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USA

cc. Adrian Smith. (Policy Unit)

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FM WASHINGTON 292215Z SEP 82
TO IMMEDIATE F C O
TELEGRAM NUMBER 3189 OF 29 SEPTEMBER

FOR NAD
US WELFARE PROGRAMMES

1. FOLLOWING IS THE INFORMATION REQUESTED BY NO 10 DOWNING STREET ON THE WORKFARE PROGRAMME AND ON AID FOR FAMILIES WITH DEPENDENT CHILDREN (AFDC).

-(A) AFDC

THE AFDC PROGRAMME IS A MATCHING PROGRAMME FINANCED BY THE FEDERAL GOVERNMENT AND BY INDIVIDUAL STATES. THE FEDERAL CONTRIBUTION AMOUNTS TO 54 PERCENT OF THE TOTAL OUTLAY. AFDC PROVIDES ASSISTANCE TO FAMILIES WITH DEPENDENT CHILDREN, IE UP TO THE AGE OF 18, WHERE THE FAMILY INCOME IS BELOW 150 PERCENT OF THE STANDARD OF NEED, IE BASIC SUBSISTENCE LEVEL, AS DEFINED BY INDIVIDUAL STATES. IN ADDITION, TO QUALIFY FOR AFDC, A FAMILY HAS EITHER TO HAVE A CHILD WHICH IS BLIND OR DISABLED (MENTALLY OR PHYSICALLY); OR THE FAMILY MUST BE A ONE PARENT FAMILY OR THE FATHER UNEMPLOYED.

THE PROGRAMME COSTS 14 BILLION DOLLARS A YEAR, COVERING 3.6 MILLION FAMILY UNITS (10.4 MILLION INDIVIDUAL RECIPIENTS). THE FEDERAL SHARE OF OUTLAYS IN 1981 WAS 7.9 BILLION DOLLARS WITH TOTAL BENEFIT PAYMENTS AMOUNTING TO 12.8 BILLION DOLLARS AND WITH 1.2 BILLION DOLLARS BEING ABSORBED IN ADMINISTRATIVE AND TRAINING COSTS. THE MAXIMUM STATE CONTRIBUTION IS ABOUT 80 PERCENT BUT OUTLAYS VARY CONSIDERABLY FROM STATE TO STATE DEPENDING ON DIFFERENT WELFARE PRACTICES AND ON WHAT IS REGARDED AS THE BASIC STANDARD OF NEED EG IN CALIFORNIA AVERAGE MONTHLY PAYMENTS FOR A FAMILY OF FOUR UNDER AFDC WOULD BE 600 DOLLARS PER MONTH COMPARED WITH 140 DOLLARS A MONTH FOR A FAMILY OF FOUR IN TEXAS.

AFDC IS A CORNER-STONE PROGRAMME IN THE US WELFARE SYSTEM AND ELIGIBILITY FOR BENEFITS UNDER AFDC IS FREQUENTLY THE CRITERION FOR ELIGIBILITY FOR OTHER PROGRAMMES EG MEDICAID (FEDERAL MEDICAL INSURANCE) AND FOOD STAMPS. UNDER PRESIDENT REAGAN'S NEW FEDERALISM INITIATIVE ANNOUNCED EARLIER THIS YEAR, THE FEDERAL GOVERNMENT WOULD ASSUME THE FULL COSTS OF MEDICAID (ESTIMATED TO REACH 19.1 BILLION DOLLARS IN 1984) WHILE, IN THE SAME YEAR, INDIVIDUAL STATES WOULD ASSUME THE FULL COSTS OF AFDC AND FOOD STAMPS (AT A COST OF 16.5 BILLION DOLLARS). THE US GOVERNOR'S CONFERENCE (THE COLLECTIVE VOICE OF ALL 50 STATE GOVERNORS) HAVE NOT ACCEPTED THIS PROPOSAL AND DISCUSSION BETWEEN THE GOVERNORS AND THE ADMINISTRATION CONTINUES.

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/ (B) WORKFARE

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(B) WORKFARE PROGRAMME

FEDERAL SOCIAL SECURITY LAWS REQUIRE STATES TO REGISTER AFDC WELFARE APPLICANTS AND TO REQUIRE BENEFIT RECIPIENTS TO BE AVAILABLE FOR, AND TO SEARCH FOR, WORK. THE 1981 BUDGET RECONCILIATION ACT INCLUDES A PROVISION WHICH ENABLES STATES TO INTRODUCE WORKFARE SCHEMES UNDER THE COMMUNITY WORK EXPERIENCE PROGRAMME. UNDER THIS SCHEME, A STATE CAN REQUIRE AN AFDC WELFARE RECIPIENT TO WORK IN PUBLIC EMPLOYMENT IN EXCHANGE FOR THE WELFARE PAYMENTS. THE LEGISLATION REQUIRES THAT THE JOB UNDERTAKEN MUST OFFER WORK EXPERIENCE BUT MUST NOT DISPLACE AN EXISTING EMPLOYEE. THE JOB MUST ALSO BE ONE THAT COULD NOT BE FILLED BY ADVERTISING. LAST MONTH'S TAX EQUITY ACT ALLOWED STATES TO REQUIRE AFDC APPLICANTS TO SEARCH FOR WORK PRIOR TO RECEIVING WELFARE PAYMENTS.

THE LEGISLATION ALLOWS STATES TO STRUCTURE THE WORKFARE SCHEME AS THEY THINK FIT. ABOUT 15 STATES HAVE SO FAR INTRODUCED SOME FORM OF WORKFARE PROGRAMME BUT MOST ARE LIMITED TO A COUNTY OR AN EVEN SMALLER ADFJA. ONLY THREE STATES HAVE STATEWIDE SCHEMES. WEST VIRGINIA HAS A STATEWIDE SCHEME FOR UNEMPLOYED FATHERS, OKLAHOMA HAS A WORKFARE SCHEME FOR UNEMPLOYED MOTHERS AND IDAHO HAS A SCHEME WHICH CATERS FOR ANY UNEMPLOYED PARENT.

SOME STATES HAVE LONG REQUIRED RECIPIENTS OF STATE WELFARE FUNDS TO WORK, BUT THESE SCHEMES ARE DISTINCT FROM THE PRESENT WORKFARE PROGRAMME. NEW YORK, FOR EXAMPLE, HAS A LONG-STANDING PROGRAMME IN ELEVEN OF ITS COUNTIES. UTAH HAS A PROGRAMME WHICH INCLUDES A STRONG ELEMENT OF TRAINING. SOME STATES OPERATE A 'GRANT DIVERSION' SCHEME UNDER WHICH STATE WELFARE RECIPIENTS ARE GIVEN JOBS IN PRIVATE SECTOR COMPANIES - THE COMPANY RECEIVING THE WELFARE BENEFITS AND THE WORKER RECEIVING FROM THE EMPLOYER THE MINIMUM WAGE. UNDER RONALD REAGAN, CALIFORNIA HAD A WORK EXPERIENCE PROGRAMME WHICH REQUIRED BENEFIT RECIPIENTS TO WORK IN PUBLIC SECTOR JOBS.

REPORTS FROM THE THREE STATES WITH STATEWIDE WORKFARE PROGRAMMES SEEM TO INDICATE THAT THE PROGRAMMES ARE POPULAR, AT LEAST, WITH THE LEGISLATORS. THE PUBLIC SECTOR JOBS CREATED ARE SAID TO VARY IN TYPE BUT ARE MAINLY IN THE CLERICAL AND MAINTENANCE OCCUPATIONS. THE STATE OFFICIALS ADMINISTERING THE PROGRAMME ARGUE THAT THE JOBS DO PROVIDE THE NECESSARY WORK EXPERIENCE. THE SCOPE IS NONETHELESS LIMITED BY PUBLIC SECTOR UNION OPPOSITION TO THE

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PROGRAMMES AND SOME STATES HAVE FOUND THAT THERE ARE COSTS INVOLVED WHICH ARE NOT IMMEDIATELY APPARENT - FOR EXAMPLE IN SUPERVISING THE WELFARE WORKER. CRITICS ALSO CLAIM THAT THE JOBS ARE GENERALLY MENIAL AND DO NOT ALLOW THE WELFARE RECIPIENT TO GET OUT OF THE CIRCUMSTANCES WHICH LED TO THE NEED FOR WELFARE. A LARGE PROPORTION OF THE WELFARE RECIPIENTS ARE SINGLE PARENTS AND CRITICS OF THE SCHEME MAINTAIN THAT SERIOUS PROBLEMS ARISE IN ORGANISING CHILDCARE - MANY OF THE PARENTS BEING UNABLE TO AFFORD THE CHILDCARE FACILITIES. FINALLY, CRITICS ARGUE THAT WELFARE RECIPIENTS WOULD BENEFIT MOST FROM SOME FORM OF TRAINING TO EQUIP THEM WITH JOB SKILLS AND THAT THE WORKFARE SCHEME IS TOO NARROW IN SCOPE TO ALLOW THE NECESSARY PROVISIONS FOR TRAINING.

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