

HV
98
.N8
C66
1973

REPORT
OF THE
COMMITTEE ON SOCIAL SERVICES
TO THE
HOUSE OF REPRESENTATIVES
N8-6-0316

April 1, 1973

LEGISLATIVE LIBRARY

E. Lawrence Davis

Chairman

Library
State Legislative Building
North Carolina

Members
of the
Committee on Social Services
of the
House of Representatives
1973 Session
North Carolina General Assembly

E. Lawrence Davis,
Chairman

William M. Fulton and
C. Graham Tart,
Vice-Chairmen

Robert Q. Beard

Marilyn R. Bissell

Henry E. Frye

John R. Gamble, Jr.

Fred S. Hutchins, Jr.

Joy Joseph Johnson

David D. Jordan

Margaret P. Keesee

James T. Mashburn

Ernest B. Messer

J. Guy Revelle, Sr.

Lura S. Tally

William T. Watkins

W. Stanford White

HY-98 . N8 C66 1973

INTRODUCTION

House Resolution 115 was introduced in the House of Representatives on January 24 by Representatives Bissell, Davis, Gamble, Johnson of Robeson, Jordan, Keesee, Mashburn, Revelle, Tally, Tart and White of Dare. This resolution directs the Committee on Social Services of the House of Representatives to "investigate the welfare programs administered by the State, particularly the Aid to Families with Dependent Children program, with a view toward preparing legislation designed to create more incentive and employment opportunity for welfare recipients." It directs the Committee to report its findings and conclusions to the House of Representatives by April 1, 1973.

A copy of this resolution is attached as Appendix A.

After being referred to the Committee on Social Services, this resolution was reported favorably by the Committee on January 31, 1973. The resolution was adopted by the House of Representatives on February 1, 1973.

REPORT OF THE COMMITTEE ON SOCIAL SERVICES

TO THE

HOUSE OF REPRESENTATIVES

Part I - Committee Hearings To Gather Information

During the months of February and March of 1973, the Committee met weekly (on Wednesdays from 12:30 p.m. to 1:30 p.m.) to gather information in order to better understand the social services program in North Carolina, particularly the aid to families with dependent children program (hereafter referred to as AFDC) as modified by recent federal legislation known as the Talmadge amendments. During this two-month period, a number of persons appeared before the Committee to give information including the following: Dr. Renee Westcott, Commissioner, Department of Social Services, Department of Human Resources and members of her staff (including Lucy Burgess, Virginia Grier, Myra Mitchiner, Louis O'Conner, Bruce Steel and others); Col. Henry E. Kendall, Chairman, Employment Security Commission and members of his staff (including Edson Bates, Milton Brinson, Hugh Cashion, John Fleming, Carl Newton and others); George B. Autry, Director, North Carolina Manpower Development Corporation and members of his staff (including Tom Faison, John Justice and others); representatives of the Social Services Association (including Sue Applement,^{white} ~~ment~~, Onslow County Department of Social Services, William A. Creech, Attorney, Tom Hogan, Director, Durham County Department of Social Services and others); representatives of the N.C. Association of County Boards of Social Services (including Evelyn M. Ellis, Chairman, Legislative Committee); several recipients of AFDC, including some persons who have received job training and/or secured employment to become self-supporting; and others. Staff services to the Committee have been provided by Ray

Shurling, Fiscal Research Division, N.C. General Assembly and Mason P. Thomas, Jr.,
Institute of Government, University of North Carolina at Chapel Hill.

Part II - Summary of Committee Findings

Background. AFDC is a categorical public assistance program provided for in federal legislation known as the Social Security Act. The conditions of eligibility are specified by federal law, federal regulations, and implementing state legislation contained in Chapter 108, North Carolina General Statutes, which may be summarized as follows: A child must be needy under state standards and deprived of parental support or care by death, desertion, or physical incapacity of one of the parents. Eligible children must be living with specified relatives or in a licensed foster home or child-caring institution. The resources of the family applying for AFDC are compared with the standard budget allowances of the state plan. The public assistance provided is in the form of a monthly check paid to the relative responsible for the child. There are limitations on the eligibility of children related to age, school attendance and whether they are needed in the home. AFDC recipients must register with the Employment Security Commission for employment, job training or placement in public service employment. County departments of social services must provide all supportive services, including day care for children of AFDC parents who are employed or receiving training.

North Carolina has a county-administered social services program which operates under county boards of social services in each of the 100 counties. Each county board is required to administer AFDC (and other federal categorical public assistance programs) uniformly according to applicable federal and state policies. Because state appropriations for AFDC have been limited, an AFDC recipient receives a monthly payment that equals 86%

of budgeted need under the state standard budget. In the aid to the aged and disabled program, a recipient's monthly check equals 100% of budgeted need.

Because of the increasing number of recipients of AFDC, Congress enacted the Work Incentive Program (called WIN-I) as an amendment to the Social Security Act in 1967. This program was administered at the federal level by the Departments of Labor and Health, Education and Welfare. It was administered at the state level by the Employment Security Commission and the State Department of Social Services. WIN-I was implemented in only five counties in North Carolina which were selected by the Department of Labor and/or the Employment Security Commission. The basic purpose of WIN-I was to provide training and jobs to AFDC recipients so they might become self-supporting and move off of public assistance. For a variety of complex reasons, WIN-I was not successful, including discouraging results in job placements, rising program costs and the continued growth of the number of AFDC recipients. Thus Congress enacted the Talmadge amendments effective July 1, 1972 to create a different kind of WIN program, generally called WIN-II. WIN-II shifts the thrust of the program away from job training, education and job development to emphasize direct job placement. Under WIN-II, all AFDC recipients must register for jobs except certain types of recipients specifically excepted (child under age 16 attending school, old or incapacitated recipients, a recipient living too far from WIN project to participate, person needed in home to care for incapacitated or ill household member, mothers caring for children under age 6, or mothers in homes where the father participates in WIN). Under WIN-II, the federal government pays a greater percent of the manpower costs and the cost of social or supportive services (90% as compared with 80% and 75%). Employers of WIN-II enrollees are given a tax credit of 20% of cash

wages paid to a WIN employee during the first twelve months of employment. One-third of WIN-II funds are earmarked for on-the-job training or public service employment. The State Department of Social Services is required to establish a separate administrative unit for implementation of WIN-II. WIN-II must be implemented in all North Carolina counties.

A comprehensive report - entitled A Report on the Work Incentive Program - was prepared by the staff of the North Carolina Manpower Development Corporation. For more detailed information about this program and its problems, refer to this report in Appendix B.

Committee Findings. After listening to the information provided by the professionals and others, the Committee concluded there are obstacles or problems in WIN-I and WIN-II which defeat the stated objective of encouraging recipients to work and become self-supporting. These problems include provisions in federal law and/or policy which fail to provide sufficient incentives to work and which provide for administration of the program under two federal agencies which do not seem able to work together effectively in implementation. Further, existing federal law and/or policy seems to leave very little, if any, discretion to the state to administer the program within North Carolina in a way that is relevant to our economy and the employment or training needs of AFDC recipients in North Carolina. And finally, the Committee finds that some of the assumptions of this federal program are not valid in North Carolina; that implementation has been delayed or complicated because of the difficulty of two state agencies being jointly responsible; and that the red tape and forms required for state-level implementation have become so complicated as to require more staff time in completing forms than in working with people. The Committee concludes that it must take a careful look at both the federal design of the program and the allowable state role under

federal law and/or policy in order to evaluate the program and make recommendations which could make the program more effective. Some of our recommendations will require changes in federal law and/or policy. Others relate to areas where state legislation may be the basis of effective changes. The basic problem of the Committee is to identify those areas where the state has discretion to supplement or modify the basic federal program without jeopardizing the available federal funding for AFDC and implementation of WIN-II.

The Committee identified the following areas as state-level problems which the North Carolina General Assembly has the legal authority to deal with:

1. The standard budget allowances used in computing need to determine the amount of AFDC payments seem inadequate in relation to the amount of money that is necessary for a minimum decent minimum standard of living in an inflationary economy. Further, when 86% of budgeted need is all that is available under the existing level of state funding for AFDC, the problem is compounded. Thus, the budgeting process becomes confusing and discouraging to recipients.

2. There are problems in county-level administration of AFDC in keeping the cases reviewed and current, in the rate of errors in the amount of payments and in determination of eligibility, and in administration of the program so that the federal requirement for uniformity is implemented in each of the 100 county departments of social services. The federal government is currently threatening to charge the State of North Carolina some \$15,000,000 because of the state's high rate of error in AFDC payments. Since this is a county-administered program, both the State Department

of Social Services and the 100 county departments share responsibility for this situation. Legislation and/or administrative changes could be developed to make counties more responsible for their errors in eligibility or payments, such as new requirements that any county be responsible for repayments because of its errors.

3. There are not enough listings of jobs available with the Employment Security Commission across the state to provide employment for AFDC recipients who desire to go to work. One related problem is that some state agencies do not list job vacancies with the Employment Security Commission. Rather, they list their jobs with private employment agencies, where the applicant must pay a fee for placement in a state position. One possibility is that legislation be enacted to require state agencies and private employers who make contracts with state government to list all jobs with the Employment Security Commission. Such an approach could serve to provide more jobs for AFDC recipients.

4. The larger employers in North Carolina are not taking advantage of the 20% tax credit available for employment of WIN enrollees because it is not considered worth the employer's time to go through the required bookkeeping procedures. It might be possible for the responsible state agency - the Employment Security Commission - to exercise more leadership in interpretation of this tax credit to employers.

5. It seems unlikely that private employers will ever be able to provide sufficient job opportunities for the AFDC recipients who are required to go to work under WIN-II. Over a period of time, the Committee could study the possibilities of supplementing the job opportunities in the private sector through development of appropriate public service employment opportunities, working with the appropriate state agencies. It would also be possible to supplement the state program through mobility

programs which would move recipients living in areas of the state with no employment opportunities to areas where jobs are available.

6. We find that the job training programs available through the Community College system in North Carolina are not generally available to or utilized by WIN participants. The state could effectively supplement the federal program by providing more training opportunities for WIN participants and by enlarging existing training opportunities in the Community College system to meet the needs of this group.

7. We find that more day-care facilities and more funds to pay for day care are required in order for many AFDC recipients to go to work. The state might develop strategies to encourage private enterprise to develop day care programs, such as providing a state loan fund to provide seed capital or by purchasing equipment for a day-care center with state funds which could be loaned or rented to private operators.

8. We find that insufficient effort is made at the state and county levels in North Carolina to locate absent or deserting fathers to encourage or require that they support their families. One possible approach would be to provide financial incentives for fathers to contribute to the support of children, such as exempting a certain percentage of his contributions from inclusion in the public assistance budget which would reduce the money payment. We find that the present system tends to subsidize the break-up of the family unit. The family is not eligible for public assistance until the father deserts.

The Committee identified the following areas as problems in federal law or existing regulations which do not appear appropriate to our basic objective of encouraging or requiring AFDC recipients to go to work:

1. The Committee feels that the WIN-II program should be redesigned by federal legislation which would allow the states more discretion to

develop local programs related to local needs within broad federal guidelines. For example, the Committee does not agree with the exemptions from the work requirements in the current federal law. Should any mother who receives AFDC and who has a child under age six be exempt? What discretion or authority does North Carolina have to add work requirements that would be more stringent than those specified in federal law? We do not find clear answers to these questions. Further, we find that implementation of WIN-II is handicapped by inadequate federal funding or staffing of certain programs in the Employment Security Commission and/or the county departments of social services. In some instances where the objectives of the federal law are sound, the level of federal funding makes achievement of these objectives impossible.

2. We find that it takes some 75 forms to process one person through the WIN-II program. This multitude of forms is a symptom of what is wrong with the federal program. It is designed to be jointly administered by two federal agencies and two corresponding agencies at the state level so that the administrative processes are too complex and become self-defeating. Forms become more important than the needs of people. The program can hardly get going because of administrative complexity. The AFDC recipient who becomes involved in the administrative chaos becomes discouraged and gets lost in the confusion.

Committee Recommendations. The Committee finds that the various problems related to AFDC and appropriate work incentives for AFDC recipients are too complex to be solved in a two-month period of study. We have made a beginning, and we are learning more each week about this complicated subject. We therefore recommend that the 1973 Committee on Social Services of the House of Representatives be designated a standing committee to continue to study these problems during the 1973 session. Further, we

anticipate that we shall have further recommendations or legislation to propose to the General Assembly when it reconvenes in January, 1974.

The Committee has identified the following actions that it recommends be taken by the 1973 General Assembly to improve the AFDC program and to encourage AFDC recipients to work under WIN-II:

1. Appropriate sufficient state funds to pay 100% of budgeted need in AFDC cases rather than the current level of 86% of budgeted need.

2. Increase the financial incentives for absent fathers to support their children in AFDC cases by allowing the family to keep the first \$30 per month contributed by the father plus one-third of any amount he contributes in excess of \$30 without allowing such payments to be considered in determining the amount of the AFDC payment.

3. Increase the number of jobs listed with the Employment Security Commission by expanding the categories of listings and by requiring all state agencies to list all jobs.

4. Provide AFDC recipients with more financial incentives to secure employment by giving extra financial assistance to recipients when they go to work (such as funds for the additional clothing required), with provision for some rewards if such person does not again become an AFDC recipient.

5. Reduce the number of forms and the amount of paperwork that is required to administer the AFDC program and WIN-II so there will be more professional time for working on the needs of the individual clients.

6. Increase utilization of the technical schools and community colleges to provide job training for AFDC recipients.

7. Increase the availability of day care for children of WIN-II participants who require day care for their children in order to be able to go to work.

The Committee identified the following areas where change is needed but the Committee is unable to agree on the details of the needed changes or where state action is not immediately possible. Thus, the Committee recommendations and/or appropriate legislation in these areas may be forwarded later:

1. Provide additional financial incentives for AFDC recipients to work by exempting more earned income than is allowed under the current federal program (the first \$30 plus 1/3 of the remainder) by seeking legislation to pay 110% of budgeted need in those cases where AFDC recipients work or secure job training when they are not required under federal law to work or participate in WIN-II.
2. Place an employee of the Employment Security Commission (at the Interviewer I level) in each county department of social services to evaluate employability and job-placement prospects for AFDC applicants and recipients.
3. Study the possibility of development of a public service employment program for AFDC recipients for whom jobs are not available in the private sector.
4. Impose financial sanctions on a county whose county department of social services has excessive error rates in AFDC payments or determination of eligibility. One possibility would be to require that each county repay the entire amount of overpayment, perhaps on a sampling basis which would estimate the gross amount of overpayments.
5. Provide for a standard allowance to cover variable items (such as rent, utilities, heat, etc.) in determining the amount of an AFDC payment. This should eliminate time-consuming efforts to verify these variable items and eliminate some of the errors now being made in determining the amount of AFDC payments.
6. Seek changes in the federal law and/or regulations which would allow more state-level discretion in administration of public assistance programs.

1973 SESSION

HOUSE RESOLUTION 115

Appendix A

Sponsors: Representatives Davis; Bissell, Gamble, Johnson, of
Robeson, Jordan, Keesee, Mashburn, Revelle, Tally, Tart,*
Referred to: Social Services.

January 24

1 A HOUSE RESOLUTION DIRECTING HOUSE COMMITTEE ON SOCIAL SERVICES
 2 TO INVESTIGATE AND REPORT ON REFORM AND IMPROVEMENT IN WELFARE
 3 PROGRAM.

4 Whereas, the number of citizens receiving welfare
 5 assistance, particularly in the program of Aid to Families with
 6 Dependent Children, has increased substantially over the past
 7 several years; and

8 Whereas, many recipients are capable of productive
 9 employment if given the opportunity;

10 Now, therefore, be it resolved by the House of Representatives:

11 Section 1. The Committee on Social Services shall
 12 investigate the welfare programs administered by the State,
 13 particularly the Aid to Families with Dependent Children program,
 14 with a view toward preparing legislation designed to create more
 15 incentive and employment opportunity for welfare recipients.

16 Sec. 2. The Committee shall report its findings and
 17 conclusions to the House of Representatives by April 1, 1973.

18 Sec. 3. This Resolution shall become effective upon its
 19 adoption.

20

21 *Additional Sponsor: and White of Dare.

A REPORT ON THE WORK INCENTIVE PROGRAM

Prepared For

North Carolina House Committee on Social Services

Lawrence Davis, Chairman

By The

North Carolina Manpower Development Corporation

Chapel Hill, North Carolina

March 7, 1973

TABLE OF CONTENTS

- I. Introduction.
- II. Performance Record of WIN-II.
- III. Analysis of Performance and Problems.
- IV. Is WIN, as Now Constituted, a Workable Program?
- V. Notes on Maximizing the Potential of WIN.
- VI. Recommendations to the House Committee on Social Services.
- VII. APPENDIX: Background Information on WIN.

I. Introduction

The following paper seeks to evaluate the obstacles and opportunities for success of the Work Incentive Program (WIN) for recipients of Aid to Families of Dependent Children (AFDC). The paper is offered to the House Committee on Social Services as a basis for discussion and possible action. Although it was developed in response to a request by Representative Lawrence Davis, the paper represents the independent views and suggestions of the North Carolina Manpower Development Corporation, a private nonprofit corporation engaged in research and development in the manpower field.

In inviting the Manpower Development Corporation to develop its views on WIN for the Committee, Representative Davis stressed the aim of seeking positive ways to reinforce WIN through State action. We have, however, gone beyond merely itemizing possible supplementary State developments. We feel that an evaluation of potential obstacles to the achievement of the program's goals in North Carolina is essential in identifying where State action might prove most profitable in promoting the program here.

Through this approach we believe Committee members can gain a better understanding of both the WIN "process" for moving individuals from AFDC dependency to jobs, and all areas where supplementary action may be productive.

II. Performance Record of WIN-II

The original purpose of WIN was to reduce welfare rolls by providing training, education and job placement to enable AFDC recipients to become economically independent. From its inception in 1968 through April, 1972, the national WIN program placed about 89,000 persons in jobs or training. The national AFDC case load, as of August, 1972, was about 8,240,000 persons.

Congress decided that too few AFDC recipients were being registered for WIN. Therefore, in 1971, Congress passed legislation changing WIN: making it mandatory for State welfare departments to certify at least 15 percent of their case loads for WIN or lose part of their Federal funding; making WIN participation mandatory for AFDC recipients with certain exceptions; and focusing WIN's resources on massive job placements with less emphasis on training and education.

The Talmadge amendments, effective July 1, 1972, created WIN-II, a program with a very specific purpose: placing large numbers of AFDC recipients in jobs. The fiscal 1973 goal is 240,000 placements.

Because WIN-II was created by Congress for the deliberate and specific purpose of reducing welfare dependency by putting AFDC recipients to work, any assessment of WIN must rely heavily on its job placement performance record.¹

Placements

Nationally, WIN-II placed 49,278 persons in jobs or on-the-job training during the first six months of fiscal 1973. The goal for the year is 240,000 placements. During the first six months, 565,886 AFDC recipients were registered for WIN participation. The registration total consists of all

¹ See Appendix for legislative background of WIN.

AFDC recipients not exempted from WIN, plus exempt recipients who chose to volunteer for WIN. Of the 565,886 persons registered, 171,753 were certified by welfare departments as having the day care, transportation, health care, and other services needed to hold a job or enter training. And of those certified, the various state employment agencies appraised the job potential and employment needs and made an employability plan for 159,240 AFDC recipients.

In North Carolina, 3,700 persons were registered in WIN-II during the first six months. Due to start-up administrative difficulties, figures were not available on certifications and appraisals. Job placements during the first six months were 235. All of these were carry overs from the old WIN program. The fiscal 1973 job placement goal for WIN in North Carolina is 2,459. (Compared with a fiscal 1972 WIN-I placement record of 367.)

III. Analysis of Performance and Problems

The long-range goal of WIN is to reduce the welfare rolls by putting AFDC recipients to work. There is not enough data available to make any definitive statements about WIN's progress toward its long-range goals, or toward the fiscal 1973 goals. Because of the extensive legislative changes, WIN-II is not only larger than WIN-I, it is also different in many ways. The first-year difficulties of any major program must also be taken into account in trying to gauge WIN's progress thus far. The following discussion is intended to help portray WIN's situation, but not to pre-judge it.

The number of public assistance payments increased 81,000 across the nation during July-August, 1972. This was the largest increase in five months. Money payments as of August were \$1.67 billion. Total welfare cases were 10,986,000, of which 75 percent were AFDC cases.² This is not, of course, to blame WIN for the continually rising welfare costs or to suggest that any single program could turn the tide. After all, WIN is a relatively minor factor compared with the workings of the economy, medical costs, and others.

After six months of operation, WIN-II had achieved slightly more than 20 percent of its placement goals for fiscal 1973: 49,278 placed against a goal of 240,000. For every AFDC recipient placed on the job or in training by WIN, two program participants were waiting to be placed. Acting director of WIN, Lawrence Rogers, has said that the program is "going well...considering that WIN is operating under a continuing resolution and compared to WIN-I..."³

In North Carolina, placements during the first six months of fiscal 1973 constituted less than 10 percent of the goal: 235 placements, against a goal of 2,459 for the year. And these 235 placements were all carried over from the WIN-I program operated in the old five-county area. The other 95 counties

² Manpower and Vocational Educational Weekly, January 17, 1973.

³ Manpower Information Service.

of the State had not begun placing WIN-II people as of the six-month mark. As of February, 1973 -- beginning the eighth month of the fiscal year -- many of the county welfare offices had not received WIN guidelines and procedures from the State Department of Social Services.

Problems

WIN is enormously complicated in structure and process. Two major federal agencies, the Department of Labor and the Department of Health, Education, and Welfare, must provide funds, guidelines, materials, and technical assistance for two major State agencies, the Employment Security Commission and the Department of Social Services. These State agencies must then provide whatever AFDC clients need in order to get jobs. The clients of WIN are not the most easily employable group in the job market: Ninety-five percent are black, 99 percent are women. The typical WIN client is from 20 to 35 years old, has two children, and has had limited training and work experience. Although the typical WIN client has had up to a 10th grade education, she tests out only at the 6th-grade level. Upon entering WIN, the client's income is usually limited to welfare payments, and she has access to "haphazard transportation".⁴

Once the client is enrolled in WIN, a complicated process follows. ESC and DSS staff cite the process (and the paperwork which it requires) as a major problem of implementing WIN. In order to obtain a job or training for a WIN client, the following procedure is followed:

1. DSS eligibility specialists determine which AFDC recipients are exempt from WIN.
2. DSS fills out a work registration form for eligible recipients.

⁴ Interview with Employment Security Commission WIN staff, March, 1973.

The AFDC recipient either signs it or refuses. If she refuses, her living needs are not included in her monthly AFDC check. She may appeal if she feels she should be exempt from WIN.

3. DSS sends completed, signed registration forms to ESC.
4. ESC schedules registrants for an appraisal interview to be attended by the client and her social worker.
5. The appraisal interview can have two outcomes:
 - a. The ESC staff can decide that the client has too many problems and keep her in the registrant pool.
 - b. The ESC staff can decide the client is ready for training or a job; if so, ESC tells DSS what social services are needed and when.
6. The social worker develops a plan to provide child care, transportation, medical, and other services for the WIN client.
7. When the service plan is completed, DSS certifies to ESC that the client is ready for training or employment.
8. ESC places the recipient in employment or training. If the client refuses a job or training, ESC notifies DSS and the client's needs are taken out of the family's AFDC check.⁵

The above model assumes a problem-free process. If followed, the model requires 39 forms from ESC, and a similar number from DSS, in order to execute a single non-subsidized job placement. Thus, the fiscal 1973 placements of 2,459 would involve about 200,000 forms from the two agencies.

North Carolina's WIN-II has been hindered by the unavoidable problems of cranking up a major program. For example, the certification forms proved unexpectedly difficult to fill out. As a result, in February, 1973, the

⁵ "Work Incentive Program, Items for Discussion", House Committee on Social Services, January 31, 1973.

local ESC-WIN staffs were sending these forms to the State DSS in Raleigh to be checked for accuracy. The normal flow is from local DSS-WIN to local ESC-WIN. Accuracy is imperative, because the WIN paperwork must meet the internal needs of ESC and DSS and must enable the two agencies to report, respectively, to DOL and DHEW. In addition, all paperwork must conform to the data processing systems of both ESC and DSS; the systems are similar, but contain enough differences that harmonizing the paperwork is a real administrative problem.

State WIN staff at ESC have had to deal with complex administrative guidelines (including a 297-page administrative manual of rare complexity) and with materials that have occasionally been late in arriving and inappropriate to the needs of the North Carolina program. State staff have had to revise Washington-developed reporting documents before they were of use to the program here.

WIN staff of ESC and DSS have developed, and are continuing to develop, suggestions and ideas to meet the above problems and other problems of WIN. These thoughts are being discussed both internally and at joint meetings of ESC and DSS. The difficulty in refining and testing the ideas is that a program of great scope and complexity is in its first year of operation and must be implemented as carefully as possible.

WIN-II Incentives

The Talmadge amendments which created WIN-II were a combination of carrot and stick. An example of the former is the tax credit for employers. The credit is designed to encourage employers to hire WIN clients and works as follows: Employers of WIN enrollees are given a tax credit of 20 percent of the cash wages paid to these employees during the first twelve months of their

employment. An eligible establishment is any trade or business which has not moved within the last two years leaving unemployed workers behind. Minimum wage laws must be observed, and the WIN person hired must not displace another worker.

No data is available to tell whether the tax credit will work in North Carolina. As of February, ESC was preparing to send informational releases to the 95 new WIN counties. The five counties in WIN-I had informed area employers of the credit, but no reaction was evidenced.

As example of the "stick", or coercive provisions of WIN-II, there are the requirements that all AFDC recipients register for WIN, that only certain persons be exempted from work or training, and that State welfare departments certify at least 15 percent of their AFDC case loads or face loss of part of their Federal funds for the AFDC program. The number of persons enrolled in WIN has increased dramatically: By December, 1972, North Carolina's WIN-II program had registered 3,700 AFDC recipients -- more than three times the enrollments in WIN-I during 1971 and 1972. (As mentioned above, the national WIN-II registration for the first six months was more than 565,000 persons.) It is questionable whether the increase in registrations will be followed by a parallel increase in job placements. Neither mandatory registrations nor the tax credit can enable WIN to place large numbers of AFDC persons in jobs unless such problems as inter-agency coordination, excessive paperwork, and labyrinthine program processes can be resolved. Too, in a larger sense, the ultimate success of WIN depends on resolving a cluster of questions that will remain to be answered even after the above, essentially administrative, problems have been ameliorated.

IV. Is WIN, as Now Constituted, a Workable Program?

Two basic assumptions of WIN remain to be tested once the administrative problems have been dealt with. The assumptions are:

1. That the economy has a substantial number of jobs to be filled.
2. That the WIN program can reduce welfare dependency by preparing large numbers of AFDC recipients for the waiting jobs.

Are there enough jobs for everyone in our economy? This proposition has never been demonstrated. Indeed, the opposite case -- that there are not enough jobs to go around and very likely will never be -- has been discussed by Dr. Juanita Kreps in a New York Times article.⁶ Dr. Kreps states that "full employment and wage-price stability seem not to be compatible".

She writes:

The growth in jobs necessary to absorb the larger labor force and hold unemployment at 4.5 percent is quite high: 7.5 percent in the period from mid-1971 through the end of 1973, even on the low-growth assumption.

Such employment gains, she writes, "are unprecedented during the last 25 years. The Nixon Administration has abandoned the idea of 4 percent unemployment as a national goal. Thus the natural workings of the economy do not seem to indicate that full employment is a likelihood; neither is there a government policy that would commit resources to influence the economy so that full employment will result."

A study of WIN in California revealed no official WIN documents as to whether jobs existed for program participants. The study noted:

It is simply assumed that jobs do exist, but that the recipients' personal defects disqualify them. The underlying concept of WIN, the concept that jobs do exist,

⁶ "Facing Up to the Unemployment Problem", Dr. Juanita Kreps, New York Times, December 10, 1972.

would seem to call out for examination before another generation of welfare recipients are told that they are unqualified for work, and before more hundreds of millions of dollars are committed to the program.⁷

Serious questions about the job market in North Carolina have been raised by ESC's experience with WIN enrollees. A sampling of about 1,000 WIN participants showed that about 300 of them were already registered with their local ESC offices. The major question is how much more WIN-II -- with its emphasis on large numbers of job placements and small doses of training and education -- can do for these AFDC people than is already being done.⁸

If there are more job-seekers than jobs -- and enough evidence exists to make this a possibility -- it follows that WIN clients will be filling jobs for which there are other applicants. The available statistics indicate that the persons with whom WIN clients will be competing are black people, particularly black women. The nation's overall unemployment rate in 1971 was 5.0 percent. But the national rate for black persons was 9.9 percent. The ESC unemployment figure for North Carolina in the latter part of 1970 was 3.6 percent. Census-based data on unemployed black women in 12 North Carolina counties during the same period showed a rate of 14.2 percent.⁹

Further study is needed to answer the questions that exist about the job market: Is a full employment economy attainable? If not, can WIN's clients compete successfully for scarce jobs? If not enough jobs are available, is it desirable social policy for WIN to place a welfare mother in a job that

7 "Factors Associated with Employment among Welfare Mothers", The Wright Institute, Berkeley, California, June, 1971.

8 Conversation with ESC-WIN staff, March, 1973.

9 Technical Paper: "Highlights of Census Employment Survey-Selected Rural Counties in North Carolina", Alvin M. Cruze, Research Triangle Institute, 1972. The counties are: Bladen, Brunswick, Columbus, Cumberland, Duplin, Hoke, New Hanover, Onslow, Pender, Robeson, Sampson, and Scotland.

probably would be taken by unemployed job seekers, many of whom are, like most WIN clients, black women? Will WIN's effect be to remove one persons from AFDC and force another onto welfare? The need for careful, extended study is evident.

The second assumption of WIN is that a significant number of AFDC recipients can be placed in jobs that will enable them to work their way out of welfare. The assumption is arguable. In 1966, a DHEW agency held the following opinion:

Because of the need for the mother in the home, her low educational level, lack of skills, or her health, only a small proportion of the more than 900,000 mothers receiving public assistance can be considered as potentially self-supporting in the near future.¹⁰

A 1970 survey of welfare mothers revealed that their barriers to employment included poor health in general, serious health problems, low motivation, young children in the family, poor availability of day care, awareness of poor labor market, and others. The study, which included AFDC recipients in 11 cities, concluded that welfare mothers with high employment potential faced as many barriers to employment as the mothers with low potential. One conclusion of the study was that the characteristics of WIN clients may be less important in obtaining a job than such outside, non-controllable, factors as the labor market.¹¹

This last conclusion was also reached by a study of 100 urban WIN programs:

...we have been led to several disquieting conclusions. Foremost among them is the suggestion that Manpower intervention of the type exemplified by the WIN program

10 "Criteria for Assessing Feasibility of Mother's Employment and Adequacy of Child-Care Plans, DHEW/Children's Bureau and the Bureau of Family Services, Washington, D.C., 1966.

11 "How Employable are AFDC Women?", Perry Levinson, Welfare in Review, 1970.

does not hold out much promise of lowering unemployment or welfare case load levels. On the contrary, it appears that general labor market demand conditions overwhelm any impact that labor market supply transformations might have. As a consequence of this discovery, we have concluded that Manpower policies must be more flexible in terms of both goal-orientations and program structures...¹²

WIN-II will have to test its basic assumptions and the accompanying questions as to whether the program, as now constituted, can reduce welfare dependency. To do this, WIN-II will have to be given an adequate opportunity to work toward its stated goals. The program is law, and as such, is here to stay for the foreseeable future. Consequently, all efforts must be made to make the program succeed.

¹² "The Impact of Urban WIN Programs", Final Report, Pacific Training and Technical Assistance Corporation, for the Office of Research and Development, Manpower Administration, Department of Labor, 1972.

V. Notes on Maximizing the Potential of WIN.

The WIN program embodies a compelling idea: enabling dependent persons to reach economic independence through work. In operating the program, North Carolina is fortunate to have two agencies, ESC and DSS, with the resources of staff and experience to give the idea the optimum chance of succeeding. A key to maximizing WIN's chances for success is finding out what WIN can do and what it can't. If the present program design proves capable of placing large numbers of AFDC recipients in jobs, the statistics should reflect this success, and the success should be noted. But if the new WIN-II emphasis on placement at the expense of training and education proves unworkable, this learning, too, should be noted.

It may turn out that WIN-II's performance can be improved by increased staffing and attention to job development. Or experience may indicate the need for more expert, flexible analysis of the job market in order to prepare WIN clients for specific skills that are in demand. The WIN experience, if considered carefully, may yield valuable learnings on how to operate a multi-million-dollar, inter-agency program. Studies have indicated that job placement is easier for AFDC mothers with fewer children; the typical WIN mother in North Carolina has two children. Perhaps WIN can consider the role of early family planning as a preventive of employment problems. Too, the present welfare laws that sometimes make it financially advantageous for a father to desert his family could be considered in connection with WIN. Experimentation could be done with WIN-related incentives for keeping both parents in the home. The concept of mobility -- moving persons from labor-surplus areas to places where there are jobs -- has been thoroughly tested and has proved useful in certain situations. WIN could consider incorporating mobility into its design. The role of public service employment in WIN needs to be studied with care.

The Chicago Work Demonstration Project placed 1,323 AFDC recipients in jobs with the Chicago City Colleges, the University of Illinois, Chicago Board of Education, and other agencies. Even though this project, funded with Emergency Employment Act funds, is voluntary, administrators had more applicants than jobs. A DOL official working with WIN stated that the project's biggest accomplishment is breaking down "the public image of welfare people as not willing to work". Even though EEA is due to expire on June 30, 1973, the concept of placing welfare recipients in jobs that offer some possibility of advancement and growth is of tremendous potential to WIN.

VI. Recommendations to the House Committee on Social Services.

There are powerful arguments for adopting a wait-and-see stance toward WIN-II in North Carolina: The enormous expansion and many program changes make WIN-II a very different program from the old five-county WIN. How these changes will affect the State's AFDC case load is yet to be determined. No one knows now whether the mandatory registration requirements will lead to the desired number of job placements. Nor does anyone know now whether the employer tax credit will be effective. Very few WIN-II enrollees have been placed. Administrative problems are still being worked out.

In addition, the effects of the anticipated revenue sharing are as yet unknown. Because WIN is a legislatively-established program, its funds will be separate from those in the general pool of manpower monies under revenue sharing. But the existence and extent of other manpower resources which can complement WIN will depend upon the manner in which revenue sharing is carried out in the manpower field.

Another cloudy area is Public Service Employment, one of the several tools which WIN has for placing clients in employment. (One-third of the WIN budget for each State is earmarked for on-the-job training or Public Service Employment;) Public Service Employment, as funded by the Emergency Employment Act, will be phased out during fiscal 1974 unless Congress takes action to retain EEA or replace it.

Because the basic idea of WIN is worthwhile, because the program deserves ample opportunity to implement this idea, because any State action at this time would have to be made without hard data from WIN-II's experience, and because the overall field of manpower is extremely unsettled, it is recommended that the House Committee on Social Services conduct a one-year

study on WIN in North Carolina before making a decision as to what legislative action is appropriate and necessary. An in-depth study based on an entire program year would provide the facts and figures needed to decide whether WIN-II needs changes and, if so, what sorts of changes.

In carrying out a WIN study, the Committee could call upon the resources of the North Carolina Manpower Council, with the assistance of the Employment Security Commission and the Department of Social Services. The Council, already designated as the Labor Market Advisory Committee for WIN in North Carolina, has the staff capability to gather the data which the Committee will need for its study. The Council's role as LMAC for WIN could easily be expanded to that of program monitor with special emphasis on determining ways in which State input into WIN can be improved and expanded. The Manpower Council has appointed a subcommittee to study WIN; Council staff has been assigned to study and work with WIN; and the Council has, through its work with EEA, made many local contacts with local planning boards, agencies, and interested individuals.

The House Committee has already received the cooperation of ESC and DSS, both of whom have pledged continuing assistance to the Committee.

The combined assistance of the Manpower Council, ESC, and DSS could be employed to produce the kind and quality of data needed by the House Committee to develop an objective, in-depth study on (1) the Work Incentive Program as it operates in North Carolina, and (2) Options for State action to help WIN achieve its goals.

VII. APPENDIX: Background Information on the Work Incentive Program.

The Work Incentive Program (WIN) was created to counteract the increasing number of persons on welfare. A sharp upward spiral in welfare rolls during the early 1960's was followed by the enactment of WIN in 1967 as an amendment to the Social Security Act.

The program is administered by the Department of Labor in cooperation with the Department of Health, Education, and Welfare.

The basic purpose of WIN is to get welfare recipients into jobs and out of welfare.

Program participation is limited to recipients of welfare grants under the AFDC -- Aid to Families with Dependent Children -- program. WIN provides AFDC recipients with job-placement services, skills training, education, financial incentives and other services to enable them to become self supporting.

Because in many places throughout the country AFDC registrants exceeded the number of available jobs, national level priorities were placed on helping AFDC recipients who were unemployed fathers, unemployed youths not in school or being trained, and volunteer mothers from AFDC rolls.

And to avoid being branded as a forced labor program, the WIN legislation contains provisions exempting from participation the following:

1. A child who is under 16 or attending school full time.
2. A person who is too old, ill, or incapacitated.
3. A person who is too far away from a WIN project to participate effectively.
4. A person who is caring for another household member who is ill or incapacitated.
5. A person who is the mother, or other relative, of a child and who is caring for the child.

6. A mother whose husband is registered for WIN.

WIN's national goal was to fill 150,000 program slots by the end of fiscal year 1970, but only 109,000 AFDC recipients were actually enrolled at that date. By April 30, 1970, 25,000 persons had been placed in jobs by WIN. Of these, 10,000 were working at jobs which paid enough to enable the WIN client to leave welfare entirely. The program's placement rate was adversely affected during 1970 by the nation's faltering economy. About 53,000 persons quit WIN that year because the program was unable to find jobs for them. Another cause of trouble was the expense and difficulty of providing child care for enrollees. Program costs for the years 1968-1971 totaled about \$305.6 million.

Faced with discouraging placement figures, rising program costs, and the continued upward spiral in welfare rolls, Congress enacted amendments designed to move WIN closer to its original purpose of finding enough jobs for welfare recipients to reduce the welfare rolls.

These amendments (known as the Talmadge amendments for their chief sponsor, Senator Herman Talmadge, D-Ga.) mark the important dividing line in the development of the WIN program. The amendments went into effect July 1, 1972. The program since then is generally called WIN-II.

WIN-II is very different from the original program. The most critical differences are in scope and intent. The Department of Labor (DOL) has projected a required registration of 1.2 million AFDC recipients during fiscal year 1973. The placement goal for the first year is 750,000. In contrast, during its first four years of operation, WIN placed 82,500 persons. In Region IV, which includes North Carolina, DOL projects 107,550 WIN enrollees in fiscal year 1973, compared with enrollments of 9,480 in fiscal year 1972.

As for intent, the emphasis of WIN has been shifted to direct job placement and away from training, education and job development. Assistant Secretary of Labor Malcolm Lovell has said that WIN-II intends to achieve its goals through maximum use of existing jobs and without significant training and employability-development activities. The major tools with which to implement the expanded placement-oriented WIN-II are as follows:

1. Mandatory Registration.

Before the Talmadge amendments, the welfare departments certified the AFDC recipients whom the welfare staff considered suited for WIN. But in WIN-II, all AFDC recipients must register for WIN or face the possibility of having their aid grants cut off. Persons in the categories listed on pages 17 and 18 of this paper may be exempted from WIN. Each state welfare agency must certify for participation at least 15 percent of its AFDC case load. If 15 percent are not certified, the welfare department may find its federal share of AFDC costs reduced.

2. Expanded Federal Share.

The federal government now pays for 90 percent of the manpower costs and 90 percent of social and supportive services costs of WIN. Previous federal shares were, respectively, 80 percent and 75 percent.

3. Tax Credit.

Employers of WIN-II enrollees are given a tax credit amounting to 20 percent of the cash wages paid to the employee during the first twelve months of employment. Eligible establishments are any trade or business which has not moved within the last two years leaving unemployed workers behind. Minimum wage laws must be observed and the WIN person hired must not displace another worker.

4. Earmarked Funds.

At least one-third of WIN funds must be spent to provide On-the-Job Training or Public Service Employment. This earmarking is done to emphasize the new thrust of job placements as against training and/or education.

5. Special Administrative Unit.

The welfare department is required to set up a separate administrative unit for WIN-II. Previous welfare functions were carried out as a more integral part of the agency.