients in the seven study states are elderly and typically white females. Females consistently comprise more than half of the domiciliary care population in each of the sampled states. While the proportions of adults and elderly in domiciliary care facilities varies in each state—California, Massachusetts, New Jersey and Ohio (private facilities) each show approximately two-thirds of the population as elderly—there are significant numbers of frail elderly (80+) being cared for in the domiciliary setting.

(2) More than half of the SSI recipients in domiciliary care have never been married. More than half entered domiciliary care facilities that are within 24 miles of their last home. While prior residence and primary reason for entry as stated by SSI recipients are varied—there is a tendency for the varied distribution to reflect the different proportions of elderly and adults in domiciliary care and different reasons why these two groups need domiciliary care—the most frequent reason given by SSI recipients for seeking entry into domiciliary care facilities were that they were not long able to care for themselves.

**SOCIAL SECURITY ADMINISTRATION—SELECTED DEMOGRAPHIC CHARACTERISTICS OF RESIDENTS IN FACILITIES
HAVING AT LEAST 1 SSI RESIDENT**

State	Sex distribution		Age distribution		
	Female	Male	Children under 18	Adults	Elderly
California.....	67	33	1	21	78
Massachusetts.....	75	25	.....	29	71
Michigan.....	68	34	1	62	37
New Jersey.....	58	42	.....	23	77
New York.....	58	42	.....	69	31
Ohio:					
Private facilities.....	74	26	.....	38	64
County homes.....	49	51	.....	28	72
Congregate housing facility.....	51	49	.....	13	87
Pennsylvania:					
Private facilities.....	62	38	4	56	40
County homes.....	54	46	.....	19	81
State hospital.....	44	56	13	79	8

Source: "Study of the Impact of State Supplementation of SSI Payments for Domiciliary Care on SSI Recipients in Care", Prepared for the Social Security Administration, DHEW by Booz, Allen & Hamilton Inc. June 30, 1975.

SELECTED DEMOGRAPHIC CHARACTERISTICS OF SSI RECIPIENTS IN DOMICILIARY CARE

State	Mean age	Age distribution (percent)						Sex distribution (percent)		
		1-20	21-49	50-59	60-64	65-69	70-79	80+	Male	Female
California.....	62	.....	35	7	7	7	23	21	42	58
Massachusetts.....	69	.....	12	15	17	8	28	20	24	76
Michigan.....	57	1	22	31	6	11	12	17	33	67
New Jersey.....	66	.....	13	20	18	14	27	8	36	64
New York.....	62	1	21	16	10	9	21	22	47	53
Ohio:										
Private facilities.....	51	.....	63	1	15	3	7	11	21	79
County homes.....	67	.....	14	12	19	11	26	18	47	53
Congregate housing facility.....	71	.....	12	12	.....	12	25	39	12	88
Pennsylvania:										
Private facilities.....	49	.....	44	12	10	23	5	6	45	55
County homes.....	73	.....	1	10	.....	17	49	23	66	34
State hospital.....	36	10	70	10	10	.....	.....	.....	50	50

State	Racial distribution				Average years of schooling completed	Years of schooling completed						
	White	Black	Spanish	Other		DK	0-4	5-8	9-11	12	13-15	15+
California.....	77	6	13	4	9	20	10	26	18	21	4	1
Massachusetts.....	98	2	.....	.....	9	8	11	27	18	23	9	4
Michigan.....	86	13	1	.....	9	21	11	17	30	13	8	.....
New Jersey.....	89	11	.....	.....	8	4	17	36	29	9	2	3
New York.....	87	7	6	.....	9	14	12	24	25	17	8	.....
Ohio:												
Private facilities.....	100	.....	.....	.....	6	35	25	9	8	19	1	3
County homes.....	100	.....	.....	.....	6	16	20	51	6	6	1	.....
Congregate housing facility.....	88	12	.....	.....	10	.....	.....	55	23	11	.....	11
Pennsylvania:												
Private facilities.....	74	26	.....	.....	6	61	7	25	6	1	.....	.....
County homes.....	94	6	.....	.....	9	19	20	8	29	13	11	.....
State hospital.....	80	10	.....	10	4	20	50	10	.....	20	.....	.....

SELECTED CHARACTERISTICS OF SSI RECIPIENTS IN DOMICILIARY CARE

[In percent]

State (1)	Marital Status					Children		Distance from last home to facility (miles)				
	Never married	Currently married	Widowed	Separated	Divorced	With living children	With living children 100 mi	DK	0-5	6-24	25-100	100+
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
California.....	51	2	28	8	11	34	26	15	37	30	13	5
Massachusetts.....	52	2	37	6	3	35	31	6	41	39	13	1
Michigan.....	55	2	22	2	19	39	28	18	26	30	23	3
New Jersey.....	75	7	10	2	6	22	13	6	19	22	45	8
New York.....	63	7	20	9	1	25	20	17	19	41	16	7
Ohio:												
Private facilities.....	76		21	1	2	18	6	22	7	42	27	2
County homes.....	69		12	8	11	15		5	59	18	2	16
Congregate housing facility.....	33		56		11	23	11		56	22	22	
Pennsylvania:												
Private facilities.....	88	5	4	2	1	8	3	62	4	14	20	
County homes.....	57	10	33			11	9	10	33	33	24	
State hospital.....	100							40		10	30	20

PRIMARY REASON SSI RECIPIENTS ENTERED CURRENT RESIDENCE

(In percent)

State (1)	Depletion of financial resources (2)	No longer able to care for self (3)	Relatives not able to provide care (4)	Problems with mental health (5)	Prior housing no longer available (6)	Deinstitutionalization (7)	Preferred living arrangement (8)	Recon- sideration of care (9)	Don't know (10)
California.....		38	21	13	4	19	3	2	
Massachusetts.....		36	7	6	15	30	2	2	2
Michigan.....	8	22	19	10	2	29		10	
New Jersey.....	3	9	9	4	21	38	9	4	3
New York.....	3	5	3	29	5	46	4	2	3
Ohio:									
Private facilities.....	1	3	8	51	2	34	1		
County homes.....	11	15	10	8	4	45			7
Congregate housing facility.....		11	45	11		11		22	
Pennsylvania:									
Private facilities.....		2	2	11	9	73			3
County homes.....	10	31	11	4	21	3			20
State hospital.....			60	30					10

PRIOR RESIDENCES OF SSI RECIPIENTS

[In percent]

State (1)	Own home (2)	With family/ relative (3)	Rooming/ boarding house (4)	Hospital/ nursing home (5)	Residential domiciliary care (6)	Hospital for the mentally retarded or emotionally disturbed (7)	Other (8)	Don't know (9)
California.....	20	19	7	4	30	18	2	
Massachusetts.....	22	22	11	13	2	29	1	
Michigan.....	16	4	15	8	11	39		7
New Jersey.....	18	18	17	5	6	35		3
New York.....	8	25	4	7	10	36	5	5
Ohio:								
Private facilities.....	9	4	9	42		35		1
County Homes.....	21	32	6	23	6	8		4
Congregate housing facility.....	34	22	11	11	11	11		
Pennsylvania:								
Private facilities.....	4	9	1		3	81		2
County homes.....	70	2	18	3	4	3		
State hospital.....	10	50			10	10		20

(3) To the extent that measures and indices developed during the study actually measured the quality of care, higher payment rates for domiciliary care are associated with higher quality care. This association is shown to be relatively strong, with the two highest payment states providing the highest quality care, the two lowest payment states providing the lowest quality care, and the three remaining states providing care of intermediate quality.

(4) Private rates in domiciliary care facilities providing care to SSI recipients average approximately 20% higher than the SSI rate. The private pay residents, in some cases, may be paying a sufficiently higher rate to pull up the quality of care received by SSI recipients in these facilities.

(5) While there is a definite relationship associating higher SSI payment levels with a greater percentage of SSI recipients in care, data indicates there is a "saturation" point of approximately 6% to 7% of the aged SSI population that would be in domiciliary care at very high payment levels. This point might be considered the percentage of SSI recipients who need and desire domiciliary care in a given state at a sufficiently high level of supplementation. The data from the seven state survey when analyzed with non-survey states information confirms comparable results.

(6) A hypothetical relationship between the payment variable and the percentage of a total state's population in domiciliary care can be developed. The various features of this curve show:

At \$0 payment level, some fixed percentage (curve "a") of persons are in domiciliary care because either they or relatives have sufficient resources to support them in care. In addition, some persons are supported by charity or are housed in public facilities.

OVERALL ASSESSMENT OF QUALITY OF CARE AS MEASURED BY SOCIAL-PSYCHOLOGICAL AND PHYSICAL CARE RATINGS

State	Composite social-psychological ratings		Composite physical ratings		Overall quality of care		Payment level	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
California.....	3.35	4	2.63	4	2.99	3	\$281	3
Massachusetts.....	3.40	3	3.70	1	3.55	1	314	2
Michigan.....	3.68	1	2.33	5	3.01	5	259	4
New Jersey.....	2.97	6	3.00	2	2.98	4	175	5
New York.....	3.60	2	2.90	3	3.25	2	329	1
Ohio:								
Private facilities.....	3.30	5	2.20	6	2.75	6	150	7
County homes.....	2.33		2.65		2.49			
Congregate housing facility.....	4.17		3.00		3.59			
Pennsylvania:								
Private facilities.....	2.92	7	2.18	7	2.55	7	153	6
County homes.....	2.45		2.73		2.34			
State hospital.....	1.83		2.25		2.04			

As the payment level increases (curve "b") to \$150 (hypothetically), the percentage of persons in care increases very little because the payment level is still not sufficient to cover costs, and therefore few places can afford to provide care at the indicated rate.

As the payment level increases still further (curve "c"), the percentage of persons in care increases rapidly. This is because the payment level is sufficient to cover costs and more places open to provide care. Simultaneously, with increasing payment levels, the facilities are able to provide higher quality care, and persons who previously were reluctant to enter care are more willing to do so.

Finally, the payment level reaches a sufficiently high level (curve "d") that very high quality care is provided and almost all persons requiring and desiring care are actually in care. Thus, there is only a small increase in the percentage of persons in care for very large increases in payments for care.

The findings and suggested model developed by the Booz, Allen, & Hamilton Study appear to be confirmed by the recent Congressional Budget Office attempt

Social Security Administration
PERCENTAGE OF TOTAL SSI RECIPIENTS
IN DOMICILIARY CARE BY PAYMENT LEVEL,
STUDY AND NON-STUDY STATES

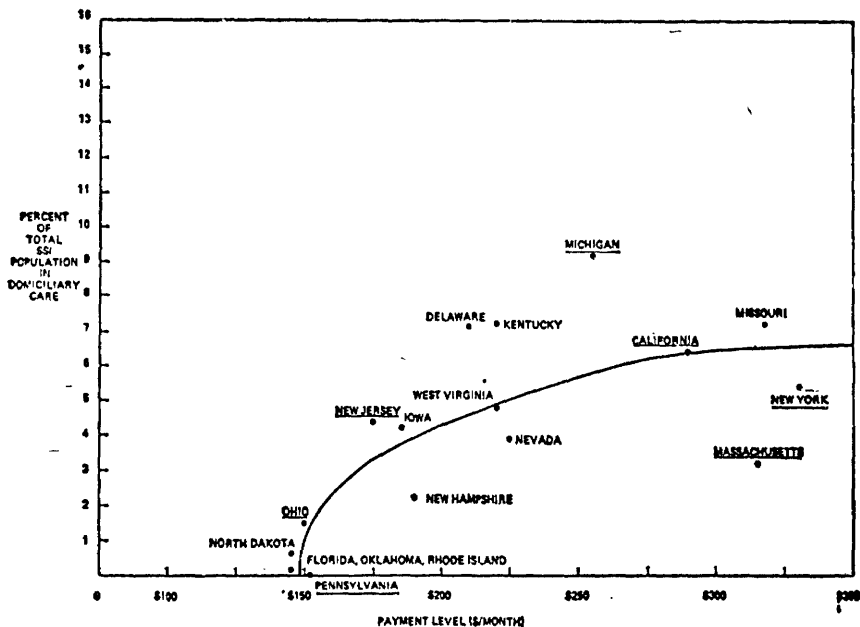


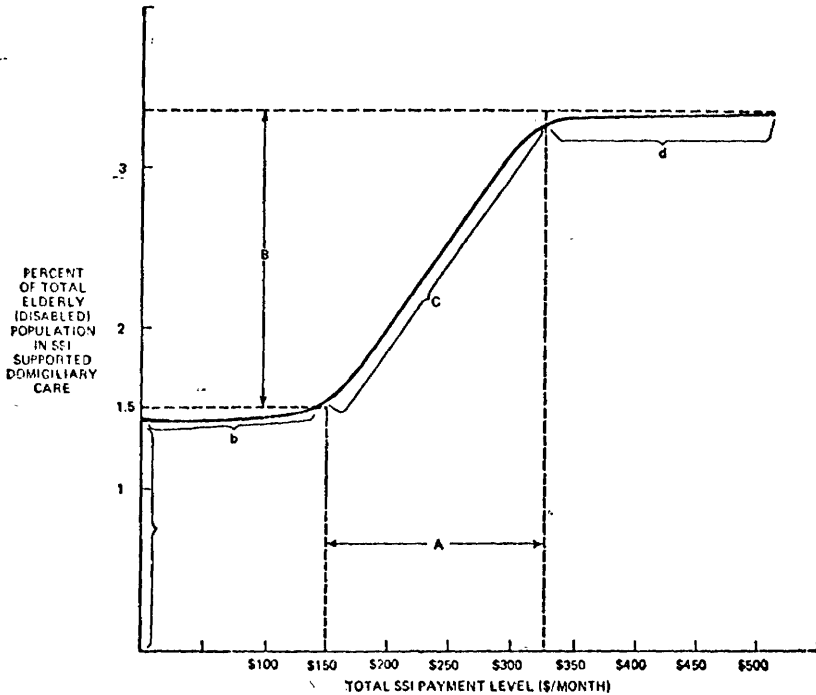
Table 14

to extrapolate the number of persons who could be assisted in personal care or residential living arrangements and the costs of that care, as pointed out in the following discussion taken from their document, *Long Term Care: Actuarial Cost Estimates, A OBO Technical Analysis Paper*, issued in August 1977:

"Only those programs in California, New York, Michigan, Massachusetts, and Hawaii, which cover most forms of sheltered living and personal care facilities, however, can be used to estimate the full cost of this type of care. In 1976, these states supported an average of 92,500 SSI recipients in facilities not certified as hospitals, skilled nursing facilities, or intermediate care facilities.

Social Security Administration

POSTULATED CURVE SHOWING THE
RELATIONSHIP BETWEEN TOTAL SSI
PAYMENT LEVEL AND PERCENTAGE OF
SSI RECIPIENTS IN DOMICILIARY CARE



Ibid.

Unfortunately, little data is available on the proportion of all residents of sheltered living and personal care facilities who are eligible for SSI payments and the proportion of these residents that are in the five states with comprehensive programs. With respect to the latter question, data from the MFI show that 35 percent of personal care homes and domiciliary homes are in these states. If the same proportion of residents of sheltered living facilities who could qualify under a long-term care program are in these states, there would be 265,000 qualified residents nationally.

A more tenuous assumption is required to estimate what proportion of the residents in these facilities are eligible for SSI. Approximately 10 percent of the aged and 30 percent of the disabled are eligible for SSI. A somewhat larger proportion of persons in sheltered living facilities should be eligible for SSI as a result of the higher average age of residents. The proportions of all aged and disabled eligible for SSI would appear to provide a lower bound for an estimate of the proportion of residents, of sheltered living and personal care facilities who are both eligible for SSI and qualified to receive benefits under the long-term care program.

According to the NNHS, 40 percent of the residents of personal care facilities depend on assistance payments as their principal source of funds. The high average cost of personal care facilities, however, would suggest that the proportion of residents of sheltered living facilities relying on assistance payments would be lower."

V. TOWARDS SOCIAL CARE ENTITLEMENT

Traditionally, homes for the aging have provided an intense program of social supports required by individuals to participate actively within the institution and the surrounding community. Non-profit homes are organized and operated to satisfy three primary needs of the aged person: the need for housing, the need for health care, and the need for financial security. Emphasis is placed on programs to assist the elderly resident to live a safe, useful, and independent life. To meet the health needs of the elderly, many homes have developed programs of intermittent and preventive health services. An infirmary is frequently necessary in these homes for those residents who need long term medical care. But the care offered in the infirmary is supplementary to the prime purpose of the facility which is providing social care.

The advent of Medicare and Medicaid has threatened to alter these settings. Because reimbursement is available for medically-oriented services and because rigid standards for physical plants appropriate for medical institutions have been established, homes for the aging are being forced to change the nature and intensity of the services they provide for the elderly. Inasmuch as neither Medicare nor Medicaid meets the social needs of older persons living in care facilities, public support for nonmedical care traditionally available to the elderly does not exist.

The fundamental assumption which pervades present public policy; i.e., that older people are either generally well and primarily in need of income supports, or they are generally sick and primarily in need of intense medical services, must be overcome.

The American Association of Homes for the Aging urges a public commitment to funding and delivering social care within institutional settings. Benefits under Medicare and Medicaid must be broadened to include social and residential care. Greater flexibility and variety in facilities serving the elderly must be encouraged, and public support for non-medical long term care services within the institutional setting must be expanded. Consideration should be given to enacting an entitlement to a social care benefit. The primary thrust of this benefit would be the purchase of environmental and nonmedical supportive services.

The concept of a social care entitlement should be carefully reviewed in the discussions on welfare reform. As the above information suggests, there is a need beyond simple income assistance for a segment of the population who cannot be maintained within the community without certain supportive services. We believe these services can be most appropriately delivered in a congregate setting. In order to maintain such alternatives to costly medical institutionalization there is a requirement to improve the incentives for state supplementation of domiciliary care.

Until such time as the Congress acts to provide an entitlement program for a social care benefit, existing programs of nonmedical, long term care must be strengthened. The following intermediate steps to accomplish this should be considered:

(1) Ways of expanding the payment options under the Supplemental Security Income program to insure that states provide assistance to eligible individuals living in group arrangements should be explored. Legislation should be enacted to provide incentives for the states to expand their supplementation programs for the purchase of nonmedical, long term care within institutional settings as an alternative to more costly nursing home care.

(2) The flexibility allowed states in establishing standards for group living arrangements housing (or likely to house) recipients of Supplemental Security Income should be maintained. But the Department of Health, Education, and Welfare should draft, with assistance from representatives of state governments and public interest groups, several model statutes as guides for implementing the provisions of Public Law 94-566 which requires states to establish standards for these facilities. HEW should also compile and disseminate to the public a compendium of the various state laws enacted to meet the requirements of Public Law 94-566.

(3) Congress should review the penalty mechanism which punishes the beneficiary of Supplementary Security Income for the failure of an institution to conform to state standards. Alternatives must be found to prevent public funds from subsidizing substandard institutions without restricting the purchasing power of the individual.

(4) When establishing standards for group living arrangements for the elderly as required by Public Law 94-506, states should (a) not interfere with housing and congregate services in settings where group supervision is not the primary purpose of the facility, and (b) not exclude from benefits elderly residents of facilities which provide medical and nursing supervision if this supervision is not the primary purpose of the facility.

(5) Congress must review the definition of an intermediate care facility under Medicaid. The nature of the facility must be clarified, the characteristics of the resident population defined, and an assessment mechanism established to insure that individuals receive services from the facility appropriate to their needs.

(6) A special study should be initiated to determine ways of coordinating present government programs for income assistance, social services, and health care to meet the needs of individuals who reside in nonmedical, long term care facilities. The study should focus on the options available for providing services to older persons within fulfilling and economically feasible environments.

Summary of State Payment Levels to the Aged, Supplemental Security Income Program: Residential Living Arrangement Variations, October 1, 1977. ***

STATE	ADMINISTRATION OF STATE SUPPLEMENTS		STATE PAYMENT LEVELS						
			State Payment Categories		State Payment Level**		State Supplemental Payments		
			Code*	Categories	Individuals	Couples	Individuals	Couples	
ALABAMA	Mandatory	Optional			Living Independently	\$177.80	\$302.00	None	\$ 35.30
					In Personal or Foster Care Home	184.00	368.00	\$ 6.20	101.30
					In Nursing Home or TB Sanitarium: <u>1/</u>				
					1) Eligible for SSI	48.00	96.00	23.00	46.00
					2) Public & No Medicaid Payment	48.00	96.00	48.00	96.00
					Living in Cerebral Palsy Treatment Center <u>1/</u>	387.00	768.90	209.20	502.20
ALASKA	Mandatory	Optional			Living Independently & Actual Shelter Costs less than \$25	\$286.00	\$429.00	\$108.20	\$162.30
					Living Independently & Actual Shelter Cost is \$25 or more	354.00	519.00	176.20	252.30
ARIZONA	Mandatory	Optional			Living Independently	\$177.80	\$266.70	None	None
					In Licensed Private Nursing Home:				
					(1) Receiving SSI <u>1/</u>	257.80	426.70	\$ 80.00	\$160.00
					(2) Ineligible for SSI <u>1/</u>			(Varies according to the MFL)	
					In Licensed County-Operated Nursing Home <u>1/</u> and <u>2/</u>	174.00	348.00	174.00	348.00
					In Licensed Supervisory Home Care Facility <u>2/</u>	202.80	-916.70	25.00	50.00
Certified as requiring Housekeeping Services <u>2/</u>	247.80	406.70	70.00	140.00					

Summary of State Payment Levels to the Aged (continued)

State	Federal		State Payment Categories Code*	Categories	State Payment Level**		State Supplemental Payments	
	Mandatory	Optional			Individuals	Couples	Individuals	Couples
CALIFORNIA		Federal	(A)	Independently Living with Cooking Facilities	\$296.00	\$557.00	\$118.20	\$290.30
			(B)	Nonmedical Board & Care	343.00	686.00	165.20	419.30
			(C)	Independently Living Without Cooking Facilities	329.00	623.00	151.20	356.30
			(D)	Living in Household of Another	236.74	468.10	118.20	290.30
DELAWARE	Federal	Federal	(A)	Adult Residential Care	\$265.00	\$524.90	\$87.20	\$258.20
				Living Independently	177.80	266.70	None	None
DISTRICT OF COLUMBIA	Federal	Federal	(A)	Adult Foster Care	\$210.00	\$420.00	\$32.20	\$153.30
				Living Independently	177.80	266.70	None	None
FLORIDA	Federal	State		Room & Board with Personal Care	\$225.00	\$450.00	\$ 47.20	\$183.30
				Adult Foster Care Home	215.00	450.00	47.20	183.30
				Living Independently	177.80	266.70	None	None
HAWAII	Federal	Federal	(A)	Living Independently	\$193.00	\$290.90	\$ 15.20	\$ 34.20
			(B)	Living in Household of Another	123.00	190.00	4.46	12.20
			(F)	Domiciliary Care I	268.00	536.00	90.20	269.30
			(G)	Domiciliary Care II	318.00	636.00	140.20	369.30
			(H)	Domiciliary Care III	380.00	760.00	202.20	493.30
IDAHO	State	State		Living Independently	\$231.00	\$302.00	\$ 73.20	\$ 55.30
				In Household of Another	118.54**	177.80**	None	None
				Eligible Individual with Essential Person (Converted Case) 2/	302.00	N/A	144.20	N/A
					302.00	N/A	55.20	N/A
				Room & Board	312.00	624.00	154.20	377.30
				Hotel-Renting Room	202.00	N/A	44.20	N/A

Summary of State Payment Levels to the Aged (continued)

A-3

	Mandatory	Optional	State Payment Categories Code*	State Payment Categories	State Payment Levels**		State Supplemental Payments		
					Individuals	Couples	Individuals	Couples	
ILLINOIS	State	State		Living Independently	\$185.00	\$266.70	\$ 7.20	None	
(State budgets each case individually regardless of living arrangements.)									
INDIANA	State <u>2/</u>	State	State Payment Categories Code*	State Payment Categories	State Payment Level**		State Supplemental Payments		
					Individuals	Couples	Individuals	Couples	
Living Independently \$177.80 \$266.70 None None									
Residential Facility Up to N/A Up to N/A									
\$300.00 <u>1/</u> \$122.20 <u>1/</u>									
IOWA	Federal	Federal	State Payment Categories Code*	State Payment Categories	State Payment Level**		State Supplemental Payments		
					Individuals	Couples	Individuals	Couples	
					(A) Living Independently	\$177.80	\$266.70	None	None
					(B) Household of Another	118.54	177.80	None	None
					(C) Living with Dependent Person <u>1/</u>	266.80	355.70	\$89.00	\$89.00
(Converted case with essential person) <u>2/</u> 266.80 355.70 None None									
(D) Living in a Family Life/Boarding Home 231.00 482.00 53.20 215.30									
Note: The State of Iowa administers an optional supplement called "Residential Care." The payments vary from \$7.20 to \$11.00 per day plus \$35.00 per month for each recipient. The per day portion of the payment is based on the cost in each facility.									
KENTUCKY	State	State	State Payment Categories Code*	State Payment Categories	State Payment Level**		State Supplemental Payments		
					Individuals	Couples	Individuals	Couples	
					Living in Personal Care Facility (non-title XIX)	\$320.00	\$640.00	\$142.00	\$373.00
					Family Care Home (Mini)	258.00	516.00	80.00	249.00
Individual Requiring a Caretaker in the Home									
216.00 300.00 38.00 33.00									
(Both requiring care) N/A 328.00 N/A 61.00									
MAINE	Federal	Federal	State Payment Categories Code*	State Payment Categories	State Payment Level**		State Supplemental Payments		
					Individuals	Couples	Individuals	Couples	
					(A) Living Independently	\$187.80	\$281.70	\$ 10.00	\$ 15.00
					(B) Living With Others	185.80	278.70	8.00	12.00
					(C) In Household of Another	126.54	189.80	8.00	12.00
					(D) Foster or licensed Boarding Home (5 or less beds)	210.00	420.00	32.20	153.30
					(E) Licensed Boarding Home (More than 5 beds)	225.00	450.00	47.20	183.30
<u>1/</u> Additional income disregards:									
Individual Couple									
(A) \$42.30 \$64.40									
(B) 44.30 67.40									
(C) 44.30 67.40									

Summary of State Payment Levels to the Aged (continued)

	Mandatory	Optional	State Payment Categories Code*	State Payment Categories	State Payment Level**		State Supplemental Payments	
					Individuals	Couples	Individuals	Couples
MARYLAND	Federal	State		In Domiciliary Care Facility	\$260.00	\$514.90	\$ 82.20	\$248.20
				Living Independently	177.80	266.70	None	None
MASSACHUSETTS	Federal	Federal	(A)	Living Independently	\$296.53	\$451.50	\$118.73	\$184.80
			(B)	Shared Living Expenses	225.55	451.50	47.75	184.80
			(C)	In Household of Another	212.28	365.26	93.74	187.44
			(E)	Domiciliary Care	345.34	690.68	167.54	423.96
MICHIGAN	Federal	Federal	(A)	Living Independently	\$203.43	\$305.16	\$ 25.63	\$ 38.46
			(B)	In Household of Another	135.62	203.44	17.08	25.64
			(D)	Domiciliary Care	295.54	591.08	117.74	324.38
			(E)	Personal Care	370.06	740.12	192.26	473.42
			(F)	Home for Aged	393.17	786.34	215.37	519.64
			(G)	Independent Living with Essential Person (Converted Case Only)	292.43	394.16	25.63	38.46
			(H)	In Household of Another with Essential Person (Converted Case Only)	194.95	262.78	17.08	25.64
			(I)	Living Independently	177.80	266.70	None	None
MISSOURI	State	State		Licensed Domiciliary Nursing Home	327.80	566.70	Up to \$150.00	Up to \$300.00
				Licensed Practical or Professional Nursing Home	377.80	666.70	Up to \$200.00	Up to \$400.00
MONTANA	Federal	Federal	(A)	Adult Foster Care and Boarding Care	\$226.80	\$453.60	\$ 49.00	\$186.94
			(C)	Licensed Developmentally Disabled Homes/Level V Certified Personal Care Services	281.80	563.60	104.00	296.94
			(D)	Level II Certified Personal Care Services	240.55	481.10	62.75	214.44
			(E)	Level III Certified Personal Care Services	254.30	508.60	76.50	241.94
			(F)	Level IV Certified Personal Care Services	268.05	536.10	90.25	269.44
				Independent Living	177.80	266.70	None	None

Summary of State Payment Levels to the Aged (continued)

A-5

	<u>Mandatory</u>	<u>Optional</u>	<u>State Payment Categories Code*</u>	<u>Categories</u>	<u>State Payment Level**</u>		<u>State Supplemental Payments</u>	
					<u>Individuals</u>	<u>Couples</u>	<u>Individuals</u>	<u>Couples</u>
NEBRASKA	State	State		Living Independently 1/	\$268.00	\$361.00	\$ 90.20	\$ 94.30
				Living with Essential Person 1/ (Converted case) 2/	361.00	N/A	183.20	N/A
				Room and Board	230.00	460.00	52.20	193.30
				Adult Foster Home	275.00	550.00	97.20	283.30
NEVADA	Federal	Federal	(A)	Living Independently	\$217.85	\$343.76	\$ 40.05	\$ 77.00
			(B)	In House of Another	145.23	229.16	26.69	51.30
			(C)	Domestic Care	336.70	673.40	158.90	406.70
NEW HAMPSHIRE	State	State		Living Independently	\$180.00	\$266.70	\$ 2.20	\$ None
				Individual or Couple with Essential Person (Converted Case) 1/	245.00	314.90	67.20	48.20
					266.80	355.70	None	None
				Living in Shared Home for Adults:				
			Family Care	210.00	N/A	32.20	N/A	
			Group Home	250.00	N/A	72.20	N/A	
NEW JERSEY	Federal	Federal	(A)	Licensed Boarding Home for Sheltered Care	\$308.00	\$616.00	\$130.20	\$349.30
			(B)	Living Alone or Purchasing Room and Board	200.00	277.00	22.20	10.30
			(C)	Living With Ineligible Spouse (Converted Case with essential person) 1/	277.00	N/A	99.20	N/A
							10.20	
			(D)	Living with 1 or 2 Others:				
			Own Household	177.80	266.70	None	None	
			Household of Another	143.00	251.00	24.46	73.20	
(E)	Living With 3 or More Others							
			Own Household	177.80	266.70	None	None	
			Household of Another	118.54	211.00	None	33.20	
NEW MEXICO	State	State		Living Independently	\$177.80	\$266.70	None	None
				Shelter Care Facilities/ Personal Care Services	217.80	346.70	\$40.00	\$80.00

Summary of State Payment Levels to the Aged (continued)

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	<u>Mandatory</u> <u>Optional</u>		<u>State Payment Categories</u>		<u>State Payment Level**</u>		<u>State Supplemental Payments</u>		
			<u>Code*</u>	<u>Categories</u>	<u>Individuals</u>	<u>Couples</u>	<u>Individuals</u>	<u>Couples</u>	
NEW YORK	Federal	Federal	(A)	Living Independently	\$238.65	\$342.64	\$ 60.05	\$ 75.94	
			(B)	Living with Others	185.98	293.64	0.18	26.94	
			(C)	<u>Congregate Care I</u>					
				Area A	301.70	603.40	123.90	336.70	
				Area B and C	246.70	493.40	68.90	226.70	
			(D)	<u>Congregate Care II</u>					
				(Eff. July 1, 1977)	396.70	793.46	218.90	\$26.70	
				(Eff. October 1, 1977)	404.70	809.40	226.90	\$42.70	
			(E)	<u>Congregate Care III</u>					
				Area A	\$660.70	\$1321.40	\$482.90	\$1054.70	
				Area B	636.70	1273.40	458.90	1006.70	
				Area C	321.70	643.40	143.90	376.70	
(F)	In Household of Another		126.72	204.74	8.18	26.94			
NORTH CAROLINA	State	State		Living Independently	\$177.80	\$266.70	None	None	
				In Domiciliary Care: 1/					
				Ambulatory Individual	360.00	N/A	\$371.20	N/A	
				Situation A	N/A	\$455.00	N/A	\$197.30	
				Situation B	N/A	417.00	N/A	159.30	
				Semi-ambulatory Indiv.	350.00	N/A	181.20	N/A	
				Situation A	N/A	465.00	N/A	207.30	
				Situation B	N/A	477.00	N/A	169.30	
				Non-ambulatory Indiv.	360.00	N/A	191.20	N/A	
				Situation A	N/A	475.00	N/A	217.30	
	Situation B	N/A	437.00	N/A	179.30				
NORTH DAKOTA	State	State		Living Independently	\$177.80	\$266.70	None	None	
				(Optional with counties - mostly limited to persons in licensed rest homes and licensed foster homes.)					
OKLAHOMA	State	State		Living Independently	\$214.80	\$335.70	\$ 37.00	\$ 69.00	
				In Household of Another	155.54	246.80	37.00	69.00	
				In Nursing Facility (monthly income \$50 or less)	50.00	100.00	25.00	50.00	

Summary of State Payment Levels to the Aged (continued)

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	Mandatory	Optional	State Payment Categories Code ^a	State Payment Categories	State Payment Level ^{b,c}		State Supplemental Payments			
					Individuals	Couples	Individuals	Couples		
OREGON	State	State		Living Independently	\$189.80	\$276.70	\$ 12.00	\$ 10.00		
				With an Ineligible Spouse or Essential Person (Converted Case) ^{1/}	271.80 276.80	N/A	94.00 10.00	N/A		
				In Household of Another	130.54	187.80	12.00	10.00		
				In Adult or Group Foster Care ^{2/}	189.80	379.60	12.00	112.90		
				In Board and Room ^{2/}	189.80	379.60	12.00	112.90		
				^{1/} Payments may vary according to MFL.						
				^{2/} Any additional costs provided thru special service funds. ^{3/} 1 in grant and 3 or more in household for aged & disabled. 1 in grant and 2 or more in household for blind. ^{4/} 2 in grant and 3 more in household.						
PENNSYLVANIA	Federal	Federal	(A)	Living Independently ^{1/}	\$210.20	\$315.40	\$ 32.40	\$48.70		
			(B)	In Household of Another	150.94	226.50	32.40	48.70		
			(C)	With One Essential Person (Converted Case Only)	315.50	428.76	48.70	73.06		
			(D)	With One Essential Person In Household of Another (Converted Case Only)	226.57	310.20	48.70	73.06		
			(G)	Certified Domiciliary Care ^{2/}	325.10	640.10	147.30	373.40		
				^{1/} Effective 10/1/76 includes individuals in community residences receiving just room & board. ^{2/} Effective 10/1/76 includes individuals in community residences receiving personal care & supervision.						
SOUTH CAROLINA	State	State		Living Independently	\$177.80	\$266.70	None	None		
				In Licensed Boarding Home ^{1/}	265.80	530.70	\$ 88.00	\$264.00		
SOUTH DAKOTA	Federal	State		Living Independently (Converted Case) ^{1/}	\$177.80 200.00	\$266.70	None \$ 22.70	None		
				In Supervised Personal Care ^{2/}	285.00	570.00	107.20	\$303.30		
				In Adult Foster Care Home ^{2/}	200.00	400.00	22.20	133.30		

Summary of State Payment Levels to the Aged (continued)

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VERMONT	Federal			Living Independently				
				(A)	(B)	(C)	(D)	
			(A)	Area 1	\$210.00	\$310.00	\$ 32.20	\$ 43.30
			(B)	Area 2	210.00	330.00	32.20	63.30
			(C)	In Household of Another	162.00	200.00	23.46	30.20
			(F)	Supervised Licensed Custodial Care	296.00	340.00	118.20	273.30
			(G)	Licensed Home Custodial Care	263.00	509.00	85.20	242.30
			(H)	Unlicensed Home Custodial Care	230.00	459.00	60.20	192.30
VIRGINIA	Mandatory	Optional	State Payment Categories Code*	State Payment Levels*		State Supplemental Payments		
	State	State		Individuals	Couples	Individuals	Couples	
			Living Independently	\$177.80	\$266.70	None	None	
			In Licensed Home for the Aged or Domiciliary Institutions 1/	203.00 6 up	400.90 6 up	\$ 35.20 6 up	\$134.20 6 up	

***Total monthly State payment levels and State supplemental payments to aged recipients with no countable income and no special needs are shown. State payment amounts may actually vary for individual recipients because of special needs payments made by the State under former or current State programs. Basic Federal payments: Full benefits - - Individual \$177.80, couple \$266.70; Household of Another - - Individual \$118.54, Couple \$177.80; Essential Person - - Individual \$89.00; Essential Person in Household of another - - Individual \$59.33; Benefit amount for individual in Title XIX institution - - Individual \$25.00; Couple \$50.00. Footnotes on chart have not been cited, generally they account maximum benefit amounts. See source for details.

Source: Supplemental Security Income for the Aged, Blind, and Disabled Summary of State Payment Levels, State Supplementation, and Medicaid Decisions. Social Security Administration, DHEW. Revised September 12, 1977.

Senator MOYNIHAN. The subcommittee is recessed, subject to call of the Chair.

[Thereupon, at 11:25 a.m., the subcommittee recessed to reconvene at the call of the Chair.]

APPENDIX G.—COMMUNICATIONS RECEIVED BY THE COMMITTEE
EXPRESSING INTEREST IN THESE HEARINGS

HOUSE OF REPRESENTATIVES, THE NINTH LEGISLATURE,
STATE OF HAWAII,
HONOLULU, HAWAII, *May 12, 1978.*

SENATE FINANCE COMMITTEE,
Subcommittee on Public Assistance,
U.S. Senate,
Washington, D.C.

DEAR SUBCOMMITTEE CHAIRMAN MOYNIHAN: This is to indicate general support for the position on welfare reform legislation adopted by Governor George R. Ariyoshi.

The State of Hawaii has suffered sustained high unemployment, and all labor market indicators suggest high unemployment will continue for some years within the State. Hawaii also has a substantially higher cost of living than the rest of the nation.

Accordingly, alterations in the basic transfer payment programs of the nation are of great concern; transfer payments for several years have been the fastest growing component of personal income within the State, and constitute a significant element of the local economy.

While recognizing the need for welfare reform, therefore, Hawaii seeks protection against benefit reduction and future inflation, and seeks special consideration in the design and financing of jobs programs, to assure that the Hawaii labor market will not be undermined.

Medicaid, the largest and fastest-increasing component of welfare spending, is of course a special problem. It does not appear to me that national health insurance alone is the solution to the health care industry cost runups that are reflected in Medicaid spending. Reform of the health care delivery system is as essential as improved financing of health care, for inflation otherwise will erode benefits over time.

Sincerely,

BYRON W. BAKER,
*Chairman of the House Committee
on Public Assistance and Human Services.*

KANSAS CITY, Mo., *March 7, 1978.*

Ms. MARTHA KEYS,
U.S. House of Representatives,
Washington, D.C.

DEAR MRS. KEYS: Richard Stevenson in your Topeka Office called me recently in regard to my interest in welfare reform. I would like to work on a subcommittee's staff in Congress or in an HEW office in a consulting capacity in regard to the proposed Welfare Reform Bill, H.R. 9030.

Stuart Eizenstat at the White House stated in his return letter to me (copy enclosed) that a few of my ideas sent to President Carter a year ago were incorporated in his proposed reforms to Congress. Because of my extensive experience in poverty programs (resume enclosed) and since welfare reform has been

a burning cause to me for 5 years, I feel competent to suggest some sweeping changes, for which I see a need, in the present bill. The following is my critique of that bill.

I would appreciate your reactions to my proposals and if necessary calling me at 816-361-2131.

Sincerely yours,

JACK MEAGHER.

A CRITIQUE OF THE WELFARE REFORM BILL, H.R. 9030

The idea of welfare was born out of charity to the poor, whereas the new bill should originate out of a spirit of justice that the poor deserve to be treated as are other citizens. The concept of welfare and its system should be eliminated. In its place existing agencies such as IRS and Social Security would have more responsibility than is given them in the present bill. IRS would return taxes to the poor in the form of negative income tax. Social Security would handle the administration of such programs.

Having read carefully the proposed bill and Secretary Califano's statement before the Subcommittee on Welfare Reform, I have outlined my own recommendations:

1. My proposed earned income tax credit (EITC) would have the following features:

(a) a 25 percent credit on earnings up to \$4,000 per year, as opposed to

H.R. 9030's 10 percent or 12 percent. The latter is not incentive to work.

(b) a 10 percent credit on earnings between \$4,000 and \$8,000.

2. An additional 25 percent incentive up to \$4,000 and 10 percent between \$4,000 and \$8,000 from matching Federal and State funds. The present bill's supplemental cash plan is neither good in theory nor in practice. In theory it is more of a handout than an incentive to work. In practice States such as Mississippi in the past could not afford to pay State aid to welfare recipients. Therefore, I don't look for the poorer States to pay 75 percent of the cost up to the poverty level.

3. The minimum income to be taxed would be \$4,000 instead of \$3,200 for a single person and \$5,000 instead of \$4,200 for a married couple. This coincides with the negative income tax concept that low-income earners do not pay money but receive it from the Government. This idea was espoused by Dr. Milton Friedman, the University of Chicago economist, who favored a 50 percent incentive of income earned to be paid to the worker by the Government.

4. H.R. 9030's "Federal benefit floor" for those not working at all is too high, not economically, but psychologically. \$4,200 for a family of 4 is roughly \$6,200 before taxes and expenses to earn it. It is easier to take a tax-free \$4,200 than to work for \$6,200. A lower floor of \$3,200 would provide more incentive to work. A friend of mine provides an example. In 1976 he made \$4,000 working full-time as a real estate salesman, part-time psychologist, and basketball referee. Others in his situation might have received welfare, food stamps, or unemployment insurance. By sticking out the hard times of the previous year, however, he made substantially more money in 1977. In my plan the IRS would have provided an incentive to continue working by giving him a tax credit of \$1,000.

5. The Federal Government alone should administer the program's intake from all 50 States being independent as possible from State financing.

6. In computing the "maximum payable amount" the bill subtracts 50 cents for each dollar earned. This is backwards from the tax incentive approach which gives an extra 50 cents for each dollar earned.

7. 100,000-120,000 people to administer the programs seems far too high. By streamlining the program less money would go to running it and more would go to the recipients. Social Security would administer the program through a new division within its existing offices. Perhaps only 50,000-60,000 clerical employees would be needed. Social workers now used as caseworkers could be available to provide counselling to job trainees in their homes and on the job.

8. This "tax incentive plan", as I call it, would enable wage earners to get off the Government dole and out on their own in a shorter period of time than the proposed bill now in Congress. A comparison between my plan and HEW's Secretary Califano's statement (addendum 10) will illustrate my case:

PROGRAMS FOR BETTER JOBS AND INCOME: WORK INCENTIVES—INCREASED WORK
ALWAYS INCREASES INCOME

A COMPARISON: HEW'S VERSUS MY PLAN

	Half time		Full time	
	HEW	My plan	HEW	My plan
Earnings.....	\$2,400	\$2,400	\$4,800	\$4,800
FICA taxes.....	-140	-140	-281	-281
EITC.....	240	600	440	1,080
Federal State cash supplement.....	2,580	600	2,216	1,080
Total.....	5,080	3,460	7,175	6,679

My plan for full time workers saves the government \$496, and for half time saves \$1,620. The HEW ratio of half time to full time is 5080/7175 or 30 percent increase in money for a 50 percent increase in work. My plan's ratio is 3460/6679 or almost a 50 percent increase in money for a 50 percent increase in work. Contrasting the 2 plans shows all too clearly that my "tax incentive plan" is more incentive to work than the proposed bill, H.R. 9030, and thereby more efficient to get America's poor back to work.

STATEMENT OF THE HONORABLE RON DELUGO

Mr. Chairman and distinguished members of the Senate Finance Subcommittee on Public Assistance, I am grateful for this opportunity to testify in support of S. 2084, the Better Jobs and Income Act. I am pleased to note that this legislation, which is the product of one of the most comprehensive studies ever undertaken by HEW, represents an important advance over the present application of Federal public assistance law in that it generally extends to residents of the U.S. Virgin Islands the same rights and benefits extended to resident of the several states and the District of Columbia.

This principle of equal treatment has not always been applied with respect to public assistance programs in the Virgin Islands. Under present law, for example, the Virgin Islands is excluded from participating in certain social security programs; in others the Territory is limited in the amount of Federal funds to which it would otherwise be entitled as a result of arbitrary Federal ceilings and matching rates. The net result of these discriminatory provisions is a welfare burden to the fiscally strapped Virgin Islands Government that is disproportionately higher than that of individual states. At the present time, the Federal Government provides only about 30 percent of total welfare costs in the Virgin Islands, whereas in states with similar conditions, the Federal Government pays up to 75 percent of the total costs.

To the end of equal protection under the law, I introduced at the beginning of this Congress legislation which would provide for state-like treatment of the Virgin Islands for all public assistance programs under the Social Security Act. The House took a major step toward equal treatment when it voted last June to extend the Supplemental Security Income Program (SSI), eliminate the Federal ceilings on cash assistance programs and revise administrative procedures in the Title XX Social Services Program for the benefit of United States citizens in the Virgin Islands, Puerto Rico and Guam. In its unanimously approved report to H.R. 7200, the House Ways and Means Committee stated that the above action was a "necessary and important step" in the direction of "complete equity between the States and the Territories".

While much of my effort has been directed toward the elimination of discriminatory provisions in the present law, I have also been working closely with the Carter Administration to insure equitable treatment of the Virgin Islands in its comprehensive welfare reform proposal which is now embodied in the Better Jobs and Income Act. As this principle has been largely effected in this legislation, I would respectfully request that correspondence between myself and the Carter Administration on this important issue, appended at the end of my statement, be included in the record of these hearings.

In the event that Congress chooses not to enact the President's comprehensive welfare reform proposal this year and chooses instead to enact incremental reforms, I would be pleased to endorse the approach taken in S. 2777, the Job Opportunities and Family Security Act of 1978, introduced by Senator Baker and co-sponsored by a number of others. In particular, I would like to voice my strong support for Section 415 of the Baker-Bellmon bill which would eliminate Section 1108 of the Social Security Act. The elimination of this latter provision, which imposes ceilings and lower matching formulas on Federal welfare assistance for the off-shore areas, would do much, with certain exceptions, to place the Virgin Islands on the same basis with the states.

Thank you very much.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 20, 1977.

HON. JOSEPH A. CALIFANO,
Secretary, U.S. Department of Health, Education, and Welfare,
Washington, D.C.

DEAR MR. SECRETARY: I am writing to strongly urge your support for the principle of equitable treatment of the Virgin Islands and the other offshore territories in any welfare reform proposal that is submitted by your office to the President on May 1st. It is my understanding that the Consulting Group on Welfare Reform chaired by Assistant Secretary Henry Aaron has touched on peripheral questions of territorial participation in public assistance program under the Social Security Act in its work to date, but that it has not yet focused on the policy question of equal treatment for U.S. citizens in these areas.

As you know, the Virgin Islands, Guam and Puerto Rico are presently excluded from participating in certain Social Security programs; in others they are limited in the amount of Federal matching funds they may receive. The principle justification for exclusion or limited entitlement under the Social Security Act has been the special tax status of these respective off-shore areas.

In October of 1976, the HEW Under Secretary's Advisory Group on Puerto Rico, Guam and the Virgin Islands issued a report which concluded that "the current fiscal treatment of Puerto Rico and the territories under the Social Security Act is unduly discriminatory and undesirably restricts the ability of these jurisdictions to meet their public assistance needs." The report went on to recommend state-like treatment for the territories, arguing that "while the legitimate obligations of Puerto Rico and the territories to contribute to general Federal tax revenues should be considered within the context of their overall political relationship with the Federal Government, there is little justification for addressing this issue within the context of the Social Security Act."

This conclusion is in accordance with statements of general policy the present Administration has made with respect to the off-shore areas. In a recent message to Governor Carlos Romero Barcelo, President Carter stated, "Too long have some sectors of Washington approached Puerto Rico on a dividing 'we and you' basis, forgetting that Puerto Rico is an island where over three million American citizens live. As President of the United States, you can be assured that I will be conscious of the needs of all American citizens, wherever they may be. . . . The Constitution of the United States does not distinguish between first and second class citizens."

Moreover, the logic of the constitutional position is supported by the argument that while the people of the Virgin Islands do not contribute to the Federal Treasury, neither do millions of Americans who are unable to pay taxes because of economic circumstances. Neither of these circumstances relieves the Federal Government of its responsibilities to these citizens.

To the end of equal protection under the law, I have introduced legislation in the House of Representatives which provides for a state-like treatment of the Virgin Islands for all programs under the Social Security Act. The House Ways and Means Committee has included funds in its budget recommendations for Fiscal 1978 to phase in state-like treatment, and has scheduled full legislative hearings on this matter during the first week in May. I am hopeful that the Department will testify in support of my legislation in accordance with the recommendations of the Under Secretary's Advisory Group.

At the same time, I strongly urge that the Consulting Group on Welfare Reform also address the issue of the territories in its report that will eventually be submitted to the President. I strongly believe that fairness and simple justice require that, in the words of the Ways and Means Committee Budget Report, "U.S. citizens residing in (the offshore) areas should be treated the same as U.S. citizens living on the mainland".

With best personal regards, I am
Sincerely,

RON DELUGO,
Member of Congress.

Hon. RON DELUGO,
House of Representatives,
Washington, D.C.

DEAR MR. DE LUGO: I apologize for my delay in responding to your letter of April 20. I can assure you that we are giving the question of the Virgin Island's participation in our welfare reform proposal the full consideration it deserves.

As you know, my staff have met with members of your staff to discuss this issue. Also, we recently held a special meeting with representatives from Puerto Rico, Guam and the Virgin Islands to discuss their specific concerns. I am confident that, with your continued assistance and advice, we can arrive at a solution that reflects both the legitimate responsibilities of the Federal Government and the best interests of the Virgin Islands.

I look forward to working with you in the coming months as we move toward a full reform of our welfare system.

Sincerely,

JOSEPH A. CALIFANO, Jr.

STATEMENT OF GEORGE R. ARIYOSHI, GOVERNOR, STATE OF HAWAII

Welfare Reform is and has long been a source of perennial controversy across the Nation. Problems related to welfare have been extremely vexing and for too long the country has failed to really come to grips with them. S. 2084 is a major attempt to come up with a fundamentally sound welfare program.

The bill on Program for Better Jobs and Income (S. 2084) is designed to "dramatically" reduce reliance on the welfare system, insure work incentives, improve job opportunities, increase the benefits and dignity of welfare assistance, consolidate all welfare programs into one, encourage family unity, reduce fraud and errors and assure State and local governments fiscal relief. These are undeniably desirable objectives. The question before us, however, is not whether these objectives are desirable but whether the proposed program will achieve these objectives and at what cost.

TITLE XXI—INCOME SUPPLEMENT AND INCOME SUPPORT FOR FAMILIES AND INDIVIDUALS

Our initial and primary area of concern involving this Title relates to cost. The bill guarantees that the cost of implementing the program would not exceed 90% of the current State cost of AFDC, GA, SSI, State supplements and administrative costs. In other words, it guarantees a 10% fiscal relief for the first and second year. This relief is reduced to 5% for the third, fourth and fifth years and then it is phased out. This means that after the fifth year the State is unprotected against cost increases resulting from the reform program.

The increase in cost to the State can be very substantial if the State which has a high benefit level, as Hawaii does, is to maintain these benefits.

Relative to one of the main objectives of the reform program, namely to provide fiscal relief to the states, this hardly seems right.

We strongly favor the provision in H.R. 10950, Corman's revision to H.R. 9030 (companion to S. 2084) which would hold the State permanently harmless with respect to any increase beyond 100% of pre-reform cost after the fifth year.

In terms of cost to the State, this hardly represents fiscal relief because the current cost is already a staggering load, but it would protect the State from the kind of astronomical cost increases that it has suffered in the past.

Without going into specific figures because our calculation may be based on misunderstanding of the bill's provision, we should like to establish our basic position with regard to cost and benefits as follows:

We would want to be able to maintain benefits at least at our current level, including food stamps, and we hold that the cost to the State should be no more than the current cost at the time of implementation.

In this connection, we are also concerned that the Maximum Payable Account as it applies to Hawaii means that recipients in our jurisdiction will incur a loss in benefits. This occurs because the current benefit including food stamp bonus amounts to \$7,641 which exceeds the maximum payable amount of \$7,360 provided for in the bill.

Limitation on benefits

With respect to the basic federal benefits, we oppose the provision which limits benefits to a maximum of seven members in a family. This is real discrimination against larger families and the primary sufferers will be children. We note with approval the fact that H.R. 10950 has removed this limitation.

Lower tier benefits

H.R. 10950 also provides that lower tier benefits will not be paid during job search if the area has substantial unemployment. We approve this revision. We would go even further to state that the concept of providing a lower tier benefit during a job search period should be eliminated. An expected to work family's needs are just as pressing as those of the family not expected to work. Providing for a lower benefit during an 8-week job search period constitutes in effect real punishment, even though the rationale of the bill is to provide incentive to seek employment. We suggest that the lower tier benefit should apply only when a recipient refuses to make an effort to seek employment or refuses employment when offered. Of course when he does get employment, the lower tier benefit would apply because of the greater benefits resulting from his earnings.

Eligibility accounting

Sec. 2108 establishes a six months retrospective period of computing a household's available income in determining eligibility. This retrospective method is being offered as "fairer because it increases the likelihood that families with similar annual incomes will receive similar benefits, and it should do much to reduce fraud and error." We can assume that families with sudden drop in their income and who are ineligible shall be covered by the Emergency Assistance provisions of the program. The six months retrospective approach seems like a cumbersome administrative procedure and we submit that the provisions of the Food Stamp Program is much more equitable and substantially simpler to implement. Under that program, the household's income for the past 30 days is used as a guide in determining the household's eligibility and benefits, unless the household has experienced or expects a substantial change in income. In such an event, the past 30 days' income is disregarded and the anticipated level of income is used to determine eligibility and benefits.

We note in this connection that H.R. 10950, H.R. 10711 and S. 2777 all provide for the one-month retrospective period which we favor. The concern about keeping a family with a high annual income from receiving assistance which is really the basis for the six-months retrospective period is handled in these other bills through the taxing mechanism. We consider the tax procedure to be simpler and fairer and more manageable than the six-months retrospective accounting period.

Assets test

The asset ceiling of \$5,000 plus imputation of income from non-business assets in the \$500 to \$5,000 range are objectionable on two counts:

1. The \$5,000 ceiling is too high.
2. The provision to impute income based on the level of assets held is complicated and burdensome.

For reasons of both equity and administrative convenience, the asset ceiling should be lower and there should be no imputation of income from assets as proposed in the bill. Asset retention is provided to prevent pauperization of applicants, but on the other hand, we should not provide public assistance to those who are not really in need of it. An applicant who has several thousands of dollars should reasonably be expected to spend some of it before receiving assistance. Asset ceilings similar to current ceilings is more justifiable and on this

basis we would favor the provision in H.R. 10950 which simply uses the SSI assets test.

Coordination with medicaid and social services

S. 2084 does not sufficiently address the problem of coordination with Medicaid and Social Services. The present proposal to let Medicaid function as it would require the states to conduct eligibility determination for Medicaid separately based on the categorical eligibility requirements in the pre-reform programs. This means retaining virtually the total present administrative structure to determine who would be eligible under pre-reform AFDC and SSI regulations. This would constitute a very complicated eligibility process and is unacceptable.

There is also the concern about the impact of the jobs program on Medicaid eligibility. Conceivably there would be families who would be better off in cash terms but would be losing medical services which could more than offset the cash gain. The potential loss of medical assistance could continue to be a major disincentive for those required to work and those not required but who would like to work.

Inasmuch as the solution which is National Health Insurance is an extremely uncertain one in terms of when it will be realized, there should be provisions in the bill to adequately meet health needs under the current Medicaid program, without breaking the states financially.

A solution proposed which we endorse is to allow the states to have discretion on who among the recipients of cash assistance is eligible and to hold the states harmless for any additional Medicaid costs that might be imposed by judicial or Federal regulatory action or statutes.

The coordination problem with social services is similar to that affecting Medicaid. What happens to one program affects the other with impacts on recipients, administration and costs. With welfare reform, we can anticipate an increase in the number of recipients of cash assistance. What this means simply is that there will be an increased demand for social services and thus provisions to meet this demand should be made. The indicated solution is an increase in the Title XX ceiling.

Administration of cash assistance

S. 2084 gives the States only the option of performing the intake function. The federal government would reserve the right to determine eligibility and issue checks.

We view this arrangement with disfavor for the following reasons:

1. It is uneconomical. The Federal Government would have to establish a large administrative structure to handle the program, while the State with an existing structure that can handle it would have to continue such structures to administer such program as emergency needs, medicaid and social services.
2. State administration, by its very nature, is more sensitive and responsive to the needs of the citizens of the State.
3. A State is placed in a very unenviable position of being only partially responsible for a highly visible intake function. It would be in a vulnerable position to bear the brunt of criticisms for program failures. All the complaints and frustrations could be blamed on the State which, in fact, would have no responsibility or authority to correct anything.

We suggest that the bill should give the States the option of full administration, partial administration or no administration of the new program.

TITLE IX—JOB OPPORTUNITIES PROGRAM

Title II of the proposed legislation would amend the Comprehensive Employment and Training Act to add a Title IX—Employment Opportunities Program. The proposed CETA Title IX would provide a job search assistance program for low income individuals and to create subsidized jobs and training opportunities for principal earners in certain low income household units. CETA prime sponsors are designated recipients of funds for the delivery of program services.

Prior to the enactment of CETA, the Employment Service was the major deliverer of manpower services. Its primary function was and is to help people get jobs which includes activities such as intake, counseling, job/skill matching, referral to job opportunities and to employability development services which

Include work experience and skills training, remedial training, subsidized public service employment and other supportive services.

As intensive job search assistance and employability development are key features of the program design, the designation of prime sponsors as sole delivery agents leads to confusion to the roles of the CETA prime sponsor and the employment service. It also increases the potential for duplication of services in the delivery of manpower services. We recommend that further study be made on the inter-relationship of these two systems and the need to interface these with the educational systems in order that maximum assistance to people in need of employment and training services can be provided.

Section 913 requires the Secretary of Labor to allocate funds among prime sponsor areas on the basis of estimated numbers of persons eligible for assistance. The basis from which these estimates will be derived is not indicated.

To insure equitable distribution of funds among prime sponsor areas, the language of *Section 915* should specify what factors and data the Secretary of Labor will use as the basis to assure equitable allocation of funds among prime sponsor areas. We recommend that the incidence of unemployment and poverty (OMB criteria which gives recognition to high cost-of-living areas of Hawaii and Alaska) be included as factors for consideration. The use of unemployment data would provide areas with depressed economies due consideration.

We also recommended that language be provided to specify that in the development of public service jobs there be insurance of an equitable distribution of funds among the various levels of government within a prime sponsor area to provide for job opportunities in the various levels of government.

The authority of the Secretary to reallocate allocations to other areas during a fiscal year should be qualified to require advance notice to prime sponsors and governors before any such action is taken. Such provisions are included in *Section 103* of the Act.

Section 915 would require prime sponsors to submit plans to both the Governor and the State Manpower Services Council (SMSC) for review and comment; the SMSC to conduct public hearings on all prime sponsor plans; and, after review, each party to submit recommendations deemed appropriate to prime sponsors and to the Secretary of Labor.

The proposed legislation leads to the inference that the authority of the State Manpower Services Council, an advisory body to the Governor, is equal to that of the Governor of a state. We recommend that reference to the State Manpower Services Council be deleted from *Section 915(a)*; and that *Section 915(c)* place responsibility on the Secretary to prescribe such regulations as necessary to insure that issues/recommendations raised by all interested parties are provided due consideration by prime sponsors and the Secretary.

It is also our feeling the authority of the Governor be extended to include approval of prime sponsor plans that are necessarily integrated into programs that are State responsibilities or State funded.

Section 916 states that the Secretary shall provide financial assistance to governors for specified purposes in carrying out the intent of the Title. The source of such funds is not indicated; it is our thinking a percentage of the appropriation for this Title should be specified for this purpose or consideration be given to increasing current Sec. 106 and 107 percentage of CETA Title I appropriations.

Section 953 would require states which enter into a supplemental cash assistance program to provide funds to enable prime sponsors to pay wage supplements to participants in subsidized work and training positions.

This requirement places a potential fiscal burden upon state government. For each public service job slot with an hourly wage equal to 110 percent of the federal minimum hourly wage, the state has a potential liability of \$680.

It is our position that subsidized work and training should be 100 percent subsidized. This would contribute towards equalizing costs of welfare in areas of high cost living and in areas characterized by economies that cannot support the burden of uncontrolled immigration or in-migration.

On a more general note, with respect to implementation, one cannot help but reflect back to the difficulties the Nation experienced in the conversion of the State's Aid to the Aged, Blind and Disabled programs to SSI in 1974. A "Monday morning" analysis of that project clearly advises a cautious approach to the transition of our current welfare system to the Program for Better Jobs and Income. We believe that serious consideration should be given to the

establishment of pilot programs to test the feasibility and effectiveness of the new Welfare Reform plan. There is little doubt that a conversion can be made. Our concern is that it occurs under optimum conditions. The executive and legislative branches of the State Government would require sufficient lead time to take the necessary actions to implement this program.

The Program for Better Jobs and Income is a commendable proposal with noble objectives. The President is to be congratulated for stepping forward with such an innovative program to effect a reform of our less-than-satisfactory welfare system. The proposal, as presented, however, is not a perfect one. With more work to resolve major issues of concern, the program should exert a profound and positive influence on the course of American history with far-reaching social consequences.

STATEMENT OF JEROME CHAPMAN, COMMISSIONER, DEPARTMENT OF
HUMAN RESOURCES, THE STATE OF TEXAS

I have reviewed the four major welfare reforms proposals with much personal interest. Although philosophically I can appreciate many of the benefits resulting from a comprehensive reform effort, realistically I feel an incremental approach to changing the welfare system is undoubtedly the most probable and the most manageable. My desire to see some sorely needed changes in the current system accentuates the importance of the "probable" aspect of an incremental approach.

One of the unfortunate aspects of the current system which none of the reform proposals corrects is the loss of Medicaid coverage that occurs when receipt of other income makes a family ineligible for financial assistance. This is especially traumatic when the family is only barely ineligible for AFDC—victims of the notch effect. This possibility can be a hindrance to seeking or retaining other income sources.

It is my understanding that the drafters of the reform proposals expect some type of national health insurance to complement the income maintenance system. However, since legislation of this type hasn't even been introduced yet, I think we must consider other alternatives. A viable one is to make Medicaid for the medically needy a mandatory program.

However, it would be necessary to include a hold harmless clause to protect the states from any additional Medicaid costs as many states are struggling to meet current program costs.

A mandatory Medicaid for the Medically Needy Program could be considered an incremental approach to national health insurance, and again would have the advantages that an incremental approach has over a massive one. Whatever changes are made in the income maintenance system must be accompanied by accommodating changes in the Medicaid program.

An area that begs for simplification and coordination is the relationship between the Food Stamp Program and the financial assistance program. Determination and treatment of income and resources, certification and notification periods, work requirements, etc., need to be the same or as similar as possible. There appears to be nothing tangible to prevent aligning these two programs. This would greatly enhance staff cross-utilization as well as reduce errors and frustration level for both clients and staff.

Would it not be feasible to look at the food stamp program in a somewhat different manner for financial assistance recipients? Rather than including an amount in the assistance payments for food needs, this payment would relate to all basic needs other than food. The Food Stamp Program would be the only source of food assistance for public assistance recipients and in effect would become a mandatory program for these persons.

To accomplish this, a change in the current food stamp act is necessary so that the amount of food stamps a household is entitled to receive is not decreased by the receipt of cash assistance. Instead, the cash value of the stamps and the family net income (if any) is used to determine entitlement to cash assistance. The amount of cash assistance would be the difference between a minimum national income benefit level set by Congress, and the family net income (if any) plus the cash value of food stamps.

If states were required to use the food stamp program income resource and income disregards, administration of cash assistance programs could be greatly simplified. The same method could be used for determining entitlement to un-

employed parents benefits and even other cash assistance programs based on need.

Besides combining existing program benefits to meet a national income benefit level, this step also would provide substantial fiscal relief to the states. This would occur because food stamps which are 100% federally funded would be used as a primary resource in meeting the national income benefit level, causing a reduction in state federally funded cash assistance payments. States could elect to pay higher cash benefits that, together with the family net income and food stamp benefits, would not exceed 100% of the poverty level. Cash payments up to this level would continue to be matched at current rates, simplifying the process for state supplementation.

Attached is an example of how this method for calculating cash payments would work. Texas would be more than willing to test this method.

Considering the economy, the unemployment rates and the changing work force, under employment or unemployment has become a legitimate deprivation factor for two-parent families. Financial assistance for these families should be a mandatory part of any welfare program, but again the states must be protected from increased costs.

I see no point in adding to the administrative confusion by establishing different requirements for the unemployed parents segment of the program. Program integrity should be maintained by a clear definition of unemployment, using the previously discussed method for calculating unemployed benefits.

I believe a strong work program is an important segment of any assistance plan but that utilization of the private job sector should be emphasized. Although public service employment (PSE) has its place, I feel there is a measure of validity to the change that in some instance PSE slots are used to replace locally funded jobs and consequently don't result in the creation of additional employment positions.

Also, it seems that too often PSE is just a place to "put" a client for a year and it generally doesn't lead anywhere.

PSE placements should be used wisely and purposefully; for example, to build up a young person's work experience record, to provide on-the-job training type experiences, or to provide employment for persons who have no skills to offer the private sector.

It is necessary to get those persons who are capable into the private job sector and I feel that job vouchers, employer tax incentives, apprenticeship and other types of subsidized employment are vehicles that will enable clients to get into and hopefully remain in the private employment sector.

I realize that some persons are not capable of self-support and always will need some type of assistance. However, I feel that the benefits of useful activity, both for the individual's self-esteem and as an example for the children in the family, are great enough to warrant consideration of a "workfare" type approach for persons who are not capable of participating in private or public service employment. The only hesitancy I have regarding this type program is the administrative problems it can entail.

Any increase in the number or types of families eligible for financial assistance must be accompanied by a corresponding increase in the Title XX ceiling to provide adequate services to the client population. From the agency's point of view, this is especially important in the area of supportive services necessary for the person to participate in employment or training.

As a practical matter, I believe the Federal government will have to financially support increased costs of any welfare reform plan. Perhaps a hold harmless at a percentage of current state financial assistance costs would be the most workable, as a number of states are having problems meeting present program costs.

However, I feel the states should participate financially to some degree in both the administrative and assistance aspects of the program to retain program control and to enhance program integrity.

Accordingly, I feel state administration of the program is desirable. State administration is desirable not only from a continuity standpoint but because of the unique position a local agency can have in the community. Also, state administration guarantees a greater degree of responsiveness to client needs.

Quality control is a necessary function and is important in helping the states determine areas in which administration of the program is lacking. I feel the states should be responsible for errors caused by poor administration, but I do not feel they should be held responsible for those identified as client errors.

Realistically, there is little a state can do to improve upon its client error rate. A discussion of quality control cannot be complete without mentioning the complexity of programs and how this complexity contributes to errors. Reasonable simplification needs to be a goal of any reform proposal.

Again, I feel there is a need to reform in many areas of our current programs and am interested in the progress of the proposals. Thank you for the opportunity to comment.

ATTACHMENT

(1) Family of four—no income and no AFDC—current program—\$174.00 coupon allotment—no purchase price.

(2) Same family eligible for AFDC—current program—rate that \$37.00 of \$140.00 AFDC benefit must be used to pay for coupon allotment—\$174.00, coupon allotment; \$37.00 purchase requirement; \$137.00, coupon benefit; \$140.00 AFDC; \$277.00, total benefits.

(3) Same family, eligible for AFDC *but* using foods stamp as primary resource—\$174.00, coupon allotment; \$103.00, AFDC (rate that AFDC grant would be reduced from \$140 to \$103—states would save state match on \$37.00); \$277.00, total benefits.

(4) Same family, eligible for AFDC, using food stamps as primary resource, and with \$100.00 net income—\$174.00, coupon allotment; \$25.00, purchase price; \$149.00, food stamp benefits; \$100.00, net income; \$28.00, AFDC; \$277.00, total income/benefits.

(5) Same family with \$140.00 net income—\$174.00, coupon allotment; \$37.00, purchase requirement; \$137.00, coupon benefits; \$140.00, net income; \$0, AFDC; \$277.00, total benefits.

(6) States electing to set total benefit level above \$277.00 would continue to receive regular federal match up to whatever limit set by congress—*Supplementation would be simplified.*

(1) For the sake of clarity the examples assume that there are no medical, excess shelter, or other deductions.

(2) Only the food stamp benefit will be used when the purchase requirement is eliminated.

(7) States could elect to eliminate all income, resource, and income disregard requirements for AFDC, SSI, etc., as Food Stamp rules would be applied in computing primary resource (food stamp entitlement) and the amount of cash assistance would be simply the difference between the total income/benefit for the state and the amount of food stamp benefit—

Standard income, resource, and income disregards.

(8) Administration would be simplified by using food stamp income, resource, income disregards, and further administrative costs savings could be realized because the cash assistance rolls could be reduced significantly (depending on states income/benefit level).

(9) AFDC-UP cash entitlement would be computed in the same way.

WILL THE JIP JOBS PROGRAM WORK?

By Gary A. Dymski, Research Committee, People's Action on Welfare Reform, Indianapolis, Ind. ...

One of President Carter's primary goals in his Better Jobs and Income Programs proposed to revamp the welfare system was that it be pro-work. Not only would the benefit structure be designed so that those working would have more spendable income than those not working, but over one million new PSE (public sector employment) jobs would be created to insure the availability of work opportunities. With a viable public sector jobs component, the energy of idle citizens could be channeled into productive activities, in terms of both their psychic health and the economy's—or so the plan went. Without jobs alternatives for those classified as "expected to work" (ETW), inactivity would continue to plague recipients and stigmatize the welfare system as one of "handouts" for the discarded.

The President's original plan called for 1.4 million PSE slots, which would pay minimum wage and be of 12-months' duration. The primary wage earner in any ETW unit with children would qualify for PSE employment. Job search, training, and placement skills would be provided as support services

for those expected to work. The House Subcommittee on Welfare Reform altered this conception somewhat. Eligibility for PSE jobs would be restricted to ETW units with children eligible for cash assistance. Jobs could last as long as 18 months, and would be required to recompense "equal pay for equal work". Some child care expenses would be covered, as would expense resulting from job search.

Despite the changes made in the House, the concept and perceived necessity of a jobs component within JIP remained intact; also unchanged was the plan to use current CETA prime sponsors to administer and coordinate the new PSE program for welfare recipients.

Will the planned PSE component of the JIP program be administratively workable? Will PSE workers successfully locate regular employment opportunities? Will a JIP PSE program provide meaningful work and decent compensation? No definitive assessment can be made on a program whose form is still shadowy; however, the current CETA system has been examined as a way of gaining insight into possible pitfalls in any JIP PSE program. Listed below are potential problems of two kinds that might plague a JIP PSE program: (1) problems that might be anticipated in terms of utilizing present CETA prime sponsors to run the JIP jobs component; and (2) problem areas which have been endemic to public jobs programs generally.

It should be emphasized that the points made below are drawn from an analysis of the current CETA system; only potential trouble spots in the JIP PSE program which might be anticipated by looking at the CETA situation will be discussed. PAWR has other questions and misgivings about the Carter JIP jobs program, in terms of whether it will actually insure meaningful employment at decent wages for all needy persons; but the below discussion is restricted to questions and misgivings based on an analysis of the current CETA system.

1. PRESENTLY, THE PUBLIC JOBS BUREAUCRACY IS OVERLY COMPLEX AND BURDENED BY RED TAPE. THIS SITUATION IS LIKELY TO BE AGGRAVATED BY THE ADDITION OF A J.I.P. PSE PROGRAM, WITH ITS OWN REQUIREMENTS, TO THE PRESENT SYSTEM

At the present time, jobs applicants are frequently sent scurrying about for inordinate lengths of time so that paperwork and bureaucratic idiosyncracies can be satisfied. Currently, the Indiana Employment Security Division, the Indiana Department of Public Welfare, and various prime sponsors of the Indiana Office of Manpower Development have conflicting or duplicitous responsibilities to screen, test, train, and/or place jobs applicants. Eligibility requirements for the CETA Title I, II, and VI programs and for the WIN program are extremely difficult, if not impossible, to sort out and understand. It is not unusual for needy applicants to be kept waiting weeks or months just for their paperwork to be straightened out, and in most cases applicants are shuffled from one office to another for reasons that are unclear to them.

Adding a JIP jobs program that is supposed to be run by the CETA prime sponsors could be the straw that breaks the bureaucratic camel's back. Under the JIP jobs program, comprehensive intake, screening, job search, training, and placement activities are to be provided to applicants; however, how these activities are to be administered or coordinated has not been addressed by DOL or HEW or Carter's planners. And PAWR feels that unless this overarching problem of coordination is addressed, the JIP jobs program will become just another meaningless series of hoops for the needy to jump through.

There are now 58 local offices of the Indiana Employment Security Division (IESD), 92 county offices of the Department of Public Welfare—each with a WIN program—and 15 Indiana Office of Manpower Development (IOMD) CETA prime sponsors. Almost without exception, two or more of these offices in a given area offer services which will be mandated under a JIP jobs program—job search, training, etc. The problems of coordination should be addressed before the JIP jobs program is put into place, so that the poor and the needy will not be victimized by the storms of bureaucratic adjustment.

2. P.A.W.R. HAS SERIOUS RESERVATIONS ABOUT WHETHER A SIGNIFICANT NUMBER OF MEANINGFUL JOB OPPORTUNITIES FOR J.I.P. RECIPIENTS WILL BE CREATED

One of the serious problems with CETA, especially in Indianapolis, has been the existence of a "mismatch" between the CETA slots created and the skills possessed by most low-income applicants. For example, a recent computer print-

out of CETA positions available contained such positions as nutritionist, accountant, case-work supervisor, and city planner. It is laudable for a department to commit itself to training a person to gain skills such as those in the above list; however, it is not clear that there is any intention, in terms of such positions, to train CETA applicants. Rather, the stronger possibility is that the department desires to augment its operating staff with CETA monies and CETA-paid employees.

It is far more likely that the relatively unskilled will be assigned jobs requiring few skills and little training than that a conscientious attempt at training will be made. The recent situation whereby the Indianapolis prime sponsor, the Division of Employment and Training, created 800 "make-work" jobs in IPS for CETA job applicants so as not to lose more federal funds demonstrates that such is likely to be the fate of JIP job applicants unless a serious commitment to training is made. It doesn't seem that the DOI, in its planning for the JIP PSE program, anticipates that JIP jobs will be meaningful—as witnessed by its sheet of possible JIP PSE placements, all of which would be of the "make-work" variety (see attached sheet). Just because the Department of Labor has projected a situation in which JIP jobs will be "make-work" means that those jobs must be meaningless. But to avoid the problem of "make-work", a firmer commitment to training both in the design of the JIP program and on the part of CETA prime sponsors is needed.

3. GIVEN THE SITUATION OF CURRENT CETA PROGRAMS, IT IS UNLIKELY THAT CETA PRIME SPONSORS WILL BE ABLE TO ABSORB AND PLACE ALL J.I.P. RECIPIENTS ELIGIBLE FOR P.S.E. EMPLOYMENT

As noted under point 2, under the CETA programs the departments which are responsible for coming up with CETA positions to be filled have not been successful at creating meaningful positions—or indeed, any kind of positions—for CETA applicants without well-defined skills. In the Indianapolis program, the single notable exception to this is the recent railroading of 800 applicants into IPS, undertaken without much forethought or planning. If the future is anything like the past, the inability of departments to create enough PSE positions will create a vast bottleneck such that the rolls of PSE applicants will be full to overflowing, but there will be no positions for them to fill. This future bottleneck could be broken by the helter-skelter creation of large numbers of slots at one blow, as was done with the IPS CETA slots; however, such a solution makes a travesty of the JIP PSE program, for under that solution JIP job holders would no more receive training or skills than would cattle shuffled from place to place.

4. THERE IS REAL DOUBT THAT J.I.P. P.S.E JOBS WILL BE DEVELOPMENTAL, ENABLING P.S.E. EMPLOYEES TO FIND STABLE UNSUBSIDIZED EMPLOYMENT

Administration planners projected that some 2.5 million people would flow through the 1.4 million JIP PSE job slots each year, with some PSE job-holders continually being placed in "regular" employment. Such a scenario is only valid if PSE job-holders are to be given training to augment the skills they bring to their PSE jobs. Under the present CETA programs, jobs which are truly developmental of an individual's potential have remained largely a goal, not a reality. As the JIP PSE program is currently proposed, too little attention is paid to insuring that training and development will occur (e.g., in the Administration's estimates of JIP PSE costs, monies for training were not included). Without training, JIP PSE slots will simply be a temporary source of income for those who must work their lives out at jobs with low stat:!!!ty and no future.

5. HOW MUCH J.I.P. P.S.E. EMPLOYEES WILL BE PAID MAY CONSTITUTE A SERIOUS PROBLEM FOR P.S.E. EMPLOYEES, FOR INDIANA MUNICIPALITIES, OR FOR BOTH

At present, the average CETA wage is approximately \$7,800 in Indiana. Carter's original JIP PSE proposal envisioned PSE workers earning the federal minimum wage (\$2.65/hour); however, Hawkins' amendments in committee altered this slightly. According to Hawkins' changes, PSE workers would receive minimum wage unless there were in the same locality other, non-JIP workers doing the same task(s) who were getting paid more. It should also be noted that states and localities would be required, under Carter's original

plan, to pay for any wage supplementation. Under the plan as amended by Hawkins, it is not clear who would pay the differences between minimum wage and prevailing wage, where the latter was paid.

As the above paragraph makes clear, there is great uncertainty about what will happen in terms of wage levels under JIP. The vast majority of JIP workers may be paid minimum wages—particularly if most JIP positions are of the "make-work" variety and non-JIP municipal employees elsewhere are not engaged in work of the same kind at above-minimum wages. Such wages would have the effect of making JIP employees second-class citizens in terms of their paychecks.

On the other hand, economists with the Indianapolis Department of Metropolitan Development have argued that the JIP PSE program could well impose burdensome costs on localities such as Indianapolis. Their argument is that the JIP PSE program as outlined by Carter does not take sufficient account of the costs of supervision and equipment, and that such costs would have to be borne locally. Also, they note that local pressures will force Indianapolis—and perhaps other programs—to supplement minimum wage PSE jobs to at least the lower level of pay currently supplied by CETA. If the federal government does not pay the cost of this supplementation, localities could be further burdened by JIP PSE costs.

Thus, there is the real danger that JIP PSE wages and costs could be unfairly low to PSE workers, that municipalities would be fiscally strapped by costs not borne by the federal government, or that both possibilities could materialize.

STATEMENT OF MELVIN A. GLASSER, DIRECTOR, SOCIAL SECURITY DEPARTMENT,
INTERNATIONAL UNION, UAW

The UAW was born out of the struggles for basic economic and social justice. Our history is one of continuing efforts to assure that all people have the opportunity to reach their highest potential. We hold to the basic belief that society cannot long endure while millions who are qualified for and want to work are denied jobs at an adequate wage. We believe that those who lack fundamental job skills must be provided with meaningful job training experiences. We believe that those who because of child rearing responsibilities, age, or infirmity require income maintenance must receive adequate assistance without jeopardizing their personal dignity or self-worth. These beliefs constitute the central message of our testimony. Welfare Reform must be accomplished through effectively meeting peoples' needs.

Currently, the nation's welfare programs are a disorganized set of separate federal and state administered plans which provide inequitable and inadequate coverage. Eligibility criteria and income assistance levels vary from state to state and differ between programs. Tens of thousands of childless couples, non-aged individuals and the working poor are denied access to the help they desperately need. The concerns before this Subcommittee are of crucial importance to all Americans. Welfare reform is long overdue. Immediate action is necessary. The Carter Administration has responsibly faced the need for restructuring the present programs. While we have reservations about specific points and disagree with others within their proposal, there is no question that the Administration has provided the necessary leadership in taking hold of the multidimensional problems involved in Welfare Reform. They have constructed a base upon which a successful comprehensive reform measure can be built.

The legislative package embodied in S-2084 contains several positive concepts. These include: (1) establishing a nationally uniform income support floor, (2) extending coverage to non-aged individuals and childless couples, (3) consolidating the nation's major income support programs, and, (4) providing income assistance to the working poor. Yet, S-2084 contains serious inadequacies which must be corrected if welfare reform is to effectively accomplish its objectives.

Recently, the Special House Subcommittee modified the Administration's proposals. Its bill (HR 10950) contains some substantial improvements. Where S-2084 would provide jobs which pay less than the prevailing wages, HR-10950 in principle at least supports the concept of equal pay for equal work. Other improvements include designing eligibility criteria which reflects immediate family needs more adequately and providing cost-of-living protections on an ongoing basis for those in receipt of income support payments. However, even with these improvements we believe additional modifications are necessary.

CASH ASSISTANCE PROGRAM

Cash assistance levels

S-2084 would replace Supplementary Security Income (S.S.I.), Food Stamps and Aid to Families with Dependent Children (A.F.D.C.) with one nationally uniform cash assistance program. Federal minimum income levels would be standardized with coverage extended to non-aged individuals and childless couples. The UAW supports the concepts of a nationally uniform income floor. However, the income assistance levels under S-2084 are inadequate. For example, the Administration's bill would provide a family of four with \$4,200. This amount is one-third lower than the poverty threshold. The combined benefits presently received by similar families from A.F.D.C. and Food Stamps are higher in over three-fourths of the states. Therefore, accepting the cash assistance levels specified in the bill would be a step backward.

The Special House Subcommittee bill (HR 10950) would provide cost-of-living protection but the cash assistance levels contained in the bill remain inadequate. S-2084 contains federal cost sharing provisions designed to act as financial incentives for the states to supplement the federal minimum assistance levels. However, state supplementation is not mandated. HR 10950 clearly recognizes this inadequacy but also falls short of establishing specific state supplementation requirements.

The UAW calls for modification of the cash assistance program to phase the benefits upwards in the first few years until they reach the minimum poverty levels. Cash assistance payments should be kept up to date with the cost of living as they are at present under the Supplemental Security Income program. The program design reflects the social desirability of encouraging single parents with pre-school aged children to devote their full attention to child rearing responsibilities. Such recipients are not required to seek work. Yet, the income provided would not permit parents adequately to care for their children. This should be corrected.

We believe that state supplementation must be included in the bill to assure that recipients do not receive a reduction in the benefits they currently receive. Fiscal relief for the states and localities is necessary. However, such relief should result from a phased-in assumption by the federal government of the states' and localities' financial burden rather than through any reduction in payments to recipients.

Eligibility period

S-2084 includes provision for a retrospective income test covering a six month period. Such an approach ignores actual immediate family needs. Low wage earner families do not have the financial capacity to set aside a portion of their already-strained resources in anticipation of a crisis. In fact, most families with earnings at the average manufacturing wage are hardpressed to create even a modest cushion against future economic uncertainties. The extended retrospective accountable period contained in S-2084 will act to delay those with legitimate pressing financial needs from receiving assistance. The Special House Subcommittee recognized the undue hardship which would result from basing current eligibility on prior family income. HR 10950 contains a one month retrospective eligibility period. This modification is in line with current program practice, is realistic and we urge this Subcommittee to adopt a similar modification.

Cashing out food stamps

The UAW supports cashing out the Food Stamp program as an achievable goal. However, the program should be continued at least until the consolidated cash assistance payments are comparable to the poverty levels. Once this is accomplished, consideration should be given to continuation of a sharply reduced plan to provide emergency assistance while eligibility for cash payments is being established.

Cash assistance under S. 2777 and H.R. 10711

Two other bills address the issue of cash assistance under welfare reform. The Ullman bill (HR-10711) would protect current recipients from reductions in assistance payments and would tie future payments to increase in average wages as well as the cost of living. These are positive features. However, HR-10711 contains inadequate cash assistance payment levels and would deny coverage to single poor individuals and childless couples. In addition, under the

bill, cash payment would not take into account differences in family size beyond four. This would create a severe financial problem for larger needy families.

The Baker-Bellman bill (S-2777) is also unacceptable in its provisions for cash assistance. Under this bill payment levels would be maintained at only sixty percent of the poverty levels with no mandated state supplementation. Furthermore, large numbers of single individuals and childless couples would remain at the mercy of economic deprivation without even the modest protection afforded others.

JOBS COMPONENT

The employment related provisions of S-2084 are seriously deficient. They are based on the assumption that a substantial expansion in private employment will lessen the need for subsidized public service jobs. If this assumption proves erroneous, the program will not be able to meet the needs of those out of work. The bill would attempt to cover an estimated 2.5 million people with up to 1.4 million job slots. Even the 1.4 million job slot figure may be an overestimate if the unemployment rate does not reduce to a level where Comprehensive Employment and Training Act (C.E.T.A.) jobs are phased out and additional funds are not made available. Furthermore, those eligible for job assistance would be required to engage in an extended job search during which their families' income support payments are severely reduced.

The public service jobs created under S-2084 will pay the minimum wage with limited exceptions. Currently, C.E.T.A. jobs as well as jobs provided under the Youth Employment Act pay the prevailing wage. As long ago as the mid 1930's, Congress established the principle of equal pay for equal work. The Federal Unemployment Tax Act prohibits the states from denying Unemployment Compensation to workers who refuse to accept jobs which pay less than the prevailing wage. Even the Family Assistance Program proposed in 1969 contained similar protections. Yet, S-2084 would turn back the clock to a time when massive numbers of unskilled workers were used to undercut existing wage structures. This is especially repugnant since there is no enforceable mechanism in the bill which would prohibit municipalities and other employers to replace workers from their existing workforce with subsidized minimum wage employees under the program.

The Special House Subcommittee improved upon the jobs component of S-2084 by endorsing the principle of equal pay for equal work. However, HR 10950 would severely limit the number of jobs to which the principle would be applied.

Jobs component under S. 2777 and H.R. 10711

The Ullman bill seeks to expand the number of private sector jobs through an expansion of the employer tax credit. Despite the fact that no evidence exists which indicates substantial hiring of welfare recipients results from the established employer tax credit, HR 10711 would authorize only about one-half the public service jobs compared to the Administration's proposed authorization under S-2084. Further, all the jobs created in the Ullman proposal would pay the minimum wage. Therefore, HR 10711 can only be viewed as even less acceptable than the inadequate jobs component in the Administration's bill.

We have similar reservations regarding S-2777. Not only would this bill provide about one-fourth the number of public service jobs as compared to S-2084, the jobs created would also only pay the minimum wage. As in the Ullman program, S-2777 would rely on employer tax credits to expand the availability of private sector jobs, but in addition a voucher system would be introduced. Such a system is open to abuse, is onerous and is extremely difficult to enforce.

None of the current proposals deal effectively with the issues of job training and job placement for the unemployed. Yet, these issues are central to the success of any comprehensive program to assist those who need work to gain a measure of economic stability. As they are presently constituted, the subsidized job creation provisions of each proposal would establish a revolving door of second class workers who year by year are forced to accept public service minimum wage jobs, engage in a job search for employment which has already been gleaned without much chance of ever entering the competitive job market.

The UAW calls for modifications in the jobs component so that the jobs pay the greater of the minimum or prevailing wage. Effective job training and placement programs must be an integral part of the legislation. The number of job slots must be adequate to meet the needs of the poor.

EARNED INCOME TAX CREDIT (EITC)

Expansion of the EITC holds great promise as a mechanism for supplementing the income of the working poor. However, we believe that the credit should be extended beyond those fortunate enough to secure private sector employment to those forced to take a subsidized public service job. Furthermore, the income ceiling or eligibility should be lowered from the \$15,000 in S-2084. The available funds should be concentrated more effectively to serve the needs of the target population.

HEALTH CARE

Health services for the poor is a central concern. The cost of health care constitutes a major income drain on the poor and working poor. Recent projections indicate that to maintain existing benefits under Medicaid, the federal government and states will have to increase budgeted expenditures by approximately forty-five percent in the next three years. Experience in this area reveals, however, that the states are likely to deal with such cost escalation by reducing benefits and restricting eligibility. While the ultimate answer to this dilemma is the early enactment and implementation of a national health insurance program, provision should be made in any welfare reform legislation (or companion bill) to at least maintain existing Medicaid benefits and eligibility until national health insurance is operational.

The Administration's welfare reform proposal is a solid start on the road toward a comprehensive restructuring of our nation's income maintenance programs. The Special House Subcommittee moved the proposal along toward this goal. We call upon the Public Assistance Subcommittee to continue this legislative progress and accelerate the chances for early enactment of legislation which will effectively meet the needs of the poor.

SUMMARY OF THE UAW'S POSITION ON S. 2084

1. We support the creation of a national income floor. However, benefit payments should be phased upwards until they reach the minimum poverty level.
2. We believe benefit payments should be indexed to cost-of-living increases as they are at present for the aged, blind and disabled under the Supplemental Security Income Program.
3. We support the creation of uniform national eligibility criteria which would realistically reflect immediate family needs.
4. We support the consolidation of the major income maintenance programs with federal standards. However, the Food Stamp Program should be continued at least until the cash benefit payments are comparable to the poverty level.
5. We believe that the job component of S-2084 should be modified so that the jobs created pay the greater of the minimum or prevailing wage.
6. We support the expansion of the Earned Income Tax Credit but believe the available funds should be concentrated to more effectively serve the needs of the target population. Those who accept subsidized public service jobs should also be eligible for favorable tax treatment.
7. We support fiscal relief for the states and localities. However, relief from the financial burden of welfare should result from increased federal expenditures rather than any reduction in income support payments.
8. We believe that the present Medicaid eligibility criteria and benefits should be maintained until those eligible for assistance in S-2084 are covered by an operating national health insurance program.

STATEMENT OF RONALD H. BROWN, VICE PRESIDENT, NATIONAL URBAN LEAGUE, INC.

Mr. Chairman, members of this Subcommittee, I am Ronald H. Brown, Vice President for Programs and Government Affairs of the National Urban League, Inc. We welcome this opportunity to provide our views on the subject of welfare reform.

The National Urban League is a non-profit, social service, civil rights organization. Founded in 1910, the League has always had as its primary goal the securing of equal opportunities for Black Americans. Today that role has expanded to include all minority groups, and poor and disadvantaged Ameri-

cans. Its major thrust continues to be on behalf of Black people in this nation's urban centers. Through its nonpartisan and interracial leadership, staff and membership, the League brings a unique perception to decision-makers as national policies are promulgated.

To that extent, we agree that the overhaul of the present welfare system is long overdue. We, therefore, applaud this Administration for taking the initiative. S. 2084 reflects the end result of that initiative. Additionally, we commend the tireless efforts of Representative Al Ullman for his introduction of an "incremental" welfare reform bill (H.R. 10711), and Senators Howard Baker and Henry Bellmon for their introduction of "The Job Opportunities and Family Security Act of 1978 (S. 2777)—the Baker-Bellmon bill."

The National Urban League presented on October 31, 1977 detailed testimony on the Administration's proposal. In that testimony, several points were made which we believe bear repeating here.

1. THE SYSTEM SHOULD BE EQUITABLE AND UNIVERSAL

Benefits should be available, under a single unified program to all Americans whose incomes fall below the basic level of decency. There should be no categorical division of the low-income population into different programs with different levels of benefits. There should be both vertical and horizontal equity.

2. BENEFITS SHOULD NOT BE WORK CONDITIONED

Eligibility for benefits should not depend upon accepting a job or job training. There should be no mandatory work requirement. A jobs program should not be a component of any welfare reform plan. Rather it should be part of a full employment program.

3. THE PROGRAM SHOULD BE FEDERALLY ADMINISTERED

Federal Administration will be more equitable and eliminate the wide margin of local administrative discretion which currently exists.

4. THERE SHOULD BE A NATIONAL MINIMUM BENEFIT FUNDED BY THE FEDERAL GOVERNMENT

This will insure that all Americans, wherever they live, will have access to an equal level of benefits (relative to need) and be subject to the same criteria of eligibility.

5. THERE SHOULD BE ADMINISTRATIVE SIMPLICITY

The administration of the system should be such as to be easily understood by both administrator, the recipient, and the general public. It should also be effective and cost efficient.

6. THERE SHOULD BE AN ERADICATION OF STIGMA

The system should not segregate, harass and stigmatize (poor people). It should be humane and dignified, and aid should be seen not as a privilege, but as a right.

7. BENEFITS SHOULD BE IN CASH, RATHER THAN IN-KIND

Cash is the most effective way to transfer income for two reasons: (1) administrative and distributional costs are lower, and (2) the recipient is permitted a full range of options and can use the benefits in the way which most improves his/her welfare. Wherever possible, therefore, benefits should be in cash, rather than in-kind. While favoring cash over in-kind benefits, the Urban League believes that many reasons justify the continued use of certain in-kind benefits, e.g., when cash assistance is not adequate to meet minimum consumption needs; when the service being provided is extremely expensive (but greatly needed); when the service is scarce or does not respond to free-market forces and has a basic social utility.

To the extent that consideration is given to revising the existing welfare reform proposal, these principles must be a part of those deliberations.

It is unfortunate that these hearings precede the institution of a full employment program and a national health insurance program.

Organizationally, the National Urban League is firmly committed to the belief that earnings from jobs should continue to be the foremost source of income. We also believe that job creation, through a full employment policy, should be the primary approach to preventing and eradicating poverty. The National Urban League is, therefore, strongly supportive of efforts to create and maintain the conditions under which people, able, willing and seeking work, can find useful employment and, thereby, decrease dependence on nonemployment income support such as welfare. Additionally, we believe that work is necessary not only for its income, but also for the sense of worth, dignity, and status that it gives to the individual. But national policies must be supportive of that thrust. A full employment program is all the more crucial in light of the documented detrimental effects of unemployment on mental illness, alienation, pre-natal deaths, family stability, inner-city decay, etc. This nation cannot either socially or economically afford the luxury of continued high unemployment. Decent job opportunities for all must be the cornerstone of any effective national economic policy.

Much discussion has been taking place on the pending initiatives. But little prospects of passage of any major legislation seems eminent. We are concerned that the concept of welfare reform will be talked to death. As individual focus upon the estimated costs of these various proposals, they must be to factor in other less quantifiable factors, such as—

The contributions to this nation's gross receipts through the tax and social security systems.

The ultimate reduction in the level of welfare payments.

The possibility that generations of welfare dependent persons will not be created as a result of reform delays.

The reduction in levels of "socially unacceptable" behavior.

These empirically measured factors and others ought to provide the thrust needed to start serious and speedier deliberation.

In conclusion, the Urban League believes that welfare reform must make adjustments in its focus so that it will not be doomed from its inception. It cannot take people from one rut and put them into another and euphemistically label the program *reform*. There must be input from all concerned and interested parties, with constructive criticism where such criticism is warranted, and support where provisions are supportable.

INDIANAPOLIS, IND., *May 10, 1978.*

Mr. MICHAEL STERN,
Staff Director,
Committee on Finance,
Washington, D.C.

DEAR MR. STERN: At the request of a group of interested persons which came to identify itself as the "People's Action on Welfare Reform", Representatives Andrew Jacobs, Elwood Hillis and David Evans held a public hearing on Welfare Reform in Indianapolis on April 15, 1978. The enclosed paper was submitted as part of the testimony presented during that hearing.

As you know, the Administration's Welfare Reform Bill is only one of several welfare bills being proposed in the House and Senate. Although the enclosed testimony is critical of HR 9030's weaknesses, I wish to emphasize our belief that it does have the potential of bringing a degree of genuine welfare reform, whereas the others (notably Rep. Ullman's HR 10711, HR 7200, and SB 2777) do not.

Sincerely,

DOYT HAMILTON.

THE JOBS PROGRAM OF H.R. 9030 AND H.R. 10950—TESTIMONY OF PEOPLES
ACTION ON WELFARE REFORM

(By Doyt Hamilton)

People's Action on Welfare Reform understands the basic underlying philosophy and rationale for combining a work program into public assistance legislation—i.e. that all persons who are able to do so have a responsibility and obligation to work in order to both contribute to society and be self-supporting.

There are, however, some philosophical considerations, apparently derived from the above, and which seem to underlie particular provisions of HR 9030 and HR 10950, with which we do not agree. For example, the job search provision during which benefits are drastically reduced seems to be based on an assumption that severe economic pressure is needed to motivate most persons who are able to work and who fall into the "expected to work" category to seek jobs in the private sector after they have been in PSE jobs for 18 months. We believe that most, in fact nearly all, persons prefer: (1) meaningful work over prolonged idleness, (2) self-support over being carried on the public "dole", and (3) higher paying jobs than are likely to be available in the PSE program. We therefore believe the forced job search period is unnecessary and that the accompanying benefit reductions are punitive and self-defeating because they will be construed as punishment for less than diligent effort.

We also disagree with the assumption that public service employment is somehow less worthy than private sector employment, which is clearly implied by the fact that PSE jobs are expected to produce, consistently and by design, lower incomes than do jobs in the private sector, and by denying fringe benefits such as health insurance, sick leave and paid vacations which are normally accorded to most other employees. We see no great moral distinction between public employment in PSE jobs and other public employment jobs such as are held by teachers, firemen, mayors, congressmen or presidents—although there are differences in the ways in which the latter obtain their positions and no one seems to be suggesting that they be required to periodically take a reduction in pay so that they may be encouraged to seek jobs in the private sector. Elevating private sector employment so clearly above PSE employment seems to degrade the concept of "public service", which should be elevated instead in this context as it is in Action programs such as Peace Corps and R.S.V.P.

P.A.W.R. believes that many of the changes made by the Special Committee on Welfare Reform were good—at least steps in the right direction—and we would urge that these changes be retained by subsequent committee action and by the House and Senate. We cite the following:

- (1) The reduction of the job search period to 5 weeks, although we urge that it be eliminated.
- (2) The inclusion of the "equal pay for equal work" clause in PSE pay levels.
- (3) Extension of the time between job search periods to 18 months.
- (4) Inclusion of employment services such as assistance in job search, placement and training for persons seeking jobs usually held by persons of the opposite sex.
- (5) Funds for day care of children of working parents.
- (6) Reimbursement for job search expenses, partially removing the disincentive and/or reduced capacity for engaging in genuine search for private sector jobs.
- (7) The provision allowing HEW to waive the benefit reduction during part of the job search period in areas where it is particularly unlikely to be successful.

P.A.W.R. does *not* approve of the restriction placed by the Special Committee limiting PSE jobs to families with children who are eligible to receive cash benefits. This restriction unfairly denies to all others the right to public service employment when private sector jobs are unavailable—e.g., senior citizens who may prefer to work rather than remain idle, and may also prefer public service type jobs instead of continuing in business or industrial positions. So long as the number of jobs has not been increased, by other means, to the point that all who wish to work can find jobs, we believe public employment is a moral necessity for the well-being of society and its citizens. Since the WPA in the 1930's, CETA has offered public employment as a partial answer to the problem of mass unemployment. To open PSE jobs to all who desire them would confirm once again the principle that every citizen has a right to work and that in the last resort government must provide it. We believe this is sound—economically, socially and morally—and that it should be incorporated into the PSE portion of this legislation by removing all restrictions on who is eligible for PSE jobs, thus including childless couples, single persons, persons, senior citizens, and blind or disabled persons, who are permitted limited earnings without jeopardy to their status as aged, blind or disabled, and who often prefer to have some earnings to supplement their income from retirement insurance, social security or public assistance.

P.A.W.R. believes that families should be permitted to decide which parent is to take employment in PSE jobs. We see no justification for the arbitrary rule that it be the one who was previously the primary wage earner.

The denial of fringe benefits to PSE workers is in some degree itself a denial of "equal pay for equal work". It implies a lower status of public, as opposed to private sector employment, and reintroduces a basic inequality of both income and status. We, therefore, urge that PSE workers (like CETA workers presently) be granted fringe benefits equal to regular employees with whom they work.

P.A.W.R. is concerned about still other aspects of the PSE program. PSE jobs are not intended primarily as permanent jobs for anyone, but rather as stepping stones to eventual private sector employment. To accomplish any significant amount of movement and turnover, we believe the legislation must make sufficient provision for training and/or retraining and for skill development. Except for persons seeking jobs which have been sex oriented in the past, we see little in these bills to assist PSE's to move into private sector jobs. Without a strong training component, PSE workers may well find themselves locked into permanent low-level positions in spite of the intent of the law.

Although public service employment is not the whole answer to the problem of unemployment in our society, we do believe its effects on the economy as a whole will be salutary and that the number of PSE jobs to be made available under the program should not be arbitrarily limited, certainly not to the 1.4 million presently envisioned. This would limit Indiana to 28,500 such jobs. Unless there is a remarkable rate of progression from public service to private sector employment (which will depend on other factors at work in the economy *and on the extent to which the program incorporates provisions to insure the development of skills that the private sector will buy*), this number of PSE jobs cannot possibly be sufficient to meet the employment needs of our state. We therefore urge that the number of PSE jobs be based on some flexible formula that takes account of the number of people actually unemployed and seeking work, which may either rise or fall from year to year and month to month.

With respect to the low estate of Public Service Employment in this legislation, the view that PSE is inferior and less worthy than private sector employment casts a shadow over the job-types selected under the bills. I.e., if PSE jobs are inferior in pay or status, they tend to be considered insignificant and meaningless and will be carried out as if they were. We submit that the services PSE jobs provide (e.g., home service for the elderly, child care, etc.) are badly needed and are not meaningless in themselves, but only considered so if we believe that only services (job positions) that private business is presently capable of providing are meaningful, respectable, etc. P.A.W.R. believes that the PSE component of this legislation can help solve the problem of providing services which are often desperately needed, but not provided by business and industry at this time. Not all genuine human service needs are purchasable, certainly not in any practical sense, considering the economic status of many of the potential consumers of services. CETA and Title XX have, to some degree, been directed toward this problem, but the impact has been hardly noticeable. Somehow we seem to be able to see the problem (the needs) in full scale, but are able to conceive of solutions (services) only on a token scale or level. Is this because we don't think services on a scale commensurate with the needs are worth the cost, or that we really can't afford to meet that level of costs? Not at all, or not primarily. We are constantly ham-strung by the notion which permeates HR 9030 and HR 10950 that it is *wrong* (immoral, unpatriotic, etc.) for public monies to be used to fill service gaps that business or charitable organizations "*should*" be able to provide. In a Hoosier card game called Euchre, if you are over-trumped by your opponent someone will likely observe: "You can't send a boy to do a man's work." Token programs fail, except to the extent that they are seen and used as demonstration projects to point the way toward genuine solutions conceived on a realistic scale. We submit that the scale of the job portion of this legislation is unrealistic and that this and other restrictions due to ideological or philosophical hang-ups (not of the people who need the programs, but of the formulators thereof) may doom it to disastrous failure, for which there is plenty of precedent. In public assistance we, more often than not, send a boy to do a man's work. To avoid this in the new Welfare Reform Program, we therefore urge:

- (1) Elimination of fixed ceiling of the number of PSE jobs to be made available under the program.
- (2) Removal of the restriction which excludes single persons, childless couples, elderly persons, and disabled persons from eligibility for PSE jobs.
- (3) Removal of the "primary wage earner" designation in determining which parent may take a PSE job.
- (4) Elimination of the job search period as unnecessary.
- (5) Revision of all aspects of the bill which imply that public service jobs are inferior in status and value to jobs in the private sector.
- (6) Inclusion of a training and skill development component which can effectively prepare PSE workers to compete for jobs in the private sector.

**STATEMENT OF THE UNITED STATES CATHOLIC CONFERENCE AND THE
NATIONAL CONFERENCE OF CATHOLIC CHARITIES**

Our organizations welcome the opportunity to comment on the various welfare reform proposals before the Congress. We are not new participants in the national discussion on the need to provide public assistance for those in our country who have inadequate incomes. We have been active on these issues since the 1930's. We were active from 1969 until 1972 when the Family Assistance Plan was being debated. Last Fall we both testified on the Administration's welfare reform proposals before the special House Subcommittee on Welfare Reform. Reform and improvement in our welfare system are of vital importance to our nation's poor and thus of deep concern to us.

As an agency of the Catholic bishops, the United States Catholic Conference is primarily concerned with the human and moral dimensions of welfare policy. The National Conference of Catholic Charities shares these concerns and brings to the discussion practical insights based on the experience of Catholic Charities in providing human services around our nation.

We bring to the discussion of national policy on welfare two important resources: a rich heritage of Catholic social teaching and 250 years of trying to meet the needs of disadvantaged people on this continent. In his encyclical, *Pacem in Terris*, Pope John XXIII reflected these teaching when he declared the right of every person:

"To life, bodily integrity, and to the means suitable for the proper development of life. These means are primarily food, clothing, shelter, rest, medical care, and finally the necessary social services. Therefore, a human being also has the right to security in cases of sickness, inability to work, widowhood, old age, unemployment, or any other case in which he is deprived of the means of subsistence through no fault of his own."

We believe that our nation has the resources to meet the basic needs of all our people. We hope and pray that we have the will to do so. We urge your subcommittee to venture sensibly, but boldly, to forge employment and income support programs which will meet the needs of all our citizens, and which will reflect the deep sense of social justice and moral values which are the very foundation of this nation.

PRINCIPLES

This subcommittee has before it two proposals to reform our welfare system, S. 2084, the Administration's proposal, and S. 2777, introduced by Senators Baker, Bellmon, Danforth, Ribicoff and others. In addition we must look at the two major bills on the House side—H.R. 10711 introduced by Mr. Ullman, and H.R. 10950, which is the Administration bill as amended, by the special House Subcommittee on Welfare Reform chaired so ably by Mr. Corman of California.

We have examined these proposals with certain basic principles in mind:

Every human person has the right to an income sufficient to insure a decent and dignified life for one's self and one's family.

Welfare reform should be developed in conjunction with broader economic policies directed toward the development of a genuine full employment economy that serves all our people.

Our nation must provide jobs at a decent wage for those who can work and a decent income for those who cannot work.

The maintenance and revitalization of family life should be a primary concern.

Income assistance should be available to those who are employed, but who do not receive an adequate income.

Income assistance should be determined solely on the basis of need.

Any income assistance program should permit the poor to manage their own income and personal needs.

The processes through which welfare policies and regulations and standards are formulated should involve the poor as participants.

The administration of welfare assistance should be improved and simplified.

STRENGTHENING FAMILY LIFE

Before we comment specifically on the bills before the subcommittee, we wish to express our deep concern that debate over the meaning of some of the findings in the Denver and Seattle income maintenance experiments not obscure the genuine need for decent well-paying jobs and for an adequate income for those who cannot work. Findings from those experiments seem to suggest that after cash welfare benefits were extended to two-parent families in need, there was an increase in the break-up of families.

Senator Moynihan, the chairman of this subcommittee, has long expressed the conviction that we need a welfare system which strengthens family life. There are no more staunch defenders of family values than our two organizations. We share Senator Moynihan's concern that everything possible should be done to preserve intact families and strengthen family life. We assert that whatever the Denver/Seattle findings mean they do not mean that extending cash assistance to intact families and providing more adequate income supports weakens family life. If that were the case, the wisest strategy to strengthen family life in our nation would be to make us all abjectly poor, a nonsensical notion on the face of it. There is an old phrase in logic. *Post hoc ergo propter hoc. non valet illatio.* It means: Just because something happens after something else, it doesn't mean it happens because of something else.

Others have testified that a major reason for the break-up of families receiving welfare assistance is the self esteem lost when a breadwinner cannot find a job. We note that neither the Denver, or the Seattle experiments had jobs components. While cash assistance should, in our opinion, be given to intact families who are out of work, and whose unemployment compensation has expired, we are convinced that unemployment must be reduced. We would like to note that one of our key principles for welfare reform is that it be developed in conjunction with broader policy designed to provide for the employment needs of our society.

THE CURRENT PROPOSALS

The four major welfare reform bills before Congress indicate that we have made some significant progress since the defeat of the Family Assistance Plan in 1972. While there is much disagreement over detail and as to adequacy, all parties to the discussion now believe that:

Assistance must be provided to two-parent families.

There must be a federally defined minimum income benefit.

There must be greater uniformity in eligibility standards.

Any program must stress the need to create more jobs.

While all the sponsors think that simplified administration is important not all the bills meet that test.

In our judgment the subcommittee should use the Administration's program for Better Jobs and Income as amended by the Corman subcommittee (H.R. 10950), as its starting point. That subcommittee improved the Administration bill in important respects, corresponding to suggestions our organizations and others made in testimony last Fall. While there are still inadequacies in the Corman bill, and thus need for this subcommittee to make additional improvements, of all the bills now pending it does come closest to meeting the principles for welfare reform we outlined earlier.

The Corman bill is the only program which genuinely simplifies our welfare system. It does so by cashing out food stamps for recipients and providing the opportunity for a single federally administered cash payment system for those who cannot work, or who have been unable to find adequate employment. We consider the objective of a federally administered program to be extremely important. The Ullman and the Baker/Bellmon bills retain the existing multiple programs and are largely administered, as at present, through the states.

The Corman bill is the most inclusive in its coverage, though all the bills do provide some coverage for two-parent families, a decided improvement over current law. Furthermore, all the bills provide some assistance to those who work, but whose earnings are inadequate to support their families.

We wish to focus our comments specifically on two problems we see in the legislation: the benefit levels and the employment programs.

BENEFIT LEVELS

Although the bills would establish national minimum benefits, one of the major objectives to be achieved by reforming our welfare system, none provides a benefit level which would adequately meet the minimum needs of a family. The benefit levels are similar in the Corman and Ullman bills, and both are better than the Baker/Bellmon bill. The Corman bill, however, provides all of the benefit in cash, while the Ullman bill provides a combined cash and food stamp benefit. The Corman approach is preferred, since the poor have the right to manage their own resources. There are additional advantages in the Corman bill: benefits are adjusted by family size and are indexed to keep pace with increases in the cost of living, and state supplementation is strongly encouraged which is crucial without a much more adequate federal benefit.

Still the fact remains that, in our judgment, the proposed benefit level in all the bills is inadequate. The basic benefit level provided in the Corman and Ullman bills is set at 65% of the official poverty line. This is simply an inadequate guarantee, by the very definition of the poverty line budget. In the case of the Corman bill it unnecessarily complicates the program by throwing a heavy burden on the states—it detracts from making it a truly national program.

The poverty line budget is one which, by definition, is emergency in kind, and could not sustain a family unit in good nutrition and health for more than a period of several months. In addition, it is not commonly recognized that the poverty line has been decreasing in relation to median income in the United States. The poverty line applied to 1959 income would have been 54% of the median income. It had slipped to a mere 40% of the median by 1975 and has declined further since then. The poor have been getting poorer in relation to the rest of us.

In our view, at minimum, the benefit ought to be set at least at the poverty line, with other elements of the program adjusted accordingly. If budget constraints do not permit immediate attainment of this goal, we would urge that the legislation include a provision which would phase up the benefit level to the poverty line budget over a three year period.

EMPLOYMENT

All the bills deal with employment in one way or another, none of them adequately. The most direct approach is that of the Corman bill which provides an entitlement of 1.1 million public service jobs to the public prime sponsors and training slots through the Comprehensive Employment and Training Act. The Corman bill accepts the principle of equal pay for equal work, but restricts its application by limiting the average annual rate of pay for a full time job to \$7,700 in 1981 when the bill would become effective. In addition, a person in need of a job, who could not find one in the private sector, would be eligible for a public service job for only 18 months. These latter two provisions should be improved.

The Ullman bill provides only half the number of jobs as the Corman bill, and would administer them through the present WIN program. In addition, the Ullman bill would rely heavily on an expansion of the employer tax credit to stimulate jobs in the private sector. There is no evidence that the tax credit in current law has resulted in any substantial employment for welfare recipients.

The Baker/Bellmon bill offers even fewer public service jobs, and would rely largely on the tax credit or a job voucher to encourage the private sector to provide jobs for unemployed or underemployed people.

We believe that an emphasis on providing jobs is essential. When there are not sufficient jobs in the private economy to take care of the employment needs of our citizens, public service jobs ought to be provided by the government. It is vitally important that these not be second class jobs, but that they be at the wage levels of existing public service employment under the Comprehensive Employment and Training Act. The provision of sufficient jobs would, in our

judgment, require an entitlement to an employable individual or an open ended authorization so that the Congress can respond in the context of the state of the economy, at any given point in time, by providing a sufficient authorization of money to create those jobs. The Corman bill should be amended in this respect.

CONCLUSION

It is a good omen, we think, that the national consciousness has grown to understand that the kind of country we have today, the size and nature of our country's population, and the scope of our nearly two trillion dollar economy require a more rational and a more adequate program to insure a decent life to all in this country for whom we are together responsible. We are happy to see the beginning consensus which has developed since 1972 on the issue of welfare reform. Adequate assistance for those who cannot work and employment at a decent wage for those who can, are essential to human dignity; they are basic human rights. These rights are a matter of justice, justice that is guaranteed by our Constitutional heritage.

We urge your subcommittee to use the comprehensive approach taken by the Administration as improved by the special House Subcommittee on Welfare Reform. Furthermore, we urge particular attention to the need to provide an adequate benefit level and an adequate public service employment program, so that in the adoption of the Better Jobs and Income Act our nation may fulfill its promise to promote the general welfare and to secure liberty and justice for all.

STATEMENT OF THE CHILDREN'S DEFENSE FUND

The Children's Defense Fund appreciates this opportunity to submit written testimony to the Public Assistance Subcommittee of the Committee on Finance of the U.S. Senate on S. 2084, the Carter Administration's proposal for "Better Jobs and Income," and on S. 2777, the "Job Opportunities and Family Security Act of 1978." No bill introduced to date by this Administration would have more impact on the lives and futures of millions of our nation's neediest young citizens than would S. 2084. We therefore commend the Subcommittee for the careful consideration it has recently given this important proposal, as well as related welfare reform proposals such as S. 2777.

The Children's Defense Fund (CDF) is a national, nonprofit, public interest organization created in 1973 to gather evidence about and address systematically the conditions and needs of American children served by a variety of public and private institutions. Because children do not vote and because their families often lack the confidence, information, access and resources to question or affect governmental policies of vital importance to their children, their needs tend to be shortchanged when public policies are formulated. CDF seeks to correct this imbalance by providing an informed voice for children in policy-making processes.

We have issued reports on a variety of problems faced by large numbers of children in this country, and seek to address problems uncovered in our research through public education, federal and state administrative agency monitoring, legislation, litigation, and providing technical assistance to parents and local community groups representing children's interests. While CDF is concerned with the rights of all children, we have always placed priority on children most in need of systematic, long-range advocacy because they are economically or otherwise disadvantaged, and who, without such attention will not have their basic or special needs met: children from racial and ethnic minority backgrounds; children whose first language is other than English; children without permanent families; migrant, handicapped and institutionalized children, and poor children who suffer irreparable harm from ill health, malnutrition, substandard housing and inferior schooling.¹

¹This is because we have seen the results of the failures of programs designed to serve these groups of children: over two million ages 6-17 excluded from school; high schools in large urban areas graduating less than half those initially enrolled; child health programs reaching fewer than a quarter of those eligible; failure to immunize children against diseases we know how to control; fiscal patterns that deny desperately needed services to families in trouble to relieve temporary stress, resulting in children being deprived of family security entirely by default and public neglect. See the following CDF reports: *Children Out of School in America* (1974); *EPSTDT: Does It Spell Health Care for Poor Children?* (1976); *Children Without Homes* (forthcoming in 1978).

CDF'S INTEREST IN WELFARE REFORM

There is a pervasive myth in this country that we are a child-centered people. But idolizing youth or loving and wanting the best for one's own children is not the same as ensuring that *all* children get enough food, clothing, health care, education and other kinds of services which will give them a decent chance to develop and function fully as young adults and someday, as parents themselves.

CDF's work in Washington—where we monitor federal programs for poor children—and in Mississippi—where our local project works directly with families struggling to overcome the inheritance of generations of discrimination and poverty—demonstrates daily that in this rich country we do deny these things to millions of "other people's" children because we somehow believe that parents alone should be responsible for their children's well-being. And, while Americans seem to value the concept of "family security," many of our public policies and the programs designed to implement them make it difficult or impossible for families who need help the most to survive as families and take good care of their children—leaving all our children a costly legacy in **attention, debilitation and national division.**

The nation's public assistance system reflects this paradox. While AFDC is intended to "encourage the care of dependent children in their own homes" by giving aid to parents to "help maintain and strengthen family life,"² existing welfare policies and practices too often work to undercut rather than support families different from the image many in this country have of what a "proper family" should be. Overlooked is the fact that only about 6 percent of *all* American families resemble the typical image—two parents, an employed father, mother at home, and two children—and that poor families, like most families, strive as hard as they can to attain the best life possible for their children. Also overlooked are the broad economic and social pressures on families today—like unemployment, inflation and racial discrimination—which are beyond their immediate control and which affect their ability to rear their children in fundamental ways. Blaming parents for individual problems while ignoring the forces that cause them—as our welfare system has tended to do—hurts children, who have virtually no ability to meet their own needs, no matter how immediate or urgent.

Children, it must not be forgotten, are rightfully dependent on adults for **nurturing and guidance.** The survival of stable families capable of making responsible choices about raising their children is not only good public policy, but makes common sense as well since most American children—98 percent—grow up in families and since the state is a clumsy and ineffective parent, as our child welfare system shows. CDF believes that government can play a major role in supporting families by providing jobs that pay a living wage to those parents who can work, and an adequate level of cash assistance to those who cannot, so that poor children might have access to the same rudimentary things that make childhood ordinary and uneventful for middle-class children, but so extraordinary and fraught with anxiety for them.

By helping to alleviate some of the worst pressures on today's poor families, the cycle of poverty can be broken for the next generation of children. Because the nation's children truly are the nation's future, CDF believes that the central concern of welfare "reform" must be to address why existing welfare programs have failed and not *already* achieved this goal.

WELFARE AND CHILDREN³

Despite the existence of programs designed to protect them, millions of American children continue to live in "official" abject poverty:

While the absolute number of people living with incomes below the poverty line has declined slightly, the number of poor children has not: in 1973, 9.5 million children were poor; in 1974, 10.2 million; in 1975, 10.9 million; and in 1976, 10.1 million lived in families that were poor.⁴

² See: 42 U.S.C., Section 601.

³ For a more detailed analysis of the facts about and relationship between welfare policies and children see CDF's forthcoming brochure, *For the Welfare of Children.*

⁴ Even these numbers are underestimates because they do not include children who live with foster families or in institutions and who are disproportionately poor. (See CDF's forthcoming report on *Children Without Homes* for an analysis of the special problems of these highly vulnerable children.) For the purposes of this more general analysis, "all children" will hereafter mean children under 18 living with related persons.

Of all age groups in America, children are the most likely to be poor. In 1975, 16.8 percent of all children were poor, compared to 12.3 percent of the general population. In 1976, the gap remained: 11.8 percent for the population overall; 15.8 percent for children.

The younger children are, the more likely they are to be poor. In 1975, 18.3 percent of all children under 3 and 18.1 percent of all children 3-5 were poor.

A focus on children's need has not yet been established in the current national debate over welfare reform, even though the debate is largely about AFDC—the largest existing means-tested public assistance cash program and the only or principal means of support for millions of needy children and their families:

Almost two-thirds of current AFDC recipients are children. In November 1977, 3.5 million American families—10 percent of all those with children—received AFDC benefits. Out of 10.9 million total recipients, 7.7 million were children.

An additional 175,000 children received SSI benefits in December 1977 because they were blind or disabled. This was out of a total eligible SSI child population which has been estimated at between 250,000 and 600,000 children.

These numbers do not begin to tell the full story of the number of children who depend on welfare at some point in their lives, which generally exceeds the number eligible at any given time:

The turnover rate in the AFDC program is about 30 percent annually. Hence, in any given year, approximately one-third of all recipients leave the program and are replaced by other children and families. Substantial numbers of children have therefore depended upon, or will depend upon, welfare at some point during their childhood.

CRITERIA FOR WELFARE REFORM

At the outset CDF acknowledges that the AFDC program has contributed to the welfare of countless children and their families by providing for their subsistence when no other sources of support were available; by allowing many (although not enough) children to remain in their own homes instead of being placed in institutions or foster care; and by helping some parents attain the capability for self-support. But the program has for years been desperately in need of reform:

The Unemployed Fathers (UF) program has not been adopted in almost half the states in the country, robbing children of a parent as the price of support.

Eligibility requirements vary dramatically from state to state, so that many needy children do not even qualify for assistance.

Benefit levels are generally inadequate for those who do qualify, in almost all cases perpetuating rather than ameliorating poverty.

Parents' ability to make responsible choices about how best to raise their children—the whole underpinning of providing for children's welfare—has been severely undermined by the emphasis in recent years on requiring them to work as a condition of assistance—a concept completely contrary to the original intent of AFDC.

Clearly, any proposed change in public welfare policy will have a tremendous direct impact on children's lives and chances for future productive citizenship. Yet it seems that when welfare reform proposals are considered, the question of how they would affect children is always asked last. CDF believes it must be the first and most important question, and that any plan of welfare reform eventually enacted and worthy of the name must:

Be designed to narrow the gulf between what rich and middle-class and poor families can afford to provide their children so that the cycle of poverty can be broken.

Place heavy emphasis on strengthening and keeping families together by recognizing broad economic and social pressures on parents beyond their immediate ability to control and by providing adequate income and other supports to help prevent harm to children—including those who need out-of-home placement.

Federalize the welfare system by consolidating the current patchwork of means-tested public assistance cash programs and guaranteeing a uniform minimum income to all poor Americans. Since children are citizens of the nation, providing for their welfare should not be left up to state discretion, but should be a federal responsibility.

Provide for universal coverage by extending eligibility to all needy persons, regardless of family status or constellation. The mandatory inclusion of all two-parent families is a long overdue reform in welfare policy, as is extension of coverage for some form of assistance to working poor families. A truly reformed welfare system would not permit millions of poor children and their families to fall through the cracks.

Extend eligibility for earned income tax credits to all families with inadequate wages in order to give additional support to children without bringing them directly into the welfare system.

Ensure a basic federal benefit high enough to ameliorate rather than perpetuate poverty for children who happen to be born into poor families. CDF believes that the poverty line (indexed to reflect increases in cost-of-living) represents an absolute minimum floor of decency.

Never deny needy children help on the theory that income is available to them when in fact it is not. Only the income of persons legally responsible for their support should be considered in determining children's eligibility for assistance and computing their benefits.

Not impose on poor families a standard of foresight and thrift not expected of other Americans, by considering income not available for current use when determining a family's eligibility for and amount of assistance. The humane principle of meeting the current needs of poor children has been embodied in the Social Security Act since 1935. A reformed welfare system should not retreat from it.

Not indirectly harm children by forcing their parents to work as a condition of assistance. Welfare reform should focus on enabling those able to hold jobs to do so, and ensuring an adequate level of support to those who cannot.

Be accompanied by a national commitment to a full employment policy and include public service job creation and training components so that all parents able to work are guaranteed opportunities for meaningful, steady long-term employment. Since "reform" should mean that working families are helped out of the system, instead of being locked into it, they must have access to jobs that, whether in the private or public sector, pay a living wage. When human services are delivered, there must be strict federal controls to protect recipient children.

Recognize the needs of working families for quality child care services that are both accessible and affordable. While CDF believes that a reformed welfare system must view the choice to stay home to care for young children as a legitimate one for parents to make (and would therefore provide these families a decent level of income support), many parents will work nonetheless—either out of necessity or preference—and their children must not be left alone or provided with haphazard care. Until the country faces up to the need for universally available child care services, those slots which are available now (or which become available as a result of additional public service job creation) should be targeted on families and children whose healthy development is most at risk, including those who have special needs; poor children; children of single-parent and working parent families and families who, without the option of part-time or occasional services, might have to place their children in foster care.

CDF is encouraged to find so many of these principles already incorporated in welfare reform legislation pending before the Subcommittee. And while these bills represent laudable first steps toward better meeting the needs of the nation's poor children, we urge that several specific provisions in both S. 2084 and S. 2777 be reassessed. We hope the following specific recommendations relating to issues affecting children and their families will assist the Subcommittee in doing so and in proceeding to develop sound welfare reform legislation that will help poor children—who have only one chance for an "ordinary" childhood.

SPECIFIC WELFARE REFORM ISSUES AFFECTING CHILDREN

Federalization

CDF supports provision of a guaranteed, uniform minimum income, with benefits based on nationwide standards of need, to all Americans.

The failure of the existing patchwork of income maintenance programs to meet the needs of the nation's poor children is exemplified by AFDC—the largest existing program. While it requires that states establish "needs stand-

ards"—in theory representing the cost of subsistence—there is no federal review of the accuracy of standards once set, nor any corresponding requirement that actual AFDC payments to families equal them. The result has been that most states make payments below the amount they themselves define as adequate (a definition generally understated to begin with).⁵

In Mississippi, where CDF maintains a local advocacy office, this means that a family of four receives the unconscionably low average actual payment of only \$48 a month—under \$600 a year. The *maximum* AFDC grant available to a family of four in Mississippi is \$60 a month—\$720 a year—considerably below the state's own needs standard of \$227 a month for such a family. This and similar situations affecting families in many other states, demand a federal response and remedy.

Both S. 2084 and S. 2777 provide for greater federal financing of welfare programs on the grounds that since the causes of poverty are national in scope, these costs must be borne by the nation as a whole. It follows, then, that since our children are citizens of this country, ensuring their welfare—regardless of place of residence—is also a national responsibility. CDF therefore supports provisions in S. 2084 which would result in federalization not just of state and local welfare costs, but also of coverage, benefits, and eligibility rules.

Coverage

We support elimination of existing categorical cash assistance programs in favor of "universal" coverage for some form of aid to all "needy" persons, including many families presently excluded from coverage despite their obvious need.

CDF believes that the most pressing gap in present coverage is the continuing refusal by 23 states to assist children when both their parents are present in the home through participation in AFDC-UF. While the majority of families needing assistance continue to be those headed by women, a steadily increasing number are two-parent families. As one witness has testified before this Subcommittee, "it is not unusual for the earnings of a father to be less than the value of the food stamps, AFDC, and Medicaid his family would become eligible for if he were to desert them."⁶

Parents who wish to stay together should not have to split up to get the help they need to support their children. And children should not have to be robbed of a parent as a condition of having basic needs met. Mandatory coverage of all two-parents families is central to welfare reform, as is the extension of aid (in the form of an expanded earned income tax credit) to a greater number of working poor families. We support these measures in S. 2084 and S. 2777 (although we would urge that eligibility for an EITC be extended to *all* families with children). However, these positive steps forward must not be taken at the expense of any families covered under existing programs, either by restricting their eligibility or reducing their benefits. The goal for a "reformed" system must be just as the Administration has stated: "Persons in similar circumstances will be treated similarly."

Benefits

The basic federal benefit must provide a floor of decency beneath every American child.

Senator Bellmon, testifying on S. 2777, of which he is one of the co-sponsors, stated his view that "the American people want welfare reform that ensures adequate help to those who need it." CDF agrees and is disappointed therefore to find such an absence of leadership on the part of the Administration and Congress, since virtually none of the welfare reform bills currently under consideration would achieve this goal.

S. 2084, which proposes the "highest" basic benefit is still woefully inadequate: \$4,200⁷ for a "not expected to work" family of four or for an "expected to work" family of the same size for whom no job can be found, despite their own and the government's efforts. While this would substantially increase the aid presently available to children in the 12 lowest AFDC-benefit-level states, it is less than families in the other 38 states and the District of Columbia now

⁵ In July 1976, only 24 states paid so-called "full need" AFDC benefits.

⁶ Testimony of John Bishop, Economist, Institute for Research on Poverty, 25 April 1978.

⁷ Unless otherwise stated, all figures refer to annual income and are in 1978 dollars.

receive through a combination of AFDC and food stamps. Even measured *only* against existing AFDC grant levels, families in 23 states now get more assistance. The benefit scheme proposed in S. 2777—with a basic floor equal to only 55 percent of the poverty line in 1981—would leave even larger numbers of poor children in abject poverty. Permitting establishment of up to three different assistance levels within a state to account for so-called “cost of living differentials,” as this proposal would, does not compensate for an inadequate minimum benefit floor. (And some have suggested that such differentials—which are, by definition, arbitrary—could end up hurting, not helping, recipients.)

CDF believes the basic benefit for families with children and no other source of support must not be below the poverty line. While even this level (officially estimated at \$6,190 for 1978 for a non-farm family of four) does not represent true adequacy, it would protect children from the worst ravages of poverty. Even if the political climate precludes establishment of a federal floor at the poverty line at this time, any program called “welfare reform” must contain a specific timetable for raising it in stages to that level as quickly as possible. This could be accomplished either through a direct federal or combined federal/state payment (with required state supplementation). It must also provide—as would S. 2777 and the House Subcommittee version of S. 2084—for automatic adjustments in payments to reflect increases in cost-of-living (both food stamps and SSI already contain such protections) so that poor children and families do not in effect become poorer while on “assistance.”⁸

Eligibility issues

Filing unit

Children in need should never be denied eligibility for assistance on a theory that income is available for their support or eligibility for a full payment because of family composition.

Since one of CDF's key concerns is that welfare reform help strengthen families, we favor narrow filing unit definitions such as those contained in present AFDC law and in S. 2084 which would only include the income of persons legally responsible for children's support when determining their eligibility for and level of assistance. For example, Section 2101 of S. 2084 would, correctly we think, allow children living with relatives having no legal obligation to them to file separately under the cash component (Title I).

A broader definition, as S. 2777 proposes, would have the effect of reducing or denying altogether assistance to children living with “extended” or “irregular” families (often grandparents or other relatives) who, as an alternative to placing these children in far more costly foster or institutional care, provide a home for them even though to do so severely strains their resources. We especially oppose Section 104 of S. 2777 which would pro-rate the amount of benefits to these children. Because increments in benefit levels for various filing unit sizes decrease sharply as unit size increases, including other individuals in the filing unit—even though they are not recipients—would result in millions of children receiving a smaller fractional share of assistance than they need and would get if they filed as a separate unit.⁹

We also urge deletion of proposed ceilings in both S. 2084 and S. 2777 to limit eligibility for assistance to seven persons per filing unit. This restriction would discriminate against children in large families since a single-parent family with 13 children and no other income would be eligible for the same benefit as a two-parent family with five children or a single-parent family with six children. It also reflects an implicit anti-family bias, because parents seeking adequate support for their “additional” children might resort to putting them in foster care, where they *would* receive financial supports.

Accountable period

CDF supports use of a current needs principle for determining eligibility and payment amounts so that help is never denied or delayed to children who need it.

⁸ It has been estimated that without such a cost-of-living provision, recipients' buying power would be eroded 25–35 percent between 1981–1985.

⁹ CBO estimates that this essentially cost-saving device would adversely affect approximately one-third of all AFDC families.

Congress, the Courts, and HEW have all consistently held that welfare eligibility should be determined according to currently available income. And while the principle of meeting the current needs of poor children has been embodied in AFDC since its inception, S. 2084 would instead require use of a six-month "retrospective" accountable period to determine eligibility. This would deny benefits to families whose income for the six months prior to application exceeded a "breakeven" level, even though *at the time of application* they had no outside income, no income-producing assets, and no savings. Another technical change proposed in both S. 2084 and S. 2777 would, assuming eligibility, base actual payment to families for a particular month on income allocated to a prior month (which would be determined by looking at income received in the period preceding *that* month). "Excess" prior income would continue to be brought forward as "deficit income" to reduce current payments.

We object to these provisions because of what we know about family needs for public assistance. Despite attention focused on the so-called "permanent" AFDC population, each year about one-third of all recipients leave the program and are replaced by newly-needy families, who in turn are helped by welfare to regain their bearings during short periods when they suffer unexpected reductions or cessations in income. S. 2084 would deny such aid to children—*precisely* because their need is temporary and because their parents had previous income. It would also unfairly impose on poor families a standard of thrift not expected of Americans in general by assuming that whenever they have income one month even only *slightly* above what the government thinks they need to live on, they should be able to save the "surplus" to meet needs in future months.

Retreat from a current needs principle would particularly harm children, who have no control over their parents' income or savings patterns, but who would still—along with their parents—be evicted from their homes, go hungry, and be cold while they waited for help. It seems elementary to observe that hungry children ought to be fed *when* they are hungry. Welfare reform must ensure that they would be.

Work requirements

The emphasis in current welfare reform proposals on forcing recipients to work as a condition of preserving their eligibility for assistance is misplaced and harmful to children. It should instead be placed on ensuring decent jobs—and training opportunities for those who need them first—to all parents able and wanting to work outside the home, and adequate income for families who cannot.

CDF believes that most parents who can hold jobs want to so they can do well by their children. Indeed, the vast majority of these parents—rich and poor—already do work. Those who remain poor do so not primarily because they can't work, or won't, but because when they do their earnings are inadequate. Even *fulltime* work—if at the minimum wage—will not lift a family out of poverty. And, as the present high rates of unemployment point up, the problem is not one of forcing welfare recipients (or anyone else) to take jobs. Their desire for work exists. It is the jobs that don't exist. When new employment opportunities open up, the number of applicants consistently—often massively—outstrip the number of available slots.

While we oppose an emphasis on work responsibilities that is punitive, CDF supports positive work incentives such as the earned income disregards in S. 2084 that would permit working poor families to reach higher earning levels than presently allowed before phase-out of eligibility for some amount of assistance. We do not, however, share the Administration's belief that maintenance of an adequate incentive for recipients to work their way out of welfare dependency requires that working must always be more "profitable" than "the dole," and find reprehensible its proposal to set the basic benefit available to "expected to work" families significantly below the level that their children need to survive—\$44 a week for a family of four¹⁰ during a mandatory 8-week job search—as a method of ensuring that work is "aggressively" sought.

We reject outright the notion that a family *deserves* to live better if it has a member able to work outside the home because it victimizes children and over-

¹⁰ This is just \$5 more a week than the same family now gets in food stamp benefits alone.

looks the fact that the majority of those currently receiving AFDC are the sole caretakers of young children (or children themselves). While some of these parents may *want* to work outside the home (and should certainly be enabled to do so), CDF is encouraged that neither S. 2084 nor S. 2777 downgrades the work involved caring for and nurturing children by expecting them to hold down another full-time job in addition, as if there were no "real" value to their work in the home. But the intent of Section 2107(b) of S. 2084 which states that single parents of older children 7-13 could only refuse a job that involved "hours of work which would make it impractical . . . to be at home during hours when such child is out of school and at home" needs to be clarified. In the absence of parallel provisions addressing the accessibility of affordable, quality after-school child care, welfare reform legislation must specifically permit such job refusal when after-school services are not available.

We also hope the Subcommittee will give serious consideration to a provision in the House Subcommittee's version of S. 2084 exempting from work requirements single parents responsible for special needs children, regardless of age or participation in a school or day treatment program. Because such children require especially intensive care, forcing their parents to work outside the home could well prevent them from being able to care effectively for these extremely vulnerable children. Finally, we would like to call attention to Section 2103(a) in S. 2084 which would exempt from work persons 18-20 (defined as "adults") enrolled full-time in elementary or secondary school, but not in college—as in current AFDC law¹¹ unless they *also* work at least 20 hours a week. This clear disincentive for children from poor families to attend college has no place in this bill or any other which even purports to deal with issues of youth opportunity.

Jobs

CDF supports a national full employment policy. We believe the goal of a welfare reform jobs program should be to guarantee poor families access to meaningful, steady, long-term employment opportunities so they can eventually become economically independent. However, assuring jobs to parents who can and want to work must not be confused with forcing them to take any job under any circumstances. Especially when jobs involve the delivery of human services, there must be federal controls to ensure training, and to ensure that welfare recipients are not treated as inferior, both so that they and their families are not stigmatized and so that children "served" are protected.

This Subcommittee has heard researchers testify that income obtained through jobs—if adequate and earned willingly—makes a greater contribution to family stability than income obtained strictly through welfare. No one should find this surprising. While families unable to work have little choice but to depend on public assistance, at least temporarily, the effects of being on welfare due to involuntary unemployment are especially trying, particularly for children. Not only is there a sudden, generally unforeseen drop in family income, often resulting in tensions which increase the possibility of alcoholism, child abuse, separation and divorce, a parent's sense of lost respect and control can teach children bitter lessons about their own futures.

We think full employment is critical to children's welfare, and therefore support the focus in both S. 2084 and S. 2777 on providing jobs to their families. In particular, we support the "Better Jobs" program's public service employment (PSE) creation provisions which would attempt to ensure a slot to one adult¹² in all families with children if they cannot first find a private or regular public sector job (S. 2777 would do so only for two-parent families). But, Secretary Marshall has testified that no job *guarantee* would be made by the proposed program, and that 1.4 million only represents what might "*under normal economic conditions*" meet the "*likely demand of workers for jobs*" (emphasis added). We think that for obvious reasons there should be such a guarantee. Short of one, we urge that priority be placed on offering the first jobs available to poor families with large numbers of children, especially in light of other provisions already discussed which would offer progressively less aid to such families with no evidence that their needs were any less.

¹¹ Even though not required to cover 18-20 year olds attending "school" in their AFDC programs, most states have already elected to do so.

¹² In families with more than one adult, it should be up to the family to decide who to designate the "principal wage earner." Families should also be able to switch the selection after one year if warranted by specific circumstances.

While it is not unreasonable to require poor parents to look for unsubsidized employment prior to PSE referral—as in S. 2084 and S. 2777—they should not be forced to accept any job at any wage as a condition of further help. Both bills, in so requiring, would create clear incentives for private employers to hire recipients at the minimum wage—even though other employees performing the same work might be earning more—and keep them at that level. This would not only hurt poor children by stigmatizing their parents (disregarding the fundamental principle of equal pay for equal work) and locking families into welfare dependency; by causing possible displacement of already or otherwise employed parents and undercutting hard-won union wage standards, non-poor children would also be affected. And neither the nation's poverty nor unemployment problem would be solved. In order to protect all families who need decent jobs at decent wages, poor parents must be allowed to refuse jobs without penalty if they pay below prevailing wages for comparable work or the federal minimum wage, whichever is greater.

Similar principles must also apply to PSE. While we applaud provisions for subsidized jobs and training for parents unable to find decent jobs in the regular economy, PSE jobs must not be treated as inferior to private or regular public employment. Both S. 2084 and S. 2777 would make PSE deliberately unattractive in order to funnel as many people as possible into existing jobs—a not obscure goal of either proposal. While this may meet the government's needs by giving the appearance that it would cut down the number of PSE slots required, it would result in a disservice to the needs of children and families living in areas of high unemployment and subemployment, where private jobs—no matter how actively sought—do not exist.

A welfare reform jobs program must not perpetuate the welfare stigma by treating its participants, who have no other choice, as second class citizens. PSE jobs must not pay less than the prevailing wage for the work performed¹³ and PSE participants must be entitled to the same employment rights as other workers. In sum, the burden of minimizing reliance on subsidized jobs should be on making the PSE program effective so that parents can eventually compete for nonsubsidized jobs. The program should be designed to provide not just temporary income to families under the guise of "reform" but to make a serious, long-range investment in children's futures by training their parents for permanent employment.

CDF does support providing meaningful and not just "make-work" jobs to welfare recipients. Precisely because we feel this way, we believe there must be strict federal standards controlling the types of jobs created and the kinds of training provided under welfare reform. While both S. 2084 and S. 2777 would expand (the latter more modestly) the current CETA "public service" program, neither would improve the existing CETA model, which in our view leaves too much to local administrative discretion. In the absence of federal standards, including rigorous federal monitoring and enforcement, it is highly unlikely that PSE workers will get the necessary training either to qualify for non-PSE employment—the goal discussed above—or to perform their jobs effectively—an equally important goal of public service employment.

The "quality of service" issue is of special concern to children, since they would be the primary population served by workers in jobs described by the Department of Labor as the "major categories" for creation: "public safety," "building and repairing recreation facilities" and "running recreational programs," "creating facilities for the handicapped," "child care," "clean-up and pest/insect control," "paraprofessionals in schools," "school facilities improvements," etc. We agree with Secretary Marshall that "work like this needs to be done in this country." But we couldn't disagree more that: "Jobs like these do not require a high degree of skills. All they require is dedication and a desire to work." *This is simply not true.* Effective performance of the jobs described will require serious job training and oversight of local agencies to make sure they provide it since many Prime Sponsors fail to use currently authorized CETA funds for training.

Primarily for these reasons, we object to the job voucher and business tax credit provisions in S. 2777 which seek to involve private employers in job

¹³ The Administration proposes to "cash-out" CETA Title VI in favor of an "expanded" public service jobs program. What this really means is that 725,000 jobs which now pay prevailing wages would become, by juggling statistics, 1.4 million jobs (under a newly-created CETA Title IX), 85 percent of which would pay only the minimum wage.

creation through direct (redeemable vouchers) or indirect (tax credit) subsidies of \$1/hour to employers who hire eligible persons. While it will be extremely difficult to build strong federal accountability mechanisms into CETA (because it is locally administered), handles do exist because the program is entirely federally funded and grants go through major administering agencies. Neither of these circumstances exist in the private sector, making totally unworkable any federal attempt to monitor the quality of services which would be rendered to children, at least partially, by federal money. While proponents of such a system might argue that consumer sovereignty and free market competition would ensure accountability, waiting until service providers' failures result in a slow withdrawal of demand would only "regulate quality" at the expense of many individual young victims. We are also opposed to any system which would identify to potential employers persons required to work in exchange for welfare support as this would almost assuredly result in discrimination against them.

SOCIAL SERVICE ISSUES

General

A key part of the solution to the problems of millions of families unable to meet their children's essential needs does lie in the provision of jobs and an income floor. But money alone is not the answer to breaking the cycle of poverty. Children and families need services as well. Therefore, while we support combining existing categorical cash assistance programs in favor of creating a federalized, universal welfare system, we strongly oppose "cashing out" any existing social service programs in the process.

It has never made sense to choose between providing jobs and income and providing supportive services. All families—rich, middle-class and poor—have legitimate needs for the "helping hands" of others as they raise their children; the main difference is in their ability to locate and pay for services and the quality of the services they can find and buy. It is a traditional and proper function of government to strive to eliminate this difference by funding social services and ensuring their quality and availability to families who want them. Precisely because universality and equity must prevail in an income maintenance program—and take simple administrative forms—it must be part of a larger system that can recognize different family needs at different times and ensure provision of special services as individual specific circumstances require them.

The clear tilt of current welfare reform proposals, including S. 2084 and S. 2777, is toward providing cash assistance to families in the form of benefits, jobs, or tax credits—or all three in combination. In proposing its overhaul of the welfare system, the Administration would eliminate AFDC, SSI, food stamps, CETA Title VI and extended unemployment compensation (UI), some of which, in addition to providing cash (or its equivalent) also provide social services. In its present form S. 2084 proposes no new social service programs. Nor does it make clear how eligibility for services, currently tied to eligibility for existing categorical programs, would be determined. Though welfare reform is probably not the most appropriate vehicle for addressing those family needs which are neither universal nor met by income alone, existing service programs must not be "cashed out" to finance one part of the welfare picture at the expense of the other in the name of "reform."

Child care

CDF supports a comprehensive universal system of family support services—including child care—based on principles of equity, universality, diversity, accessibility, prevention, and accountability.

Current federal child care policy has created a three-track system: inadequate public day care for the poor; tax credits for the rich; and little or nothing for those in between. S. 2084 and S. 2777 would do little to rectify this situation through earned income disregards of, respectively, \$150/month per child up to a maximum of 2 children for single parents, and \$100/month per child up to a maximum of 3 children "where necessary to permit employment." These provisions, in the absence of others which go beyond the issue of paying for care and address the availability and quality of that care, would force poor mothers to use poor quality child care. Moreover, income disregards—no matter how high—would do nothing to help parents who need additional income to purchase child

care. Even if they did, there would still be no guarantee that even minimally adequate services would be available. However, should welfare reform contain such provisions, the disregard ought to at least be high enough to permit the purchase of flexible, comprehensive child care subject to uniform standards of quality and accountability set and enforced by the federal government, and include a high degree of parent involvement. All families should be eligible,¹⁴ and no limit should be placed on the number of children for whom it can be claimed.

While not yet formally under consideration by this Subcommittee, we would like to take this opportunity to express concern about the proposed pre-school education programs currently contained in Title III of H.R. 10950. This amendment to the Administration's bill only creates a cruel illusion of dealing with the needs of poor families for child care when, in fact, no meaningful program would be created. It offers no assurance that children on welfare would have access to the comprehensive range of early childhood services that are at least as important to their healthy development as are educational services, and is cast in such detail that parents and communities would have no role in determining the type of program most appropriate to their needs. Worst of all, the amendment raises the possibility that children required to participate would be in socially segregated classrooms, precluding their interaction with other children. For these reasons, we have urged, and will continue to urge, members of the special House Welfare Reform Subcommittee and others to delete the pre-school education amendment when they consider further H.R. 10950.

As a step toward ensuring adequate child care to poor families, we urge the limiting of any new child care slots created under PSE¹⁵ to programs meeting Federal Interagency Day Care Requirements (FIDCR). Both potential providers and users must be free to refuse, without penalty, association with providers who fail to meet these requirements. And until the country faces up to the need for universal child care services, slots which are available should be targeted on families and children most at risk without them: children with special needs; poor children; children of single-parent and working parent families, and families who without the option of part-time or occasional child care might have to place their children in foster care. These groups should be eligible regardless of family ability to pay.

In the belief that universally available child care is absolutely essential to the well-being of children, CDF is working with others to pursue such a program, independent of, but linked to the development of new welfare policies. Its principal objective will be to provide services to families who want and need them in order to meet the comprehensive needs of their children and carry out their child-rearing responsibilities more effectively. Because such a program would serve families of all classes needing decent child care options, we think it warrants separate development from proposals like S. 2084 and S. 2777. However, it warrants separate development from proposals like S. 2084 and S. 2777. However, building linkages among income support, jobs and services—including child care—is an issue we believe any program of welfare reform and this Administration and Congress must address.

Foster care services/adoption subsidy provisions

CDF supports foster care and adoption provisions to ensure that children are not removed from their homes unnecessarily or placed in inappropriate settings and left to linger there indefinitely, but are either returned home or provided permanence through adoption. When children do need temporary care outside the home, they must be placed in the least restrictive setting appropriate to their needs and within reasonable proximity to their family and home community.

In a recently completed study which will be published shortly,¹⁶ CDF examined public responsibility toward children in out-of-home care and their families. We identified a variety of federal fiscal incentives to remove children from their homes unnecessarily, resulting in their lingering indefinitely in supposedly temporary—and often inappropriate—foster care settings. We found few targeted funds to prevent placements, and little effort to review periodically the status of children in out-of-home care or to provide services so that children can be

¹⁴ Single- and two-parent families are currently eligible for child care disregards under both AFDC and the food stamp program.

¹⁵ The Administration envisions 150,000 such jobs as a result of its job creation proposals.

¹⁶ *Children Without Homes*. An "Overview" of our findings is available now.

reunited with their own families or otherwise provided permanence. We believe our findings are particularly relevant to welfare reform because poor children are disproportionately at risk of foster care placement because of increased family stresses caused by poverty.

S. 2084 presently does not adequately address the needs of children who, when endangered in the home, must be removed and placed in foster care. Nor does it recognize the importance of a permanent family to them. CDF urges that references in S. 2084 to these children be clarified and strengthened to include the foster care and adoption provisions in S. 2777, as well as the foster care protections in H.R. 10950. S. 2777 contains a foster care program similar to the one currently authorized under Section 408 of Title IV-A. It would also create a federal adoption subsidy program to help ensure permanent homes for special needs children in foster care who, without financial support, would not be adopted and extend Medicaid coverage for conditions existing at the time of adoption, also an incentive for families to adopt children previously considered "unadoptable" because of the significant medical costs involved with their care.

While we support the adoption subsidy and Medicaid provisions discussed above, CDF is concerned that S. 2777 would not increase or target funds for preventive and reunification services or include protections, all necessary to reduce overreliance on foster care and central to ensuring federal accountability to children, their families and taxpayers. Specific foster care protections should include requirements that: children be placed in the least restrictive setting appropriate to their special needs and within reasonable proximity to their families; periodic reviews of the appropriateness of continued placement and a dispositional hearing within 18 months occur; and due process procedures be followed prior to removal, while children are in care, and when termination of parental rights is necessary. Such protections, incorporated and tied to the foster care maintenance program in Section 106 of H.R. 10950, would better begin to address the needs of children. To make them meaningful, we strongly urge the Subcommittee to also reconsider converting the child welfare services program (Title IVB) to an entitlement program to ensure full funding (with a state maintenance-of-effort provision), and targeting increased funds for preventive and restorative support services to families.

The Children's Defense Fund greatly appreciates this opportunity to present our views about the impact of specific welfare reform proposals on children and their families. We believe that welfare reform is vitally important to millions of American children who will otherwise grow up in families with incomes below or barely above the poverty line, and look forward to working with the Subcommittee to ensure that any program eventually adopted reflects their legitimate and pressing needs for assistance.

INDIANA STATE AFL-CIO,
Greenwood, Ind., May 3, 1978.

Mr. MICHAEL STERN,
Staff Director, Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: It is my understanding that the Public Assistance Subcommittee of the Senate Finance Committee will soon be holding public hearings to consider S-2084, the Carter Welfare Reform proposal.

I am submitting copies of written testimony that I presented at a hearing on April 15, 1978 in Indianapolis, Indiana before Congressmen Andy Jacobs, Bud Hillis and Dave Evans. I hope you will consider presenting this testimony before the Public Assistance Sub-Committee.

Thank you so much for your consideration.

Sincerely,

EVE PURVIS,
Staff Representative.

Enclosure.

INDIANA STATE AFL-CIO TESTIMONY—WELFARE REFORM; H.R. 9030

The Indiana State AFL-CIO, representing 400,000 members in Indiana, has for a long time been interested in Welfare Reform, both State and Federal. We have worked alone and with other organizations in legislative efforts to make

Welfare Reform a reality. We feel that H.R. 9030, President Carter's proposal on Welfare Reform, is the vehicle which will bring about many needed improvements in welfare reform.

The Indiana State AFL-CIO believes the Special House Sub-Committee on Welfare Reform has made some decisions which would make a number of improvements in the Administration proposal. Most notable are: (1) focusing the benefits of the earned income tax credit on lower-income workers; (2) a step in the direction of accepting the principle of equal pay for equal work; (3) a shortened period of time for individuals and families to wait for assistance, and (4) indexing the payment level to reflect increases in the cost of living.

If accepted by the Congress, these changes, while worthy of our support, would still leave the bill far short of what is needed to insure that the program will provide decent jobs and income security for the nation's poor. Moreover, the special subcommittee has taken a number of regressive actions we strongly oppose. By abolishing the food stamp program when the new welfare program takes effect on accepting the Administration's proposal of a \$2,300-a-year payment during the job search period and refusing to provide sufficient federal funds to assure the workers receive equal pay for equal work, the committee has counterbalanced whatever good it accomplished through amendments.

The Indiana State AFL-CIO therefore urges the Congress to further amend H.R. 9030 by:

1. Providing, to those unable to take jobs outside the home, a federal minimum payment, brought in stages to no less than the poverty level.
2. Continuing the food stamp program.
3. Insuring that no recipient now receiving more than the federal minimum suffers an income loss and the badly hit states and cities are substantially relieved of a fiscal burden that is intolerable. Both goals can be achieved by a program of mandated state supplements that gradually fade away as the federal minimum payment increases toward the level of the higher payment states.
4. Providing a public service employment program to take care of job needs not met in private employment, for those welfare recipients who can work.
5. Providing for payment of the level necessary in each locality to insure quality care for each child whose parents become employed at wages insufficient for them to afford such care.
6. Providing adequate stipends to those searching for work.
7. Insuring that the public and private sector jobs to which people are referred, pay the applicable minimum wage or the prevailing wage, whichever is higher, as well as applicable fringe benefits being received by current employees. These individuals should be eligible for the earned income tax credit on the same basis as all other low-income workers.
8. Requiring a federal responsibility and assistance to state and local governments in the development of job placement and training programs which will lead to decent jobs at fair wages.
9. Guaranteeing the job security and employment benefits and rights of state and local employees who would be affected by any new federal program.

The AFL-CIO, both state and national, will continue to work with the Congress in order to achieve the additional improvements in H.R. 9030 needed to insure the enactment of a program which will provide decent jobs and real income security for the nation's poor, and to help relieve the financial plight of the cities and states.

Since elimination of poverty in the United States is a national responsibility, the ultimate objective must be a national welfare program with a single national standard of payments, at a decent level, fully funded by the federal government with full protection of the job security and employment benefits and rights of state and local employees now administering welfare programs.

Since H.R. 9030 would not take effect until 1981, we will also work for prompt action to meet the immediate needs of the poor and relieve the serious fiscal burdens of state and local governments.

The Indiana State AFL-CIO will continue to work with the Indiana General Assembly on legislation dealing with welfare reform. We feel that welfare is a disgrace in the way it is administered. In the great land of America, the land of plenty, we should find better ways to care for our hungry, our sick, our infants and children, the unemployed, the underemployed, and our aged. We can accomplish these goals if we are able to get a good Welfare Reform bill passed in this session of Congress.

We are asking for your help—your favorable vote on H.R. 9030 without any crippling amendments. We will thank you for this help and offer our services wherever they can be used.

Thank you!

THE IMPACT OF S. 2084: "THE PROGRAM FOR BETTER JOBS AND INCOME" ON POOR PEOPLE IN INDIANA, BY JUDITH M. RAUSCH, WELFARE COORDINATOR, LEGAL SERVICES ORGANIZATION OF INDIANA, INC.

Members of the Public Assistance Subcommittee: I commend President Carter and his administration for addressing our current welfare dilemma. Attempting to change a basically 1935 public assistance program into a contemporary income support system is not an easy task. I also commend the members of the Public Assistance Subcommittee for your willingness and efforts in working out all the details in the President's proposal in preparation for full Congressional debate and vote.

Thank you for inviting written testimony and for printing my statements in the record of the public hearings on welfare reform recently had in Washington. I am sharing my concerns because I want this input to be of assistance as you deliberate in Washington during the upcoming months.

You have no doubt received testimony from many concerned citizens addressing sections of S. 2084 which adopts certain principles of welfare reform that are desirable as well as the sections of the bill that are viewed by many recipients and advocates as being problematic. To avoid being repetitious, I shall limit my testimony to features of the bill which have unique ramifications for low income people in Indiana.

Indiana's uniqueness is derived from the existence of the Elizabethan Poor Relief System, administered by 1,008 elected township trustees and funded by local township property taxes. This is Indiana's "general assistance" and "emergency relief" program, and consequently is the only income maintenance program available for individuals and families who do not qualify for the categorical programs of AFDC and/or SSI. Indiana as a state ranks #32 in monthly AFDC benefits, does not have AFDC-UF, SSI state supplement, nor Medicaid for non-categorical individuals and families. As a result, many Indiana families have many unmet financial needs. Their only recourse is to turn to the township trustee for help.

Under Indiana's current Poor Relief system, there are no written standards for eligibility or benefits. This leaves needy people at the mercy of the individual Trustee's discretionary and often arbitrary judgment. As a result, many poor people in Indiana suffer great deprivations.

Because of our Poor Relief system, low income people in Indiana will suffer even more if S. 2084 in its present form becomes law. In fact, a terrible situation will be created in Indiana as people with no current income wait months to receive a check through the retrospective budgeting procedures. Trustees with insufficient funding and no standards, will be plagued with people requesting the necessities of life. Indiana would be totally unable to meet the people's emergencies because an adequate emergency relief system does not exist. Luckily, however, S. 2084 would have some positive impact in Indiana, namely that of universal coverage, an income floor for everyone and fiscal relief for the state.

Carter's Welfare Reform Proposal provides current Trustee clients with the assurance of an annual income. This would increase the quality of life for thousands of current township Trustee recipients in Indiana.

Through the bill's "fiscal relief," Indiana would receive an "emergency needs" block grant of approximately \$4,200,000. This federal funding would be a welcomed supplement to the Trustee's budget of over \$18,000,000 annually for emergency needs.

I would now like to share my concerns regarding S. 2084 and then my recommendations for changes in the bill.

I am concerned about the low benefit levels for families. A family of four in Indiana now receives \$4,440 annually in AFDC and food stamp benefits. Under S. 2084, this family could only receive \$4,200 (in 1978 dollars) if in a "not expected to work" category. This is 35% below the poverty level. I recommend increasing this benefit to at least the poverty level of \$6,200 with a provision for raising the benefits over time to offset increases in the cost-of-living.

I am concerned about the states receiving the option to supplement present recipients who would lose money under the new system. I am also concerned

about the states having the *option* to provide emergency assistance. Based upon Indiana's past history, I fear that our state will not choose to supplement the income benefits and implement the emergency assistance program. Indiana has not opted for AFDC-UF, SSI Supplement, Medicaid coverage for all poor and has adopted an incomplete Title XX program. It is hard to believe that our lawmakers would not be inclined to spend state funds to keep recipients at their current benefit level. Consequently, I recommend that states be required to do so and/or that higher incentives be created for states to supplement benefits until federal benefits are adequate. I further recommend that the bill itself require that states be mandated to have an emergency assistance program with the scope of coverage and the amount of benefits clearly defined.

I am concerned about the bill's discrimination against large families, since there is no increase in benefits for more than seven persons in a filing unit. Indiana's census statistics show that there are over 24,000 families with six or more children. Of these families, 5,411 are living below the poverty line. Who will feed, clothe and provide medical, school and shelter costs for child #6, 7, 8 and 9, etc.? We can't depend on our township trustees to meet their needs. Consequently, I recommend that S. 2084 allow for increased benefits for members of a filing unit over seven people.

I am deeply concerned with the proposal's "retrospective income accounting" and "prior monthly budgeting." I view the reality of these concepts as most punitive and harmful to low-income people. In Indiana, while individuals and/or families are waiting, three, four or five months for their "phantom" savings to be spent for current living expenses they will again need to rely on the trustee for their daily needs. I recommend that the budget be computed on current need, rather than on imaginary resources.

I am concerned for Indiana's senior citizens who will also be hurt by S. 2084. Because senior citizens are in the "not-expected-to-work" category, they will not be eligible for the "earned income disregards" and consequently will have reduced benefits. I recommend that senior citizens be eligible for "earned income disregards" so that they too can have an incentive to work rather than being encouraged to stay at home.

Another area of concern that will affect senior citizens is the proposed practice of the mandatory deduction of \$66.67 made when two filing units live together. This discourages senior citizens from living together for reasons of security and companionship, and causes an increase in Medicaid costs and nursing home expenses. Consequently, I recommend that this mandatory deduction be completely eliminated from S. 2084.

I am also concerned about the jobs component of S. 2084. There are serious flaws in these plans. I will focus on one aspect, namely that of only providing the minimum wage for public service employment jobs. This will create two classes of employees working side by side at differing wages. It is very probable that government officials in Indiana and throughout the country will replace regular employees paid from local taxes, with "bargain basement" public service workers paid from welfare funds.

CETA workers currently fill 16.3% of the city government work force in Gary, Indiana. People who now hold regular governmental jobs have reasons to fear greater displacement with PSE workers receiving the minimum pay wage. I recommend that no public service employment worker be paid less than minimum wages or less than co-worker's earnings—or whatever amount is greater.

I further recommend that all jobs offered be regulated by strict national standards including incentives for increasing jobs in the private sector, career development and fair labor guidelines.

As members of the Public Assistance Subcommittee, you are faced with the difficult question of dependency and poverty and how the two are related. S. 2084 with its emphasis on jobs as well as income aims to reduce dependency. But, unless the poor can move from public service jobs to jobs in the private sector, the issue of dependency will remain as one of the toughest problems in American society.

Gentlemen, I fear that the implementation of S. 2084 would *not* liberate the poor in Indiana from poverty. I fear that it is potentially more punitive and promises more means of "regulating the poor" than the current welfare system. You have the privilege and power to prevent this from happening and instead, bring about true welfare reform. May you have an abundance of success in this significant endeavor.

WELFARE REFORM TESTIMONY ON MEDICAL

By Sharon Wright

The medical part of the new Welfare Reform Bill is no ways near covered enough. There are too many if's.

The medical part should be clarified better. Senlor Citizens and low income are greatly concerned about the medical portion.

I feel they should keep the Medicare and Medicaid Program. If the new National Health Insurance Plan goes through; what are the people going up the ladder of life and age suppose to do? I clearly states only the ones on Medicare and Medicaid will keep their cards. What about the rest of the people? You can't stop time.

An example:

There was a young couple living in the country at Edinburgh. The man only made \$79.00 a week working on a farm. He tried to pay all utilities and rent plus buy groceries. His wife was unable to work because she was pregnant.

Due to the fact she had no medicaid, she was unable to get a doctor in any of three local counties to care for her. Some doctors even laughed at her.

Thus, when it came time for her to deliver, the Edinburgh police dept. and Athens Ambulance attendents wound up delivering the baby on the living room couch. More important is the fact that her two year old and five year old had to stand by to watch.

Had she been able to have Medicaid, she would have had proper care, proper delivery, and a proper place with an attending doctor to give birth to her baby.

The mother and baby could have easily died during delivery all because they were poor and had no money or insurance. Not even Medicaid.

STATEMENT OF THE NATIONAL COUNCIL OF CHURCHES

The National Council of Churches of Christ in the U.S.A. is a cooperative agency of thirty-one Protestant and Orthodox bodies in this country. This statement is made on behalf of the Governing Board, the policy-making body of the National Council which is composed of persons selected by member denominations in proportion to their size. It is this group which determines the policy positions through which the Council seeks to fulfill its expressed purpose "to study, and to speak and to act on conditions and issues in the nation and the world which involve moral, ethical and spiritual principles inherent in the Christian gospel.

The National Council is grateful for this opportunity to testify on the subject of welfare reform, and in particular on S. 2034, the Administration bill. Welfare Reform has long been a matter of great concern to the National Council. The Health and Welfare Working Group of our Division of Church and Society has designated welfare reform as one of its three top priority concerns, along with the closely related issues of full employment and health care.

In a 1966 Policy Statement entitled "The Churches' Concern for Public Assistance," the General Board of the National Council of Churches said, "Our burgeoning productivity makes possible, and our Judeo-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."

As early as 1954, our ethical concern regarding income maintenance were outlined in a Policy Statement on "Christian Principles and Assumptions of Economic Life," which said:

"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."

As these statements illustrate, the National Council has long been committed to improving the lives of the nation's poor through employment, opportunity, guaranteed income, and provision of adequate social services. Therefore, we welcome the Administration's initiative in conducting a thorough review of the existing and inadequate welfare system and in proposing its "Better Jobs and Income Act." Nonetheless, we feel compelled to express concern about some aspects of S. 2084.

THE JOB PROGRAM

In March of 1976 the National Council of Churches' Governing Board adopted a "Resolution on Full Employment" in which it committed itself to working toward the attainment of a full employment economy as an essential element of a more just economic order. We wholeheartedly endorse the Administration's efforts to locate as many jobs as possible in the private sector of the economy and to make them available to those who are unemployed. We are disturbed, however, about the provisions of S. 2084 which would create only about one million public sector jobs for 2.5 million people. In March 1968 there were 6.1 million people seeking jobs in the United States. Although not all of them are eligible for public assistance, it is clear that more than one million jobs will be needed to employ those whom the private sector cannot absorb.

We are concerned that funding the public service jobs at minimum wage rather than prevailing wage, as CETA jobs are salaried now, would devalue the work done by welfare recipients. Many observers of the labor scene have also suggested that paying minimum wage could cause both hostility toward and displacement of non-welfare recipients doing similar work at prevailing or higher wages. In addition, it is important to note that a job salaried at a minimum wage of \$2.65 for forty hours a week for 52 weeks a year pays an annual salary of \$5,512, which is \$338 below the current poverty line for a non-farm family of four. We urge Congress to allow salaries for these jobs to rise to prevailing wage in areas where that exceeds minimum wage. We welcome the action of the House Welfare Reform Subcommittee in improving the salaries to be paid under H.R. 10950, that Subcommittee's revision of the Administration bill.

We are troubled by the relatively narrow range of coverage provided by the jobs portion of the bill. Since the public service jobs created under S. 2084 are limited to the principal wage earners in families with children, several groups of low-income unemployed people are left unhelped by this provision of the bill. They are: teenagers without dependents; non-aged single people; non-aged childless couples; parents whose children are grown; and people near the end of their working years but not yet 65. For these people, the only employment help is through government assistance in finding private sector jobs which are clearly in short supply.

The National Council of Churches believes that every person able and willing to work has a right to a job regardless of age, sex, race, national origin, or family status. We believe it is the government's responsibility to provide employment with adequate compensation for all men, women and youth who cannot locate jobs in the private sector. With the private sector continuing to be in a period of slowdown, we are convinced that meeting this responsibility will require the creation of substantially more than one million public service jobs. We urge the Congress to fund as many public service jobs as are needed to meet the goal of full employment for all low-income people who struggle with the burden of joblessness.

INCOME SUPPORT

In its 1968 Policy Statement "On Guaranteed Income," the National Council of Churches endorsed the concept and desirability of a guaranteed income, saying that 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.

(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.

Further, the Policy Statement said:

"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 are concerned about the level of income support proposed for individuals and families under S. 2084, especially those who do not have jobs. We doubt that these levels are sufficient to maintain good health and adequate nutrition. Particularly with the proposed "cashing out" of the food stamp program, it is essential that incomes be high enough to allow families to maintain healthful nutritional standards.

We recognize and appreciate the fact that, in many states, the proposed grants would exceed the present levels of public assistance. Nonetheless, we feel this fact is an insufficient justification for setting the funding at the levels proposed. In the twelve states which now pay less than the amounts proposed in S. 2084, the grants provided to welfare recipients are so very low as to preclude the possibility of those recipients being able to live with any appreciable degree of dignity, proper nutrition, decent housing, or opportunity for advancement.

The summary of S. 2084 released by the Department of Health, Education and Welfare on September 13 pointed out that the combined value of Aid to Families with Dependent Children and Food Stamps now ranges from \$2,556 per year for a family of four in Mississippi to \$6,132 for the same family in New York City. Under the Administration's plan a family of four without a wage earner would receive a minimum of \$4,200 anywhere in the country—clearly an advantage for welfare recipients in the twelve states which now pay less, but of questionable value to recipients in the remaining states which pay more. The Administration's proposal would encourage states to continue to supplement the federal payments as they do now, and contains positive incentives to help them to do so. Nonetheless, there is no guarantee that present welfare recipients (except those receiving Supplemental Security Income) will continue to obtain benefits equal to what they currently get. We urge the Congress to amend this legislation to assure that no person or family now covered by public assistance programs would receive less than current benefits.

Beyond our belief that the proposed income support levels are too low, we cause extreme hardship in low- to moderate-income families which suffer a are concerned that the provision for six month retrospective accounting could sudden loss of income. It is unrealistic to assume as the Administration appears to, that a family living slightly above the "breakeven" point before its income loss would have saved enough money to tide it over until it is eligible for income support. For some families, this could mean a wait of several months with no income. While we welcome the action of the House Welfare Reform Subcommittee in shortening the retrospective accounting period to one month, we believe that *present* need—not past earnings—should be the basis for determining eligibility for welfare.

We are convinced that the Better Jobs and Income Act will result in true welfare reform only if: (1) current recipients do not lose any benefits; (2) income support levels are adequate to allow recipients to maintain a decent standard of living; and (3) the jobs programs provide not just temporary income but also training for useful, rewarding employment and a genuine opportunity for economic advancement.

S. 2084 contains many features which point toward genuine welfare reform. We wish especially to commend the Administration for those aspects of its proposal which support family life, such as extending eligibility to low-income families with fathers.

We thank you for this opportunity to present the views of the National Council of Churches to this Subcommittee.

NATIONAL ASSOCIATION OF SOCIAL WORKERS,
Indianapolis, Ind., May 8, 1978.

MICHAEL STERN,
*Staff Director, Committee on Finance, Dirksen Senate Office Building, Wash-
 ington, D.C.*

DEAR MR. STERN: The National Association of Social Workers, Indiana Chapter wishes to provide the enclosed written statement for the Senate Public Assistance Subcommittee hearing record.

This statement was presented at a Welfare Reform Public Hearing called by Indiana Congressmen Jacobs, Evans, and Hillis, on April 15, 1978, in Indianapolis, Indiana.

Sincerely yours,

MARIJANE MASON,
Staff Associate.

STATEMENT REGARDING WELFARE REFORM

The Indiana Chapter of NASW supports many features incorporated in the Administration's Welfare Reform proposal. Included are: (1) Universal extension of coverage, (2) consolidation of state public assistance programs into a federal income support system; (3) a minimum cash benefit level; and (4) recognition of the importance of job opportunities.

While supportive of a reform strategy providing a cash payment to those unable to work and jobs and income supplement for those able to work, it is a great concern of social workers that the provision of professional human services become an integral part of the reform effort. Reforming, targeting on employment participation toward increased self-sufficiency must emphasize helping individuals to obtain the personal tools and resources needed for the work world. Provision of a variety of manpower and supportive services are needed to increase and maintain the participant's employability in the private sector. These include:

MANPOWER SERVICES

- (1) Testing and assessment.
- (2) Basic education.
- (3) Vocational/skills training.
- (4) Supportive work environment.
- (5) Work experience.

SUPPORTIVE SERVICES

- (1) Professional social work and other counseling services.
- (2) Transportation.
- (3) Child care.
- (4) Health related services.
- (5) Information and referral.

It is felt that by providing professional human services to accompany cash payments and the creation of PSE jobs, the participant's transition from cyclical or long-term unemployment to positive participation in the work force will be enhanced. Human beings will then be able to move from dependency on a public welfare system to self-sufficiency with an increased feeling of self worth and human dignity.

STATEMENT OF CLIFFORD J. WHITE III, LEGISLATIVE REPRESENTATIVE,
 NATIONAL TAXPAYERS UNION

Mr. Chairman and members of the Subcommittee on Public Assistance: As legislative assistant at the National Taxpayers Union, I address this Subcommittee as representative of thousands of Americans who are organized through the NTU and affiliated organizations in all 50 states. Our group is a non-profit public interest lobby organization which monitors legislative activity here in Washington and analyzes the effects of political actions on the pocket-book of the American taxpayer.

Consequently, the NTU is concerned about our current hodgepodge of public assistance programs and their concomitant costs and inequities. We are also concerned about the proposals for welfare reform.

We have been heartened that President Carter has recognized the need to overhaul our welfare system. However, we believe that the Carter Administration welfare reform proposal, S. 2084, ignores many of the major problems of welfare, compounds others and, overall, would only further add to the already unacceptable costs of public assistance which are borne by the producers of the country's economy. The NTU urges this committee to reject most of the Carter welfare reform package. In its place, we urge the Congress to develop a comprehensive proposal which will be both humane to the relief recipients and equitable for the citizens who will pay the bill.

We admit to one major prejudice in our view of public assistance. Our primary sympathies rest with the taxpayers. We make no apologies for this bias. The needs and concerns of those who are compelled to pay for government programs should, by right, be the main concern of policy-makers.

I will make my testimony brief and limit myself to comments about the welfare status quo and how, in the view of the NTU, the Carter proposals may affect taxpayers.

OVERVIEW OF STATUS QUO

Most of us would probably agree that an appropriate name for our current public assistance system would be "the welfare rip-off." It benefits the truly needy less than it should, but cheats the taxpayers out of their hard-earned dollars through inefficiency, fraud and unreasonable recipient qualification standards.

Each year the producers in the American economy, the taxpayers, sacrifice major portions of their incomes in order to subsidize those who cannot, or, as is often the case, will not, support themselves. The multi-billion dollar system of public assistance in the United States can best be termed "the welfare rip-off." That government controls one-third of the nation's gross national product is dangerous and a disgrace. That social services in America consume the largest portion of the federal budget is demonstration of the shift in the American way of life from the work ethic and traditional values of individual responsibility. And, that the social welfare benefits control 33 percent of federal outlays and sometimes take one-half of state budgets, is plainly intolerable. The welfare bureaucracy is steadily growing, snatching more of our money, putting more people on the dole, growing even more administratively complicated and increasingly susceptible to fraud.

America has a tradition of acting charitably toward the less fortunate. The United States has pledged a "square deal," "new deal," "fair deal" and "war on poverty." And, oh, yes, I guess today we are also pledged to love just about everyone. However, these efforts have failed. As economist Alan Reynolds has written, "It should be clear by now that compassion is not enough, that we have to look very closely at who is really benefitting and who is paying the bill."

INEFFICIENCY

We know that while HEW boasts of a mere one percent rate of fraud, the actual error rate in AFDC is close to an astronomical 40 percent and that no one knows with any confidence how many cases of undetected fraud occur daily. In AFDC, overpayments outdistance underpayments by \$1 billion. Inefficiency and fraud are hallmarks of our current welfare system. The Department of Justice has reported that "our surveys show that, due to the lack of identification standards for welfare recipients, neither federal nor state agencies have a very good idea who is receiving almost \$37 billion per year in public assistance and social security payments. We have . . . no way to accurately estimate the scope of multiple collection of benefits by individuals using several identifications. In fact, several welfare officials have admitted that there is no organizational procedure for detecting such fraud."

We have heard stories like that of:

The 35 bogus families in New Orleans who filed claims on 133 nonexistent children for a total of \$204,536;

The Los Angeles woman who began cheating the welfare system when she was 17, making up to \$2400 per month on benefit payments; the same social worker sent her two checks each month, with only the fraudulent names different from one check to the other;

The Massachusetts divorcee and mother of four who received \$400 per month support from her ex-husband, but who also received \$425 in AFDC plus

medicaid and food stamps; it took her ex-husband 18 months to get her off of the welfare rolls and it cost the state more than \$16,000 in cash and court costs before she was through;

The 216 HEW employees who, at least until recently, collected welfare payments, many illegally; other federal agencies are feared to have similar problems;

The classic case of the Chicago woman who was arrested a couple years back on 27 counts of grand theft, which totaled \$154,000 over five years in 12 states; she employed 80 names, 31 addresses, three social security numbers, eight deceased husbands, and 24 children; this lady—in comparison with most of us—certainly has led a most eventful and full life.

Such cases as these are pointed out most everyday in the newspapers. Clearly, such horror stories are not at all rare.

Even more costly than the clear cases of payment error and fraud, however, are the eligibility standards. One out of every seven Americans receives some kind of benefit check from the Department of Health, Education and Welfare. New York City has 966,000 cash welfare recipients, 12 percent of its population. Families with annual incomes of up to \$13,000 and more receive AFDC, food stamps and Medicaid. The California Department of Benefit Payments records show that among its recipients are:

A three-person household in which the mother works full-time and earns \$997 per month and still collects welfare benefits;

A two-person household in which the mother earns at the rate of \$13,000 per year and still receives \$89 in welfare payments;

A mother of four who earns only \$400 and so receives \$229 per month in benefits; this particular case seems quite reasonable until closer inspection reveals that she purchased a new swimming pool, automobile and living room furniture while on the dole.

COST

The price tag attached to our welfare system, with its inefficiency and error, was \$64.1 billion in fiscal year 1976. The Congressional research service arrived at this figure by defining welfare as those programs which offer income-tested benefits and require no payment or services rendered in return. Social Security, most veterans programs, unemployment compensation and the like were therefore excluded in computing this final figure. If these programs and others were added, the total social welfare bill would have come to \$331.4 billion. This is 15.7 percent more than the total of the previous year.

Let us put these figures into perspective. In 1955, the budgets of all levels of government came to \$97 billion. \$15.8 billion went to benefits paid to individuals. This represented 16 percent of the total budget figure and 4.1 percent of gross national product. In 1975, the budgets of all levels of government had increased by almost five-fold, to \$478 billion, over the level of twenty years before. One-third of that amount, \$158 billion, went to benefit payments. Government controlled one-third of GNP in 1975 and benefit payments took 11 percent of GNP. Of course, since 1975, these numbers have, from the perspective of the taxpayers, only gotten worse. To wit:

Cash welfare payments increased from \$19.5 billion to \$23 billion in FY 1976;

Medical care provided through welfare increased from \$16.8 billion to \$19.3 billion;

Food aid increased from \$7 billion to \$8.4 billion.

Using the conservative figures offered by the CRS, the final total increased from \$54.5 billion in FY 1975 to \$64.1 billion in FY 1976. The increase was 18 percent.

If the HEW budget continues to grow at its current rate, it will consume \$500 billion by 1985. Since taxes already take close to one-half of the national income, one can only guess how much more bread will be taken from the mouth of labor eight years hence.

There is clearly a link between state and local taxes and welfare costs. New York City's welfare recipients received about \$4 billion on welfare shortly before its first fiscal crisis of 1975. Please note that \$4 billion is the equivalent of the GNP's of many of the advanced nations of the world. Its 28,000 public assistance employees render that group the largest municipal agency in the world.

About one-half of the Massachusetts state budget is consumed by welfare. In 1975, a special welfare milestone was reached: total transfer payments exceeded all earned income from savings, investment and capital. Massachusetts is the fifth most heavily taxed state in the nation, leading in the rate of property taxes and fourth in income taxes.

When one considers that government debts and liabilities have reached more than \$7.5 trillion—an absolutely unimaginable number—then a few billion on welfare pales in comparison. However, we should forget neither the economic consequences of our \$60 billion-plus welfare system, nor its equity impacts.

INEQUITY

There are obviously equity problems created by high cost and consistent and unreasonable eligibility requirements. The 30-plus-one-third rule, the lack of an upper-income limit for recipient, automatic eligibility in some programs and other such matters are unfair to the producers who dole out the billions of dollars each year to finance the taxeaters, including those taxeaters, it should be noted, who earn more from their employment and welfare benefits than those who provide the tax money.

Other inequities heaped upon the taxpayers abound. College students—in what may be described as a collegiate oppression of the working class—are eligible for welfare benefits. Strikers may collect. And to top it off, the federal government provides legal services funds so that welfare recipients may fight in court for more money. Indeed, legal aid attorneys seem to be less concerned with inequities than in delaying fraud cases. The federally funded Massachusetts Law Reform Institute has lobbied for innumerable pieces of legislation on Beacon Hill, including for a graduated state income tax.

This recitation of statistics does not even begin to tell the real story of the taxpayers' plight. How could it? The real costs are human. They include the disillusionment which comes when inflation forces workers into higher tax brackets, wiping out incentives to increase productivity and job advancement. The human story is one of a grocery clerk who heads a family of four on \$10,000 per year, without welfare, and watches shoppers buy steak, soft drinks and party supplies with food stamps. The real cost includes the disillusionment of seeing welfare recipients live in their own houses, while the blue collar worker may not be able to afford a down payment on a house of his own. We are talking about the human story of American taxpayers who work hard and pay their taxes and then see their money frittered away in support of a welfare system which does not adequately support some of the truly needy, especially our elderly, but which gives money to those who receive more material benefits from the welfare system than their neighbors who work for a living.

As I said at the outset, President Carter's recognition of this alarming state of our welfare system was well received at the NTU. However, we believe that the Administration proposal, S. 2084, does not get at the root of the problems. Worse, it compounds them.

OVERVIEW OF S. 2084

In comparison with the *status quo*, we find the Carter proposal the more objectionable. If the current system may properly be termed the "welfare rip-off," then so may the President's "Program for Better Jobs and Income," S. 2084. Let us look at the Carter package along the same lines as we analyzed the current situation: that is, according to efficiency, cost and equity.

INEFFICIENCY

In his first message to the American people about his welfare reform proposal, the President recognized that the current system is riddled with inefficiency. He said that he would do something about it. Regrettably, the bill which the Administration has proposed to this Congress does not make good on that pledge. The welfare bureaucracy will not be streamlined and programs will not be substantially consolidated. There is a clear disparity between what the President said he would propose and what the Administration finally presented to the Congress. The welfare bureaucrats are not complaining about the Carter bill and for good reason. S. 2084 would keep the bureaucrats employed and maintain a complex, inefficient and fraud-ridden system going strong.

The program would continue to be complex because the cash assistance portion of the Carter welfare package would consolidate only the food stamp, aid to families with dependent children and supplemental security income programs. Food stamps is the only in-kind program which would be converted to cash. The President ignores such programs as Medicaid (for which all AFDC recipients automatically qualify), legal services, WIC, the school lunch program, child care and public housing. This list is not composed of minor programs. Publicly funded medical care cost taxpayers \$10.3 billion last year and public housing cost us \$5.2 billion.

The program would continue to be inefficient and subject to fraud because the bureaucracy would continue to do business as usual. Few, if any, welfare jobs would be eliminated under the Carter approach. The streamlining advantage of the Carter proposal, which has been touted so widely by both the Administration and the press, is simply non-existent. The White House has admitted that only 20 percent fewer welfare administrators might be needed, if its bill is made into law. I would suspect that such a percentage probably represents a very optimistic prediction.

The welfare systems at the state level would continue to be as complicated under the Carter reform as they are now. State workers would manage state supplements, as well as the federal welfare checks. This system would be even more subject to inefficiency and fraud than the *status quo* because state welfare workers would not be responsible for the results of their actions. This probably would not bother the federal officials, though, because they could still blame the local workers.

The administration of a massive federal jobs program would be even more complex than is the administration of food stamps or AFDC. The creation of 1.4 million jobs would surely be a complex task. The task would be complicated further by the lack of legislative guidelines, such as determining what would constitute a valid job search on the part of recipients.

As there is gross inefficiency in the current system, there would continue to be gross inefficiency under the Carter scheme. Further, as there is fraud in the *status quo*, there would be massive fraud under the Carter plan.

The administration-backed legislation which this Subcommittee is considering contains no specific provisions for income reporting. Reporting in person at the welfare office, for example, would not be required. For all we know, reporting by mail could be deemed acceptable. Similarly, verification of income reporting is left unaddressed in the Administration bill.

The biggest fraud of all in the Carter program is in the packaging. The President claims that his bill would solve many problems which it does not even consider. The system cannot be streamlined if the great majority of welfare programs are left untouched. The system will not cut its costs or increase its efficiency by an Administration-scheme which is not designed to cut down on the number of potential recipients or significantly decrease the size and complexity of the welfare bureaucracy. Rather, the Carter proposal would centralize power in Washington. The President has taken the worst features of the current system and added a few new ones of his own creation.

COST

If there is one thing about the Carter proposal of which we can be sure, it is that its ultimate cost would be far higher than current levels of expenditure. Despite Presidential pronouncements to the contrary, and some rather unusual methods of computation at the White House, S. 2084 would cost at least \$14.8 billion more than the current system. According to the Congressional Budget Office, the additional cost would be greater than \$17 billion. This would bring the total cost of welfare to more than \$78 to \$81 billion. This figure, while unacceptably high, represents a conservative estimate, as the computation was made using 1977 dollars, thereby not taking into account inflation. Further, it is impossible to accurately estimate the additional cost of adding an unknown number of recipients who would be attracted to a cash system without a work requirement.

The most ominous speculation about the fiscal impact of Carter's guaranteed annual income scheme comes from a member of the President's own party, Senator William Proxmire. The Carter plan "could explode total government spending to more than 50 percent of GNP," according to the Wisconsin Senator.

Guaranteed annual income schemes have been recommended to each President since Lyndon Johnson and none have been accepted by the Congress. I congratulate the Congress for its wisdom and urge it to exercise the same foresight and prudence when disposing of the current Administration bill, what Lyndon Johnson dismissed as too expensive was presented to President Nixon. While Nixon accepted the family assistance plan, the Congress, fortunately, rejected it. President Ford backed away from a GAI and ultimately proposed a block-grant approach. The big-spenders did not give up, though. They have succeeded in selling to Mr. Carter a plan which has been characterized by one prominent member of the Senate Finance Committee as "FAP revisited."

The President's cost estimates for his proposal contain palpable untruths. The President dismisses the costs of Medicaid because he expects that there will be national health insurance by 1981. He says that his plan would eliminate \$400 million in fraud and so discounts this figure from his estimates, yet he cannot demonstrate how this reduction would be accomplished. He excludes \$5.9 billion of the cost of the jobs portion of the welfare package simply because it is already in the budget. He conveniently ignores that the federal jobs program is meant to be a temporary expenditure. He spuriously calls \$700 million in emergency unemployment compensation a current welfare expenditure and thus does not include this figure in determining the additional outlays which would be needed in order to put his plan into full operation. He has factored into his cost estimate \$1.3 billion in wellhead tax rebates which never passed the Congress. He has excluded \$3.4 billion in the earned income tax credit which would go to non-GAI recipients.

This list could continue further and further. It is clear that the President is playing "fast and loose" with the numbers. He steadfastly refuses to admit to the taxpayers of the country just how much more of our money he would transfer to welfare recipients.

Despite the enormous new tax burdens which the President would place on the American people, the Administration has the audacity to claim that its so-called "program for Better Jobs and Income" would bring fiscal relief. While the President may ease state burdens of directly paying for the costs of welfare, he would take the money from us through the federal tax system, instead. It all comes out in the wash and the taxpayers will foot the bill, whether paying their money to the state or federal governments.

Aside from the direct costs of the White House welfare bill, the jobs portion could further harm the nation's pocketbook by aggravating our general economic condition. By creating almost one-and-one-half million public jobs, the federal government would institutionalize a prejudice against the private sector. It would give a vote of no-confidence to our capitalistic economic system. This will not bode well for our private sector recovery. Many economists have warned that public service jobs merely encourage the unemployed to work for the government rather than for a private employer. Further, the budget-busting features of creating one to four million jobs would cause interest rates to increase, making private sector borrowing and expansion, which would create permanent and meaningful jobs, more difficult. The effects of such a massive jobs program have been discussed by others far better versed in the subject than I. Suffice it to say that public sector jobs would hinder economic recovery. If the President wants to stimulate real economic growth, then perhaps he ought to consider a plan to increase capital formation or other creative free enterprise-related possibilities.

The Carter plan would make welfare as American as apple pie. According to some estimates, the number of welfare recipients would increase by 50 percent, from 44 to 66 million people. Twelve million families who earn between \$10,000 and \$15,000 would collect benefits, including the earned income tax credit, and four million families which earn between \$15,000 and \$25,000 would join the dole. Since the Congressional Budget Office tells us that only fourteen million Americans are poor, surely we need not add this many more individuals to the welfare rolls.

The new jobs which the Administration envisions would be created by S. 2084 are indeed inventive. Home weathering and cultural activities are interesting modes of employment to consider. I cannot help but wonder, though, how many poets there are in our welfare population, whether there are needs for such jobs and whether the skills required to perform them are transferable to the private sector are other matters for consideration. In general, it

is clear that the gain to society, economic or otherwise, from this jobs program would be dubious, to say the least.

NTU's summary observation regarding the price of the White House proposal is that all of the costs discussed (in the first part of my testimony) in regard to the current situation would be dwarfed by the price tag associated with S. 2084. The Carter plan could spell economic disaster for the pocketbooks of the working people of this country.

As the costs associated with the welfare *status quo* only told part of the story, so the costs of the Carter bill only describe one kind of impact. The inequity to the taxpayers caused by the "PBJI" would run even deeper than the pocketbook.

INEQUITY

The taxpayers would be forced, under the President's bill, to support everyone whose income falls below a prescribed level, regardless of the reasons for that person's poverty. Further, the lenient eligibility requirement would be an insult to every workingman and woman in this country.

The current system requires that two criteria be met by potential recipients: first, their income must be low; and, second, deprivation because of a factor over which the potential recipient has no control must be demonstrated (e.g., physical disabilities, childhood). The deprivation requirement has been left out of the Administration bill. Those who do not earn wages which are above a "national basic benefits floor" would automatically qualify for a cash grant. Although President Carter has widely publicized the work portion of the White House legislation, there is nothing in the bill before the Congress which would oust from the welfare rolls most of those who refuse to work.

The work ethic would be seriously undermined with a Carter-style guaranteed annual income. The human cost of disillusionment discussed in regard to the present welfare morass would be compounded if the White House proposal were made into law. Everyone would be entitled to a piece of the pie, regardless of whether or not he deserved it.

As if the lack of a deprivation requirement were not enough, the President's assets limitations are equally devoid of any quality of fairness toward the taxpayers. The cash asset limitation would be \$5,000 and there would be no limit on the value of one's private home and personal belongings. A recipient, especially a young person in college, could convert an inheritance into appropriate investments and continue to collect relief benefits.

It would not be fair that an elderly person who has no savings and lives in a small apartment for lack of funds to finance a mortgage would have to (as he currently does under certain existing welfare programs) support those who may own expensive homes and new automobiles. It would not be fair that parents of a college student would also have to finance someone else's child in college because the second student declared himself financially independent, collected money from his parents, but was still eligible for cash assistance.

In short, the loopholes in the Administration's welfare eligibility requirements are massive and the potential for abuse very high.

ALTERNATIVE

The major alternative to the Carter proposal is S. 2777, sponsored by Senators Howard Baker and Henry L. Bellmon. Although the plan is less costly than the Administration proposal, it would add to the taxpayers' burdens to the tune of \$8 billion. Further, it would perpetuate many of the problems which we see in the current system which are results of excess federal involvement in the administration of welfare in this country. Any programs which sees further federalization of the welfare system, as both the Carter and Baker-Bellmon proposals do, are not reform at all.

S. 2777 is more aimed toward inducing the private sector to provide more jobs and NTU appreciates this. We wholeheartedly endorse Senator Baker's description of public employment schemes, delivered last December before the Institute for Socioeconomic Studies in New York: "At best (they are) an expensive placebo and at worst a long stride down the road to organized make work." While we recognize that the Baker-Bellmon approach is a "second worst" alternative to the *status quo*, NTU remains unenthusiastic about any legislation which aims to increase the benefit levels and add to the number of recipients.

The problem with our welfare system is not that the states operate uncoordinated and administratively complicated programs of their own will, as the Baker-Bellmon proposal presumes, but rather that federal requirements are contradictory and nearly impossible to properly administer. More federal red tape will not lead us out of our current welfare morass.

The National Taxpayers Union therefore opposes S. 2777 and hopes that the Senate Finance Committee will recognize the legislation for what it is: another scheme designed to federalize our welfare system, cost taxpayers more money and ignore the real and comprehensive reform of the welfare system which the taxpayers of this country demand.

CONCLUSION

Mr. Chairman and members of the Subcommittee, from every conceivable perspective, the current welfare system is a disaster. However, as unlikely as it might appear, the Carter scheme would make things even worse. The *status quo* is a "welfare rip-off" because it is inefficient and encourages fraud, costs far more than it is worth and is offensive to any sense of fairness toward the taxpayers. Similarly, the Carter plan would fail to ameliorate the efficiency and fraud problems of the current public assistance programs, would greatly increase the costs of welfare and would continue to insult every tax-paying man and woman in this country.

There is a dire need for responsible reform which will consider the taxpayers interests first. The NTU does not advocate a callous attitude toward the truly needy. There need not be an inconsistency between providing for the legitimate needs of the poor and demonstrating fiscal responsibility for those who pay the bill. Our current system needs to be streamlined and the costs need to be reduced. The NTU has confidence that this Congress has the ability and desire to develop such an alternative program.

In the view of the NTU, America's taxpayers are willing to finance welfare recipients who need help the most. The American people are the most charitable of any on the face of the earth. They merely ask that their elected representatives spend their money efficiently and fairly. No truly needy person should be denied public assistance. The NTU advocates nothing less than a compassionate system, which takes care of our sick, infirm and needy. We are not anti-welfare.

We at the National Taxpayers Union can justify the legitimate interests of the taxpayers no better than did Thomas Jefferson 176 years ago. Said America's great statesman:

"Every man wishes to pursue his occupation and to enjoy the fruits of his labor and the produce of his property in peace and safety, and with the least possible expense. When these things are accomplished, all the objects for which government ought to be established are answered."

STATEMENT OF THE NATIONAL ORGANIZATION FOR WOMEN, INC.

The National Organization for Women (NOW) welcomes the opportunity to submit written testimony on welfare reform to the Senate Subcommittee on Public Assistance. NOW is the largest feminist organization in the world, with a membership of more than 95,000 women and men in 900 chapters through the U.S. We are deeply concerned about welfare reform, particularly because we recognize that millions of women are trapped in poverty because of sex discrimination.

Initially, NOW was encouraged by the Carter Administration's move towards developing a comprehensive, consolidated welfare program. Much in the bill fell short of actually meeting the needs of the poor, but some important improvements were made by the Corman special subcommittee. In recent months, however, work in this area has halted in the House, and the Administration has failed to push for continued action. We commend the Senate subcommittee for holding hearings and soliciting comments on this crucial issue, and hope that the result will be renewed attention and interest in welfare reform.

NOW strongly believes that a comprehensive approach to welfare reform is the only way to address the problems and improve the functioning of the wel-

fare system. We stress this point because it appears likely that the incremental bill S. 2777 ("Baker-Bellmon") will play a significant role in the Senate's work on welfare reform in this session. NOW knows from experience that some of the most punitive welfare provisions have been wrought through incremental changes; a case in point is the current bill H.R. 7200, which has numerous (mostly damaging) welfare-related amendments. We oppose such incremental approaches, but are also anxious for legislation that will provide some immediate relief for the desperate plight of the poor. In the absence of comprehensive reform this session, we would urge the Senate to carefully consider any incremental measures for their impact on recipients, and to enact them only as temporary steps until comprehensive reform can be achieved.

The welfare program has been growing in complexity and inefficiency by leaps and bounds. Money is being wasted, and so are people. Current programs make arbitrary and divisive distinctions among people who share the same needs, and should be accorded the same benefits. The problems inherent in the present system spring from a basically unjust philosophy that blames the poor for their poverty, and considers their needs last. The only solution is creation of a consolidated program which aims to help all those in need attain a decent standard of living, and actively combats the sexism and racism that condemn so many to endless poverty.

Congress and this country can no longer ignore the appalling statistics on women and poverty. Of the nation's 24 million poor, 20 million are women and their children. Nearly half of all single-parent families headed by women live below poverty, and 73 percent of all AFDC families are headed by women. Surveys have shown that 80% of AFDC mothers want to work outside the home; but even when a steady full-time job can be found, it is no guarantee of escaping poverty. On the average, women earn less than half of what men earn. Even in the same occupation, with the same educational background, women's salaries equal less than $\frac{3}{4}$ of men's. In fact, women have consistently lower incomes than men with *less* education.

The poverty and economic insecurity of women is pervasive and deadening. In a recent article in the *New York Times*, a welfare mother described attending a hearing where the senators and other government officials told her that if they took time to answer all the questions put to them by recipients they would "be there all night." She asked, "I wonder if they know how many of us are up all night wondering how we are going to make it from one check to the next? Of if we are going to make it at all?"

The task of reforming the welfare system is formidable, but it must be done. NOW urges this committee to consider above all else the needs of the poor, and in particular to devote more attention to the issues surrounding women, work, and welfare.

Directly underlying the economic dependence and poverty of women is the failure of our society to recognize and institutionalize the economic value of work done in the home. Researchers estimate that such work is worth at least \$14,000 per year but, unless there is another adult present who can provide for a family, most single mothers who need to or choose to remain at home with their children are forced to live on subsistence level welfare benefits, in a program that degrades and abuses while labelling them as lazy, worthless parasites of the government. And since the labor market grants no credibility to the skills and experiences derived from work in the home, once children are grown, AFDC mothers who have not worked outside the home become displaced homemakers with nowhere to turn for help. Only when this country recognizes that raising children is work, that the quality of this work has major implications for the future of the nation, will we approach economic and social justice. True welfare reform must include minimum federal benefit levels that respect the value of work done in the home by providing assistance at an adequate level.

At the same time, many women want to work outside the home. Essential to affording poor women this choice are: income deductions for child care expenses, creation of federally subsidized quality child care services, and elimination of gender and race stereotyping in job training and placement programs and encouragement of women into non-traditional, higher-paying employment.

NOW opposes work requirements on principle because we believe that no one should be forced into a job, that people would work if decent jobs were available, and because the categories inherent in work requirements relegate many women to "unemployable" and "not expected to work" categories. Several steps

could be taken to circumvent this entrapment—the designation of “principal wage-earner” should be left up to the family, and placement agencies should be required to exert maximum effort in placing all those who choose to work, not just those who are “expected to work.” The obvious and long overdue solution is a job guarantee for every individual; but until full employment becomes a reality, affirmative measures must be taken to ensure that women have equal access to limited employment opportunities. Expansion of the public service employment program and the creation of part-time jobs especially designated for parents of young children are positive steps in providing new employment opportunities; but the quality of employment is just as important as the opportunity. NOW protests vehemently any provisions which exclude public service or part-time employees from equal rights and benefits. Guarantees of equal pay for equal work and earned income tax credits must apply to all public as well as private sector jobs.

In short, Congress must recognize that women have been working for years both inside and outside the home, but have remained poor. This abuse and exploitation must end—women’s work must be recognized and rewarded, economically and socially. Every effort must be made to help poor women escape from poverty through affirmative action in employment programs and provision of adequate public assistance benefit levels.

Accordingly, NOW insists that the following basic demands be included in any welfare reform legislation:

A Federal floor with regional but not state variations based on the BLS lower-living standard. Individuals and families who cannot or should not work, or whose wages are not adequate, must be guaranteed a minimum income that will provide a decent daily diet, decent housing, and clothing.

Comprehensive coverage of all people who are needy, regardless of their characteristics or family situation, including childless individuals and displaced homemakers and excluding irrelevant eligibility criteria, such as “deprivation of parent,” “disability,” or “age.”

Uniform Federal administration of the welfare program to eliminate widespread harassment and degradation of welfare recipients by state legislators and welfare administrators.

Separation of work-related issues from welfare grant provisions so that work requirements are eliminated in favor of voluntary enrollment in training and placement programs, with strong provisions for meaningful training and career development specifically designed to meet the needs of female welfare recipients, and affirmative efforts to place women in jobs with career potential and salary growth.

Maximum flexibility in the definition of “filing unit” to accommodate alternative feminist/humanist living arrangements.

Protection of women’s right to privacy, health care, and reproductive freedom. Current child support enforcement regulations threaten women’s and their children’s right to privacy and well-being by forcing them to reveal paternity or lose their benefits. A mother should have the right to choose to cooperate with enforcement officials, based on her judgment of her children’s and her own mental and physical safety. Automatic Medicaid coverage (including Medicaid abortions) must accompany eligibility for Federal benefits.

Equal pay for equal work in the private and public sector jobs. No one should be forced to accept anything less than equal pay for equal work in any job, private or public. Restricting this right only to private sector work perpetuates the stigma against public service jobs. This is particularly discriminatory against women who are more likely to be placed in public sector work. With the current scarcity of jobs, this kind of “incentive” to take private sector work only punishes workers who cannot find employment elsewhere.

Eradication of the concept of “principal wage-earner.” Use of the designation “principal wage-earner” inevitably results in exclusion of the woman from priority consideration for job training and placement.

Recognition of the economic value of homemaking. This is crucially important in erasing the stigma of “welfare mother,” and in according dignity and respect to single parents who choose not to work outside the home. Caring for children and maintaining a household is *hard work*. Requirements such as forcing AFDC mothers to work outside the home for free to “pay off their welfare checks” is an outrage and directly undermines the importance and value of work in the home.

Elimination of gender and race stereotyping, and use of gender-neutral language. This is particularly important in the PSE job training and placement

programs, where the record for placing women in non-traditional jobs is notoriously poor.

None of the welfare proposals currently before Congress adequately meets these demands. S. 2084 must undergo important changes before it will constitute true reform, and NOW hopes to have the opportunity to work with the Senate on this task. We oppose S. 2777 on principle, and are particularly concerned about some very punitive provisions in it that would: Permit states to make pro-rata reductions in a family's AFDC grants when there are individuals present in a household who are not eligible, whether or not they are contributing to the support of the recipients; reduce or terminate earned income disregards in determining level of benefit; impose strict job search requirements on recipients; eliminate the 60-day counseling period before terminating assistance, and establish waiting periods for aid.

These provisions are a backwards step that would directly harm poor people and must not be included in any welfare legislation.

S. 2777 does contain two positive provisions that NOW would like to see incorporated into comprehensive reform: Retainment of the food stamps program (until the cash benefit level is raised to the Bureau of Labor Statistics lower-income level).

In summary, NOW urges the committee to consider the issues we have raised as it works on any welfare-related legislation, and in particular to remember that whatever action Congress takes in this area will be felt acutely in the lives and hopes of millions of women.

Questions or comments regarding this testimony should be directed to Margaret Mason, Welfare Rights Aide at the NOW Action Center.

STATEMENT OF THE NATIONAL COUNCIL FOR HOMEMAKER-HOME HEALTH AIDE SERVICES, INC.

INTRODUCTION

This statement is presented by the National Council for Homemaker-Home Health Aide Services, Inc., a national, non-profit 501 (c) (3) membership organization, with offices at 67 Irving Place, New York, NY 10003. The National Council's goal is availability of quality home care services in all sections of the nation, for individuals and families in all economic brackets, when there is disruption due to illness, disability, social and other problems, or where there is need of help to achieve independent functioning and self-sufficiency.

MEMBERSHIP

The National Council is a membership organization composed of 538 dues-paying members of which 233 are agencies providing home-care services; 41 are organizations and 264 are individuals (1977 year-end figures). Its materials and some services are also available to an additional 3,450 home care agencies in the U.S. and Canada.

DEFINITION OF SERVICE

Home care service helps families to remain together or elderly persons to remain in their own homes when a health and/or social problem occurs or to return to their own homes after specialized care. The trained home care worker, working for a community agency, carries out assigned tasks in the family's or individual's place of residence. These assignments are carried out under the supervision of a professional person who also assesses the need for the service and implements the plan of care.

REFERENCE TO EARLIER TESTIMONY

The National Council for Homemaker-Home Health Aide Services appreciates this opportunity to present material on proposed changes in the current welfare system. The National Council presented a statement on this subject to Secretary Joseph Califano of the Department of Health, Education, and Welfare on March 10, 1977. The Council also presented testimony on the original H.R. 9030 before the U.S. House of Representatives' Welfare Reform Subcommittee on November 9, 1977.

CONCERNS AND SUGGESTIONS REGARDING CURRENT WELFARE REFORM PROPOSALS

The National Council has seven major points to make in connection with the current welfare reform proposals. These points are necessarily general in nature and do not deal with the technicalities of particular bills which are under consideration.

1. The National Council believes that a coordinated approach to income maintenance, job opportunities, and training for all individuals and families in need is desirable, sound in concept and most efficient to administer. Individual and/or family need should be the sole criterion for assistance.

2. There is no reference in any of the proposed legislative initiatives to the need for social services concurrent with income maintenance measures. When income maintenance and social services are fragmented—as they are now—person in need of services do not receive them because they do not know where or how to obtain them. Income maintenance workers are usually neither trained nor expected to recognize the need for social services—such as the single elderly person's need for in-home assistance—and therefore few referrals for social services are made. As a case in point, the Social Security Administration recently released a report¹ revealing that in 1976, a scant eleven percent of aged SSI recipients received social services—a low figure indeed for this group.

It is important, too, that the Federal government set minimum standards for services, including homemaker-home health aide and other in-home services, and provide adequate funding for states to monitor their delivery effectively.

3. In making the case for social services, we are in no way denigrating the need for adequate income maintenance measures. Clearly, social services should be provided in tandem with—not exclusive of—financial supports. Moreover, services cannot be expected to be effective when the recipient's income is below the poverty level.

The income maintenance grants proposed in all of the welfare reform bills are too low to meet minimum needs.

4. The National Council endorses making the Unemployed AFDC Father program mandatory immediately in all states.

5. In general, the expectations in the current welfare reform proposals for mothers with small children entering the labor force—especially on a full-time basis—are unrealistic. Again, the balance between income maintenance and social services must be taken into account. In this case, greater labor force participation of mothers with young children—thereby lowering total direct income maintenance costs somewhat—would result in immediate increased costs for services such as day care. Certainly, mothers with small children should not be expected to work unless good quality child care services, either community-based or in-home, are reasonably available within the community at a reasonable cost.

6. The financial incentives to induce labor force participation need to be realistically designed. All direct work-related expenses (e.g., child care, tools, uniforms, union dues, transportation, etc.) should be allowed as budget deductions, as should be the expenses of looking for employment. The emphasis should be placed less on measures which force the poor to spend time seeking employment, when jobs for the hard-core unemployed are scarce at best, and more on provisions which generate training and employment opportunities at the community level.

In addition, and as a minimum, the present income disregard of the first \$60 of earned income above work expenses and one-third of the balance should be continued and incorporated in any new legislative action.

7. Finally, the Comprehensive Employment and Training Act (CETA) program should be continued and expanded as a viable incentive for employers to hire the unemployed. In the home care field, many of our member homemaker-home health aide agencies have been able to expand services significantly while providing valuable job opportunities for the unemployed as paraprofessional aides. Many of these workers have then been incorporated under the agency's own employment umbrella as job openings develop within the agency.

It is imperative that workers employed under the CETA program who do work which is comparable to that of other employees be paid the prevailing rather than the minimum wage for their work. The implications of inequitable wages on employee morale and agency administration are grave indeed.

¹ Social Security Administration, Office of Research and Statistics, *Statistical Notes*, January 26, 1978.

INDIANAPOLIS, IND., April 7, 1978.

WELFARE REFORM COMMITTEE

Indianapolis

GENTLEMEN: I wish to protest TWO points in the Carter Bill:

1. Forcing all parents of School Age children to leave home and work. As a former social worker and, now a fellow church member of several ADC families, I know this invites Juvenile Delinquency.

ADC was modelled somewhat on "Mothers Aid" which was set up long ago to prevent juvenile delinquency by keeping "one responsible adult at home."

1. When one family lived in Clear Stream Village, a NICE 10 year old boy joined pals in *dropping rocks from a bridge onto trains*. (When I wrote Wayne Stanton re this, he ordered the mother to be allowed to stay home and supervise her NINE children.)

More recently I have known teen age girls to become pregnant because nobody was home to see who came there and how they behaved. Both mothers are fairly strict—but they were away at work.

2. I was told this Bill proposes to limit the size of a family that may be helped. If there are more than—is it 6 or 7? . . . the others are ignored. Are we to follow oldtime practices in India of putting extra children out for animals to eat? Or tell the older ones to go out and STEAL or be prostitutes? (Since no Child Labor is now available.) I HOPE I was misinformed re this section. The family with 9 children mentioned above has the smartest kids I ever met. And my own grandparents in Madison reared 8 children of whom only the seventh and eighth made "Who's Who" as Presbyterian missionaries.

Hoping your committee will accomplish some reform of the Reform Bill.

Sincerely

ELIZABETH MOFFETT FURST,

Retired Social Worker, now Freelance Writer.

P.S. The following was not in my letter, because it happened after that was written—but I gave it verbally at the Hearing:

"Last week I went to Juvenile Court with a former-Presbyterian ADC mother whose 15 year old boy had been arrested for shoplifting. Judge Boring asked the boy:

"Did your mother give you permission to go to the shopping center?"

The boy said "No. She was workin'."

I don't know about YOU Saints on this Committee, but I got into mischief after I reach school age."

GOLDEN RULE INSURANCE,
Indianapolis, Ind., April 28, 1978.

Mr. MICHAEL STERN,
Staff Director, Committee on Finance, Dirksen Senate Office Building,
Washington, D.C.

DEAR MR. STERN AND MEMBERS OF THE PUBLIC ASSISTANCE SUBCOMMITTEE: I was quite disappointed that I was not allowed to orally testify before your subcommittee at your recent welfare reform hearings. However, I would like to enter the enclosed brochures into your official record.

I would like to briefly expand one section mentioned in my brochure. My experiences in Indiana indicate a crucial need for public service jobs to help the elderly remain in their own homes instead of being institutionalized. Title XX should be meeting these needs, but our practical experience proves that, although helpful, Title XX falls seriously short of meeting the need.

I would urge Congress to allot as many of the public service jobs as possible to providing home services such as housekeeping, yard work, transportation, etc. for Senior Citizens. I believe such jobs could be largely self-supporting. Many Seniors tell me they can afford to pay for these services but don't know where to turn to find someone to do it. If the government provides the initial "seed money", many elderly persons would be most willing to donate for these services which would make the program largely self-perpetuating.

I realize that in welfare reform, the major consideration is given to determining benefits and responsibilities for younger persons. However, please keep in mind that although Seniors may not often voice their needs, deep inside they are crying for help.

Sincerely,

ED McCLAIN,

Senior Citizen Community Representative.

PROPOSED WELFARE REFORM AS IT AFFECTS SENIOR CITIZENS

The President's proposed Welfare Reform Program would abolish Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), and Food Stamps and form a new federal program providing cash and/or jobs depending on a person's situation. Keep in mind that this reform does not address health care. President Carter assumes national health care will be enacted, but in separate legislation. In the event national health care is not enacted, this welfare reform plan assumes that the Medicare and Medicaid programs would continue in their present form.

The main emphasis of this reform is aimed at persons under age 65 who are not presently covered under current cash "welfare" programs. This would include families with both parents living in the home, and childless able-bodied individuals and couples under age 65. This doesn't directly affect Senior Citizens as any low-income person over 65 can already receive Supplemental Security Income (SSI) benefits. The second emphasis of the program is the production of 1.4 million public service jobs for persons unable to find employment in the private sector. This also does not directly affect Senior Citizens as they would not be eligible for these jobs.

Even though the brunt of the reform is not aimed at Senior Citizens, it will affect the elderly in significant ways. I will begin with the changes that would aid Senior Citizens.

INCREASED BENEFITS FOR NONWORKING SENIOR CITIZENS

This proposed plan would moderately increase benefits of low-income Senior Citizens *who are not working*. Presently, a Senior Citizen with no other income can receive monthly \$178 in SSI and an average of \$14 in bonus food stamps for a total monthly "income" of \$192. The President's plan would give this same individual a basic benefit of \$133 plus a unit increment of \$75 for a total of \$208 monthly. Married Senior Citizens with no other income receive similar increases in monthly benefits, from the present \$292 in SSI and Food Stamps to \$312 under the President's plan.

Persons receiving small Social Security checks requiring "welfare" supplementation would also come out ahead in the new system. The SSI program disregards the first \$20 in unearned income (Social Security, etc.) while the President's plan would disregard 20% of the total amount.

Example—Senior Citizen with \$120 monthly Social Security

<i>SSI</i>		<i>Carter's Plan</i>	
\$120.00	Social Security	\$120.00	Social Security
--20.00	Disregard	- 24.00	20% Disregard
<hr/>		<hr/>	
\$100.00	Countable income	\$ 96.00	Countable income
\$177.80	Basic SSI grant	\$208.00	Basic Benefit
-100.00	Countable income	- 96.00	Countable income
<hr/>		<hr/>	
\$ 77.80	Present SSI grant	\$112.00	Proposed benefit
+28.80	Bonus Food Stamps		
<hr/>			
\$105.80	Total benefit		

Under the present SSI program, Senior Citizens with monthly incomes above \$177.80 for a single person or \$226.70 for a couple are not eligible for SSI payments. The President's proposal would allow Senior Citizens with incomes slightly above these amounts to be eligible for benefits.

Example—Senior Citizen with \$200 monthly Social Security

<i>SSI</i>		<i>Carter's Plan</i>	
\$200.00	Social Security	\$200.00	Social Security
- 20.00	Disregard	- 40.00	20% Disregard
<hr/>		<hr/>	
\$180.00	Countable income (exceeds \$177.80 limit)	\$160.00	Countable income
No SSI benefit, but could receive \$12 bonus Food Stamps per month		\$208.00	Basic benefit
		-160.00	Countable income
		<hr/>	
		\$ 48.00	Proposed benefit

A single Senior Citizen could have unearned monthly income up to \$260.00 before benefits would totally end under the President's plan, while married Senior Citizens could have combined unearned income up to \$390.00 before supplementation benefits would end.

PUBLIC SERVICE JOBS TO AID SENIOR CITIZENS

A second positive benefit for the elderly is that 200,000 of the public service jobs created will be to provide home services for the elderly, such as help with housekeeping chores, yard work, transportation, etc. These jobs, plus current Title XX social services, should make it somewhat easier for Senior Citizens to stay in their homes bringing a savings of numerous dollar in prevented hospital and nursing home admissions.

DECREASED BENEFITS FOR WORKING SENIOR CITIZENS

Leading the list of negative effects for Senior Citizens is the fact that low-income working Senior Citizens will see their "welfare" benefits decrease. SSI currently computes earnings by disregarding the first \$85.00 earned monthly plus one-half of the remaining gross earnings. The President's plan would simply disregard one-half of each gross dollar earned.

Example—Senior Citizen with \$300 monthly earned income

<i>SSI</i>		<i>Carter's Plan</i>	
\$300. 00	Gross earnings	\$300. 00	Gross earnings
— 85. 00	Disregard	—150. 00	(50% disregard)
<hr/>		<hr/>	
\$215.00		\$150. 00	Countable income
—107. 00	(one-half disregard)		
<hr/>		\$208. 33	Basic benefit level
\$107. 50	Countable income	—150. 00	Countable income
<hr/>		<hr/>	
\$177. 80	SSI basic benefit level	\$ 58. 33	Benefit payment
—107. 50	Countable earned income		
<hr/>			
\$ 70. 30	SSI payment		

Other person under the President's plan will have the first \$3800 of annual gross earnings disregarded, but not Senior Citizens. Such a provision would exempt all the earnings in the above example, and allow this Senior Citizen to receive the full monthly "welfare" benefit amount of \$208 in addition to his other earnings.

RETROSPECTIVE BUDGETING

Another eligibility rule proposed by the President would require applicants to live off any income above \$418 gross monthly earnings for a single Senior Citizen or \$624 for a couple they had received during the five months preceding application. A person who has been working for a fairly low wage who then retires at age 65 to a small Social Security check might not receive any federal supplement for up to five months. If these five months occurred during the winter with today's high utility bills, the elderly person would have no alternative but to seek adequate emergency aid from the township trustee. The welfare subcommittee in the House of Representatives reduced this and would consider only one previous month's wages which should pose few problems for the elderly.

NO MANDATORY STATE SUPPLEMENTATION

Previous changes in low-income programs have required States to supplement new benefit levels at least to the amount presently received to ensure no one loses in the program change-over. This plan does not require such supplementation meaning numerous Senior Citizens, particularly the working poor, may see their benefits decreased.

PRESIDENT'S PLAN ENCOURAGES RETIREMENT

Decreasing the benefits of the working elderly poor likely would have the effect of encouraging retirement as it becomes more profitable to sit in the rocking chair at home than work. Having the same effect is the fact that

Senior Citizens will not be eligible for the 1.4 million public service jobs created by this plan. It seems the government should be encouraging—not discouraging—the elderly to work as long as they are able and willing to do so. Retirement often breaks the spirit of those who have not previously had idle time. Lacking personal motivation or an acceptable self-image often found in a job leads to depression, loneliness, hospitalization and nursing home costs at the expense of the government, private insurance, and the elderly individual.

MARRIED SENIOR CITIZENS PENALIZED

Married Senior Citizens are penalized financially for living together. As previously mentioned, benefits consist of an allowance for each individual plus a unit increment for each unit. All Senior Citizens receive \$133 each as an individual benefit regardless of their living situation. A household with one Senior Citizen also receives a unit increment of \$75. However, a household with two married Senior Citizens receives only one \$45 unit increment. Apparently, the President believes that two can live cheaper than one.

MARRIED AND UNMARRIED SENIORS LIVING TOGETHER NOT TREATED EQUALLY

The situation under the President's proposal is worse for two related unmarried Senior Citizens living together. For example, two brothers living together would each receive the \$133 basic benefit plus one \$75 unit increment. However, these two individuals would have \$66 deducted because two "filing units" live together. Thus, two related unmarried Senior Citizens living together would be eligible for a maximum \$275 monthly compared with \$313 for a married Senior Citizen couple. However, two non-related unmarried Seniors living together would each receive the \$133 basic benefit and \$75 unit increment with no deduction for a total of \$416 monthly.

The welfare subcommittee changed the President's proposal as it relates to related unmarried Senior Citizens sharing the same home. Each Senior Citizen would receive the \$133 basic benefit plus each would receive the \$75 unit increment with no deduction. Thus, two unmarried Senior Citizens living together regardless of whether related, would be eligible for \$416 per month while a married elderly couple could receive \$313.

Many Senior Citizens, two men or two women, etc., live together for reasons of security, companionship, and sharing costs. There is no logical reason that all Senior Citizens sharing living arrangements should not be treated equally regardless of their marital status.

Spending a little more money to allow Senior Citizens to find their most practical living arrangements will overall result in fiscal savings, and greater happiness for the elderly.

SUMMARY

This welfare reform plan is in its infancy. The House Welfare Subcommittee in late January, finished its consideration of the President's proposed program. Welfare Reform must now wind its way through the House Ways and Means, Agriculture, and Education and Labor Committees. It is too early to predict when welfare reform will be enacted or its final effect on Senior Citizens.

This report was prepared by Ed McClain on April 21, 1978. Updates will be available as Congress continues its consideration of welfare reform. Any questions or comments may be directed to him at Golden Rule Insurance, 6720 W. 85th Street, Indianapolis, Indiana, 46268, telephone (817) 297-4123.

STATEMENT OF THE ASSOCIATION OF WASHINGTON STATE LEGAL SERVICES PROGRAMS

No one who has worked with public assistance recipients can be satisfied with the present condition of the nation's welfare system. Enormously complex, administratively topheavy, riddled with inconsistencies and petty restrictions, it presents persons in need with a bewildering maze through which they must find their way to receive benefits and services which are usually inadequate to provide a decent and healthful subsistence. A thorough re-examination and revision of the welfare system could result in improved services, increased

benefits, reduced administrative costs, more realistic allocation of funding responsibilities, and a better life for the millions of Americans who are forced to rely on public funds to meet the costs of daily living.

Unfortunately, the bill before your committee, S. 2084, is unlikely to improve the situation for most recipients or for most states administering the systems. This failure is due primarily to the President's decision that "welfare reform" will have to be accomplished within present federal expenditure levels, a decision that probably doomed from the start the reform effort which the bill represents. Unfortunately, in an economy with chronic unemployment the only cure for poverty will be the transfer of money to the poor, in amounts sufficient to raise their incomes to or above the poverty level, with the federal treasury the inevitable source of most of the funds. Unless Congress and the President are willing to make the hard decision to increase welfare recipients' share of the federal budget, either at the expense of other programs or by increasing revenues, the "welfare mess" will remain with us indefinitely—today's "reform" will become tomorrow's "mess."

The Administration's "Better Jobs and Income Program" (BJIP) contains not a single new idea for helping poor people. It is merely another reshuffling of concepts that have endured since the Elizabethan origins of public welfare programs. While wisely consolidating the existing array of categorical programs—AFDC, SSI, General assistance, food stamps, CETA—with their differing eligibility criteria, funding formulas, and benefit levels, BJIP in turn creates a new array of categories into which recipients will have to be fit. Some will be "expected to work" and will receive different amounts depending on whether they are undertaking the mandatory eight-week "job search" or have completed that period. Single adults and childless couples "expected to work" but unemployed after eight weeks will receive lower per-person benefits than families with children. Those in "Public Service Employment" (PSE) will be treated differently from those in regular employment or those "not expected to work." Another category consists of families with children between ages 7 and 14, who will be "expected to work" part-time if child care is available. Recipients will move from one category to another with the passage of time—as the "job search" period ends for those "expected to work," as the one-year PSE job runs out, as child care becomes available—and will be subject to different benefit-level calculations without any change in actual need. Families of the same size will be treated differently and get different grant amounts, a fact which alone will produce enormous confusion and resentment among recipients. It gives us no pleasure to predict that endless and needless litigation will result over verification and computation problems, and that it will take years to arrive at the federal and state regulations needed to implement the new system. The goal of simplification is not served by replacing one complex system with another one equally complex. Nor is it "welfare reform" to reshuffle the poor into new categories which have no more validity than the old distinction between the "worthy" and the "unworthy" poor.

One of the many new complications involved in BJIP is the proposed six-month retrospective accounting period for determining an applicant's present need. This provision assumes that a family whose income was above the grant level a few months ago has been living on a grant-level budget and therefore has saved enough to make a full grant unnecessary. Grant levels are not nearly high enough, either presently or under BJIP, to justify this assumption. Many persons in Washington State work seasonally in agriculture, logging, and fishing. Unable to find other employment in their communities, they have to rely on public assistance to get through the off-season. Their wage levels are far too low to validate the assumption behind six-month retrospective accounting, that income received in the past is available at the time of application. This system will insure routine denials of assistance to many needy persons and families. While emergency aid will theoretically be available, there is no requirement that states furnish it and the \$600 million presently budgeted for the purpose will surely be inadequate. Moreover, awarding emergency aid will involve a separate procedure with its own complexities and pitfalls. It is very hard to understand how six-month retrospective accounting, requiring verification of income received long ago and a separate procedure for meeting "emergency" (better termed "actual") needs, can be described as a "reform."

An important aspect of BJIP is "fiscal relief" to the states. Undoubtedly the present welfare system places an unfair burden on state and local gov-

ernments to meet a national problem of poverty and unemployment. The Administration's proposal goes some of the way toward alleviating this burden by providing federally funded benefit levels that are higher than the federal share of current grants in most or all of the states. However, this fiscal relief for the states may owe as much to recipients' reduced incomes as to increased federal funds. About 40 of the states will need to supplement the federal benefits to provide recipients with today's usually inadequate grants. There is no requirement in BJIP that such supplementation be provided, although there are incentives to make supplementation less unattractive to states. The bill before you provides current recipients with no assurance that their incomes won't be reduced. If our state legislature should choose not to supplement federal BJIP benefits, which it might well do in an emerging 1979 fiscal crisis, the monthly income of a Seattle family of four "not expected to work" would be reduced from a current \$416 (plus food stamps) to \$350 (without food stamps). If "expected to work" and during the eight-week "job search" period, the same family would receive only \$192 monthly. A childless couple in Spokane now eligible for general assistance under our state program receives \$263 a month; under BJIP the same couple would get only \$183 unless the state supplemented.

Whether or not it chooses to supplement BJIP's meager benefits, a state will no longer be responsible for administering the welfare program. In some states this may be a blessing for recipients; in our state it would be a misfortune for both recipients and taxpayers. With all problems Washington's welfare system has, it is probably one of the most carefully administered in the country, with the nation's third lowest fraud and error rate. This compares with an error rate several times as high for the federally-administered SSI program in Washington. Moreover, the correction of errors and the meeting of emergency needs are accomplished far more efficiently by our state welfare agency in AFDC cases than by the Social Security Administration for SSI cases. An administrative foulup in the state system, such as the failure to issue a check, can usually be corrected with a phone call to the local office or the state capital; a similar SSI foulup may involve a computer located across the continent and take weeks to resolve even though everyone agrees on the solution. A recent newspaper story indicated that HEW's inspector general had identified losses of \$7 billion due to waste, fraud, and abuse—a figure roughly equal to our state's entire budget. We and our clients are not anxious to see the federal bureaucrats who have made an administrative nightmare of SSI turned loose on the rest of the system. Any bill that passes Congress should permit states, at least those which supplement, to choose between state and federal administration of the program.

The BJIP proposal places considerable emphasis on jobs. Unfortunately, most of the emphasis is rhetorical—the jobs are not there. Recipients "expected to work" will be required to undertake an eight-week "job search," during which they will receive reduced grants as an incentive to find work. This requirement ignores the fact that most welfare applicants have been trying to find employment for some time before they apply—contrary to the prejudices of many Americans, including some in Congress, most welfare recipients would much rather be employed. If, predictably, the "job search" has not produced a regular job, BJIP will provide 1.4 million "Public Service Employment" jobs for unemployed recipients who are "expected to work." Since 800,000 of these PSE jobs are existing CETA positions, only 600,000 new jobs will be created. Obviously this number will not come close to meeting the actual need, and it is unlikely that many of the PSE jobs will have counterparts in the regular labor market to which those "expected to work" could be expected to move. Moreover, those recipients placed in PSE jobs will find themselves part of a distinctly second-class labor force—held to the minimum wage, denied such traditional employment benefits as collective bargaining and sick leave, ineligible for the earned income tax credit which is available to other low-income workers, and unable to look forward to advancement or an employment future beyond the one-year PSE limit. After a year in a PSE job, the recipient will have to undertake another eight-week "job search" with starvation-level benefits, little or no better equipped than before to compete in the employment market.

Despite its name, PSE is not an employment program. In fact, we have had in place for a decade the WIN program, aimed at matching welfare recipients with available jobs through the state employment service. In Washington at least, this program has resulted in too few job placements (7,400 placements

out of 17,400 carefully screened registrants) and too many hardships to recipients forced to meet arbitrary work-search schedules or denied assistance for refusing to accept underpaid, dangerous, or unhealthy work. The failure of WIN, unacknowledged in the rhetoric surrounding BJIP, should make clear that the inability of welfare recipients to find jobs is due to the economy's inability to provide jobs for everyone who wants and is able to work. Six hundred thousand new substandard PSE jobs will make a minimal difference in this situation.

The BJIP plan has some good features, including the consolidation of existing programs, the "cashing out" of food stamps, and a modest degree of fiscal relief to states which choose to supplement the federal benefits. However, on balance we see far more disadvantages than advantages to the poor in BJIP. Rather than putting itself, federal and state agencies, and low-income people through the exercise of a "welfare reform" that will produce no real improvements and involve an immense reshuffling of existing organizations and regulations, Congress should reject the Administration's illconceived approach.

As an alternative to BJIP, we hope your committee will consider some incremental reforms in the existing welfare system:

A requirement that all states provide an AFDC-E program to aid families with unemployed fathers, and an accompanying liberalization of the present work-quarter requirement to qualify families whose fathers are incapacitated or too young to have compiled the required employment history.

Elimination of the "100-hour rule" which makes a two-parent family ineligible for any welfare supplement if the head of the household works more than 100 hours a month, regardless of his income's adequacy to support the family.

Federal matching for general assistance to needy "employable" persons and childless couples for whom a job cannot be found.

Exemption from payroll tax withholding of low-income wage-earners.

Setting a date by which no American household would have less than a poverty-level income, to be achieved by phasing in a federal minimum benefit at no less than the poverty level, adjusted for location and family size.

These suggestions will doubtless be very controversial, as are the Administration's proposals. But at least the controversy will be worthwhile, involving the prospect of clear and significant improvements in the incomes and well-being of many poor people who would not benefit from BJIP. We hope your committee will reject BJIP and turn its attention to the proposals above.

APRIL 12, 1978.

To: Representative Jacobs.

From: Ms. Lisa Mumaugh, Social Worker.

Agency: Christamore House.

Regarding: Haughville Community opinions on Welfare Reform to be delivered at the Public Hearing on Welfare Reform on April 15, 1978.

My testimony is based on the concerns of some of the people in the Haughville Community in regard to Welfare Reform. Seventy people were personally contacted and consulted by Christamore staff and the Haughville area club leaders. Up to an hour was spent with many people, discussing the major issues and effects that HR 9030 would have on them. All of the people are low income people most of whom are receiving, have received or are trying to receive benefits. Some of these people are self-supporting and should be eligible for welfare benefits.

Each person was first given a small questionnaire consisting of eleven questions. The questions are restatements of segments of HR 9030 followed by an approval or disapproval of the statement. The purpose was to not only get their opinions on the eleven issues but to generate further discussion. I think that the study has been successful up to this point and I will give you the results, in hopes that you will make it even more successful by enabling these people to make their mark on Welfare Reform.

Summary of things to be spoken on: Benefit levels and eligibility, treatment of clients, job program, wages, types of jobs, and availability of jobs.

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The major and most immediate problem that people are having is lack of money. Benefit levels are too low now, and in some cases the levels, under HR 9030, would be even lower. In Indiana AFDC and food stamps, combined, currently provides \$4,416.00 to a family of four. Carter's proposed bill HR 9030 would provide \$4,200.00 annually to families of four in the "not expected to work" category. The poverty level, which again is too low, was \$5,850.00 in 1977 according to the Research Department of the Economic Security Division of Indiana. Thus, \$4,200.00 is 35% below this level. Of the people surveyed, 86% support Representative Jacobs in wanting added to the bill a requirement that Indiana and all states should be required to add to these lowered benefits to bring these people at least up to a poverty level. Many of the families that were consulted could not find a job or were unable to work. They did not have enough income for adequate housing, food, clothing, transportation and medical bills. This should not be happening in our country now, and certainly should not get worse as it may in some cases. Benefit levels must be higher. Of the persons surveyed, 91% felt that there should be a provision written into the bill whereby benefits rise systematically with inflation. The inflation rate was 6.8% last year. It is predicted by some governmental economists that the rate of inflation may be as high as 7% this year. With inflation rising and benefit levels remaining the same, it is impossible for a low income person to keep up and make ends meet. As of now, there is no such provision made especially in light of the fact that President Carter gave his staff a pay raise of up to 25% in March of 1977, and another 7.05% in November.

I talked with employees at 7 of the major industries in Indianapolis all of these industries provide a cost of living allowance to employees which is systematically based on the rising inflation in the economy.

The point here being that all people have needs, upper, middle and lower income people, alike. There are provisions made for upper and middle income people that help them deal with inflation. There should also be a provision in President Carter's bill that will allow lower income people the better deal with inflation.

I would now like to spend a few minutes discussing the job program component of HR 9030. Ninety percent of the people that I surveyed felt that each family or single person that is able to work should be guaranteed at least one job. As of now, there simply aren't enough jobs to go around. As of September, 1977 Indiana had a work force of 2.5 million people, 103,600 of the people were unemployed. The current population survey, done by the U.S. Census Bureau monthly, shows that 6,479,000 people in the U.S. had looked for work in March, 1978. Included in HR 9030 is a Jobs Program, whereby President Carter proposes to create 1.4 million work training slots; 300,000 of which will be part time slots. I agree with the people in the community in that it is necessary to create jobs. However, HR 9030 would only take care of 19% of those people that were looking for work in March of 1978, and then only temporarily. The people that the program may cover would be getting paid minimum wage. Ninety three percent of the respondents think that people in the program should be getting paid the standard pay rate equaled with the type of job being done. In other words, equal pay for equal work.

HR 9030 also dictates that the government, not the family will decide who is to be the primary wage earner. Ninety percent of the respondents think it is the families right as well as role to decide who will be the primary wage earner. Just because one or the other has worked longest or earned more in the past does not mean this is the person that should be the primary wage earner in the future. There are a variety of reasons why the other person may

now want to work, these reasons are private matters concerning freedom, and the government should not be allowed to take away this freedom. There have already been too many ways in the bureaucracy has stripped the freedom from the low income persons in the United States, and we do not need to implement another way to do this.

The fact, alone, that the Carter Administration has written a Welfare Reform Proposal, is positive. Reform is definitely needed, real reform. Reform that actually meets the needs of the low income people of the U.S. Reform that is concerned with the Welfare of people. Reform that will enable people to become self-sufficient when possible and provide higher benefits to those unable to work. There must be realizable jobs and training slots for those that are able to work and fair wages must be paid. Human beings must be treated with respect and dignity.

STATEMENT OF THE NATIONAL SENIOR CITIZENS LAW CENTER

Prepared by Philip L. Goar and Gary E. Knell, National Senior Citizens Law Center

The National Senior Citizens Law Center is a resource and focus point for those concerned with addressing the needs of the elderly poor. The Center provides assistance to legal services attorneys and others throughout the country on legal matters affecting the elderly. Directly and in cooperation with other organizations, the Center provides legal counsel to thousands of elderly clients each year. All of these clients will be affected by the welfare reform proposal under consideration by this Subcommittee.

The experiences of our clients under Supplemental Security Income, General Relief, and other programs of public assistance have made us acutely aware of the need for deep reaching reform of the welfare system.

In the accompanying statement, we describe the defects in the current welfare system with special emphasis on their effect on the elderly; we explain why the Administration's proposal falls far short of curing these defects; and we submit a five point plan for welfare reform which goes to some of the root causes for the failure of the current and proposed programs.

CONCLUSION

If there were a "truth-in-labeling" law applicable to bills submitted to Congress, the "Better Jobs and Income Act", S. 2084 would be a prime offender. The bill provides the nation's poor neither "better" jobs nor "better" income. The jobs that would be created would not develop the skills or experience necessary for regular public or private employment; they are dead-end, low-paying, unattractive jobs that only those in the most brutal circumstances could be persuaded to take. Even if any job is deemed "better" than no job, the jobs created by the bill are foreclosed to millions of poor people who, under the bill, are expected to work or who want to work. Although the bill provides, on paper, for higher benefits to some families, other provisions of the bill make it likely that families will never realize these increased benefits. The failure to provide cost-of-living increases, require supplementation, or to mandate continued state supplementation levels means that current recipients of SSI will have worse incomes under the bill, not better.

No one familiar with the history of public assistance could consider the Better Jobs and Income Program to be welfare reform. "BJIP" is nothing more than the Elizabethan Poor Law of 1601 dressed in modern language. For example, the Poor Law provided that, "overseers of the poor . . . shall raise weekly or otherwise by taxation, . . . a convenient stock of flax, hemp, wool, thread, iron and other necessary ware and stuff, to set the poor on work; and also competent sums of money for and towards the necessary relief of the lame, impotent, old, blind, and such other among them, being poor and not able to work . . ." Thus, credit is due the Elizabeth I Administration, not the Carter Administration, for categorizing the poor as "expected to work" and "not expected to work", creating public jobs for those expected to work and giving cash assistance to the others. As will be discussed below, BJIP simply continues all of the elements of public welfare that have existed for nearly 400 years: categorization of the poor, the means test, the surrender of privacy

and dignity, local variations, and inadequate payment levels. The Administration's proposal contains not a single new idea about how to provide for the relief of the poor.

The needs of the elderly poor are ignored in the Administration's bill. This is primarily due to the fact that the central focus of the bill is on work. Since the Administration does not expect people 65 and over to work, they count for little in the Administration's welfare reform scheme. One would anticipate that those not expected to work would be guaranteed an adequate annual income instead. Not so. The bill establishes payment levels for individuals and couples 65 and over at amounts below the penurious federal poverty line and freezes them there. Even those elderly persons who are expected to work, childless persons under age 65, receive little support under the bill. In fact, they are treated worse than other individuals in the "expected to work" class. This is explained by the Administration's unrealistic goal to hold federal costs for the new program at about the same level as the costs for the current programs. The economies needed to attain this goal come at the expense of the elderly poor under 65.

The Administration has not delivered on its promises. The bill it submitted does not provide "better jobs and income" nor does it come close to a reform of the public welfare system. If there is to be welfare reform it will have to come from this Subcommittee. For this reason, the comments which follow will focus more on what should be in a welfare reform bill than on what is contained in the Administration's bill. The Administration's proposal will most often serve as the bad example.

INTRODUCTION: SSI AS AN EXAMPLE OF WELFARE REFORM

It is appropriate to begin an analysis of welfare reform by considering the SSI program. First, since BJIP would replace SSI it is useful to compare the two programs. Second, although pointedly ignored by the Administration in praising the glories of its current proposal, SSI was supposed to bring many of the benefits assigned to BJIP: a simple, flat-grant program to provide an income floor, federally designed and administered to insure uniformity. Neither the Social Security Administration, assigned the task of running SSI, nor the elderly, blind, and disabled, who must rely on SSI for their survival, are praising its glory.

SSI, like BJIP, is not simple. The complexities of disability determinations and the complicated rules for determining an applicant's income and resources have resulted in excessive waiting periods for the first payment, a high rate of errors, confusing regulations and procedures, and administrative costs approaching half a billion dollars.¹ In the space of four months, one of our clients saw his SSI benefits go from \$41.20 to \$53.20 to \$43.00 to \$182.00 and back to \$43.00.²

Congress adopted the flat-grant system to avoid the complexities of determining individuals' needs for housing, food and utilities combined with such factors as living arrangements and geography. It then defeated its purpose by providing for a reduction of the benefit level in certain shared-living situations and allowing the administration to calculate the value of "in-kind" income. As a result, the current overseers of the poor spend hours on such minutiae as the reasonable rental value of the square of her sister's lawn upon which the applicant has parked her trailer home. BJIP would continue this practice.

The SSI payment levels are below the federal government's own parsimonious poverty index and so woefully inadequate that many states are compelled to supplement them out of state funds. This is contrary to the goal of uniformity not only because recipients living just across a state border from each other receive different amounts but because the states are permitted to impose their own eligibility conditions on the supplemental payments. The same results would obtain under BJIP.

SSI is not administered in a uniform, even-handed manner. There are at least five publications containing the rules for the SSI program and an unknown number of informal policy memoranda. The rules often conflict with each other and change frequently so that the overseers of the poor are constantly applying differing rules to the same circumstances. Some rules are so complex

¹ See, Note, "The Supplemental Security Income Program: The 'Revolution' Needs Reform", 62 Cornell L. Rev. 314, 316-324 (1977).

² Letter from Vellmir J. Cukavac, attached as Exhibit "A".

that they are, admittedly, not followed at all. The same result can be expected in BJIP whether it is administered by a federal agency or by the states.

Finally, in SSI, as in BJIP, there are no time limits for determinations on applications or appeals.³ It may take more than a year to receive the first benefit, a replacement check, or a final administrative determination on appeal. The elderly are reduced to shrinking their stomachs with lemons and hot water for lack of food, shoplifting for lack of clothing, living in bitter cold and darkness for lack of funds for utilities. Under the assistance plans it replaced, the states were bound by time limits for acting on applications and appeals and courts were not reluctant to enforce those limits.

Despite SSI's higher payments in some cases (when and if they come), many have argued that the nation's elderly are actually worse off under SSI than under the old assistance plans. SSI, like BJIP, can be viewed as nothing more than a computerized version of the Elizabethan poor laws. Despite, or because of, its computerization, it is less responsive to the needs of those it is supposed to serve than the old Parish Councils.

A FIVE-POINT PROGRAM FOR WELFARE REFORM

A welfare reform plan that makes sense must eliminate those elements of the current system which have caused it to fail. That means giving up some centuries-old attitudes and ways of doing things. But we have managed to do this in other areas. We no longer burn people as witches in our public squares. We no longer try to relieve illness by leeching. Why should we still view the poor as lazy and dishonest? Why should we still try to relieve poverty according to 17th Century formulas?

A welfare reform plan that makes sense would: End categorization of the poor; determine eligibility only on the basis of actually available income; provide assistance at a level which allowed a minimally decent standard of living; insure effective and humane administration; and provide nationwide uniformity.

A more detailed discussion of these points follows.

Such a welfare reform plan would cost more than the current programs, but those costs would be checked by lower administrative costs and reduced costs in other areas affected by the nature of the welfare system.

1. End categorization of the poor

The Poor Law concept of categorizing the poor is evident in current federal welfare programs and is incorporated into BJIP. Categorization leads to discrimination on grounds having nothing to do with lack of means, it pits the poor against themselves in a battle for most favored treatment, it gives a false picture of the social and economic realities of poverty.

Currently, federal welfare programs follow the Poor Law categories: dependent children, the aged, blind and disabled. A sixty-four years old childless widow who is slowly, or rapidly, dying from exposure and starvation because she has no money or other resources will continue that course because she does not fit into any of the established categories. She is not eligible for food stamps because her "cooking facilities" consist of a can opener and a spoon. If she receives any assistance at all it is from local government ("general assistance" or "home relief") or private charity, both of which are sporadic and wholly inadequate.

BJIP divides the poor into two basic categories: those expected to work and those not expected to work. There is no rational basis for these categories. For example, the 64 year old widow with no skills is "expected to work" even though the chance of her finding employment is virtually nil. The 65 year old widow is not expected to work even though she may have a keen mind, good skills and a strong desire to work. Although "expected to work", the 64 year old is not eligible for the public service jobs created by the bill (probably the only work she could obtain), the \$3,800 annual earned income disregard, nor the Earned Income Tax Credit available to other workers under the bill.

³ A decision after hearing is supposed to be rendered within 90 days of the request for the hearing except in disability cases. 42 USC 1382(c)(2). This limit is exceeded more often than not. Moreover, a "hearing" is only the middle stage in the appeal process. The preceding and subsequent stages have no time limits.

The bill provides different benefit levels for those who are expected to work and those who are not. The 64 year old widow receives \$91.67 a month. When she reaches 65 her benefits more than double. If she can prove that she is disabled, the 64 year old widow can immediately move to the "not expected to work" category which pays \$208.33 a month. The government will spend millions of dollars categorizing these recipients.

A welfare reform plan that made sense would recognize that categorization is inherently irrational, unfair and stigmatizing, and that the substantial administrative costs of placing people in the correct box could be better spent on relieving their poverty.

2. Determine eligibility only on the basis of actually available income

A program to alleviate poverty should have as its only eligibility requirement that the applicant's income falls below a certain standard. All other requirements, no matter how laudable their intent, should be rejected. The welfare programs have been used as a means of enforcing morality, population control, the Immigration laws, school attendance and a host of other policies unrelated to providing the means to live. It was not too long ago that an elderly man was denied old age assistance because he insisted on sleeping on a pile of rags under a barn. A needy mother and daughter were denied AFDC because the daughter, a high school student, flunked volleyball. A 79 year old widow was discovered living in a tool shed after working as a maid in this country for over 30 years—here affidavit of continuous residence did not satisfy the SSI rules for alien's eligibility.

It is unconscionable to use the desperate poverty of persons in our society as a vehicle for carrying out unrelated social policies. Does withholding the very means by which to survive protect the health of the individual, assist her in developing her physical prowess, or prevent unlawful entry into the country?

BJIP contains a number of eligibility conditions affecting the elderly unrelated to their want of income. Among them is the pernicious five month "accountable period" which conclusively presumes that all income received in excess of the BJIP benefit level during the previous five months is available to meet current needs. This means, for example, that a 63 year old waitress earning \$400.00 gross per month would have to wait *six months* after she lost her job to collect her first BJIP payment of \$91.67. See Exhibit "B", attached. This rule applies despite the fact that she has no savings and her situation is desperate. Another BJIP rule is that assets are counted at market value not equity value. Assume an elderly man owns a home worth \$7,000.00. Unable to care for himself any longer, he moves in with his brother. The house now becomes a \$7,000 asset and the man ineligible for assistance even though if and when he can eventually sell the house his net proceeds after deducting the mortgage balance and costs of sale will be only \$700.00. As mentioned above, eligibility for the benefit level of \$208.33 depends on reaching the age of 65. There is no evidence that the costs of living of a person age 65 are more than double the costs of a person 64 years and eleven months.

A welfare plan that made sense could not expend administrative funds on eligibility conditions unrelated to providing minimally decent support for the poor.

3. Provide assistance at a level that allows a minimally decent standard of living

Many have already commented on the inadequacy of the current benefit levels and those proposed by BJIP. We address, instead, certain assumptions about need and income reflected in SSI and BJIP which, unless corrected, would make higher benefit levels totally meaningless.

Until recently, welfare benefits were based on individualized standards of need. The procedure was to assign specific dollar amounts to specific need items such as shelter, food, clothing and transportation. These dollar amounts were often fixed with reference to age, sex, family size, and geography. Each beneficiary's payment was, in effect, hand-crafted for him by the welfare worker. If an individual spent less on a particular item than the amount allowed, her payment would be reduced to reflect her lower need. Obviously, this procedure for determining benefits was ponderous, complex, inefficient and expensive.

SSI and BJIP represent a philosophical departure from a welfare system based on need to one based on income maintenance. The purpose of both

programs is to provide the individual financial assistance sufficient to bring his total monthly income up to the legislatively determined floor. There is no pretense that the income floor bears any relation to any individual's actual need. See, H.R. Rep. No. 231, 92nd Cong., 1st Sess. 147 (1971). To the contrary, the concept of "need" is the antithesis of the "flat-grant" approach employed by SSI and BJIP.

There are a number of advantages to the poor and the government from a properly conceived and administered "flat grant" system. It is much less expensive to administer, thereby allowing more money to be put into program benefits. Its simplicity allows speedy determinations and reduces errors. It enhances the recipient's dignity by allowing her to allocate her benefits to various need items as she sees fit.

Unfortunately, HEW has insisted on combining the flat-grant approach with the concept of individualized need. By insisting that in-kind transfers, the receipt of bargains, the sharing of shelter and other non-cash economic benefits constitute income for purposes of SSI (and BJIP), HEW has produced disastrous results for the elderly poor and negated all of the advantages of the flat-grant system.

Under the SSI program, HEW has determined that the difference between an item's fair market value and what the individual pays for it is income to the individual and causes a reduction in the SSI grant.

Thus, in California, a 75 year old woman who had lived in the same apartment and paid the same rent for more than ten years had her SSI benefits reduced because the rent she paid, \$140.00 a month, was less than HEW's opinion of the fair market value, \$300.00 a month. The difference, \$160.00, was considered "in-kind" income.

A 72 year old woman in Iowa lost her SSI benefits entirely because the rent she doesn't pay is more than the rent she does pay. This woman rents a trailer from her son for \$60.00 a month and pays \$25.00 a month for the space rental. In addition, her normal expenses include \$25.00 for utilities and \$24.00 for \$56.00 worth of food stamps. The Secretary of HEW determined that her son could rent the trailer to someone else for \$150.00 a month. The woman was assessed \$90.00 in "income" for rent she did not pay even though she was paying \$85.00 a month rent, almost 50 percent of her total cash income. Since her so-called "income" plus her Social Security benefits put her over the income limit for SSI she had to live on her \$120.00 a month Social Security check—an amount less than her minimal cost of staying alive.

Under BJIP, the results are even worse. The Administration proposes that if two elderly brothers share a leasehold interest in an apartment, each would have his monthly benefits reduced by \$33.33. If their elderly sister moves in with them but does not sign the lease she suffers a reduction of \$66.67 a month. With BJIP, it is possible for an elderly person to be denied any benefits at all through a combination of benefit reduction for shared living, "in-kind" income and income imputed from assets (see p. 18), even though she has not one cent of spendable income.

If followed to its logical conclusion, HEW's policy would require that a recipient's grant be reduced if she takes advantage of the free bus transportation many cities provide to the elderly, or if she buys a \$20.00 dress on sale for \$8.00. Presumably, an individual who moves into an apartment building that has a washer and dryer in the basement receives \$400.00 in income—the amount she saved by not buying a washer and dryer of her own.

There are a number of reasons why HEW should not be allowed to superimpose its need determinations on the flat grant system. First, in establishing a flat grant system, the Congress is abandoning the previous practice under which welfare grants were set on the basis of an administrative determination of need; instead, the Congress sets a fixed grant level to be paid to all recipients without regard to their individual need. HEW, on the other hand, would reduce certain recipients' grants on the basis of its administrative judgment which directly contradicts the flat grant approach.

Second, the savings in administrative costs produced by the flat grant system are negated by the individualized need determinations imposed by HEW. Each recipient's case must be reviewed on its own particular facts. Not once, but every month the welfare worker must determine: what items did the recipient obtain this month; what was the fair market value of each item; how much did the recipient pay for each item; by how much should the grant be reduced? Since

these determinations cannot be made until the following month, the individualized need system results in a large number of overpayments. Each overpayment entails its own administrative processes of determining collectability or waiver. The computation of the recipient's "income" and the decision to recoup an overpayment are each subject to the administrative appeal process and eventual federal court review.

The low benefit levels provided by SSI and BJIP make thrift an absolute necessity. Unless the individual is able to economize on some items, he may fail to survive. The flat grant system contemplates that the individual will find ways to save in one area to meet expenses in another area. Under HEW's scheme, whenever a recipient is successful in saving expenses in one area, the department asserts that it can consider such "savings" as "income" and can reduce the recipient's grant accordingly. Thus, the elderly widow who may save on housing costs by sharing housing is rewarded for her thrift by a reduction in her SSI or BJIP payment. It is impossible for the recipient to ever bridge the gap between his flat grant and his minimum needs.

The social consequences of HEW's policy cannot be ignored. By discouraging shared housing and "in-kind" transfers from relatives, the department drives the elderly away from their families instead of encouraging and strengthening family life. The recipient is denied the ability to choose how she wants to spend her grant. She is virtually compelled to spend the full amount of the department's arbitrary "allowance" for an item since what she does not spend she will lose.

Finally, as a matter of economics, an "in-kind" transfer does not have the same value to the recipient as a cash transfer although HEW treats them the same for purposes of grant reduction. An "in-kind" transfer has no market-established value. Its value is determined through the arbitrary, subjective decision of the agency. The recipient most often has no power to control consumption, style, or kind of commodity transferred in kind. A commodity transferred in kind has little, if any, re-transfer value.

The need determination cannot be justified as maintaining equity between recipients as, for example, the proposition that one who receives free rent has less need than one who pays full rent and, therefore, should receive a lower grant. Under the flat grant approach, the legislatively adopted figure is to be paid to all recipients without regard to differing need. The function of equity in a flat grant system is to guarantee all recipients the same minimum income, not to try to level out millions of sets of individual circumstances.

4. Insure effective and humane administration

Any system of public assistance requires methods of administration which are both cost effective in the distribution of benefits and at the same time are considerate of the needs of the recipients for prompt payments and fair treatment. Most importantly, the program's administration must determine eligibility for benefits while maintaining scrupulous respect for the privacy and dignity of the individual.

A. Effective administration.—Several problems have arisen with the administration of the SSI program. First, a backlog of unprocessed claims was allowed to develop so that some applicants have had to wait more than a year for their first payment. Second, replacement of lost, stolen, or missing checks has been very slow due to lack of cooperation between the Social Security Administration and the Department of Treasury. Third, a backlog of unprocessed appeals was allowed to develop so that the average waiting time from filing an appeal to final decision is about 200 days. These administrative delays have effectively denied benefits to eligible individuals for substantial periods of time (40 to 50 percent of the initial denials of SSI applications are eventually reversed, Hearings on Delays in Social Security Appeals Before the Subcommittee on Social Security of the Committee on Ways and Means, 94th Cong., 1st Sess. at 32, Table 11).

Under BJIP, there are no safeguards to prevent these same problems from recurring. The Administration's bill fails to impose any time limits anywhere in the administrative process. In addition, HEW is given discretion to adopt unlimited tiers of administrative review as have developed in SSI. Although the bill does recognize the Constitutional right to prior notice and hearing before a termination or reduction of benefits it also provides that payments made pending review can be treated as overpayments if the appellant is unsuccessful. Such

overpayments can be recouped by reducing or cutting off the individual's Medicare or Social Security benefits. This creates a chilling effect on an individual's exercise of her right to prior notice and hearing.

A welfare reform plan that made sense would save on administrative overhead by simplification and reduction of its eligibility requirements, not by providing inadequate funds for doing the tasks required by the program. It would resolve through legislation conflicts between federal agencies responsible for carrying out the provisions of the program. It would provide for a simple and speedy appeals process. It would impose time limits on the processing of applications and appeals.

B. *Humane administration.*—Those institutions devised to protect persons from material deprivation must scrupulously avoid implementing programs in ways which damage or virtually destroy an individual's dignity and privacy.

BJIP violates this principle in several ways. It is important to the maintenance of one's dignity that he not be stripped bare of all resources in order to qualify for aid. It is also important that the individual and not a bureaucracy decide what resources should be retained. Under BJIP, it is presumed that the recipient has saved money during the five months prior to application. He is required to spend these savings before he can receive any benefits under the program. Any non-exempt resources he still retains, above \$500.00, are taxed at a rate of 15% of market value regardless of what is owed on them. A recipient with \$1,500.00 in a savings account will suffer a \$150.00 reduction in his BJIP benefits, about twice the maximum interest he can earn on his money. A home, and an automobile and household goods up to limits to be determined by HEW, are exempt resources. Thus, the decision has been made for the recipient that it is alright to own a car but not to own life insurance or savings bonds.

A provision of BJIP that strikes directly at the dignity and privacy of the elderly is the relative responsibility provision. An applicant must "cooperate" in obtaining support from relatives responsible under state laws. Experience has shown that many elderly persons will forego public assistance rather than be put in the humiliating position of having to beg from their adult children. Furthermore, such a requirement is contrary to the goal of strengthening family life. If the parent-adult child relationship is a close one it can be assumed the child is already doing all he can for the parent. If the relationship is distant, requiring a mother to sue her son for support will only exacerbate the existing problems.

It is not possible in this statement to cover all of the infringements on personal privacy and dignity that exist under the current welfare programs or that might be proposed as a part of welfare "reform." Rather, we suggest the following simple test for every person involved in the development of a welfare reform proposal: If I had to depend on this program for my survival, would I find its provisions acceptable?

5. *Provide nationwide uniformity*

One of the most criticized features of the current welfare system is the state-by-state adoption of benefit levels and eligibility conditions. This criticism is particularly applicable to the AFDC program but applies to the SSI program as well because of its state supplementation provisions. A system designed to meet the needs of the nation's poor should be nation-wide in scope and should not produce disparate treatment of persons who live just across a state border from one another. Although BJIP purports to meet this criterion, in operation it would invite repetition of the problems experienced with the current programs.

Currently, the states are allowed to administer the AFDC program under federal rules promulgated by HEW. It has become clear that HEW is either unwilling or unable to enforce its rules. It has contented itself with focusing on state "errors" that favor the poor and has ignored conduct that has resulted in the denial of benefits to eligible individuals.

BJIP would also allow for state administration of federal eligibility rules. Based on experience with AFDC there is good reason to doubt that these rules will remain uniform once they are in the hands of the states, especially since the states are given financial incentives to resolve all questions of eligibility against the applicant or recipient.

A key element in state variance occurs in the individual state's willingness to supplement the federal benefit. When states are left with discretion as to

supplementation, as under BJIP, current recipients cannot be assured that their benefits will not be reduced. Most importantly, great variance among states in providing benefits to meet people's needs will continue if states are not required to supplement federal benefits. Incentives, like federal aid in covering supplementation costs, appears necessary, but should be strengthened through requiring mandatory supplementation by the states. A better approach would be comprehensive, uniform federal coverage which would in effect remove the state supplementation requirement.

Finally, if a public assistance system is to prove itself fair and equitable, it must provide adequate resources to meet those emergency situations not contemplated at the time of legislative enactment. Unexpected extrinsic circumstances may often cause a recipient to be burdened with enormous jumps in food, clothing, shelter, utilities, and/or medical care costs. Under current law [42 USC §606(e)], eligibility for emergency aid is statutorily defined and is mandatory in participating states. *Townsend v. Swank*, 404 U.S. 282 (1971). BJIP's provisions do not specify who is eligible for emergency assistance; thus giving the states virtually total discretion to determine eligibility. This type of arbitrary selection has in the past been challenged as an unconstitutional violation of the Equal Protection Clause of the Fourteenth Amendment in that the states are serving one class of needy individuals and abandoning others who equally require emergency assistance. Vague provisions, as those embodied in BJIP, should be avoided by Congress' positive action in promulgating express statutory language as to who should be eligible for these funds, thus guaranteeing the result Congress intends and avoiding Constitutional challenges to eligibility requirements.

Only through providing for federal administration or tightened monitoring of state administration, requiring mandatory state supplementation, and promulgating statutory guidelines for emergency assistance eligibility will Congress avoid inequitable treatment among persons based solely on their geographic location.

HAMTRAMCK, MICH., October 5, 1977.

Mr. PHILIPS L. GOAR,
Attorney at Law,
Los Angeles, Calif.

DEAR MR. GOAR: I give you gladly a full permission to send copies of my letter to the members of Congress, who are currently considering making changes in Social Security and in Supplemental Security Income.

Sincerely Yours,

VELIMIR J. CUKAVAC.

NATIONAL SENIOR CITIZENS LAW CENTER

According to the decision of the Social Security Administration for October 11, 1974 it was recognized to me a payment of the Supplement to the regular Social Security benefits in amount \$170.-copy 1.

Meanwhile, by their decision for January 9, 1975 their supplementary payment was reduced on only \$53 with a motivation, that they have received an information saying that I have one other income and that—due to my changed income—the amount of my pay check must be also changed.—copy 2.

Against this second decision I complained at January 20, 1975 and I asked kindly that the same decision be sent to the Bureau of Hearing and Appeals—the Social Security Administration for rechecking and new decision. In the same time, in that my claim I mentioned my reasons.—copy 3.

Meanwhile, by their decision of May 15, 1975 this supplementary payment was reduced on only \$50.77 a motivation; that they have received an information saying that I have one other income and that—due to my changed income—the amount of my check must be also changed.—copy 4.

After the reduction to the amount of only \$50.77, I received decision for June 20, 1975 by which this addition has been reduced the amount of only \$41.20 because my Social Security benefits were increased to the amount of \$148.80.—copy 5.

Therefore I received decision for November 19, 1975 by which one this addition has been increased again to the amount \$53.20.—copy 6.

Thereafter I received decision for May 30, 1976 by which one this addition has been reduced again to the amount of only \$43 because my Social Security benefits were increased to the amount \$159,-copy 7.

Thereafter I received decision for June 20, 1976 by which and this addition has been increased to the amount of \$\$\$\$, *effective August 1976,- copy 8.*

Thereafter I received decision for July 9, 1976 by which one this addition has been again reduced to the amount of \$43 *effective August 1976,* because my Social Security benefits were increased to the amount of \$159,-copy 9.

Against this drastic decision I complained at July 30, 1976 and I asked kindly that the same decision be send to the Bureau of Hearings and Appeals—the Social Security Administration for rechecking and new decision. In the same time, in that my claim I mentioned by reasons.

And finally at the date AUGUST 29, 1976 I received decision for August 21, 1976 by which one this addition has been increased to the amount of \$53.10., *effective September 1976,-copy 10.*

I have checked several times all these decision, and—the end—I have been unable to see: What my rights are, and what are not.

I can not understand: Why the first reduction—from \$170 to only \$53—is accord so drastically because I receive Social Security benefits doubtless, when decided in Social Security office was known how much my Social Security benefits were in that time.

Also, I can understand neither this second drastic reduction—from \$182 to only \$43—and this in the span of time long only 10 days—from June 29, 1976 to July 9, 1976 because: I do not see the reasons, which possible to happen in one so brisk and drastic reduction.

Again the first drastic decision—from \$170 to only \$43—I presented my claim at January 20, 1975, registered under No. 194117 at Hamtramck U.S. Post Office, and believe it or not—till I did not received any decision,-copy 2.

Against the second drastic decision—from \$182 to \$43 I presented my claim at July 30, 1976, registered under No. 483950 at Hamtramck, U.S. Post office, and believe it or not—till today not received any decision,-copy 9.

As it clear visible out of the attached photo copy II) Newspaper Service Employee International Union, August 12, 1976 a current federal minimum of benefits is \$157 per month, for an individual; but besides with me several times was changed WHY?—FRANKLY—I do not know.

As I am not able to pay a lawyer—I ask you kindly to give me judicial opinion; What is the way, by which one I could resolve this problem, and —what is most important—what I have to do in order to obtain a transmission of my claim, by a Social Security Administration, to the Bureau of Hearing and Appeals, with the ultimate aim that all my case is properly rechecked, and—after that—the same brought to one justified resolution.

In the hereabove mentioned complaints, and in my request, I cited all necessary proves, and—that's all what I have.

Besides my Social Security Benefits and Supplemental benefits—in amount of only \$53—I don't have any other income.

Also, I send you herewith and other documents as the factual support of my actions, expressed in all my complaints and requests.

EXAMPLE OF 5-MONTH ACCOUNTABLE PERIOD

Alice, a 63 year old widow, had been working as a waitress for the last 30 years. In August, the cafe where she worked closed. She was not eligible for unemployment insurance. She has no minor children. From January through July she had gross earnings of \$400.00 a month, although her take-home was only about \$350.00. All of her income from January through June has been spent on her basic necessities of life. She applies for benefits in August. Her eligibility and payments are computed as follows:

Alice has received "excess" income of \$108.33 for the months January through July.

\$400.00	gross
÷2	50% reduction rate
200.00	countable income
-91.67	maximum payment
\$108.33	excess income

The excess income for each of the previous five months is carried forward and applied to the month for which benefits are being calculated. Section

2108(a). In the months of June, July and August, Alice is deemed to have \$541.65 excess income (\$108.33 multiplied by 5=541.65). In September, she has \$435.12 excess income (\$108.33 excess for April, May June, July) against which she sets off her zero income for August, Section 2108(a)(2), leaving excess income of \$343.45. And so it goes until January of the following year, *six months after her income ceased*, when she receives the maximum aid payment of \$91.67.

STATEMENT OF THE UTAH ISSUES INFORMATION PROGRAM,
WESTMINSTER COLLEGE, SALT LAKE CITY, UTAH

Testimony contained herein is based upon Utah's experience during the past five years regarding the effect of eliminating various work disincentives and incentives for family breakup, and basing assistance upon income rather than categorical factors which are unrelated to need.

INTRODUCTION

Will the extension of financial assistance to the working poor, reduction in work disincentives and incentives for family break-up lead to a great increase in costs? Will people respond to a reduction in work disincentives by working? What will the effect of the new jobs and work requirements thrust mean?

Since 1972, Utah has initiated a number of major reforms in these areas. I believe that the results of these reforms are vital to your deliberations.

A. Basing assistance on need, elimination of work disincentives and elimination of incentives for family break-up

1. *Extension of medical assistance to lower-income working families.*—In 1972 Utah extended medical assistance to lower-income working families in order to assist low-income working poor families and promote work among present welfare recipients. To trade a small increase in income for loss of medical assistance for their children simply did not make sense to many AFDC mothers. In fact, often work was penalized. While President Carter's proposal does not extend medical assistance to the working lower-income it would extend financial assistance to the same group, and thus hopefully reduce present work disincentives—people having to stop work to get assistance.

Result: An immediate decline in AFDC recipients. Since 1972 the % of population receiving AFDC has dropped by 25%, from 3.9% to 3.0% of the population. This reduction has occurred in spite of the fact that during the same period of time Utah moved from 25th to 15th among all states in average amount paid to recipients. (See attached chart and report entitled, "A Successful Revolution Against Welfare Dependency".)

2. *Unemployed fathers (AFDC-UF).*—Alone among all the states, Utah has eliminated the regulation whereby two-parent intact families receiving financial assistance are ineligible for assistance regardless of need if they work over 100 hours per month. This change took effect April 1, 1977. Intact families with an unemployed male head are now treated the same as single parent households. They can work full time and only a portion of their earnings affect the grant level through the "\$30+1/3" disregard.

Result: The number of two parent households totally dependent on financial assistance has dropped in 6 months from 860 to 630, a 26% reduction. The number of households receiving any assistance declined by 77 and 144 households are now working and receiving only a small supplement.

3. *Earned income disregard.*—Recently the "\$30+1/3" earned income disregard was extended to GA recipients.

Result: A reduction in the number of General Assistance recipients, about 12% over a 15 month period.

4. *Assistance based on need.*—Utah now provides financial assistance based on need with an earned income reduction to all categories, with the one exception of intact already working families, and has an above average grant level.

Result: The % of population receiving financial assistance is significantly less than in 1972 and way under the national average.

IMPLICATION FOR NATIONAL WELFARE REFORM

Like the general population, welfare recipients respond rationally to work incentives. They tend to work and become self-sufficient if financially rewarded. While there may be an initial increase in financial assistance expenditures under

the national welfare system as proposed by President Carter, in the long run this will lead to a reduction in dependency and expenditures, thus allowing federal and state increases in the grant level without any increase in inflation adjusted expenditures.

Selecting an optimal *income disregard formula (or benefit reduction rate)* is vital in order to assure a maximum work incentive. The "\$30+1/8" formula currently used for AFDC working mothers, as well as the 50% benefit reduction rate initially proposed in the Carter Plan, provide adequate incentive to work. However, reducing benefits by more than 50% would greatly reduce the incentive for persons to work, especially if only relatively low paying entry level jobs are available. Great care needs to be taken when considering the level at which benefits will be reduced by earned income.

B. Jobs and work requirements

Utah was the first state to systematically inaugurate a work requirement as a condition for receiving assistance. Able bodied heads of households receiving assistance are required to work 3 days a week for a public or non-profit agency with the exception of female heads of household with children under 6 years of age, those receiving full time training or working full time, persons over 60 years old, the disabled or temporarily incapacitated, and those engaged in an intensive job search. Of 13,000 AFDC and GA cases in Utah, 900 are presently assigned to a work project. The response to date has been mixed. The concept of work projects has been fairly well accepted by most clients and some persons have been hired by the agencies they worked for. Probably the most positive aspect is that clients maintain essential work habits.

Implementation of President Carter's proposed Jobs Program, with some modification, could meet the main problems:

1. Participants, who do not receive a salary for working, are not employed. This affects not only the attitude of participants, but affects future gainful employment in the private sector since they are not able to consider the work project as prior employment on a job application.

2. Since the work projects are not part of any integrated manpower system, the work sites are sometimes inappropriate and GA's are not offered any intense job services.

The Utah experience indicates that the basic direction of the Jobs component is appropriate, and could be of tremendous benefit if institutional training and other job services as well as public service jobs are emphasized, if the public services jobs aspect is part of an overall manpower system, and if client needs are appropriately matched with jobs.

Regarding the minimum wage arguments, Utah's experience is that high paying public service jobs as allowed under the present CETA program has had two results:

1. The jobs tend to go to non-disadvantaged persons.

2. The disadvantaged persons who are hired are often stuck in either dead end positions or remain in the public service job area because they can't achieve comparable wages in the private sector.

The most successful CETA jobs have most often been those which paid moderate wages yet offered valuable training and experience which qualified the client for higher paying jobs in the private and non-subsidized public sectors. Thus our experience would support the minimum wage concept *if additional financial assistance is available* (based upon income-need) and the job itself enhances clients' qualifications for good paying jobs available in the private sector or non-subsidized public sector.

It is important to note the CETA program could conceivably have a tremendous impact upon the current welfare population prior to national reform if priority is given to placing AFDC clients in CETA slots. The current CETA program has failed to do this mainly because these job slots have been primarily used to subsidize local government operations and little emphasis has been given to hiring welfare recipients and disadvantaged. By mandating 50% of all CETA slots go to public assistance recipients, total dependency would be substantially reduced over the long run. Such action by Congress in the immediate future would get the ball rolling and greatly enhance the success of any progressive welfare reform package initiated down the road.

EMPLOYMENT AND WORK PROJECTS

We urge that all public service job programs give priority to welfare recipients. A requirement that 50% of all enrollees be either welfare recipients

or unemployed for 15 weeks or longer should be implemented. In the absence of criteria, public service job programs have not offered an opportunity to welfare recipients. In Utah only 4% of those hired have been recipients of AFDC. Utah was the first state to inaugurate work as a requirement for assistance. While we feel that states should be given the latitude of requiring public service work as a condition for receiving assistance, public service work or work projects are subject to serious abuse, and carefully defined limitations need to be incorporated into the law. Though time does not permit in this presentation, we would be happy to furnish you and the committee with the results of Utah's effort and the constraints that need to be incorporated into any legislation.

UTAH WELFARE TRENDS 1970-77—AFDC AID TO FAMILIES WITH DEPENDENT CHILDREN

(1) Fiscal year	(2) Average number of persons on AFDC	Percent reduction persons	(3) State population	Percent, AFDC of population	(4) Inflation adjusted grant expenditures (thousands)	Inflation adjusted per capita expenditures
One to 71.....	39,414		1,065,000	3.7	\$20,962	\$19.66
71 to 72.....	43,294		1,095,000	4.0	24,736	22.59
72 to 73.....	43,718	(1)	1,128,000	3.9	26,729	23.70
73 to 74.....	35,294	19.3	1,150,000	3.1	23,156	20.13
74 to 75.....	34,124	21.9	1,179,000	2.9	22,453	19.04
75 to 76.....	36,264	17.1	1,207,000	3.0	25,412	21.05
76 to 77.....	35,801	18.1	1,235,000	2.9	24,756	20.04

1 Base year.

NOTE.—July 1 to June 30 except in 1976-77 when January was used. Bureau of Statistical Services, State Department of Social Services. Population estimates for July 1 of each fiscal year by Bureau of Economic and Business Research. Net State fiscal expenditures for AFDC payments adjusted for inflation in accordance with the Consumer Price Index for January of each fiscal year. January 1971 was used as the base period.

SERVICES TO SIGNIFICANT SEGMENTS—FISCAL YEAR 1976 VERSUS FISCAL YEAR 1977

Number	Title I 1		Title II 1		Title VI 1		Title III— Summer Youth	
	Fiscal year 1976	Fiscal year 1977	Fiscal year 1976	Fiscal year 1977	Fiscal year 1976	Fiscal year 1977	1975	1976
Total.....	8,590	6,207	2,287	1,404	2,355	1,1031	4,214	4,012
White.....	7,632	5,381	2,095	1,305	2,186	966	3,541	3,072
Black.....	272	242	92	42	77	29	318	249
Oriental or Asian.....	242	244	31	20	56	9	17	44
American Indian.....	381	283	51	30	30	22	293	238
Other.....	63	57	18	7	6	5	45	409
INA.....								
Spanish American.....	1,073	892	260	128	188	83	900	900
Male.....	5,130	3,615	1,533	980	1,829	747	2,325	2,265
Female.....	3,460	2,592	754	424	527	284	1,889	1,747
Veterans—total.....	NR	762	NR	286	NR	229	NR	NR
Recently separated.....	246	205	95	63	113	56		5
Special.....	491	378	210	152	259	100		
Other.....	376	NR	178	NR	229	NR	2	
Handicapped.....	151	106	59	45	50	27		1
Age.....								
Under 22 yr.....	4,858	3,456	628	284	653	158	4,214	4,005
22 to 44 Yr.....	3,313	2,431	1,307	836	1,367	642		7
45 and over.....	419	320	352	284	335	231		0
Education.....								
8 and under.....	775	549	152	76	115	72	899	903
9 to 11.....	3,975	2,939	518	270	517	181	2,815	2,721
12th.....	2,716	1,875	788	527	894	397	422	328
Over 12.....	1,124	844	829	531	829	381	58	60
AFDC.....	550	554	108	37	53	50	615	891
Public assistance, other.....	308	244	116	48	79	41	198	256
Economically disadvantaged.....	7,415	5,464	1,224	831	1,174	645	4,146	4,012

NR—Not reported.

1 Title VI grant year began Jan. 1, 1977, unlike Titles I and II, which began Oct. 1, 1976.

NASSAU COUNTY LAW SERVICES COMMITTEE, INC.,
 SENIOR CITIZENS PROJECT,
 Hempstead, N.Y., April 17, 1978.

MICHAEL STERN, Esq.,
 Staff Director, Committee on Finance, Dirksen Senate Office Building,
 Washington, D.C.

Re: Welfare Reform Written Statement.

DEAR MR. STERN: Our office represents indigent senior citizens. It is funded under Title III of the Older Americans Act.

In a previous letter sent to Secretary Califano, the deleterious effect that the in-kind income concept has on SSI recipients was illustrated. (Please find enclosed a copy of that letter detailing this effect).

In perusing the Administration's proposed welfare reform plan, it should be noted that the same in-kind concept continues.

The HEW News explanation of the new program at p. 36 explains:

"All aged, blind, and disabled persons will be allowed (as in current policy) to apply separately for benefits, whether living alone or in someone else's household. Their benefits would be reduced, as in SSI, if they live in the household of another and do not bear a pro rata share of the household's expenses."

Please note that if:

(a) Two unrelated non SSI recipients, or

(b) Two nuclear families live together under the new welfare plan, there apparently is no penalty for living together other than an \$800.00 household benefit to one "family." HEW News page 36.

It is unclear as to the rationality of singling out and penalizing families who care for their aged parents? As explained in the enclosed letter to Secretary Califano, this policy penalizes the caring family and encourages the institutionalization of the elderly.

Please note that at page 37 the Administration plans, as an alternative to institutionalization of children, to allow a child living with non-legally responsible relatives to file separately and hence not deem the income of the relative available to the child.

Why are the parents living with their *non-legally responsible* children not viewed in the same manner? Just as the non-legally responsible relative is not penalized for caring for the related child, so too should the non-legally responsible child not be penalized for caring for the parent.

If my understanding of the proposed welfare plan's effect on SSI recipients is incorrect, please clarify.

Very truly yours,

CHARLES ROBERT,
 Attorney in Charge.

[Enclosures.]

SENIOR CITIZENS PROJECT,
 Hempstead, N.Y., February 22, 1977.

HON. JOSEPH CALIFANO,
 Secretary of Health, Education, and Welfare,
 Washington, D.C.

DEAR SIR: Our office represents senior citizens who are Supplemental Security Income recipients. It is funded under Title III of the Older Americans Act of 1965 as amended. One of the purposes of the Older Americans Act is to assist State and local agencies to concentrate resources in order to develop greater capacity and foster the development of comprehensive and coordinated service systems to serve older persons by entering into new cooperative arrangements to:

1. Secure and maintain maximum independence and dignity in a home environment for older persons capable of self-care with appropriate supportive services; and

2. Remove individual and social barriers to economic and personal independence for older persons. [42USC§3021].

Many SSI recipients live in homes with other family members. It would seem that government policy should encourage this living arrangement. However, recent enforcement of complicated SSI regulations has had the opposite effect. The SSI program offers a disincentive to the SSI recipient to remain in his/her own home and with family members.

The Social Security Administration is now strictly enforcing provisions that provide for the reduction of an SSI grant for a concept called "in-kind income". [20CF416.1136]. These are non-cash contributions in the form of

theoretical subsidized rent, utilities and food. In theory and in assumedly good faith the in-kind income concept was intended to equalize SSI recipients grants. The equalizing factor was the minimal amount of money that would be needed to support the recipient.

This letter is not a challenge to the regulations, despite the obvious effect of giving the non-recipient family the unenviable choice of evicting the SSI recipient or reducing its standard of living to the SSI level of subsistence. That will be done in the proper forum. However, the practice of not fully informing the non-recipient of the exact basis for determining an SSI grant has been causing distress to our clients, who are subject to criminal liability by SSA without a full understanding of the documents they voluntarily sign.

Of course, it is proper to request an expense accounting, if it is necessary to administer the regulations. However, the signer must be informed of the purpose of the document. Our clients are being threatened with criminal liability because they have mistakenly guesstimated their monthly food allowance at a twenty minute group conference at a noisy SSA office. Some clients may naively believe that, in this inflationary period the SSI grants will *increase* if their expenses are high. Given that monthly expenses can vary greatly, quite naturally the guesstimate is often to the higher side. To the client's dismay, he later discovers there is the opposite effect.

Upon discussing this matter with local SSA managers, two explanations were given for the present policy.

1. SSA clients will not understand a complete explanation of the basis for determining an SSI grant, and therefore any further explanation would only confuse the clients.

2. SSA does not want to give clients "motivational direction" which would encourage them to give lower estimates as to expenses.

Both arguments would seem to need further clarification. Is it really the SSA's policy not to fully inform clients because they may not understand the complex regulation?

The second argument is more disturbing. The local SSA is aware that an item such as food expenses per month may vary greatly. They also know that the client already has assumed a "motivational direction", i.e. the assumption that SSA is going to help the household with rising expenses by increasing the SSI grant. Hence, although the SSA knows that clients misunderstand the present SSA policy, SSA still induces the non-recipient to sign these statements under penalty of law.

The conference was held in a crowded and noisy room. Her spur-of-the-moment monthly expense came to \$625, which included a food guesstimate of \$230/mo. She signed this statement under penalty of law.

Weeks later, Mrs. B received an SSI reduction notice. SSA's position was that, since the household expenses were \$625, and Mrs. C's share was \$312, the difference between her share and her SSI grant of \$195 was considered in-kind income and hence the reduction of the SSI grant to \$45. (Social Security of \$100 would remain constant).

Mrs. B appealed the reduction notice. At a subsequent hearing, Mrs. B's sister submitted a new expense account. This time, the expenses were more accurately stated. She signed this statement under penalty of law. At the hearing, the SSA representative pointed out that the two sworn statements conflicted and that a crime may have been committed. The SSA representative used one sister's statement against the other. The hearing representative not only discussed the prospective reduction, but also advised that an overpayment had been made to the recipient previously and might have to be repaid.

The sister now has to choose whether to sell the house, not pay the mortgage and allow it to be foreclosed, or evict her sister. The ludicrousness of the entire case is more glaring since the reduced SS and SSI grant of \$145 is less than the welfare grant for one person of \$263. But an SSI recipient is not allowed to receive welfare. Furthermore, if the house were sold and she moved into an apartment, Mrs. B's SSI grant would then be increased.

3. Mrs. C lives in a separate apartment in her daughter's house. She pays her daughter \$150/mo. rent. Mrs. C is 67 years old and suffers from advanced diabetes, osteoarthritis, chronic bronchitis and a recent fracture of the wrist. Her daughter, who lives downstairs, helps her mother daily.

SSA asked the daughter to speculate as to the rental value of the apartment. Her daughter guessed it may be worth \$200 per month. Mrs. C's SSI grant is being reduced, since the difference between the actual and market value is con-

sidered by SSA as in-kind income. The fact is that the daughter, in determining the rental amount to charge her mother, included in her decision the variable of her proximity to her ailing mother. This factor was totally disregarded by SSA.

4. Mrs. D is eighty years old and an SSI recipient. A compassionate bank allows her to rent an apartment for an amount below the market level. Without the low rent, she would be institutionalized. SSA is reducing her SSI because of the in-kind income from the bank.

5. Mrs. E is eighty-four and lives alone. She has not left her house in over a year. Friendly neighbors do her shopping for her. One neighbor has agreed to pay the high heating bills in her old house.

SSA is now reducing her SSI because the payment of fuel is considered in-kind income. If the neighbor did not pay the large fuel bill, the local welfare department would pay it on an emergency basis. If the state paid the money, the SSI grant would not be reduced. Thus, although the neighbor is saving the state money, the SSI grant will be reduced. The SSI reduction will cause her to leave her house and be institutionalized.

6. Mrs. F is a 70 year old SSI recipient who need a nurse's aide part of the day, since she is incontinent and has various medical problems. She lives alone. The nurse's aide uses her telephone when she takes care of Mrs. F. Mrs. F's son buys milk and bread for Mrs. F once or twice a month, the cost of which amounts to \$10/mo. The nurse's aide repays Mrs. F for the use of the phone.

SSA is reducing Mrs. F's SSI grant as both the repayment for the phone bill and the purchase of groceries are considered in-kind income.

Ironically, if Mrs. F had dined at the local "Nutrition Program for Seniors" funded under the Older Americans Act, she could receive a hot meal every day without a grant reduction. However, because her son, rather than the federal treasury, nutritionally supplements her diet, her grant is reduced.

Not only are these policies destructive of the independence of the elderly citizen and a disincentive to family aide, but they have the effect of costing the government more money. Exhibit A attached is a chart indicating the SSI grants for a person in different living situations. Please note that the more removed from the family setting, the higher the grant. Thus as family members begin evicting SSI recipients and forcing them into institutions, the costs to the SSA will increase dramatically, notwithstanding the increase in medicaid costs.

The SSA regulations as implemented would seem to be in conflict with many of the provisions of the Older Americans Act; 42 USC 3001 et. seq., and Executive Order No. 11022. Specifically, §3001; Congressional declaration of objectives.

The Congress hereby finds and declares that, in keeping with the traditional American concept of the inherent dignity of the individual in our democratic society, the older people of our Nation are entitled to, and it is the joint and several duty and responsibility of the governments of the United States and of the several States and their political subdivisions to assist our older people to secure equal opportunity to the full and free enjoyment of the following objectives:

(1) An adequate income in retirement in accordance with the American standard of living.

(2) *The best possible physical and mental health which science can make available and without regard to economic status.*

(6) Retirement in health, honor, dignity—after years of contribution to the economy.

(9) *Immediate benefit from proven research knowledge which can sustain and improve health and happiness.*

(10) *Freedom, independence, and the free exercise of individual initiative in planning and managing their own lives.*

To further these goals Executive Order No. 11022 established a Counsel or Agency which among other things shall act Sec. 2(a)

(b) *Identify matters which require coordinated action by two or more Federal agencies and make appropriate arrangements for joint or coordinated action, including, as appropriate, conferences, joint studies, and the development of recommendations to the President.*

The Commissioner of Aging has the specific functions of providing for the Coordination of Federal programs and activities, 42 USC 3012.

The Secretary of HEW also has the specific duty of evaluating the impact of all programs authorized by this chapter, their effectiveness in achieving stated goals in general, and in relation to their cost, their impact on related programs, and their structure and mechanisms for delivery of services, 42 USC 3017.

Our agency's position is that the SSI regulations must be reevaluated in light of the Older American's Act. The present regulations do not encourage families to keep their elderly and disabled in their homes. In fact, the regulations create a *disincentive* to the families. This policy not only encourages the destruction of the family, it also costs the government more money. It simply does not make sense.

Thank you for your prompt attention to this matter.

Very truly yours,

CHARLES ROBERT,
Attorney in Charge.

NASSAU COUNTY LAW SERVICES COMMITTEE, INC.,
SENIOR CITIZENS PROJECT,
Hempstead, N.Y., February 22, 1977.

Hon. JOSEPH CALIFANO,
Secretary of Health, Education, and Welfare,
Washington, D.C.

DEAR SIR: Our office represents senior citizens who are Supplemental Security Income recipients. Our office is funded under Title III of the Older Americans Act of 1965 as amended.

We are receiving a significant number of complaints regarding the implementation of in-kind income regulations of Supplemental Security Income recipients who share a household with non-recipient relatives. Specifically, United States citizens believe their government is misleading them into possible criminal jeopardy. The allegations revolve around the following alleged Social Security Administration practices:

1. The non-recipient is asked to attend a conference at the local SSA.
2. About 20 non-recipients are called into a room and told to fill out an expense statement.
3. They are not told for what purpose the form is to be used or about its effect on the SSI recipient.
4. They are told to estimate the monthly expenses of the household.
5. They sign these statements *under penalty of law*.
6. These expense statements are used for redetermination of the SSI recipient's grant.
7. If the recipient's pro-rata share of the total is more than the SSI income, a reduction notice is sent.
8. At reconsideration the relative's statement may be used adversely against the recipient.
9. Upon realizing the impact of the expense statement, the non-recipient may make a more careful accounting. If a lower expense figure is found, the relative swears to a new statement under penalty of law. Thus the relative has now signed two conflicting statements under penalty of law.

This letter is not a challenge to the regulations, despite the obvious effect of giving the non-recipient family the unenviable choice of evicting the SSI recipient or reducing its standard of living to the SSI level of subsistence. That will be done in the proper forum. However, the practice of not fully informing the non-recipient of the exact basis for determining an SSI grant has been causing distress to our clients, who are subject to criminal liability by SSA without a full understanding of the documents they voluntarily sign.

Of course, it is proper to request an expense accounting, if it is necessary to administer the regulations. However, the signer must be informed of the purpose of the document. Our clients are being threatened with criminal liability because they have mistakenly guesstimated their monthly food allowance at a twenty minute group conference at a noisy SSA office. Some clients may naively believe that, in this inflationary period the SSI grants will *increase* if their expenses are high. Given that monthly expenses can vary greatly, quite naturally the guesstimate is often to the higher side. To the client's dismay, he later discovers there is the opposite effect.

Upon discussing this matter with local SSA managers, two explanations were given for the present policy.

1. SSA clients will not understand a complete explanation of the basis for determining an SSI grant, and therefore any further explanation would only confuse the clients.

2. SSA does not want to give clients "motivational direction" which would encourage them to give lower estimates as to expenses.

Both arguments would seem to need further clarification. Is it really the SSA's policy not to fully inform clients because they may not understand the complex regulations?

The second argument is more disturbing. The local SSA is aware that an item such as food expenses per month may vary greatly. They also know that the client already has assumed a "motivational direction," i.e. the assumption that SSA is going to help the household with rising expenses by increasing the SSI grant. Hence, although the SSA knows that clients misunderstand the present SSA policy, SSA still induces the non-recipient to sign these statements under penalty of law.

If SSA needs to know the non-recipient's monthly expenses, the client should be informed as to the exact purpose and effect. To trick a United States citizen into a statement and then to use it against a relative is demeaning and destructive. Surely, other administrative tactics can be used.

Please advise. Thank you for your prompt attention to this matter.

Very truly yours,

CHARLES ROBERT,
Attorney in Charge.

STATEMENT OF LEONARD M. GREENE, PRESIDENT, THE INSTITUTE FOR SOCIOECONOMIC STUDIES, WHITE PLAINS, N.Y.

Senator Moynihan and Subcommittee Members: I welcome this opportunity to express my views on welfare reform, as President of The Institute for Socioeconomic Studies. Last October when I submitted testimony to the Corman subcommittee there was a spirit of optimism. It seemed that comprehensive reform of our welfare system had a reasonable chance in Congress. At this point in time the scenario appears much less hopeful. I read that comprehensive reform is doomed and the only chance is for piecemeal incremental changes. I sincerely hope that this is not true and urge you to give serious thought to comprehensive reform—the only welfare reform that is really meaningful.

Since the 1930's when our welfare system began, we have made many incremental changes. While some have clearly had positive effects, the net result has been an incomprehensible, unmanageable array of programs and a bureaucratic morass. The overlapping of these many programs and the gaps between them have created incentives that are not in our best social interests. Family breakup patterns and the decline in the work ethic can be largely attributed to the welfare system.

The Institute for Socioeconomic Studies has just published *An Inventory of Federal Income Transfer Program, Fiscal Year 1977*, which identifies 182 programs at a Federal cost of nearly \$250 billion in Fiscal year 1977. (A copy is enclosed for the record.¹) Viewed in this context, President Carter's proposal to consolidate programs with a total \$28 billion price tag is not as comprehensive as some claim. Nevertheless, it does aim toward consolidation and standardizing regulations which are steps in the right direction.

While no solution to a problem as complex as welfare can be simple, it is essential that we examine the welfare problem carefully, integrate it with our tax system and devise a solution that is rational, comprehensible and equitable. This cannot be done through incremental reform. Nor can the work incentive marginal tax rate problem be resolved with many programs being operated by different jurisdictions with different rules. Instead of expanding existing programs, the time has come to consolidate, to cash out and to examine closely the incentives inherent in the resulting welfare system.

In following the debate on the Program for Better Jobs and Income (PBJI), I detect a lack of understanding of the relationship between work incentives and income support for those "less needy." It is not possible to create a program

¹ The book referred to was made a part of the committee file.

that aids only the most needy, that provides a grant close a subsistence level and that also provides strong work incentives. Work incentives are created by reducing the marginal tax rate which automatically increases the breakeven grants

level (breakeven = $\frac{\text{grants}}{\text{tax rate}}$) or by increasing the income disregard which in-

creases the breakeven point by the amount of the disregard. In other words, the price of providing work incentives is an increase in the breakeven point or the provision of aid to those "less needy."

Congress has appeared to be much more sensitive to breakeven points than it is to the work incentive issue. In the long run this is myopic. The key to lower welfare costs is to get people back to work and to end dependency. They will not work if employment does not improve their economic position. If the basic grant is at a reasonable level, work incentives imply giving support to those in the lower-middle income bracket. This is not as undesirable as it may appear at first glance. The amount of support decreases as income rises so the amount of aid per family is relatively small at the higher income levels. A family of four with no other income may get \$2,300 in income support. If this family earns \$8,000, the income support is reduced to \$200 per year.

The Corman subcommittee altered the Earned Income Tax Credit to lower the breakeven point, thus reducing work incentives in the low to middle income category. The recently proposed Baker-Bellmon bill imposes a marginal tax rate of 100 percent on earnings over \$10,760 for a family of four. While proposals like this can save some money initially, in the long run they reduce the incentive to work, foster dependency and increase costs.

A major obstacle to comprehensive reform is its price tag. It is frequently higher than those of incremental programs. This is illusory, however. Over time, comprehensive reform will strengthen work incentives and decrease dependency. In order to bring the cost of comprehensive reform to an acceptable level, we should focus on the existing programs that could be eliminated if comprehensive reform were enacted. With the Federal government currently spending \$250 billion on 182 income transfer programs, there is much room for elimination of programs.

Lest comprehensive reform be identified with big spending, it is important to note that this approach has long had conservative as well as liberal support. The Conservative party in Britain has proposed a plan for comprehensive reform built around tax credits. In the United States, this approach was originally propounded by Milton Friedman and has been supported by conservatives such as former HEW Secretary Caspar W. Weinberger. Clearly there is a great spectrum within the classifications of both comprehensive and incremental reform. It is incorrect to assume that incremental reform must be cheaper.

Changes proposed in the Carter PBJI in the past year do not bode well for work incentives. The Corman subcommittee altered the earned income tax credit making low income workers less well off relative to non-workers than President Carter originally proposed. A family of four earning \$9,000 would receive \$650 under PBJI and only \$216 under the Corman version. The House subcommittee also raised the permissible marginal tax rate resulting from state supplementation from 52 percent to 70 percent for those in the expected to work category. How can the poor be expected to seek work when they are subject to tax rates greater than those we impose on our wealthiest citizens?

Under proposals made by Representative Ullman and Senators Baker and Bellmon a notch is introduced. These plans call for total recoupment of benefits if family income is over a specified level. While solving the problem of high break even points, these proposals impose a marginal tax of 100 percent on low income workers. Such a system can only serve to perpetuate the dependent class. Mandatory work requirements are not sufficient to counteract such strong work disincentives. Historically they have not worked. If we aim to end dependency we must create a structure that provides strong incentives for people to work.

One area of concern is the issue of private versus public sector jobs. This holds the key to the ultimate cost of the program. Under PBJI for every person who gets a private job the cost to the program in wages is zero. For each public job created the cost in wages and administrative expenses is about \$7,000. It is clearly very important to place people in private rather than public sector jobs whenever possible.

The Carter plan outlined in May 1977 contained an incentive to seek private employment. Those employed in the private sector were provided a \$3,800 income disregard (for a family of four) with a marginal tax rate of 50 percent on income over that amount. Those in public sector jobs were provided an income disregard of only \$1,900. Thus, built into the program was a \$950 incentive (for a family of four) to seek a private job.

When a revised plan was submitted in August, 1977, public and private sector workers were given the same income disregard. A new incentive was provided through the earned income tax credit which would only be available to private sector workers. At the minimum wage, this would amount to \$476 for a family of four. Thus, the financial incentive to seek a private job rather than one of the newly created public jobs was cut in half.

An additional problem is the type of public jobs to be created. Great pressure has been exerted to make public jobs "meaningful" and wages "decent." The public jobs now described are more desirable and higher in status than jobs in the private sector at the minimum wage. Will someone want a job as a janitor or dishwasher when he can be a playground attendant or teacher's assistant at only \$476 less per year?

I realize the program specifies that a public job will only be offered if a private job is not available. Past experience indicates that such regulations are often of less importance than implicit incentives. If people prefer the public jobs, they will find ways to avoid taking the private jobs.

A corollary to this pertains to the availability of jobs in the private sector. Some say private jobs are not available. In actuality, employers can point out that entry level jobs are no longer listed because they are impossible to fill. People simply do not want jobs that pay less than they can collect in welfare payments, food stamps, Medicaid and unemployment compensation.

The availability of private sector jobs is related to the productivity of the workers taking such jobs. Willingness to work, affected by financial incentives can affect productivity. If there is strong financial incentive, former welfare recipients will want these jobs and presumably will perform better than if they feel coerced into such jobs. Malingering and lack of productivity resulting from coercion can not be expected to generate additional jobs.

The American public has not indicated willingness to write a blank check for welfare reform. Congress must pay serious attention to cost. One way to keep costs within reason is to provide a stronger incentive to seek private employment. If this is not done, not only will there be no additional private jobs created, but existing private jobs will disappear as workers gravitate to the more attractive public jobs. The impact on the cost of the program is enormous. It has been estimated that each additional one percent of unemployment could add over \$1 billion to program costs.

If welfare reform is to be meaningful, there must be an effort to eliminate the work disincentives that have persisted for the last three decades. There must be a restoration of the work ethic and an end to dependency which can only be fostered by making the financial benefits of work greater than the benefits of welfare. A cohesive program should be evolved that coordinates with the tax system and eradicates existing notches. The piecemeal, incremental approach has not worked in the past and is unlikely to work in the future.

EARNED INCOME TAX CREDIT PROPOSALS—FAMILY OF 4

Income	PBJI H.R. 9030	Corman Committee H.R. 10950	Raker S. 2777	Ullman H.R. 10711
\$4,000	\$400	\$480	\$600	\$800
\$5,000	450	456	750	1,000
\$6,000	500	396	900	1,000
\$7,000	550	336	767	1,000
\$8,000	600	276	587	833
\$9,000	650	216	387	800
\$10,000	565	156	167	666
\$11,000	465	96	0	533
\$12,000	365	36	0	400
\$13,000	265	0	0	266
\$14,000	165	0	0	133
\$15,000	65	0	0	0
\$16,000	0	0	0	0
Breakover point	15,650	12,600	10,835	15,000

COUNCIL OF PLANNING AFFILIATES,
Seattle, Wash., May 22, 1978.

Mr. MICHAEL STERN,
*Chief Counsel and Staff Director,
 Senate Finance Committee,
 U.S. Senate, Washington, D.C.*

DEAR MR. STERN: Enclosed is a letter which the Council of Planning Affiliates wrote to Representative Corman indicating several areas of concern with President Carter's Welfare Reform proposal (H.R. 9030).

These comments resulted from a public forum held in November 1977, by the Council of Planning Affiliates. The Council of Planning Affiliates is a voluntary organization representing over 100 human caring agencies in King County, Washington. Its purpose is to study and provide input into important social welfare issues, and to both inform and be informed by the community.

Inasmuch as very little has been done on H.R. 9030, we expect that the concerns expressed in the enclosed letter are still germane.

I hope the committee will find these comments useful.

Sincerely,

MARGARET CEIS, *President.*

NOVEMBER 22, 1977.

Hon. JAMES C. CORMAN,
*Chairman, Subcommittee on Welfare Reform,
 Committee on Ways and Means,
 1102 Longworth House Office Building,
 Washington, D.C.*

(Attention: Mr. John M. Martin, Jr., Chief Counsel).

DEAR REPRESENTATIVE CORMAN: The purpose of this letter is to provide your committee with information concerning President Carter's Welfare Reform Proposal (H.R. 9030). The comments contained herein were gathered at a recent forum in Seattle sponsored by the Council of Planning Affiliates of United Way of King County. The forum was attended by approximately 250 people and presentations were made by representatives from the U.S. Department of Health, Education, and Welfare (Region X), Washington State House of Representatives, Washington State Department of Social and Health Services, The Seattle Urban League, Washington State Council (AFL-CIO) and King/Snohomish County Manpower Consortium (local CETA Prime Sponsor). While the perspectives of the presentors varied considerably, there was, nonetheless, agreement on several areas of concern which the Subcommittee ought to keep in mind as it guides the welfare reform proposal through the legislative process.

Two points should be made before I relate those concerns to you. First, it is important to note that most of the problems expressed at the forum and discussed herein were shared by both the professionals presenting the forum as well as those attending the forum, many of whom would be recipients under H.R. 9030. Second, the forum attendees seemed to endorse the stated goals of President Carter's proposal. Specifically, they agreed that expanding employment opportunities and consolidating cash assistance programs were desirable aims. However, they wondered whether such goals could be attained under the current proposal, and, if attained, at what price.

The most obvious issue raised during the forum concerned the proposed benefit levels. Participants felt that the amounts proposed were inadequate. People expressed shock that recipients would be expected to live on less than \$90 per month, approximately 65 percent of the poverty level. That point was best made by one participant who pointed out that clients in 38 states would be no better off (and in some states worse off) under the proposed program than under the current program. Of course, this ignores the possibility that the person may become gainfully employed and thereby augment his income. While the participants were supportive of the incentives to employment, it was the jobs section of the Carter proposal which raised the most concern.

A major concern with the jobs section of the proposal was the availability of 1.4 million public service jobs. The proposed bases this objective on some fairly tenuous assumptions. It assumes, for example, that current holders of jobs can be moved onto private payrolls—a shaky assumption with unemployment currently at 7 percent. The proposal further assumes that it would be possible to

create 100 percent more Public Service jobs than currently exist. The representative from the local CETA prime sponsor seriously questioned this possibility.

But when/if 1.4 million Public Service jobs are found, several other problems still exist. There was great concern, for example, about the creation of parallel job structures, with workers in the public sector being paid less than comparable workers in the private sector. It was felt that, in an attempt to provide an incentive for workers to move from public to private employment, the proposal actually penalized people for the private sector's inability to provide jobs. The point was made that the mere enactment of H.R. 9030 would not be sufficient to induce the private sector to develop thousands of entry level jobs. But even though it is almost certain that the private sector cannot provide significant numbers of additional jobs, people in Public Service jobs would get lower wages, no benefits and no Earned Income Tax Credits in order to "encourage them into private sector jobs."

Another concern with the jobs portion was mentioned. One participant suggested that the provision of a job for only the "primary wage earner" was probably discriminatory toward women since, in most cases, women in two parent families would be considered "secondary wage earners" and, therefore, not able to get work, even if they wished to do so. In general it was the feeling of participants in the welfare reform forum that a job ought to be available for anyone who wished to work and that such a job should include the opportunity for permanence and advancement.

There were several other problems mentioned that could best be characterized as administrative problems. One example is related to the proposed Retrospective Accountable Period. It was felt that a person (or family) who had no money ought to receive assistance whether or not that person had had money in the past 6 months. Of course, the forum participants were aware that the proposed accounting system would save money, but it would also mean that a person with previous earnings of \$10,000 would be required to wait one month before he/she would be eligible for benefits. In short, the applicant would be required to live for one month without any income at all.

Another "administrative problem" which received attention had to do with the maintenance of effort provisions in the proposal. It was felt that unless the states are required to supplement at the current level, they will not do so. At the end of the proposed 3-year phase-out period, the entire burden would rest with the federal government. Indeed, if one of the goals of the proposal is to save the states money, then the difference will have to be made-up by the federal government, in which case there is no real savings to the taxpayer. The only alternative would be to reduce benefits to clients.

The final administrative concern, and one which all participants identified, was the claim that the new proposal would be simpler than the current welfare system. Forum participants cited the horrendous administrative complications involved in the current Supplementary Security Income Program (SSI), and suggested that those problems would be exacerbated under the proposed "Better Jobs and Income" program. According to section 934 of H.R. 9030, the Secretary of the Department of Labor must notify the Secretary of HEW when any of the following occur:

1. the worker is determined incapacitated;
2. the worker refuses a job offer;
3. a job cannot be found for the applicant;
4. the applicant has applied for job search assistance;
5. the applicant is canceling job search assistance;
6. the applicant has been placed.

After HEW receives such notification it must evaluate the case and make appropriate changes in the client's benefit amount. It was of concern to the forum participants that there is a likelihood of considerable delay in this process. Further, it was felt that if such a delay occurred, there was no provision to assist the beneficiary during the hiatus.

The foregoing constitutes the reaction to H.R. 9030 (Better Jobs and Income). The Council of Planning Affiliates and the forum participants believe that the points raised herein are sufficiently important to justify considerable change in H.R. 9030. The Council of Planning Affiliates is eager to review the bill which is ultimately marked-up and wishes to present comments as appropriate.

Sincerely,

MARGARET CEIS.

STATEMENT OF ROSE KAVANAUGH, SOCIAL CASE-WORKER

A specific concern of the new Welfare Proposal is H.R. 9030, (with no state supplement.)

Combining AFDC, SSI and Food Stamps, appears a positive move; however, if a state chooses not to make the supplements, many families will be in serious difficulty.

Also, under Retrospective Accounting, six months (6) is too long a period for recertification or investigation to update their expenses and income. Most people in financial difficulties have too many and severe problems to span a six month (6) period without a possible supplement.

STATE OF MICHIGAN,
OFFICE OF THE GOVERNOR,
Lansing, April 11, 1978.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
217 Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: This letter constitutes my endorsement and comment on several features of the Better Jobs and Income Program, H.R. 9030, as amended by the Special House Committee on Welfare Reform.

I heartily endorse H.R. 9030's general thrust which is aimed at efforts to move subsidized workers into unsubsidized private and public sector job opportunities. To the extent that we are successful in this effort, everyone, including the participants, society, and all levels of government, will benefit. In particular, I support the role assigned to the governors for statewide planning, monitoring, and technical assistance, which will ensure that all the local areas within the state will receive current information on the supply and demand dynamics of their local job markets. Such information should enhance the relevancy of the occupational training provided. However, to the extent that job applicants are poorly educated, low skilled, and hard to employ, they will need remedial education. Consequently, I believe that the legislation should place greater emphasis upon subsidizing basic accelerated education and training opportunities prior to job placement.

I also commend the sizeable commitment which has been made to providing jobs to eligible welfare recipients as witnessed by the 1.1 million slots estimated to be needed in the first year of program operation, i.e., 1981. However, it has been estimated that there are between 2 and 2.5 million persons nationwide eligible for the program. In order to achieve a turnover rate of nearly two persons per slot per year, it is clear that economic conditions must remain favorable. Given the cyclical nature of Michigan's durable goods producing economy, which results in longer and higher levels of unemployment as compared to the nation, the welfare jobs and training program in Michigan may be hampered in its efforts to continually move people through its program at the rate suggested above. Therefore, I suggest that serious attention be given to building flexibility into the legislation so that the number of public service jobs made available will be tied to prevailing economic conditions.

A particularly important and necessary feature in the bill suggesting regional equity which I support is the index of wage levels, which is based upon the ratio of average wages in a local area to national average wages. It is my understanding, for example, that the pay rates will be adjusted to area averages based upon a national average of \$7,700 and a cap of \$9,600 with the latter not to be increased by more than 10 percent. For a heavily industrialized state, such as Michigan, with traditional high average wage levels in many areas of the state, the above provision will ensure more equitable reimbursement for public service work performed by participants in the welfare jobs program. Furthermore, it should ensure that CETA public service employment workers and welfare public service jobholders do not perform similar work in the same area for different wages.

In addition, although the bill is fairly comprehensive in many respects, it does exclude certain persons from participation. Single persons and childless couples are not eligible for participation in the training and jobs program. Yet, if the work requirement for principal earners of families with children were eliminated

from the bill and voluntary participation were allowed, it would seem that additional slots could be created for single adults and childless couples to participate in the program. Therefore, I urge that this group be included as eligible in the jobs and training program, while first priority for jobs program participation still be maintained for principal earners of families with children.

Warm personal regards.

Sincerely,

WILLIAM G. MILLIKEN,
Governor.

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