

TABLE 1. CHARACTERISTICS OF MOTHERS RECEIVING AFDC IN FISCAL YEAR 1985, BY TIME SINCE CASE WAS OPENED (In percent)

Characteristic	Total	Months Since Case Was Opened		
		12 or Fewer	13 to 36	Over 36
Average Number of AFDC Mothers				
In thousands	3,310 ^{a/}	990	980	1,340
As a percent of total	100	30	30	40
Current Age				
Under 20	6	13	7	1
20 - 21	9	12	13	4
22 - 30	45	45	47	44
Over 30	40	30	33	52
Age of Youngest Child				
Under 3	38	51	48	22
3 - 5	24	20	23	28
Over 5	38	29	29	50
Number of Children				
One	42	51	45	32
Two	31	29	31	34
Three	17	13	15	20
Four or more	10	7	9	14
Registration in Work Incentive Program				
Mandatory	30	24	25	38
Voluntary	3	3	3	3
Nonregistrant	67	73	72	59

SOURCE: Congressional Budget Office tabulations of information from the AFDC quality control case sample for 1985.

NOTE: These data may include a small number of adult women who receive AFDC and are the caretakers of the children, but are not their mothers.

a. Excludes 74,000 mothers for whom the number of months since case was opened is not available.

accounts for the majority of the women receiving AFDC at any point in time and is the most costly group.

Further analysis by Ellwood suggests some of the characteristics of new recipients that are related to long-term receipt of AFDC, although the estimates are subject to a number of uncertainties. ^{12/} In particular, he estimated that women who were young, who had young children, who were single when starting to receive benefits, or who had not worked recently before first going onto AFDC would be more likely to continue in the program for many years than other women (see Figure 1). For example, women who had not worked during the two years before initially receiving AFDC were predicted to receive benefits, on average, for eight years, though not necessarily in a continuous spell. Women who had recent work experience, in contrast, were predicted to continue for six and a half years.

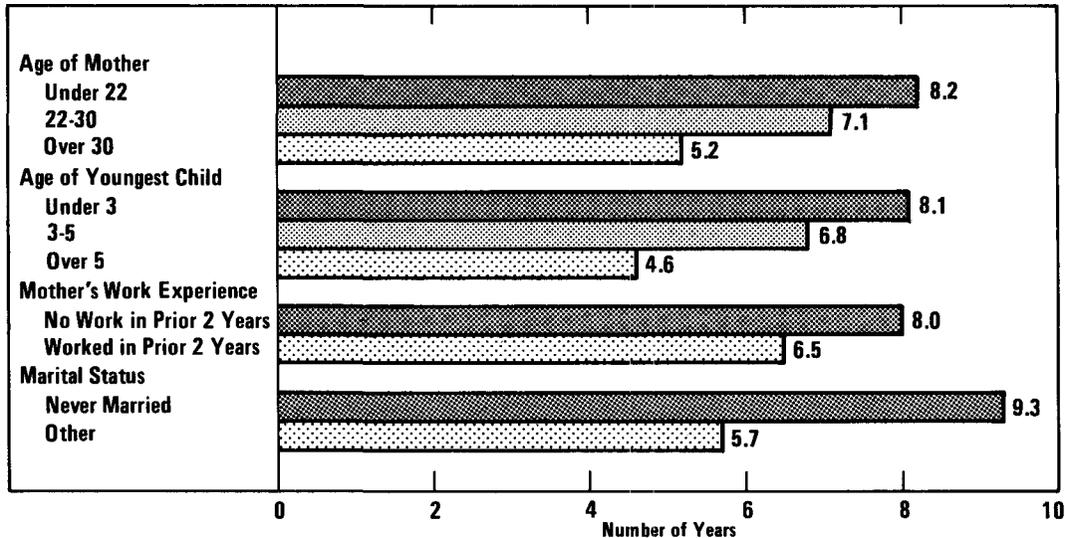
Work and Welfare

Perspectives on the proper relationship between work and welfare have changed substantially over time. Title IV of the Social Security Act of 1935 contained no mention of work. A premise of the original Aid to Dependent Children program was that the well-being of children raised in fatherless homes was closely linked to their mothers' not having to work outside the home. The Report of the Committee on Economic Security, submitted to President Roosevelt in 1935, spoke of

...aid to release from the wage-earning role the person whose natural function is to give her children the physical and affectionate guardianship necessary not alone to keep them from falling into social misfortune, but more affirmatively to rear them into citizens capable of contributing to society. ^{13/}

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12. Several limitations of the data should be kept in mind. First, the data were collected over a 15-year period ending in 1982 and therefore mostly reflect the AFDC system as it was before major changes in the rules for disregarding certain earnings were made in 1981. Second, the number of AFDC recipients in the sample is small and may not be representative of the national AFDC population. Ellwood's results were based on analysis of only about 500 spells of receipt of AFDC during the 15-year period. AFDC mothers who did not head their own households -- including young AFDC mothers living in their parents' home -- and households that could not be found or refused to be interviewed were not included. Third, duration of the spells is measured by the number of years in which payments were received, even if only for part of a year. Therefore, estimates of movements on and off AFDC based on the PSID do not correspond to administrative data, which provide monthly information.
 13. Report reprinted in Project on the Federal Social Role, *50th Anniversary Edition, The Report of the Committee on Economic Security of 1935* (Washington, D.C.: National Conference on Social Welfare, 1985), p. 56.

Figure 1.
Estimated Number of Years of AFDC Receipt,
by Characteristics of Mother at Time of First Payment



SOURCE: Congressional Budget Office using estimates from David T. Ellwood, "Targeting 'Would-Be' Long-Term Recipients of AFDC" (Mathematica Policy Research, Inc., Princeton, N. J., January 1986) p. 42. Ellwood's estimates are based on analysis of the Panel Study of Income Dynamics, 1968-1982.

Three decades later, however, the Congress established the Work Incentive Program (Public Law 90-248) to foster

...a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and...[in the belief that] the example of a working adult in these families will have beneficial effects on the children in such families.

What happened? Several factors may account for the change. One factor was the enactment of the unemployed parent option in 1961, which permitted states to offer benefits to two-parent families in which the principal wage earner was unemployed. The assumption that welfare mothers were needed at home apparently did not extend to the fathers. The inclusion of able-bodied men in the program contributed to an interest in helping recipients prepare for, and find, jobs.

Another factor was the tremendous growth in the number of families receiving AFDC during the 1960s and in the program's cost. Between 1960

and 1970, for example, the number of families receiving AFDC each month almost tripled--from 800,000 to 2.2 million. Total payments increased from about \$1 billion to almost \$5 billion during that decade (an almost fourfold increase after adjusting for inflation), reflecting increases both in the average value of benefits during this period and in the number of recipients. 14/

The third factor--and perhaps the most germane to the current debate on work and welfare--was the dramatic change in the role of women in American society since the program was originally developed. In 1935, the expectation was that mothers would stay home to rear their children. By the mid-1960s this was no longer the case, at least for mothers of school-age children. For example, as recently as 1948 only 26 percent of married women with children between the ages of 6 and 17, and 11 percent of married women with younger children, were in the paid labor force; by 1965, these rates of participation in the labor force had risen to 43 percent and 23 percent, respectively. During 1985, two-thirds of all mothers of children under age 18 worked for pay sometime during the year; almost half of these women worked year-round full-time. 15/ (About 60 percent of mothers with children under age six worked sometime during that year, although only about one-third of these women worked year-round full-time.)

One consequence of the changing role of women is that some nonrecipients who are in families in which mothers work outside the home consider it unfair for recipients not to work too, at least on a part-time basis. Another consequence is that paid employment is increasingly seen as a viable option for raising the living standards of recipients.

This changing view about the relationship between work and welfare is reflected in much of the welfare reform debate that has taken place since the 1960s. Should certain recipients be required to participate in work-related programs? How would such a requirement be enforced? What rewards or

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14. Calculated from Social Security Administration, *Social Security Bulletin, Annual Statistical Supplement, 1984-85*, p. 254, and *Economic Report of the President*, House Doc. No. 99-142, 99:2 (February 1986), p. 315.
 15. Congressional Budget Office tabulations of the March 1986 Current Population Survey indicate that about 22 million of the 33 million mothers of children under age 18 worked for pay sometime during 1985. About 15 million of these workers indicated that, when they work, they primarily worked on full-time schedules (that is, at least 35 hours per week). About 10 million reported that they worked at least 50 weeks during 1985 primarily on full-time schedules; this group (almost half of mothers who worked anytime during the year and 30 percent of all mothers) are classified as "year-round full-time workers."

penalties should be provided to encourage recipients to choose work over welfare? How can a welfare system be designed that simultaneously provides adequate resources for people who cannot work and work incentives for those who can? These questions arose during the debates over the Family Assistance Plan of the Nixon Administration and the Better Jobs and Income Act proposed by the Carter Administration; they are still being discussed today. 16/

GOALS OF WORK-RELATED PROGRAMS FOR RECIPIENTS

The arguments in favor of work/welfare programs reflect several different goals, including:

- o Raising the immediate or future living standards of recipients and their families;
- o Reducing welfare costs; and
- o Requiring recipients to contribute to society in whatever ways they can.

The design of work-related programs for welfare recipients depends, in part, on which goals are emphasized. These goals may also overlap, in that success in achieving one could also help to achieve another. Increasing a recipient's long-term earnings potential, for example, could increase her (or his) future living standard, as well as reduce future welfare costs. Similarly, requiring recipients to participate in work-related activities could encourage more of them to search actively for paid employment, thereby raising their earnings.

Some participants in the work/welfare debate argue that one or more of these goals could be accomplished best by policies other than work-related programs--for example, that living standards could be raised by providing higher

16. See *Work and Welfare*, prepared by Margaret Malone for the Subcommittee on Employment and Productivity of the Committee on Labor and Human Resources and the Subcommittee on Social Security and Income Maintenance of the Committee on Finance, U.S. Senate, S. Prt. 99-177, 99:2 (August 1986).

Issues concerning the relationships between welfare and work are not confined to the AFDC program. In the Food Stamp program, for example, certain recipients are required to search for work and accept suitable employment. The Food Security Act of 1985 requires all states to implement work-related programs for food stamp recipients in 1987. The Congressional Budget Office is preparing a report on the characteristics of work registrants in the Food Stamp program and on programs to help them become self-sufficient.

benefits or increasing the amount of child support provided by absent fathers, and that dependency could be reduced by tightening eligibility criteria or replacing cash assistance programs with guaranteed jobs. These approaches are beyond the scope of this paper, however, which focuses on options that explicitly involve work-related programs for recipients. Some of these other options--such as establishing nationwide minimum benefits or changing the extent to which benefits are reduced as earnings increase--have been discussed in earlier CBO reports.¹⁷ The remainder of this section reviews these major goals and discusses some of their implications for the design and assessment of work/welfare programs.

Raising Living Standards

People who meet the eligibility criteria for AFDC usually have incomes that provide a low standard of living relative to that of the general population. One major goal of work-related programs for welfare recipients would be to raise the living standards of their families, primarily by increasing their immediate or future earnings. Programs designed with this goal in mind would be akin to many other programs intended to increase the earnings of their participants. For example, for many years the federal government has sponsored job training programs for economically disadvantaged people, including welfare recipients.

Whether increased earnings of recipients would result in higher living standards would depend, however, on the extent to which increased earnings would be offset by reductions in cash welfare and related benefits or by increases in work-related expenses. Moreover, the increased employment of program participants would not necessarily reflect higher total employment nationwide. One result of a work-related program could be that employers substituted the participants for other workers. On the other hand, even if total employment were not increased, it might be desirable to redistribute job opportunities to AFDC recipients as a means of preventing or ending long-term dependence on welfare.

Reducing Welfare Costs

Another major goal of work-related programs for welfare recipients is to reduce government costs for public assistance. Work/welfare options could achieve this goal by reducing the number of people on welfare or decreasing their monthly benefits.

17. *Welfare Reform: Issues, Objectives, and Approaches* (July 1977); and *Reducing Poverty Among Children* (May 1985).

The mechanisms for reducing government costs could be the same as those for meeting the goal of raising living standards, because one way of cutting welfare costs is to help recipients increase their earnings. Under such a program, however, a participant whose earnings increased might then become ineligible for welfare--a success in terms of this goal, even though the participant's standard of living declined because of lost AFDC and related benefits. The opposite also could occur; for example, the program might help someone who would have gone off welfare anyway attain a higher-paying job than she could have found without the program. In this case, there might be no savings to the government, even though the program participant was able to attain a higher standard of living. Another way in which work-related programs might reduce welfare costs is by deterring people from applying for or continuing to receive benefits. In this case, costs would fall without necessarily being accompanied by higher earnings for recipients, whose standards of living would be lower.

Success in achieving this goal can be measured by whether a work-related program reduces outlays for welfare and other benefits such as Medicaid. Another, more demanding standard is whether the program reduces outlays by at least as much as it costs--that is, does the program pay for itself? If welfare costs were cut by less than the cost of the work-related program, then evaluations of the program would focus on whether the other benefits of the program were sufficient to warrant its net cost.

Requiring Recipients to Contribute to Society

A third major goal of work/welfare programs is to help assure that all members of society contribute to it in whatever ways they can. From this perspective, the recipient of welfare benefits has an obligation to do something in return for income support--for example, participate in designated activities such as job search assistance programs, training, or unpaid work. As articulated by the previously cited Committee on Economic Security in 1935, mothers receiving public assistance could best fulfill their obligation to society by raising their children to be useful citizens. Today, some proponents of modifying the AFDC program argue that recipients should be asked or required to do more.

Proponents of enforcing a work-related obligation on recipients offer various rationales for this view, but all conclude that more recipients should be required to participate in work-related programs in order to obtain benefits. Some advocates believe that certain recipients who could get jobs are choosing not to do so. Stricter enforcement of work requirements would, in effect, be a means of policing the welfare system. They argue that the current system provides little, if any, incentive for some recipients to seek paid employment or to acquire job skills, because the rate at which benefits are

reduced to offset earnings is very high.^{18/} Obligating recipients to participate in some kind of activity, even if it does not produce something of value, would provide a means of discouraging individuals from becoming dependent on public assistance.

Others who want to require recipients to contribute to society believe that popular support for AFDC would be greater--and, hence, benefit levels might be raised--if the recipients were seen to be doing something in return. Likewise, "earning" their benefits would give recipients a greater sense of self-worth and would provide a better example for their children.

On the other hand, some advocates of work-related programs for welfare recipients believe it is neither necessary nor desirable to require participation. They argue that most recipients would rather be self-sufficient but lack good opportunities, and that work requirements are demeaning. Instead of requiring participation, they would prefer to develop programs that would be of sufficiently high quality that recipients would volunteer to participate.

COSTS OF WORK-RELATED PROGRAMS

Work-related programs for AFDC recipients cost money to operate, regardless of their goals. Last year, for example, about \$200 million was spent on WIN. The enforcement of a work-related obligation involves administrative costs for registering and assessing individuals, keeping track of their activities, and, if necessary, penalizing individuals who do not comply. Job search assistance, training and education, and workfare programs require expenditures for staff to develop and operate the programs. Costs for child care, transportation, and other supportive services for the participants may also be required, depending on the nature of the program and the needs of the participants.

A general issue, then, is whether the benefits of a program (or the expected benefits of a proposed program) are large enough to warrant the costs. This report examines both the extent to which past or current programs achieve the three goals described above and the costs to governments of implementing such activities. Conclusions about whether the benefits exceed the costs are not given, however, because they would depend on judgments about the value of achieving these goals and about competing uses for the funds expended.

18. In addition to the loss of cash benefits, recipients might be discouraged from actively seeking work by the potential loss of other means-tested benefits such as Medicaid, Food Stamps, and subsidized housing.

CHAPTER II

CURRENT WORK-RELATED PROGRAMS

AND THEIR PREDECESSORS

For about a quarter of a century, the federal government has sponsored programs that provide job search assistance, training, work experience, or other job-related assistance to AFDC recipients. Although the methods of providing this assistance have been similar, legislation creating work-related programs for welfare recipients has developed along two tracks:

- o Employment and training programs serving low-income people, many of whom are also recipients of public assistance; and
- o Programs explicitly designed for recipients of public assistance, and in which participation may be a condition of continued receipt of welfare.

Though the two sets of programs differ in certain ways, they have some common goals. Both types of programs are intended to raise the living standards of their participants and reduce welfare costs, though only programs explicitly designed for recipients have been used to enforce a work-related obligation. Both have also used intergovernmental arrangements in which the federal government relies heavily on state and local governments to assume responsibility for operating the programs, rather than directly running them itself.

The Department of Labor has been the lead federal agency for overseeing most of the work-related programs that serve low-income people in general. The Manpower Development and Training Act of 1962 established the first major federal job training program. It was replaced by the Comprehensive Employment and Training Act of 1973, which was in turn replaced by the Job Training Partnership Act of 1982. Participation in these programs has been voluntary.

The Department of Health and Human Services (HHS), alone or together with the Department of Labor, has had the major federal responsibility for programs specifically for welfare recipients. The Work Incentive

Program (WIN), established in 1967, provides AFDC recipients with activities intended to help them become self-sufficient. The Omnibus Budget Reconciliation Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 permit states to establish alternatives to WIN and to require, at each state's option, that certain individuals participate in job search assistance, unpaid work experience (workfare), or other activities.

Although each work-related program has different financial arrangements, the federal government typically provides all the funding for general employment and training programs, but shares with states the cost of programs tied specifically to public assistance. Funding for Job Training Partnership Act (JTPA) programs for disadvantaged groups (JTPA Title II-A) is provided by the federal government to the states, who are not required to add any money of their own. States receive federal funds for WIN under a matching formula in which the states pay 10 percent of total costs in cash or in kind. The cost of most of the other work-related activities authorized for AFDC recipients is evenly shared by the federal government and the states under the rules governing AFDC administrative costs (known as "IV-A funding," after the title of the Social Security Act that authorizes AFDC). Under the rules for IV-A funding, the federal government agrees to match all expenditures by the state government that conform with the terms of the program; this type of funding arrangement is referred to as an "open-ended match" because no limit is specified in advance.

Federal outlays for general employment and training programs have been much larger than for the programs designed specifically for welfare recipients. In 1986, the federal government provided states with \$1.9 billion for training and related activities authorized by JTPA Title II-A, compared with about \$200 million for WIN and less than \$50 million for the IV-A work-related programs.¹ In fact, because many of the participants in JTPA activities are welfare recipients, it is likely that more federal money is being provided for job-related assistance to recipients through JTPA than through the programs specifically designed for them.

In addition to funding these work-related programs, the federal government acts in other ways that prepare recipients of public assistance for work and help prevent individuals from needing public assistance. The

1. The total amount spent for work-related programs for AFDC recipients is larger, because money is also provided by nonfederal sources. The General Accounting Office (GAO) estimates that, in 1985, the federal government provided states with about \$30 million for AFDC work-related programs other than WIN. State, local, and other nonfederal sources supplied about \$75 million. See GAO, *Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy*, GAO/HRD-87-34 (January 1987), p. 40.

federal government provides states with grants that can be used to fund social services (including child care) and vocational and compensatory education, for example. Other federal policies, such as the Earned Income Tax Credit (EITC), the tax rates on earnings in the personal income tax and the Social Security payroll tax, and the rates at which benefits are reduced in AFDC and other transfer programs as earnings go up are all likely to influence the extent to which recipients are encouraged to, or discouraged from, work.

GENERAL EMPLOYMENT AND TRAINING PROGRAMS

After briefly describing its predecessors, this section examines the Job Training Partnership Act and its implementation.

MDTA and CETA

Although the first major federal employment and training program--the Manpower Development and Training Act of 1962 (MDTA)--was not originally intended to focus on low-income job-seekers, within a few years it became a part of the War on Poverty. The target group shifted from adult family heads with substantial work experience to low-income people who lacked basic skills. The main activities supported by MDTA were classroom training and on-the-job training. Other programs begun in the 1960s provided remedial education, training, and other work-related assistance to young people from low-income families. Some of these programs, such as the Job Corps and the summer jobs program for young people from economically disadvantaged families, continue today under the Job Training Partnership Act.

The Comprehensive Employment and Training Act of 1973 (CETA) consolidated MDTA and several smaller employment and training programs. Throughout their 10-year life, CETA training programs were targeted primarily toward economically disadvantaged people, including welfare recipients. In 1979, for example, 90 percent of the 1.2 million participants in the programs authorized by the major training components of CETA (titles I, II-B, and II-C) were economically disadvantaged and 71 percent were in poor families; 18 percent were AFDC recipients. ^{2/}

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2. Janet Johnston, "An Overview of Federal Employment and Training Programs," in National Commission for Employment Policy, *Sixth Annual Report to the President and the Congress* (1980), pp.112-113. The term "economically disadvantaged" was defined in the legislation as being in a family whose income is below the higher of the appropriate poverty threshold established by the Office of Management and Budget or 70 percent of the Bureau of Labor Statistics' lower living standard.

The programs authorized by CETA to create jobs, known as public service employment, originally placed much less emphasis on serving disadvantaged job-seekers than did the training programs. But by 1979, following changes in the eligibility criteria, large numbers of low-income participants were in these programs as well. ^{3/}

Job Training Partnership Act

In 1982, CETA was replaced by the Job Training Partnership Act. Title II-A of JTPA provides block grants to states to fund training and related services for economically disadvantaged people, defined to include members of families receiving cash welfare payments or food stamps. It stipulates that AFDC recipients are to be served at least in proportion to their share of the eligible population. ^{4/} Most of the training and related activities are provided locally, with little federal oversight. No state or local funds are required, although state and local governments and private organizations may choose to provide additional funding.

The aid is intended to increase participants' employability and future earnings, and the program is evaluated based on its effects on these outcomes and on reducing welfare dependency. In fiscal year 1987, JTPA II-A grants are expected to total \$1.8 billion, providing about 1 million disadvantaged participants with job search assistance, training, or other job-related services.

Many state and local program officials appear to be strongly committed to using JTPA to help recipients of public assistance become self-sufficient. In fact, AFDC recipients may be especially appealing to program operators, because recipients could continue to receive AFDC payments and possibly child care and transportation allowances funded by other programs. ^{5/} Although

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3. Ibid. For example, of the 1.3 million participants in public service employment in 1979, 86 percent were economically disadvantaged and 12 percent were AFDC recipients.
 4. A major debate over the objectives and terms of the legislation to succeed CETA considered the extent to which the new program would be targeted toward welfare recipients. The Administration's original proposal would have required that at least 85 percent of the funds granted to states for the program be used for members of AFDC families and for economically disadvantaged youth who were out of school.
 5. Katherine Solow and Gary Walker, *The Job Training Partnership Act Service to Women*, (New York: Grinker, Walker and Associates, 1986). Their conclusions are based on case studies of the implementation of JTPA in 25 of the approximately 600 service delivery areas and on telephone interviews with JTPA officials in 32 additional service delivery areas.

the JTPA legislation limits expenditures for such supportive services, these restrictions do not apply to services paid by other sources. Thus, recipients of AFDC or other income transfers may be in a better position to participate in JTPA activities than are other eligible individuals.

In each year since the program was implemented, about one-fifth of the participants in activities authorized by Title II-A have been from families receiving AFDC benefits at the time they enrolled. In program year 1984 (July 1984-June 1985), for example, 120,000 (21 percent) of the 580,000 participants who completed or dropped out of JTPA programs were in families that were receiving AFDC. 6/ Included among these recipients were about 74,000 mothers who left JTPA projects during that year; about half of the other AFDC recipients participating in JTPA activities were other family members under age 22. 7/

Recent survey data from the Department of Labor on mothers who were receiving AFDC when they entered JTPA programs indicate that they typically participated in training activities that lasted about 17 weeks (see Table 2). Unlike the participants in WIN, two-thirds of the AFDC mothers in JTPA programs had children under the age of six. Based on their educational attainment, the AFDC mothers appear to be somewhat better prepared for the labor market than the average recipient registered for WIN--two-thirds had at least a high school diploma, compared with only about half of WIN registrants. 8/

Upon leaving the program, the majority of the AFDC mothers found jobs, with an average wage for the job-holders of about \$4.40 per hour (as shown in the last two columns of Table 2). Better-educated and older women, who normally would be expected to do better in the labor market, in fact did have slightly higher employment and wage rates than did other AFDC mothers who received JTPA services. Unfortunately, there is no way to tell from these statistics whether the program itself had a greater or lesser impact on these groups than on the less well-educated and younger women. Evaluations of

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6. Department of Labor, "Summary of JTLS Data for JTPA Title IIA Enrollments and Terminations During Program Year 1984 (July 1984-June 1985)" (November 1985), Tables AA-1 and BB-1.
 7. Department of Labor, "JTPA Title IIA Participants Who Were Receiving Public Assistance at Program Application: New Enrollees and Terminees During PY 1984 (July 1984-June 1985)," *JTLS Special Paper* No. 4 (December 1986), Tables 4 and 6.
 8. Thirty-eight percent of WIN registrants in fiscal year 1985 completed exactly 12 years of school, and 10 percent completed more than 12 years. House Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, WMCP: 99-14, 99:2 (March 3, 1986), p. 359.

TABLE 2. CHARACTERISTICS AND ACTIVITIES OF AFDC MOTHERS WHO LEFT JTPA PROGRAMS BETWEEN JULY 1984 AND JUNE 1985

Characteristic	Percent Distribution	Median Weeks in Program	Employed at Termination (In percent)	Hourly Wage (In dollars) <u>a/</u>
Total (74,300 recipients)	100	17	56	4.39
Program Activity				
Classroom training	59	19	49	4.51
On-the-job training	13	15	70	4.07
Job search assistance	15	8	67	4.34
Work experience	3	<u>b/</u>	<u>b/</u>	<u>b/</u>
Other services	10	15	66	4.37
At Least One Dependent Under Age 6	65	17	56	4.34
Educational Status				
Student	2	<u>b/</u>	<u>b/</u>	<u>b/</u>
Less than high school graduate	31	14	47	4.06
High school graduate	49	17	61	4.42
Some post-high school	17	19	62	4.79
Minority Status				
White <u>c/</u>	44	18	58	4.43
Black <u>c/</u>	44	16	54	4.32
Hispanic	9	14	57	4.47
Other	3	<u>b/</u>	<u>b/</u>	<u>b/</u>
Age at Enrollment				
Under 22	21	15	55	4.17
22 - 29	44	18	55	4.45
30 - 44	32	16	60	4.49
45 and over	2	<u>b/</u>	<u>b/</u>	<u>b/</u>

SOURCE: Department of Labor, "JTPA Title IIA Participants Who Were Receiving Public Assistance at Program Application: New Enrollees and Terminees During PY 1984 (July 1984-June 1985)," *JTLS Special Paper No. 4* (December 1986). Data are from the Job Training Longitudinal Survey (JTLS), which provided information on about 9,000 randomly selected participants who had terminated JTPA Title II-A activities during program year 1984. Because only about 1,200 individuals in the sample were AFDC mothers, particular care should be taken in interpreting the data for small groups.

- a. Average wage rate of individuals who were employed at termination.
- b. Not reported here because of the small number of participants in the sample.
- c. Excludes Hispanic individuals.

CETA and other work-related programs, however, which are discussed in Chapter IV, indicate that such programs often have their largest effects on the earnings of the least employable participants.

Operators of JTPA II-A programs have been criticized for selecting the most employable among the eligible population. This tendency is fostered by the widespread use of performance-based contracts, in which the amount paid to private trainers of JTPA participants depends on the number of participants placed in jobs. Thus, the program provides an incentive for the contractors to screen out eligible applicants who might be difficult to place without expensive assistance.

The strongest evidence of this selection phenomenon, based on national statistics, is in the educational attainment of program participants, including the AFDC recipients.^{9/} The higher educational attainment of participants, however, could be caused by eligible individuals with more education being more likely to apply, rather than (or in addition to) the decisions of program operators. Data to clarify this are not available.

WORK-RELATED PROGRAMS SPECIFICALLY FOR WELFARE RECIPIENTS

Work-related programs earmarked for welfare recipients developed on a separate track from the ones for economically disadvantaged people in general. Unlike JTPA and its predecessors, participation in these programs can be mandatory in the sense that a recipient's refusal to participate can lead to a reduction or denial of welfare benefits.

The Work Incentive Program and Its Predecessors

The first federal program permitting states to establish workfare programs for AFDC recipients, the Community Work and Training Program, was enacted in 1962. It lasted for five years and was implemented in only 13 states. The Economic Opportunity Act of 1964 authorized the Work Experi-

9. In program year 1984, 63 percent of JTPA participants had graduated from high school, compared with 49 percent of individuals eligible for JTPA in that year. Department of Labor, "Summary of JTLS Data for JTPA Title IIA and III Enrollments and Terminations During July-December 1985" (May 1986), p. 7. The estimate for individuals eligible for JTPA was calculated from the March 1985 Current Population Survey.

ence and Training Program, which provided work-related assistance to heads of low-income families, most of whom were welfare recipients. It, too, operated for about five years.

The Work Incentive Program, enacted as part of the Social Security Amendments of 1967 and signed into law in January 1968, provides AFDC recipients with job search assistance, training, and other work-related services intended to help them become self-sufficient. The federal government spent about \$200 million for this program in 1986, slightly more than half the amount expended in 1979 in nominal dollars and about one-third the amount after adjusting for inflation. The 1987 Continuing Resolution appropriated about \$100 million for WIN for this year. 10/

States are required to operate WIN programs or alternatives approved by the Secretary of Health and Human Services. The federal government provides 90 percent of total WIN costs under a grant to the states; states provide the remainder. Unlike the optional programs discussed below, the maximum amount of the federal grant is determined in advance. The WIN program is jointly administered by the Health and Human Services and Labor departments at the federal level. This dual structure was originally required at the state level as well, but legislation in 1981 (discussed below) allowed states to consolidate the program within their welfare agency, under the oversight of HHS.

All individuals who are receiving or have applied for AFDC and who are age 16 or older must register for WIN services unless they are exempted; otherwise, they risk losing benefits. As discussed in Chapter I, the most common reason for exemption is that the mother is caring for a dependent child under six years of age. 11/ Exempt individuals may volunteer for program services. 12/

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10. This amount is for the first nine months of the fiscal year, in anticipation that a new program will be enacted by July 1, 1987.
 11. An AFDC recipient is also exempt if she is ill or incapacitated; lives too far away from a work incentive project; is needed at home to care for another member of the household; already works at least 30 hours per week; is a full-time student in a secondary or vocational school; or resides with an adult relative who participates in the program.
 12. The WIN legislation establishes a set of priorities for service that states are to use, "taking into account employability potential." First priority is given to unemployed parents who are the principal earners; second priority to mothers who volunteer; third priority to other mothers and pregnant women under age 19; and fourth priority is given to dependent children and relatives over age 15 who are not attending school, working, or participating in a training program. Fifth priority is given to all other registrants.

The initial emphasis in WIN was on classroom training to provide recipients with the skills needed to become self-sufficient. In 1971, the emphasis shifted toward on-the-job training and immediate job placement. ^{13/} In recent years, WIN has provided very little training. Instead, most WIN funds have been used for supportive services (including child care), job search assistance, and registration costs. For example, in 1984, only about one-tenth of the funds were used for work and training activities. ^{14/}

Optional Work-Related Programs for Welfare Recipients

In 1981, the Reagan Administration asked the Congress to enact legislation requiring states to enforce a work-related obligation on certain AFDC recipients. Although nonexempt AFDC recipients had been required to register for WIN and to participate in WIN-assigned activities, enforcement had not been strict. The Administration endeavored to strengthen the requirements, particularly through the use of workfare.

While the Congress did not act on all aspects of the Administration's requests, it considerably strengthened the ability of states to operate a wide range of work-related programs if they chose to do so, and to require AFDC recipients to participate in them. One provision of the Omnibus Budget Reconciliation Act of 1981 (OBRA) authorized states to establish alternatives to WIN. Known as "WIN Demonstrations," these alternative programs are administered solely by the state welfare agencies rather than jointly with state employment agencies. The federal funding arrangements and permissible activities are the same as for regular WIN programs.

Other sections of OBRA enabled states to establish workfare programs--Community Work Experience Programs--to which certain welfare recipients may be assigned. Recipients who are required to register for WIN may also be required by states to work each month for a number of hours equal to their family's AFDC grant divided by the federal or state

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13. As part of this shift, the 1971 Revenue Act provided a tax credit to employers to induce them to hire WIN registrants. This credit was a forerunner of the Targeted Jobs Tax Credit.
 14. Data on program costs provided by the Department of Labor, August 1986. These data refer to the \$165 million granted to states operating regular WIN programs in 1984. An additional \$112 million was granted to states for WIN Demonstrations, discussed below. (California, New York, and several other states have since implemented WIN Demonstrations. As a result, regular WIN programs account for a smaller share of the total WIN budget in later years.)

minimum wage rate, whichever is higher. Assuming a minimum hourly wage of \$3.35, for example, a woman who is receiving \$335 a month for herself and her children could be required to work up to 100 hours a month in unpaid community service. The federal government reimburses states for half of the administrative costs of running such programs through the IV-A open-ended matching provisions.

OBRA also allowed states to establish "work supplementation" programs. The general approach of these programs is to encourage employers to accept AFDC recipients into on-the-job training positions by reimbursing them for a specified percentage of the wages paid. States are permitted to reduce AFDC payments across the board, or to lower them in specific locations in which the programs operate, or to cut them for specific categories of recipients determined on the basis of ability to participate in work supplementation programs. The savings then are diverted into a fund to finance part or all of the subsidies--a funding mechanism known as "grant diversion."^{15/} As later amended by the Deficit Reduction Act of 1984, states may use AFDC funding to subsidize training provided by private employers as well as that provided by government agencies and nonprofit organizations.

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) added another option for states--to operate job search assistance programs for AFDC applicants and recipients. Together with previously enacted requirements, a nonexempt AFDC recipient can now be required to participate in job search assistance for up to 16 weeks during the year in which the recipient applied for benefits and 8 weeks during each subsequent year. Funding is provided under the IV-A matching provisions for this option as well.

State Responses

Largely as a result of OBRA and related legislation, many states have experimented with new ways of providing work-related activities. By January

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15. States are permitted to give recipients an additional incentive to participate by providing the \$30-plus-one-third earnings disregard for up to nine months, rather than the normal four months. Administrative costs are reimbursed through the IV-A matching arrangements. Information on the federal requirements and on the implementation of several state programs is provided in *Work and Welfare*, a report prepared by Margaret Malone for the Subcommittee on Employment and Productivity of the Senate Committee on Labor and Human Resources and the Subcommittee on Social Security and Income Maintenance of the Senate Committee on Finance, S. Prt. 99-177 (August 1986); Patricia Auspos, *Interim Findings From a Grant Diversion Program*, (New York: Manpower Demonstration Research Corporation, 1985); and Michael Bangser, James Healy, and Robert Ivry, *Welfare Grant Diversion: Lessons and Prospects* (New York: Manpower Demonstration Research Corporation, 1986).