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## ***WORKFARE: BREAKING THE POVERTY CYCLE***

### **INTRODUCTION**

Expenditures on welfare programs have been rising at an alarming rate over the last two decades. A principal cause of this enormous expansion is the work disincentive created by continual benefit liberalizations. Rather than paving the way for a higher standard of living, however, many of these government programs have tended to foster permanent dependency on welfare by providing benefits of greater value than the income an individual could earn by working. In effect, the American welfare system allows an able-bodied individual to ask himself: "Will I be better off if I work or if I allow myself and my family to become dependent upon the work of other individuals?" A system permitting this question to be posed is a system desperately in need of review and reform.

Encouraging welfare recipients to become self-supporting is supposed to be a major objective of many government programs. Most of these programs provide recipients cash incentives to work their way off the dole. In many cases, however, the result has been that individuals with relatively high incomes continue to receive welfare benefits. Office of Management and Budget Director David Stockman has voiced skepticism concerning such a system: "I just don't accept the assumption that the federal government has a responsibility to supplement the income of the working poor through a whole series of transfer payments. We believe that the guy who takes two jobs and makes \$26,000 a year shouldn't be obligated to transfer part of his income and taxes to the guy who's making \$10,000." Moreover, although these programs may be designed to aid the poor, in the long run they actually may lower their living standard by discouraging them from entering the labor market where they could acquire the job skills that eventually could lift many from poverty's depths.

There is an alternative to the self-defeating, degrading system of the dole which long has characterized the U.S. welfare system. This alternative is widely known as Community Work Experience Programs (CWEP), or more commonly as "workfare," in which employable recipients of public assistance--primarily able-bodied males and mothers of school age children--must perform some public service without pay in return for their welfare benefits. Robert Carleson, who was Governor Reagan's welfare director in California, and who as Special Assistant to the President for Policy Development helped draft the Administration's current workfare proposals, maintains: "Anyone who is capable of working should expect to earn their own welfare benefit." As such, workfare reflects the American work ethic. Its objective is to promote financial independence by giving people greater incentives to seek out unsubsidized employment. This work requirement is crucial for successful welfare reform because it is the most effective way to offset the work disincentives now created by the welfare system.

As part of an overall welfare reform package, the Reagan Administration is proposing "workfare" for beneficiaries of the Aid to Families with Dependent Children program (AFDC).<sup>1</sup> This would replace the Work Incentive Program (WIN), which was established in 1967 to provide eligible recipients with training and job placement services. While the Omnibus Reconciliation Act of 1981 gave states the option of requiring AFDC recipients to work in exchange for their benefits, the Administration's new proposals would make this mandatory.

## BACKGROUND

The Omnibus Reconciliation Act of 1981 substantially altered the structure of the AFDC program. Particularly controversial were reforms affecting the "working poor," many of whom had their benefits reduced because of limits placed on the "disregards" subtracted from earnings. Prior to this legislation, benefits were determined by disregarding a recipient's first \$30 earned in a month plus one-third of his remaining income. In addition, child care and work-related expenses were deductible. The original intent of these disregards was to encourage AFDC recipients to find work and become self-supporting. Congress did not intend these provisions to become permanent income supplements to working families. These provisions, however, often allowed extraordinarily large deductions, permitting families with relatively high earnings to remain on AFDC. In June 1980, for example, a family of four could receive benefits even if the family's yearly earnings were

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<sup>1</sup> AFDC is a joint federal-state welfare program that provides cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. In some states, families with unemployed fathers are also eligible for benefits under the AFDC program.

above \$18,000 in four states, above \$15,000 in fifteen states, and above \$10,000 in all but seven states.<sup>2</sup>

The 1981 reforms placed a cap on the work and child care disregards and only allowed application of the \$30 and one-third disregards to the first four months of a recipient's employment. These reforms became necessary because the disregards apparently had failed to achieve the results originally envisioned by Congress; they did not significantly alter work incentives for the poor. Indeed, the proportion of AFDC mothers who have worked has remained constant over the years: 14.3 percent in 1961, 14.9 percent in 1967 (when the \$30 plus one-third disregards were passed by Congress), and 14.1 percent in 1979. There was, moreover, little increase in the number of welfare mothers achieving self-sufficiency. These disregards frequently subsidized families quite capable of supporting themselves. Last year's changes still offer some incentives to seek employment, while ensuring that dependency on welfare ends when a family's earnings are sufficient for self-support.

Critics of these reforms argue that they may actually discourage many AFDC recipients from working because, in many states, doing so would add little or nothing to a family's net income. What these critics ignore, however, is that those recipients considered employable may not be given a choice. The 1981 reforms allow states to set up workfare programs requiring recipients to work in exchange for benefits in public service jobs at public or nonprofit agencies, known as work-site sponsors. These sponsors are usually responsible for supervising the participants; some sponsors supply the equipment necessary for the work. But because this program was not mandatory, fewer than half the states have embraced workfare.

#### PROGRAM DESIGN

The Administration has now introduced proposals that would strengthen and complement last year's reforms. AFDC applicants currently are not required to seek employment until after their eligibility has been established, and then for no more than eight weeks a year. The current proposals would mandate that applicants seek work during the application period as well as after, at periodic intervals as determined by the states. Mandatory job search is designed to ensure that private sector employment remains the primary objective for these individuals.

If the job search fails, able-bodied recipients of assistance would be required to participate in a Community Work Experience Program. States would also be given flexibility to develop job

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<sup>2</sup> These figures are based on child care costs of \$150 and work-related expenses equal to 20 percent of income.

search and work programs that most effectively meet the needs of both the state and the program participants. Many public and private nonprofit agencies have the capacity to administer the workfare program without additional staff. Employees of these agencies, moreover, may gain supervisory experience by dealing with workfare participants. In addition, a state has the flexibility to create day care centers that make use of the services of AFDC recipients on CWEP assignment where they take care of the children of other AFDC recipients on CWEP assignment. According to the 1977 Recipient Characteristic Study, 41.5 percent of the families on AFDC nationwide reported that their youngest child was between the ages of 6 and 20. This indicates that many such families have children who are in school and would not require full time day care if their working hours were adjusted to coincide with school hours. The number of hours a participant works would be determined by taking the amount of the grant and dividing it by the federal minimum wage. States would be allowed to apply for a special waiver of this requirement to set a standard hour work requirement, if they so desired. The number of hours worked could then be bound by an upper limit to allow individuals time for job search and a lower limit to assure work-site sponsors a stable work force. The federal government also would provide a maximum of \$25 per month for work-related expenses. Those failing to meet their assigned work requirements would be dropped from the rolls, unless they are participating in a program of job search or employment activities or training.

#### RATIONALE

The primary purpose of the Administration's strict job search requirements is to assure that employable adults applying for AFDC actively will pursue unsubsidized employment. By diverting potential recipients into employment, the cost of the program eventually could be cut. Several existing job search programs already are cost-effective.

Example: Oregon's Coordinated Job Placement Program. About 10 percent of the applicant pool was kept off the rolls in fiscal 1981 because the applicants had found employment. Oregon's AFDC caseload has declined by 25 percent since the job search program began in August 1980, despite a 40 percent rise in the unemployment rate.

Example: In Kent County, Michigan, the job search demonstration program for unemployed parents cut the caseload by 60 percent. Of that, one-third found jobs before collecting benefits and the remainder either withdrew their applications or were dropped from consideration for refusing to participate.

The program thus tends to discourage those unwilling to work from viewing welfare as an alternative. Other states and localities also report that job search is an effective tool in placing welfare recipients in jobs, even in areas plagued by high unemploy-

ment. The Administration projects that the AFDC caseload will be reduced by over 150,000 through a national mandatory job search program.

There are several inherent advantages to the quid pro quo concept of workfare.

I. The community receives something in exchange for its assistance. All communities surely have work that needs doing but has been ignored because of budgetary constraints. Admittedly, workfare participants' contributions may be small, but since the welfare grants would be paid whether or not work is performed, the community's gain nevertheless is real. Among the jobs created by workfare in some of the optional CWEP programs are maintenance, custodial, day care and library services and assistance to police and emergency medical personnel. Existing workers are not displaced since workfare project tasks would not otherwise have been performed. In fact, federal requirements prohibit any CWEP assignments from replacing paid positions.

II. Participants in the program may find that their attractiveness to potential employers has been enhanced through their exposure to a working environment. Even if the jobs provided give little in the way of training, they introduce work disciplines. Such informal training encourages development of crucial work habits--punctuality, dependability and good working relations with fellow workers. The work experience also gives participants a chance to gain the kind of references, such as a letter of recommendation, which will help them in future job searches. The workfare experience thus may very well enhance the value of participants as productive members of the workforce and ease their transition into unsubsidized employment.

III. A workfare program may reduce welfare costs by deterring some persons who should be self-supporting from remaining on the dole. Though not intended as a primary objective, workfare has a "deterrent effect" that eliminates welfare recipients who either refuse to participate or have another source of employment which prevents them from doing so. Establishing a work requirement would give employable recipients an incentive to seek other, more attractive means of support when they realize that their benefits no longer are free. Workfare has proved an effective means of sizeably reducing the fraud and abuse so prevalent in our current system by encouraging the departure of undeserving recipients, thereby reducing the burden on the taxpayer and making more money available for those in genuine need.

#### EXPERIENCE IN WORKFARE

The record of other current and past experiences in mandatory work programs is mixed. Careful analysis, however, indicates that these programs can work if they are properly administered.

One of the most efficiently administered workfare programs is in Cincinnati, which has been part of the General Relief welfare program for over 40 years. Most of the work has little skill content, with heavy emphasis placed on having the participants put in their time. The program appears to have been cost-effective. Notes one evaluation:

There is a very high initial attrition rate, when people realize they have to work for their benefits. It is sometimes necessary to assign 200 people to get 50 to show up at the work site. The average no show rate may run as high as 60-75%...although the deterrent effect and the reduction in the caseload is not an explicit objective, it is an obvious reality.

Although no formal cost/benefit assessments have been made, the amount of GR grants money saved from case closings and the deterrent effect, appear to be far more than the costs of administering the program. On that score alone the program has won general support and agency endorsement.<sup>3</sup>

Critics of the Administration's workfare proposals contend that, unlike the General Relief population, most AFDC recipients are mothers with small children and, therefore, are not able to work. The 1980 Census Report, however, reveals that over half of America's mothers, in fact, do work. Moreover, because of the flexibility that states are given in setting up their programs, some workfare participants could be employed as day care center aides, thereby alleviating child care problems for mothers.

A second workfare program, and one which very likely will receive a great deal of attention because it is part of the AFDC program, is the Utah Work Experience and Training Program (WEAT). For many years, Utah was the only state with a statewide mandatory work program that included AFDC recipients, although it exempted mothers with children under the age of six. Utah's WEAT program, established in 1974, requires employable recipients to work three days a week and to participate in job search for two days.<sup>4</sup> This approach assures work-site sponsors a stable work schedule. A twelve-week limit on workfare participation ensures that workfare participants do not become permanently dependent on workfare in place of regular employment.

Of those assigned to projects, 27 percent were removed because they failed to perform. Usher West, who heads the Utah program, acknowledges that "WEAT had a general housecleaning effect." In addition, the program also helped many of those assigned work by enhancing their employability. The Wall Street Journal reported:

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<sup>3</sup> Office of Work Incentive Programs, "Work Relief Search for a Positive Position," unpublished draft, June 6, 1979, pp. 16-17.

<sup>4</sup> This differs from the federal legislation, which bases the number of hours worked on the value of the grant divided by the minimum wage.

One of those who benefited is Dennis Wickert, a 42-year-old Marine Corps veteran with a ninth-grade education. A combination of inadequate training and absences caused by problems with bad gums, plus relentless bill collectors, bounced him from the last of several service-station jobs and back onto AFDC several years ago, Mr. Wickert recalls. Indeed, he was feeling like a loser, until the WEAT program assigned him to a neighborhood maintenance crew working out of a local community-action office.

After that "I could walk up to my neighbor and say I earn my welfare money, it's honest," he says with conviction. Mr. Wickert's performance persuaded his employer to hire him as a crew chief. Today he is off AFDC; earning \$800 a month plus some extra cash from odd hauling jobs done with his own truck.<sup>5</sup>

A third workfare experience is the California Community Work Experience Program (CWEP). This program is also likely to be scrutinized carefully since President Reagan initiated it while governor of California and because it is the blueprint of the Administration's current proposals. CWEP was a three-year demonstration project, developed as part of the 1971 Welfare Reform Program. AFDC recipients were required to work a maximum of twenty hours a week in public service jobs in exchange for their welfare grants. Although there was no monetary reward for the work, the state reimbursed participants for work-related expenses. The basic goals of the program were

"to demonstrate that mandatory participation of employable AFDC recipients in a community work program:

- a. is both administratively feasible and practical;
- b. reduces the extent of dependency on welfare by facilitating recipients in obtaining regular employment;
- c. diminishes the rate of the new welfare applications by encouraging potential applicants who are employable or have an employable family member to seek out other means of support; and
- d. results in a reduction in overall welfare costs; i.e., reductions in aid payments or in caseload growth rates will be greater than the additional costs involved in Community Work Experience Programs and will result in a savings.<sup>6</sup>

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<sup>5</sup> June 4, 1981, p. 20.

<sup>6</sup> State of California Development Department, "Third Year and Final Report on the Community Work Experience Program," April 1976, p. 2.

A year after the experiment ended, a California Employment Development Department report concluded that CWEP had failed to achieve its initial objectives. According to the report, the program did not demonstrate that workfare would deter people from applying for welfare by warning them that they would have to work even if they did receive assistance or that those already on the rolls would get off them to take jobs on their own. In fact, fewer people in CWEP counties left welfare to take jobs than in non-CWEP counties. The program also did not prove to be administratively successful.

There were several important factors, however, constraining the effective implementation of CWEP. First, a pending court case and the threat of an injunction made many counties unwilling to establish workfare programs until well into the second year of the project, while 23 of California's 58 counties did not establish a program at all. A decision that further eroded any chances for success was the California legislature's vote in 1974 to abolish the program altogether, a bill subsequently vetoed by the governor. Moreover, programs such as the Work Incentive Program and the Public Employment Programs also tended to compete with CWEP for the employment of welfare recipients. This led to fluctuating participation levels. Stated the Employment Development Department: "Such an off-and-on approach to a program neither built enthusiasm in responsible staff, nor caused user agencies to look upon CWEP as a reliable source of workers." CWEP failed, in sum, not because it was based on flawed principles, but because it was never really given a chance to work. Charles D. Hobbs, Chief Deputy Director of Social Welfare for California during the Reagan Administration and one of the chief architects of the California Welfare Reform Program, observed:

An attitude of polite disdain and inaction toward the legislative directives to implement CWEP has been fostered by the liberal elements of the Legislature, who opposed its inclusion in the 1971 Welfare Reform Act, and has filtered down through the ranks of employment and welfare workers reflecting the attitudes of their Washington, D.C. and Sacramento bureaucratic leaders. Appraisals of CWEP's performance have been and will continue to be negative, for the simple reason that, to repeat, CWEP has not really been implemented as it was conceived. (emphasis in original)<sup>7</sup>

Among the examples of state workfare programs, the most instructive may be that of West Virginia. It takes advantage of a 1981 federal law allowing states to design their own Community Work Experience Programs in the public and nonprofit sectors.

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<sup>7</sup> Charles D. Hobbs, "A Review of California Welfare Work Programs," Final Report, November 1, 1974, p. 4.



West Virginia began its CWEP and job search program for AFDC recipients on January 4, 1982. The program already has assigned 1,200 individuals to jobs at 350 different organizations in counties throughout the state. These people are working in a wide variety of areas. Among the jobs created are meter maids, police helpers, ambulance assistants, library and park aides, clerical workers and laborers. These jobs did not exist before the workfare program because there were no revenues to fund them. The work performed by these individuals would not otherwise be done, thereby providing the taxpayer with public services and the program participants with on-the-job training. By integrating the CWEPs with existing work programs, West Virginia has not had to expand its administrative staff. The success of the program among the public and the participants thus far has evoked the praise of the state's Welfare Commissioner, Dr. Leon Ginsberg:

There is enthusiasm on the part of many of these individuals to work, and many are regularly engaged in looking for jobs. We think that the Community Work Experience Program will both assist non-profit organizations and local government in carrying out some of their responsibilities and will also help the clients maintain their work skills and motivation to be employed. I believe it is correct to suggest that this program is widely popular with the public.<sup>8</sup>

States preparing to establish workfare programs of their own would do well to closely monitor the experience of West Virginia.

#### WORKFARE FOR FOOD STAMP RECIPIENTS

The concept of workfare should be expanded to other welfare programs, such as food stamps. Preliminary review of seven pilot workfare projects run for the food stamp program indicates that savings in this program could also be achieved by reducing dependency. The first-year results of the program show that 28 percent of the 3,515 individuals eligible to participate lost their benefits because they did not meet the program requirements. John Flynn, county supervisor in Berkeley County, South Carolina, attributed the success of their food stamp demonstration program to several factors: "They either didn't need food stamps or they went out and got gainful employment. Either way it takes the people off the food stamp program because if they don't show up to work they don't get the food stamps obviously."<sup>9</sup>

<sup>8</sup> Cited in Tom Mack, "Welfare Reform: Making Workfare Work," American Legislative Exchange Council, The State Factor, May 1982, p. 3.

<sup>9</sup> Karen Turner and Karen Eastman, "Workfare: Can It Really Solve Our Welfare Dilemma?" County Employment Reporter Vol. 10, No. 3, June 1981, p. 16.

On June 14, the Senate Agriculture Committee, by a vote of 11 to 5, adopted an amendment to the Food Stamp Act of 1977 to require states to impose either a mandatory workfare program, administer an employment requirement, or both, effective July 1, 1983. Under the program, able-bodied recipients would be required to perform public service work under a workfare job or to obtain employment in the private sector to remain eligible for food stamps. Senator S. I. Hayakawa (R-CA), who pushed for the work requirement asserted: "We've got to stop giving in to the food stamp recipients here and there and start considering the rights of the millions of hard-working Americans who pay the bill."

Exempted from any work requirement would be: 1) recipients under the age of 18 or over 60; 2) persons certified by a physician to be physically or mentally unfit for employment; 3) unmarried parents or caretakers of children under the age of 6; 4) married persons or caretakers of children under 6 if there is another non-exempt parent in the household who was working at least 20 hours a week or participating in a workfare program; and 5) recipients of unemployment compensation. Individuals able to prove that they had searched for a job but could not find one would be allowed to continue to receive food stamps, if there is no workfare program.

Some have questioned the purpose of the new employment provision given the current work registration and job search regulations. It appears, however, that the new requirement sets more stringent standards for demonstrating the ability and willingness for applicants to accept employment.

## CONCLUSION

Although not all experiences in workfare have met expectations, it does appear that a properly administered program could reduce significantly burgeoning welfare costs while helping many of the poor overcome the "poverty wall" created by America's current welfare and tax systems.

It is quite possible that the recent immigrants to this country who speak no English are better off than many of the poor because the newcomers do not know how to take advantage of the welfare programs. Social analyst Tom Bethell has characterized their plight: "The newcomers are compelled to take those demeaning jobs at the bottom, but they soon work their way up, as immigrants always have in the past, and eventually rise above those on the isolated welfare platform."<sup>10</sup> The purpose of workfare is not to put the poor to work on workfare projects, but to get

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<sup>10</sup> Tom Bethell, "Treating Poverty: Wherein the Cure Gives Rise to the Disease," International Institute for Economic Research, Reprint Paper 16, October 1980, p. 8.

them into the productive and rewarding labor force by improving the incentives for serious job search.

The Reagan Administration is committed to establish the AFDC program as a well-run temporary assistance program to move individuals through work programs. By reducing welfare dependency, a comprehensive workfare program would play an integral role in revitalizing the economy.

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