

**IMPROVING WORK-WELFARE PROGRAMS:  
ISSUES AND OPTIONS**

January 11, 1983

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Drawing on past research and programs in the work-welfare area, this memorandum discusses several alternatives for improving work-welfare programs. Enough evidence is available now to analyze ways to increase the labor force attachment and earnings of employable welfare recipients as well as reduce net expenditures for benefits over the long term. Because the fraction of the caseload that is employable is roughly 10 to 15 percent and current spending on them is low, the net reduction in the current federal deficit would be small, but not insignificant. These reductions would continue in future years, however, because reduced transfer spending and increased tax revenues would continue over the former recipient's work life, while the program would incur only a one-time expense for each recipient.

As used here, welfare means both the Aid to Families with Dependent Children (AFDC) and the food stamp programs, but does not include other means-tested programs. About 3.5 million families receive AFDC benefits each month, while about 7.8 million households receive food stamps each month. Since most AFDC families also receive food stamps, the total number of households assisted by one or the other of these programs is roughly 8 million.

Work-welfare programs encompass a wide range of programs and services designed to improve the employability of welfare recipients, increase their economic self-sufficiency, reduce welfare dependency, or simply to derive some work from the recipient in exchange for benefits. In



the past, these efforts have included job search, referral, and placement services; basic education; specific skills or on-the-job training; work experience; support services, such as child care, career counseling, and reimbursement for work-related expenses; and workfare (work in exchange for benefits). Several past programs have combined more than one of these approaches.

After presenting major findings from past research and trends in implementing recent law changes, this memorandum discusses several options for improving current work-welfare programs:

- o Change the targeting of current programs to groups of participants for whom they are more likely to be cost-effective;
- o Shift the emphasis of these programs to more effective approaches and matching them with participant characteristics;
- o Have welfare agencies operate work-welfare programs alone, instead of joint operation with other agencies;
- o Increase the incentives for states to implement existing work-welfare approaches; and
- o Provide assistance to recipients during the transition period to regular employment.

#### IMPLICATIONS OF MAJOR FINDINGS FROM PAST RESEARCH

Out of the considerable body of research and experience with past and current programs a number of major conclusions can be drawn that have clear policy implications. The conclusions are based on studies of the dynamics of welfare caseloads and evaluations of past and current programs.



Basically, the findings pertain to which participants benefit most, which approaches are most effective, and what limits the reductions in federal spending and impact on welfare dependency. 1/

### Targeting More vs. Less Employable Recipients

Programs targeting less employable recipients generally found greater net budget savings in the long run than programs targeting the more employable. Although the less employable recipients still had lower earnings and employment rates after the program than the more employable recipients, the long-term welfare costs of these recipients were so much higher than those of more employable recipients that it was more cost effective to focus on the less employable recipients.

Past programs identified recipients as less employable if they had little or no prior work experience, limited job skills, and limited education. Characteristics of more employable recipients generally were those with some prior work experience, some specific job skill, and often a high school diploma.

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1. For good literature reviews see Berkeley Planning Associates, **Evaluation Design Assessment of Work-Welfare Projects** (September 30, 1980), prepared for Office of Research and Statistics, Social Security Administration, October 1981, Mary Fish, **Income Inequality and Employment**, prepared for the Employment and Training Administration, U.S. Department of Labor, 1978, and P. G. Brown, C. Johnson, and P. Vernier, eds., **Income Support: Conceptual and Policy Issues** (Rowan and Littlefield, 1981).



Before discussing the effects of prior work experience and education, the impact of work-welfare programs on women will be discussed. Such a discussion is important because women head most welfare families, about three-quarters of WIN registrants are women, and women are more likely to be less job-ready than men.

A variety of studies have confirmed that women gain substantially more from employment and training programs than do men. These program gains were usually measured during a follow-up period after the intervention as increased earnings or hours worked when compared to a similar group of individuals who did not participate in the particular program. For example, a recent CBO paper on programs funded under the Comprehensive Employment and Training Act (CETA) shows that CETA training increased a female participant's average post-program earnings by between \$800 and \$1,300 annually, with similar gains for the three major types of training (classroom, on-the-job, and work experience). Because only a small portion of this gain reflects increased wage rates, CETA training may not have upgraded job skills substantially, however. Instead, improved job access, greater labor force participation, and more hours of employment account for most of the increase. 2/

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2. Congressional Budget Office, CETA Training Programs--Do They Work for Adults? (July 1982).



Although women seem to benefit more from training than men, they still earned less after training--primarily from receiving lower wage rates, rather than from working fewer hours. Male participants experienced negligible increases in future earnings as a result of training--probably because men had previously been employed more than women, so there was little room for increased hours of work--and the programs had little effect on their wage rates.

#### Prior Educational Attainment and Work Experience

Prior educational attainment and work experience were both important factors in the gains achieved by participants in work-welfare programs. In all programs in which participants increased their earnings or hours worked, those who had completed high school experienced greater gains than those with less education. While this result seems inconsistent with the general findings on the less employable, most recipients considered employable do not have a high school diploma--roughly two-thirds of WIN registrants have not completed high school. In the present context, unless a major program were started to provide a high school education, more useful to the current discussion are the results on the effects of prior work experience.

In successful unpaid work experience programs (including workfare), participants with some prior work experience gained more; but in successful



programs that paid stipends or wages, participants with no prior work experience gained more. These results suggest that caseworkers could use such information to assign participants with a particular background to those program components with greater likelihood of success.

### Combining Training and Paid Employment

Beyond the effects for single approaches, the combination of training and paid employment was generally found to have a greater impact than unpaid work, classroom training, or immediate job placement alone. For example, for women in the public service employment component of the Work Incentive (WIN) Program, which combines some on-the-job training with paid employment, post-program earnings increased about \$1,500 per year compared to their estimated pre-program earnings. Among those WIN participants in the on-the-job training component, the net change in earnings was also substantial. Although the program effects of most successful WIN components did decay slightly after the program, significant earnings gains remained after three years. For participants in the National Supported Work Demonstration Project (NSWD), the average post-program gain in earnings was roughly \$1,200 per year. 3/

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3. For WIN results see U.S. Department of Labor, The Long-Term Impact of WIN II: A Longitudinal Evaluation of the Employment Experience of Participants in the Work Incentive Program (1980); for NSWD results see P. Kemper, D. Long, and D. Thornton, The Supported Work Evaluation: Final Benefit-Cost Analysis (Mathematica Policy Research, 1981).



While these results are substantial, they may reflect the greater access to employment that these approaches typically provide participants. The jobs used in these cases are more closely tied into permanent, stable positions. Therefore, participants are more likely to obtain employment from the same or similar employers. In other words, the earnings gains may result from experiences associated with higher quality employment during the program that leads to a better job after the program, rather than to the effects of the program itself.

#### Workfare

Although workfare has been tried in various forms, careful studies of these programs have found that most did not produce net budget savings. A 1980 evaluation of the Massachusetts' Work Experience Program (WEP) found no significant impact on employment, earnings, or welfare payments--probably because only a small proportion of those who must be screened initially were successful program participants. Preliminary USDA reports from the Food Stamp Workfare Demonstration sites indicate no impact on wage rates and conflicting impacts on earnings. At the seven demonstration sites operating during the first year, women referred to the workfare program were more likely to get jobs after the program and thus increase their average earnings than women in the comparison group: the increase averaged \$62 per month. But men, who were two-thirds of all workfare participants, were less likely to get jobs after the program and consequently they earned less than their comparison group: the decrease in earnings



averaged \$51 per month. The result for men may be an example of the "discouragement" effect described by Goodwin in which repeated failure to find regular employment leads to increased acceptability of welfare. At these seven sites, costs and benefits to the federal government appear roughly equal: depending on how the results are interpreted, the estimates of the net effect range from a net gain of \$5 to a net cost of \$9 per person referred to workfare. 4/

State and local governments have delayed or limited implementation of workfare programs in the past--and may do so in the future--because of several issues associated with these past efforts. These issues have included: organized opposition by community groups and some public employee labor unions; concerns by local governments that the costs of administration and startup may exceed savings; concerns about the potential displacement of regular employees by workfare participants ; and lack of available job slots for all workfare participants. Because each of these concerns has some validity, states appear to be proceeding cautiously to deal with these issues as they arise, having learned from the California CWEP experience that these concerns are easier to resolve before they become political issues.

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4. See Barry Friedman, and others, An Evaluation of the Massachusetts Work Experience Program (Waltham: Brandeis University, Heller Graduate School, 1980), U.S. Department of Agriculture, Third Interim Report to Congress, Food Stamp Workfare Demonstration Projects (Office of Analysis and Evaluation, Food and Nutrition Service, June 1982), and Leonard Goodwin, "Can Welfare Work," Public Welfare, Fall 1981.



### Job Search

Most forms of intensive job search seem to shorten particular episodes of unemployment and welfare reciprocity, but rarely lead to jobs with higher levels of earnings or to job tenure longer than otherwise would occur. Job search by itself is not effective at increasing employment stability, so recipients who obtain employment through job search may return to welfare programs in the future. 5/

### High Caseload Turnover

A substantial fraction of employable AFDC and food stamp recipients receive benefits for only short periods under existing work requirements. Data on turnover of recipients considered employable are not available, but turnover estimates for the entire caseload, which are available, probably are an underestimate. In AFDC precise data are lacking on turnover, but one review of the literature estimated that 50 percent of AFDC recipients receive welfare temporarily (one year or less). 6/ In food stamps, according to the Current Population Survey (CPS), about 25 percent of the households receive benefits for four or fewer months and over 40 percent for less than a year.

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5. See Elise Bruml and John Cheston, "Placement Assistance in the ES, WIN, and CETA" (paper funded in part from U.S. Department of Labor, March 1982), and Elise Bruml, "Self-Directed Group Job Search: The Results" (unpublished paper, U.S. Department of Labor, July 13, 1981).
  6. Mary Fish, Income Inequality and Employment, p.2.



Such a high turnover for a significant subgroup of recipients makes it difficult to achieve dramatic improvements in employment rates for the entire caseload. In fact, most of these recipients leave the program before receiving any work-related services. Because the group is currently on the programs for so short a time, additional work requirements or services are unlikely to appreciably affect the duration of receipt of benefits. Additional requirements, however, may increase their deterrent effect on potential applicants enough to reduce the caseload, although the deterrent effect of current policy has not been measured.

#### Locus of Service Provision: Welfare Agencies or the Employment Service

Past program evaluations found that the local welfare agency generally was better at dealing with employable welfare recipients than was the Employment Service (ES) of the Labor Department. Employment Service personnel tended to view welfare recipients as less employable, less motivated, and more likely to have employment problems than their regular clients. While this view is generally correct, it seems to result in their devoting less effort to placing welfare recipients in jobs. An evaluation of job search requirements in WIN and food stamps found that, in general, ES staff did not do much to assist welfare recipients in their job search: the only two services offered to them were the opportunity to review job listings and occasional referrals to jobs. In contrast, welfare departments have the movement of clients from welfare into paid employment as a major



goal and have more experience working with welfare recipients, so they have been more successful in the past at expanding their role to include training, counseling, and other services. Because coordination between agencies has been problematic in the past, relying on the Employment Service for certain well defined tasks it does well, for instance, job search clubs, has been more successful than coordinating multiple tasks with the welfare department. 7/

#### Impact on Welfare Dependency

Even in successful work-welfare programs, most participants obtained jobs with earnings too low to lift their families above the poverty line, limiting the impact on welfare dependency. A full-time job paying the minimum wage of \$3.35 per hour means an annual gross income of \$6,968. In 1983, with the poverty threshold at about \$9,300 for a family of four, such a single-earner family earns 83 percent of the poverty line. Some families earn less than the minimum wage or work less than full time. Although many of these low-income families qualify for small welfare grants, their total pre-tax incomes are still less than the poverty line. While the impact on welfare dependency may be limited, nevertheless, the lower benefits paid to working recipients does reduce welfare costs. For example,

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7. See Robert Evans, Barry Friedman, and Leonard Hausman, The Impact of Work Tests on the Employment Behavior of Welfare Recipients (Waltham: Brandeis University, 1976) prepared for the Manpower Administration, U.S. Department of Labor and Berkeley Planning Associates, Evaluation Design Assessment of Work-Welfare Projects (1981).



the average monthly, post-program welfare benefits of former participants in the Supported Work Program was \$52 (23 percent) less per month after the program than the control group who never participated, with 28 percent of the participants having left welfare as compared to 15 percent of the controls. 8/

### RECENT LAW CHANGES AND TRENDS IN IMPLEMENTATION

In the past two years the Congress has strengthened work requirements for employable welfare recipients while eliminating or reducing benefits for working recipients.

#### Recent Law Changes

Recent legislation affecting employable recipients in the AFDC and food stamp programs:

- o Allows states to establish workfare and other work-welfare programs;
- o Tightens job search requirements and increases penalties for noncompliance with work rules;
- o Lowers income eligibility limits and alters benefit formulas, affecting many recipients with earned income;
- o Reduces the earnings disregard 9/ in food stamps and AFDC; and
- o Eliminates the earnings disregard in AFDC after the first four months.

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8. Welfare as used in the supported work study includes AFDC, general assistance, and Supplemental Security Income (SSI).
  9. The earnings disregard is the amount of earned income not counted as income in computing benefits. It is intended to provide an incentive for working.



In AFDC, the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) allows states to establish workfare programs, called Community Work Experience Programs (CWEP), and Work Supplementation Programs, which use savings from reduced AFDC grants to provide jobs instead of welfare on a voluntary basis. In addition, states may establish three-year WIN demonstration projects of their own design as an alternative to the current WIN program. These demonstration projects may include a CWEP workfare component as part of an expanded WIN program.

Similarly, under the Food Stamp and Commodity Distribution Amendments of 1981 (Public Law 97-98) states and local governments are allowed to implement workfare as a permanent feature of the Food Stamp Program. Food stamp workfare demonstrations have been in operation in a few sites since 1979.

In addition to workfare, tightened work requirements and increased penalties for noncompliance with work rules are designed to offset, in part, the increased disincentives to work created by reductions in benefits for working recipients. The intent is that welfare recipients should no longer face the choice of whether to work, but instead should face the choice of for whom to work—performing public service work for the county or working in the private sector. Employable recipients in both the AFDC and food stamp programs are required to seek jobs actively starting at the time of



initial application to the program and to accept employment when found. In the past, however, little administrative effort was applied to assisting or effectively monitoring compliance with these requirements. <sup>10/</sup> Recipients who voluntarily quit their jobs without due cause (including strikers) may receive a reduction or termination of benefits.

At the same time in both AFDC and food stamps, income eligibility limits were lowered and benefit formulas were altered--changes that primarily affect working recipients. Because most recipients near the old income eligibility limits have earnings, these changes effectively reduce the amount of money they can earn before benefits are terminated. Modifications in the benefit formulas, such as limits on deductions, reduce the total income (benefits plus earnings) of working recipients.

In both AFDC and food stamps, the earnings disregards were reduced. The amount of earnings not counted as income in figuring benefits in food stamps was reduced from 20 percent to 18 percent, while in AFDC, the earnings disregard is now applied to net income (gross income minus deductions) instead of to gross income.

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10. See Charles S. Rodgers, "Work Tests for Welfare Recipients: The Gap Between the Goal and the Reality", Journal of Policy Analysis and Management, Vol. 1, No. 1 (1981): 5-17 and U.S. General Accounting Office, Food Stamp Work Requirements--Ineffective Paperwork or Effective Tool, 1978.



Finally, in AFDC, the earnings disregard is now eliminated after the first four months of employment. This change is intended to encourage working recipients to leave AFDC after obtaining employment.

### Trends in Implementation

About three-quarters of the states have or have started workfare in state general assistance, AFDC, or food stamp programs, as of September 1982 (see Table 1). Almost all states with AFDC workfare programs have just begun implementing them within the past few months, although Oklahoma has operated a voluntary CWEP program since 1975, and Utah has operated its WEAT program since 1974. Of the 14 food stamp workfare demonstration projects scheduled to be completed by the fall of 1982, seven are continuing pending final approval of new workfare regulations. Most AFDC and all food stamp workfare programs are operating in a limited number of counties (often just one or two) and few have been developed in major urban areas or counties with large caseloads. Generally, it is the same states that mandate workfare for state general assistance grantees that have taken action to apply workfare to AFDC recipients.

The following sections discuss in more detail the workfare efforts in AFDC and food stamps that are currently being implemented. Then the newly established, work supplementation option, along with some state-initiated subsidized employment programs (which may be converted to work supplementation) are discussed.



TABLE 1. STATES THAT HAVE ADOPTED WORKFARE REQUIREMENTS AS OF SEPTEMBER 1982

State	General Assistance Workfare	AFDC Workfare	Food Stamp Workfare Demo	Current Developments	Coverage
Ala.		X		1 county now; 17 counties in planning.	Optional to counties; mandatory to employables.
Alaska		X			Optional to counties.
Ariz.			X	WIN Demo plan approved.	
Ark.			X	WIN Demo plan approved; Start held up for funding.	Most counties covered.
Calif.	X	X	X		Most counties covered.
Colo.		X		Legislation passed but not implemented.	Optional to counties.
Conn.	X				Most townships covered.
Del.	X			WIN Demo plan approved	Most state covered. Optional to recipients.
D.C.				No plans for workfare.	
Fla.			X	Food stamp demo approved. WIN Demo plan.	Optional to counties.
Ga.		X		10 counties now; more expected.	Pilot program optional to counties; mandatory for recipients.
Hawaii	X	X			Most state covered; mandatory for recipients.
Idaho		X			Optional to recipients; statewide.
Ill.	X			WIN Demo plan.	Optional to counties.
Ind.	X		X		Optional to townships.
Iowa	X	X			Two counties; implementation postponed.
Kan.	X				Statewide
Ky.				No workfare currently.	
La.				Legislation being considered for AFDC but approval unlikely	
Maine	X			Legislation pending. WIN Demo plan.	
Md.	X	X	X	WIN Demo plan approved; Start held up for funding.	Optional to counties; 2 have adopted plans.
Mass.		X		WIN Demo plan approved.	Several towns covered; combines workfare with training option.
Mich.	X	X	X	WIN Demo plan approved.	Optional to counties; mandatory to recipients.
Minn.				Legislation being drafted.	One draft bill is statewide, other optional to counties.
Miss.				Legislation killed in committee.	
Mo.			X		Optional to jurisdictions; half covered.
Mont.	X	X		AFDC demo planned for Sept.	Optional to counties; mandatory for GA.
Neb.				WIN Demo plan approved; Start held up for funding.	



TABLE 1. (Continued)

State	General Assistance Workfare	AFDC Workfare	Food Stamp Workfare Demo	Current Developments	Coverage
Nev.				No plans for workfare.	
N.H.	X		X		GA workfare optional to counties.
N.J.	X			WIN Demo plan approved; Start help up for funding.	Most or all municipalities covered; mandatory for recipients.
N.M.				Legislation being processed.	
N.Y.	X	X			GA statewide 10 years old; AFDC demo.
N.C.			X		Demonstration for 6 counties; mandatory for AFDC.
N.D.		X			Pilots in 2 counties; mandatory for recipients.
OH	X	X			Workfare or work supplementation options after 45 day job club; GA mandatory, AFDC optional to counties.
Okla.		X		WIN Demo plan approved.	Statewide.
Ore.				WIN Demo plan approved.	
Pa.	X	X			Optional to counties; mandatory for recipients.
R.I.	X				Statewide; mandatory for recipients.
S.C.		X	X		Pilot in 3 counties; mandatory for recipients.
S.D.	X	X		WIN Demo plan approved.	Optional to counties.
Tenn.			X		
Texas				Legislation to be introduced. WIN Demo plan approved.	
Utah	X		X		Statewide; GA workfare since 1976.
Vt.				No workfare currently.	
Va.		X	X	AFDC workfare to begin Jan. '83.	
Wash.				Legislation introduced.	
Wyo.				No plans for workfare.	
W.Va.		X		WIN Demo plan approved; Start held up for funding.	Statewide; mandatory for recipients.
Wis.	X			Legislation defeated.	

SOURCE: Center for National Policy Review, Jobs Watch (September 1982).