

PRESIDENT'S MESSAGE ON WELFARE REFORM

ERRATA

1. Page 4, 11th line from the top of the page, the sentence beginning "For a family of four..." should read: "For a family of four with income of \$720 or less, this payment would be \$1600 a year; for a family of four with \$2000, this payment would supplement that income by \$960 a year."
2. Page 4, 2nd line from the bottom of the page, the phrase "In these States" should be changed to read: "In 10 of these States."

Office of Program Evaluation and Planning  
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(San Clemente, California)

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

A measure of the greatness of a powerful nation is the character of the life it creates for those who are powerless to make ends meet.

If we do not find the way to become a working nation that properly cares for the dependent, we shall become a Welfare State that undermines the incentive of the working man.

The present welfare system has failed us -- it has fostered family breakup, has provided very little help in many States and has even deepened dependency by all too often making it more attractive to go on welfare than to go to work.

I propose a new approach that will make it more attractive to go to work than to go on welfare, and will establish a nationwide minimum payment to dependent families with children.

I propose that the Federal government pay a basic income to those American families who cannot care for themselves in whichever State they live.

I propose that dependent families receiving such income be given good reason to go to work by making the first sixty dollars a month they earn completely their own, with no deductions from their benefits.

I propose that we make available an addition to the incomes of the "working poor," to encourage them to go on working and to eliminate the possibility of making more from welfare than from wages.

I propose that these payments be made upon certification of income, with demeaning and costly investigations replaced by simplified reviews and spot checks and with no eligibility requirement that the household be without a father. That present requirement in many States has the effect of breaking up families and contributes to delinquency and violence.

I propose that all employable persons who choose to accept these payments be required to register for work or job training and be required to accept that work or training, provided suitable jobs are

available either locally or if transportation is provided. Adequate and convenient day care would be provided children wherever necessary to enable a parent to train or work. The only exception to this work requirement would be mothers of pre-school children.

I propose a major expansion of job training and day care facilities, so that current welfare recipients able to work can be set on the road to self-reliance.

I propose that we also provide uniform Federal payment minimums for the present three categories of welfare aid to adults -- the aged, the blind and the disabled.

This would be total welfare reform -- the transformation of a system frozen in failure and frustration into a system that would work and would encourage people to work.

Accordingly, we have stopped considering human welfare in isolation. The new plan is part of an overall approach which includes a comprehensive new Manpower Training Act, and a plan for a system of revenue sharing with the States to help provide all of them with necessary budget relief. Messages on manpower training and revenue sharing will follow this message tomorrow and the next day, and the three should be considered as parts of a whole approach to what is clearly a national problem.

### Need for New Departures

A welfare system is a success when it takes care of people who cannot take care of themselves and when it helps employable people climb toward independence.

A welfare system is a failure when it takes care of those who can take care of themselves, when it drastically varies payments in different areas, when it breaks up families, when it perpetuates a vicious cycle of dependency, when it strips human beings of their dignity.

America's welfare system is a failure that grows worse every day.

First, it fails the recipient: In many areas, benefits are so low that we have hardly begun to take care of the dependent. And there has been no light at the end of poverty's tunnel. After four years of inflation, the poor have generally become poorer.

Second, it fails the taxpayer: Since 1960, welfare costs have doubled and the number on the rolls has risen from 5.8 million to over 9 million, all in a time when unemployment was low. The taxpayer is entitled to expect government to devise a system that will help people lift themselves out of poverty.

Finally, it fails American society: By breaking up homes, the present welfare system has added to social unrest and robbed millions of children of the joy of childhood; by widely varying payments among regions, it has helped to draw millions into the slums of our cities.

The situation has become intolerable. Let us examine the alternatives available:

-- We could permit the welfare momentum to continue to gather speed by our inertia; by 1975 this would result in 4 million more Americans on welfare rolls at a cost of close to 11 billion dollars a year, with both recipients and taxpayers shortchanged.

-- We could tinker with the system as it is, adding to the patchwork of modifications and exceptions. That has been the approach of the past, and it has failed.

-- We could adopt a "guaranteed minimum income for everyone," which would appear to wipe out poverty overnight. It would also wipe out the basic economic motivation for work, and place an enormous strain on the industrious to pay for the leisure of the lazy.

-- Or, we could adopt a totally new approach to welfare, designed to assist those left far behind the national norm, and provide all with the motivation to work and a fair share of the opportunity to train.

This Administration, after a careful analysis of all the alternatives, is committed to a new departure that will find a solution for the welfare problem. The time for denouncing the old is over; the time for devising the new is now.

### Recognizing the Practicalities

People usually follow their self-interest.

This stark fact is distressing to many social planners who like to look at problems from the top down. Let us abandon the ivory tower and consider the real world in all we do.

In most States, welfare is provided only when there is no father at home to provide support. If a man's children would be better off on welfare than with the low wage he is able to bring home, wouldn't he be tempted to leave home?

If a person spent a great deal of time and effort to get on the welfare rolls, wouldn't he think twice about risking his eligibility by taking a job that might not last long?

In each case, welfare policy was intended to limit the spread of dependency; in practice, however, the effect has been to increase dependency and remove the incentive to work.

We fully expect people to follow their self-interest in their business dealings; why should we be surprised when people follow their self-interest in their welfare dealings? That is why we propose a plan in which it is in the interest of every employable person to do his fair share of work.

### The Operation of the New Approach

1. We would assure an income foundation throughout every section of America for all parents who cannot adequately support themselves and their children. For a family of four with less than \$1,000 income, this payment would be \$1,600 a year; for a family of four with \$2,000 income, this payment would supplement that income by \$960 a year.

Under the present welfare system, each State provides "Aid to Families with Dependent Children," a program we propose to replace. The Federal government shares the cost, but each State establishes key eligibility rules and determines how much income support will be provided to poor families. The result has been an uneven and unequal system. The 1969 benefits average for a family of four is \$171 a month across the Nation, but individual State averages range from \$263 down to \$39 a month.

A new Federal minimum of \$1,600 a year cannot claim to provide comfort to a family of four, but the present low of \$468 a year cannot claim to provide even the basic necessities.

The new system would do away with the inequity of very low benefit levels in some States, and of State-by-State variations in eligibility tests, by establishing a Federally-financed income floor with a national definition of basic eligibility.

States will continue to carry an important responsibility. In 30 States the Federal basic payment will be less than the present levels of combined Federal and State payments. These States will be required to maintain the current level of benefits, but in no case will a State be required to spend more than 90% of its present welfare cost. The Federal government will not only provide the "floor," but it will assume 10% of the benefits now being paid by the States as their part of welfare costs.

In 20 States, the new payment would exceed the present average benefit payments, in some cases by a wide margin. In these States, where benefits are lowest and poverty often the most severe, the

payments will raise benefit levels substantially. For 5 years, every State will be required to continue to spend at least half of what they are now spending on welfare, to supplement the Federal base.

For the typical "welfare family" -- a mother with dependent children and no outside income -- the new system would provide a basic national minimum payment. A mother with three small children would be assured an annual income of at least \$1,600.

For the family headed by an employed father or working mother, the same basic benefits would be received, but \$60 per month of earnings would be "disregarded" in order to make up the costs of working and provide a strong advantage in holding a job. The wage earner could also keep 50% of his benefits as his earnings rise above that \$60 per month. A family of four, in which the father earns \$2,000 in a year, would receive payments of \$960, for a total income of \$2,960.

For the aged, the blind and the disabled, the present system varies benefit levels from \$40 per month for an aged person in one State to \$145 per month for the blind in another. The new system would establish a minimum payment of \$65 per month for all three of these adult categories, with the Federal government contributing the first \$50 and sharing in payments above that amount. This will raise the share of the financial burden borne by the Federal government for payments to these adults who cannot support themselves, and should pave the way for benefit increases in many States.

For the single adult who is not handicapped or aged, or for the married couple without children, the new system would not apply. Food stamps would continue to be available up to \$300 per year per person, according to the plan I outlined last May in my message to the Congress on the food and nutrition needs of the population in poverty. For dependent families there will be an orderly substitution of food stamps by the new direct monetary payments.

## 2. The new approach would end the blatant unfairness of the welfare system.

In over half the States, families headed by unemployed men do not qualify for public assistance. In no State does a family headed by a father working full-time receive help in the current welfare system, no matter how little he earns. As we have seen, this approach to dependency has itself been a cause of dependency. It results in a policy that tends to force the father out of the house.

The new plan rejects a policy that undermines family life. It would end the substantial financial incentives to desertion. It would extend eligibility to all dependent families with children, without regard to whether the family is headed by a man or a woman. The effects of these changes upon human behavior would be an increased

will to work, the survival of more marriages, the greater stability of families. We are determined to stop passing the cycle of dependency from generation to generation.

The most glaring inequity in the old welfare system is the exclusion of families who are working to pull themselves out of poverty. Families headed by a non-worker often receive more from welfare than families headed by a husband working full-time at very low wages. This has been rightly resented by the working poor, for the rewards are just the opposite of what they should be.

3. The new plan would create a much stronger incentive to work.

For people now on the welfare rolls, the present system discourages the move from welfare to work by cutting benefits too fast and too much as earnings begin. The new system would encourage work by allowing the new worker to retain the first \$720 of his yearly earnings without any benefit reduction.

For people already working, but at poverty wages, the present system often encourages nothing but resentment and an incentive to quit and go on relief where that would pay more than work. The new plan, on the contrary, would provide a supplement that will help a low-wage worker -- struggling to make ends meet -- achieve a higher standard of living.

For an employable person who just chooses not to work, neither the present system nor the one we propose would support him, though both would continue to support other dependent members in his family.

However, a welfare mother with pre-school children should not face benefit reductions if she decides to stay home. It is not our intent that mothers of pre-school children must accept work. Those who can work and desire to do so, however, should have the opportunity for jobs and job training and access to day care centers for their children; this will enable them to support themselves after their children are grown.

A family with a member who gets a job would be permitted to retain all of the first \$60 monthly income, amounting to \$720 per year for a regular worker, with no reduction of Federal payments. The incentive to work in this provision is obvious. But there is another practical reason: Going to work costs money. Expenses such as clothes, transportation, personal care, Social Security taxes and loss of income from odd jobs amount to substantial costs for the average family. Since a family does not begin to add to its net income until it surpasses the cost of working, in fairness this amount should not be subtracted from the new payment.

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After the first \$720 of income, the rest of the earnings will result in a systematic reduction in payments.

I believe the vast majority of poor people in the United States prefer to work rather than have the government support their families. In 1968, 600,000 families left the welfare rolls out of an average case-load of 1,400,000 during the year, showing a considerable turnover, much of it voluntary.

However, there may be some who fail to seek or accept work, even with the strong incentives and training opportunities that will be provided. It would not be fair to those who willingly work, or to all taxpayers, to allow others to choose idleness when opportunity is available. Thus, they must accept training opportunities and jobs when offered, or give up their right to the new payments for themselves. No able-bodied person will have a "free ride" in a nation that provides opportunity for training and work.

4. The bridge from welfare to work should be buttressed by training and child care programs. For many, the incentives to work in this plan would be all that is necessary. However, there are other situations where these incentives need to be supported by measures that will overcome other barriers to employment.

I propose that funds be provided for expanded training and job development programs so that an additional 150,000 welfare recipients can become jobworthy during the first year.

Manpower training is a basic bridge to work for poor people, especially people with limited education, low skills and limited job experience. Manpower training programs can provide this bridge for many of our poor. In the new Manpower Training proposal to be sent to the Congress this week, the interrelationship with this new approach to welfare will be apparent.

I am also requesting authority, as a part of the new system, to provide child care for the 450,000 children of the 150,000 current welfare recipients to be trained.

The child care I propose is more than custodial. This Administration is committed to a new emphasis on child development in the first five years of life. The day care that would be part of this plan would be of a quality that will help in the development of the child and provide for its health and safety, and would break the poverty cycle for this new generation.

The expanded child care program would bring new opportunities along several lines: opportunities for the further involvement of private enterprise in providing high quality child care service; oppor-

tunities for volunteers; and opportunities for training and employment in child care centers of many of the welfare mothers themselves.

I am requesting a total of \$600 million additional to fund these expanded training programs and child care centers.

5. The new system will lessen welfare red tape and provide administrative cost savings. To cut out the costly investigations so bitterly resented as "welfare snooping," the Federal payment will be based upon a certification of income, with spot checks sufficient to prevent abuses. The program will be administered on an automated basis, using the information and technical experience of the Social Security Administration, but, of course, will be entirely separate from the administration of the Social Security trust fund.

The States would be given the option of having the Federal government handle the payment of the State supplemental benefits on a reimbursable basis, so that they would be spared their present administrative burdens and so a single check could be sent to the recipient. These simplifications will save money and eliminate indignities; at the same time, welfare fraud will be detected and lawbreakers prosecuted.

6. This new departure would require a substantial initial investment, but will yield future returns to the Nation. This transformation of the welfare system will set in motion forces that will lessen dependency rather than perpetuate and enlarge it. A more productive population adds to real economic growth without inflation. The initial investment is needed now to stop the momentum of work-to-welfare, and to start a new momentum in the opposite direction.

The costs of welfare benefits for families with dependent children have been rising alarmingly the past several years, increasing from \$1 billion in 1960 to an estimated \$3.3 billion in 1969, of which \$1.8 billion is paid by the Federal government, and \$1.5 billion is paid by the States. Based on current population and income data, the proposals I am making today will increase Federal costs during the first year by an estimated \$4 billion, which includes \$600 million for job training and child care centers.

The "start-up costs" of lifting many people out of dependency will ultimately cost the taxpayer far less than the chronic costs -- in dollars and in national values -- of creating a permanent underclass in America.

#### From Welfare to Work

Since this Administration took office, members of the Urban Affairs Council, including officials of the Department of Health,

Education and Welfare, the Department of Labor, the Office of Economic Opportunity, the Bureau of the Budget, and other key advisers, have been working to develop a coherent, fresh approach to welfare, manpower training and revenue sharing.

I have outlined our conclusions about an important component of this approach in this message; the Secretary of HEW will transmit to the Congress the proposed legislation after the summer recess.

I urge the Congress to begin its study of these proposals promptly so that laws can be enacted and funds authorized to begin the new system as soon as possible. Sound budgetary policy must be maintained in order to put this plan into effect -- especially the portion supplementing the wages of the working poor.

With the establishment of the new approach, the Office of Economic Opportunity will concentrate on the important task of finding new ways of opening economic opportunity for those who are able to work. Rather than focusing on income support activities, it must find means of providing opportunities for individuals to contribute to the full extent of their capabilities, and of developing and improving those capabilities.

This would be the effect of the transformation of welfare into "workfare," a new work-rewarding system:

For the first time, all dependent families with children in America, regardless of where they live, would be assured of minimum standard payments based upon uniform and single eligibility standards.'

For the first time, the more than two million families who make up the "working poor" would be helped toward self-sufficiency and away from future welfare dependency.

For the first time, training and work opportunity with effective incentives would be given millions of families who would otherwise be locked into a welfare system for generations.

For the first time, the Federal government would make a strong contribution toward relieving the financial burden of welfare payments from State governments.

For the first time, every dependent family in America would be encouraged to stay together, free from economic pressure to split apart.

These are far-reaching effects. They cannot be purchased cheaply, or by piecemeal efforts. This total reform looks in a new direction; it requires new thinking, a new spirit and a fresh dedication to reverse the downhill course of welfare. In its first year, more than half the families participating in the program will have one member working or training.

We have it in our power to raise the standard of living and the realizable hopes of millions of our fellow citizens. By providing an equal chance at the starting line, we can reinforce the traditional American spirit of self-reliance and self-respect.

RICHARD NIXON

THE WHITE HOUSE,

August 11, 1969.