

AMERICAN RETAIL FEDERATION

1616 H STREET, N. W. WASHINGTON, D. C. 20006 (202) 783-7971

JOHN LINDOW  
MANAGER  
HUMAN RESOURCES DIVISION

July 23, 1970

Mr. Daniel P. Moynihan  
Assistant to the President  
The White House  
Washington, D.C.

Dear Sir:

Enclosed is a copy of the American Retail Federation's statement to the Senate Finance Committee in support of the Family Assistance Plan.

I hope this will be of some help in building momentum behind the bill.

Best regards.

Cordially,

TH -  
Sent to  
Aschmider

HR 1631

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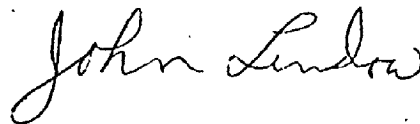
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# Press Release

from the *AMERICAN RETAIL FEDERATION*

1616 H STREET, N.W., WASHINGTON, D. C. 20006 —TEL. 783-7971

July 22, 1970

## AMERICAN RETAIL FEDERATION URGES ADOPTION OF FAMILY ASSISTANCE PLAN

In a statement to the Senate Committee on Finance, the American Retail Federation supported the concepts embodied in the Family Assistance Act of 1970 (H.R. 16311). Citing the failure of the present welfare system, the Federation urged adoption of welfare reforms which provide basic benefits to low-income families with children and which also provide incentives for employment and training.

Supporting the benefit levels provided for in the House-passed bill as "a significant contribution toward elimination of poverty in the United States," the Federation said: "Important and far-reaching social legislation requires the balancing of the risks against the social need. Both those who would oppose adoption of any benefit level and those who would impose drastically higher benefit levels undermine this balancing process. In a desperate social gamble, they would give us no program at all, or too much of a program."

The Federation also stated that the payment of benefits must be tied to a work requirement and work incentive program. To ensure the effectiveness of this program, the Federation suggested that the "Secretary of Labor and the Congress continuously monitor the programs to determine if they are achieving their intended purpose within the prescribed budget allocation. If practicable, the Administration should consider setting up pilot projects

to measure the effectiveness of the program before a full scale commitment is made."

For further information contact:

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STATEMENT OF  
THE AMERICAN RETAIL FEDERATION  
BEFORE  
THE COMMITTEE ON FINANCE  
OF  
THE UNITED STATES SENATE  
ON  
H.R. 16311  
"FAMILY ASSISTANCE ACT OF 1970"

This statement is presented in behalf of the 28 national retail associations and 50 state-wide associations of retailers comprising the American Retail Federation. Through its association membership, the Federation represents approximately 800,000 retail establishments of all types and sizes.

#### General Statement

Welfare programs are designed to assist those who are unable to help themselves and also to promote eventual self-reliance and independence among those who are able to help themselves. Rather than furthering these objectives, current welfare programs have had a demoralizing and debilitating effect on welfare recipients. Work incentives under current programs are too weak and have not encouraged welfare recipients to seek employment and to build their own self-esteem. In addition, these programs have grown increasingly more expensive to operate. It is clear that greater and greater appropriations for the present system will only perpetuate the problem. An intelligent innovation is needed to lead us out of this morass.

To solve this problem, the Federation supports welfare reforms which provide basic benefits to low-income families with children and which also provide incentives for employment and training to improve the capacity for employment of members of such families. However, any income supplement should be reasonable in amount and tied to a meaningful work program. The Federation also supports welfare reforms which would achieve greater uniformity of treatment

of recipients under the Federal-State public assistance programs.

Therefore, the Commission supports the concept embodied in the Family Assistance Act of 1970 (H.R. 16311), while, at the same time, recognizing that certain sections of the bill need clarification and strengthening.

#### The Failure of the Welfare System

In this decade alone, total costs for the four federally-aided welfare programs (Aid to Families with Dependent Children, Aid to the Aged, Aid to the Blind and Aid to the Disabled) have more than doubled, to a level estimated in 1970 at about \$6.6 billion. In the Aid for Families with Dependent Children program (AFDC), costs have more than tripled since 1960 (to almost \$4 billion annually at the present time) and the number of recipients has more than doubled (to some 7.1 million persons in November 1969). Since the President first proposed the Family Assistance Plan in August of last year, another million people have been added to the AFDC rolls. Even more disturbing is the fact that the proportion of children on AFDC is growing. In the 15 years since 1955, the proportion of children in the nation receiving assistance has doubled--from 30 children per 1,000 to about 60 per 1,000 at present.

Prospects for the future show no likelihood for relief from the present upward spiral. If present trends continue, AFDC costs will almost double again by Fiscal Year 1975, and caseloads will increase by 50 to 60 percent. Yet, despite these crushing costs, benefits remain below adequate levels in most states.

The present AFDC program is in a crisis because of four characteristics:

First, it is characterized by unjustifiable discrepancies between states. It is not one welfare system but 50 different systems with no national standards for benefit levels. AFDC payments now vary from an average of \$46 per month for a family of four in one state to \$265 for such a family in another state in another part of the country. These gross disparities are aggravated by complicated state by state variations in criteria for eligibility and methods of administration.

Second, under the current system the Federal government has no control over the allocation of Federal resources. Each state establishes its own benefit levels and the Federal Government has an open-ended obligation to provide matching funds for these benefits. The result is not only a potentially unmanageable drain on Federal resources, but the creation of a system in which the Federal Government discriminates sharply in its treatment of equally needy families in different states.

Third, AFDC is inequitable in its treatment of male-headed families as opposed to those headed by a female. While needy female-headed families are eligible for AFDC, in no state is an intact male-headed family, where the father is working full-time, eligible for federally aided assistance.

Lastly, our present welfare policy is unfair to the working poor. Without regard to their financial need, it rules them ineligible to receive assistance just because they are working full-time.

#### Benefit Levels

Under the provisions of H.R. 16311, the basic FAP benefit is \$1600 per year for a family of four with no other income. This basic benefit is supplemented by exclusion of the value of food stamps (\$864 for a family of four with the basic FAP income of \$1600)



The Department of Health, Education, and Welfare estimates the first year cost of the program at \$4.1 billion. Some assert that the cost of the program will reach a much higher figure. Others demand benefit levels many thousands of dollars higher. As with any new program, cost factors can only be estimated. On the other hand, unreasonable benefit levels would seriously hamper the federal budgetary process and hinder the fight against inflation.

Important and far-reaching social legislation requires the balancing of the risks against the social need. Both those who would oppose adoption of any benefit level and those who would impose drastically higher benefit levels undermine this balancing process. In a desperate social gamble, they would give us no program at all, or too much of a program. Recognizing these crucial factors, the Federation supports the benefit levels provided for in the House-passed bill, as a significant contribution toward elimination of poverty in the United States.

#### Coverage

H. R. 16311 limits payments to families and makes no provision for childless couples or single persons. It extends present coverage to families headed by full-time employed males. According to the Administration, FAP will cover 20 million persons in 1971, compared to 6.7 million currently on AFDC rolls. The Federation opposes any further extension of coverage to single or childless couples, because this would add 4.5 million beneficiaries at a cost of \$1 billion.

#### Work Requirements and Incentives

The most important aspect of this welfare reform proposal is the work requirements and the work incentives. As pointed out before,

there is little or no incentive for a welfare family to become a workfare family.

The family assistance plan contains a requirement to register for work and incentives to accept training and employment. Broadly speaking, if a person fails to register for work, he will not receive benefits; and if he loses a job or training, his benefits will be cancelled. Certain defined groups would be exempted from the registration requirement.

Critics of the FAP claim that the employment incentive approach will not work, citing the WIN program as an example. Under the WIN program a great deal of discretionary power was put in the hands of state social workers to define who was appropriate for referral to manpower training programs and employment.

These wide discretionary powers must be completely eliminated by strictly enforcing the explicit guidelines on exemptions from the registration requirements contained in H.R. 16311. In addition, once a person has registered with the employment service, an individual employability plan should be worked out specifying what steps are necessary to insure permanent attachment to the labor force. A team of specialists should also be responsible for the follow-through on the plan. Above all, it is important that the Secretary of Labor and the Congress continuously monitor the programs to determine if they are achieving their intended objectives within the prescribed budget allocation. If practicable, the Administration should consider setting up pilot projects to measure the effectiveness of the program before a full scale commitment is made.

## Summary

The American Retail Federation supports the concepts embodied in H. R. 16311. However, benefit levels should be reasonable in amount and tied to a strong work requirement and incentive program. The operation of the work requirement and incentive program should be monitored by the Secretary of Labor and the Congress to ensure their effectiveness. If possible, pilot projects should be set up to eliminate problem areas.