



AMERICA WORKS
of New York, Inc.

Statement for the Record

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United States House Committee on Ways and Means

Subcommittee on Human Resources

*Next Steps for Welfare Reform: Ideas to Improve TANF to Help More Families Find Work and
Escape Poverty*

Chairman Charles W. Boustany
Subcommittee on Human Resources
United States House of Representatives
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Chairman Boustany:

Good afternoon. My name is Peter Cove and I am the Founder of America Works of New York, Inc. Before I begin, I would like to thank House Ways and Means Chairman Paul Ryan, Human Resources Subcommittee Chairman Charles Boustany and the rest of the committee members for allowing me the opportunity to speak today.

America Works was founded in 1984 to help welfare recipients get jobs. It was the first for-profit company dedicated to this effort. There are four principles, which we are passionate about. First, people on welfare can and want to go to work. Prior to welfare reform the assumption was that people needed to stay home. Second, work combined with on- the- job training curriculum, designed by employers, not training in isolation, is central to that effort. For far too many years

welfare recipients were sent to training programs that never led to employment. Third, companies should be paid for performance. Only when a person gets and keeps a job should a vendor be paid. Fourth, getting a job is easy, but keeping the job is hard. So we developed retention services for the first six months to provide counseling, on-the-job coaching, interventions to navigate workplace issues, and attach workers to a host of financial incentives.

In the 1980s we ran modest sized programs around the country with our program design and they attracted media and the interest of politicians. Newt Gingrich was an early supporter as was the Democratic Leadership Council (DLC), which was headed by Bill Clinton among many others. America Works was involved in providing information to both the House and the White House during the implementation of the 1996 TANF law.

Once the law passed in 1996, America Works expanded its services in a number of states around the country. During the first 10 years there was a great deal of experimentation with different service models, but always with the primary focus on employment and not abstract training

unrelated to jobs that were actually available in the states and cities where we operated ten years later, in 2006 when the bill was reauthorized, the focus of each of the contracts was directed towards participation rates. This will be part of the presentation later regarding changes we would like to see.

Since the start of America Works 31 years ago we have placed over 500,000 people into jobs. We have expanded the services we provide to other populations. Included in this are ex-offenders, veterans, the homeless, people with disabilities on SSI, children aging out of foster care, food stamp recipients and non-custodial parents who are unemployed and cannot pay child support. I would like to address seven areas in which I believe TANF needs to be strengthened.

First, although the law directs the local governments to have 50 percent of their caseload looking for work, most do not. States have elaborate ways of reporting the data so that far few able-bodied people are actually participating. This is accomplished by moving recipients in and out of the denominator that determines the 50 percent rate and in some cases into separate state programs not subject to federal requirements. In

addition there are reductions in participation requirements based upon caseload reductions and state spending on the population beyond the expected maintenance of effort level. So, for example, in New York State, because of the additional revenue they spend, only 33% of the caseload actually has to participate in required work activities and thus the State does not receive penalties. This regulatory loophole needs to be reexamined almost 20 years later as it was based on the theory that states would greatly reduce welfare payments in a so called race to the bottom. But that has not happened.

Second, despite the law, which directs localities to limit welfare to five years, many places do not. There are exemptions for certain cases or certain geographic areas. This also needs to be strengthened in the reauthorization of TANF.

Third, very few cases are ever sanctioned. A history of granting good cause waivers, conciliation and appeal hearings has led to welfare departments retaining a culture of not aggressively using the sanction process as it was intended to make clear that there are consequences for not seriously engaging in work activities. We have seen this in a

variety of states and it occurs despite what the Governor, Mayor or Commissioner might believe is occurring. Decisions are made to lift sanctions by case managers for a host of reasons, before they are applied. There are elaborate appeals processes that are almost always overturned by administrative judges. Although we believe most people do want to work, unless they actually see first-hand other people finding jobs and moving ahead, they do not see concrete examples of success. We believe that the threat of actual sanctions will be effective in getting people to show up and then we can motivate them. Almost every state has a full case sanction for failure to comply with work requirements, whether they actually apply it or not, but New York remains an outlier in that only the adult portion of the grant can be withheld

Fourth, every state has a pool of people who are exempted from participation for medical reasons. However, since all that is required is their own doctor's note, some of these cases are not legitimate. In fact in certain locations people who want to work are not allowed to participate with us because they are "exempt" and we cannot get them a job. I found cases where people had carpal tunnel or other minor

ailments and were exempted forever. A consistent system of referring people to independent evaluations should be put in place to avoid these exemptions. We suggest a much smaller exemption for medical issues reserved for those who have clear and severe physical or mental disabilities. The vast majority of people should first be sent to job search and other activities aimed at finding employment, before an exemption is given.

Fifth, in a related issue, there are many TANF recipients, whom states would like to remove from their rolls and instead place into SSI/SSDI. Again, this is appropriate for those who clearly cannot work, but inappropriate for many others who secure federal disability benefits often for less severe ailments such as back pain and depression. The person is then off the State rolls when they could be working and subsequently enrolled in the much more costly SSI/SSDI system. This is less costly to the States but much more costly to the federal government and taxpayers. In fact the SSDI program, unless changes are made, faces a shortfall of funding in the very near future. Incentives to move adults from TANF to SSI and SSDI should be reexamined and

reserved only for those who cannot perform any work in the labor economy when TANF is re-authorized.

Sixth there are an increasing number of programs at the federal, state and local governments, which are being contracted out only to not-for-profits or community based programs. As we have seen in New York City the most effective jobs programs are those run by the for profit industry. We believe TANF reauthorization should address this by allowing a full range of providers to bid including for profit, not for profit, and community based programs. Excluding for profit companies either by law, regulation or grant specific instructions makes little sense. This is especially true under the growing movement towards performance-based contracts in TANF where for-profits may actually be more motivated to be successful in the delivery of services because they are more at risk if they fail.

Seventh, and the final point, has to do with work verification procedures that were made unduly complicated in the 2005 reauthorization. Here I believe there is the law of unintended consequences. The intent was to close the loophole where States were

allowing people to do all kinds of non-work related activities. The effect on the ground is a tremendous amount of administrative paperwork on contractors such as America Works. Attendance and tracking is a daily activity, with each hour of the day documented and scanned into government agencies. Excuse documents, hearings, doctor' appointments, school meetings, court appearances, reams of daily rosters for attendance noting internal and external activities classes, job interviews, clothing referrals simply goes on and on and is largely irrelevant to getting someone a job. It makes staff and the clients we serve miserable since it takes everyone's attention away from the real work of helping the person get the skills and the tools they need to find employment. We recommend that the reauthorization, while maintaining real participation rates, also instructs HHS to make the reporting requirements more flexible to eliminate undue burden on the participants, government and contractors.

Thank you for the opportunity to address you today. I would be happy to answer any questions now and/or provide further information after the hearing.

