



STEPS



STEPS TO EMPLOYMENT PROSPERITY & SUCCESS

Winter 2004

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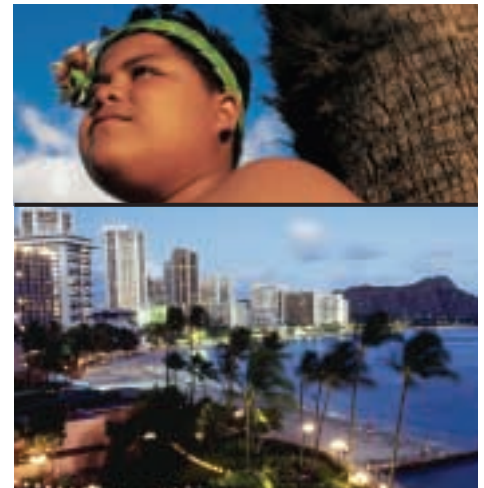
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Aloha from the 50th State

Only two years ago, Hawaii's welfare program was in bad shape. Its welfare caseload had actually increased in the prior ten years, whereas the national average at that time dropped by over 50%. Hawaii was one of the poorest performing welfare states in the nation—not only in caseload reduction but also in terms of dependency (the number of residents per capita remaining dependent on welfare).

Feeling pressure from the legislature and national studies that illuminated the poor performance, Hawaii's Department of Human Services began to re-evaluate and strengthen their welfare programs. A full-family sanction for non-compliance, which had been enacted the year before, began to show results as recipients were made aware that Hawaii was getting serious about requiring participation in work activities. The department also strengthened its contracting efforts with work activity vendors by focusing on accountability for results.



Slowly, Hawaii's caseload began to decrease.

And then things really kicked in when new governor, Linda Lingall appointed Lillian Koller as the new Director of the Department of Human Services. The American Institute for Full Employment began working with Koller to review Hawaii's program and suggest improvements. A local think tank, The Grassroots Institute, assisted providing entrée to a number of state officials and businesses as well as other valuable logistical support.

The Institute not only assessed Hawaii's public assistance programs in the Department of Human Services, but related employment programs in the Departments of Labor and Industrial Relations and Public Safety. We presented our findings and recommendations to the Director in September, and she asked if we could return and assist in implementing the recommendations.

And so The Institute is currently assisting the Department in this effort. We have much

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What is Full Employment?

Full Employment is a welfare, unemployment, and food stamp benefit replacement concept that moves public assistance recipients into the active workforce by converting public assistance benefits to wage subsidies for transitional, training oriented jobs, predominantly in the private sector.



A New Measure for Welfare Reform

For the last several years, the American Institute for Full Employment has published Welfare Progress Reports for each state. These reports compare welfare reform efforts of the states and rank caseload reduction, remaining welfare dependency as well as Food Stamp performance.

Our next round of progress reports is scheduled for the beginning of the new year. Depending on data availability from the U.S. Department of Health and Human Services, we hope to have data as current as of last June.

This latest round of progress reports will feature a new measure of welfare reform progress. Called the Caseload Reduction/Dependency Index, this measure combines caseload reduction with dependency. Using this measure, states that have traditionally maintained lower dependency rates are not adversely affected in our comparisons when measured against a state that may have had high dependency but now has experienced large caseload reduction. Results of our Caseload Reduction/Dependency Index will be published in the next newsletter. ■

Aloha from the 50th State, *continued...*

work to do and are busy conducting work sessions and convening work groups. The Institute is honored to be able to assist the Department and Koller. The Director is committed to improving Hawaii's welfare programs by assisting those in need get jobs with career potential and assist their families become more self-sufficient.

The recommendations that we are currently implementing in Hawaii include:



Instituting an employment initiative diversion where potential welfare applicants are first tested in the employment marketplace. Properly used, diversion is a valuable tool for families because many parents can get to work quickly, receive necessary support services, and not be burdened with the stigma of receiving a welfare payment.



Strengthening and modifying Hawaii's "Grants Plus" wage subsidy program. We recommended modifying the length of this program as well as expanding it to private businesses—primarily small businesses. In addition, we will work with the Department to make the program easier for businesses to use while ensuring welfare clients are provided a bona-fide job with valuable training.



Assisting the Department to evaluate its contracts with service providers, and begin to institute performance-based contracts where service providers are held accountable for performance and rewarded for exceeding contract goals.



Providing welfare clients with access to meaningful work activities more quickly. New York City's "full engagement" program will be used as a model for this effort.



Working with the Department to evaluate ways in which to integrate services between divisions, resulting in better service to clients and less duplication of efforts (including case management and eligibility).



Co-locating certain TANF functions to improve services to welfare clients.



Improving reporting to focus on necessary management information as the Department institutes a performance-based management initiative.



Assisting the Department update its Food Stamp program reporting as well as investigating using Food Stamp training funds to enhance employment training activities.

Hawaii is in a unique place and time to further enhance its public assistance programs for the benefit of its recipients and its citizens. The Institute is excited to be able to work with Hawaii as the state begins this endeavor. We also extend a warm Mahalo to Department of Human Services management and staff for making us welcome and working with us in a spirit of cooperation. ■



What's the practical result of this system?

The Unemployment Insurance program and Lay-offs: Making a Bad Situation Worse

hospitals aren't always healthy places—plenty of patients catch bugs unrelated to the cause of their hospitalization, simply because of the hospital environment.



Automobile air bags sometimes kill people who would otherwise have survived a minor crash, especially children.

The unemployment insurance program may cause half of all temporary layoffs at the depths of recessions.

That last item has not made the local newspapers, but it is well documented in the academic literature. So here is the story of how unemployment insurance can cause unemployment.

Some employers have an unstable need for workers. Maybe the business is seasonal, like food processing. Or maybe the business is highly cyclical, like construction. For whatever reason, it makes sense for such businesses to be able to hire and lay workers off frequently.

Without unemployment insurance, workers would shun such employers in favor of more stable businesses. In order to get employees, these unstable employers would have to offer higher wages than stable companies pay for similar workers.

Unstable employers would have another problem without unemployment insurance: difficulty in rehiring people with experience and skills. Without unemployment insurance, workers who are laid off would take other employment as soon as possible in most cases. When business picks up at the unstable employer, it may

be difficult to rehire the needed workers.

These two effects, higher wages and difficulty in rehiring, would lead businesses to smooth out their labor usage. The companies would benefit from spreading the workload more evenly across the year or the business cycle, keeping the employees on doing maintenance or other work during slack times. This would not completely eliminate layoffs, but it would reduce them.

Unemployment insurance, however, reduces the cost to businesses of laying off workers.

Unemployment insurance, however, reduces the cost to businesses of laying off workers. Wages don't have to be so much higher at the unstable employers. There is also less fear that good workers will find jobs elsewhere after being laid off, because unemployment insurance leads many people to wait to be recalled rather than searching for new work.

The framers of the unemployment insurance system anticipated this problem and implemented a variable tax rate that takes into account an employers' history of layoffs. The less stable businesses would have to pay a higher tax, giving them an incentive reduce layoffs.

Several problems prevent this system from working, however. The taxes have ceilings and floors. For the most unstable employers, another layoff doesn't matter—

they are already paying the maximum tax rate.

The workings of the tax system are measured by the Experience Rating Index, which indicates to what extent the cost of unemployment insurance benefits feed back to the specific businesses that are responsible for the layoffs. On average, only about 60 percent of benefits affect the employer's tax rate.

What's the practical result of this system? Economists who have poured over the statistics find that 20 to 30 percent of all temporary layoffs are caused by the unemployment insurance system itself. At the depths of recession, as much as half of all temporary layoffs may be caused by the system's distortion of the normal disincentive to have layoffs.

Hospitals now pay more attention to the spread of infection. Air bags can be disabled for short passengers. ***What are the comparable fixes for the unemployment insurance system?*** First, elimination of the tax ceilings and floors will reduce the incentive to layoffs. Second, a system that emphasizes rapid reemployment will force employers to think twice before laying off workers who would be hard to replace. Finally, individual unemployment insurance accounts would once again force unstable businesses to pay a wage premium, because workers will know that if they can avoid using their individual accounts, the money rolls over to their retirement accounts.

However worthy the goals of the present unemployment insurance system may be, they should not blind us to the problems caused by the system. We must seek solutions to the problem of layoffs induced by the very system created to help people who have been laid off. ■

PUTTING SOCIAL SECURITY On the Road



Social Security has to be fixed. Lower birth rates and longer life expectancies mean that fewer workers will have to support ever-increasing populations of retirees. In 1950 there were sixteen workers supporting every retired person. But today there are only three workers supporting each retiree, and when today's 35 year olds retire there will be only two. The window of opportunity to rescue the system is closing—soon Baby Boomers will begin retiring at the rate of 10,000 a day and Social Security's costs will skyrocket.

We need to start planning for that day now. We must educate Americans today about the urgent need to strengthen Social Security for the future.

For Our Grandchildren is doing just that. We are spreading the word across the United States, from Iowa, New Hampshire and Arizona to South Carolina and Washington DC.

For Our Grandchildren is a project of The American Institute for Full Employment, a non-profit, non-partisan organization. *For Our Grandchildren* is dedicated to the responsible reform of Social Security, which is possible only if American's fully understand what is at stake and how various reform options will affect them and their families. Using objective data from government sources, research papers from respected analysts, and the testimony of experts in the field, *For Our Grandchildren* visits newspaper editorial boards, appears on radio and television

news programs, hosts town hall meetings and debates, and speaks to college classrooms and civic organizations.

☆Arizona

Dr. José Piñera, architect of Chile's successful personal pension system, spoke to 350 members of the Phoenix Forum on November 13. During a one-on-one conversation, Dr. Piñera convinced the president of the Greater Phoenix Chamber of Commerce to adopt Social Security reform as one the organization's legislative agenda items. Key opinion leader Bob Robb, editorial writer with the *Arizona Republic*, also enjoyed a long conversation with Piñera.

For Our Grandchildren state chair Lyle



Volunteers urge candidates to reform Social Security at the National Association of Latino Elected Officials Conference in Phoenix, Arizona.



Congressman Tim Penny answers questions about reform on talk radio in Phoenix, Arizona.

Campbell hosted a reception at his home for Dr. Piñera and thirty guests, while another supporter introduced Dr. Piñera to twenty interested individuals, including former Republican Governor Jane Hull.

For Our Grandchildren and Dr. Piñera also met with reporters from the Phoenix *Business Journal*, taped television interviews with Horizon (PBS), Horizonte (PBS), La Voc and Univision.

Despite the hottest July on record, *For Our Grandchildren* engaged Arizonans with a series of demonstrations on reform. The first of these was held in Phoenix at the

annual meeting of the National Association of Latino Elected Officials (NALEO) where each of the Democratic presidential candidates spoke. Fifteen young volunteers showed up with signs and enormous enthusiasm to bring attention to this issue. One of our 18-year old volunteers was interviewed on KTAR and other major talk radio stations. In addition, one supporter was personally able to press presidential candidates John Edwards, Howard Dean, and Joe Lieberman on the issue during the conference.

Another 20 volunteers demonstrated at a major Howard Dean "meet-up," demonstrating with signs and handing out over a thousand pieces of literature to Dean supporters. Several of the "meet-up" attendees asked Governor Dean about his plans for Social Security reform.

For Our Grandchildren has appeared twice during drive time on KTAR (the largest talk radio station in the state). And after we publicized the General Accounting Office's study urging Congress to act on reform soon, the *Mesa Tribune*, Arizona's second largest paper, editorialized in favor of reform.



Senator Sununu discusses the importance of reforming Social Security sooner rather than later to a crowd in Manchester, New Hampshire.

"Choose Your Future" Social Security reform tour debate.

One stop on the "Choose Your Future"

tour came in late July when former Democratic Congressman Tim Penny hosted a town hall meeting in Laconia, New Hampshire. The meeting generated significant media coverage with Congressman Penny making live call-in appearances with popular radio hosts Neil Young and Arnie Arnesen and the three Lakes Region newspapers covering the event.

Another "Choose Your Future" event took place in Dublin, New Hampshire at the home of former U.S. Ambassador to Switzerland Joseph Petrone. Michael Tanner of the Cato Institute spoke to almost 80 guests. Prior to the reception, Tanner participated in several radio interviews and editorial board meetings.



Jose Pinera speaks to a crowd at St. Anselm College in New Hampshire.

Security reform. Piñera is the architect of Chilean Social Security reforms and is a frequent *For Our Grandchildren* partner. His efforts in New Hampshire garnered positive press.

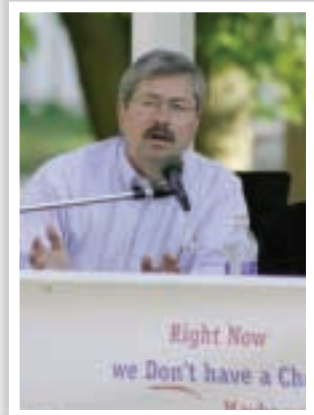
And finally, as General Wesley Clark finished filing his presidential primary papers, a *For Our Grandchildren* activist presented Clark with Social Security reform literature outside the New Hampshire Secretary of State's office in Concord.

☆Iowa

In late May, *For Our Grandchildren* released a study conducted by Iowa State University economist Dr. John

Miranowski on the impact of Social Security Payments on Iowa Counties. Miranowski shows that as the population of Iowa ages, the state's economy will become ever more reliant on retirement payments as a source of income, concluding that this growing dependence does not bode well for Iowa's economy if Social Security's financing crisis is not addressed in the very near future. *For Our Grandchildren* distributed the study around the state and generated over 25 articles. Miranowski also authored a guest editorial about the study that continues to get coverage across the state.

Since the summer, *For Our Grandchildren* has made presentations to more than 20 groups around Iowa. But the Iowans didn't confine their activities solely to the Midwest. The Greater Des Moines Partnership is the Chamber of Commerce for Des Moines and the surrounding communities. Through her contacts at the Partnership, *For Our Grandchildren* Midwest Regional Director Sandi Jacques successfully encouraged the organization to adopt Social Security reform as one of its high priority agenda items. During the week of June 9, 140 Partnership members visited members of Iowa's congressional



Former Governor Branstad urges a crowd in Le Mar, Iowa to reform Social Security.

delegation in Washington, DC. Sandi joined the Partnership's traveling squad and provided each member with a DVD of the *For Our Grandchildren* sponsored speech Dr. José Piñera delivered in Des Moines last February.

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Right Now we Don't have a Choice — Maybe we Should.



During the Washington trip, *For Our Grandchildren* sponsored a congressional breakfast on Capitol Hill. Senator Tom Harkin (D), Congressman Leonard Boswell (D), and Congressman Tom Latham (R) all spoke at the event. A group of reform supporters met later with Congressman Boswell, encouraging him to support reform and to host a town hall meeting in his district about the issue in the near future.

Back in Iowa, approximately 300 of the 9,000 residents of Le Mars turned out to get the scoop on reform. The idea for this event—called the “Ice Cream Social for Social Security”—came from Wells’ Dairy CEO Gary Wells. In April Wells attended a *For Our Grandchildren* town hall meeting in Grinnell, Iowa and became convinced that Social Security reform is imperative. So Wells organized a similar event in Le Mars. He opened the outdoor event by telling the crowd, “Make it a point to tell your neighbors” about the need for Social Security reform. Local Le Mars residents brought lawn chairs and assembled in the cool shade of the city park’s trees to listen to former Iowa Governor Terry Branstad, Sioux City businessman Bob Vander Plaats, and *For Our Grandchildren* President Lea Abdnor. Dave Dreeszen, Business Editor of the *Sioux City Journal*,

moderated the discussion, which was covered by Sioux City television.

And on November 24, nine *For Our Grandchildren* ostriches paraded before the entrance to the MSNBC Democratic Presidential debate in Des Moines. Calling the Presidential candidates’ refusal to fix Social Security’s a head-in-the-sand approach, the ostriches drew a crowd of



TV and newspaper reporters. *For Our Grandchildren* National Director James Hamilton gave four interviews to television reporters and was cited in the *National Journal*, *Des Moines Register* and *CCN.com*.



Members of the “*For Our Grandchildren*” Social Security Education Projects sported masks of the Democratic presidential candidates and ostrich costumes outside the debate.

☆South Carolina

For Our Grandchildren expanded its educational activities into South Carolina in early June by hiring former state representative David Owens to direct Southeast operations from Columbia, South Carolina.

Supporting Owens, *For Our Grandchildren* is fortunate to have a dedicated board of 20 advisors from across the state. They represent a cross section of the state and have extensive experience in business and civic affairs. *For Our Grandchildren*’s South Carolina efforts are led by new chairman Nick Theodore, former



Governor Mark Sanford talks about Social Security reform to a crowd in Columbia, South Carolina.

Lieutenant Governor of the state, and Honorary Co-Chair, Senator Lindsey Graham (R).

On September 12, *For Our Grandchildren* welcomed José Piñera to Charleston, South Carolina. Piñera addressed a luncheon crowd that included



Regional Director Dave Owens talks to a volunteer in Orangeburg, South Carolina.

business and political leaders from across the low country of South Carolina. Special guests included Senator Lindsey Graham and Governor Mark Sanford (R), who have both long advocated Social Security reform.

☆ Missouri

For Our Grandchildren began its work in Missouri in early June. This summer Regional Director David Sorden held meetings with members of Congress and their staffs as well as community leaders, professors, media representatives, and others instrumental in spreading our message.

On August 18, Sorden was interviewed on KZIM AM in Cape Girardeau, Missouri. The following week he gave a presentation with an extended question and answer session to the executive board of the Missouri Chamber of Commerce at their annual meeting in Springfield. In late August, PR specialist Derio Gambiaro did an interview with National Public Radio

in Hannibal, Missouri followed by a visit to the Hannibal *Courier Post* which subsequently ran a Labor Day opinion piece favoring reform. Derio then traveled across the river to Quincy, Illinois where he was interviewed by WQUB AM.

For Our Grandchildren President Lea Abdnor visited St. Louis on August 25 and met with David Nicklaus, business editor of the *St. Louis Post-Dispatch*. Abdnor also spent time training volunteers and meeting with business leaders and potential donors.

In Columbia, Sorden conducted an interview on the Fred Perry Show, KFRU



Dave Sorden and Derio Gambio explain how personal retirement accounts will work on National Public Radio in Missouri.

AM. Later, he spoke to a University of Missouri-Columbia public policy class. Afterwards he was a featured guest of KBIA News Director Catherine Welch's afternoon talk show.

In mid-September, Sorden spent time in Jefferson City meeting with members of the General Assembly during their annual Veto Session. He distributed copies of *For Our*

Grandchildren's reprint of the Social Security chapter from Charlotte Twilight's book *Dependent on D.C.* to all 197 state legislators.

On November 17, Edward Jones, CEO John Bachmann hosted José Piñera at a luncheon where Dr. Piñera spoke to over 120 guests in St. Louis including members of media.

A Sense of Urgency

Social Security must be fixed soon. Combining a sense of urgency and a coherent message, *For Our Grandchildren* plays a leading role in educating Americans about the urgency of achieving Social Security reform. *For Our Grandchildren* is a leading voice in this national dialogue.

Young people deserve as much security as their grandparents enjoyed. Reform is about helping your kids—and especially your grandkids—build security. Please join us in making an investment in the future—our children's future and our nation's future.

www.fourgrandchildren.com





Institute Mission

The Institute's goal is full employment - universal access to jobs with career potential for all who can work, especially those who are receiving public assistance as a substitute for the opportunities and rewards of paid work.

Consulting

The Institute offers consulting to any state that wishes to implement a Full Employment Program. Consulting services include: program design, training workshops and establishment of performance criteria.

Contact Us

THE AMERICAN INSTITUTE FOR FULL EMPLOYMENT

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Features of Full Employment

For Participants

- Immediate placement in unsubsidized jobs, or temporarily subsidized, training-oriented jobs for those unable to get unsubsidized employment. Wage subsidies are paid from the pool of public assistance benefits.
- A ladder of job opportunities, with rising spendable income at each step.
- Guaranteed support services throughout the transition to self-sufficiency.

For Employers

- A larger workforce from which to recruit workers.
- The chance to try out new workers in new jobs at little or no wage cost.
- The opportunity to contribute to reducing the public assistance burden, and provide the unemployed with the many benefits that only employment provides.

For the State

- A stronger state economy.
- Happier, more productive citizens.
- Reduced costs of welfare and other related social costs of unemployment and dependency.

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