

September 19, 1993 DRAFT

MEMORANDUM FOR THE VICE PRESIDENT

FROM: JACK QUINN/KUMIKI GIBSON
BRUCE REED/PAUL WEINSTEIN
GENE SPERLING/PAUL DIMOND & SHERYLL CASHIN

SUBJECT: UPDATE ON COMMUNITY EMPOWERMENT AGENDA

This memorandum outlines the status of work by the Community Enterprise Board, sub-Cabinet level working group to implement the community empowerment strategy reflected in the August 10, 1993 and September 9, 1993 memoranda to the participating Cabinet Secretaries. Appended (with an index and tabs) is a briefing book that includes relevant memoranda, Presidential decisions, and legislation documenting previous work by the joint DPC-NEC working group related to community empowerment.

The working group has been proceeding (or exploring proceeding) in three general areas: (1) implementing the empowerment zones legislation; (2) developing the Administration's community empowerment principles; and (3) assisting in the implementation of the National Performance Review's philosophy and recommendations related to community empowerment.

I. Empowerment Zones Implementation

The working group (which includes all of the agencies that comprise the Board) has focused on implementing -- and expanding upon -- the empowerment zone/Title XX provisions of the Omnibus Budget Reconciliation Act of 1993 ("OBRA"). We are building a comprehensive empowerment-zone program to offer to interested localities essential Federal resources and substantial private capital. The group is confident that we will be able to develop a package without additional legislation that will induce States and localities to construct innovative strategic plans with significant State and private sector matches. We plan to present the package, issue the necessary regulations and information, and hold workshops for interested applicants by November 1993.

A. Progress to Date

The working group has been meeting regularly since the August 10, 1993 community empowerment memorandum transmitted by you, Carol and Bob. The working group is co-chaired by the Vice President's Office, the National Economic Council, and the Domestic Policy Council. Paul Dimond, Kumiki Gibson, Paul Weinstein and Sheryll Cashin (hereafter "Working Group Staff") jointly staff and lead the working group. A list of all members of the working group is attached.

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It is critical that we designate some empowerment zones and enterprise communities by mid-1994 so that we can begin to have demonstrable signs of success by 1996. To this end, we have been proceeding as rapidly as possible to ensure that we develop a dynamic empowerment zones program and challenge grant process. We must provide the communities and States the incentives, the time, the single point of contact, and the interagency responsiveness and support necessary to develop their own strategic plans and induce State and private sector matches that will permit success.

B. Issue Groups

We have established interagency issue groups, chaired by key players, to focus on specific tasks and, where appropriate, to develop options for consideration by the working group and, as necessary, the Board. The issue groups include:

- Empowerment Zone Implementation: HUD (Cuomo), USDA (Nash), and HHS (Bane) are working cooperatively to (1) develop the time-line and process for application and designation; (2) draft the relevant regulations; (3) maximize State, local, and private sector matches; and (4) craft announcements and workshops for the localities. The focus is on creating innovative approaches that will encourage local initiative and substantial State and private sector matches.
- Capital Formation for Business and Economic Development (Cashin): SBA has come forward with an ambitious proposal for a series of regional, "one-stop" capital centers for investment in businesses in distressed areas.
- Capital Formation for Housing and Community Development (Katz): Fannie Mae, Freddie Mac, FHA, HUD, Agriculture, and HHS are considering a number of bold initiatives to make substantial additional capital available for home ownership, renovation, and community development in zones and communities.
- Legislative Issues and Strategy for Waivers (Gibson and Weinstein): One of the primary ways to serve zones and communities is to provide them with Federal coordination, assistance, and flexibility in implementing their strategic plans for economic revitalization. This issue group is examining ways in which the Board can fulfill this goal through a coordinated congressional and administrative approach.
- Public Safety (Acheson): The Department of Justice is assisting in shaping the selection criteria, federal policy, and federal assistance to assure that applicants make public safety a fundamental building block in each strategic plan.

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- Technology Issues (Michelle): Commerce will take the lead in determining how programs from NIST, ARPA, the national labs, and other federal research efforts can be properly marketed so that local applicants will think more creatively in devising their strategic plans. Given the high premium on private sector matches and the close proximity of major research universities and medical centers to distressed areas, many applicants will be in a good position to consider how high technology research and new industries can be included.
- Transportation, Infrastructure, Parks, Environment (Burrell, Guettel, Reinfeld): ISTEA provides the governors with substantial discretion to act creatively so that applicants' strategic plans will be able to provide transportation and access for distressed communities throughout the region. EPA can provide substantial coordination in proactively assisting environmental cleanups necessary for economic redevelopment.
- Area Labor Market and Job Networks (Ross, Uhalde): The Department of Labor is determining how to induce applicants to include in their strategic plans innovative and comprehensive State, local, and private sector collaboration to ensure that residents of zones and communities have real access to jobs throughout the local labor market area.
- Indian Communities (Reinfeld): The Department of the Interior is investigating the extent to which Indian communities will participate in the coordinating activities and programs of the working group and the Board itself.
- Agency Participation (Dimond and Edley): Pursuant to the President's September 9, 1993 memorandum, each agency is currently determining what it can contribute to the Empowerment Zone package. The range, types, and limits of the contributions will vary substantially among the agencies, depending on the nature of each agency's mandates and programs and the extent of its discretion. In many instances, there are also difficult issues concerning whether (and, if so, how) to have each agency seek separate authorization and appropriation each year in Congress for additional funds that may be needed to meet their commitments in empowerment zones. We will therefore have to be creative in the application and designation process to induce substantial State, local, and private sector interest without promising more than we are certain that we can deliver.

The issue group leaders bear responsibility for coordinating all issue group meetings, for drafting all reports, and preparing option or issue papers. Working Group Staff meet regularly with the issue group leaders and key agency players to resolve problems, coordinate activity, and spur better work.

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C. Time-Line

The working group is proceeding on the following, tentative time-line:

- November 1993: Announce the selection criteria, goals and federal inducements to the country, issue the relevant regulations, and hold workshops in all regions.
- April 1994: Due date for applications.
- June 1994: First round of designations will be made by the Secretaries of HUD and USDA.
- October 1994 - June 1995: Complete remaining designations. (Yet to be determined is whether this will be accomplished through a second round of applications or through a process of rolling applications and designations.)

We have made sufficient progress to provide a meaningful report to the Board, at a time and manner you, Carol and Bob deem appropriate.

II. Development of Community Empowerment Principles

In addition to developing the empowerment zone legislation, the working group must also develop the broader community development and economic empowerment principles. In the spring, Secretary Cisneros presented a set of principles that might guide this effort to the joint NEC-DPC community empowerment working group. Comments and suggestions from each of the agencies led to several iterations of these principles, which Secretary Cisneros subsequently presented to White House senior staff and the Cabinet Secretaries. This work provided the grist for the August 10, 1993 memorandum from you, Carol, and Bob on "Community Empowerment Initiatives," which included both a statement of five "Community Empowerment Principles" and proposed a "Coordinating Structure," namely the cabinet-level Community Enterprise Board which the President established as part of his September 9, 1993 directive.

The comments from the Secretaries on the five community empowerment principles in the August 10 memorandum indicate that there is general agreement with much of the thrust of the principles, including particularly a full commitment to interagency cooperation and federal responsiveness in this area. There is substantial concern, however, that the principles may be, as Secretary Reich noted, "somewhat like cotton candy -- sweet and unsubstantive." Some also believe that the principles do not adequately build on the dual themes of opportunity and responsibility that are at the core of the Clinton-Gore Administration. Finally, there is concern that the principles are not based on a clear understanding of the

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nature of the problems confronting distressed communities, particularly the dynamics of people voting with their feet and their capital on where they want to live and to invest.

We therefore need to develop a better understanding of the problems facing distressed communities and articulate our guiding principles in a way that will (1) build on the Administration's philosophy on this issue and (2) provide concrete guidance for agency decisions and choices. We must also develop proposals and options for specific action, including mobilizing the private sector to join with the Administration, states and local communities.

We propose assembling a small group of key agency participants (Cuomo, B. Katz, Nash, L.Katz, Munnell, Mincy, Acheson, Bowles, and M.Smith) and White House advisors (Reed, Sperling, [Quinn?] Kamarck, Dimond, Gibson, Weinstein and Cashin) to develop and refine our principles over the next few weeks. At the end of this period, we would present our ideas (for review and input) to the working group and, ultimately, the Board.

In order to secure the full support, input, and cooperation of the participating Secretaries, it may be useful to hold an introductory meeting of the Board to discuss this [proposed?] schedule and to seek any additional concerns and comments.

[Note: should this be presented as a proposal that the VP, Bob, and Carol would have to sign off on or should we simply say that we are moving forward on doing this?]

III. National Performance Review and Community Empowerment

Through the implementation of the recommendations of the NPR, the Administration has committed itself to making the federal government more responsive to American citizens through a customer-driven, performance-measured approach. You and the President have already made clear that agencies are to provide recommendations for making government programs and assistance both more responsive and performance-measured. In addition, in his September 9, 1993 memorandum, the President directed the Secretaries to identify (a) agency programs and legislative mandates that may assist States and localities in implementing the goals of community empowerment and (b) legislative and regulatory mandates that stand in the way of States and localities in implementing the goals of community empowerment. We believe the Community Enterprise Board can assist you and the President in achieving the goals of these objectives.

First, the Working Group Staff will follow-up with the agencies in obtaining their recommendations and ideas for improving the Federal Government pursuant to the President's September 9 directive.

Second, the Board could serve as the entity through which at least some of the NPR's recommendations will be implemented. For example, as Secretary Cisneros has suggested,

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the Board could serve as the coordinating council for economic development, as recommended by Commerce in DOC01. In addition, the Board could, among other things, assist in the consolidation of grant programs (FSL01), in addressing the problems of unfunded mandates, generally (FSL02), and in strengthening families (HHS01). Indeed, we envision the Board as a mechanism for providing "a process by which agencies can more widely obtain waivers from regulations," as recommended in SMC08.

With your approval, the Working Group Staff and Elaine Kamarck will work with the agencies to identify mechanisms and programs for interagency cooperation and flexibility and will follow-up on implementing those NPR recommendations appropriate for the Board's jurisdiction.

In sum, the working group and its Staff is proceeding (1) to implement the empowerment zone legislation, (2) to develop principles to inform Administration policy and to guide Administration action in the area of community empowerment, and (3) to assist in implementing related NPR recommendations.

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August 26

David Ellwood
Department of Health & Human Services
200 Independence Ave. S.W.
Room 415F
Washington D.C. 20201

Dear David:

I attended part of the Welfare Task Force's public hearing in Washington D.C. last week, and heard from a few of the parade of witnesses that must have come before you during the two-day period. I recognize that this kind of public input is necessary, and I am glad you are getting it.

My concern has to do with an operational question -- how do we put 1-2 million welfare mothers (or whatever the number is) to work in meaningful jobs. Obviously the record does not give one cause for optimism, but then maybe we made mistakes in the past. I just received a report from the Conference of Mayors in which the organization calls for replacing welfare with jobs, and it occurred to me that if anyone should understand the practical difficulties of putting welfare mothers to work, it should be mayors. After all, most welfare mothers live in cities, mayors know about the work that is currently going undone, and of course they also know about public unions. I think we should ask Mayor Fraser and Mayor Norquist and the other mayors how they would put 50-100,000 welfare mothers to work in their cities without running afoul of the unions (if they had the money).

Maybe you're already doing this. But wouldn't it make sense to put together a small working group on the demand side of the program -- employers, mayors, local non-profits -- and then include public unions, to see whether we can generate 1-2 million positions? Because if we can't, we had better know that up front. If you decide that, even with all the money in the world, you couldn't generate more than 500,000 jobs for welfare mothers (and that would be no mean feat), that will have a major influence on how you structure the program. Obviously.

There are, I think, two main questions:

1. how do we take grant diversion, targeted tax credits, and all the other incentives, and make them work, so that private sector employers would hire a significant number of welfare recipients? This is an old question, but I'm not sure we've given it the attention it deserves, at least in

recent years. No doubt you are doing so now. My guess is that there are ways of simplifying grant diversion so as to make it much more attractive to employers. Etc.

2. how do we organize public jobs at the local level so that large numbers of welfare recipients can be accommodated. Public labor is concerned about displacement. Fine -- we agree to outlaw displacement (how would AFSCME write that statute?). Maybe we should examine the New Hope model in Milwaukee where a guy from the AFL heads up the executive board, and acts as a guarantor to labor that there is no displacement. In New Hope, they have been relatively successful in finding jobs, but is this experience generalizable? Guys like Fraser and Norquist (I had dinner with them recently) seem convinced that large-scale jobs programs can work. What kinds of jobs? How do we avoid displacement? Can this work in New York City?

These are not brilliant thoughts, I know, but my fear is that this matter will get lost in the multiplicity of issues and problems that have fallen into your lap. And I think it is absolutely critical. My recommendation would be a small working group -- AFSME, SEIU, Mayors, APWA, NAB (or someone like it) to work on a crash basis to come up with answers (ie. the demand side of the equation). If we don't have a solid answer by the time a bill comes up here, I think we will be in trouble.

Good luck. Let me know if I can help.

Sincerely,



Paul Offner

Virginia reform plan would turn welfare into jobs

By Lewis Kofman
The Washington Post

Virginia Gov. L. Douglas Wilder yesterday unveiled a unique welfare reform program that would divert federal dollars from welfare recipients to employers who are willing to give them second jobs.

Details of the proposal have been made in the Clinton administration for approval of the second year of Federal money.

"We are not asking for new Federal dollars, just the ability to reprogram Federal dollars that are currently earmarked for Virginia," Mr. Wilder said at a news conference in Richmond.

"Let us experiment," he said. "We ask Federal officials to take off the conceptual strings that tie us down in Federal paperwork and red-tape bureaucratic procedures rather than freedom."

Under the program, the state would make money or other incentives available to firms that provide

to train welfare recipients and give them permanent jobs.

"I haven't seen anyone else do it that way," said Howard M. Culham, state secretary of Health and Human Resources.

"We would have a lifetime tax. Does it help or hinder the ability to get a job? We are less concerned with whether the person can sustain all 20 states and have 20 hours of instruction than whether they have the skills to land a job."

U. Gov. Donald S. Byler Jr., head

of a commission that would oversee the project, said several trade associations have expressed interest in participating. He said his Woodland, Va. Pills Church would start by training a candidate for a brickyard job.

The program, outlined by Mr. Wilder in January, would put Federal welfare money for Virginia into a revolving trust fund.

Participating employers would train welfare recipients for jobs in their firms, then hire them for those

positions. The companies could choose from a menu of rewards, including tax breaks, preferential treatment for the training and paid health insurance for a welfare recipient's first year on the job.

The new workers would have to make a weekly contribution from their paychecks to the revolving fund. That provision requires a waiver from the Federal government.

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WELFARE

He said the program would save Virginia and the Federal government \$11 million in the first eight years.

Virginia is the latest state to try to reform its welfare system by putting recipients in permanent jobs. The Clinton administration has approved a welfare reform plan for Vermont and has requests pending from about some other states, said Melissa Skiffed, spokeswoman for the Department of Health and Human Services.

But experts said other states have had problems finding companies to absorb welfare recipients.

"That's going to be a hurdle at first," Mr. Byler said. "I know, as a business man myself, if someone offers me a \$2,000 tax credit, it's not going to be enough of an incentive for me to do something I don't already want to do."

Voluntary programs like the one proposed by Mr. Wilder also have a history of high dropout rates. Typically, 5 percent of participants in such programs drop out, and only half of those remaining succeed in their jobs, said David Schiller, an economics professor at American University.

But Mr. Culham hopes to keep the program productive by offering a choice of incentives and requiring the participants to sign a contract.

"There's no reason why this can't work," he said, even with an ex-

pected dropout rate of 15 percent among the 600 initial participants.

Health and Human Services Secretary Lynn Stabile has assigned aides to study Mr. Wilder's proposal, and Virginia officials have met with them this month, Mr. Culham said.

The 25 members of the Governor's Advisory Commission on Welfare Reform, whose names were announced yesterday, will recruit business and participants during the next two months while they wait for Federal approval.

Many of the commission members are figures from the business community who, state officials hope, will use their contacts to recruit employers. They include Virginia Maryland of the Virginia Municipal League, Robert Skunde of Dewberry & Davis and Alan Wurdant of Civitan City.

Gov. L. Douglas Wilder

Gov. L. Douglas Wilder



Gov. L. Douglas Wilder

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Education, Employment and Training Assistance

An alternative paradigm:

Ending welfare as we know it requires (a) ending welfare as a way of life and (b) substituting a system that offers a meaningful second chance. Inherent in these fundamental shifts in thinking is the recognition that parents -- not the government -- bear the primary responsibility for support, nurture, and education of their own children. Under this framework, the government can act wisely to provide real opportunities for all parents to meet their responsibilities. Examples of government's responsibility under this social contract to provide such opportunity include:

- provide information on the costs and responsibilities of both parents for bearing, begetting and supporting a child
- provide information on the comparative capacity of single parent households compared to two-adult households to meet these child support responsibilities
- inform both parents of the financial obligation of support for their children and provide the means to effectively enforce this obligation of parental support
- provide parents who work hard and play by the rules with the economic rewards of family economic self-sufficiency through the EITC
- provide all youth and adults with the opportunity to learn and to compete in the labor force and with information on their responsibility to take full advantage of these opportunities throughout their own lives. [Note that the extent of state and local expenditures to provide this opportunity dwarfs the federal expenditures.]

When a family is unable to meet their support responsibilities through such opportunities, then government will provide a second chance, a set of additional opportunities for parents to meet their responsibilities; but government will not provide an alternative way of life for government to pay for parents meeting their own responsibilities to support their children. That is the basis for all time limits: at some point, even if continued welfare benefits are only tied to a work or learning requirement, the parent who refuses to meet their responsibilities will be cut-off from further support.

Such time limits, therefore, provide an opportunity to turn welfare into a second chance program of transition to help parents meet their own responsibility to support their own children, rather than continue a system where government permanently pays a dole to parents for the support of their children. Only during the time limit, and only as long as the parent strives to take advantage of the learning opportunity, income support may be provided by the government to help meet the parents' child support obligations. Such real time limits enable government to offer a second chance opportunity of additional learning, training, and

employment assistance for parents who are unable to meet their child support responsibility in the first instance: the participants in the second chance should know, however, that if the opportunity for learning, training, and employment assistance is not seized within the time limit, the government will no longer pay for the parents' failure to meet the parents' obligation of child support.

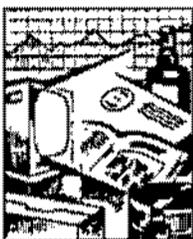
As we do not have good evidence that any particular program of second chance learning, training or employment assistance works under our current welfare system and means of delivery, we should encourage States and the private sector to innovate and to experiment with a variety of approaches to second chance learning opportunities for parents. The primary purpose of such innovation and experimentation, however, must be to reenforce the new democratic social compact: parents bear the fundamental responsibility of support for their children; government provides the opportunity for all parents to learn to meet their responsibility and only a second chance -- not a welfare way of life -- for those who are unable to meet their parental responsibility in the first instance.

Public Media Goes for Jugular To Push Causes

By MICHAEL J. YHARRA

Staff Reporter of THE WALL STREET JOURNAL
SAN FRANCISCO — Late last year, a full-page advertisement ran in the national edition of the New York Times decrying Norway's decision to violate an international ban on whaling. The ad urged a boycott of Norwegian Cruise Line and Viking Cruise Line. Neither line has anything to do with Norway's whaling policy, but they are among the country's biggest foreign-currency earners.

Two days later, Knut U. Kloster Jr., chairman of Kloster Cruise Ltd., which owns the cruise lines, called the ad's sponsors. He promised to use every television appearance and print interview to urge the government of Norway to respect the ban. And he said he was dismayed to have been singled out since his company was already environmentally sensitive.



The ad was designed and placed by the Public Media Center, an obscure nonprofit ad agency based in San Francisco, on behalf of Earth Island Institute, a much better known environmental group. The agency regularly wages high-profile public-relations battles on behalf of clients in the "progressive" political spectrum, such as Planned Parenthood, Sierra Club, and Handgun Control Inc., while trying to keep a low-profile itself.

"We get a lot of calls from people we're in conflict with and they say, 'Look, stop the ads, we'll do what you want,'" says Herbert Chao Gunther, executive director of the agency. "It's pretty persuasive."

Two decades ago, Public Media placed less than \$100,000 of ads a year. Now it has a staff of 28 and places more than \$1 million in print ads a year. The ads are mostly in the form of full-page ads in the Times, which cost from \$12,000 to \$25,000.

Many ad agencies do pro-bono work, and the Advertising Council, based in New York, is a nonprofit organization that coordinates public-interest campaigns with firms that volunteer their time.

But Public Media is different: It goes out of its way to antagonize companies and drum up controversy. And unlike traditional agencies, Public Media, which does mostly pro-bono work, never promotes a product; it often urges people not to

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patronize businesses.

"We're really happy if we get into a fight," Mr. Gunther says.

About 70% of Public Media's clients pay little or nothing for its services, subsidized by the other 30% and donations. Moreover, the agency will sign on only to a cause that it fervently believes in.

"They are a very effective agency," says David Phillips, executive director of Earth Island. "They're on the cutting edge of taking difficult issues and making them accessible."

An ad featuring a bent coat hanger on behalf of the National Abortion Rights Action League spurred 90,000 people to mail in almost \$1 million to the abortion rights group. H.J. Heinz Co. changed its tuna-buying policy after ads urging consumers to save dolphins by boycotting the company's Star-Kist tuna. Similarly, Burger King Corp. agreed to import less meat from Latin American after a campaign accused it of destroying the rain forest in pursuit of beef. And ads attacking Supreme Court nominee Robert Bork even contributed to a new verb: borked.

It is hard to judge just how effective some ads are, as with one that asserts that President Bush killed more people in Panama than its ex-leader Manuel Noriega. Others fail to achieve their objective. Norway, for instance, still plans to kill whales. Also, some targets view the agency as a strong-arming extortionist. They especially resent the occasional tactic of attacking companies that aren't responsible for the sin alleged in the ad, but that could bring influence to bear.

Sometimes, the targets return the fire. Jessica McClintock shot back late last

year with her own full-page ad in the Times after Public Media, working for the Asian Immigrant Women Advocates, called the San Francisco dressmaker morally responsible for the plight of 12 Chinese seamstresses who got stiffed for \$15,000 when their employer went belly up. The bankrupt company had been supplying Jessica McClintock Inc. with dresses that cost about \$5 and sold for close to \$200.

Ms. McClintock's ad branded the boycott campaign — which included the headline, "Jessica McClintock says: Let Them Eat Lace" — a "smear." She added, "I will not tolerate intimidation or a blatant shakedown."

Public Media's response — yet another ad: "When you see Jessica McClintock's holiday windows this year, think about the reality behind them: Sweatshop women facing a cold, grim Christmas."

The agency's go-for-the-throat approach is honed by a simple style, basic graphics and large photos, more like a conservative magazine layout than a flashy ad. Mr. Gunther describes his approach as journalistic, adding that the ads' information is from news reports or other public sources and is fact-checked by newspapers before being run. In 19 years, the agency has had only one ad rejected.

"Free and open debate is important," says Mr. Gunther. "We're in the business of breaking the information monopoly of certain large corporations that don't behave properly. We deal with the truth."

Mr. Gunther, who compares his \$42,000 salary to that of an entry-level bus driver, says chief executive officers have called him directly and threatened legal action (none has ever been filed). "They think they can bluster and bluff," Mr. Gunther says. "We're careful. When we do an ad, we can defend it aggressively."

Lately, the agency has become involved in a free-Shamu campaign, seeking the release of the killer whale from Sea World in San Diego. It is sponsored by OrcaLab, a whale research station in British Columbia, and an alliance of animal welfare groups. The ad urges a Budweiser boycott to pressure the aquatic park, owned by brewer Anheuser-Busch Cos., to release its star attraction into the wild. Mr. Gunther says he advised his client of the probable futility of a boycott of such a mass-consumer product as Bud, and the brewer says its business hasn't been affected.

Indeed, Mr. Gunther asserts his intent isn't to hurt corporations, but reform them. "We're not anti-corporate," Mr. Gunther says. "You want to have a corporation behave in a responsible and accountable way."

WR-Jobs

Back to Work ✓

By SOL STERN

With the Labor Day holiday over, and summer unofficially at a close, most Americans return to their jobs today. But what of long-term welfare recipients? How, exactly, can government prod these people, almost all of whom are women with children, back into the labor market?

Back in the 1992 campaign, Bill Clinton promised to "end the welfare system as we know it." And now his administration must wrestle with the high expectations created by that pledge. The president's welfare-reform planners might find a few hints to solving the riddle at a small, private-sector employment agency called America Works, located in lower Manhattan.

For the past five years, America Works has placed thousands of welfare clients in New York and Connecticut, with an average of between five and six years on the rolls, in private-sector jobs with an average starting salary of \$15,000 plus benefits. Employers have been overwhelmingly satisfied. America Works has a long list of companies that keep coming back, asking for more referrals from the welfare rolls.

America Works has staked its survival as a profitable business on the proposition that welfare clients, properly motivated and helped with a limited amount of technical assistance, can be successful at getting and holding jobs.

Consider the case of 35-year-old Lenore Green. Other than having two short-term jobs, she had been on public assistance all her adult life. Ms. Green had a disappointing experience with New York City's Human Resources Administration. "They basically give you the Yellow Pages and tell you to start calling to find a job," she says.

Worth the Trip

When Ms. Green heard about America Works, she asked her caseworker to refer her to the firm, even though its offices are in lower Manhattan and she lives in the Bronx. When she made the trip, she found a businesslike facility, in contrast with the grim welfare offices she was used to visiting. A polite receptionist directed clients and visitors to the business lab, the pre-employment classroom, a small meeting room and staff offices. America Works was humming with activity, and no one was waiting in line.

Ms. Green signed up, and after a week of pre-employment screening and "job readiness" training, she landed a two-week data-entry job. Immediately thereafter she was sent on two interviews, each of which led to a job offer. She currently works in the claims department of Amalgamated Life Insurance Co.

America Works functions as a kind of "old girls' network." (Most of its clients are women.) Staff members build relationships with employers and provide the connections to the job market that women on welfare usually lack. "After screening to make sure there's a fit with what the employer is looking for, they go out and represent you to the employer," Ms. Green

says. "They help you get that interview."

America Works makes its money by contracting with state welfare agencies to place clients in jobs. The contract is performance-based: The company is paid (about \$4,000 a client in Connecticut and \$5,300 in New York) only after the client has completed a four-month probationary period with an employer. The state comes out ahead as well. For its fee of \$5,300, America Works estimates that it saves taxpayers \$22,000 a year, the cost of keeping a mother and two children on the welfare rolls in New York.

America Works is the brainchild of a husband-and-wife team, Peter Cove and Lee Bowes. Mr. Cove is a community ac-

America Works, a profitable employment agency, is based on the proposition that welfare clients, properly motivated and helped, can be successful at getting and holding jobs.

tivist, a veteran of the 1960s War on Poverty and various nonprofit employment training projects; Ms. Bowes is a sociologist. They launched America Works in the mid-1980s with \$1 million in start-up capital and the belief, based on their own experiences in the job-training field, that the primary obstacles preventing welfare clients from finding and retaining jobs are a lack of connections and gaps in interpersonal skills. Extended education and training programs are unnecessary, time-consuming diversions, Mr. Cove and Ms. Bowes argue. Further, they contend, clients with shaky self-confidence are best served by an early success in getting a job, not by long periods of preparation.

America Works' week-long training sessions are narrowly focused on the skills needed to land an entry-level job. A counselor works with clients on such basics as maintaining a businesslike personal appearance, speaking properly, preparing a resume, showing up on time and arranging child care. Attendance is strictly enforced: If a client is late to class, even by five minutes, she is dropped from the program, though she may enroll again at a later date. After completing the class, clients spend half their day in the company's business lab, working on typing, word processing, and other office skills while they wait for job interviews. During the remainder of their day, they can seek employment on their own.

Paula Phillips, an energetic former schoolteacher who leads the training sessions, stresses that clients' success depends on their own motivation and effort. "There are no guarantees," she tells her class of 46 women. "If you want something to happen, you've got to make it happen."

Nevertheless, she continues, "if we don't find people a job, we can't stay in business. We want to find jobs for as many people as possible."

The company's entrepreneurial ethos is catching. We spoke with numerous women and men in America Works classes who defied the stereotypes of long-term welfare clients steeped in a permanent culture of dependency. After waiting several months to be admitted to the program, they understood that they had to compete for jobs, were working very hard at improving their skills in the business lab, and were confident that they would succeed.

Employers are impressed with the workers' enthusiasm. "Their candidates really want to work," says the personnel director of a catalog company who, since 1989, has relied exclusively on America Works for filling entry-level positions. "They have people who have been out of work and so they're willing to stay with a job for quite some time," says the manager of a law office. "They're willing to stay longer than other people who haven't been on public assistance. We're willing to take a chance on them; we get a dedicated and loyal employee. It's a win-win situation."

During the four-month probationary period, the employer pays an agreed-upon wage to America Works, which pays the employee minimum wage. (Employees' welfare grants are gradually reduced during their transition to permanent work.) The trial period allows the employer to evaluate the new employee's work habits and adaptability to the company culture.

Confounding Pessimism

At the same time, America Works offers the employee services to ease the transition from dependency to the job market. America Works job counselors visit the worker on the job every week and meet with the employee's supervisor every other week to "troubleshoot." If there are problems with punctuality or attendance, or if the client needs help with child care or housing, the counselor will intervene.

After the probationary period, the employee is paid a standard wage. The support America Works provides during the transition period is clearly effective; an estimated 85% to 90% of its clients are still in their jobs at the end of the first year.

America Works confounds the shared pessimism of both liberals and conservatives about the possibility of getting welfare recipients into jobs quickly. It points beyond the familiar "won't work" vs. "can't work" argument, toward pragmatic, intermediate solutions. There are thousands of welfare recipients who deserve a better chance than the one the welfare bureaucracy now affords.

Mr. Stern is a policy adviser to New York's City Council president, Jan Rosenberg, professor of sociology at Long Island University, collaborated on this article, which is adapted from the summer issue of the Manhattan Institute's City Journal.

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WR-JOBS

THE WHITE HOUSE
WASHINGTON

July 19, 1993

~~Ask Garrison re P Corp~~
~~Ask Steve Wernick~~
~~Send memo to Howard P.~~
~~Ask Isaac/Doug re nonprofits~~
1-stop shopping
~~Ask Adam re Transition~~
disks

MEMORANDUM FOR ECONOMY AND JOBS ISSUE GROUP

FROM: Paul Dimond, Special Assistant to the President
for Economic Affairs, NEC

SUBJECT: Background Papers and Beyond

Each member of the group should have all of the following materials to assist them in formulating options.

Economy and Jobs Background Book

Table of Contents (DRAFT)

1. The Job Outlook for AFDC Recipients
2. Aggregate Impact of Key Policy Changes on Job Outlook
3. Potential Employability of Welfare Recipients (Demographics)
4. Who are the working poor?
5. Can the Labor Market Absorb Welfare Recipients?
6. Subsidies
7. Job Development
8. Conceptual Framework for Modeling Time Limited Welfare

NOTE

SUBJECT: Economy and Jobs Background Papers

Items 1 and 3 listed on the memo from Paul Dimond should have already been distributed to you. If for some reason you do not have them, please call Michelle at 456-7981 for a copy.

Also, the Appendix A for item 7 included in this package was comprised by Bonnie Deane of the National Economic Council.

Welfare Reform in the Context of other Public Policy Affecting Jobs

Welfare to work transition requires the availability of work, which is a function of the state of the macro-economy plus the impact of policies that particularly affect the low-wage end of the job market. The Economy and Jobs Issue Group is looking at these demand for labor considerations for the Welfare Reform Working Group. This work complements that of other issue groups focused on the welfare population and its potential supply of labor.

Major effects on the size of the low wage job pool will come from the future macroeconomic path of the economy and from broad structural changes such as the shift to services and the widening compensation gap between those with and without knowledge skills. In the context of these major forces, identifying the effects of particular public policies, even those directed at the low income population, will be difficult. Nonetheless, policy analysis of welfare reform cannot proceed satisfactorily without recognition that other policies with the potential to affect recipients job prospects are also in play.

Policies identified as material to this analysis are:

1. Earned income tax credit
2. Health care reform
3. Immigration
4. NAFTA
5. Empowerment zones
6. National Service

These may affect the supply of jobs for which welfare recipients might qualify (will they be reduced as a result of more direct low wage competition from Mexico under NAFTA) or the competition for such jobs (immigration). If supply is affected, the effect may be positive or negative (additional home health care workers under health care reform vs. reduced low wage jobs more generally as a result of payroll tax increases.) Behavioral changes may occur among workers or employers (increased EITC draw more people into low-wage market; employers offer jobs at lower pay scales). Programs may or may not be structured to provide some particular arrangement or advantage for participation of welfare populations (empowerment zones).

HHS is developing a dynamic simulation model to evaluate where welfare recipients end up over time under different combinations of welfare requirements and services. If the policies identified above have any potential to affect that

result in a measurable way, it is important to know it and reflect it in the model. If their effects are not expected to rise to that level of significance, a qualitative statement of the nature, direction and general magnitude of any effects will be sufficient.

An example summary of effects for NAFTA, which does not show impacts of model significance, is attached.

NAFTA and the US Low-Wage Job Market

- Economic liberalization moving ahead sharply in third world. Capital inflows and rising education promise growth rates well beyond those of OECD--such that developing countries become engine of global growth and source of most (70%) of world GDP in 25 years time.
- Developed countries interests lie in promoting and benefitting from this growth. Resistance strategies harm all parties severely.
- NAFTA is exhibit 1 of good policy direction--because Mexico a liberalization leader, future large economy and natural market partner with common border and significant existing ties.
- Studies* show all member countries gain from NAFTA, Mexico most because smaller and previously protected. US gains by exporting to growing Mexico; exports increase 5-27% over baseline. However, because Mexican economy currently small relative to US (4.5%), resulting GDP increase here very modest (.02 to .50%), raising aggregate employment a limited .03 to 2.5%.
- Concern about low-wage job displacement in US not borne out in models. Although results are mixed directionally--some gains, some losses--effects are almost indiscernible given small scale of Mexico compared to US. Studies showing measurable decline (less than 2%) are predicated on extreme development assumptions (Mexico replicate Italy) or increased migration to US.
- Conclusion: Small aggregate gain to US from NAFTA not achieved at price of material employment or wage declines for low-skilled workers. Main benefit may be symbolic--pointing global trading system toward more liberalization which raises scale of growth effects. Whether scaled-up aggregate growth continues to offset dampening effect of increasing overseas competition on US low-skilled jobs remains to be seen. Education and training are more reliable long-term approach to riding the wave of third world growth rather than being inundated by it.

*Economy-wide modeling of the Economic Implications of FTA with Mexico and a NAFTA with Canada and Mexico, US International Trade Commission, May 1992.

See also:

Potential Impact on the US Economy and Selected Industries of the North American Free Trade Agreement, USITC, January 1993.

July 1, 1993

TO: DEBBIE LUCAS
FROM: DARRYL WILLS
SUBJECT: The Working Poor

Defining the "Working Poor"

- o Defining who the working poor are is a first step in counting their numbers and analyzing their characteristics.
 - Although one could define the working poor as simply people who worked at any time during the year and whose income was below the poverty level, this definition is likely to include substantial numbers of workers who worked a small number of hours and who could have earned income above the poverty line by working more.
 - On the other hand there may be obstacles preventing many such workers from working as many hours as they would like.
 - A reasonable definition should reflect at least a moderate degree of labor market attachment and work effort. BLS researchers Bruce Klein and Philip Rones define the working poor as "persons who devoted more than half the year (27 weeks) working or looking for work and who lived in families with incomes below the official poverty level."

The Working Poor in 1990

- o In 1990, 6.6 million workers in the labor force more than half the year lived in families or households with income below the poverty level (\$13,359 for a family of four).
 - These working poor made up 5.5 percent of workers in the labor force more than half the year.
 - Slightly more men (3.4 million) than women (3.2 million) were among the working poor although the poverty rate of workers was higher for women (6 percent) than for men (5.2 percent).

- This resulted largely from two facts: women were more likely than men to head families on their own and on average had lower earnings than men.
- As with the overall poverty rate, the incidence of poverty among workers varied significantly by racial and ethnic group and sex.
 - 4.8 percent of white workers in the labor force for 27 weeks or more were in poverty, compared with 12 percent of black workers and 13 percent of Hispanic workers.
 - The incidence of poverty among workers was greatest for black women (14.4 percent), followed by Hispanic men (13.8 percent) and Hispanic women (12.2 percent). The working poverty rate of black men (9.7 percent) was twice that of white men and women (4.7 percent and 4.8 percent).
 - The different rates of working poverty lead to the following distribution of the working poor:

<u>Demographic Group</u>	<u>percent of working poor</u>
white men	41
white women	33
black women	14
black men	9
Hispanic men	11
Hispanic women	6

Note: "Hispanic" includes both blacks and whites.

Labor Market Problems of the Working Poor

- o The poverty status of workers can be traced primarily to three often overlapping problems: unemployment, involuntary part-time work, and low earnings.
- Among workers who typically worked full-time and were in the labor force for more than half the year (90.6 million), 3.4 million were in poverty, or 3.8 percent.
- The effects on workers' poverty status of the labor market problems mentioned above is clearly evident

in the poverty rate of workers who did not experience any of these problems, .6 percent.

- In contrast, workers who experienced just one of these problems had an average poverty rate of 9.8 percent and those experiencing more than one labor market problem had a poverty rate of 26 percent.
- The single most important labor market problem contributing to worker poverty was low earnings. BLS economists Jennifer Gardner and Diane Herz define low earnings as an hourly wage of \$4.18 or less in 1990 (based on the average real value of the minimum wage between 1967 and 1987), which at a 40-hour work week translates into \$192.40 per week.
 - Two-thirds of the workers who were in the full-time labor force more than half the year and who were below the poverty level suffered from low earnings.
 - The poverty rate for all workers in the labor force more than half the year with low earnings was 23.7 percent.
- Unemployment was also an important factor in the poverty status of the working poor with 47 percent experiencing this problem during the year.
- Involuntary part-time employment was a problem experienced by 23 percent of the working poor.

What would you expect to see in the 1990s ETC? + Fed. Stamp?

Family Relationships of the Working Poor

- o Of the 6.6 million workers in the labor force more than half the year and in poverty, 2.6 million lived in married-couple families and 1.7 million lived in families headed by women. About 2.1 million were unrelated individuals.
- About 17 million people lived in families below the poverty line with one or more workers in the labor force more than half the year.
 - About 9 million of them lived in married couple families; nearly 7 million lived in families headed by women.
 - About 8 million children under 18 lived in these families -- about equally divided between married-couple and female-headed families.

4.3 million workers with families in poverty or near poverty or AFDK

- o Working poverty rates vary greatly depending on the family role of the worker.
 - Women who maintained families had the highest rate of working poverty (17.4 percent). This was twice the rate of men who maintained families (8.7 percent) and seven times the rate of working wives (2.4 percent), most of whom live in families with two or more earners. The rate among unrelated individuals of either sex was 9.3 percent.
- o As with all workers, the poverty rates of women who maintain families varied by racial and ethnic group.
 - Black women maintaining families who were in the labor force for more than half the year had a poverty rate of about 27 percent. The rate for Hispanic women was about 26 percent.
 - Among white women maintaining families and in the labor force, about 15 percent were in poverty.

Labor Market Problems of Women Who Maintain Families

- o In 1990, 5.3 million women maintaining families were in the labor force more than half the year as full-time wage and salary workers.
 - The poverty rate of these women was 11.8 percent.
 - The poverty rate of such women experiencing none of the labor market problems mentioned above was 1.9 percent.
- o The likelihood of experiencing labor market problems that contribute to poverty was greater for women than for men and women who experienced these problems were more likely to be poor.

*Full
wage*

- The most serious problem contributing to poverty among female workers maintaining families was low earnings, which affected 74 percent. The poverty rate of these women was 54 percent.
- Unemployment and involuntary part-time work were also important problems for women maintaining families, with 39 percent of those experiencing either in poverty.

*Monthly
Labor Review
BLS Dec 1992
"Working and Poor in 1991"*

The Poverty Status of Working Mothers

- o Of the 6.6 million women maintaining families who were in the labor force for more than half the year, 4.6 million were mothers. ?
- These workers had a poverty rate of 24 percent. ^{1.15 million working mothers}
- Among the 3.1 million white working mothers, 20 percent were in poverty, compared with 34 percent of the 1.3 million black working mothers and 34 percent of the 401 thousand working mothers of Hispanic origin.
- o Younger working mothers and those who never married were more likely to be poor.
 - Fifty-three percent of mothers in the labor force more than half the year between the ages of 20 and 24 were poor, as were 30 percent of those between the ages of 25 and 34.
 - Among working mothers who had never married, 37 percent were poor compared with 16 percent of those who were divorced and 12 percent of those who were widows.

Alternate Definition of the Working Poor

- o A more restrictive definition of the working poor includes only those who work full time, year round and are in families below the poverty line.
 - By this more restrictive definition, 2.1 million workers in 1991 had incomes that left them in poverty, 2.6 percent of all full-time, year-round workers.
 - Female workers comprised about 850 thousand of the working poor under this definition, or 2.6 percent of all year-round full-time female workers (32.5 million).
 - Female workers heading families with children under 18 years and with no spouse present made up 359 thousand or 42 percent of female full-time workers in poverty.
 - Of the 3.1 million women heading families with children under 18 who worked year-round, full-time, 11.7 percent (359 thousand) were poor.

- o Household and Family Relationships
 - Of the 2.1 million, year-round full-time workers in poverty in 1991, 1.6 million were in families.
 - One million of these workers were in married-couple families.
 - Five hundred thousand were in female-headed families, 390 of whom were the householders.
 - Four hundred thousand were in female-headed families with children under 18 years with 360 thousand being the householders.
 - About 6 million people lived in families below the poverty line in which there was at least one year-round, full-time worker.
 - Four million lived in married-couple families, 1.9 million of whom were related children under 18 years.
 - About 1.7 million lived in female-headed families, 905 thousand of whom were related children under 18 years.
 - About 446 thousand of the full-time, year-round workers in poverty were unrelated individuals, 282 thousand male and 164 thousand female workers.

- o Although workers of all demographic groups who work year-round full-time have a low likelihood of being poor, there are significant differences in their working poverty rates.
 - Among white year-round, full-time workers, 2.4 percent were poor in 1991 compared with 4.8 percent of black workers and 8.4 percent of Hispanic workers.
 - Young workers between the ages of 18 and 24 are more likely than other workers under 65 to be in poverty despite working year-round, full-time.
 - 4.5 percent of young year-round, full-time workers were poor.
 - The rates of young black and Hispanic workers were 7.5 percent and 9.3 percent respectively.

- Family composition is also an important factor in the poverty status of year-round, full-time workers.
 - About 1 million year-round, full-time workers in married-couple families were poor, 1.9 percent of such workers.
 - In contrast, 450 thousand of 6.8 million year-round, full-time workers in female-headed families were poor, or 6.6 percent.
 - And in female-headed families with children under 18, 409 thousand of the 3.8 million year-round, full-time workers were poor, a poverty rate of 10.8 percent.

Work Experience and Transitions Into and Out of Poverty

- o Persons who work year-round full-time are less likely to enter poverty and more likely to exit poverty than persons who work less or not at all. According to the Survey of Income and Program Participation:
 - Of 65 million persons ages 18 and over who worked year-round full-time in 1987 and 1988, only .5 percent entered poverty in 1988, compared with 4 percent of persons who worked less than full-time both years and 2.5 percent of those who did not work at all in both years.
 - Of the 881 adults who worked full-time year-round in 1987 and 1988 who were poor in 1987, 48 percent exited poverty in 1988, compared with 37 percent of persons working less than full time in both years and only 16 percent of those not working in both years.
 - Workers who increased their work effort between 1987 and 1988 were less likely to fall into poverty and more likely to exit poverty than those who decreased their work effort.
 - Five percent of persons who decreased work effort in 1988 entered poverty compared with 1 percent of those who increased work effort.
 - Fifty percent of persons who increased their work effort left poverty in 1988 compared with 24 percent of those who decreased their work effort.

Can the Economy Absorb Increased Labor Force Participation by Welfare Recipients?

The purpose of our working group is to analyze if, and how, the economy can absorb a substantial increase in the labor force participation of welfare recipients. To do this, we must first develop a conceptual framework and some working hypotheses about how labor markets function, how the characteristics of welfare recipients affect their ability to participate in the labor market, and what policies would facilitate their transition into employment. The purpose of this memorandum is to sketch out one framework that focuses on the interrelationship among worker productivity, the minimum wage and the reservation wage as an important issue that must be addressed.

Labor Market Structure

Economists have advanced a number of theories to explain wage rigidity and involuntary unemployment. Examples are efficiency-wage and insider-outsider models, along with theories about the role of unions and government regulations in wage and employment determination. These theories seek to explain why unemployed - or potentially unemployed - workers cannot in general underbid employed workers to obtain jobs. As I understand them, the theories focus primarily on the cyclical behavior of labor markets, and they need not necessarily explain the structural unemployment that exists even when economic activity is at or near capacity. In addition, they presumably pertain more directly to labor markets characterized by larger employers, higher-skilled workers and longer job tenure. In contrast, I assume that the labor markets into which welfare recipients would enter are more likely to be characterized by smaller employers, lower-skilled occupations and higher turnover. If these presumptions are correct, the more general theories of involuntary unemployment are less likely to apply to these markets, but an alternative explanation for involuntary unemployment - the existence of minimum wage regulations - is likely to be a more serious impediment to market clearing.

For the sake of argument, I will assume that the labor markets of interest for welfare-to-work transition are, with the exception of the minimum wage, not characterized by involuntary employment. This assumption allows us to focus on what seems to me to be the most likely scenario for the welfare-to-work transition.¹ Under this assumption, welfare recipients will be able to make a successful transition into employment as long as the value of their marginal product (net of any applicable frictional costs) is higher than both the minimum wage and their reservation wage. In addition, employment of these new entrants into the labor force will not cause existing workers to lose their jobs unless any decrease in the wage rate necessary to secure employment for the new workers decreases the value of the marginal product of existing workers below the minimum wage or their reservation wage.² The problem is to determine under what conditions it is feasible to meet these conditions, and how this might be done. Components of the solution include

¹To the extent that this assumption is not valid, the more general theories of involuntary unemployment would have to be addressed and appropriate policy prescriptions developed in order to improve the chance of success in welfare reform.

²The extent to which wages must fall to accommodate increased employment is a function of the elasticity of demand for labor. To the extent that the United States is an open economy, with limited market power, the elasticity will be very high and small reductions in wages will accompany large increases in employment.

increasing worker productivity, reducing (at least under certain circumstances) the reservation wage, and minimizing (or at least reducing) any labor market distortions created by the minimum wage and the frictional costs of hiring and firing.

Worker Productivity

The least controversial, but most problematic, objective of welfare reform is to ensure that the potential productivity of welfare recipients is sufficiently high that they can be employed at a wage that enables them to be self-supporting and warrants the investment required to achieve this goal. This is also the objective of other labor force programs that focus on dislocated workers and individuals making the transition from school to work. Determinants of productivity include, *inter alia*, initial endowments, formal schooling, on-the-job and other employment-specific training, and the capital-to-labor ratio. The efficacy of methods to increase labor productivity is subject to considerable uncertainty. Given the central role that these methods will have to play in achieving employment objectives, a high priority should presumably be given to decreasing this uncertainty and designing effective, productivity-enhancing programs.

The heterogeneity of the welfare population will play a crucial role in whether, and when, different productivity-enhancing programs can be expected to work. It is useful to distinguish among three stylized groups. The first consists of individuals who have sufficient human capital to compete successfully in the labor market, and are in the welfare system for reasons other than their labor-market prospects. The second consists of those who would not be sufficiently productive immediately, but who would need only transitional assistance to develop sufficient human capital to be successful. The third consists of those who, for whatever reason, would require permanent assistance to effectively participate in the labor market. Investments in the welfare-to-work transition of the first two groups are likely to be much easier to justify in terms of their direct contributions to output. Investments in the third group would require a more comprehensive cost-benefit analysis. In addition, to the extent that some individuals cannot make the transition from welfare to work, there may be tension between the policies that would maximize the incentives to make the transition and our desire to provide adequate support to those individuals who are not able to make the transition.

Reservation Wage

The reservation wage – the wage necessary to entice an individual into accepting employment – is determined largely by the difference between the support the individual would receive if employed relative to that received when unemployed, the additional costs incurred by being employed and the individual's preference, or lack thereof, for being employed. Public policy directly affects the reservation wage by setting the level of support an individual receives in both the employed and unemployed states. For instance, reducing general welfare support and increasing a wage supplement such as the earned income tax credit would both reduce the reservation wage, but presumably with very different potential effects on both program costs and program performance. The former would increase the incentive for existing welfare recipients to find employment, but reduce the level of support for those not able, or choose not, to do so.³ The latter would also increase

³It will also make those who find work as a result of the reduction in support "worse off" since they are forced to change their behavior, and could actually reduce the resources available to those individuals.

the incentive to find a job – in this case without making those remaining unemployed less well off – but at the cost of increasing public support for the existing “working poor.”

Minimum Wage

The minimum wage is obviously the variable over which the government has the most direct control. The question is: What objective do minimum-wage regulations attempt to achieve? In general terms, I assume the objective is to increase the income of at least some individuals, by increasing the wage they would otherwise be paid, by more than it decreases the income of those individuals who might be priced out of the market. Recent evidence on whether the minimum wage decreases the level of employment is ambiguous.

Under the assumption of otherwise-competitive labor markets adopted above, traditional economic theory would predict that the minimum wage would reduce the employment prospects of low-productivity workers. With respect to enhancing the welfare-to-work transition, the minimum wage is also likely to be in conflict with policies to improve productivity and increase the incentive to work. First, to the extent that work experience and on-the-job training are important determinants of productivity, a minimum wage that precludes an (originally) low-productivity individual from getting a job would also preclude the human-capital enhancements that accompany employment. Second, the minimum wage also curtails the use of wage supplements to equate a wage offer to the value of an individual's marginal product at a point at or above the worker's reservation wage. Finally, the existence of a minimum wage reduces the ability to target those workers for whom we want to increase the return to work.

Summary

The above framework is designed only as a means to start the discussion. It includes a number of assumptions that are open to question, and the tentative conclusions drawn from these assumptions are only illustrative. Questioning either the assumptions or their implications, however, might help to develop a more comprehensive specification of the problem we are trying to address. For instance: Is it reasonable to assume that welfare recipients will be likely to enter an essentially competitive labor market or not? Will the initial productivity of individuals making the transition from welfare to work be sufficiently low that the minimum wage or the individuals' reservation wage will stand in the way of finding a job? Can programs to increase human capital be developed to limit the duration of this problem? Placing questions like these in a general context will make answers to them more useful in defining a welfare-to-work program.

GETTING AFDC RECIPIENTS INTO PRIVATE SECTOR JOBS

U.S. Department of Labor

July 1993

Draft

GETTING AFDC RECIPIENTS INTO PRIVATE SECTOR JOBS

In a time-limited welfare system, the goal will be to get as many women into private sector jobs as possible, so as to reduce the costs of a CWEP or PSE program. The problem is that women on AFDC tend to have low educational attainment and limited labor market experiences. Further, their attachment to the labor force is often tenuous given the entire set of background factors and circumstances that led them to require AFDC in the first place. This paper examines possible strategies for increasing the placement of AFDC women in private sector jobs. It includes sections on barriers to employment of women receiving AFDC; the effectiveness of job training in increasing employment levels of economically disadvantaged women; job development and case management; educational interventions; other possible strategies for increasing the long-term employability of women on AFDC; and issues relating to helping women on AFDC find and stay with private sector jobs.

I. BARRIERS TO EMPLOYMENT OF WOMEN RECEIVING AFDC

The target population for an employment and training program aimed at women receiving AFDC will differ depending on whether the program is targeted on existing AFDC recipients or new enrollees. Recipients at a point in time are less likely to be teenagers, less likely to have a child under the age of three, and more likely to be a minority than persons entering AFDC for the first time.

Assuming that a time-limited welfare system will initially only concentrate on new entrants, the target population would be fairly young--30 percent would be under 22 years-old and 70 percent would be 30 years-old or less (Ellwood). The target population would also be largely minority and have low educational attainment--over half would be black or Hispanic, and 47 percent would be high school dropouts. The target population would also be fairly likely to live in high-poverty neighborhoods--36 percent of persons who receive cash assistance (AFDC, GA, and SSI) live in areas of 20 percent or higher poverty, and 61 percent of blacks receiving cash assistance live in such areas (Census Bureau).

The target population would also largely consist of women with young children--51 percent would have child under three years-old, 74 percent would have a child under six, and 93 percent would have a child 10 years-old or less. The target population would also include many women with more than one child--43 percent would have only one child or be pregnant, another 43 percent would have two or three children, and 14 percent would have more than three children. Finally, the target population will include a fairly large proportion of women with either no previous labor market experience or no recent labor market experience--34 percent will have not worked within the last two years (Ellwood).

These statistics suggest a population that as a whole will not be competitive in the private sector labor market. Low educational attainment and lack of work experience will preclude many of these women from decent-paying jobs. Living in a high-poverty neighborhood will reduce their access to jobs, and the lack of positive role models will help keep their

expectations low. Being a single mother with children will make it difficult for these women to both work and run the household, and thus to maintain a job once they find one.

Over half the total costs of AFDC go to cases in which the women entered AFDC as a teen parent, and teen parents as a group face particularly difficult barriers to employment (Moore and Burt, Quint et.al.). Teen mothers tend to come from economically disadvantaged families, to be from minority families, to have grown up in single-parent households, and to have low educational and occupational aspirations (Polit). As is true of AFDC recipients in general, teen parents are also more likely than the overall population to live in high-poverty neighborhoods (Hogan and Kitagawa).

II. THE EFFECTIVENESS OF JOB TRAINING

Remedial basic education, vocational training, work experience, and job search assistance are the prime mechanisms used by the current AFDC system to move recipients into private sector jobs. Within the last ten years, there have been several random assignment evaluations examining the effectiveness of various job training interventions.

Random assignment studies of job training employ experimental techniques similar to medical research. Program applicants are divided into treatment and control groups through a lottery. Control groups are denied job training services from the particular program under study to establish what would happen in the absence of the program. Individuals in the treatment and control groups are then followed-up over time to determine if the training has had an impact on post-program outcomes such as employment, earnings, and educational attainment. Since the focus of this paper is increasing the employment of AFDC women in the labor market, the results presented below emphasize the employment impacts of these programs. These employment impacts compare the proportions of the treatment group and control group who have jobs during a post-program follow-up period.

Adult Women

Positive but generally modest net impacts on employment levels of adult women have been found from various random assignment evaluations of job training programs:

- o The National JTPA Study sponsored by DOL randomly assigned 20,000 JTPA applicants in 16 SDAs to treatment and control groups over the period November 1987 through September 1989. Roughly one-third of the adult women in the sample are AFDC recipients. During the 15 to 18-month period following random assignment, 58 percent of adult women assigned to receive classroom training were employed, as compared to 55.5 percent of the control group. During the same follow-up period, 69 percent of adult women assigned

to on-the-job training were employed, as compared to 67 percent of the control group (Blooin et.al)

- o The San Diego Saturation Work Initiative Model (SWIM) in many respects resembles current welfare reform proposals in that it attempted to provide job search assistance, job training, or work experience to all AFDC heads of households without young children. The evaluation results are of interest because data are available for a five-year follow-up period. During the first year of follow-up, women in the experimental group had an employment rate of 33 percent as compared to 26 percent for controls. By the fifth year of follow-up, however, the employment rates of the two groups were almost the same, as controls caught up with participants (Friedlander and Hamilton).
- o California's Greater Avenues for Independence (GAIN) program provides for a combination basic skills training, vocational training, and job search assistance for AFDC recipients. At the end of the second-year follow-up period, 29 percent of the women in the treatment group were employed, as compared to 23 percent of the control group. The strongest findings were in Riverside County, where 35 percent of the treatment group was employed at the end of the second year, as compared to 24 percent of controls (Friedlander et.al.)
- o Studies by MDRC of State welfare-to-work programs that emphasize job search suggest that such a low-cost intervention can have a modest impact on earnings even up to the three years, but that the impact is not as large as more expensive, comprehensive interventions. In the Arkansas welfare-to-work program, 24 percent of experimentals were employed at the end of the third year of follow-up, as compared to 18 percent of controls; in the Virginia welfare-to-work program, 35 percent of experimentals were employed at the end of the third year, as compared to 29 percent of controls; and in a Cook County program, there were virtually no employment differences between experimentals and controls after the first follow-up year (Gueron and Pauly).
- o A Rockefeller Foundation study of training programs for minority female single parents found disappointing results in two sites, somewhat positive results in a third site, and very strong positive earnings gains of 25 percent for the Center for Employment Training (CET) in San Jose. During a follow-up period of roughly between two and three years, 66 percent of the treatment group had been employed at some point, as compared to 58 percent of the control group. The CET program is quite structured and offers concurrent basic education and job training with close interaction with case managers and instructors with extensive industry experience (Burghardt et.al.).
- o The Supported Work demonstration conducted in the late 1970s provided sheltered work experiences to various target groups. A year after most women

in the AFDC treatment group had left or graduated from their Supported Work job, participants had a 42 percent employment rate as compared to 35 percent for the control group (MDRC).

- o Using data from various State welfare to work evaluations and the National JTPA Study, researchers have looked at the issue of whether training was more effective for the most job-ready or least job-ready. The welfare-to-work studies tended to show that the most-job-ready could do just as well on their own; that an intermediate group benefitted the most from the program; and that the least job-ready did not benefit and probably need more intensive, comprehensive interventions (Gueron and Pauly). The National JTPA Study found that, for adults, the most job-ready had the best results--again suggesting the need for more comprehensive interventions for the least job-ready (Bloom et.al.).
- o None of the above studies find that training programs by themselves can systematically lift families out of poverty. For example, the San Jose CET site in the Minority Female Single Parent demonstration has had one of the strongest net earnings impacts found to date, and that program increased average annual earnings at the 18-30-month follow-up from \$4,800 for controls to \$6,000 for participants--still well below the poverty thresholds in place during the follow-up period of \$9,885 for a family of three and \$12,675 for a family of four.

Female Youth

Generally disappointing employment effects for female youth have been found in several net impact evaluations of job training programs:

- o The National JTPA Study found no net effect on the employment levels of female out-of-school youth 18-months after random assignment. During the last three months of the follow-up period, experimentals and controls had the same 60 percent rate of employment. (Bloom et.al.). Preliminary results from the 30-month follow-up, however, suggest that classroom training may be starting to have an impact on earnings, and thus perhaps on employment levels.
- o The JOBSTART demonstration funded in part by DOL attempted to provide a fairly comprehensive set of basic skills and vocational skills to dropout youth with low reading skills. During the fourth year of follow-up, young women who entered the program with children had the same 49 percent employment rate as controls. Young women who entered the program without children had

a 61 percent employment rate in the fourth year of follow-up, as compared to 57 percent of the control group (Cave and Doolittle).

- o Overall, JOBSTART had only a minor impact on the earnings of young males and females. One site, however, that did have positive results is the CET program in San Jose--the same site that had the most positive results in the female single parent demonstration.
- o The Summer Training and Education Program (STEP) added remedial education, life skills, and sex education components to traditional summer employment programs. The evaluation of STEP funded in part by DOL found short-term positive impacts on math and reading scores, but no long-term impact on staying in school, employment, or teen pregnancy (Grossman and Sipe).
- o Project Redirection was a project started in 1980 aimed at providing comprehensive services to pregnant and parenting adolescents. In addition to various educational and job-related interventions, the program also provided parenting classes and paired each teen enrollees with an adult volunteer who could offer guidance and friendship. The evaluation used a comparison group rather than a random assignment design.
- o At the one-year follow-up point, the Project Redirection evaluation found gains in educational attainment and employment, and decreased pregnancy. At the two-year point, most of these gains had disappeared, leading researchers to conclude that the program's impacts were transitory. However, at the five-year follow-up point, Project Redirection participants had better outcomes than the comparison group in terms of employment and reduced welfare dependency. Participants had a 34 percent employment rate during the fifth year of follow-up, while the comparison group had a 24 percent employment rate. Most important, the five-year results showed gains in the developmental stages of the children of participants--suggesting inter-generational benefits of such programs (Polit et.al).

Summary of Lessons Learned

The net impact evaluations suggest that:

- o Job training programs can increase the employment rates of adult women, at least in the first one or two few years after training is received. For example, in the SWIM demonstration, participants had 33 percent employment rate during the first year of follow-up as compared to 26 percent for controls. In

the six GAIN sites, participants had a 29 percent employment rate in the second follow-up year, as compared to 23 percent for controls.

- o It is not clear, however, whether the initial favorable position of participants over controls persists. It is disappointing that in the SWIM demonstration, the initial positive net impacts on employments were not sustained. By the fifth year of follow-up, control group women had caught up with experimentals, with experimentals having a 33 percent employment rate and controls having a 32 percent rate.
- o The results from the SWIM and GAIN evaluations show that even in the initial years of follow-up, there will be significant numbers of former participants who are not working. For example, only 33 percent of SWIM enrollees were employed during the first follow-up year, and only 29 percent of GAIN enrollees were employed during the second follow-up year. This suggests that only about a third of AFDC participants in a job training program will be able on their own to find a job. We will need to move towards improved job training or to some other intervention if we are going to reach the other two-thirds of AFDC population.
- o The results of these various demonstrations also indicate that net impacts on employment can vary greatly across programs and even across sites within programs. Some of these differences may be due to chance, local economic conditions, or the motivation of staff that may not be replicable. However, some of these differences may be due to program design features that should be incorporated to the extent appropriate in all programs.

III. JOB DEVELOPMENT AND CASE MANAGEMENT

Job Development

Direct job placement as a stand-alone intervention was tried during the early 1970s by the Work Incentive (WIN) Program. WIN was established in 1967 to assist AFDC recipients move from welfare dependency to self-sufficiency. As initially operated between 1967 and 1971, the WIN program emphasized job training to improve the occupational skills of AFDC recipients. The 1971 Amendments to WIN (the Talmadge Amendments) changed the direction of WIN from training to immediate job placement. This change was reinforced in 1975 when an emphasis became placing new AFDC applicants into jobs in order to avoid their ever actually receiving welfare. Priority was put on direct placement of the most employable registrants. Subsequent to 1975, the direction of WIN shifted again to a more balanced approach towards placement, supportive services, counseling, and training (Nightingale and Ferry).

An evaluation of WIN conducted in 1974 and 1975 found that roughly one-third of WIN participants were employed during a one-year follow-up period (Schiller). Interestingly, this is right in line with the proportions of AFDC recipients employed during the first and second follow-up years in more current welfare-to-work demonstrations such as SWIM and GAIN. The WIN evaluation also found that only one in nine WIN participants had left AFDC during the one-year follow-up period.

The 1974-75 WIN evaluation did not use a randomly selected control group, but rather a matched comparison group of AFDC recipients who were registered for WIN but did not participate. The evaluation found slight increases in earnings for participants, but no reduction in welfare dependency (Schiller). The evaluation also concluded that job training for more disadvantaged AFDC recipients had a larger pay-off to society than direct job placement of more job-ready individuals (Schiller). A subsequent four-year follow-up to this report found positive impacts for work experience, occupational training, and public service employment, but not for immediate job placement (Temple). Again, the evaluation used a comparison group rather than a control group, and so the results must be interpreted with caution.

Job development combined with job search assistance has been tried in youth programs such as Boston's Jobs for Youth and Jobs for America's Graduates. The 70,001 youth program also uses basically a job development/job search assistance model, but also includes some basic skills development and life skills components. These programs are short-term and inexpensive. Random assignment of these job development programs for youth have not been done, but non-experimental studies of Jobs for Youth and 70,001 suggest that these programs have initial impacts on the employment and earnings of youth, but that over time these initial gains disappear (P/PV).

The comparison group studies of WIN, Jobs for Youth, and 70,001 suggest that direct job placement is not an effective strategy. This finding would be much more solid if it were based on a random assignment evaluation. The MDRC random assignment evaluations of State welfare-to-work programs are somewhat relevant here. In some senses direct job placement is similar to job search assistance, in that these are both low-cost interventions which try to place people pretty much as they are in private sector jobs. It is reasonable to expect that the jobs people find for themselves in a job club will be comparable to what a job developer would find for them. As noted above, MDRC has concluded that job search assistance results in positive employment and earnings gains that may be sustained over time, but that these impacts are not as large as those found in more comprehensive occupational training interventions (Gueron and Pauly).

These various experimental and non-experimental studies suggest that job development should not be considered as a stand-alone intervention under welfare reform, but rather as a component of a broader employment and training strategy. Low-cost job development and job search assistance could be used as a screening device to weed out people from expensive training programs who could have found employment on their own. Job development also is

important in making sure enrollees who have been trained benefit from their training. The Job Corps, for example, has an extensive job development component. Process evaluations of WIN indicate that job development can vary in its effectiveness, and that it is most effective when it is done specifically for each enrollee instead of having job developers compile a pool of generic placements for program participants (Mitchell et.al.).

Case Management

It is evident both from longitudinal survey data and from welfare-to-work demonstration projects that people often return to AFDC after having left the program. A young women may have every intention of staying in school or sticking with a new job, but any number of problems can undermine her progress and cause her to quit attending school or lose her job. A case manager's role is to keep the person moving towards self-sufficiency--no matter what difficulties arise. The case manager can help the client deal with health problems, child care issues, problems with a boyfriend or with a mother, difficulties a child is having at school, or difficulties at work. In a time-limited welfare system, it will be important to have a strong case management component because clients no longer will have their welfare checks to fall back on.

The HHS teen parent demonstration in Chicago, Newark, and Camden used a case management model, and the findings from the random assignment evaluation will be available soon. Additionally, there are two other random assignment studies underway of programs that feature case management. MDRC's New Chance demonstration uses case management in serving a group at particularly high risk of becoming long-term welfare recipients--young women (ages 16-22 years old) who had children as teenagers and dropped out of school. The program is operating at 16 locations in ten States and includes some 2,300 young mothers (and their children). New Chance combines a wide range of services under one roof, including classes in parenting, child development, family planning, health, GED preparation, resume writing, and good work habits. Participants also get free child care--often on-site--and are assigned to a case manager who acts as counselor, advocate, and service coordinator. The results of the random assignment evaluation will be available next year.

HHS has recently started a random assignment evaluation of Project NetWork--a demonstration that uses case managers to assist SSI and SSDI recipients return to work. The five-year evaluation will measure the impact of case management on 4,200 disability recipients in eight sites. Both recipients and applicants to the SSDI and SSI programs will be included in the study.

A somewhat more intensive version of case management has been used extensively in assisting persons with mental illness return to work. Called "supportive work", this intervention includes case managers working directly with employers to deal with problems that arise on the job. This supportive work model differs from the Supported Work model

tested by MDRC in the 1970s. Supportive work places individuals in regular private sector and non-profit sector jobs. Supported Work placed individuals in special worksites to work in teams with graduated levels of responsibility. The supportive work model may be appropriate for some AFDC recipients with severe barriers to employment who may not otherwise be able to be placed in the private sector. Because of the potential for stigmatizing enrollees, it probably should not be used extensively.

IV. EDUCATIONAL STRATEGIES

Promoting High School Graduation for AFDC Entrants

Nearly half of all teenagers who have a child before they are 18 years-old will not graduate from high school, and about a quarter of those who have a child when they are 18 or 19 will not complete high school (Upchurch and McCarthy). In serving teen parents entering AFDC, perhaps the best strategy for increasing their long-term prospects in the private sector would be ensure these youth graduate from high school. There have been two recent demonstrations which have emphasized high school graduation for adolescent mothers.

- o In the teen parent demonstration operated by HHS recently in Chicago, Newark, and Camden, all teen mothers entering AFDC were required to participate in some approved educational or training program. The project stressed to the young women that AFDC is only to be of temporary assistance, that in the long-term each of them is responsible for working and supporting their children. Having teen mothers return to high school was an important goal of the project. As discussed above, the demonstration included a strong case management component. The random assignment results of the evaluation will be available soon. Net impacts on school enrollment and completion, employment and earnings, subsequent childbearing, and welfare reciprocity will be examined.
- o The State of Ohio's Learning, Earning, and Parenting (LEAP) program offers a set of monetary incentives and penalties to encourage pregnant and parenting teens to return to school. Teenagers who enroll in a high school or a GED program receive a \$62 monthly bonus on their AFDC grant for each month they maintain satisfactory attendance. Further, teenagers who fail to enroll in a school or GED training program or who exceed the allowed number of unexcused absences have \$62 deducted from their monthly check. These bonuses and penalties can have a large effect on a monthly AFDC grant--depending on whether the young woman is enrolled in school and attending regularly, the monthly grant for a family of two ranges from \$212 to \$336. Preliminary results suggest that, for teens who were already enrolled in school when they applied to AFDC, 61 percent of the participant group versus 51 percent of the control remained in school over the first 12 months of follow-

up. Among youth who entered AFDC as high school dropouts, 47 percent of the participant group versus 33 percent of the control group returned to school during the first-year follow-up (Bloom, Fellerath, et.al.)

Promoting College Enrollment of AFDC Entrants

NO | The goal of encouraging women entering AFDC to complete high school can be taken one step further to encourage their enrollment in college. There is some proportion of AFDC entrants who would do well in college, and efforts to boost high school graduation among teen parents will increase the proportion of AFDC recipients capable of attending college. Getting a percentage of AFDC recipients to attend and graduate from college would likely have a strong impact on their subsequent earnings power. In a time-limited welfare system, such an effort would entail granting waivers of the time limit to any AFDC recipient enrolled in high school or college.

The effort would also require a great deal of follow-up work on the part of case managers to make sure the young women take PSAT and SAT tests on time, apply for available financial aid, and apply to the right colleges on time. It would also involve working with colleges to get the teen parents accepted and situated. A model for this is Baltimore's CollegeBound program, which helps minority youth--not necessarily AFDC youth--attend college. Also, Chatham College in Pittsburgh has developed a program with special dormitories to permit women with children to attend college. This model could be adapted to enable young women on AFDC to attend college. Also, over a six-year period between 1979 and 1985, the Mott Foundation provided a grant to Smith College to enroll welfare recipients into the college (Ackelsberg et.al).

V. OTHER STRATEGIES FOR INCREASING LONG-TERM EMPLOYABILITY

Targeting Job Training on Specific Occupations

As an alternative to providing federal funds to generally support job training for AFDC recipients, we could at the national level target training on some specific occupations which promise to be in demand. Health occupations would probably be the most appropriate for the AFDC population. Between 1983 and 1986 HHS operated a set of demonstrations in seven States in which AFDC recipients were trained to become home health care aides. The program provided four to eight weeks of training in home health care, and then up to 12 months of subsidized employment as home health care aides.

The demonstration was evaluated using a randomly assigned control group. During the second year of follow-up, positive impacts on earnings were found in 5 of the 7 sites in the demonstration, and the impacts ranged from \$1,200 to \$2,600 per year (Bell and Orr). The impact on percent of participants employed in the second follow-up year ranged from 11 to

21 percentage points in four of the sites to only small positive impacts and one negative impact in the three other sites (Gueron and Pauly).

Transportation Assistance to Suburban Jobs

Given the mismatch between high rates of unemployment in inner-city areas and the growth of jobs in suburban areas, researchers have promoted the idea of transporting inner-city residents to suburban jobs (Hughes and Sternberg). Cities such as Chicago, Milwaukee, and Philadelphia have developed pilot programs attempting to do this.

Assisting AFDC Entrants Move out of Inner-city Neighborhoods

The Gautreaux Program in Chicago developed out of a court order to alleviate racial discrimination in the geographic placement of public housing projects. Under the program, public housing recipients in the city of Chicago can receive vouchers to move to subsidized housing in suburban neighborhoods. Participants in the program also receive counseling to help them adapt to their new neighborhood. Not all persons who move to the suburbs stay, but those who do stay apparently have improved labor market outcomes, and the children in these families do better in school than they did in the inner city. The Gautreaux model is being replicated by HUD on a slightly larger scale, but there is still much room to expand the program further as part of welfare reform. Almost a quarter of AFDC recipients live in public housing or subsidized housing (Green Book).

Mentors

Adding volunteer mentors to employment programs aimed at AFDC recipients could be effective in helping the enrollees stick with a private sector job. It would also be very inexpensive. As discussed above, mentors were used in Project Redirection in serving teenage parents. The long-term impacts of Project Redirection are very encouraging, although they come from a comparison group rather than a control group study.

Health Screening

In 1975, the WIN program conducted a small demonstration in Ithaca and Syracuse in which AFDC recipients received health screening and follow-up care. Common remediable health problems which were encountered included obesity, hypertension, musculoskeletal defects, visual impairments, deafness, dental decay, neuroses, personality disorders, and complaints associated with sick role behavior in which a person believes they are too ill to work. The study randomly assigned AFDC recipients to a group receiving health screening and a control

group. Positive impacts on employment were found, although the sample size was too small to give the study full credibility (Roe).

Early Interventions

Probably the most effective way of making the potential AFDC population competitive in the private sector would be to fund a set of early interventions to improve the educational achievement and aspirations of highly at-risk children and youth. It is late in the game to make a person competitive in the labor market after they have dropped out of high school or become welfare dependent. Early interventions could include model programs in elementary schools and middle schools to make sure children can read and write, and programs in middle schools and high schools to help youth aspire to and attend college.

VI. ISSUES IN DEVELOPING PRIVATE SECTOR JOBS FOR AFDC RECIPIENTS

1. It makes some sense to train AFDC recipients in moderate to high-skill occupations which are in a fair amount of demand. Training AFDC recipients in moderately skilled occupations will be fairly expensive. For example, the costs of training in the San Jose CET program which has shown positive net impacts in two separate evaluations is roughly \$5,500 per trainee. Costs in the home health care aide demonstration ranged from \$4,300 to \$8,700 per participant, depending on the State. In contrast, job search assistance and job development programs can be operated for less than \$1,000 per participant--but have not been shown to have a long-term impact. Are we willing to spend the additional funds to provide job training in moderately skilled occupations?

2. Net impact findings of job training interventions vary quite widely from program to program, and from site to site within demonstrations. This suggests that if we simply fund job training and job development interventions and leave the design of these programs entirely to local operators, we could end up with a motley collection of effective and not so effective programs. How prescriptive should we be in designing job training and job development programs?

3. AFDC recipients are a diverse group, and will require varying types and levels of interventions to get them into private sector jobs. Some will do fine on their own; others will need extensive case management; some will benefit from job training; others, particularly teen parents, will benefit most from educational interventions; some will be able to go to college if given enough support; others will require medical treatment to make them employable. How can we build into welfare reform the various alternative treatments that a diverse target population will need?

4. Researchers who work with welfare recipients indicate that continued case management will be necessary as clients leave AFDC when their time-limited period expires. Case management will help ensure that enrollees find jobs and keep jobs, even as the enrollees go through different crises in their lives (Hershey and Rangarajan, Quint et.al). Where should such case managers be placed in a time-limited welfare system? Should they be at the welfare office to ensure continuity? Should they be at one-stop employment centers that serve the broader population as well? Should they be the same caseworkers who serve recipients during their period on AFDC?

5. The HHS Home Health Care Demonstration was quite successful in raising the employment levels and earnings of AFDC recipients. In four of the seven sites, employment levels of participants in the second follow-up year exceeded that of controls by 11 to 21 percentage points. The San Jose CET program also had strongly positive results in two separate random assignment studies. How can we make use of the most successful previous programs in designing welfare reform initiatives?

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THE JOB OUTLOOK FOR AFDC RECIPIENTS

I. The aggregate impact of adding 1 to 2 million AFDC recipients to the labor market over several years is small

- The BLS predicts 24.6 million more jobs will be available in 2005 than in 1990.
- Approximately 9 million Americans are officially unemployed. The average unemployed worker finds a job in 18 weeks; the median unemployed worker finds a job in 8 weeks.
- Turnover is high. In January 1991, there were 10 million people working who were not working a year earlier. Of these, 5.8 million were women.

II. Some of the fastest growing sectors of the economy are those most likely to employ AFDC recipients

- When welfare mothers do work in the private sector, they tend to work in service sector jobs--41% of AFDC mothers worked in service jobs compared to only 13% of non-poor mothers.
- Other types of jobs in which welfare mothers are likely to work include administrative support and clerical work, sales occupations, and to a lesser extent, machine operators and assemblers.
- Residential care, health services, and education are among the fastest growing sectors, while various categories of industrial production are declining most rapidly.
- Turnover is particularly high in the service sector. Of the 14.7 million workers in service occupations in January 1987, 6.1 million had tenure of one year or less, or 42 percent.

III. Most jobs available to AFDC recipients pay low wages

- The types of jobs held by AFDC mothers closely resemble those held by poor, non-AFDC mothers.

<u>Typical Occupations</u>	<u>Median Earnings for Women</u>	
	(All women)	(Year Round Full time)
Services (except household)	\$ 6,173	\$12,288
Admin support & clerical	\$14,492	\$18,475
Sales	\$ 7,307	\$16,986
Machine operators & assemblers	\$10,983	\$14,652

IV. Welfare recipients often do not have the skills required to qualify for higher paying jobs

- About a third of welfare mothers have scores on the AFQT below the normal range for the sorts of jobs available to them.
- 30 to 55% of welfare mothers have AFQT scores more than a standard deviation below the median for household workers, service occupations and clerical workers.

July 17, 1993

Appendix A. Job Development Case Studies: America Works and TEE

I. **What are these programs?** Both America Works and TEE (Transitional Employment Enterprises) function as temporary help agencies. Employers are able to "test drive" welfare mothers for six months at a reduced wage before deciding whether to employ them permanently. During the trial period, the program collects money from both the employer and the welfare agency and provides a paycheck to the job candidate. Both TEE and America Works are paid a lump sum bonus when the job candidate is hired permanently and stays in the job for a specified period of time.

Job development and placement, however, is not all they do. These programs resemble the Work Support Agency being described in the current welfare reform effort. At America Works the staff helps job candidates before and after placement to solve problems that could impact their jobs. America Works representatives will help with almost anything: rearrange welfare appointments outside work hours, represent the candidate at child support court hearings, find child care, avoid having the recipient's electricity shut off, etc.

What makes America Works and TEE truly unique are their organizational status. Both organizations are private, whereas the work support agency is generally conceived as a public entity. TEE is a non-profit organization. America Works is a for-profit, private enterprise.

II. **Do they work?** The success of these programs is a controversial point. America Works claims to place about 2/3 of their trial workers in permanent jobs. Critics have accused the program of creaming the best applicants in order to increase profits. While non-profit TEE has received less criticism, it has also received less publicity. Neither program has been rigorously evaluated with control groups.

These programs rely in part on the principle of supported work which has been extensively evaluated by MDRC. Significant, positive impacts were found in programs that allowed AFDC recipients to experience increasing responsibility and stress as they were transitioned gradually from a totally supported work environment to self sufficiency. In the area of supported work, these programs are based on concepts that are known to work well.

III. **What Lessons Can We Learn?** There are three design features incorporated in America Works of which we do not know the effectiveness:

- 1) pay for performance incentives
- 2) using a private rather than a governmental institution
- 3) profit making

Since job development could be organized with any combination of these design features, it would be worth evaluating each of these components individually.

- Pay for performance: This is a critical, yet untested design feature in both the TEE and America Works programs. The state governments using their services pay a fee equivalent the foregone AFDC payments after the recipient has been self sufficient for a given period of time. There is no reason, however, that this incentive structure needs to be linked with either privatization or profit-making. An evaluation of pay for performance incentives should include a controlled experiment using public employees with the same incentives as, for example, America Works. Furthermore, we should test the provision of similar incentives to the recipients themselves. A sound evaluation would cover a range of institutional structures with similar incentive schemes.

Certain minimum design standards for the incentives should be met in order to provide a fair test. If the fee is always the same no matter how difficult to place the employee is, there is a clear incentive for creaming. Even without creaming, a flat fee is unfair to taxpayers. Some individuals, such as divorced mothers over 25, are much more likely to get off welfare within a year without help than others. To pay a large bounty for this group is not likely to save tax dollars. In addition, safeguards against churning should be in place. Whether bonuses are paid to government employees, private employees or the AFDC recipients themselves, there must be some disincentive to recirculate the same people through the system every year. Before evaluating the pay for performance principle, we should ensure that we are evaluating it in its best possible form.

- Private v. public: An evaluation that compares private organizations for job development to government job development assistance should shed light on two important open questions. Can private organizations win the trust of the local employers more easily and thereby provide better job development services than a public entity? Can private institutions increase their effectiveness with more flexibility in organizing employee incentives because they do not have to comply with government employee regulations? If pay for performance is found to be effective, this may be an argument to encourage the role of private institutions.

One potential disadvantage of relying on private institutions is the inability to guarantee uniform quality or broad national coverage.

- Profit making: The importance of profits to job development effectiveness can be evaluated in isolation from pay for performance and non-governmental status. With similarly designed incentive structures, is a for profit enterprise more effective than a non-profit? Competition could lead to higher quality and higher placement rates at the lowest cost to employers and taxpayers. On the other hand, the desire to maximize profits may exacerbate the moral hazards of creaming and churning to increase the number of bonuses.

Until a careful evaluation is undertaken that evaluates these three components of the America Works and TEE programs, the controversy that surrounds them will continue.

WR-JOB

July 6, 1993

TO: MEMBERS OF THE WELFARE REFORM WORKING GROUP

FROM: DEBORAH LUCAS (CEA)
BONNIE DEANE (NEC)

SUBJECT: The Job Outlook for AFDC Recipients

This note provides some background information on the labor market conditions AFDC recipients whose benefits have expired are likely to face. The aggregate statistics suggest that putting an additional one to two million people to work should have a small impact on overall job availability for other workers, given the projected job growth and normal turnover in the next decade.

Since welfare recipients are not typical workers, however, these aggregate statistics have only limited relevance. Their job prospects depend critically on local labor market conditions, affordable transportation and child care, and the availability of jobs requiring low skill levels. In the last section we have included more detailed information on the labor market activities of women recently on welfare and the working poor.

1. Labor Market Conditions

I. Job Forecasts

The Bureau of Labor Statistics (BLS) estimates job growth in various occupational categories. These forecasts are based on historical experience and current trends, and are subject to a high margin of error.

Table 1 shows 1992 BLS job projections for the year 2005 under three growth scenarios by sector. In the moderate growth scenario, 24.6 million more jobs will be available in 2005 than in 1990. Job losses are expected to continue in mining, manufacturing, and agriculture, while growth is expected in all other sectors.

Table 3 looks more closely at those industries projected to grow the fastest and those expected to decline most rapidly. Residential care, health services, and education are among the fastest growing, while various categories of industrial production are declining most rapidly. Table 13 compares expected growth in various occupations with the percentage of workers in those occupations who are women, blacks, and hispanics. Since AFDC recipients are largely women and minorities, it is encouraging that some of the greatest job growth is expected in

occupations that have traditionally employed these groups. As discussed below, these fast-growing occupational categories are also those most likely to employ former AFDC recipients.

Table 14 shows the distribution of workers by occupation and education, and Table 15 shows the distribution of workers across occupations under different growth scenarios.

II. Employment and Unemployment

Currently approximately 9 million Americans are officially unemployed. The average unemployed worker finds a job in 18 weeks; the median unemployed worker finds a job in 8 weeks. The higher average reflects the influence of the long-term unemployed. Since the early 1980s, male and female unemployment rates (ages 25-54) have converged (Figure 1).

Unemployment rates are much higher for single women who maintain families than for married women or for the population overall. The rate for women who maintained families averaged 10.4% between 1980 and 1987, while it averaged only 5.9% for married women with a spouse present.

Labor force participation rates are often considered more informative than unemployment rates because they are not sensitive to the number of discouraged workers who are effectively unemployed. The BLS projects that male labor force participation rates will remain about the same or decline slightly through 2005, and that labor force participation rates for women will continue to climb (Tables 20 and 21).

Figures 5.1 to 5.7 reveal a number of interesting facts about male joblessness over the last 30 years.¹

There has been a marked increase in the percentage of prime working age men not working at all over the year. After the 1981/82 recession, joblessness appears to have stopped increasing but remains high.

Black male joblessness (ages 25 to 54) has been approximately twice as high as white male joblessness, and has varied more with the business cycle.

Labor force participation rates also vary markedly with education. For women with less than four years of high school, the participation rate has hovered around 44% for the last two decades. In contrast, for women who have completed one to three years of college, the rate has increased from 51% in 1970 to 73% in 1987.

¹ Jencks, Christopher. *Rethinking Social Policy: Race Poverty and the Underclass* (1992). Harvard University Press.

Many AFDC recipients may prefer to work parttime while their children are young. Figure 2 shows the trend in full and parttime employment since 1963. Despite the growth of women in the labor force, the growth of parttime jobs has trailed the growth of fulltime jobs.

III. Turnover

Job turnover rates provide one measure of labor mobility, and of the likely impact of AFDC recipients on the aggregate job market.²

- o In January 1991, there were 10 million people working who were not working a year earlier (9% of total employment).
 - Of those 10 million, 5.8 million were women.
 - These are surprisingly high numbers, especially in light of the fact that total employment was about 1 million less in January 1991 than a year earlier.
 - There is obviously much more movement in and out of employment than the net changes in employment stocks indicate.

- o Turning to numbers on tenure with current employers, about 27 percent of workers in January 1991 had been with their current employers for one year or less. That means that 31 million workers had acquired or changed jobs at least once during the previous year.
 - Workers with tenure of less than one year were about evenly split between men and women.
 - Even more so than with employment status, these figures sketch a picture of a labor market with enormous movement.

- o To gain some sense of the turnover in the types of work that many welfare recipients might be expected to seek we can look at tenure in the service occupations.

² The major source of data on labor market turnover is a special January supplement to the Current Population Survey. The supplement compares the status of workers in January to their status the previous January with respect to three items: employment, tenure with current employer, and occupation.

- Of the 14.7 million workers in service occupations in January 1987, 6.1 million had tenure of one year or less, or 42 percent.

- Of the 8.9 million female service workers in January 1987, 3.9 million or 43% had tenure of one year or less.

2. Job Prospects for AFDC Recipients

In order to evaluate the significance of macroeconomic labor demand projections, we need to ask: what kinds of jobs can welfare mothers get?

I. AFDC Mothers Who Worked Recently: Reported Occupations and Earnings

Those who work in the private sector within a year of receiving AFDC tend to work in service sector jobs--41% of AFDC mothers worked in service jobs compared to only 13% of non-poor mothers (Table 29).³ While service sector jobs are often characterized as food service or janitorial jobs, they also include health services jobs (e.g., dental assistants), personal service jobs (e.g., hairdressers and welfare service aides), and protection services (e.g., police and firefighters). 3x ✓

Other types of jobs in which welfare mothers are likely to work include **administrative support and clerical work, sales occupations, and to a lesser extent, machine operators and assemblers.** They are far less likely to work in administrative and managerial positions compared to non-poor, working mothers.

The types of jobs held by AFDC mothers closely resemble those held by poor, non-AFDC mothers. However, non-AFDC poor mothers are less likely to work in service occupations and more likely to work as machine operators.

<u>Typical Occupations</u>	<u>Median Earnings for Women</u>	
	(All women)	(Year Round Full time)
Services (except household)	\$ 6,173	\$12,288
Admin support & clerical	\$14,492	\$18,475
Sales	\$ 7,307	\$16,986
Machine operators & assemblers	\$10,983	\$14,652

³ Zil, Nicholas, et al., *Welfare Mothers as Potential Employees*, (1991). Washington, DC: Child Trends.

II. AFDC Mothers Who Worked Recently: Unreported Occupations and Earnings

Evidence that reported work experience of welfare mothers must be viewed with some suspicion comes from two sources. First, studies that measure both income and expenditures find that expenditures consistently exceed income.⁴ More direct evidence comes from one small study that confidentially quantified the work and earnings of welfare mothers.⁵ Kathryn Edin studied 50 welfare mothers in Chicago. She found that in 1988 all the mothers supplemented their welfare with unreported income accounting for 42% of their expenditure. Unreported jobs, which accounted for more than 18% of expenditures, included the following:

"Seven mothers held regular jobs under another name, earning an average of \$5 an hour. Twenty-two worked part-time at off-the-books jobs such as bartending, catering, babysitting and sewing, earning an average of \$3 an hour. Four sold marijuana, but even they earned only \$3 to \$5 an hour. A fifth mother sold crack as well as marijuana and earned something like \$10 an hour, but she was murdered soon after Edin interviewed her, apparently because she had not repaid her supplier. The only mothers who earned a lot on an hourly basis were the five who worked as prostitutes. They earned something like \$40 an hour."

III. AFDC Mothers With or Without Work Experience

Given that these are the job opportunities open to welfare mothers, how many welfare mothers will access them? The answer depends on current reasons for being out of the labor force. Estimates of the number of welfare mothers falling into certain categories of unemployment are very rough.

Marginal Product Too Low: Since about a third of welfare mothers have scores on the AFQT below the normal range for the sorts of jobs welfare can get (Table 30), we can infer that this group will have difficulty competing for unsubsidized jobs. For example, 30 to 55% of welfare mothers have AFQT scores more than a standard deviation below the median for household workers, service occupations and clerical workers. Although non-AFDC, poor mothers also have the same median AFQT score and standard deviation, more than half do not work.

⁴ Slesnick, Daniel T., "Gaining Ground: Poverty in the Post War United States," mimeo, University of Texas, Austin, July 1991.

Jencks, Christopher, "The Hidden Prosperity of the 1970's," *Public Interest*, Fall 1984, (77), 37-61.

⁵ Jencks, Christopher. *Rethinking Social Policy: Race, Poverty and the Underclass* (1992). Harvard University Press.

Reservation Wage Too High: Among the 60 to 70% who may not have a serious skill problem, many may prefer AFDC over low prevailing wages in the private sector. Wages of \$4.18 or less were reported by 74% of women maintaining families who were among the working poor in 1990.⁶ Policies such as the EITC, child care subsidies and health care access may lower reservation wages and induce labor market participation.

No Job Available: Despite willingness and ability to work at the prevailing wage, many welfare mothers may face protracted or sporadic unemployment. Experience of working poor women maintaining families may provide clues as to what welfare women can expect. In 1990, 43% of women maintaining families among the working poor reported experiencing some unemployment during the previous year. Involuntary part-time employment was a problem experienced by 25% of working poor women with families.⁷ The durations of unemployment and underemployment can be expected to vary considerably by region.

⁶ The working poor is defined by BLS researchers Bruce Klein and Philip Rones as persons who devoted more than 27 weeks working or looking for work and who lived in families with incomes below the official poverty level.

⁷ BLS, "Working and Poor in 1990," *Monthly Labor Review* (Dec 1992).

Table 1. Employment by major industry division, 1975, 1990, and projected to 2005

(Numbers in thousands)

Industry	1975	1990	2005			Change, 1975-90	Change, 1990-2005		
			Low	Moderate	High		Low	Moderate	High
Nonfarm wage and salary ¹	76,680	109,319	122,775	132,647	139,531	62,859	13,456	23,328	30,212
Goods-producing	22,600	24,958	22,877	25,242	26,362	2,358	-2,081	284	1,404
Mining	762	711	598	669	690	-41	-113	-43	-22
Construction	3,525	5,136	6,552	6,058	6,484	1,811	416	823	1,348
Manufacturing	18,323	19,111	16,727	18,514	19,189	788	-2,384	-597	76
Durable manufacturing	10,662	11,115	9,457	10,517	10,915	453	-1,648	-599	-200
Nondurable manufacturing	7,661	7,995	7,280	7,998	8,274	334	-735	3	279
Service-producing	54,080	84,363	99,898	107,405	113,166	30,283	15,535	23,042	25,805
Transportation, communications, utilities	4,542	5,526	6,203	6,888	7,019	1,284	377	863	1,183
Wholesale trade	4,430	6,205	6,669	7,210	7,555	1,775	484	1,005	1,360
Retail trade	12,630	19,083	23,306	24,804	25,858	7,053	3,623	6,121	6,173
Finance, insurance, and real estate	4,155	6,739	7,589	8,129	8,525	2,574	860	1,390	1,786
Services ¹	13,627	27,588	36,223	39,058	41,109	13,061	6,634	11,470	13,521
Government	14,886	16,322	19,699	21,515	23,074	5,636	1,577	3,193	4,752
Agriculture ²	3,458	3,276	2,989	3,080	3,181	-183	-307	-186	-65
Private households	1,362	1,014	848	700	736	-348	-366	-314	-276
Nonagricultural self-employed and unpaid family workers ³	6,165	6,961	10,415	10,763	11,095	2,768	1,454	1,802	2,134
Total⁴	87,566	122,570	136,807	147,190	164,543	34,904	14,237	24,520	31,973
Percent distribution of wage and salary employment						Annual rate of change			
	1975	1990	2005			1975-90	1990-2005		
			Low	Moderate	High		Low	Moderate	High
Nonfarm wage and salary ¹	100.0	100.0	100.0	100.0	100.0	2.4	0.8	1.3	1.6
Goods-producing	29.5	22.8	18.6	19.0	16.9	.7	-.6	.1	.4
Mining	1.0	.7	.5	.5	.5	-.4	-1.2	-.4	-.2
Construction	4.6	4.7	4.5	4.6	4.6	2.5	.5	1.1	1.8
Manufacturing	23.9	17.5	13.6	14.0	13.6	.3	-.9	-.2	.0
Durable manufacturing	13.9	10.2	7.7	7.9	7.8	.3	-1.1	-.4	-.1
Nondurable manufacturing	10.0	7.3	5.9	6.0	5.9	.3	-.6	.0	.2
Service-producing	70.5	77.2	81.4	81.0	81.1	3.0	1.1	1.6	2.0
Transportation, communications, utilities	5.8	5.3	5.1	5.0	5.0	1.7	.4	.9	1.2
Wholesale trade	5.8	5.7	5.4	5.4	5.4	2.3	.5	1.0	1.3
Retail trade	16.5	18.0	19.0	18.7	18.5	3.0	1.1	1.6	1.8
Finance, insurance, and real estate	5.4	6.2	6.2	6.1	6.1	3.3	.8	1.3	1.6
Services ¹	17.6	25.2	29.8	29.4	29.5	4.6	1.8	2.3	2.7
Government	19.2	18.8	15.2	16.2	16.5	1.5	.6	1.1	1.5
Agriculture ²	—	—	—	—	—	-.4	-.7	-.4	-.2
Private households	—	—	—	—	—	-1.9	-2.9	-2.4	-2.1
Nonagricultural self-employed and unpaid family workers ³	—	—	—	—	—	2.5	1.0	1.2	1.4
Total⁴	—	—	—	—	—	2.3	.7	1.2	1.6

¹ Excludes sic 074.5,6 (agricultural services) and 99 (nonclassifiable establishments), and is therefore not exactly comparable with data published in *Employment and Earnings*.

² Excludes government wage and salary workers, and includes private sector sic 06.09 (forestry and fisheries).

³ Excludes sic 06.09 (forestry and fisheries).

⁴ Wage and salary data are from the BLS Current Employment Statistics (payroll) survey, which counts jobs, whereas self-employed, unpaid family worker, agricultural, and private household data are from the Current Population Survey (household survey), which counts workers.

NOTE: Dash indicates data not available.

Outlook: 1990-2005: Industry Output and Employment

Table 3. Employment change in selected industries, 1990-2005

[Numbers in thousands]

Standard Industrial Classification	Industry description	Employment			Annual percent growth rate, 1990-2005
		Levels		Change, 1990-2005	
		1990	2005		
	Fastest growing				
- 836	Residential care	488	911	442	4.5
- 737	Computer and data processing services	794	1,494	710	4.4
- 807-809	Health services, n.e.c.	697	1,262	565	4.0
874	Management and public relations	622	1,097	475	3.9
494-497, pt. 493	Water and sanitation, including combined services	184	299	115	3.3
- 823-828	Libraries, vocational and other schools	207	335	128	3.3
801-804	Offices of health practitioners	2,180	3,470	1,290	3.1
472	Passenger transportation arrangement	192	299	107	3.0
832,839	Individual and miscellaneous social services	638	991	353	3.0
81	Legal services	918	1,427	508	3.0
805	Nursing and personal care facilities ..	1,420	2,182	762	2.9
735	Miscellaneous equipment rental and leasing	211	324	113	2.9
872,89	Accounting, auditing, and services, n.e.c.	575	871	296	2.8
821	Elementary and secondary schools	457	689	232	2.8
751	Automotive rentals, without drivers	180	271	91	2.6
8731,2,4	Research and testing services	407	609	202	2.7
274	Miscellaneous publishing	82	123	41	2.7
732;7331,8;7383,9	Business services, n.e.c.	937	1,397	460	2.7
7334-7336,7384	Photocopying, commercial art, photofinishing	200	293	93	2.6
61,87	Nondepository, holding and investment offices	598	871	275	2.8
	Most rapidly declining				
313,314	Footwear, except rubber and plastic ..	80	41	-39	-4.3
3483,3489	Ammunition and ordnance, except small arms	52	30	-22	-3.8
311,315-317,319	Luggage, handbags, and leather products, n.e.c.	52	31	-21	-3.5
21	Tobacco manufactures	49	34	-15	-2.5
287	Agricultural chemicals	66	38	-28	-2.5
88	Private households	1,014	700	-314	-2.4
3468,3489	Stampings, except automotive	84	59	-25	-2.3
341	Metal cans and shipping containers	50	35	-15	-2.3
3462,3463	Forgings	40	29	-11	-2.3
291	Petroleum refining	118	85	-33	-2.2
3482,3484	Small arms and small arms ammunition	23	17	-6	-2.1
3781	Guided missiles and space vehicles ..	134	98	-36	-2.0
363	Household appliances	125	94	-31	-1.9
3711	Motor vehicles and car bodies	328	246	-82	-1.9
3578,3579	Office and accounting machines	43	33	-10	-1.9
2086,2087	Soft drinks and flavorings	121	92	-29	-1.8
386	Photographic equipment and supplies	100	76	-24	-1.8
301	Tires and inner tubes	86	65	-21	-1.8
231-238	Apparel	839	638	-201	-1.8
481,482,489	Communications, except broadcasting	947	724	-223	-1.8

n.e.c. = not elsewhere classified.

NOTE: Historical data for SIC 88 are from the Current Population Survey; all other data are from the Current Employment Statistics program.

Outlook: 1990-2005: Occupational Employment

Table 13. Percent change in employment for selected occupations, 1990-2005, and percent of employment composed of women, blacks, and Hispanics, 1990

Occupation	Percent change, 1990-2005	Percent in 1990 composed of—		
		Women	Blacks	Hispanics
Total, all occupations	20	45	10	8
Executive, administrative, and managerial	27	40	8	4
Professional specialty occupations	32	51	7	3
Engineers	26	9	3	3
Mathematical and computer scientists	73	37	7	3
Natural scientists	25	25	3	4
Health diagnosing occupations	29	18	3	4
Health assessment and treating occupations	43	56	7	3
Teachers, college and university	19	38	5	3
Teachers, except college and university	30	74	9	4
Lawyers and judges	34	21	3	3
Technicians and related support	37	49	9	4
Health technologists and technicians	42	64	14	5
Engineering and related technologists and technicians	23	20	7	5
Sales occupations	24	49	8	5
Administrative support, including clerical	13	60	11	7
Supervisors, administrative support	22	58	12	7
Computer equipment operators	13	56	13	7
Secretaries, stenographers, and typists	9	98	9	5
Financial records processing	-4	92	6	5
Mail and message distributing	15	45	25	5
Service occupations	29	60	17	11
Private household	-29	60	17	11
Protective service	32	15	17	6
Food preparation and service	30	60	12	13
Health service	44	90	26	6
Cleaning and building service	18	44	22	17
Personal service	44	62	12	7
Precision production, craft, and repair	13	9	8	8
Mechanics and repairers	10	4	8	7
Construction trades	21	2	7	9
Operators, fabricators, and laborers	4	26	15	12
Machine operators, assemblers, and inspectors	-9	40	14	14
Transportation and material moving	21	9	15	9
Handlers, equipment cleaners, helpers, and laborers	6	18	16	13
Farming, forestry, and fishing	5	16	6	14

Table 14. Percent distribution of full-time workers not in school by number of years of school completed and age group, 1990¹

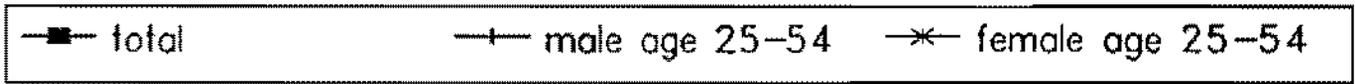
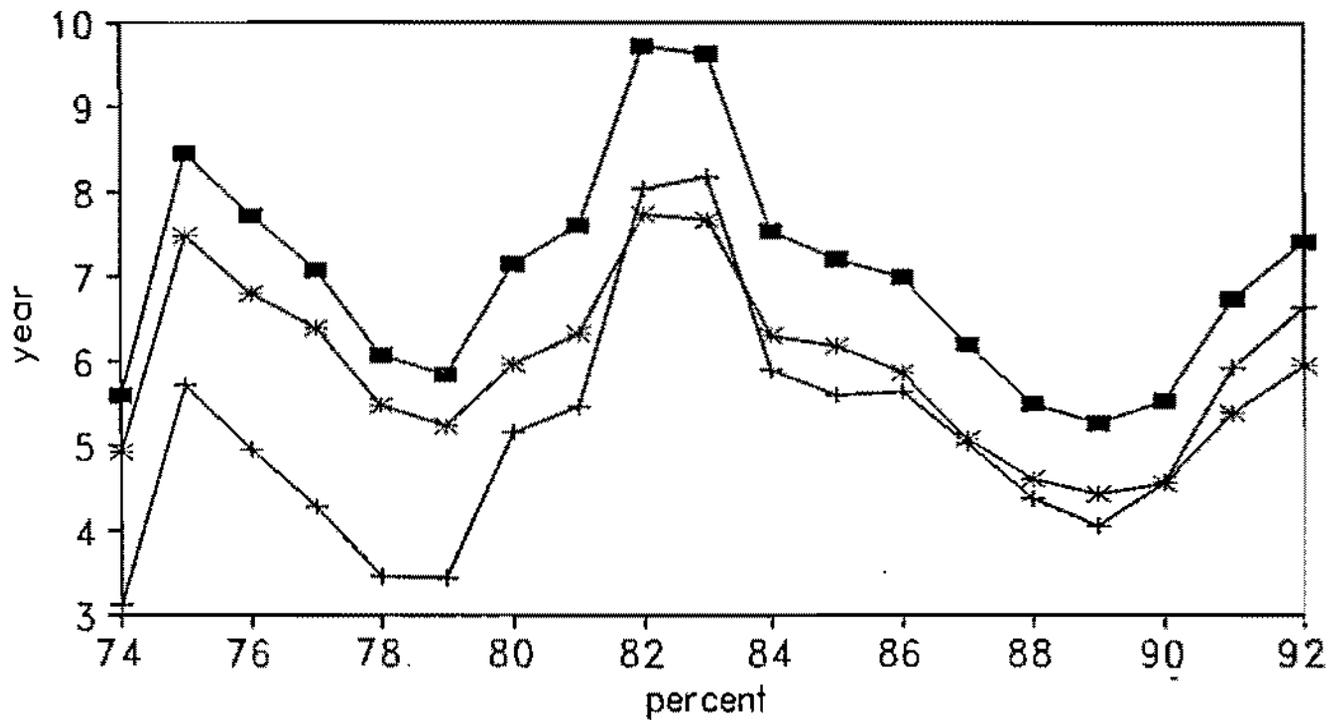
Occupation	Completed less than 12 years of school		Completed 12 years of school	
	Age 15-24	Age 25-34	Age 15-24	Age 25-34
Total, all occupations	100.0	100.0	100.0	100.0
Executive, administrative, and managerial	2.0	3.2	4.2	7.8
Professional specialty	1.1	1.0	1.8	2.2
Technicians and related support	.6	.7	2.0	2.9
Marketing and sales	6.8	5.0	12.4	9.5
Administrative support occupations, including clerical	8.4	5.1	20.4	18.0
Service occupations	22.3	17.8	16.1	12.6
Agricultural, forestry, and fishing	8.9	8.6	3.2	2.9
Precision production, craft, and repair	18.7	23.5	14.6	19.8
Operators, fabricators, and laborers	33.4	37.2	25.4	24.3

¹ Excludes students under 25 years old.

Table 15. Percent distribution of employment by occupation, 1990 and projected 2005 alternatives

Occupation	1990	2005		
		Low	Moderate	High
Total, all occupations	100.0	100.0	100.0	100.0
Executive, administrative, and managerial occupations	10.2	10.8	10.8	10.8
Professional specialty	12.8	14.2	14.2	14.3
Technicians and related support	3.5	3.9	3.9	3.9
Marketing and sales	11.5	11.9	11.9	11.8
Administrative support occupations, including clerical	17.9	16.8	16.9	16.9
Service occupations	15.7	17.1	16.9	16.8
Agricultural, forestry, and fishing	2.9	2.5	2.5	2.5
Precision production, craft, and repair	11.5	10.8	10.8	10.8
Operators, fabricators, and laborers	14.0	12.0	12.2	12.2

Unemployment Rates by sex



TRENDS IN LABOR FORCE PARTICIPATION RATES

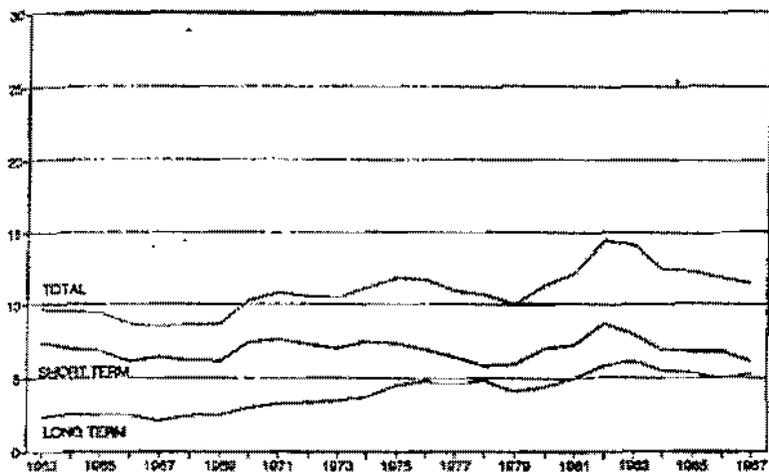
Table 20: Labor Force Participation Rates by Sex and Race (Bureau of Labor Statistics Projections)					
	Year	1990	1995	2000	2005
black men 16 and over		70.1	71.5	71.0	70.2
white men 16 and over		76.9	76.9	76.7	76.2
black women 16 and over		57.8	60.1	61.2	61.7
white women 16 and over		57.5	60.2	62.3	63.5

This forecast indicates little change in the participation rates of either black or white men, and a continued increase in the participation rates of both black and white women.

Table 21: Labor Force Participation Rates by Economic Growth Rate and Sex (Bureau of Labor Statistics Projections)					
	Year	1990	1995	2000	2005
Male over 16					
low growth		76.1	75.3	74.2	72.9
moderate growth		76.1	76.3	76.0	75.4
high growth		76.1	76.9	77.2	77.3
Female over 16					
low growth		57.5	58.8	59.7	59.8
moderate growth		57.5	60.1	62.0	63.0
high growth		57.5	61.4	64.3	66.1

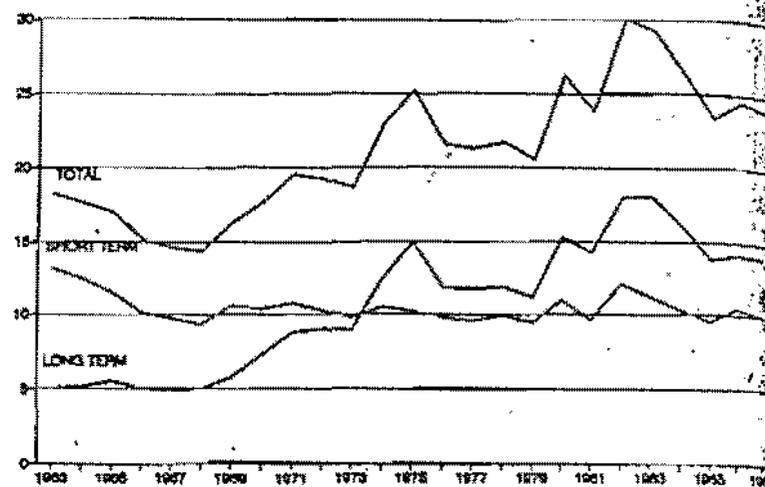
The difference in participation rates between the high and low growth scenarios in terms of the number employed in the year 2000 translates into almost 10 million.

Figure 5.1
Rates of Long-term, Short-term, and Total Joblessness among White Men Aged 25 to 54, 1963-1987



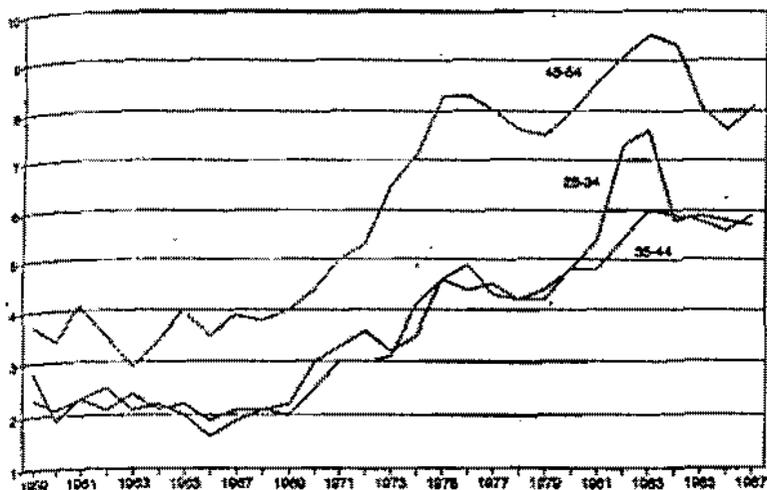
Source: Annual files from the March Current Population Survey, assembled by Robert Mare and Christopher Winship. Tabulations by Christine Kidd, Rich Mrizek, and David Rhodes.

Figure 5.2
Rates of Long-term, Short-term, and Total Joblessness among Black Men Aged 25 to 54, 1963-1987



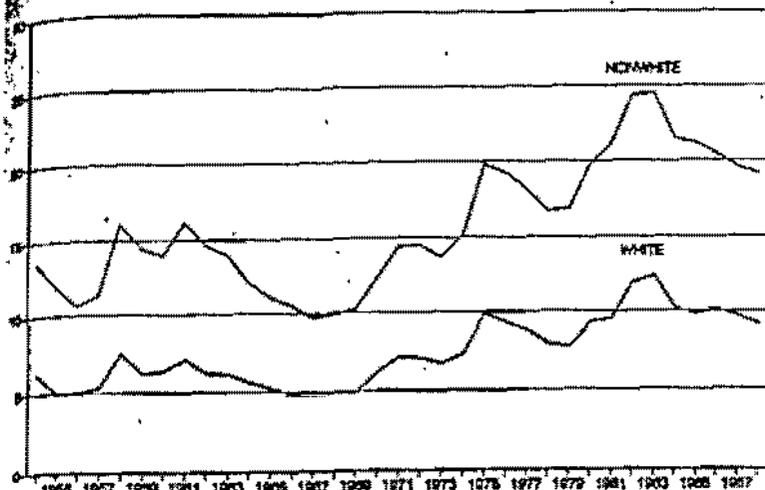
Source: Current Population Survey (see Fig. 5.1).

Figure 5.5
Percentage of Men Who Did Not Work at Any Time during the Year, by Age, 1959-1987



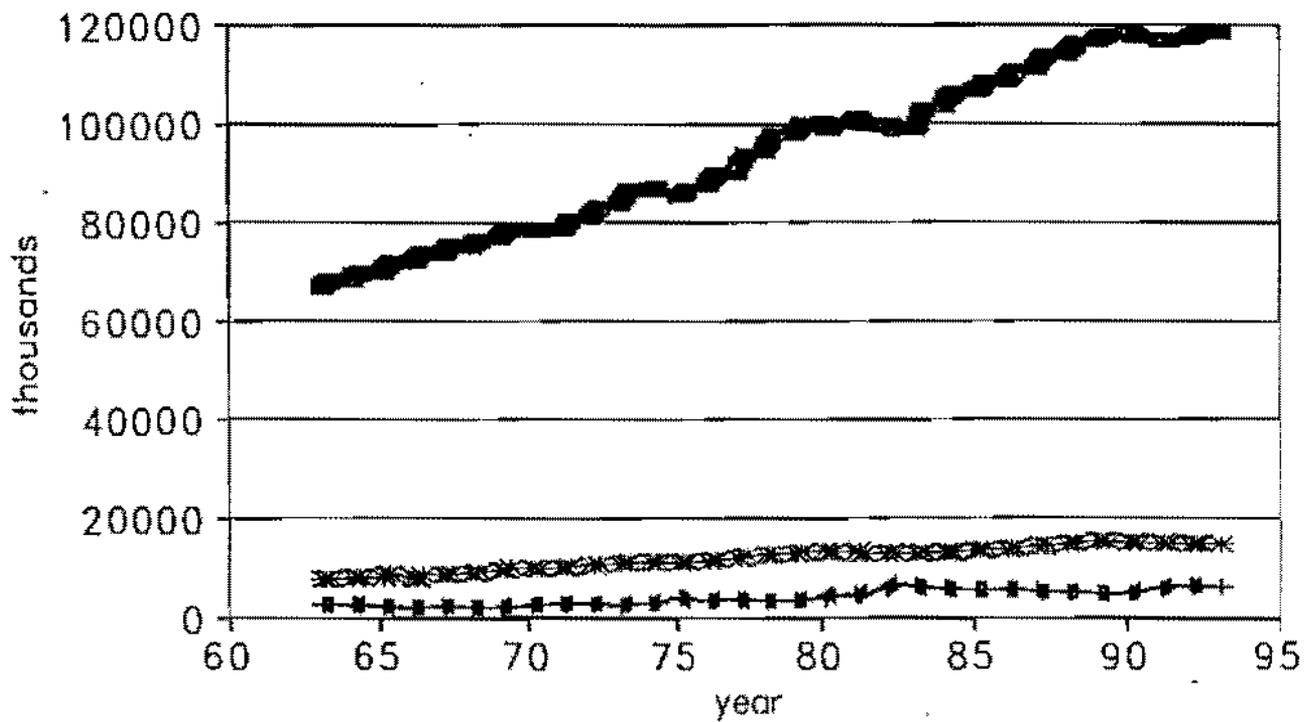
Source: *Handbook of Labor Statistics, 1989*, table 48.

Figure 5.7
Percentage of Men Aged 25 to 54 Who Were Not Employed in an Average Week, by Race, 1954-1988



Source: *Handbook of Labor Statistics, 1989*, tables 3 and 15. Estimates shown un-weighted means for men aged 25-34, 35-44, and 45-54.

Full and Part-time Employment 1963-1993



civilian employment
 P/T economic reaso
 P/T voluntary

TABLE 29. Types of Occupations in Which AFDC and Other Mothers with Job Experience Have Worked, U.S. Women With Children Under 18, 1988.

<u>Occupational Class of Current or Most Recent Job</u>	<u>AFDC Mothers</u>		<u>Poor, Non-AFDC Mothers</u>	
	<u>Rank Order</u>	<u>Pro- portion*</u>	<u>Rank Order</u>	<u>Pro- portion*</u>
Service Occupations	1	40.9%	1	35.2%
Sales Occupations	2	15.8%	3	12.9%
Administrative Support & Clerical	3	14.6%	4	12.9%
Machine Operators, Assemblers	4	8.7%	2	15.1%
Professional & Technical	5	5.0%	5	7.2%
Helpers & Laborers	6	3.9%	7	3.4%
Administrative & Managerial	7	3.6%	9	2.6%
Private Household Service	8	2.8%	6	4.3%
Precision Production, Craft & Repair	9	2.0%	10	2.1%
Transportation & Material Moving	10	1.4%	11	1.0%
Farming, Forestry, & Fishing	11	.8%	8	2.7%
Protective Service Workers	12	.6%	12	.5%

<u>Occupational Class of Current or Most Recent Job</u>	<u>Non-Poor Mothers</u>		<u>All Mothers with Children Under 18</u>	
	<u>Rank Order</u>	<u>Pro- portion*</u>	<u>Rank Order</u>	<u>Pro- portion*</u>
Administrative Support & Clerical	1	28.6%	1	27.1%
Professional & Technical	2	21.8%	2	20.2%
Service Occupations	3	12.8%	3	15.4%
Sales Occupations	5	11.1%	4	11.4%
Administrative & Managerial	4	11.1%	5	10.3%
Machine Operators, Assemblers	6	6.7%	6	7.2%
Precision Production, Craft & Repair	7	2.6%	7	2.5%
Helpers & Laborers	8	1.5%	8	1.7%
Private Household Service	10	1.1%	9	1.4%
Transportation & Material Moving	9	1.2%	10	1.2%
Farming, Forestry, & Fishing	11	1.1%	11	1.2%
Protective Service Workers	12	.5%	12	.5%

* Proportion of those women in category who are in the labor force.

SOURCE: Child Trends, Inc., tabulations of data from 1988 National Health Interview Survey of Child Health, National Center for Health Statistics, 1990. Tabulations carried out by Technical Support Staff, OASPE, U.S. Department of Health and Human Services.

TABLE 30 Average AFQT Scores (Standardized) of All Women and AFDC Mothers in Different Occupational Classes and Proportions of AFDC Mothers With Test Scores Similar To Those Of Women In Each Class, U.S. Women Aged 22 - 30, 1987.

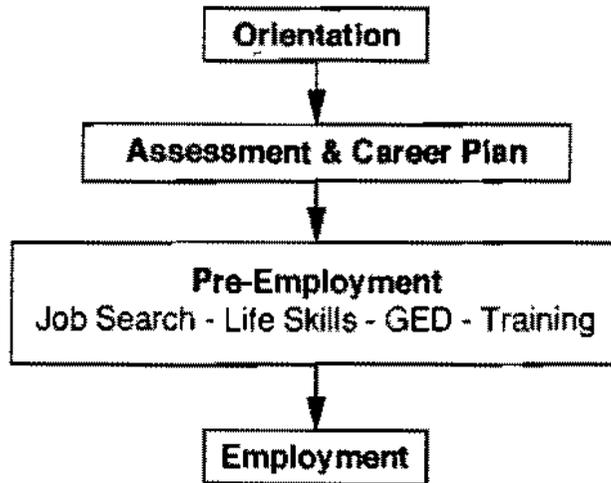
<u>GROUP</u>	<u>MEAN AFQT SCORE</u>	<u>RANGE (+/- 1 S.D.)</u>	<u>PERCENTAGE OF ALL AFDC MOMS WITH TEST SCORES IN OR ABOVE RANGE</u>
ALL WOMEN (n = 5,369)	100	85 - 115	
AFDC MOMS (n = 597)	86	71 - 101	84%
<u>OCCUPATIONAL CLASS</u>			
Manual Operatives	91	77 - 105	69%
Household Workers	93	78 - 112	67%
Crafts & Construction	95	80 - 108	63%
Service Occupations	96	81 - 111	60%
Clerical/ Secretarial	101	88 - 114	45%
Sales Workers	104	91 - 117	39%
Management/Adminstrtve	105	93 - 117	35%
Professional/Technical	108	96 - 120	29%

NOTES: AFQT = Armed Forces Qualification Test, converted to standard scores. Occupational class is based on woman's current or most recent job. Examples of "Manual Operatives": clothing ironers, dressmakers, gas station attendants, dry cleaning workers, meat wrappers, sewers. "Household Workers": child care providers, housekeepers, cooks, etc., who are employed in private households. "Crafts & Construction": Dental lab technicians, inspectors, machinists, tailors, telephone installers, tool and die makers, construction workers, garbage collectors, teamsters. "Service Occupations": bartenders, waiters, dental assistants, nursing aides, flight attendants, hairdressers.

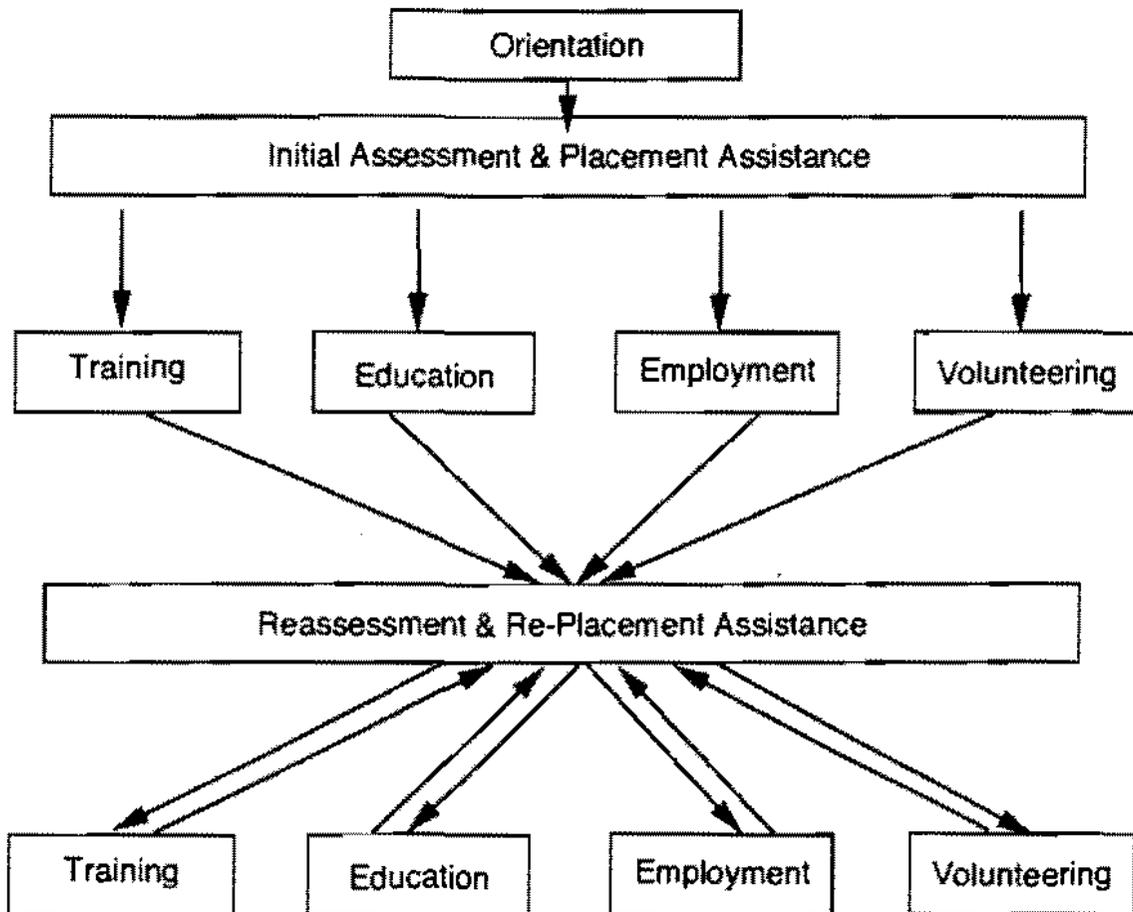
SOURCE: Child Trends, Inc., analysis of data from National Longitudinal Survey of Labor Market Experience of Youth (NLSY). Occupation and welfare status as of 1987, AFQT administered in 1980.

Files
WR-Jobs
~~WR-Jobs~~

Model 1
Typical Welfare-to-Work Program Model



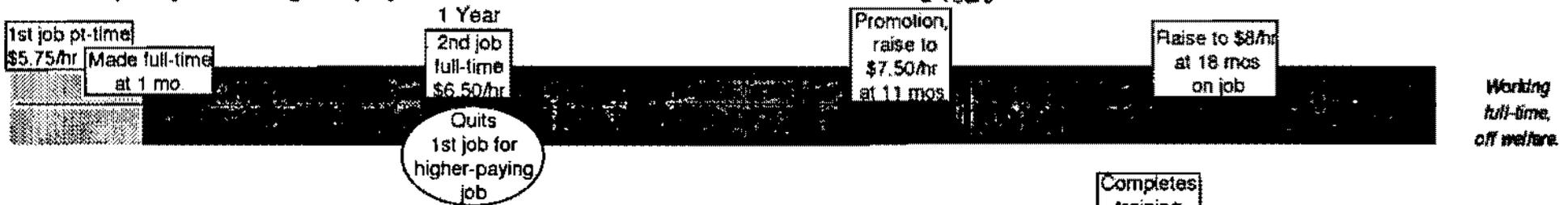
Model 2
Long-Term, Comprehensive Service Model



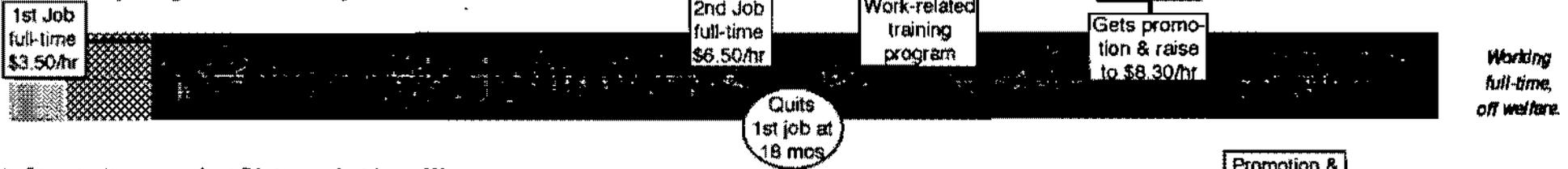
Project Match Model Three-Year Career Routes*

Full Welfare Grant = [diagonal lines] Reduced Welfare Grant = [cross-hatch] No Welfare Grant = [solid black]

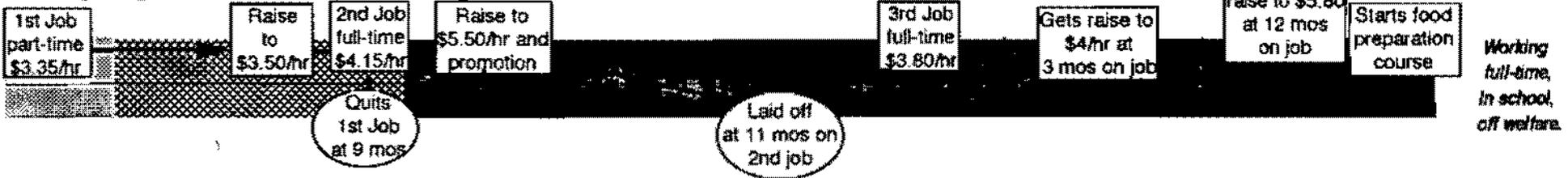
1. Steady Progress through Employment



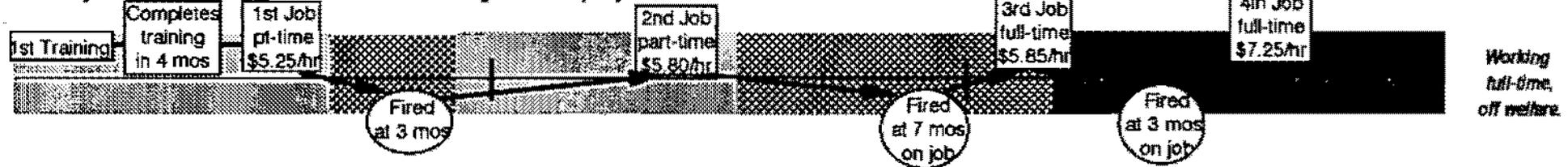
2. Steady Progress Boosted by Education



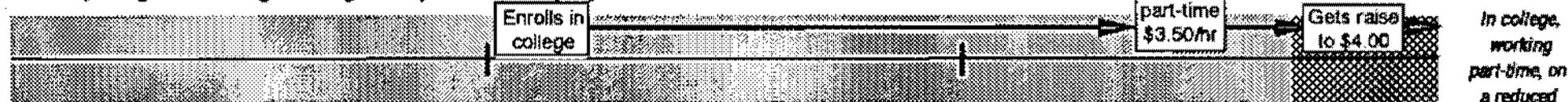
3. Steady Progress but Plateaued at Low Wages



4. Steady Progress through Vocational Training into Employment



5. Steady Progress through College and part-time Employment

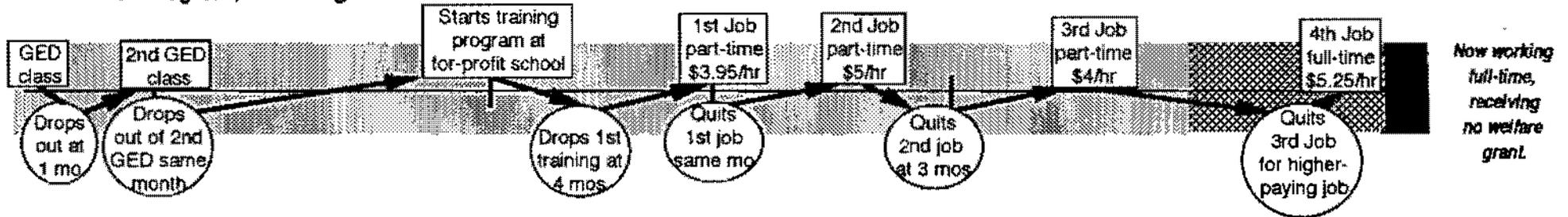


*For purposes of standardization we compressed career histories longer than three years into the three-year time frame. While this compressed the sequence of events in some cases, it did not alter the validity of those cases as illustrations of a particular route.

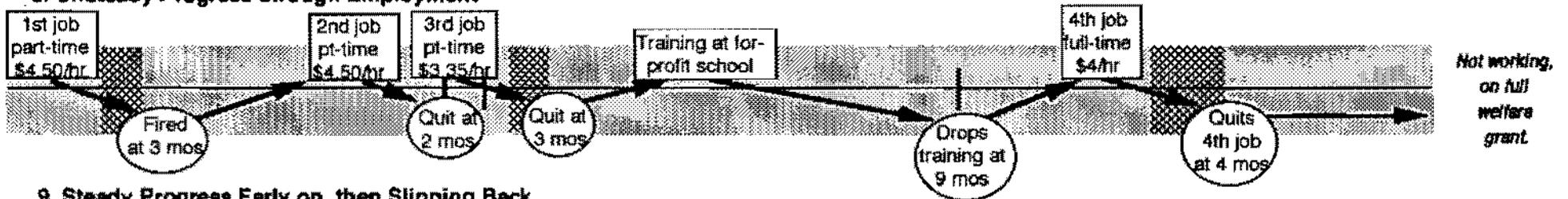
6. Steady Progress through Volunteer Work Into Employment



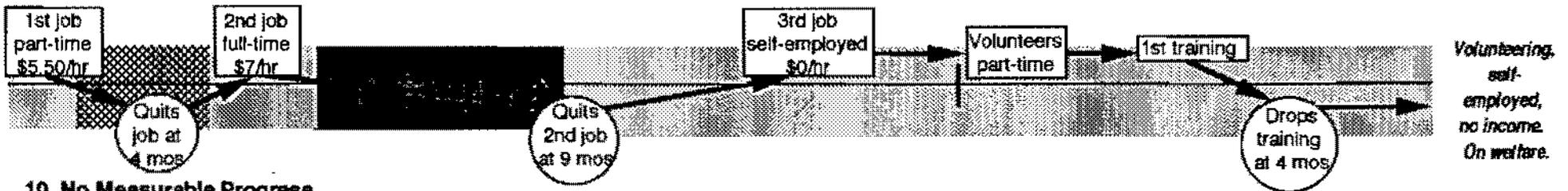
7. Lack of Progress, then Progress



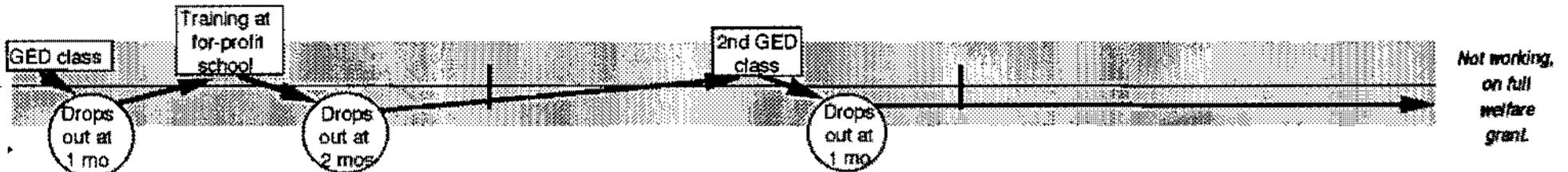
8. Unsteady Progress through Employment



9. Steady Progress Early on, then Slipping Back

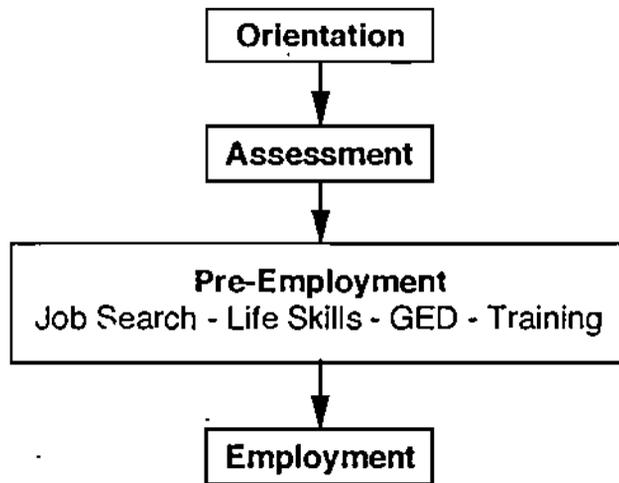


10. No Measurable Progress

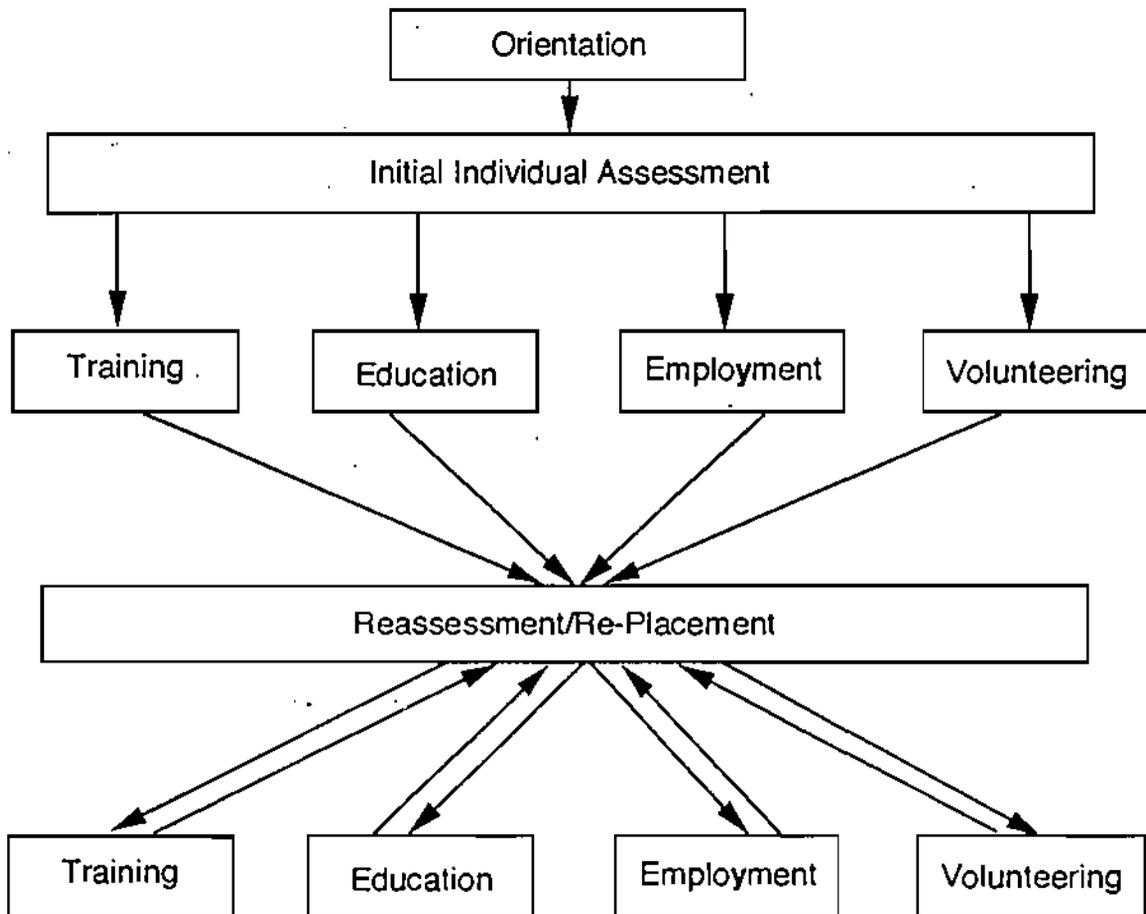


Model 1
Typical Welfare-to-Work Program Model

WR -
JOBS



Model 2
Long-Term, Comprehensive Service Model



Steps to Social Involvement and Economic Self-Sufficiency

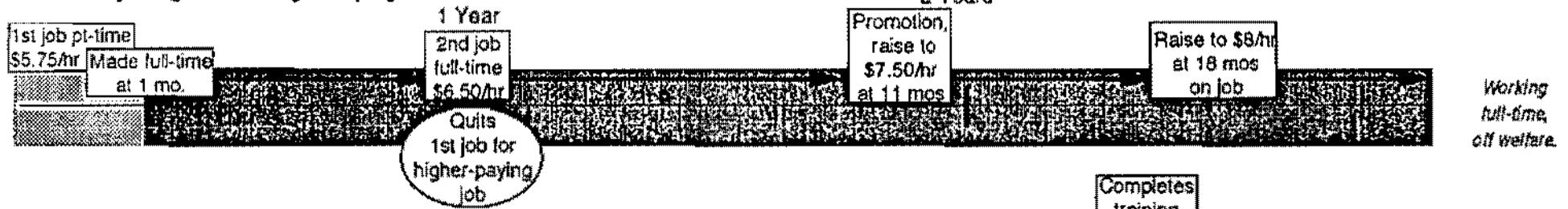
					Unsubsidized Jobs 40 Hours/Week						
					OUTSIDE Community Over 5 Years 3-5 Years 1-3 Years						
					Unsubsidized Jobs 20 Hours or More						
					OUTSIDE Community Over 1 Year 7-12 Months 4-6 Months 0-3 Months						
20 Hours/Week or More		Unsubsidized Jobs 20 Hours or More		20 Hours/Week or More							
In Community (e.g. Head Start) Outside Community (e.g. National Organizations)		INSIDE Community 7-12 Months 4-6 Months 0-3 Months		College Vocational Training High School/GED							
5 Hours/Week or More		11-19 Hours/Week		Unsubsidized Jobs Under 20 Hours		11-19 Hours/Week		5 Hours/Week or More			
Community Activities (Den Mother, Coach) School-Based Activities (Home Room Mother) Organized Activities (Sports)		In Community (e.g. Head Start) Outside Community (e.g. National Organizations)		INSIDE Community 7-12 Months 4-6 Months 0-3 Months		College Vocational Training ABE/GED Literacy		Tenant Organizations Local School Councils Advocacy Groups			
3-4 Hours/Week		5-10 Hours/Week		Subsidized Work		5-10 Hours/Week		3-4 Hours/Week			
Family Literacy Program Parenting Education Class Drop-In Center		Public School Head Start Community Health Center Community Center		On the Job Training Supported Work		GED Adult Basic Education Literacy		Concerned Parent Groups Neighborhood Watch Activities Church activities			
1-2 Hours/Week		1-4 Hours/Week		Transitional Work Under 20 Hours/Week		1-4 Hours/Week		1-2 Hours/Week			
Tutoring Program Library Visits Parent-Infant Class Well Baby Appointments		Public School Head Start Community Health Center Community Center		(Community-Based) Over 1 year 7-12 Months 4-6 Months 0-3 Months (WIC Clerk, lunch room aide)		GED Adult Basic Education Literacy		Head Start Parent Councils Support Groups (e.g. MYM) PTA			
Activities With Children		Volunteer Work		Employment		Education/Training		Membership in Organizations			

-SOCIAL ISOLATION-

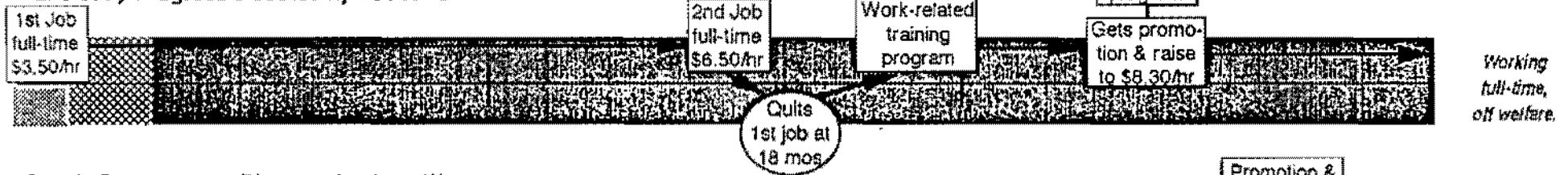
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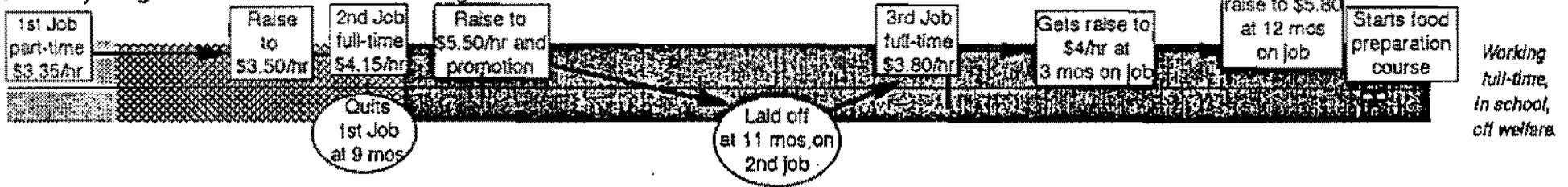
1. Steady Progress through Employment



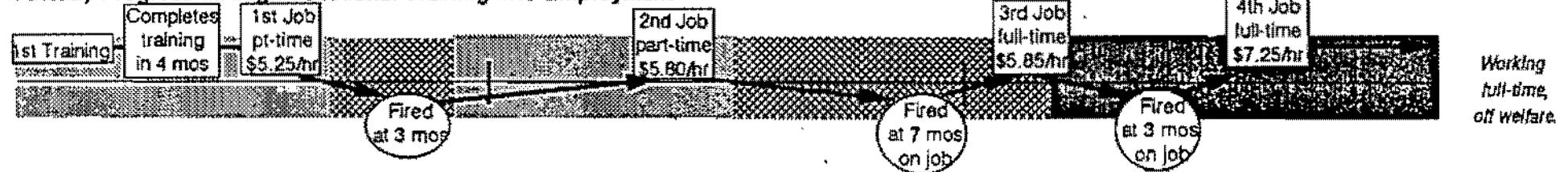
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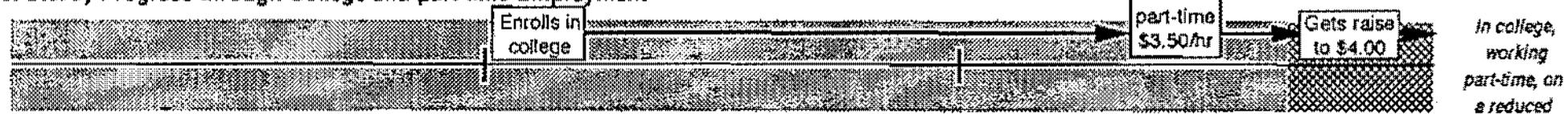
3. Steady Progress but Plateaued at Low Wages



4. Steady Progress through Vocational Training into Employment

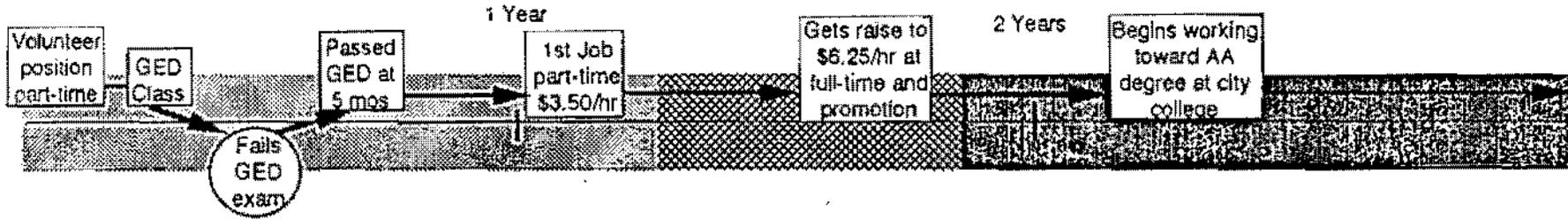


5. Steady Progress through College and part-time Employment



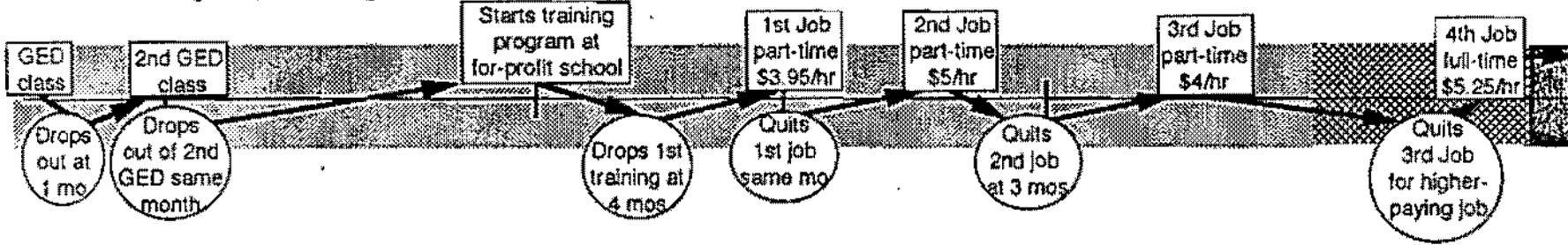
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6. Steady Progress through Volunteer Work into Employment



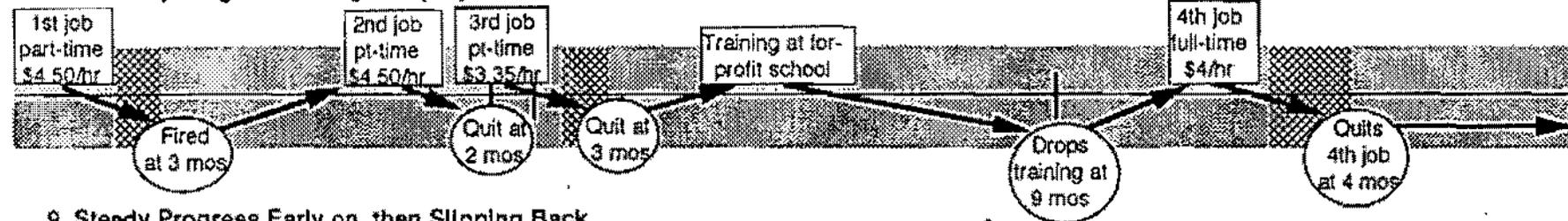
Working full-time, in school, off welfare.

7. Lack of Progress, then Progress



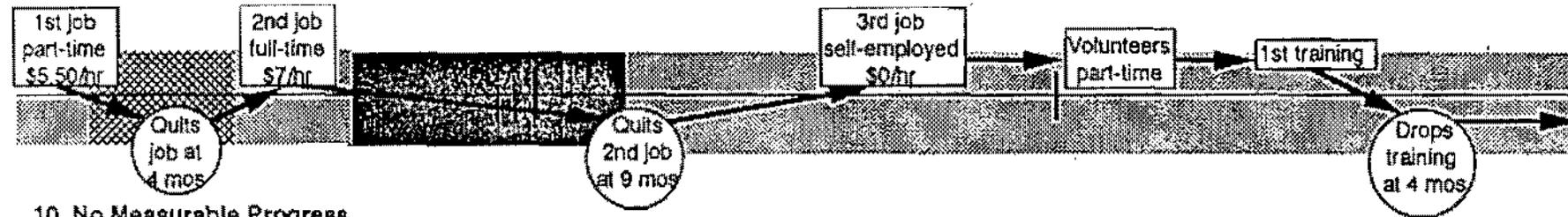
Now working full-time, receiving no welfare grant.

8. Unsteady Progress through Employment



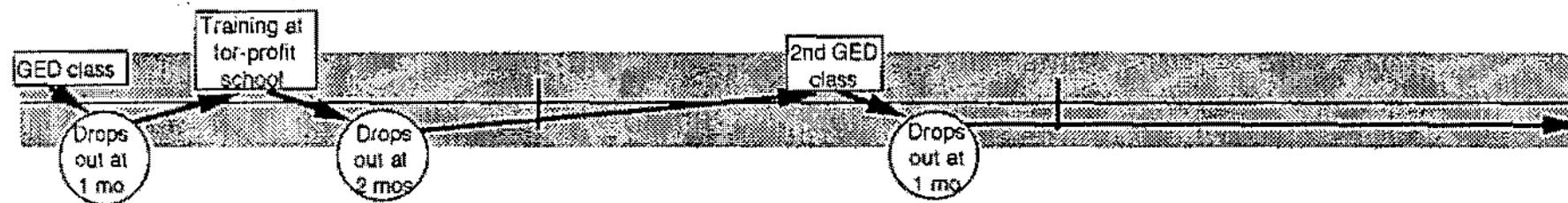
Not working, on full welfare grant.

9. Steady Progress Early on, then Slipping Back



Volunteering, self-employed, no income. On welfare.

10. No Measurable Progress



Not working, on full welfare grant.



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-5000

May 25, 1993

W.R.-
JOBS

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

David T. Ellwood
Assistant Secretary for
Planning and Evaluation-Designate
Department of Health and Human Services
200 Independence Avenue, S.W. - Room 415F
Washington, DC 20201

Dear Mr. Ellwood:

I will not be able to attend the Welfare Reform Task Force meeting June 1, but there are two points I wish to make, therefore, I have taken the liberty of writing to you directly.

The goal of the task force is to make President Clinton's desire, that people should work, and that those who do should not be poor, a reality. However, last meeting focused only on the disincentives for people on welfare to work, or to put it more positively, how to get people off welfare.

This direction is a truly important one, but for public housing and its residents, it almost misses the point. The real key to improving the quality of life in public housing is not getting the single mothers off welfare, but getting the single young men from 17-35 employed. It is their employment that would stabilize the community, make it safer, and potentially put families together again. Further, since they are the fathers, it is critical even to your scheme, that they have income to support their children.

The second point is that we need to develop more jobs. Contrary to popular opinion, these young men want to work. Every time I went to a housing development in Los Angeles, numbers of young men would recognize me and ask for jobs. Also in your scheme, the attempt to place time limitations on public assistance programs requires government to have jobs available.

I apologize for making an already daunting task more difficult, but we would not be doing it right if we did not address the young men and the need to develop more jobs.

Sincerely Yours,

Joseph Shuldiner
Assistant Secretary-Designate

cc: Mary Jo Bane
Bruce Reed
Michael Stegman

THE WHITE HOUSE
WASHINGTON
May 27, 1993

DD
good idea -
RR

MEMORANDUM FOR BRUCE REED, DPC
ISABELLE SAWHILL, OMB
JOSEPH STIGLITZ, CEA
DOUG ROSS, DOL
ALICIA MUNNELL, TREASURY
GENE SPERLING, NEC

FROM: PAUL DIMOND, NEC

SUBJECT: MACROECONOMIC JOBS ANALYSIS FOR WELFARE REFORM

Would you be interested in pooling our resources to produce some economic research and analysis? Bruce has expressed an interest in having something drafted on the private sector jobs that will be available for people leaving welfare.

Let's get together on June 1, Tuesday at 1:00 to discuss this possibility. Please contact Sandy Mancini at 456-2801 for clearance and the OEOB room number.

cc: Heather Ross, NEC
Peter Yu, NEC
Bonnie Deane, NEC

Economy and Jobs Background for Welfare to Work Transition

A G E N D A

Friday, June 18, 1993
9:30-10:30 a.m.
180 OEOB

- I. Report and discussion of work to date:
 - A. Debbie/Bonnie (information was distributed last week)
 - B. Heather (see attached)
 - C. Robert Gillingham (if available)

- II. Work plan review and new task assignments (see attached)

THE WHITE HOUSE
WASHINGTON

June 16, 1993

MEMORANDUM FOR Economy and Jobs Issue Group

FROM: Bonnie Deane
Heather Ross

SUBJECT: Goals and Work Plan for the Economy and Jobs Issue Group

This is a DRAFT proposal which has not been approved. It is a starting point for discussion in our meeting.

GOALS

I. Define the problem in economic terms -- Why doesn't the private sector employ this group? Why don't people accept jobs instead of public assistance? How can we assess, in economic terms, options for closing this gap?

While this is certainly related to work in other issue groups (Make work pay, post-transitional jobs, etc.), we will focus on private sector labor market issues. We will work closely with other groups to ensure that we complement their work.

II. Develop measures of success -- that is, how effective and how cost effective are different policy approaches to getting welfare recipients into unsubsidized jobs.

We will be working closely with the modelling and simulations group to provide parameters which scale success rates to alternative assumptions about the welfare population and the labor market.

WORK PLAN

I. Jobs Pool (Labor Demand)

A. **General Economy** -- macroeconomic growth and configuration of overall pool consistent with Administration economic assumptions. **CEA lead: Debbie Lucas**

B. **Welfare Relevant** -- specific characteristics of labor demand that might affect welfare-eligible people. **CEA lead: Debbie Lucas/Darryl Wills**

C. **Subsidies** -- research historical effectiveness as a means of expanding and targeting the demand for labor. **TRS lead: Robert Gillingham**

D. **Current & New Administration Initiatives** -- effects of policy intervention on the welfare relevant labor demand and resulting overall size and configuration of the jobs pool. Analyze existing proposals such as empowerment zones, health care, etc. as well as new proposals offered as part of welfare reform package to increase unsubsidized job opportunities for welfare-eligible people. **NEC lead: Heather Ross**

E. Other?

II. Welfare Caseload (Labor Supply)

A. **General demographics** -- aggregate view of welfare population's employability to calibrate our thinking with rough numbers and types of job seekers. **CEA or OMB?**

B. **Distribution of government assistance** -- who is getting how much of what. AFDC, housing, medicaid, foodstamps, etc. **CEA Lead: Debbie Lucas**

C. **Moving off welfare** -- effectiveness of methods for helping welfare recipients get and keep unsubsidized jobs, such as training, child care, placement, way stations (supported work, transitional subsidies,...) etc. Links to other groups include transitional assistance, education and training, post-transition jobs and making work pay. **NEC lead: Bonnie Deane**

D. **Welfare-related labor supply** -- Black male unemployment; non-welfare, single-parents in poverty. Consider potential for welfare entry effects, extra support \$, and competition for jobs. **Volunteers?**

E. Other?

III. Labor Market Interactions: Supply and Demand

A. Analysis of why the labor market fails to employ welfare cases.
TRS lead: Robert Gillingham

B. Success rates in placing welfare recipients in unsubsidized jobs, for different types of recipients, different policies to help them get jobs and different states of the labor market. Links to cost estimating and modeling group. **NEC lead: Heather Ross**

C. Other ideas? **OMB Larry Matlack, Richard Bavler? CEA, DOL, HHS?**

Keeping the work connected will require close coordination, which regular individual contact and meeting once a week should accomplish. **Can we pick a regular weekly meeting time?**

A schedule dovetailing with the working group schedule would look something like this:

End June	Analytic papers completed
July	Working group deliberations and refinement and synthesis of options
Mid-August	Working group product complete

cc: Bo Cutter
Gene Sperling

THE WHITE HOUSE

WASHINGTON

June 15, 1993

MEMORANDUM FOR Economy and Jobs Group

FROM: Heather Ross

SUBJECT: Welfare to Work: Simulation Modeling

There is general agreement that the analysis of welfare to work transition can best be addressed from the labor supply side, given the relative richness and specificity of data on welfare populations and the existence of a number of evaluations of previous efforts to get recipients into jobs.

This information will allow projections of the future size and makeup of welfare caseloads and estimates of the efficacy of alternative approaches to moving them to self sufficiency, i.e. outside the bubble of welfare-related assistance. To this baseline, which implicitly assumes an expected state of the macro economy and self-sufficiency success rates for different approaches like those experienced historically, there will need to be added refinements for the impact of time-limited welfare (will it change recipient or provider behavior in a way that changes self-sufficiency success rates), for the effect of improved self-sufficiency treatments (new approaches or packages or sequences of approaches within the welfare-related assistance bubble), and for the effect of other micro policy (health care, NAFTA, national service, empowerment zones...) on welfare self-sufficiency rates.

The final element will be factors which adjust self-sufficiency success rates for the state of the macro economy, a growing economy and tight labor market being the most effective anti-poverty device. The macro variable will adjust the intake rate onto welfare as well as the self-sufficiency success rate off of it.

The Lucas-Deane memo of June 7 shows ample room for an extra million plus workers in the low-end labor market, given its projected growth and turnover. The very high degree of turnover indicates the importance of flow data to the analysis, and the power of sustained placement or upward mobility to avoiding welfare churning. Flow data are also important for intake, including the possibility of welfare entry to qualify for beefed-up self-sufficiency services.

Performing the overall analysis will require a simulation model of time-limited welfare, which Wendell Primus is working toward developing. Specific tasks of this group are to contribute job-related parameters to the model-- in particular, measurable adjustments to self-sufficiency success rates from

other micro policy initiatives and from alternative macro trajectories. This will require knowledge of baseline success rates from historical experience and adjustments for particular effects of time-limited welfare program design(s), working together with several other Issue Groups. This group should also provide a reality check on alternative assumptions about the permanence of self-sufficiency, given patterns of labor market participation and job turnover in the relevant market segments. Policies which in fact reduce welfare churning will be important instruments for moving and keeping people outside the bubble of assistance.

Attachments:

- Chart 1. Welfare Bubble
2. Types of Recipients
3. Types of Assistance

cc: Wendell Primus

Chart 1

Welfare Bubble

Welfare-Related Assistance

I. Type of Recipient

- A. Tenure
- B. Family Structure
- C. Household Structure
- D. Work qualifications

II. Type of Assistance

- A. Transitional Cash
- B. Enabling
- C. Preparing
- D. Placing
- E. Subsidizing
- F. Holding

Self Sufficiency Success

Rate:

% of participating recipients placed in unsubsidized employment for >x months

Rate of re-entry and type of recipient re-entering

Permanent or Temporary

- Stable employment in initial job
- Upward mobility from initial job

Adjustment factors to self-sufficiency Success rate

- Other micro policy affecting relevant market segments (welfare preference or not?)
- General state of macro economy

I. TYPES OF RECIPIENTS

A. Tenure

1. # of times on welfare
2. Total length of time on welfare
3. Length of time this stay
4. If multiple times, length from last stay to this one

B. Family Structure

1. # members included in grant
2. # children, # children < x years
3. # adults <= y years

C. Household Structure

1. # people present, # children, # adults
2. # people outside grant

D. Work Qualification

1. Education level
2. Work experience; amount, skill level

Different types of recipients receiving different types of assistance will have different self-sufficiency success rates. Above classification is example of type of taxonomy required--namely, whatever materially affects success rates. Household structure recognizes value of joint living which many people practice at some point in their lives, and which may be key policy variable for improving success rate in this population.

II. TYPES OF ASSISTANCE

- A. Transitional Cash
- B. Enabling
 - Provide/reimburse transportation or other work related expenses
 - Child Care
 - Joint living
- C. Preparing
 - Education
 - Training
 - Counseling
 - Community Work Experience Program
- D. Placing
 - Job search help
 - Placement service
 - Apprenticeship-type links with employers
- E. Subsidizing
 - Wage/earnings subsidy
 - On the job training
 - Public service employment
 - Work supplementation
 - Targeted jobs tax credit
- F. Holding
 - Work relief

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

File.
W.R. -
Jobs

June 7, 1993

TO: MEMBERS OF THE ECONOMY AND JOBS BACKGROUND FOR WELFARE
TO WORK TRANSITION WORKING GROUP

FROM: DEBORAH LUCAS *DL*
BONNIE DEANE *BD*

SUBJECT: The Job Outlook for AFDC Recipients

The purpose of this note is to provide background information on the labor market that AFDC recipients whose benefits have expired are likely to enter. An immediate caveat is necessary: these aggregate statistics are relatively uninformative about the job prospects for AFDC recipients. In conversation, Larry Katz emphasized the importance of local labor markets, transportation, child care, and the very poor job prospects for the many welfare mothers with low skill levels. On the brighter side, these statistics reveal that putting an additional 1.5 million people to work should have a small affect on job availability for other workers, given the projected job growth and normal turnover in the next decade.

Job Forecasts

The Bureau of Labor Statistics (BLS) estimates job growth in various occupational categories. Each category contains a mixture of high and low wage jobs, but the BLS does not forecast the relative number of each. These forecasts are based on historical experience and current trends, and are subject to a high margin of error.

Table 1 shows 1992 BLS job projections for the year 2005 under three growth scenarios by sector. In the moderate growth scenario, 24.6 million more jobs will be available in 2005 than in 1990. Job losses will continue in mining, manufacturing, and agriculture, while growth is expected in all other sectors. Table 3 looks more closely at those industries projected to grow the fastest and those expected to decline most rapidly. Residential care, health services, and education are among the fastest growing, while various categories of industrial production are declining most rapidly. Table 13 compares expected growth in various occupations with the percentage of workers in those occupations who are women, blacks, and hispanics. Since AFDC recipients are largely women and minorities, it is encouraging that some of the greatest job growth is expected in occupations that have traditionally employed these groups. Table 14 shows the distribution of workers by occupation and education, and Table 15 shows the distribution of workers across occupations under different growth scenarios. Over a shorter horizon, the

| ✓

administration currently estimates that 6.8 million new jobs will be created by 1998.

Employment and Unemployment

Currently approximately 9 million Americans are officially unemployed. The average unemployed worker finds a job in 18 weeks; the median unemployed worker finds a job in 8 weeks. The higher average reflects the influence of the long-term unemployed.

Since the early 1980s, male and female unemployment rates (ages 25-54) have converged (Figure 1).

Labor force participation rates are often considered more informative than unemployment rates because they are not sensitive to the number of discouraged workers who are effectively unemployed. The BLS projects that male labor force participation rates will remain about the same or decline slightly through 2005, and that labor force participation rates for women will continue to climb (Tables 20 and 21).

The Figures on page 9 reveal a number of interesting facts about male joblessness over the last 30 years.

There has been a marked increase in the percentage of prime working age men not working at all over the year. After the 1981/82 recession, this trend appears to have changed or reversed.

Black male joblessness (ages 25 to 54) has been approximately twice as high as white male joblessness, and has varied more with the business cycle.

Many AFDC recipients may prefer to work parttime while their children are young. Figure 2 shows the trend in full and parttime employment since 1963. Despite the growth of women in the labor force, the growth of parttime jobs has trailed the growth of fulltime jobs.

Turnover

Job turnover rates provide one measure of labor mobility, and of the likely impact of AFDC recipients on the aggregate job market. Darryl Wills of CEA provided the following information.

The major source of data on labor market turnover is a special January supplement to the Current Population Survey. The supplement compares the status of workers in January to their status the previous January with respect to three items: employment, tenure with current employer, and

occupation.

- o In January 1991, there were 10 million people working who were not working a year earlier (9% of total employment).
 - Of those 10 million, 5.8 million were women.
 - These are surprisingly high numbers, especially in light of the fact that total employment was about 1 million less in January 1991 than a year earlier.
 - There is obviously much more movement in and out of employment than the net changes in employment stocks indicate.

- o Turning to numbers on tenure with current employers, about 27 percent of workers in January 1991 had been with their current employers for one year or less. That means that 31 million workers had acquired or changed jobs at least once during the previous year.
 - Workers with tenure of less than one year were about evenly split between men and women.
 - Even more so than with employment status, these figures sketch a picture of a labor market with enormous movement.

- o To gain some sense of the turnover in the types of work that many welfare recipients might be expected to seek we can look at tenure in the service occupations.
 - Of the 14.7 million workers in service occupations in January 1987, 6.1 million had tenure of one year or less, or 42 percent.
 - Of the 8.9 million female service workers in January 1987, 3.9 million or 43% had tenure of one year or less.

Table 1. Employment by major industry division, 1975, 1990, and projected to 2005

(Numbers in thousands)

Industry	1975	1990	2005			Change, 1975-90	Change, 1990-2005			
			Low	Moderate	High		Low	Moderate	High	
Nonfarm wage and salary ¹	76,680	106,319	122,775	132,647	139,531	32,839	13,456	23,328	30,212	
Goods-producing	22,600	24,958	22,877	25,242	26,362	2,358	-2,081	284	1,404	
Mining	752	711	598	668	690	-41	-113	-43	-22	
Construction	3,525	5,138	5,552	6,059	6,484	1,811	418	923	1,348	
Manufacturing	18,323	19,111	16,727	18,514	19,189	788	-2,384	-597	78	
Durable manufacturing	10,652	11,115	9,467	10,517	10,915	453	-1,848	-599	-200	
Nondurable manufacturing	7,661	7,995	7,260	7,998	8,274	334	-735	3	279	
Service-producing	54,080	64,363	99,898	107,405	113,168	30,283	15,535	23,042	26,805	
Transportation, communications, utilities	4,642	5,820	6,203	6,889	7,010	1,284	377	663	1,193	
Wholesale trade	4,430	5,205	5,689	7,210	7,585	1,775	484	1,005	1,380	
Retail trade	12,630	19,663	23,306	24,804	25,658	7,053	3,623	5,121	6,173	
Finance, insurance, and real estate	4,165	5,739	7,599	8,129	8,525	2,574	580	1,390	1,786	
Services ²	19,827	27,588	36,223	39,058	41,109	13,961	8,634	11,470	13,521	
Government	14,666	18,322	19,699	21,515	23,074	3,636	1,677	3,193	4,752	
Agriculture ³	3,459	3,276	2,969	3,080	3,181	-183	-307	-196	-95	
Private households	1,362	1,014	648	700	738	-348	-366	-314	-278	
Nonagricultural self-employed and unpaid family workers ⁴	6,163	8,981	10,416	10,763	11,095	2,796	1,454	1,802	2,134	
Total⁵	87,686	122,670	136,807	147,190	154,543	34,904	14,237	24,620	31,973	
	Percent distribution of wage and salary employment					Annual rate of change				
	1975	1990	2005			1975-90	1990-2005			
			Low	Moderate	High		Low	Moderate	High	
Nonfarm wage and salary ¹	100.0	100.0	100.0	100.0	100.0	2.4	0.8	1.3	1.6	
Goods-producing	29.5	22.8	16.6	19.0	19.9	.7	-.6	.1	.4	
Mining	1.0	.7	.5	.5	.5	-.4	-1.2	-.4	-.2	
Construction	4.8	4.7	4.5	4.8	4.8	2.5	.5	1.1	1.6	
Manufacturing	23.9	17.5	13.8	14.0	13.6	.3	-.9	-.2	.0	
Durable manufacturing	13.9	10.2	7.7	7.9	7.6	.3	-1.1	-.4	-.1	
Nondurable manufacturing	10.0	7.3	5.9	6.0	5.9	.3	-.6	.0	.2	
Service-producing	70.5	77.2	81.4	81.0	81.1	3.0	1.1	1.6	2.0	
Transportation, communications, utilities	5.9	5.3	5.1	5.0	5.0	1.7	.4	.9	1.2	
Wholesale trade	5.5	6.7	5.4	5.4	5.4	2.3	.5	1.0	1.3	
Retail trade	18.5	18.0	18.0	18.7	18.5	3.0	1.1	1.6	1.8	
Finance, insurance, and real estate	5.4	8.2	8.2	8.1	8.1	3.3	.6	1.3	1.6	
Services ²	17.8	25.2	29.5	29.4	29.5	4.8	1.8	2.3	2.7	
Government	19.2	16.8	16.2	16.2	16.5	1.5	.6	1.1	1.5	
Agriculture ³	—	—	—	—	—	-.4	-.7	-.4	-.2	
Private households	—	—	—	—	—	-1.9	-2.9	-2.4	-2.1	
Nonagricultural self-employed and unpaid family workers ⁴	—	—	—	—	—	2.5	1.0	1.2	1.4	
Total⁵	—	—	—	—	—	2.3	.7	1.2	1.8	

¹ Excludes SIC 074, 5, 8 (agricultural services) and 99 (nonclassifiable establishments), and is therefore not exactly comparable with data published in *Employment and Earnings*.

² Excludes government wage and salary workers, and includes private sector SIC 08, 09 (forestry and fisheries).

³ Excludes SIC 08, 09 (forestry and fisheries).

⁴ Wage and salary data are from the BLS Current Employment Statistics (payroll) survey, which counts jobs, whereas self-employed, unpaid family worker, agricultural, and private household data are from the Current Population Survey (household survey), which counts workers.

NOTE: Dash indicates data not available.

Outlook: 1990-2005: Industry Output and Employment

Table 3. Employment change in selected industries, 1990-2005

[Numbers in thousands]

Standard Industrial Classification	Industry description	Employment			Annual percent growth rate, 1990-2005
		Levels		Change, 1990-2005	
		1990	2005		
Fastest growing					
836	Residential care	489	911	442	4.5
737	Computer and data processing services	784	1,494	710	4.4
807-809	Health services, n.e.c.	697	1,262	565	4.0
874	Management and public relations	622	1,097	475	3.9
494-497, pt. 493	Water and sanitation, including combined services	184	299	115	3.3
823-829	Libraries, vocational and other schools	207	335	128	3.3
801-804	Offices of health practitioners	2,180	3,470	1,290	3.1
472	Passenger transportation arrangement	182	299	107	3.0
832,839	Individual and miscellaneous social services	836	991	353	3.0
81	Legal services	919	1,427	508	3.0
805	Nursing and personal care facilities	1,420	2,182	782	2.9
735	Miscellaneous equipment rental and leasing	211	324	113	2.9
872,89	Accounting, auditing, and services, n.e.c.	575	871	296	2.8
821	Elementary and secondary schools	457	689	232	2.8
751	Automotive rentals, without drivers	180	271	91	2.8
8731,2,4	Research and testing services	407	609	202	2.7
274	Miscellaneous publishing	82	123	41	2.7
732;7331,8;7383,9	Business services, n.e.c.	937	1,397	460	2.7
7334-7338,7384	Photocopying, commercial art, photofinishing	290	293	93	2.6
81,67	Nondepository; holding and investment offices	598	871	275	2.6
Most rapidly declining					
313,314	Footwear, except rubber and plastic	80	41	-39	-4.3
3483,3489	Ammunition and ordnance, except small arms	52	30	-22	-3.8
311,315-317,319	Luggage, handbags, and leather products, n.e.c.	52	31	-21	-3.5
21	Tobacco manufactures	49	34	-15	-2.5
287	Agricultural chemicals	56	38	-18	-2.5
88	Private households	1,014	700	-314	-2.4
3466,3469	Stampings, except automotive	84	59	-25	-2.3
341	Metal cans and shipping containers	50	35	-15	-2.3
3462,3483	Forgings	40	29	-11	-2.3
291	Petroleum refining	118	85	-33	-2.2
3482,3484	Small arms and small arms ammunition	23	17	-6	-2.1
3761	Guided missiles and space vehicles	134	98	-36	-2.0
363	Household appliances	125	94	-31	-1.9
3711	Motor vehicles and car bodies	328	245	-82	-1.9
3578,3579	Office and accounting machines	43	33	-10	-1.9
2086,2087	Soft drinks and flavorings	121	92	-29	-1.8
386	Photographic equipment and supplies	100	76	-24	-1.8
301	Tires and inner tubes	86	85	-21	-1.8
231-238	Apparel	839	636	-203	-1.8
481,482,489	Communications, except broadcasting	947	724	-223	-1.8

n.e.c. = not elsewhere classified.

NOTE: Historical data for sic 88 are from the Current Population Survey; all other data are from the Current Employment Statistics program.

Table 13. Percent change in employment for selected occupations, 1990-2005, and percent of employment composed of women, blacks, and Hispanics, 1990

Occupation	Percent change, 1990-2005	Percent in 1990 composed of—		
		Women	Blacks	Hispanics
Total, all occupations	20	45	10	8
Executive, administrative, and managerial	27	40	6	4
Professional specialty occupations	32	61	7	3
Engineers	26	9	3	3
Mathematical and computer scientists	73	37	7	3
Natural scientists	28	26	3	4
Health diagnosing occupations	29	18	3	4
Health assessment and treating occupations	43	86	7	3
Teachers, college and university	18	38	5	3
Teachers, except college and university	30	74	9	4
Lawyers and judges	34	21	3	3
Technicians and related support	37	49	9	4
Health technologists and technicians	42	84	14	5
Engineering and related technologists and technicians	23	20	7	5
Sales occupations	24	49	6	5
Administrative support, including clerical	13	80	11	7
Supervisors, administrative support	22	58	12	7
Computer equipment operators	13	66	13	7
Secretaries, stenographers, and typists	9	96	9	5
Financial records processing	-4	92	6	5
Mail and message distributing	15	45	25	5
Service occupations	29	60	17	11
Private household	-29	80	17	11
Protective service	32	15	17	6
Food preparation and service	30	80	12	13
Health service	44	90	26	6
Cleaning and building service	18	44	22	17
Personal service	44	82	12	7
Precision production, craft, and repair	13	9	8	9
Mechanics and repairers	10	4	8	7
Construction trades	21	2	7	9
Operators, fabricators, and laborers	4	26	15	12
Machine operators, assemblers, and inspectors	-9	40	14	14
Transportation and material moving	21	9	15	9
Handlers, equipment cleaners, helpers, and laborers	8	18	16	13
Farming, forestry, and fishing	5	16	6	14

Table 14. Percent distribution of full-time workers not in school by number of years of school completed and age group, 1990¹

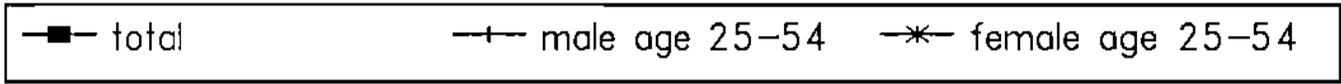
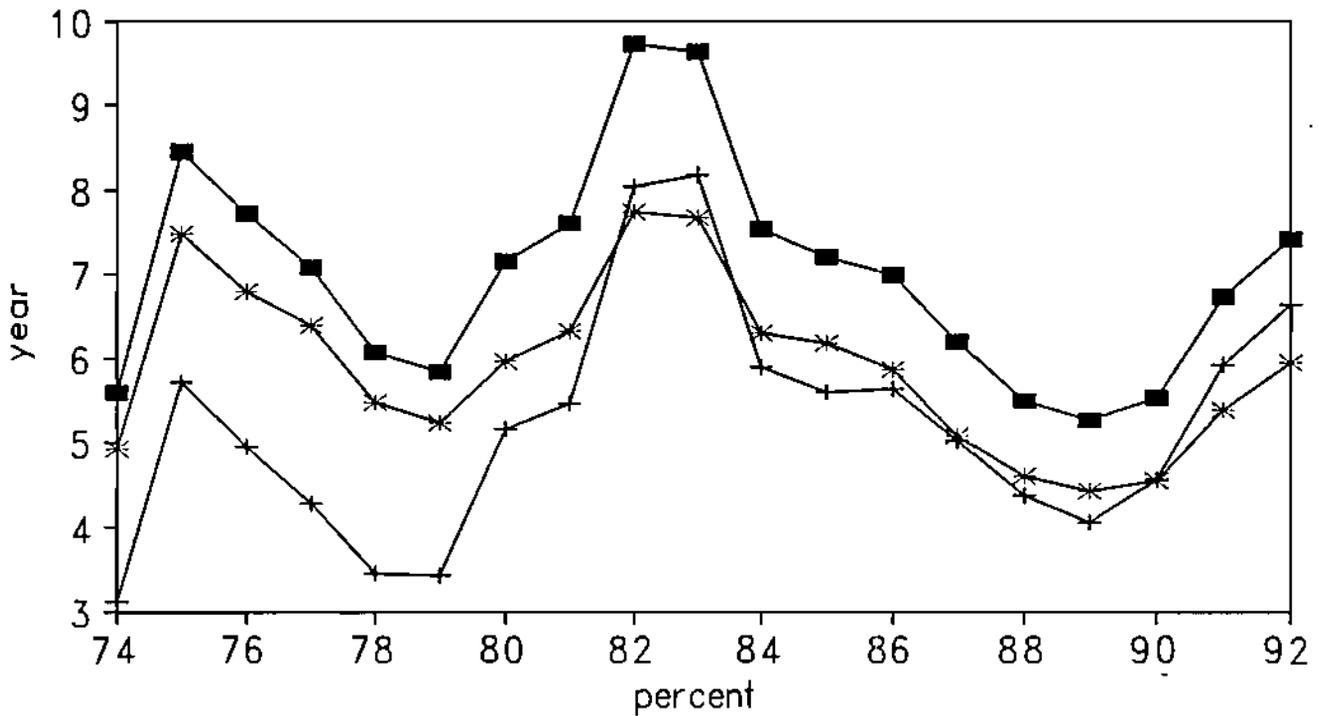
Occupation	Completed less than 12 years of school		Completed 12 years of school	
	Age 16-24	Age 25-34	Age 16-24	Age 25-34
Total, all occupations	100.0	100.0	100.0	100.0
Executive, administrative, and managerial	2.0	3.2	4.2	7.8
Professional specialty	1.1	1.0	1.8	2.2
Technicians and related support	.6	.7	2.0	2.9
Marketing and sales	8.6	5.0	12.4	9.5
Administrative support occupations, including clerical	6.4	5.1	20.4	16.0
Service occupations	22.3	17.8	16.1	12.6
Agricultural, forestry, and fishing	8.9	6.6	3.2	2.9
Precision production, craft, and repair	16.7	23.5	14.6	19.8
Operators, fabricators, and laborers	33.4	37.2	25.4	24.3

¹ Excludes students under 25 years old.

Table 15. Percent distribution of employment by occupation, 1990 and projected 2005 alternatives

Occupation	1990	2005		
		Low	Moderate	High
Total, all occupations	100.0	100.0	100.0	100.0
Executive, administrative, and managerial occupations	10.2	10.6	10.8	10.8
Professional specialty	12.9	14.2	14.2	14.3
Technicians and related support	3.5	3.9	3.9	3.9
Marketing and sales	11.5	11.9	11.9	11.8
Administrative support occupations, including clerical	17.9	16.8	16.9	16.9
Service occupations	15.7	17.1	16.9	16.8
Agricultural, forestry, and fishing	2.9	2.6	2.5	2.5
Precision production, craft, and repair	11.5	10.8	10.8	10.8
Operators, fabricators, and laborers	14.0	12.0	12.2	12.2

Unemployment Rates by sex



TRENDS IN LABOR FORCE PARTICIPATION RATES

Table 20: Labor Force Participation Rates by Sex and Race (Bureau of Labor Statistics Projections)					
	Year	1990	1995	2000	2005
black men 16 and over		70.1	71.5	71.0	70.2
white men 16 and over		76.9	76.9	76.7	76.2
black women 16 and over		57.8	60.1	61.2	61.7
white women 16 and over		57.5	60.2	62.3	63.5

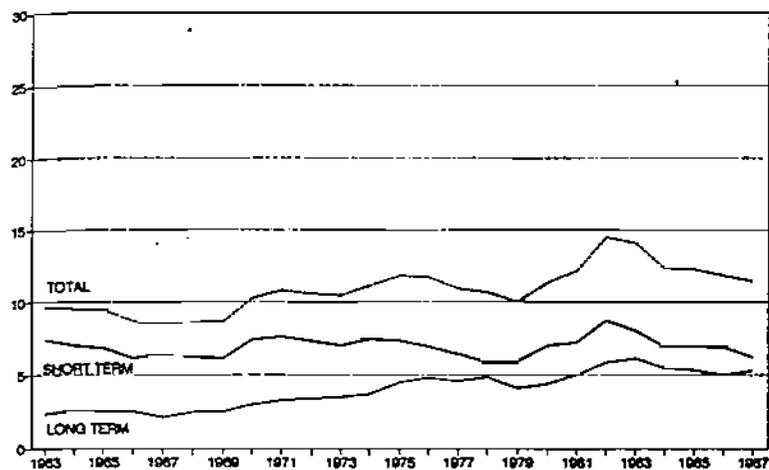
This forecast indicates little change in the participation rates of either black or white men, and a continued increase in the participation rates of both black and white women.

Table 21: Labor Force Participation Rates by Economic Growth Rate and Sex (Bureau of Labor Statistics Projections)					
	Year	1990	1995	2000	2005
Male over 16					
low growth		76.1	75.3	74.2	72.9
moderate growth		76.1	76.3	76.0	75.4
high growth		76.1	76.9	77.2	77.3
Female over 16					
low growth		57.5	58.8	59.7	59.8
moderate growth		57.5	60.1	62.0	63.0
high growth		57.5	61.4	64.3	66.1

The difference in participation rates between the high and low growth scenarios in terms of the number employed in the year 2000 translates into almost 10 million.

Figure 5.1

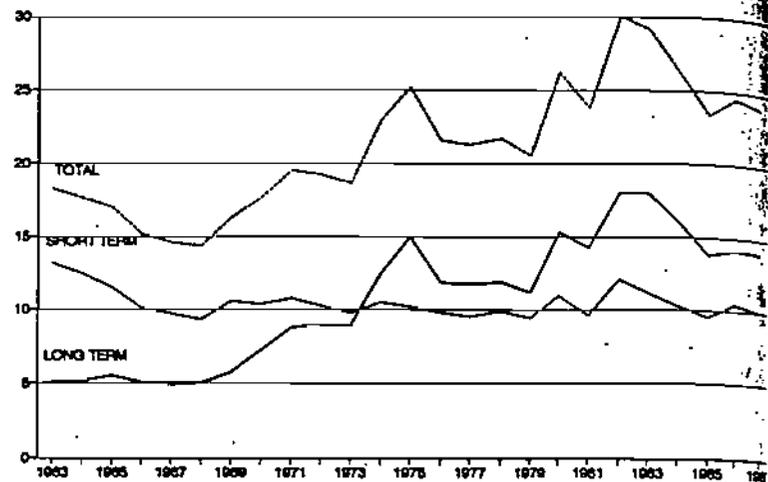
Rates of Long-term, Short-term, and Total Joblessness among White Men Aged 25 to 54, 1963-1987



Source: Annual files from the March Current Population Survey, assembled by Robert Mare and Christopher Winship. Tabulations by Christine Kidd, Rich Mrizek, and David Rhodes.

Figure 5.2

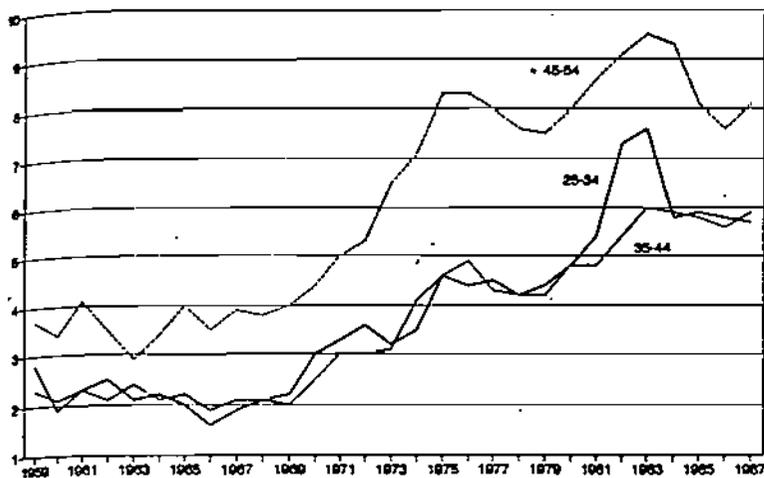
Rates of Long-term, Short-term, and Total Joblessness among Black Men Aged 25 to 54, 1963-1987



Source: Current Population Survey (see Fig. 5.1).

Figure 5.5

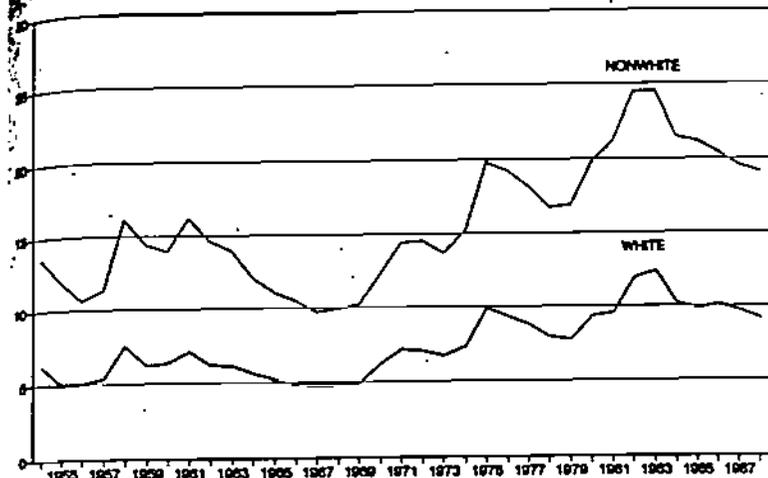
Percentage of Men Who Did Not Work at Any Time during the Year, by Age, 1959-1987



Source: Handbook of Labor Statistics, 1989, table 48.

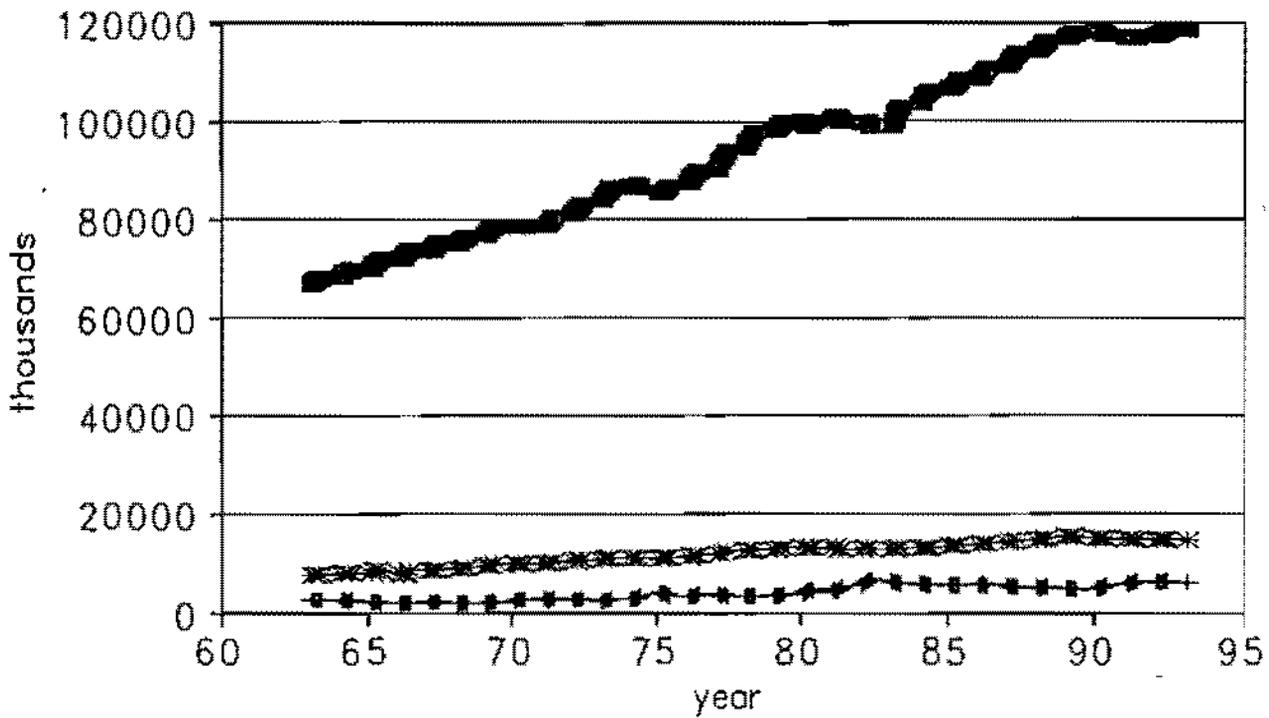
Figure 5.7

Percentage of Men Aged 25 to 54 Who Were Not Employed in an Average Week, by Race, 1954-1988



Source: Handbook of Labor Statistics, 1989, tables 3 and 15. Estimates shown unweighted means for men aged 25-34, 35-44, and 45-54.

Full and Part-time Employment 1963-1993



civilian employment
 P/T economic reaso
 P/T voluntary

June 1, 1993

To: Paul Dimond
Bonnie Deane
Peter Yu

From: Heather Ross

Subject: Jobs and Welfare

*Heather -
Looks great -
if you can move ~~it~~
sooner, even better.
Thanks*

BR

Here is a straw man proposal, including possible division of labor, for our discussion of a jobs element for the welfare reform effort.

- I. Jobs pool -- baseline growth of unsubsidized employment presented by future economic activity.
 - A. General Economy -- growth and configuration of overall pool consistent with Administration economic assumptions. CEA lead.
 - B. Welfare Relevant -- specific characteristics of that portion of pool for which welfare-eligible people might qualify. DOL lead.
- II. Policy expansion -- effects of policy intervention on the welfare relevant jobs pool, and resulting overall size and configuration of that pool.
 - A. Current Clinton Initiatives -- effects of existing proposals such as empowerment zones, ^{natural service} health care, etc. OMB lead.
 - B. New Initiatives -- design and effects of proposals offered as part of welfare reform package to increase unsubsidized job opportunities for welfare-eligible people. DPC lead.
- III. Welfare priority -- ^{helping} methods of putting welfare recipients ^{get-keep} ~~forward in the queue~~ for unsubsidized jobs, such as training, child care, placement, way stations (supported work, transitional subsidies, ...) etc., and their effectiveness in getting recipients into such jobs. NEC lead.
- IV. Costs and cost-effectiveness -- Price tags on II.B. and III. above and ranking by effectiveness in getting recipients into jobs. TRS lead.

Keeping the work connected will require close coordination, which regular individual contact and meeting once a week should accomplish. A schedule dovetailing with the working group

schedule would look something like this:

End June	Analytic papers completed
July August	Working group deliberations and refinement and synthesis of options
End August	Working group product complete
September	Working group product to BPC

In the spirit of the task at hand, where there is no one clearly superior way, the best product for the President will be one posing key options for decision, including options of how to connect to the future jobs market we anticipate.

cc. Bo Cutter
Gene Sperling

THE WHITE HOUSE
WASHINGTON

June 3, 1993

MEMORANDUM FOR Economy and Jobs Group

FROM: Heather Ross
SUBJECT: Work Plan

Placement of welfare recipients in jobs occurs in the context of overall economic and employment vitality, policy initiatives to expand the low-end job pool, and programs to help recipients obtain available jobs. We need to put some broad measurements on these, and compare them with welfare caseload measures, to see what the potential is for placing recipients in jobs, and which policy and program actions will be most effective in doing so. Clearly these are ballpark numbers, but we need them to organize our logic and calibrate our thinking.

I attach three charts for this purpose:

1. Job availability and welfare recipient placement
2. Clinton policy initiatives
3. Welfare reform features

The objective in this framework is to place recipients in regular, unsubsidized jobs. Chart 1 looks at the stock of such jobs and increments to it over time (annual), for the economy as a whole (connect to recognizable Administration outlook) and for that segment of jobs which recipients might qualify for. It then considers the effect of Clinton policy initiatives on low-end jobs, and of welfare reform features on helping recipients to get such jobs. Charts 2 and 3 expand on the elements of Clinton policy initiatives and welfare reform features to be evaluated.

The Bonnie Deane-Debbie Lucas group will be pursuing the jobs availability part of this, both for the economy as a whole and for further specification of the size and configuration of the low-end pool. Our task is to look at incremental effects at the low-end of new Clinton policy and placement prospects for alternative welfare reform features. Can you please look at the (incomplete) lists in charts 2 and 3 and expand on them so that they have proper coverage. Give me back a marked up copy, plus any other comments, and I will organize them prior to our next group meeting, sometime next week to be advised.

Chart 1

Job Availability and Welfare Recipient Placement

	<u>Baseline</u>			<u>Clinton Policy Increment*</u>	
	<u>Downside Sensitivity</u>	<u>Admin. Economic Assumptions</u>	<u>Upside Sensitivity</u>	<u>As Proposed</u>	<u>Welfare Friendly</u>
Jobs Available (annual change)					
Total	#	#	#	#	#
Welfare Alt.	#	#	#	#	#
Recipients Placed (annual number)					
Current Policy	#	#	#	A	B
Reform Policy*				A+C	B+C
Recipients eligible (annual number)					
Current Policy				#	#
Reform Policy				#	#
Recipients Unplaced (annual number)					
				#	#

* See attached charts

Chart 2

1

Clinton Policy Increment

Annual increment to welfare-alternative jobs

	<u>Increase</u>	<u>Decrease</u>	<u>Net</u>	<u>Net Welfare-³ Friendly</u>
1. Economic Package				
2. Health Care Reform				
3. Empowerment Zones				
4. National Service				
5.				
TOTAL	_____	_____	_____ <u>A</u>	_____ <u>B</u>

1. Additional jobs for which welfare recipients might qualify created by Clinton Administration programs above 1/20/93 policy baseline.

2. Overall effect of policy on jobs for which welfare recipients might qualify, netting out increases and decreases.

3. Overall effect of policy adjusted, where suitable, to preserve or enhance job opportunities for welfare recipients.

Reform Policy

Annual placement increase

1. **Enable**
 - Provide or pay transportation to job
 - Reimburse work related expenses
 - Child care
 - Joint living
2. **Prepare**
 - Education
 - Training
 - Counseling
 - Community work experience program
3. **Place**
 - Job search help
 - Placement service
 - Apprenticeship-type links with employers
4. **Subsidize**
 - Wage/earnings subsidy
 - On the job training
 - Public service employment
 - Work supplementation
 - Targeted jobs tax credit

TOTAL

C

1. Elements of welfare package designed to assist welfare recipients in competition for available jobs, and the net effects of these new elements (new type or scale) on job placements over current policy.