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PRIME MINISTER

WORKFARE

1. Your private secretary's letter of 8 April asked for an urgent report on how Workfare Programmes of the type featured in "Panorama" on 7 April might be introduced in this country. I have now received Professor Blaug's report and a copy is attached to this minute.

in folder -  
attached

2. We have, of course, already adopted some elements of Workfare, notably Jobclubs which are proving as successful here as they have in the United States. But the essence of Workfare is compulsion to work or train in return for remaining on benefit and this would require legislation. I have been considering how Workfare might fit into the new, comprehensive approach to the unemployed which I am convinced we must adopt.

3. Besides creating a greater sense of fairness between those in and out of work, Workfare has two main objectives: first, to expose those who are not genuinely unemployed, either because they are working in the black economy or because they are simply "resting", and secondly, to give unemployed people a chance to keep alive their working habits and skills, improve their employability and avoid "welfare dependence". Both these objectives should command our full support. Both are fundamental to the strategy I am now pursuing.

4. In relation to the first of these objectives, the Report gives a vivid account of the gradual extinction here

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over the last 15 years of any effective work test for paying benefit to the unemployed (pages 3-17) and contrasts this with the much tighter regime operated in both Sweden and Switzerland (pages 18-31). The lesson is clear. Unlike other countries, we have continued to pay benefits of unlimited duration while at the same time, for a variety of reasons, we have virtually given up testing whether benefit recipients are genuinely unemployed and available for work. We know the result. The most recent Labour Force Survey shows that unemployment actually fell between Spring 1984 and Spring 1985 (from 2.91m to 2.81m) whereas during the same period the monthly claimant count increased by 160,000 to 3.13m.

5. I believe the first priority must be to re-establish effective measures to prevent those who are not genuinely unemployed from claiming benefit. The nationwide "Restart" programme of compulsory interviewing will be fully operational by this July. By the end of March 1987 it will have covered all the existing "stock" of 12 month unemployed and all the unemployed who enter this category. The pilot schemes we have been operating since January suggest strongly that this will have a significant effect on the unemployment count - both through the positive help it can give in getting people into jobs but also through its "negative" impact in causing other people to withdraw from the claimant count before or after they are called to an interview. A comparison of the pilot areas with the 9 designated control areas after only the second month has shown that the net additional movement off the count attributable to the pilot schemes in that month is equivalent to a 20,000 reduction in unemployment nationally. That is very encouraging.

6. I now propose to use the existing nine pilot schemes to test the effectiveness of going further and introducing compulsory interviews for the 6 month unemployed. If this is

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successful I would like to extend the Restart programme to this group from April 1987. This would cost in the region of an extra £40-50m in 1987/8 but there should, of course, be substantial off-setting savings in benefit. I shall be pursuing this further in the PES discussion with the Chief Secretary.

7. In addition to Restart we are trying out new, tighter procedures for testing availability for work and for imposing benefit sanctions on those who are found not to be available for work or who refuse jobs. It is clear that, since compulsory registration of the unemployed at Jobcentres ended in 1982, contact between Jobcentres, the Benefit Service and DHSS has been minimal and the procedures for dealing with benefit claimants who are unavailable for work or unwilling to attend an interview in a Jobcentre have become very rusty. There is an urgent need to tighten up all these procedures. Furthermore, I am convinced that we cannot continue to try to tackle unemployment in the late 1980s with institutional arrangements designed for the very different circumstances of the 1970s. I want to move to a position where we have integrated arrangements for both paying and monitoring benefits for the unemployed. These would include rigorous testing of availability for work when people first claim benefit, followed by a compulsory Restart interview for every unemployed person after 6 months and again after 12 months. I want to achieve this within the next 12 months.

8. It is against this background that I suggest we need to consider the role of Workfare. I believe it would be wiser to think of Workfare as one element - albeit an important and necessary one - in a much tighter benefit regime of the kind I have described, rather than as an alternative to it. I believe the measures we have begun to implement offer a more certain prospect of exposing those who are not genuinely

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unemployed, without the potential costs of a large scale Workfare programme or its open ended commitment to provide work for the unemployed. I am wary of the concept of "the state as employer of last resort" (page 35) and I doubt if it would be practicable to mount a programme on the scale - 1m or more places - suggested in the Report. As the Annex to the Report points out, nowhere in the United States do these programmes cover more than 20% of welfare recipients and in most states coverage is less than 10%. The Report also rightly reminds us of the capacity of trade unions and local authorities to frustrate a large scale Workfare programme which, as in the USA, relies heavily on providing work in the public services (page 51); but I do not favour the suggestion for trying to overcome this by placing local authorities under a new statutory duty (page 60).

9. Furthermore, the Report seems to envisage most of the 1m places being provided through infrastructure improvement (motorways, railways, water supply and sewerage) where capital costs would be high and the problems of substitution most acute. We have, of course just resisted proposals from the Select Committee on Employment and the CBI for a major job creation programme in precisely this area. The discussion of the size and nature of the proposed programme (pages 57-60) is the weakest part of the Report and seems inconsistent with the costings on pages 46-50. I shall try to persuade Professor Blaug to modify this part of the Report before the text is finalised. Most of the Report is well argued and helpful to our case and I am keen that its public impact should not be weakened by a few passages which seem not to have been sufficiently well considered. I believe the Report, when it is published, can help to educate public opinion to accept the idea of unemployed people having to work for their benefit.

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10. I do not for a moment underrate the inherent appeal of the Workfare concept, if properly explained and understood. The idea that unemployed people should work in return for the benefit they receive accords with most peoples' natural instincts for justice and fairness. It would also help to separate the perception of benefit payments to the unemployed from the broad range of other social security benefits. But I have no doubt that the Opposition and the trade union movement would seek to extract every ounce of political capital from misrepresenting a move to Workfare as "slave labour" or a return to the workhouse. The political damage, at a time when unemployment is still rising, could be considerable. We need to prepare the ground carefully and to get over the message that compulsory idleness as a condition of receiving benefit is an absurdity (as countries as different from the United States as Sweden have always believed) and that the unemployed can only gain by being able to keep their working skills and habits alive.

11. I envisage Workfare-type programmes operating primarily for the long term unemployed and as a selective measure for exposing claimants suspected of "resting" or working in the black economy. In the first place, I want to explore ways of moving the Community Programme closer to the "work-for-benefit" model. It would be hazardous to move too quickly in this direction. For one thing, we would risk a large increase in the unemployment count: the Community Programme is now taking up to 200,000 people off the count (and benefit recipients on Workfare would remain on the count). But I do not think that the Community Programme should continue indefinitely in its present form. It has features - such as payment at "the rate for the job" and the reliance on trade union approval for projects - from which we should certainly try to escape and which would not form part of a "work-for-benefit" programme.

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12. Secondly, when we have some experience of operating Restart on a national basis, I shall want to consider the possibility of making some of the elements in that programme compulsory (eg the short Restart courses). Finally, I am considering the possibility of running some pilot schemes to test the response of the unemployed to the idea of working in return for their benefit. Without legislation, participation in such pilots could not be made a condition of benefit but if we could demonstrate through pilots that the unemployed want to have the opportunity to work while they are receiving benefit - and this was the clear message of the "Panorama" programme - we should have gone a long way to neutralise the opposition to the concept of Workfare.

13. At least some of these developments could not, for the reasons I have described, come to fruition until the other side of a general election. But I want to begin to explore them now with a view to producing a further report before the end of the year.

14. For the immediate future, subject to securing the modifications in the Report I have mentioned above, I propose

- (i) to arrange for Professor Blaug's Report to be published as soon as the text has been finalised to sustain the public debate on Workfare initiated by the recent "Panorama" programme.
- (ii) to seek the views of the Select Committee on Employment on the Blaug Report: if the Committee is serious about providing temporary work of value to the community on the scale they have proposed they must be prepared to face up to the issues discussed in the Report.



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15. I am sending copies of this minute and the Blaug Report to the Chancellor of Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Social Services, the Chief Secretary and Peter Morrison.

*John Lambert*  
*Private Secretary*  
*(Approved by the Secretary of State*  
*and signed on his behalf.)*

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2 May 1986

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WOULD 'WORKFARE' WORK?  
A Feasibility Study of a Workfare  
System to Replace Long-Term Unemployment  
in the UK

by

John Burton\*

with an accompanying report on  
Workfare : the US Experience

by

John T. Addison#

\* Study conducted under the general supervision of Professor Mark Blaug, Director, Employment Research Centre, University of Buckingham.

# Professor of Economics, University of S. Carolina.

Acknowledgements

While the authors share responsibility for the reports, they benefited from the contributions of others. As principal investigator for the study, John Burton undertook the preparation of the main report, investigations of European experience, the workings of the Community Programme in the UK, and oversaw the questionnaire study of the acceptability of workfare in the UK. Professor John T. Addison took primary responsibility for the study of workfare in the USA. Steven J. Byron, Lynette Causey and Deborah Lisa provided excellent research assistance on the project and, in particular, undertook the bulk of the interview studies on the Community Programme and the questionnaire study of attitudes to workfare and the CP.

Notes on Organisation of the Study and of the Report

Apart from a literature search on workfare and related matters conducted at the LSE and Central Westminster Reference Libraries, the bulk of the research project comprised the following lines of investigation:

A. An Examination of the Workings of the Community Programme (CP)

Although the CP is entirely 'voluntaristic' in design, both as regards programme participation and project sponsorship, it provides the closest analogy to workfare to hand in the UK. Three MSC Areas were therefore selected, of differing characteristics, especially as regards their employment/unemployment characteristics - Tyne and Wear, Oxfordshire/Berkshire, and Birmingham (primarily, Central and N. Birmingham). In each such field study, structured interviews (taped) were conducted with MSC officers (Employment Division), CP link and other managers, CP participants, sponsors, and others. These results were subsequently compressed into three field-study reports. They cover a variety of different types of CP projects, ranging through environmental improvement, to social work/voluntary organisations, to arts and crafts.

These field studies are not included in the body of this general report, for reasons of space, although typed copies of them are available.

The purpose of the CP field studies was to shed some light on the following sorts of questions:

1. Ideas about deadweight, substitution and displacement effects of CP-type activity (no quantitative estimates could be made, or were attempted, but the 'qualitative' picture - the variety of opinions, especially of MSC and CP managers and sponsors - is summarised in the studies);
2. Views about the likely size and strength of institutional and vested interest barriers to expansion of CP/workfare-type activity, as might arise from private and public sector unions, private enterprises, and full-time employees/managers, in local government and public sector agencies;

3. The difficulties likely to be encountered - attitudinal and institutional - in moving from a CP 'voluntary model' of community work organisation to a workfare model for replacing long-term unemployment;
4. Current difficulties - e.g., wage levels on CP relative to benefit and market wage levels; shortage of skilled labour and managers; quality of projects; difficulties in programme monitoring techniques - encountered in operating the CP as currently constituted;
5. The 'scope' in various directions - e.g., the environment, infrastructure, leisure and recreation, social/voluntary work, education/training, arts and crafts, private sector involvement - for massive expansion of CP/workfare-type activity, to  $\frac{1}{2}$  million,  $\frac{3}{4}$  million, 1 million or  $1\frac{1}{4}$  million participants (i.e., a sizeable fraction of the long-term unemployed);
6. The difficulties that would be encountered from a managerial / operational perspective for the MSC and other relevant agencies / Departments (e.g., DHSS) if given the task of organising a workfare system;
7. An evaluation of responses to the idea of workfare, particularly from CP participants, current project sponsors and managers, and MSC personnel at various levels.

The results are drawn upon in this Report.

#### B. Examination of the Experience of Other Countries

The history and workings of work test requirements, unemployment and social security benefits, public relief/training programmes for a number of other relevant countries was investigated via document research, interviews with (British and foreign) attachés, labour market officials, etc.

Attention in W. Europe was directed primarily at the experience of Sweden and Switzerland and - to a much lesser extent - Austria and Denmark.

It became clear, however, that the primary example of interest would be that of the USA where, since 1981 (under the Omnibus Budget Reconciliation Act of that year) - and indeed, before

that - there has been much experimentation at state and county level with work-related schemes for welfare dependents (currently some 38 states have such schemes). Primary responsibility for the US end of the study was subcontracted to Professor John T. Addison, whose summary report on US experience with workfare accompanies this feasibility study.

C. Consideration of the Likely Net Exchequer Costs of a UK Workfare System

Estimates of the net exchequer costs of various types of UK Special Employment Measures (SEMs, hereinafter) do exist, but the reliability of such figures as a guide to the costs of a thorough-going workfare system are dubious, at the least. The reasons for this are considered in the body of the feasibility study.

D. Questionnaire Study of Knowledge of the CP/Opinions about Workfare

As the practicability of any policy regime in part depends on its acceptability - and as workfare, specifically, might be seen by some as a 'controversial' policy innovation - a random sample of opinion in three London areas (300 respondents) was conducted on attitudes to the concept of workfare. In each case the idea of workfare (which, of course, is an American term that is unfamiliar in the UK) was explained to the respondent before their opinions on it, regarding both its acceptability, and likely success in reducing unemployment, were canvassed and recorded.

Respondents in the same sample were also asked a series of questions about the CP to examine their knowledge of the Programme and their attitudes towards it.

The detailed breakdown of the results are not provided in this report, although they are available. The main findings are, however, referred to in the study.

(v)

E. Consideration of the Current Workings of the UK Unemployment Benefit System

Interviews were undertaken with a number of DE and DHSS officials to examine the current workings of unemployment and supplementary benefit systems, specifically to investigate: how work test requirements were dealt with in the UK, cf the experience of other countries; the detection of benefit fraud; and to assess the changes necessary were a workfare system to be instituted in the UK.

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## I. INTRODUCTION

'Workfare' is a term coined in America to describe a type of welfare state arrangement towards unemployment. The idea of workfare is brought out best by contrasting such a system with that particular variant of the welfare state, in relation to treatment of the unemployed, as currently operates in the U.K.

A key feature of the latter system is that payments of benefit to the able-bodied but long-term unemployed are effectively unlimited in duration. Unemployment (or insurance) benefit is paid only for 312 days (12 months on a 6-day week basis), but are followed by supplementary benefits which may be paid for an indefinite period of time. Moreover, as we shall later see, the evolution of the administration of British employment policy and social policy since the early 1970s has resulted in the virtual elimination of any effective work test or requirement in the disbursement of unemployment and supplementary benefits (UBs and SBs hereinafter).

Under a workfare system, by contrast, payment of benefit to the able-bodied long-term unemployed (LTU) is made conditional in some way on the express willingness of an LTU person to undertake a job, training course, or course of education offered by the state. If the LTU person - say, after 6 months - has not found a job, then the state offers one (or training), and this must be taken, for continued receipt of benefit to obtain. Failure to comply with this requirement to work/train implies suspension, or considerable reduction, of benefit. Thus under a workfare system government is not simply a welfare administrator, but also 'employer/trainer of the last resort'; and, moreover, these two functions are linked together.

The purpose of this study is to consider the feasibility of entirely reforming the operation of the UK unemployment and benefit administrative systems (job centres; benefit offices; the MSC; SEMs such as CP and YTS etc.) along the lines of a thorough-going workfare system, drawing upon both experience in

other countries - specifically the USA, Sweden and Switzerland - and in the UK with those elements of the present structure of administration that would require modification or expansion if a workfare system were to be instituted here (e.g. the CP). The central question underlying these deliberations is to see whether workfare would be a workable, effective and efficient means of tackling the problem of long-term unemployment in the UK.

Section II of the study elaborates the case for workfare, both as regards its analytical foundations and supporting evidence. This includes an evaluation of the case for workfare vis-a-vis a looser SEMs system - in which there is no work requirement - such as the 'jobs guarantee' for the LTU, as advanced by the Charter for Jobs<sup>1</sup> and, on a less ambitious scale, by the House of Commons Select Committee on Employment.<sup>2</sup> Section III looks at some of the difficulties that would be encountered in implementing workfare in the UK: problems relating to its acceptability, administration, cost, and the problem of whether, given institutional barriers, vested interests, and crowding out effects, enough work could be made available under a workfare system to eradicate, or at least substantially reduce, the problem of LTU in the UK. Section IV offers some conclusions and recommendations both in the light of the foregoing and the accompanying report on the US experience with workfare by Professor John T. Addison.

The remainder of this Section considers the background to the evolving debate on workfare - namely the demise of the work test as an element of British employment and benefits policy; and procedures regarding this matter in other European countries (Switzerland and Sweden).



The Work Requirement and the Administration of Placements and Benefits in the UK

According to the formal rules of the UK benefit system, unemployed claimants are eligible for the national insurance unemployment benefit (for 312 days) only if:

- (i) They have an adequate insurance payments record;
- (ii) They have not left their last job without good cause; and
- (iii) They do not refuse employment offered to them without 'good reason'.

Failure to comply with any of these requirements may lead to the withdrawal of benefit for up to 6 weeks - the so-called 'benefit stop' principle - and a 40% reduction in the claimant's entitlement to supplementary benefit.<sup>4</sup> The DHSS also has requirements relating to the payment of SB, of which the main ones are as follows:

'In the first place claimants have to register their right to benefit at a local office where they are out of work through no fault of their own; that they have not refused suitable employment without good reason and that their total income for the relevant week is below the specified level of requirements.'<sup>5</sup>

Failure to comply with these requirements, as when the claimant knows of a suitable job (or a suitable offer of training) but fails to do anything about it, could incur the application of a so-called 'voluntary unemployment deduction': a reduction in SB for up to 6 weeks, being a maximum of a 40% reduction in normal cases, and a maximum of a 20% reduction if a member of the claimants' household is pregnant.

Despite the administrative changes that have taken place over the past 20 years in the operation of the DE and DHSS - such as the abolition of requirement to register at a job centre for claiming UB in 1982 - the basis of this system remains the same now as then, the (work) Availability Test, or 'A-Test'. Prior to the separation of the public employment service and the administration of unemployment benefits from 1973 on (see later), the A-test was applied by officers of the DE at job centres;

and subsequently by officers at benefit offices, in locations distinct from job centres. Nevertheless, the test is the same in essence: the investigating officer seeks to detect whether the claimant is truly available for work and actively seeking it. Claimants may be requested to come in to see an investigating officer, and failure to do so could incur application of the benefit stop principle.

#### Machinery for Policing the Benefit Systems

The systems described above are backed by a number of administrative devices to detect and deal with benefit fraud:

(i) The DE has teams of officers engaged in tracking down fraudulent claims for unemployment benefit. In 1965 there were only 9 such officers; but by June 1976 there were 174 part-time and 130 full-time staff so engaged. A decade later, their numbers had grown dramatically to approximately 1,000 full-time (equivalent) staff. This rise is attributable to two causes - first, the rise in the number of claimants since 1976, and, second, because policy has more recently veered towards the intensification of benefit fraud detection/deterrence.

DE benefit fraud investigators draw upon a number of sources of information to conduct their work: observation of suspected benefit fraudsters, anonymous letters and tip-offs, complaints from employers about attitudes of an interviewee who has been sent as a result of job centre referral, and "instinct": the investigators' 'benefit of their special experience and instinct' (Hansard, 6 Aug 1976, Vol. 916, col. 1133).

To such traditional methods of detection have recently been added experiments in area "swoops", whereby the normal size of team allocated to such duties is strengthened in number by drafting in additional officers from other regions for a 6-week campaign of sustained detection work. These swoops are not announced (e.g. in the local press) but officers concerned allege that word-of-mouth "advertising" of their presence commonly leads to very significant reductions in the numbers

registering for benefit; figures of around 50% signing off benefit were quoted to me by officers interviewed as part of the study.<sup>6</sup>

Some figures have been quoted publicly by the DE of the net savings and other consequences in the case of two such recent "swoops" - the Thames Valley, and Chilterns operations, conducted in 1984 and 1985 respectively. These figures are shown in Table I.

[Table I near here]

In earlier times, success in UB fraud detection was mainly considered in terms of whether or not it resulted in (successful) prosecution; but more recently the emphasis has been on the net savings to the Exchequer as a result of detection. The net savings figures quoted above, plus officers' verbal evidence on the amount of signing off as the result of swoops, may be taken as indications that there are considerable volumes of voluntary unemployment on the benefit registers, and thus scope for a thorough-going workfare system.

(ii) The supplementary benefits system operates its own additional controls procedures. These may be summarised as follows:

'If the officer in charge of the [claimant] interview is not satisfied on any point [e.g. that they have refused suitable employment without good reason], it is normal for no payment to be made until a full investigation into the claimant's circumstances has been completed. This generally includes visiting the claimant's home and collecting information about the claimant from neighbours and local tradespeople. When these enquiries are complete a claimant may still be refused benefit. Local officers have a long checklist in order to help them determine whether claimants should be refused benefit at the outset.'<sup>7</sup>

Since 1954 the supplementary benefit system has employed its own specialist officers engaged in detecting benefit fraud, including that arising from the drawing of SB while being in work. These are currently about 550 (full-time equivalents)

in number, and are allocated approximately as one office to each benefit office. It is, however, impossible to discover how effective this system is as regards the 'refusal of suitable employment' rule for disqualification to benefit. The Supplementary Benefits Commission (SBC) does keep figures on disqualifications, but those relating to the number of unemployed claimants refused SB on grounds of lack of availability for work are not readily obtainable.<sup>8</sup> Answers to Parliamentary Questions would suggest that in approximately 40% of cases of investigations regarding undisclosed income allowances are withdrawn or reduced once investigation is completed.<sup>9</sup> (Note, however, that this covers investigations into undisclosed income, not non-availability for market work.)

(iii) Unemployment Review Officers (UROs) of the DHSS. Since 1961 the DHSS have also used the services of UROs. These were initially envisaged as being primarily in a welfare counselling role, but have over time become officers concerned with voluntary unemployment, keeping such claimants 'under review', sending them letters and interviewing them on their efforts at finding work. Currently, there is approximately/on average one such URO in each benefit office.<sup>10</sup>

(iv) Regional Medical Officers of the Health Department. Claimants who claim to be too ill to undertake full-time work may be referred for an examination to these officers. In the mid-1970s referrals arising, as regards both SB and UB claimants, were running at the rate of around 5,000 a year, but more recently at a rate of around 47,000 a year.

(v) 'Section 25' Prosecutions. Under Section 25 of the Supplementary Benefits Act of 1976 claimants are under the statutory duty to maintain themselves and/or their dependents, and may be sued for failure so to do. In 1975 there were 647 such prosecutions, in 1984 there were 186.

# **SPECIAL NOTE**

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A basic weakness relates to the initial A-test. Claimants are simply asked to complete a form (UB461) at a benefit office which asks simply 'Would you take any job you could do?' If the response is 'yes', then claimants are automatically presumed to be available for work. Only if the response is 'no' are claimants given another form (UB671) which asks the more detailed question of - effectively - 'why not?' Respondents may quote reasons of health, family, etc; their case may then be referred to a more senior officer for consideration.

It is unsurprising that over 99% of all claimants answer 'yes' on UB461, as availability for suitable employment is, as we have seen, technically a condition for claiming UB. Claimants therefore have a strong incentive to answer in the positive, whether this is true or not. In most cases, this is the end of the 'challenge' under the A-test.<sup>11</sup> This situation contrasts markedly with control procedures in Switzerland (see later), the experience of the UK in the 1950s and 1960s - although the A-test was essentially the same then in form - and with the concept of a workfare system, in which claimants are (eventually) automatically challenged on availability by a positive offer of work or training. The current UK system contains no means of "up-front" processing or interviewing relating to why a claimant is signing on for benefit, apart from the completion of a simple form.

The weakness of this system is compounded by the complexity of the appeals procedure in cases of disputation (e.g. if the claimant answers 'no' on UB461, or doubts arise in a URO's mind about a case he is reviewing). Such cases are eventually referred to Adjudication Officers (AOs), who are independent appointees (yet in most cases drawn from the ranks of the DHSS). UROs are sometimes loth to do this as - in the words of one senior DE official concerned with UB - the AO may 'stick two fingers up on the referral', thus passing doubt on the URO's competence. Moreover, the claimant may take a negative decision of an AO to a higher level of the independent adjudication authority for appeal. One senior DHSS official indicated that the tendency was that if an AO thought an appeal was likely, he/she would

give the claimant 'the benefit of the doubt'. If, nevertheless, a case does get before an appeals tribunal, a claimant may refer a negative decision even higher in the system - to the Appeal Court of the Social Security Commissioners. This hears about 2 cases a year. Thus the system would seem to have an in-built tendency to operate for a 'quiet life', in order to avoid administrative hassle.

Another deficiency of the availability criterion in the UK concerns the matter of availability for what? The Social Security Acts stipulate only that a UB/SB claimant who is able-bodied must be available for 'suitable' employment. The concept of 'suitability' has never been defined by statute. UROs (prior to 1982 also employment officers in job centres) operate by rules of thumb such as that which is suitable is partly a matter of how long the claimant has been unemployed. For example, if a claimant registered as a carpenter had been unemployed for 6 months, then the suggestion of a labouring job 'might be appropriate'. These rules of thumb seem to vary with local labour market conditions, the general economic situation, officers' individual assessments, and the claimants' case history.

Although no hard quantitative data on this matter can be established - as the workings of the systems depend on innumerable individual decisions - there are indications that both Sweden and Switzerland (see later) apply the concept of "suitability" in a far tougher way, and are prepared to back this with the sanction of withdrawal of benefit. A thorough-going workfare system formalises the availability and suitability criteria. Under workfare those in LTU are eventually tested on availability for work by the designation of what constitutes 'suitable' employment (and/or training) by the operating agency.

Reference to Switzerland and Sweden raises the point, noted by DC, MSC and DHSS personnel in interviews, that the difficulty of applying the A-test is heavily dependent on local, and general, labour market conditions: 'if there are no jobs to be offered, it is difficult to apply a work test to a claimant.'

This is clearly much easier to do in Sweden and Switzerland, where recorded unemployment rates are much lower than in the UK today. Workfare theoretically removes this constraint, by turning government into 'the employer/trainer of the last resort'. This, however, in turn depends on whether enough work can be generated under workfare to soak up the LTUs without detriment to other employment via crowding out, substitution etc. (see Section III).

(b) The Benefit-Stop Sanction and Section 25 Prosecutions

UB claimants may have their benefit stopped for up to 6 weeks (and SB reduced) for having left a job voluntarily; for dismissal for misconduct; for failure to obey written instructions (e.g. failure to attend an interview with a URO); for knowing of a suitable job but failing to do anything about it; and refusal of an offer of suitable employment.

It is this benefit stop principle that underpins the A-test. It contains, however, an inherent weakness as a sanction: while claimants may have their benefits stopped for a maximum of 6 weeks, they are still entitled to the same 312 days of UB thereafter. Thus the so-called benefit-stop sanction is nothing more in reality than a benefit delay sanction.<sup>12</sup> Obviously, individuals may 'tide themselves over' this period (perhaps with savings, moonlighting, or redundancy pay), in the knowledge that the same amount of UB will eventually be given to them. Moreover as noted above under item (a), any such benefit "stop" / delay may be challenged through the complex hierarchy of the independent adjudication system.

Interviews with DHSS officials suggest that many are averse to application of the benefit-stop sanction on claimants. Comments were that it was 'not an easy procedure to operate'; 'offputting to staff' to apply it to a claimant; and that, in consequence, its operation was 'very rare'.



Benefit-stop in the UK system was, however, until recently underpinned by another potential sanction, whereby claimants could - as a last resort - be directed to attend a Re-establishment Centre for up to 13 weeks. These are now going to close.

In conclusion, the application of benefit stop in the UK - or rather delay - is regarded by officials interviewed as somewhat 'awkward' to operate, for various reasons. Ultimately the system of sanction is underpinned by the possibility of a 'Section 25 prosecution'. However, this has the reputation of being a 'terribly long and complicated procedure' which, by implication, is best avoided if at all possible. One senior DHSS official also observed in this connection that in inner city areas in particular 'magistrates don't like handling these sorts of cases', thus adding another "bias" to the workings of the controls system.

The consequences of this situation are clearly revealed by the figures for Section 25 prosecutions over recent years. The figures in Table II below relate only those prosecutions for failing to maintain oneself - that is, prosecutions for shirking. The startling fact is that such prosecutions have always been miniscule in number - and since 1982 there have been none at all!

[Table II near here]

There are some indications that in Switzerland (see later) the benefit stop sanction is applied in a tougher way than in the UK. The concept of a workfare scheme also depends critically upon the application of a true benefit stop to those in LTU who categorically refuse employment/training offers from the designated workfare agency. The actual operation of workfare schemes in the US (see Addison appendix on US experience with workfare), however, suggests that this principle has not always and everywhere been applied according to the letter of the "pure theory" of workfare.

(c) Administrative Changes and the Efficacy of Controls Procedures

Since the early 1970s the administrative services concerned in the UK with placement and payment of benefits, and related matters, (e.g. training and community work), have gone through a series of revolutions and developments. Whilst each change taken singly by itself may have been warranted by some then over-riding objective (e.g. the provision of more accessible or attractive placement services; a desire for economy in the operation of administrative procedures), our interview studies suggest cause for concern about the net, accreted effect of all these changes upon the efficacy of controls procedures.

Under what might be described as the "old system" of placement service and UB payment - as obtained in the 1960s - both activities were conducted in the same building i.e., an Employment Office. Officers were expected to take an 'integrated view' of each claimant, encompassing both their employment record/ placement situation and their benefit entitlement situation. The self-same officer was thus - in the light of his knowledge of the case and of local labour market conditions - in a position to apply the A-test directly. (This, at least, was the theory. In practice, it appears from interviews that some division of labour/specialist management was necessary, with employment officers specialising as either 'unemployment/placement men' or 'benefit people'.) Case officers could oblige claimants to come in by letter (under pain of benefit stop) and - in the "never had it so good" employment climate of the 1950s and early 1960s - were able to offer interviews for jobs, and to require attendance thereto (see (d) below). Ultimately, the Secretary of State could direct someone to go to see an officer of an Employment Office. Cases of such direction then ran at something like 20 per year overall.

The transmogrification of this "old system" started with the creation of the MSC in 1973/4. This involved a number of significant changes in controls procedures. First, during 1973 the changeover to a system of postal payment rather than cash

was completed, and a system of computerised claims and payments was instituted over the ensuing 3 years. Second, UB was henceforward to be administered separately from placement activity, in separate and distinct benefit offices, unattached to the new purpose-built job centres (a development that took the rest of the 1970s to complete). The appealing idea behind this was that placement activity would be given a 'new look' and a marketing orientation, rather on the model of private employment agencies for office temps (or, as one DE summarised the development pithily in interview, 'the job centres didn't want to get dirty'). A related argument for the new concept/image of public placement activity was that the 'old system' - in which benefit payment was more closely related to placement and the A-test - was generally thought to discourage notification of vacancies to employment offices by potential employers, who often feared they might be sent a poorly-motivated interviewee as a result of the A-test. Henceforward, the orientation of the job centres was to veer away from this sort of activity for reasons of image, and towards the encouragement of vacancy notification (although initially certain responsibilities for UB were to be retained by job centre staff, as payment of UB was still linked to employment availability. This was handled by the 'transit card system' between the benefit and job centre services - see later).

A third aspect of the new job centre concept was the introduction of "job-shopping" facilities. Although initially a "fluid" arrangement/approach,

'The common feature however is the self-service idea, and specially designed layouts and furnishings. The cubicles used in existing employment offices are to yield to spacious, fully carpeted and attractive open plan interview layouts...'<sup>13</sup>

The unforeseen consequences of all these changes in orientation and administration were, however, twofold. First, the connection between payment of benefit and placement/availability assessment was to be eroded - with some link remaining via the transit card system - and, second, that contact between job centre placement staff and many claimants was to be eroded by the self-service innovation.

This breach was further reinforced by new administrative arrangements introduced in 1979. Previously, claimants of UB were required to attend the benefit office once a week to claim; after 1979 this became once a fortnight. Indeed, if we go further back, to the early-to-mid 1960s, attendance was required twice a week - once to claim and once to collect (this was reduced over the country to once a week after 1968 with the gradual introduction of postal, giro payments, so that attendance everywhere after 1973 was required only on a once-weekly basis for claiming, and not collection). Going even further back, to pre-war days, attendance had been required for claiming/collection on a once-daily basis. There has thus been a long-run erosion in the incentive to attend for benefit purposes, which has to be set against the administrative savings made possible. The relative time-costs of benefit collection have shown a secular fall due to these changes in procedures. Reviewing at the beginning of the 1980s the result of such changes in the administration of benefit incomes over the 1970s in particular, Professor Richard Layard concluded:

'Thus we have the picture of a service which has increasingly served the easy-to-places. Those who are workshy are not offered jobs, and because they were not offered jobs, no sanctions could be used against them: it is very difficult [under current UK arrangements] to help a man to help himself.'<sup>14</sup>

The attendance requirements embedded in the operation of the system<sup>(a)</sup> were further reduced by the abolition of the requirement of registration at a job centre in order to claim UB, as a result of the "Rayner reforms" introduced in October 1982. These were aimed at eliminating the extensive amounts of paperwork generated by the transit card system, which was itself made necessary by the earlier splitting of placement services and benefit offices (in 1974). Under this system, job centres would have to notify benefit offices by a transit card of registered claimants' availability for work and placement opportunities; benefit offices had to notify job centres likewise of claimant responses to claim forms and

URO interviews. The system thus involved a whirligig of paper between two officers in two separate organisations (the MSC and DHSS). It was readily admitted by officials who were interviewed that the pre-1982 system was a 'gross failure' in terms of excessive paperwork and the costs in terms of staff time.

The Rayner (Efficiency Unit) solution to this problem was to ditch entirely compulsory registration of the unemployed at job centres. This did, indeed, lead to considerably staff savings (some 3,000). It also, however, led to a further severing of contacts between unemployed claimants and job centre placement staff. Since 1982 there has been a '... dramatic drop in numbers registering at job centres once such registration became voluntary.'<sup>15</sup> This is clearly revealed in the figures given in Table III below.

[Table III near here]

A related consequence - foreseen presciently by Hill in 1974<sup>16</sup> - is that UROs have in effect become a 'second line' employment service; yet are located in the DHSS benefit offices, which conduct no placement activity, and which do not have expert information on the local (or national) labour market. Showler also commented, writing in the mid-1970s that;

'...there is a danger that an (increasing) distinction will be made between those whose unemployment is just a temporary problem of movement from one job to another, and those whose unemployment results from a seriously disadvantaged position in the labour market (e.g. LTUs), so that the latter group becomes the prime concern of the organisation which has taken over the legacy of the Poor Law while the former get the benefit of all the modern developments in methods of counselling, placing and training for employment.'<sup>17</sup>

UROs are, to recollect, located in benefit offices. Although they have in effect become a second line employment service, they are not employment officers (of the MSC) and are culturally conditioned by their own Department's "philosophy". Senior DE officers did state that they felt UROs' behaviour did reflect

'DHSS attitudes' - that is, with the correct payment of benefit being seen as the prime task, and dealing with unemployment being awarded secondary status.

In summary, a series of administrative developments in the UK since the early 1970s have led to a further erosion in the applicability of the 'availability for work' criterion for benefit in the UK.

(d) The Effect of the General Climate for Employment on the Controls Procedure

In the 1950s and 1960s recorded unemployment was low - sometimes as low as ½% of the labour force. This made the workings of the controls procedure relatively easy in a number of ways. First, employment officers had time available to conduct interviews with claimants, and to follow progress up. 'Review interviews' for all claimants were then apparently conducted on average every 6-8 weeks by employment officers. The latter also had plenty of vacancies to offer the UB claimant - except in unemployment "black spots" - for (if necessary) the application of the A-test. This combination of extensive interviewing and the general availability of vacancies afforded some means of policing the benefits system - subject to its inherent weaknesses, as noted above under (a) and (b). (As one former employment officer recalled of those times, 'about 47% of claimants would sign off if I started chasing them through recurrent interviewing.')

Changes in the general climate for employment from the early 1970s onwards contributed to the erosion of the efficacy of the controls procedure arising from the institutional changes noted above under (c). With a secular rise in the recorded rate of unemployment, progressively little time could be given to interviewing claimants, according to the recollections of those officers surveyed as part of this study. Nor, in their opinion, under current conditions are there generally enough vacancies for the A-test to be readily applied, except at the cost of annoying employers by sending along a succession of poorly-motivated candidates for job interview. To do so would

court the (highly probable) risk of a dramatic decline in the notification of vacancies to job centres, which would only exacerbate the general situation. These points apply with especial relevance to areas of extremely high LTU concentration, such as (currently) Knowsley, Liverpool, Middlesbrough, Hartlepool, Manchester and Sunderland.

The case for a workfare system in part rests on the point that it avoids, under idealised conditions, any such "vicious circle" effect as portrayed in the preceding paragraphs. Applied in a thorough-going fashion, interviewing of all LTUs with a view to work assignment/training is automatic, an inherent feature of the system. Second, the provision of community work/training slots under workfare means that employers notifying "real" jobs to the public placement agency need not be deterred by the prospect of being pestered by work test assignees.

#### Recent Developments in UK Manpower Policy of Relevance

On January 6, 1986, a number of pilot measures aimed at reducing LTUs in nine areas of the country, and to run for 6 months, were put into operation under the general title of the Job Start Scheme. Two elements of Job Start are of especial relevance to this study, as they represent a move towards practices widely used under workfare on the American model. First, all LTUs are to be offered an in-depth interview leading to the offer of a job, a place on the CP, entry to the Enterprise Allowance Scheme, a place on a MSC training course, or membership of a Jobclub. Second, there has been the introduction of an entirely new short (1-2 week) course for LTUs concentrating on assessment of potential and aptitudes, the updating of basic working skills and techniques of job search, applications and interviews. In addition, by March 1986 half a million unemployed people were sent a letter advising them of services available at Jobcentres to get a job, and suggesting they call in to discuss their needs.

In the Budget Statement of March, 1986, this exercise was extended into a national scheme.

It is upon such developments - together with an expansion of the CP and the YTS - that the implementation of a workfare scheme in the UK would need to build, taking into account the experience of other countries in this policy area.

#### Policy and Procedures in Other Countries - Sweden and Switzerland

Both Sweden and Switzerland are of interest with respect to this study, providing contrasts in benefits controls procedures and labour market policy with the UK systems.

#### Sweden

Swedish labour market policy, which includes large-scale training programmes and local and national government projects, is based upon the "employment principle" as opposed to the "cash assistance principle":

'The employment principle means that it has been considered preferable (since World War II) for the public sector to ensure the availability of temporary jobs or vocational training for the unemployed, rather than to passively provide cash assistance.'<sup>18</sup>

The National Labour Market Commission (Arbetsmarknadssyreleen, or AMS) was created in 1948 as a central government agency, during which reorganisation Employment Service Offices (previously local) were nationalised. These Employment Service Offices have long played a part in Swedish labour market policy endeavours. In the mid-1970s, as the situation of the Swedish labour market moved from one of shortage of skilled labour and the necessity to relocate manpower from one region to another, to that of growing general excess supply of labour, labour market programmes were expanded under the aegis of the AMS and the Employment Offices. In the recession of the late 1970s, these programmes - relief work, programmes to generate jobs for the old and the disabled, and for labour market training -



covered some 4% of the labour force; approximately double the then recorded rate of Swedish unemployment. The indication of the size and growth of Swedish Labour Market Policy Programmes is given in Table IV, below.

[Table IV near here]

The Employment Service, under the direction of 24 District Labour Boards, has an integrated function of (a) evaluating the need of each job seeker for labour market training, vocational rehabilitation, relief work, relocation grants (and etc), and (b) monitoring the disbursement of cash benefits to the non-unionised unemployed. Unlike the current UK system, then, the Swedish Employment Service has a comprehensive responsibility for labour market policy measures.

At this point it should be noted that in Sweden two separate types of cash benefits are available to the unemployed:

(i) Voluntary unemployment insurance, administered by approved unemployment insurance societies, of which there are currently 44, with some 3.3 million members. These are closely associated with the trade unions; but union membership does not imply or require membership of the associated voluntary insurance society. (However, only about 10% of the expenditures of the societies derives from membership fees and other, e.g. asset, income; and 31% comes from government subsidies, consisting of both a basic grant and a progressive grant the latter of which is related to the level of unemployment among the members of each insurance society. The rest comes from employer contributions.)

(ii) Cash labour market assistance payments (KAS). This benefit is payable to people aged 20 or over who do not belong to an unemployment insurance society, or do not fulfil its membership requirements.

The unemployment insurance societies pay benefits only upon confirmation by the Employment Service that the claimant is registered as a job seeker at one of its offices. Benefits are payable for a maximum of 300 working days,<sup>19</sup> up to a maximum daily amount fixed by Parliament, currently 315 SKR per day, and may not exceed 91.7% of previous earned income. Daily benefit may thus vary from one society to another, and from one person to another - although it appears that in most cases, the maximum amount allowed by Parliament is paid.

KAS payments are considerably lower than unemployment insurance payments, at SKR 100 (£8.83) per day (for a maximum of 150 working days), and are subject to tax. As a general rule, moreover, a jobless person must have been employed for five of the previous 12 months to qualify for KAS. (In some cases, people with unemployment insurance who do not fulfill all of the requirements for compensation from their insurance society may claim KAS payments.)

If a person is not covered by any insurance system, or if KAS benefits are insufficient, then he or she may now receive (since 1982) public assistance intended to cover such basic needs as food, clothing, and housing, administered at the level of the municipality (and which wield more power than their UK counterparts).

The Employment Service in Sweden (unlike the UK) plays a central role in monitoring the benefits system and operating control procedures. It

'... has the task of ensuring that an applicant for unemployment insurance is willing to take a job. It is also expected to question a person's entitlement to benefits if it can prove that he is not prepared to accept suitable work or referral to an appropriate labour market policy programme, such as labour market training.'<sup>20</sup>

The claimant has to show up at intervals decided by the Employment Officer, and 'show signs of actively seeking a job'. There is no hard-and-fast rule on what this means, but from interviews it appears that there is an uncodified rule in the Swedish Employment Offices that a claimant may generally be allowed to refuse job/training offers twice - but not a third time.

The Employment Service carries out its monitoring by notifying the insurance society if there is reason to doubt a member's right to benefits (e.g. refusal of a job offer). The society then reviews the case and may suspend benefits for up to 20 days. If the member repeatedly refuses offers of work, benefits may be entirely discontinued until he has worked for at least 20 days. In 1984 the Employment Service questioned right to benefit in 3,276 cases, of which some 2,200 were cut off from benefit for 20 days. (In approximately one-tenth of cases, either the Labour Market Board or the relevant unemployment insurance society rejected the opinion of the Employment Service.)

The rules for collecting KAS are similar to those for unemployment insurance, and the Employment Service here again has a monitoring function in the same way as with voluntary unemployment insurance. Discontinuation of KAS occurs under the same rules as apply to unemployment insurance. In recent years, discontinuation of benefit has occurred in about 1,100 cases annually.

In what respects, if any, does the Swedish system differ from that in the UK? There are two obvious ones. First, the employment offices retain the function of monitoring benefits and the availability for work of claimants. Second, the unemployment insurance societies are separate from the state, and indeed are even formally independent of the trade unions. As private but non-profit organisations they do have some incentive to police the benefit system in their members' interests.

The qualitative significance of these differences is, however, difficult to assess, especially given the influence of other differences between the two countries, such as the existence of the "Lutheran ethic" in Sweden. The replacement ratio - often of 90% for many Swedish claimants - is not ungenerous. In relation to the total volume of benefits, discontinuation of benefits 'occurs on a very limited scale'.<sup>21</sup> Moreover, as in the UK, claimants who are suspended can go through a complex appeals procedure to challenge the decision of the Employment Service and the insurance service (via the AMS, and in the last instance the National Social Insurance Supreme Court).

It is particularly difficult to gauge on any quantitative or qualitative scale the rigour with which the work test is applied in Sweden vis-a-vis the UK, although the "two refusals" rule would definitely seem more strict than applies in the UK (where registration at job centres is not even required). Interviews with Swedish officials revealed that there is also greater regional mobility expected of claimants from the insurance societies than that which obtains in the UK, and is actively encouraged by the (industrial) unions (which, remember, have some involvement with the insurance societies).

The situation regarding the treatment of youth unemployment in Sweden undoubtedly does, however, contrast strongly with the UK, and might be described as a "youth workfare" system.

A primary feature of the Swedish "youth workfare" system is that no cash benefits are available to anyone under the age of 20 - or, rather, that the only way for them to receive benefits is to work (or go into an assigned training slot). Up until the age of 18, the schools have the responsibility for finding work for jobless youngsters who have not continued their education at upper secondary school. Special programmes of 'youth jobs' are thus provided for unemployed 16 and 17 year olds, which are offered to all young people if suitable training or regular

employment are unavailable. The Employment Service is responsible for assigning young people to youth jobs, working together with the schools (through local planning councils).

After the age of 18, the Employment Service has full responsibility for finding employment /training for young people. Quite apart from the battery of measures such as labour market training and recruitment subsidies associated with the concept of "active labour market policy" in Sweden, since the beginning of 1984 the Employment Service has the last resort option of assigning an unemployed 18/19 year old to a "youth team". Municipal authorities are required by law to arrange jobs in youth teams - essentially, CP type activities - for those who cannot be given work or training. Programme participants work 4 hours per day for wages stipulated by the going rate for the job (as laid down in collective bargaining contracts).<sup>22</sup>

Youth team jobs must be offered within three weeks of registration at an Employment Service office, and must involve work which would not otherwise have been undertaken. The employer receives a government subsidy to cover labour costs. The law mandating provision of such jobs covers not only municipalities but also central government agencies, county councils, local government federations, Church of Sweden parishes and Church-related organisations.

The purpose of this youth workfare system is to ensure that no-one aged 18-19 should have to be unemployed longer than three weeks; note, however, that failure to accept a youth team job (or other offer) would mean complete absence of insurance benefit or KAS. Youth unemployment, compared to the pre-1984 situation, appears to have been 'considerably reduced',<sup>23</sup> although - and predictably - unemployment of young people in the age range 20-24 remains relatively high.

The youth team concept reflects a long-established emphasis in Swedish labour market policy on the provision of relief work as a last resort measure against unemployment - a tradition that dates back to Bills passed by Parliament in 1912. In

1920-21, for example, emergency relief work projects accounted for the provision of 1,600 miles of public roads and the reforestation of 50,000 acres of land, a large number of timber floatways, sports complexes, and harbour expansion schemes.

Swedish relief work continues with this emphasis upon construction projects, forestry and environmental protection, but has more recently been expanded into a broader range of occupations/activities (in December 1985 some 53,000 were on different kinds of relief work, as against 32,000 in labour market training). People on relief jobs have to be registered with the local employment service office, and if offered an "ordinary" job they are supposed to accept it, and to vacate the relief job.<sup>24</sup>

A problem mentioned by some Swedish policy-makers concerning this extensive system of relief work is that some depressed areas - especially in the North of the country - have become totally or excessively dependent on it. Others refer to a noticeable reluctance of workers in these areas 'to leave well-paid relief work' and migrate to other parts of the country. These comments indicate a potential problem with workfare to which we shall later return (in Section II).

What, then, are the lessons of the Swedish approach? Obviously, great caution is required in inducing lessons for the UK, not least because of the considerable historical, institutional and geographical/demographic differences between the two countries. The tripartite nature of Swedish policy-making, for example, has no parallel in the UK and could not be easily replicated without great upheaval. Having said this there are perhaps some inferences to be drawn from Swedish experience regarding the questions with which we are concerned. First, the integrated Swedish system of an employment service that is concerned with not only placement but also registration, training, relief work, youth teams and benefit control procedures does have some advantages over the current bifurcated British system in which these responsibilities are divided

amongst separate agencies/divisions, with consequential loss of information, control and feedback on claimant activity. Second, a thoroughgoing youth workfare scheme can and has been instituted in another European country; so that the model cannot be totally infeasible here, given the necessary resourcing. Third, despite the mandatory nature of youth team job provision (for public agencies and church agencies), this does not appear to have caused 'resentment' to governmental edict - despite the high level of unionisation of the Swedish public sector.<sup>25</sup> Fourth, the "no benefits without work/training" principle applied to the under-20s is not a discernibly major bone of contention in Sweden.

The latter point does not of course mean that the same system could be instituted in the UK without some political and social difficulty. "Benefits" that have never been granted are never (or seldom) missed. Once, however, a group becomes used to the provision of a particular subsidy, its removal is likely to be "felt", and resented - unless there is widespread acceptance of the need so to do. We return to this matter later, in Section III.

#### Switzerland

The remarkably low rate of recorded unemployment in Switzerland invites close attention as to its causes. Recorded unemployment has run at - typically over the past twenty years - a fraction of a percentage point of the labour force, and in some years at 0.00%<sup>26</sup> ... a situation which would undoubtedly have caused the late Lords Keynes and Beveridge to have considered that the economy was in "over-full employment", if such were to have occurred in the UK in their lifetimes!

As with Sweden, the role of the Swiss employment services in producing this situation is difficult, if not impossible, to disentangle from the presence or absence of other factors, as compared to the situation in the UK. Whereas with Sweden the

fundamental problem arises in trying to compare the UK with a country which is twice the size of France (yet of only some 7-8 million inhabitants) and which is corporatist in orientation and traditions of policy-making, the difficulties of comparison with Switzerland are much in the opposite direction. It has no centralised and monolithic trade union organisation(s);<sup>27</sup> and is a confederation comprised of 20 separate cantons and 6 semi-cantons. The influence of Swiss foreign labour regulations, the particulars of Swiss labour relations, and other factors, add complexities to the picture that will not be recounted here.

Until 1977 unemployment insurance was not compulsory in Switzerland and insurance societies - variously sponsored by unions, firms, municipalities and cantons - covered only just over one third of the labour force in 1975.<sup>28</sup> The establishment of a federal unemployment insurance scheme after April 1977 raised the rate of coverage to over 90%.

Premiums were initially set at around 0.3% of earnings, paid half each by employers and employees.<sup>29</sup> These are collected by the Old Age Survivors' Insurance (OASI) organisation, a federal agency, but the revenues are then turned over to recognised private or cantonal unemployment insurance funds, which administer the payment of benefits to claimants. Daily unemployment payments are currently limited under the system to a maximum of 70 per cent of insured income, with supplementary payments for each dependent but with a fixed maximum of 85% of insured income.

Claimants must have contributed for at least 6 months, in the previous 2 years, in the general case, to qualify for any payment of benefit, and the duration of benefits is related to the length of prior contributions. Thus, in 1983 a claimant who had contributed for 6 months previously was eligible for a maximum of 85 working days of benefit; those with a 12 month record for a maximum of 170 days; and those who had contributed



for 18 months or more previously for a maximum of 250 days (exceptions to these rules apply in the case of invalids and the over-55s, entitled to 250 days maximum benefit; and claimants in areas such as the Jura and Tessin with above average rates of unemployment. Those who are ill, just out of prison, or have just returned to Switzerland after working abroad are also dealt with separately on an individual 'special case' basis.) Table V below shows the evolution of unemployment benefits and their duration since 1972.

[Table V near here]

The Table above, however, does not bring out a further feature of the Swiss system. Payment of benefits - and, indeed, only for those entitled to receive such benefits at all - is reduced by 5% after 85 days, and again after 170 days. Nor is there automatic entitlement to the full 250 days (for those fully paid up); this depending on 'need' and family circumstances.<sup>31</sup> Thus UB ceases for all categories of claimant after a maximum of only 8 months - much shorter than in the UK.

Subsequent to the cessation of benefits, the unemployed do not in Switzerland have an automatic and means-tested SB system to fall back upon. Although the Constitution allows the Federal Government to emplace a uniform system of family allowances, strong opposition from cantons has debarred their development at Federal level except in the case of agricultural workers and small farmers. Family allowances under cantonal legislation varies widely, children's allowances ranging from SFR 80 to SFR 160 per month, and allowances for vocational training from SFR 100 to SFR 180 per month. It is to be pointedly noted, moreover, that - charity apart - no social assistance is provided for young unemployed workers. Swiss parents are under the statutory obligation to support their children themselves until the age of 20 - the usual age for leaving the very extensive apprenticeship system (into which around 70% of Swiss youth goes) - or 25, if they are in higher education. Failure to do so would probably mean a court appearance.

The OASI scheme takes care of the old; and there is a compulsory invalidity insurance scheme (since 1960) for all employees. The unemployed who have run through their benefits, however, are obviously under considerable pressure or incentive to find work. In the event of the failure so to do, LTUs in Switzerland have recourse to two main lines of income support: first, taking a temporary relief job or vocational training slot (see later); or, second, recourse to various cantonal forms of social assistance and/or the beneficence of charities. These arrangements again vary widely from canton to canton, but tend to involve a high degree of voluntary sector and church involvement. The help so afforded likewise varies but was described as a general rule (by a Swiss labour market official) as 'just about enough to guarantee survival'.

Salient points arising from the foregoing are as follows. First, the institution of compulsory, general unemployment insurance is of relatively recent origin in time - less than a decade old - and may thus have had only a small influence as yet in generating a "dole culture/psychology", as some observers fear in the case of the UK. Second, whilst the replacement ratios involved in the Swiss unemployment insurance system do not appear on average ungenerous as compared with other countries,<sup>32</sup> there is a cap on the maximum entitlement as a proportion of previous earned income; whereas in the UK unemployment benefit levels are fixed - 'flat rate' - irrespective of income. Third, the duration of UB is much shorter than in the UK (where, indeed, state benefits may be of indefinite duration).

This relative "toughness" of the Swiss system is also reflected in the operation of the availability of work test procedures and associated controls.

The declared goals of the Swiss unemployment scheme (most recently restated under a new plan of 24 June 1982) are openly two-fold:

'... on the one hand to protect involuntary unemployed persons as much as possible against any major loss of earnings ... (and) on the other hand, to prevent them from getting fixed in unemployment.'<sup>33</sup> (italics added)

To this end the Swiss unemployment scheme contains numerous rules and measures aimed at facilitating and encouraging the resumption of work, training, retraining, and geographical mobility to achieve these.

Registration at (cantonal) employment offices is compulsory for all UB claimants. The requirement used to be that all claimants had to report each day at the Employment Office, but this seems to have been generally relaxed in most cantons over recent years, due to administrative economies. Claimants are, however, still required to report at least twice a week. Additionally, claimants must submit a written statement every month detailing progress in their job search.

Additional requirements of Swiss UB claimants are as follows. First, as in the UK, the cause of unemployment must not be self-inflicted (i.e. voluntary resignation). In such cases payment of UB is suspended for a period of 40 working days. Second, the claimant must be available for work. Swiss Federal regulations on this matter are vaguely worded. The claimant is expected only to take a work offer that they might be reasonably expected to do, taking into account their health and age, the terms of the work offered must conform to collective bargaining agreements if these obtain; and the offer may be turned down if the pay is not at least as good as the claimant's UB entitlement.

These conditions do not on paper look any tougher than those applied in the UK. However, subsidiary information from interviews indicate some important differences. First, the availability criterion is reportedly interpreted 'pretty strictly'. All claimants are expected to show evidence of their attempts to find jobs - in the form of letters of application, replies, and the details of interviews. Employment offices often call the prospective employer(s) concerned to check on this information.

Second, providing false information about job search (e.g. claiming to have attended job interviews that have not taken place) is a criminal offence punishable by 6 months imprisonment or a fine of SFR 20,000 (or both). Failure to report to the Employment Office, or the hindering of checking by Employment Officers of job search is also an offence subject to a fine of up to SFR 5,000.

Swiss employment officers may require claimants to search for jobs that are not the same as their recent profession, most especially if they have been without work for 6 months or longer. Thus, for example, a teacher may be given librarian postings or, at an extreme, sent after a job with a taxi-cab firm. A claimant may also be required to take jobs involving up to two hours of travel per day. For example, a claimant in Lucerne might be required to take an available job in Zurich (a one hour train ride). A claimant must be ready to accept any job offer with a salary of 80% or more of the wages in the most recently-held job.

In the final analysis, a Swiss UB claimant may be offered relief work organised by the canton. This is generally of the environmental improvement sort or - as one would expect of Switzerland - in forestry. These jobs generally pay more than UB to participants; or if less than UB, they are entitled to claim the difference. Those offered relief work are 'expected' to accept it - on pain of UB suspension. Alternatively, claimants may be offered contributions to the cost of retraining courses, or payment for special vocational measures with daily allowances (if necessary, to include contributions to accommodation and food).

Given the low level of unemployment in Switzerland (currently 0.9% of the labour force) these programmes certainly do not overload the capacity of the system to deliver on useful relief work and training. Whether or not such a situation would be likely to obtain under a UK workfare scheme for all LTUs is a question to which we shall later return (Section III). It is

to be noted, however, that the Swiss employment offices combine the functions of UB claim policing and placement/training assignment, unlike their contemporary UK counterparts, and this may be one factor accounting for the low rate of Swiss unemployment in the first place, and the 'still intact work ethic' to which some interviewees alluded.

The flexibility of the Swiss economy - as revealed, for example, in the large proportion of firms in the small firms sector, the openness of the economy to international trade, the high elasticity of the demand for labour, and the general prevalence of individually- (as against collectively-) negotiated employment terms - doubtless also contribute to the low rate of Swiss unemployment.<sup>34</sup> It may also be to some extent true, as some commentators allege, that this is likely, eventually, to be undermined by the gradual transformation of Switzerland from a true federal state with a competitive economy into a welfare state based on federal government handouts.<sup>35</sup> (The development and expansion of the Federal unemployment insurance scheme, and other social security schemes, in Switzerland over the past 2 decades in particular might be seen as providing some credence for such a view.) It remains the case that Switzerland provides a model or reference point for what may be done in an advanced industrialised country to keep unemployment low without recourse to over-stimulation of the economy by demand-management policies.

#### Interim Conclusions

The case for introducing workfare in the UK in part rests on the acknowledged, and less-acknowledged, defects of the current system relating to the interplay of the jobcentre placement process, controls procedures regarding UB and SB claims, and the stock of unemployment (both voluntary and involuntary). There are indications that (a) as regards controls procedures there are inherent weaknesses in the system, and (b) that due to various changes both institutionally and in the economic and social climate, this system functions less than is desirable in a number of ways; (c) this condition may have intensified

critically over the last decade. Comparison with procedures in two other European countries suggests at least the possibility of improved outcomes.

Of course no system functions perfectly - and the costs and difficulties of system improvement must always be taken into account. Thus the existence of imperfection in the current UK system establishes only a negative case for workfare. The next Section examines the positive case for workfare, while Section III deals with the costs, difficulties and objections to its implementation.

## II. THE CASE FOR WORKFARE

The main source of interest in the theory and practice of workfare systems has stemmed from the United States. Although experimentation along these lines predates the 1970s (see Appendix Report), it was the introduction in that decade in California - by a certain Governor Reagan - of a scheme for compelling welfare recipients to work off their benefits, that is generally credited with the inauguration of the current American extension of workfare. The Reagan California scheme was regarded largely as a flop, given that only some 3% of the eligible participants were ever enrolled on community work projects. Under the aegis of OBRA in 1981, however, US experimentation with workfare was to extend significantly, to some 38 States. Moreover, during the past year the Reagan Administration has proposed a mandatory national scheme for workfare (as an Amendment proposed in May 1985 to the Social Security Act) which would require all beneficiaries of AFDC to register for work with the state in question. The states in turn would have to provide the necessary work and training slots in the form of community work for local government or non-profit agencies; on-the-job experience at supported rates; job training; or a state-devised alternative of some kind. As the total AFDC population is some 10.7 million (although this includes 7 million children), and currently costs \$14.5 billion a year, the proposed new scheme represents an ambitious plan to expand workfare in America. Fuller details, and an evaluation, are supplied in the Appendix Report.

Proposals for the enactment of a workfare system in the UK have only very recently achieved any prominence, in the form of the schemes proposed by Minford et al and Howell (see later). This Section examines these British proposals, and the general case for instituting workfare in the UK, drawing upon the experience of America and other countries, and also the workings of the CP where relevant.

The Roots in the Beveridge Plan

The proposal of a workfare system in the UK is not in fact of recent vintage. It is little known that the origins of the proposal in the evolution of thought and policy are attributable to none other than the founding father of the modern British welfare state, Lord Beveridge. The Beveridge plan for Social Insurance and Allied Services of 1942 contains a clear proposal for the creation of a workfare system in the UK (although Beveridge did not call it that), based upon Beveridge's general dictum that the system should aim at:

'Making of unemployment benefit at full rate indefinite in duration, subject to requirement of attendance at a work or training centre after a limited period of unemployment.'<sup>36</sup>  
(italics in original)

To this general principle Beveridge added two 'practical conclusions' of relevance, and which are worth quoting at length:

- '(i) Men and women in receipt of unemployment benefit cannot be allowed to hold out indefinitely for work of the type to which they are used or in their present places of residence, if there is work they could do available at the standard wage for that work.
- (ii) Men and women who have been unemployed for a certain period should be required as a condition of continued benefit to attend a work or training centre ...  
... The period after which attendance should be required need not be the same at all times or for all persons. It might be extended in times of high unemployment and reduced in times of good employment; six months for adults would perhaps be a reasonable average period of benefit withough conditions ... But for young persons who have not yet the habit of continuous work the period should be shorter; for boys and girls there should ideally be no unconditional benefit at all; their enforced abstention from work should be made an occasion of further training.'<sup>37</sup>

In the postwar implementation of Beveridge's plan for the creation of a welfare state, this key aspect of his overall scheme was forgotten about. The steady secular rise in the cost of the welfare state as measured by social security spending as a percentage of GDP - which rose in the UK from 15.9% to 21.4% over the decade of the 1970s - has, however, been an important factor motivating recent British advocacy of workfare.



Recent British Proposals for a Workfare System

Minford et al's proposals for workfare in the UK are to be seen as only one side of their plan to alter the tax/benefit system in such a way as to exert market forces to bring down unemployment. The other half is the proposal of a cap or ceiling on the individual's replacement ratio - along the lines as practiced in Sweden, Switzerland, and other continental countries - to make unemployed people take more market jobs, even if lower paid.<sup>38</sup>

This study is concerned only with the workfare aspects of the Minford proposals. They may be summarised as follows:

1. Benefits should be contingent on accepting, if no other can be offered/obtained, a job from a workfare pool of community jobs. Thus the state would be the employer of the last resort.
2. Denial procedures (in each area of the country) would be variable according to certain criteria. Specifically, Minford suggests that:
  - (a) Denial procedure would become tougher, the longer the duration of the individual's previous unemployment;
  - (b) Beyond 6 months refusal of any job offered under workfare would be a sufficient condition for benefit denial completely;
  - (c) Repeat spells of short-period unemployment over a period of time (unspecified) might also be subject to the same criteria;
  - (d) Denial procedures might be differentiated by age. Specifically, it is suggested that for unemployed claimants below 25 years old, the condition for further benefit would be acceptance of job from the workfare pool after three months of receipt of benefit.
3. The scheme would require 'close(r) liaison' between job centres and benefit officers - and, specifically, their re-integration. A relatively simple first step would be to relocate DHSS officials dealing with benefits in job centres. The new team arrangements would be instructed to 'evolve from their experience procedures which implement the tougher denial procedure.'

4. The unemployed would be required to 'attend regularly' (no precise suggestion is made) at a reconstituted job centre to be presented with a selection of jobs (which would not only be of the workfare variety).

Item 3. represents a return to the pre-1973 UK system as detailed in Section I; while item 4. may be seen as an advocacy of the Swiss approach. Item 2.(a) smacks of the Swedish "youth workfare" model, and 2/(d) harks back to Beveridge's suggestion regarding the treatment of adult LTUs.

Howell's proposals for a UK workfare scheme are not dissimilar:<sup>39</sup>

1. Every able-bodied adult would have a statutory right to work on workfare, (including training) after 6 months of unemployment; but failure 'to take advantage of the opportunities offered would result in total disqualification for benefit';

2. Special provision should be made as regards young people under workfare: work or compulsory training would be required of unemployed youngsters.

3. The administration of benefits and placements (including the new workfare element) should be re-integrated under the aegis of one government department. (Howell suggests that the new job centre/benefit offices should be called "work centres".)

In other words, the Howell proposal for workfare represents a straightforward restatement of the original Beveridge conception.

#### Arguments for Implementing Workfare

What cases may be made for the replacement of present arrangements in the UK by such workfare schemes as elaborated above? This Section does not seek to prejudge the issue of adopting workfare, but rather to set out the theoretical frame of reference in which that issue may be analysed from an economic perspective.

Five major arguments are here addressed: the effect of workfare on the moral hazard embedded in welfare systems; the effects on employment and unemployment; effects on morale, productivity and employability via training components of workfare; the provision of community benefit; and arguments concerning the net cost savings of workfare.

#### The "Moral Hazard" Case for Workfare

It is well-known in the field of commercial insurance that the provision of insurance is likely to make insurers less careful in guarding against the risk of loss. Those insured against burglary may be that less careful in guarding against such prospect of theft; just as comprehensive car cover may lead some car owners to be less diligent in maintaining their vehicle, or even to drive that little bit less than with full dilligence. Thus the effect of insurance is not simply to shift the cost of accident/mishap from the insurer to the insurance company, but to raise the total costs.

Precisely the same analysis applies to all types of social insurance organised by the state as applies to commercial insurance services offered on the market by private enterprises. Moral hazard is a feature of all insurance systems, not just commercial ones.

However, there is a difference as regards state and private insurance schemes, of relevance. The workings of the disincentive efforts of moral hazard may lead to rising total costs; but the private insurance company faces a bankruptcy constraint. While increased costs may temporarily depress insurance company profits, in the long run all costs must be covered and a normal rate of profit restored. Thus insurance companies react to increased claims by increasing premiums to their customers, and by tightening up on the conditions under which they will offer insurance (e.g. by requiring householders to fit security devices, etc.).

In the case of state social insurance schemes that are not fully funded, the bankruptcy constraint is removed. Thus rising total costs are not passed back to the direct beneficiaries, but may lead to rising costs for taxpayers (including future generations of taxpayers, in the case of such insurance schemes funded by issuing of bonds). Taxpayers, however, have a rational incentive to remain not fully informed as to all aspects of state provision and policy. Thus the scene is set in the field of social insurance for the gradual escalation of the costs of such programmes and mounting tax burdens. This process is perhaps reinforced by the "vote motive" of politicians and parties to expand such programmes so as to increase the size of the potential coalition of beneficiaries, whose electoral support would be welcome.

Whether or not this "public choice" analysis of the explosive tendency of social welfare/insurance spending is fully correct or not, it provides a case for workfare, in order to reduce the disincentive (moral hazard) effects of welfare dependence. This has certainly been one element in the move towards the introduction of workfare schemes in the United States over recent years.

From this perspective workfare may be viewed as the equivalent of the devices employed by private insurance companies to cut down on the laxity of insurers in protecting their own property from untoward occurrences and mishaps by, for example, bearing a proportion of the costs of replacement. Workfare requires that the costs of social insurance are not borne indefinitely by taxpayers, and in part are shouldered by (able-bodied) welfare recipients. Thus, in some US schemes, an explicit aspect of workfare is that welfare recipients 'work off their benefit'.

Much hinges, of course, on the true magnitude of recipient response to welfare assistance, i.e. the size of the workforce "at risk" from the workings of the poverty and unemployment traps. This matter, to say the least, remains controversial.

Parker has estimated that the number of adults at risk from these traps in 1979 was over 4.4 million (17% of the workforce) and that the 1982 figure was unlikely to be less than 5.5 million adults (over 20% of the workforce).<sup>40</sup> Brittan, drawing upon an earlier Treasury Committee Report, cites a figure of over 9 million adults at risk from the traps in 1979 - roughly double the Parker calculation.<sup>41</sup>

Either calculation would suggest considerable scope for a workfare system - along with other reforms of social security - in reducing unemployment. The difference between the estimates also suggests, however, that calculations of the adult calculation "at risk" are liable to be crude. They depend on an arbitrary judgement about who is "at risk" (e.g. is this with income at 20%, or 40%, above SB, and less?).

In terms of economic analysis, the question hinges upon two variables: first, the true level of the replacement ratio (which determines the size of the financial incentive to work/not work), and the elasticity of unemployment with respect to the replacement ratio. Uncertainty surrounds the empirical magnitude of both variables.

An average replacement ratio of the order of 60-70% is usually quoted for the UK. International comparisons also suggest that the average UK replacement ratio is 'substantially higher' than in the USA.<sup>42</sup> Yet the size of the UK replacement ratio remains a matter of controversy. Dilnot and Morris report an average replacement ratio of 65% for a full year of unemployment in 1980 with two-thirds of the working population having a potential replacement ratio of between 50 and 80%.<sup>43</sup> Minford<sup>44</sup> and Ashton<sup>45</sup>, drawing upon Liverpool model work, quote substantially higher replacement ratios, as the following quotation suggests:

'Our estimates show how acute the problem of the unemployment trap still is: an unemployed man with a wife and two children, for example, would find himself no better off taking a job at £6,650 p.a. With four children, an unemployed man taking a job with a salary of £8,000 p.a. would find himself worse off by over £1 a week.'<sup>46</sup>

The Minford-Ashton calculations of replacement ratios as of December 1984 are shown in Table VI below.

[Table VI near here]

If these figures (above) are correct, then the incentive to participate in employment in the UK for the relatively lowly-paid workers are extremely weak, and also as compared to those countries in which there is a cap on benefits in relation to previous earnings. Workfare alone might not solve this problem, except at the cost of greatly enlarging the numbers in quasi-public sector employment, beyond the limits necessary. Some additional policy reforms - notably the cap principle - would seem to be called for also.

The elasticity of unemployment with respect to the replacement ratio is also unclear. Lazard and Nickell estimate this elasticity as 0.7,<sup>47</sup> while Minford arrives at a much higher order of effect, showing an elasticity of real benefits on unemployment of 2.6.

All of this means that we cannot compute unequivocally the volume of voluntary unemployment arising from the disincentive effects of the present UK welfare system; nor, by implication, the scope for workfare to reduce it by eliminating the moral hazard problem involved in unemployment insurance. The accompanying report on the US experience (p.12) sounds a similar note of caution as regards studies of workfare in that country.

#### Workfare and the Level of Unemployment

It follows pari passu that we cannot estimate quantitatively the effect of implementing a workfare system on the level of unemployment. What can be examined at the level of theory is how workfare impacts upon the equilibrium volume of unemployment, the so-called "natural rate" of unemployment. This analysis is important for three reasons:

(a) The case for workfare in economic terms is different from the usual political arguments advanced in its favour, and depends critically on market adjustments not recognised in such latter discussions;

(b) Likewise computation of the costings of workfare depend critically on the indirect market consequences, as we shall later see;

(c) Only in this analytical context does it become clear that the case for workfare rests upon different foundations from the standard arguments espoused for SEMs.

Diagram I below provides a simple graphical representation of a natural rate model of the labour market.<sup>48</sup> In effect this diagram is of the standard "demand and supply" variety, with both the demand for labour (D) and supply (S) represented as a function of the real wage (W); while the total labour force (L) is assumed fixed for the purposes of medium-run analysis.

[Diagram I near here]

The position of the supply curve of labour (SS) depends on a number of factors.  $S_n S_n$  shows the supply curve of labour that would obtain in the complete absence of any benefit system; while  $S_p S_p$  exhibits what occurs under present benefit arrangements. This is represented as being flat at relatively low wages, and lying above the "floor" set by the level of real benefits (b) available (or, rather,  $UB+SB$ , grossed up for the labour taxes on the employee), shown by the dashed line  $bb$ . In other words, as real wages fall more and more people find themselves close to benefit levels, and will prefer to claim rather than take low-paid jobs.

The equilibrium volume of unemployment under present arrangements ( $U_p$ ) is shown by the horizontal distance between I and the intersection of DD and  $S_p S_p$ . (If there were no such benefit system, then the natural rate would lie at  $U_n$ ). The effect of introducing workfare is shown by the intermediate supply curve,  $S_w S_w$ , which lies in between  $S_p S_p$  and  $S_n S_n$ . In other words, the introduction of workfare makes market work more attractive for a portion of L - namely, some of the LTUs - because under such a system they face the choice of losing all claim to benefit or of accepting a community job/job training. Some will prefer low-paid market employment to either alternative.

There are two further points to note about  $S_w S_w$ . First, its position will critically depend on a number of factors, such as the toughness of benefit denial procedures, the size of payments to workfare workers, the size and duration of benefit denial for those who spurn workfare job/training offers, and the existing extent of both voluntary unemployment and benefit frauds combined with work in the black economy. Second, we would expect the supply curve under workfare to cut the  $bb$  line (unlike  $S_p S_p$ ) as the welfare system would no longer set a rigid floor of  $b$  for those LTUs faced with acceptance of workfare, acceptance of a low-paid market job, or withdrawal from the welfare system (perhaps into the black economy).

The effect of implementing workfare on equilibrium unemployment would be to reduce it from  $U_p$  to  $U_w$ ; the size of the reduction depending on the position of  $S_w S_w$  in relation to  $S_p S_p$ . It is to be noted, however, how this effect comes about, which contrasts with orthodox expositions of the job creating nature of SEMs.

The orthodoxy has it that SEMs reduce unemployment by taking people off the register into SEMs.<sup>49</sup> It is accepted in this analysis that deadweight and substitution effects of SEMs may make the true effect less than the numbers supported by the scheme; so some (crude) allowance is made to obtain the net effect on unemployment.

The case for workfare as a means of reducing unemployment does not rest on this line of orthodox argument, but on the analysis of the labour market presented above. That is, measures directed at reducing unemployment will be effective in attaining that task in the medium to long run only if they succeed in altering the demand and supply of labour in ways compatible with that goal.

Specifically, workfare "works" by altering supply conditions in the labour market - by shifting the supply curve to the right, from  $S_p S_p$  to  $S_w S_w$ . The consequence is that real wages are driven down, from  $W_p$  to  $W_w$ . It is this reduction of real wages (relative



to what they otherwise would have been) which encourages employers to offer new (low-wage) jobs that previously did not exist.

Thus, workfare generates a net increase in employment by exerting downward pressure on wages, and will only generate such a net increase to the extent that it does this, (subject to productivity effects, discussed below).

The difference between workfare and established SEMs such as CP, YTS, Job Release and the Job Splitting Scheme resides in this point: the latter do not put downward pressure on the wage level.

The difference is best explained by reference to CP, which some might view as a close cousin of workfare. Like workfare, CP offers LTUs public sector jobs - but at rates of pay they will accept without any compulsion.<sup>50</sup> Thus CP does not lead to any expansion of the demand for labour (unless it be assumed that the labour-intensiveness of CP projects is higher than that of the jobs that are lost, due either to the tax burden of financing CP jobs or the displacement of other public sector jobs).

This point stands in strong contrast to the orthodox argument for CP, as expressed by a wide array of authorities.<sup>51</sup> The basis of this argument for CP and other SEMs is that the net exchequer costs of such measures is very low - of the order of £2,200 per place for CP and £1,400 for YTS (at 1985 prices) - once account is taken of "flowbacks": the savings to the Exchequer of UB and SB; and the gain to the Exchequer by the taxes paid by the newly employed workers. Thus SEMs of these sorts seem to generate jobs at bargain basement prices.

The fallacy in this orthodox argument has been pointed to by the Comptroller and Auditor General.<sup>52</sup> It ignores the indirect or "second round" effects attributable to SEMs. That is, the net exchequer costs, even if low, are still costs, and have to be financed, either by increasing taxation or by reducing public expenditure in other directions. The first route will lead to a loss of private sector jobs, and the latter to the

contraction of existing public sector jobs. Assuming equal labour intensity in CP and YTS programmes to the average of private and public sector activities that are led to contract, then expenditure on SEMs - however low the net exchequer cost involved - will lead to a zero net effect on employment.<sup>53</sup>

Thus workfare measures must be superior to SEMs of the CP and YTS type in terms of employment generation because they exert the necessary downward pressure on the wage level, while the latter do not.<sup>54</sup>

As noted above, the unemployment-reducing capabilities of workfare depend on two key factors: the elasticity of the labour demand curve, and the extent to which the supply curve of labour under workfare shifts to the right, compared to that which obtains under present benefit arrangements. Neither of these matters may be assumed with any certainty. There is considerable evidence of a negatively-sloped demand curve for labour in the UK economy with respect to real wages, but estimates of its elasticity generally range from minus  $\frac{1}{2}$  to minus unity for the economy as a whole (with results for manufacturing alone suggesting a larger elasticity).<sup>55</sup>

The shift in the supply curve of labour induced by workfare would of course depend on the precise institutional arrangements adopted, and specifically the strengthening of benefit denial procedures, and the duration and severity of benefit denial.

Indeed, estimation of the employment consequences of workfare would be even more complicated than the foregoing implies, in that our analysis has been developed on the basis of a partial model of one market. Consideration of the full system effects of workfare would need to include consideration of the price of labour relative to capital and energy, and the output effects of any consequential changes in international competitiveness (amongst other things). For the foregoing reasons it is inadvisable, not to say impossible, to provide any quantitative estimate of the reduction of unemployment that might arise from the adoption of a workfare system in the UK.

Workfare and Enhancement of The Employability of Programme Participants

The problems of estimating the employment impact of instituting a workfare system referred to in the foregoing discussion are compounded by consideration of the impact of workfare upon the subsequent employability of programme participants.

As with CP, YTS and similar SEMs, workfare may enhance the employability of programme participants upon programme exit. This might occur through a number of routes. First, by raising the morale of those who have gone through workfare, providing them with the knowledge that they can do a job - however long they have been previously unemployed. This morale effect would be likely to increase the productivity of subsequent job search.

Second, the human capital of programme participants might be increased in a number of ways. Training may constitute an important element of programme objectives - as is the case in Sweden, and in many US workfare schemes. (This training may not be in technical but social skills, such as how to cope with interviews.) There may also be "learning by doing" on workfare jobs: participants improve their productivity over time, simply by working (at the most basic level, perhaps simply by learning the habits of work discipline and working in a team).

Third, employers may be more willing to employ a workfare participant - compared to someone who remains in LTU - on the screening principle that they think it more likely that the former would make a better employee. It is pertinent to note also, however, that workfare could reduce the acceptability of participants c.f. CP participants. The latter have entered the programme voluntarily, whereas workfare participants are required to join. Thus they might be viewed as more "motivated" workers than workfare participants by potential employers.

Some patchy evidence does exist regarding the sign and size of these effects, taken together. Sample surveys conducted by the DE on the subsequent employment paths of those leaving CP found that:

'Something like one-third of the people leaving the Community Programme very shortly afterwards obtain a permanent job and surveys (also) show that that is something like two or three times better than people of a similar duration of unemployment, who have not been on the Community Programme... '56,57

This result is, of course, not directly applicable to a compulsory workfare system, as the element of self-selection by participants which is involved in CP is absent under workfare. It does, however, suggest that community-type work does not at all necessarily detract from subsequent employability.

US experience with workfare provides, therefore, a more reliable indicator of the impact of the programme(s) on subsequent employability of participants. Fuller details are given in the accompanying appendix report, but attention is drawn here to some results taken from it. In Arkansas, the WORK workfare programme, instituted in 1982, seems to have achieved 'modest increases in employment and earnings' for programme enrollers, while the San Diego EPP and Job Search/EWEP programmes (again, both instituted in 1982) 'had substantially significant impacts on the proportion of AFDC applicants (subsequently) employed and the amount they earned.' The San Diego results are generally regarded as the best test of job search/work experience workfare programmes yet available, and may thus be read as substantial "plus" for the workfare idea in this regard. (It is also to be noted that the San Diego programmes were - unlike many current US "workfare" schemes - of large scale, and implemented as mandatory requirements for welfare recipients.)

Reference to these American results poses implicitly the question of whether American attitudes towards work are replicated in the UK. It could be that workfare suits the American spirit and work ethic; but not those of the UK. We return to this question of attitudes to workfare in Section III.

#### Workfare and the Costs of Unemployment

Howell has claimed that 'very considerable savings' could be made by instituting a workfare system in the UK.<sup>58</sup> He assumes that the cost (to the Exchequer) of unemployment in 1984/85 was

£14.5 billion, and that the total cost of employing all of the unemployed on workfare would be less than £13 billion, or £11 billion net of deductions of tax and national insurance. If, however, only half of the unemployed took up a workfare offer, then the cost of workfare would be under £6 billion. Adding in the revenue increase that might arise from reduction in the size of the black economy, he arrives at a saving from instituting workfare of perhaps as much as £8 billion.

These back-of-envelope calculations are dubious in a number of ways. First, the Howell figure for the cost of unemployment under present arrangements seems over-stated. It includes all regional and industrial assistance, and the entire cost of support to nationalised industries, for example, in the aggregate figure for the cost of unemployment. While doubtless there is an element of job support in such policy programmes, they are also addressed to other goals as well, such as the promotion of "hi-tech" in the case of some forms of industrial assistance, and the running down of jobs in the case of some contracting nationalised industries (redundancy payments in coal and steel). Second, the Howell calculation includes no qualitative estimate for the costs of running workfare - which are not necessarily puny.

A more cautious appraisal of the cost case for workfare, based upon a sophisticated empirical appraisal of replacement ratios, is provided by Ashton.<sup>59</sup> His analysis is based upon the implications of the natural rate model presented above: workfare "works" by the generation of new low paid jobs - jobs which, then supplemented by in-work means-tested benefits (such as rent and rate rebates) nevertheless would provide an income equal to or superior to benefit levels.

The cost implications are that each person taking one of the newly-emerged low-wage jobs in the private sector would provide a net saving in benefits that could be used to "finance" places on the workfare scheme. Ashton's calculations also presume that workers under workfare would receive precisely the same as they currently receive in benefits (plus an allowance for work expenses) and not "benefit plus". Under such an assumption

the cost of a place under workfare would be limited to the extra administrative costs, work expenses, and materials and equipment needed to run the workfare placement. Ashton assumes the sum of these items would add up to £750 per workfare place.

Under these assumptions, each individual taking a new low-wage job would "finance" something like 2 or 3 placements on workfare, as the average benefit saving to the state would be of the order of £2,000 per newly-emerged low-wage job.

The total cost of workfare then depends on what is assumed about the elasticity of the demand for labour. If 340,000 new private sector jobs were to emerge, 1 million LTUs could be provided with a workfare placement at a net cost to the state of zero. If demand for labour were less elastic and only 250,000 new jobs came about in the private sector, the net cost of workfare of the order of 1 million placements would be positive, and of the order of £250 million. But if demand were the more elastic - resulting in 500,000 new jobs, there could be, under Ashton's assumptions, a net surplus to the Exchequer of £440 million. The general implication is that  $1\frac{1}{4}$  million people in LTU could be taken off the unemployment totals by workfare at a nil or low net cost to the Exchequer.

These calculations are to be treated with caution, however, for a number of reasons. First, they are highly sensitive to assumptions about the elasticity of the demand for labour in the medium term - the new private sector jobs would not all spring up like mushrooms overnight - and about the benefit saving to the state of individuals moving from unemployment to private sector employment. The latter of course depends upon the characteristics of the individual involved - such as their marital status and size of family; their rent/rate payments etc.

Third, the assumption of an average overhead cost of £750 per placement (at 1984 prices) is of the "heroic" variety, in at least two ways:

(a) Given the great variety of activities typical of CP and workfare activities - ranging through social/cultural work through

environmental improvement to building and construction to training courses - the cost per workfare placement critically depends on the mix of activities that the workfare programme would assume. The proposal, made later in this study, for a Division of Operations to be appended to the MSC, engaged in utilising workfare labour for major construction and environmental improvement services, would certainly increase placement costs, due to the much heavier materials and equipment costs involved.

(b) There is no guarantee that the average costs of workfare placement would not rise if the target set for workfare enrolment in the UK were set at 1 million, as compared to the present CP target of 230,000. CP managers and other MSC officers interviewed in our field studies generally thought it would do so, plausibly, but emphasised that everything would depend on the mix and size of projects undertaken.

Fourth, the implications of Ashton's analysis for the costs of a workfare system in the UK makes no offset allowance, as do Howell's calculations for the gain to the Exchequer arising from the slimming effect on black economy activity. Here again, we are inevitably guessing in the dark, as estimates of the size of the UK black economy range from a low estimate of 2% of observed GDP to an upper estimate of 15% of observed GDP.<sup>60</sup> Nor do we know anything much about the proportions of the black economy accounted for by undisclosed labour income and undisclosed other income.<sup>61</sup>

Fifth, there would inevitably be administrative and associated costs in going over to workfare in the UK. It would require the eventual (re)integration of benefit, placement, training and workfare activities, as currently occurs under the Employment Office system in Sweden. Moreover, as the appendix report on US experience with workfare notes, the cost of support services to cover adequate child care needs to be added in to the picture if women with young children are to be included in workfare.

A cautious conclusion regarding the likely cost savings attributable to the implementation of a workfare system in the UK is warranted overall, in at least two senses. First, it may well not generate the large savings to the Exchequer indicated

by Howell. Second, so much depends on assumptions about uncertain variables, such as the elasticity of labour demand, and unknowable variables, such as the mix of activities adopted under the new workfare system. The American evidence supports these conclusions. Savings on welfare payments often seem rather modest (see pp. 35-36 of appendix report), and decidedly uncertain and, moreover, variable as between differing schemes.

This said, the conclusion also seems to be warranted that a workfare system that took 1 million LTUs out of unemployment in the UK could be instituted at low cost, provided that workfare pay was kept at present benefit levels (rather than some high "benefit plus" payment), and was accompanied by strengthened denial procedures. If operated laxly - as some US schemes seem to have been - with only a small proportion of LTUs actually obliged to enter a community job or lose all benefit, then this conclusion would not obtain.

#### The Community Benefits of Workfare

A popular criticism of the current UK welfare system is that it 'pays the unemployed for doing nothing'. In this regard a workfare system would seem to be superior, in that it 'pays the (long term) unemployed' for doing something - something of community benefit.' Howell puts the case on these grounds dramatically:

'Involuntary unemployment would be abolished (under workfare), while the untidiness, decay and dereliction that disfigures so much of society would gradually become a thing of the past.'62

To the extent that this could be made true, then the value of social benefits generated should be set against any costs of the scheme. This would further tip the balance in favour of adoption of workfare, especially if the social benefits were as large as presumed.

There are, however, some difficulties in adopting this hopeful vision of how workfare might operate for community benefit.



First, there is the problem of vested interest group opposition to workfare arising variously from unions, firms, and local authorities. This matter is analysed at greater length in Section III. The point of relevance here is if vested interests have the power to block the initiation of workfare projects of social value which are harmful to their direct interests, then workfare work may end up being confined to the more marginal and makework sort, of such insignificance that no group has enough incentive to oppose it.

That this is no idle speculation was confirmed amply by our interview studies with CP managers. Under current MSC arrangements, all CP project proposals are vetted by Area Manpower Boards, which include local representatives of unions, industry and public bodies. The Board has the power to veto any proposal put to it by CP managers; and the tendency is that if any faction represented on the Board is opposed to a project, then the rest will go along in rejecting it. The rate of rejection is not high, however, because MSC officers 'shy away' from presenting to the Board anything that they suspect may generate disapproval.

Local authority officers acting as sponsors of CP projects also revealed in interviews that they would be deterred from proposing anything that met with much public sector union opposition, lest a strike/go slow/'non-co-operation policy' ensued.

The strength and nature of these difficulties evidently varies from area to area, and from project to project. It is, furthermore, impossible to estimate how much needed construction, renovation, and environmental improvement work has been blocked in the history of the CP in favour of more nebulous social, arts and crafts, and voluntary sector projects.

What also was apparent from our interviews, however, was that CP and MSC managers felt that the likelihood and strength of opposition to environmental and construction projects, especially if large, would most certainly strengthen as the CP programme were expanded beyond 230,000 to 500,000 and so on. Thus a

workfare programme developed out of the present UK CP covering 1 million would either run into massive opposition, if aimed at "hard" projects, or become largely diverted into soft option, makework projects.

This difficulty is lessened (but not abated) in the USA by the lower degree of unemployment. In Sweden the emphasis upon training (which offends few), plus its long history of corporatist co-operation, also seems to defuse opposition to active labour market measures of the CP sort.

This difficulty of implementing workfare in the UK is analysed further in Section III, and policies to tackle them are there advanced.

A second problem is that it is simply not true that all types of workfare activity yield community benefit, even if they provide significant private benefits. Examples from the US include the extensive utilisation there of job search/job club programmes under the general rubric of workfare. These programmes, which help participants in learning how to get and hold down a job yield largely private benefits (i.e. to the participant) with little or any spillover community benefit.

Third, there are fundamental difficulties involved in defining, let alone measuring, "community benefit" (which economists refer to as social benefits). Thus the community benefit principle, which is central to the workings of the present CP, is difficult to operationalise. The definition of community benefit is left at the discretion of Area Employment Division Managers 'advised' by the 'Area Manpower Boards' with whom the ultimate power of definition resides. Notions of community benefit thus vary from MSC area to MSC area.

Social cost-benefit analysis cannot provide much of a guide out of this difficulty and, in any case, would be too costly to apply to the many small projects entertained under the present CP.

In short, it is not necessarily the case that a workfare system in the UK would lead to targetting upon projects of major national need, and could become diverted instead into much makework activity of at best ambiguous social benefit. This difficulty of implementation is further examined, and solutions proposed, in the next Section.

### Conclusion

At the present state of our empirical knowledge regarding the workings of the economy in general, the labour market in particular and especially as regards the impacts of experiments with workfare and quasi-workfare in other countries, no dogmatic conclusions may yet be drawn about the case(s) for workfare.

That said, some sustainable tentative conclusions are as follows. First, there is a solid theoretical case for workfare based on economic analysis rather than normative notions about the obligations of welfare recipients. Second, workfare is superior to more orthodox SEMs measures as an unemployment-reducing policy, because it exerts downward pressure on the price of labour to employers in a way that (most) current SEMs do not. The latter tend to redistribute unemployment, workfare can lessen it in total. Third, whilst hopes that workfare may lead to massive savings to the Exchequer are probably optimistic, there is reason to believe that a workfare system might be implemented in the UK, which reduced LTU by 1 million in the medium term, at a low net cost to the Exchequer. Fourth, patchy evidence indicates that workfare also increases the employability of programme participants.

The discussion has also, however, indicated various difficulties of implementing a workfare system. To these we now turn.

### III. DIFFICULTIES OF IMPLEMENTATION

If workfare were to replace the present system in the UK for dealing with LTU, what problems might be encountered, and what solutions suggest themselves?

#### 1. The Social Acceptability of Workfare

A necessary condition for the credibility of any economic or social policy is that it is feasible. And for a policy to be feasible under political democracy it must be broadly acceptable by voter-citizens. Some, or many, for example, might see the concept of workfare as smacking of a "return to the workhouse" instead of a "return to Beveridge". What does the evidence indicate?

As the Appendix Report on US experience indicates, the introduction of workfare schemes has sometimes excited substantial controversy, as in California and Massachusetts. Yet, overall, the US evidence also indicates substantial general acceptance of the idea and practice of workfare and, specifically and critically, by workfare participants in particular. As regards the Arkansas WORK scheme, for example, 'participants interviewed claimed they liked their jobs, believed they had learned something, and stated that they felt better about getting welfare when working for it' (p.23). In the case of the West Virginia CWEP, survey responses revealed that the scheme gave 'high levels of job satisfaction and acceptance of the fairness of the workfare principle' (p.45). 'The great majority (approximately 80%) of CWEP participants were satisfied with their jobs and thought that a work requirement was a "satisfactory" or "very satisfactory" arrangement' (p.45).

There are no known research studies that counter the impression that workfare in the US has proved to be acceptable, if not popular, to the general public and programme participants alike. Moreover, as indicated in Section I, the quasi-workfare systems operative in Switzerland and Sweden are not matters of controversy (if anything, the system in Sweden is there regarded as 'too lax on the workshy').

But would workfare prove to be acceptable in the UK, where a virtually uncontested "right" to benefits of indefinite duration may have become an established article of faith? We cannot, of course, know the answer before the system is tried out in practice - but attitudinal surveys at least are suggestive of the answer.

As part of the three MSC area case-studies conducted under the auspices of this report, CP programme participants, managing agents and CP managers and other MSC offices were asked about their attitudes to the idea of workfare in structured discussions. A clear majority of programme participants so interviewed were favourable, and some very favourable, to the notion of workfare. Comments such as, 'Well, it's only right that people should work if they're getting benefits,' (direct quotation) were common. Many regarded the idea as unexceptional, or blindingly obvious. Only a very small minority reacted virulently to the idea, immediately finding it coercive.

There was greater diversity of opinion amongst managing agents and staff running CP projects. Some were worried that they might get 'lumbered' with workfare participants whom they would not have taken on under present CP arrangements, which allows the agent freedom of choice regarding the hiring and firing decision. Others - specifically, local authority agents, were worried about trade union reaction to workfare, explaining that they had to 'tread carefully' with the unions in order to get CP projects accepted. Yet, many others welcomed the idea in general. Few were worried about problems or work discipline that might be involved in hiring the "hard core" of LTUs; although they accepted it might occur - as, indeed, it occurs at present, amongst a small percentage of CP participants.

The group least congenial to the idea of workfare proved to be CP managers and MSC officers, with a majority being against it, for one reason or another. Some reasons were instrumental, and mirrored the worries of managing agents: they felt attempts to 'impose' a workfare participant on an agent would be resented - and perhaps counter-productive, by reducing the agents'

willingness to engage in workfare activity. Others found the very idea 'coercive'. Few, if any, were enthusiastic about the idea, although many agreed that it could be made to be workable, if they were required to do so; as civil servants this was their duty.

A general impression sustained by this reporter, after numerous conversations and interviews with CP and other MSC officers at various levels, was that resistance to the idea of workfare amongst them is in part attributable to the idea of further change - to workfare - when the CP is already undergoing great change (in volume: from 130,000 to 230,000 target places over the past year); and with endless new directives and rulings issuing from MSC HQ in Sheffield all the meanwhile. Under such hectic circumstances, questions about switching over to an entirely new mode of operation, involving a quadrupling of programme participation, were perhaps considered somewhat "academic".

Reliance upon the attitudes of CP participants as an indicator of the general acceptability of workfare in the UK would be unwise, as this group constitutes the most highly-motivated portion of the LTUs (as participation in the programme is voluntary; and it was clear from our interviews that many had joined the programme because they were 'fed up with sitting around at home' or 'just wanted to do something'). To examine general attitudes towards the concept of workfare, therefore, a random sample of opinion was conducted as part of this study in three London areas of differing nature, comprised of some 300 respondents. Each respondent was asked about their knowledge concerning the present CP, and their attitude towards it. They were also asked about their attitudes towards the idea of "workfare", once this had been explained to them by the interviewer. Although the balance of opinion varied from area to area (perhaps due to random factors), the overall result was that approximately half supported the notion of workfare, and half did not. These attitudinal differences do not appear from our study to be correlated with any social characteristics of the respondents (eg, whether employed or unemployed), and

perhaps (it is surmised) reflect more deep-seated ethical judgements about work, obligations and welfare, produced in the process of socialisation.

In summary, the concept of workfare appears from our limited study to be "acceptable", if not favoured, by a much higher proportion of our sample populations than we had initially thought likely; but it is not overwhelmingly popular, and most resistance appears to be concentrated amongst the very administrators who would have to operate a workfare system. It could be, however, that once such a system was instituted in the UK, and become "bedded down", its acceptability would rise; as appears to be the case in the USA, where 'workfare ... has slowly evolved from a somewhat cranky conservative notion to one with broad support'.<sup>63</sup>

#### Would There Be Enough Work for Workfare to Work?

The forecast coverage of DE SEMs (excluding YTS) in March 1986 was 390,000, with 210,000 on CP alone. The establishment of a workfare scheme for 1 million LTUs represents an entirely different order of magnitude of work creation. Could enough new work projects be dreamed up and implemented by the MSC and managing agents for workfare to work at the level of coverage aimed at?

The answer must be in principle in the positive. At the very worst, it would be always possible to follow Keynes' (joke) prescription in the General Theory of getting the unemployed to dig holes and fill them up again. Obviously, however, such a farcical activity would be viewed dimly by the general public, and predictably, would reduce the morale of workfare participants. An important aspect of the success or otherwise of workfare schemes in the US has been the ability of programme administrators to create job/training slots that motivate participants. In some cases in the US, it is not unusual for participants to do extra, unpaid work:

'... because they enjoy their jobs so much, they put in several additional days of work each month without pay'.<sup>64</sup>

The real question, then, is whether or not jobs (training that represent something of value to both society and participants can be created in the volume necessary in the UK for a workfare scheme, without its degeneration into something that is perceived by the public and participants alike as a dead-end, makework schemes simply there to "police" the benefits system.

That a lot can be done of a genuinely constructive sort is evidenced more than amply by the history of the WPA after its establishment under the Emergency Relief Appropriation Act of 1935 in the USA. This was initially established in order to 'provide relief, work relief, and to increase employment by providing useful projects' - specifically, 'small, useful projects'. Work was to be temporary. Nor was there any suggestion of "workfare" about the WPA programmes; it did not involve work-for-benefit criteria. On paper, the WPA programme was not dissimilar to the CP in the UK today.

In practice, something different occurred under the WPA. Its Division of Community Service - involved in service active activities in the main (education, research, libraries, etc) - spent only 21.6% of the total budget. The bulk was taken by its Division of Operations (78%), which engaged in both small-scale and large-scale construction and environmental improvement programmes.

The Division of Operations undertook many projects, not least amongst them being the construction of New York's North Beach Airport (La Guardia), New York Central Park Zoo, San Antonio's and Chicago's Waterfronts, the Philadelphia Art Museum, San Francisco's Aquatic Park, and the restoration of Independence Hall in Philadelphia. The equivalents in the UK need only to be contemplated for a second to realise the scale and importance of the projects involved.



In addition, the WPA Division of Operations:

'... built 617,000 miles of new roads, enough to go 24 times around the world. It built or reconstructed 124,000 bridges and viaducts which, if placed end to end, would stretch over 800 miles. It built or reconstructed 120,000 public buildings, including enough new buildings (35,000) for ten in every county in the United States.'<sup>65</sup>

Other projects undertaken by the WPA included the construction, reconstruction or improvement of 23,607 miles of sidewalks and paths, 25,073 miles of curbs, 2,302 stadiums, 1,668 parks, 3,085 playgrounds, 3,026 athletic fields, 805 swimming pools, 2,877 utility plants, 16,117 miles of water mains and distribution lines, 353 landing fields 30,556 road and street lights, and 937,282 traffic signs.

A similar menu of construction and improvement could be undertaken by a newly-established Division of Operations of the MSC involved in workfare. The inadequacy of our present infrastructure has been detailed elsewhere. <sup>66</sup>The Motorway network has a planned target of 2,000 route miles; yet only 1,660 miles have been constructed. It is estimated by the British Rail Board that by 1990 some 3,000 miles of track will be unusable. Most of the UK's water supply network is over 40 years old, and apparently is suffering from the continued neglect of preventive maintenance. Many sections of 160,000 miles of mains water piping require clearing, lining and patching, in order to reach normal service life. The sewerage system is under even worse condition, with 15% of pipes being a hundred years old or more. Port facilities could be improved. Programmes of environmental improvement could help both the inner cities and the rural areas. It is not difficult to think up things that need to be done, under a workfare scheme, of an environmental-improvement sort.

The provision of job search training, other training, personal social services, health care, education, and recreation are other avenues for workfare to expand into useful fields. There

should, however, be no shying away from the basic tasks of infrastructure provision and environmental improvement in a UK workfare system.

#### Vested Interest Groups and Workfare

The barrier to expansion of a workfare scheme along these lines lies in one main problem. There is vested interest group opposition to such expansion. Our interview studies revealed these problems with the CP, especially in areas of high unemployment. The nature of the problem has been put by Mr Jeremy Sur, Head of Special Measures of the MSC:

'... a very large step might cause people, whose goodwill we have at the moment, almost to take fright and withdraw the support they give to the programme. There are very real fears amongst the trade unions and employers and others that the Programme might become wholesale substitution ... if we were making claims that we really ought to be in the business in a large way of restoring the housing stock. I feel sure that in every sector voices would come forward and say, "That is somebody else's responsibility and resources should be devoted to carrying out that responsibility in an orthodox fashion." The same argument would be made if we looked towards building roads in a wholesale fashion.'<sup>66</sup>

There can be no dodging of this issue; if workfare is to involve large-scale construction and renovation projects, with a Division of Operations on the WPA model, some toes will be trod on. If insufficient cooperation is forthcoming in terms of workfare job openings from local authorities and other public agencies, Parliament has the ability to lay down by statute requirements in this regard of local authorities, as it does already in the cases of education and social services.

#### Geographical Concentration of Long-Term Unemployment

The operation of a workfare scheme will make for the greatest difficulties in those MSC Areas where unemployment is highest.

'... within [certain] local authority areas there are wards where there are three times more unemployed. Within those wards there are housing estates where nearly everyone is unemployed'.<sup>67</sup>

Thus a workfare system might lead to situation whereby "pools" of workfare jobs existed, with little else on offer. This problem might be reduced by twinning the operation of workfare with a system of mobility allowances for workfare participants in those areas especially affected by the concentration of long-term unemployment. The Enterprise Allowance scheme might also be seen as a part of the workfare system, used to re-generate enterprise in such areas and to prevent the development of a 'workfare culture'.

There was no evidence from our interview studies that the institution of a workfare system might create racial tension in those inner city areas/estates with high concentration of both unemployment and ethnic communities. To the contrary, the idea was surprisingly welcomed by many ethnic CP participants to whom we spoke. It is to be noted that the operation of workfare in the US has also not been a touchstone for racial violence and tension.

#### Phased Introduction of Workfare

The creation of 1 million workfare slots overnight would be administratively impossible and/or would lead to the spawning of numerous makework projects of low quality and which would call the entire scheme into disrepute.

The solution would seem to be to follow the model of the Social Welfare Amendments of 1985 in the USA, which envisages a three-year phasing-in period for workfare, with target participation (of all able-bodied AFDC recipients/applicants) set at 25% of fiscal 1986, 50% for fiscal 1987, and 75% thereafter.

An alternative plan might be to introduce workfare for a target of those with more than two years unemployment first, working down to 18 months and then those unemployed for one year or more. The American scheme seems preferable, however, in allowing greater operational flexibility.

### The Role of Voluntary Organisations in Workfare

In Sweden, Switzerland, and the US, voluntary organisations play roles in the creation of work and training. A workfare scheme in the UK might similarly draw upon the voluntary sector, as does the operation of the CP already (approximately 20% of all community projects are sponsored by voluntary organisations in the UK).

There are, however, significant detractors from the over-extensive reliance upon the voluntary sector as a source of extra job creation/workfare, not the least of which is that the "voluntary" sector may become transformed into a quasi-public sector if swamped by injections of state cash. This and other problems have been revealed before the House of Commons Select Committee on Employment concerning SEMs at present in the UK:

'... SEMs have generated turbulence in voluntary bodies, from the inception of the Job Creation Programme in the mid 70s until the present. This stems from the incompatibility of the goals of the MSC which is employment oriented, and of voluntary bodies whose goals are highly diverse; from the "swamping" of small bodies with resources out of proportion to their capacity to manage them; from the hunger for resources that stems from the relative impoverishment of the voluntary sector; and, not infrequently, inexperience and lack of judgement of voluntary bodies; but most particularly from the insecurity of year-on-year funding by politically vulnerable programmes'.<sup>68</sup>

The avoidance of such problems would seem to dictate the the main avenue for workfare job creation should be within the explicit public sector involving local authorities, public agencies, nationalised industries, education, health care, and Department of State.

### Monitoring Workfare

There have been difficulties in monitoring SEMs in the UK, as revealed by a study of the Comptroller and Auditor General:

'Test examinations by MSC internal auditors ... disclosed financial irregularities, and serious failings by both sponsors and area offices' 69

Whilst monitoring procedures regarding the CP have recently been strengthened, the fact remains that evaluation of CP-type activities remains largely judgemental. This problem would be, inevitably, exacerbated by the extension of present SEMs into a workfare scheme covering 1 million plus people.

Consideration should therefore be given to the utilisation of external economic auditing studies of workfare projects and schemes, along the lines undertaken by the independent Manpower Research and Development Corporation in the United States of various operative workfare programmes at the state, county and city level.

#### IV. SUMMARY OF CONCLUSIONS AND MAIN RECOMMENDATIONS

'The West Virginia experiment clearly indicates that it is possible to introduce a universal work programme on the lines suggested by the Reagan administration' (Appendix Report, p.45). There is no reason why a similar workfare system might not be equally successful in the UK. Nor need the costs of such a programme be heavy to the Exchequer and taxpayer, although hopes that such a scheme might generate large potential tax savings are probably on the optimistic side. The US evidence on workfare suggests the costs of such schemes can be quite large, involving support services (for women with young children), education and training, and increased staffing requirements for welfare/employment services.

The current UK system for dealing with job centre placement, UB and SB claims, and re-entry to the labour market, clearly is not working to produce the levels of employment generally thought desirable. A workfare system, as suggested by Lord Beveridge more than 40 years ago in his report on social insurance, offers the possibility of reducing unemployment to more acceptable levels and, simultaneously, of reducing, over the long haul, the significantly large costs attached to running the welfare state along current lines. Such a system is certainly feasible, as witnessed by certain experiments in the United States, and indeed by the workings of the system in Switzerland and Sweden.

The main requirements for establishing such a workfare system in the UK are as follows:

(i) The re-integration of benefit, placement, and controls procedures under the aegis of a single organisation, which would probably be the existent job centres of the MSC. As suggested by Minford, this might be undertaken in the short run by placing DHSS officials dealing with unemployment (such as UROs) and benefits payments back in job centres.

(ii) The re-introduction of compulsory registration for all unemployed claimants, at job centres.

(iii) All long-term unemployed claimants would be offered a job/training slot, as guided by counsellors, and appropriate to their circumstances from a pool of "workfare" jobs and training/education openings. Those claimants lacking basic literacy as verbal English might, as in the current California workfare scheme, be required to enrol in language courses as designated by counsellors in job centres.

(iv) Workfare jobs would be created by the MSC, drawing upon the inputs of its Employment and Training Divisions, and also a new Division of Operations concerned with large-scale construction and environmental improvement projects of national importance.

(v) Denial procedures regarding unemployment benefit claiming would become tougher; and where refusal to take a workfare slot was involved for the long-term unemployed, automatic in the case of able-bodied/able-minded claimants. Testing these matters would increase the case-loads of Regional Medical Officers, UROs, and Job Centre Placement Officers, at as yet unknown costs.

(vi) Currently the CP and YTS operate as voluntary schemes, with sponsors offering to produce programmes and projects. It could be that a workfare programme in the UK for 1 million plus of the long-term unemployed would not find enough "takers" in the public sector, due to the opposition of vested interest groups. In this case Parliament might lay down by law requirements upon local authorities and other public bodies regarding the creation of workfare openings, as it does already with local authority provision of education for children.

(vii) While some use may be made of voluntary organisations in the establishment of a permanent workfare programme, there are

dangers for the organisations themselves in getting too heavily enmeshed in state financing. The main avenue for workfare jobs, therefore, should be the public sector.

(viii) Over-concentration of workfare in areas afflicted by especial concentrations of LTU might be handled/reduced by the offering of mobility allowances to some of workfare participants in such areas, and by expansion of the Enterprise Allowance scheme.

(ix) The difficulties of implementing a large workfare programme in the UK will be minimised by building upon experience with the CP and YTS, and by adoption of pragmatic targets for the initial scale of coverage of such a programme. Specifically, consideration would need to be given to the idea of a rolling/expanding target of coverage, as envisaged under the current Reagan Administration (1985) plans for the extension of workfare in the USA.

(x) In order to keep the costs of the programme within limits, average compensation under workfare should be set at the average level for benefit claim, with variations made for special skills/managerial capacity, etc.

(xi) Monitoring and evaluation of workfare activity needs to be undertaken not simply by MSC offices, their independent auditors, and sponsors, but also by independent research organisations and consultants, leading to published reports that may be subjected to professional scrutiny. This will give the clearest indication of success and failure in workfare projects, and yet (if conducted on a sample survey basis) need not add much to overall administrative costs.

(xii) The variegated nature of US schemes with workfare may lead to waste, mistakes, (etc.), but there is a role for experimentation in developing a UK workfare scheme. Mistakes cannot be detected if there is not the opportunity for comparison across projects and programmes. The generation of



workfare slots should thus be left at MSC Area Level as regards the Employment and Training Divisions, and indeed also much of the work of the envisaged Division of Operations. The latter would, however, have to consider major national schemes of material importance (yet of a labour-intensive nature).

Workfare will not on its own restore us to full employment. Many other measures, including the deregulation of the labour and housing markets, improvement of the UK educational system, benefit capping along the lines suggested by Minford, and measures to generate the spirit of enterprise, are doubtless of importance also in the task of avoiding further growth of unemployment in the UK. A well-constructed workfare programme could, however, add the general impetus of policy; in a quite feasible manner.

## Footnotes

1. Charter for Jobs, We Can Cut Unemployment, London: Employment Institute, 1985.
2. Special Employment Measures and the Long-Term Unemployed, London: House of Commons, First Report from the Employment Committee, Session 1985-86, 199.
3. Until 1982 a further condition for the payment of unemployment benefit was that the claimant be registered for employment at a job centre. This condition was abolished under the Rayner reforms of that year (see later discussion).
4. Approximately 66% of all those on UB are currently also on supplementary benefits - the so-called 'topping up' phenomenon. The rules for stopping UB are defined under Section 20 of the 1975 Social Security Act.
5. F. Field, 'Control Measures Against Abuse', in F. Field (ed), The Conscript Army: A Study of Britain's Unemployed, London: Routledge and Kegan Paul, 1977, p.48.
6. It was also suggested that this is invariant across the country, being much the same result in a Yorkshire seaside town in the middle of winter as in the Thames Valley in spring.
7. Field, op.cit., p.48.
8. If a claimant has been refused UB on grounds on non-availability, then the SBC will follow the decision of the UB Adjudication Officer concerned, in applying the voluntary unemployment deduction (see above).
9. See Field, Table 4.2, p.50, op.cit.
10. Before the introduction of voluntary registration in 1982, UROs were concerned only with those on SB, but since then have been concerned with both those on UB and SB. Prior to that time, the job centres had the task of keeping the employment intentions of those on UB 'under review'.

11. Although the DHSS has the legal power to review the matter at any time.
12. The voluntary unemployment deduction under SB does, however, mean actual loss of benefit, and not just delay of benefit.
13. B. Shawler, The Public Employment Service, London: Longman Group, 1976, p.36.
14. R. Layard, Unemployment in Britain: Causes and Cures, London: Centre for Labour Economics, LSE, May 1981, p.6.
15. R. Howell, Why Unemployment? London: Adam Smith Institute, 1985, p.21.
16. M. Hill, Policies for the Unemployed: Help or Coercion?, Child Poverty Action Group, Pamphlet 15, London, April 1974.
17. B. Shawler, op.cit., p.77.
18. B. Jangenäs, The Swedish Approach to Labor Market Policy, London: The Swedish Institute, 1985, p.6.
19. 450 working days in the case of the insured unemployed aged 55 or above.
20. Jangenäs, op.cit., p.54.
21. Jangenäs, op.cit., p.58.
22. The Swedish Act on Employment in Youth Teams with Public Employers Stockholm: Ministry of Labour, 1985.
23. Jangenäs, op.cit., p.49.
24. K-O Andersson, 'A Bridge over Unemployment - On Relief Work' in A. Larsson (ed), Labor Market Reforms in Sweden, Stockholm: The Swedish Institute, 1979, pp. 54-57.
25. Youth team and relief work wages are stipulated by collective contract. Generally pay for these two groups is higher than KAS, though not always the maximum payable insurance benefit.

26. Y. Flückiger, A. Schönenberger, and M. Zarinnejadan, Low Unemployment in Switzerland: A Miracle?, University of Buckingham: Employment Research Centre, Occasional Papers in Employment Studies, No.3, 1985, p.3, Table I.
27. Only about 30% or less of Swiss workers are affiliated to trade unions, as against circa 45% in the UK and 90% in Sweden.
28. Cantons previously had the ability to make insurance compulsory for all employees within their individual boundaries, but only one canton did so.
29. This was doubled to 0.6 per cent in January, 1984: Switzerland: OECD Economic Survey 1984/85, Paris: OECD, Dec. 1984, p.58.
30. It is to be noted that there is no compulsory health insurance system in Switzerland; although cantons are empowered to declare such insurance compulsory for some or all categories of the population in their canton. Currently, over 500 health insurance funds exist.
31. OECD, op.cit., p. 58.
32. An average replacement ratio in the range of 60 to 70% is usually quoted in the case of the UK; with that in the US being some two-thirds to one-half of the UK figure. 'Unemployment and Family Income', Ch. VI of Employment Outlook, Paris: OECD, Sept. 1984.
33. J-F Charles, 'Social Security in Switzerland: Main Features of the Schemes and Current Problems': Switzerland: Federal Social Insurance Office, 1984.
34. Y. Flückiger et al, op.cit. The "concertina effect" of Swiss foreign labour regulations is also examined in this manuscript.
35. W. Wittman, 'Is Switzerland at a Crossroads?', Bulletin CS, pp. 8-9.

36. Sir William Beveridge, Social Insurance and Allied Services, London: HMSO, Cmd. 6404, 1942, p.57.
37. Ibid., p.58.
38. P. Minford et al, Unemployment: Cause and Cure, Oxford: Basil Blackwell, 1985, 2nd edn., ch.2.
39. R. Howell, Why Unemployment?, London: Adam Smith Institute, 1985.
40. Hermione Parker, The Moral Hazard of Social Benefits, London, Institute of Economic Affairs, Research Monograph 37, 1982.
41. Quarterly Economic Bulletin, Vol.4, No.3, Sep. 1983, p.22.
42. Economic Survey 1985/1986: UK, Paris: OECD, January 1986, p.32.
43. A.W. Dilnot and C.W. Morris, 'Private Costs and Benefits of Unemployment: Measuring Replacement Rates', Oxford Economic Papers, (Supplement), Nov. 1983.
44. P. Minford, op.cit., ch.2.
45. P. Ashton, 'Replacement Ratios and Unemployment Decisions', Quarterly Economic Bulletin, Vol.5, No.4, Dec. 1984, p.24.
46. Ibid., p.24.
47. R. Layard and S. Nickell, 'Unemployment in Britain', mimeo, May 1985.
48. Adapted from P. Minford, memorandum laid before the Committee, Employment Committee, Special Employment Measures and the Long-Term Unemployed: Moranda, London: HMSO, House of Commons, Session 1985-86, HC200, p.30.
49. See, for example, the account in the memorandum by the Department of Employment and the Manpower Services Commission in Special Employment Measures: Minutes of Evidence, London, HMSO, House of Commons, Employment Committee, Session 1984-85, HOC 487-i, pp. 1-17.

50. This is approximately true. In the 6 months preceding May 1984, only 887 people had their benefit reduced for refusing to accept a YTS placement - representing less than one per cent of those eligible for the scheme who at that time were unemployed. Source: House of Common, Hansard, WPQ.
51. See, for example, Charter for Jobs, We Can Cut Unemployment, London: Employment Institute, 1985; G. Davies and D. Metcalf, The Cost Effectiveness of Tax Cuts, Public Expenditure, and Special Employment Measures in Cutting Unemployment, London: Simon and Coates, 1985; First Report from the Employment Committee, Special Employment Measures and the Long-Term Unemployed, Session 1985-86, London: HMSO, HOC 199, 1986.
52. 'Memorandum of C&CG on Special Employment Measures', Fourth Report from the Committee of Public Accounts, Special Employment Measures Administered by the Department of Employment and the Manpower Services Commission, London: HMSO, Session 1982-83, HOC, 1983, pp.13-14.
53. Minford, op. cit., fn. 48, p.32.
54. Some SEMs, such as the Young Workers Scheme - which, ironically, was closed for further applications on 31st March 1986 - would have a similar wage depressing effect to workfare.
55. A summary of the research is contained in H.M. Treasury, The Relationship Between Employment and Wages, January 1985.
56. Employment Committee, Special Employment Measures: Minutes of Evidence, London: HMSO, Session 1984-85, HOC 487i, p.21, para. 16.
57. These figures could not be tested in the area case studies conducted under the auspices of this study, as they are not kept at the level of MSC Areas (or nationally).
58. R. Howell, Why Unemployment?, London: Adam Smith Institute, 1985, pp.24-26 in particular.

59. P. Ashton, 'Replacement Ratios and Unemployment Decisions' Liverpool Quarterly Economic Bulletin, Vol. 5, No. 4, Dec. 1984.
60. Kent Matthews, 'GDP Expenditure vs. GDP Income: An Insight into the Black Economy', Liverpool Quarterly Economic Bulletin, 1 Nov. 1982.
61. Some limited evidence on tax evasion on earned income - but not other incomes - is presented in C.V. Brown et all, 'Tax Evasion and Avoidance on Earned Income: Some Survey Evidence', Fiscal Studies, Vol.5, No. 3, 1984, pp.1-22.
62. Ibid.
63. J.V. Lamar, jr, 'From Welfare to Workforce', Time, Feb 3, 1986, p.22.
64. J.V. Lammar, jr, ibid, p.22.
65. A.F. Briscoe, 'Public Service Employment in the 1930s: The WPA', in H.L. Sheppard, B. Harrison, and W.J. Spring, (eds), The Political Economy of Public Service Employment, London: Lexington Books, 1972, p.107.
66. S. Webley, Stiffening the Sinews of the Nations: Economic Infrastructure in the United States, United Kingdom, and Canada, London: British-North American Committee, 1985.
67. House of Commons, Employment Committee, Session 1984-85 Special Employment Measures, Minutes of Evidence, London: HMSO, HOC 487i, 3 July, 1985, p.34.
68. R. Dewhurst, quoted in Financial Weekly, January 16, 1986, p.20.
69. Memorandum submitted by the Volunteer Centre, Special Employment Measures: Minutes of Evidence, London: HMSO, House of Commons Employment Committee, 487-iii, Session 1984-85, p.51.

70. Committee of Public Accounts, Fourth Report: Special  
Employment Measures, London: HMSO, Session 1983-84, p.xii.



TABLE I: CONSEQUENCES OF RECENT OPERATIONS  
TO REDUCE UB FRAUD

	THAMES VALLEY	CHILTERN
Estimated Net Benefit Savings from Operation	£601,876	£714,014
Cases Considered for Prosecution	21	18
Savings Cases per Investigator	3.8	4.4

Source: DE, published figures

TABLE II: SECTION 25 PROSECUTIONS, 1975 TO 1984

Year:	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
No:	23	12	6	7	6	2	5	0	0	0

Source: DHSS

TABLE III: PEOPLE ENROLLING IN JOB CENTRES

Year	People Enrolling (M)
1981	2.5
1982	2.7
1983	0.8
1984	0.5

Source: DE

TABLE IV: AVERAGE NUMBER OF PEOPLE IN CERTAIN LABOUR  
MARKET POLICY PROGRAMMES IN SWEDEN, 1955-1984

Year	Number in Labour Market Policy Programmes*	% of Labour Force	Unemployment According to Labour Force Surveys, %
1955	4,000	-	-
1959	16,000	-	-
1963	29,000	0.8	1.7
1968	65,000	1.7	2.2
1970	71,000	1.8	1.5
1973	112,000	2.8	2.5
1976	107,000	2.6	1.6
1979	153,000	3.6	2.1
1981	117,000	2.7	2.5
1982	142,000	3.3	3.1
1983	162,000	3.7	3.5
1984	178,000	4.1	3.1

\* Refers to relief work, programmes to generate jobs for older unemployed people and the disabled, rehabilitation programmes, labour market training; and "youth teams" (beginning in 1984).

TABLE V:  
UNEMPLOYMENT BENEFITS AND FINANCIAL CONTRIBUTION SINCE 1972  
SWITZERLAND

Year	Max. Benefit As % of Wage Income	Max. Allowances in Fr. per Day/Month	Max. Duration in Days	Contribution in % of Wage
1972	60/65%	48/1248	90/315 <sup>1</sup>	12 Fr. Min.
1973	65/70%	80/2080	*	*
1975	*	120/3120	102 <sup>2</sup> /150 <sup>3</sup>	*
1976	*	*	150/180	*
1977 <sup>4</sup>	*	150/3900	*	0.4%
1978	*	*	*	0.8%
1980	*	*	*	0.5%
1982	*	*	*	0.3%
1984	70/80%	/5800	82/250	0.6%

Source: Federal Office for Trade, Industry and Labour

- Motes:
1. Maximum number of daily benefits in 4 consecutive years.
  2. From April 16th.
  3. From November 17th. Only certain specific groups bearing high risks of unemployment qualify for the longer duration of benefit payments, e.g. people of a higher age than 55, invalids etc.
  4. Transitory regime from April 1st.

TABLE VI : THE ASHTON-MINFORD CALCULATIONS  
REPLACEMENT RATIOS, DEC. 1984

Gross Earnings p.w. from Work	£50	£60	£70	£80	£90	£100	£110	£120	£130	£140	£150	£160	£170	£180	£190	£200
Single Person	1	.95	.9	.87	.82	.74	.68	.62	.58	.54	.5	.47	.45	.42	.4	.38
Couple with no children	1.24	1.06	1.01	.97	.94	.91	.89	.82	.77	.72	.67	.64	.6	.57	.54	.52
Couple with 1 child (under 5)	.96	.93	.93	.94	1	.97	.95	.93	.87	.81	.77	.73	.69	.66	.63	.6
Couple with 2 children (1 under 5, one 11-15)	.99	.97	.97	.98	.98	1.06	1.04	1.02	.99	.93	.88	.84	.8	.76	.73	.7
Couple with 3 children (1 under 5, 1 under 5-10, one 11-15)	.99	.95	.96	.96	.97	.97	1.07	1.04	1.02	.99	.94	.9	.85	.82	.78	.75

Sources: as cited in text

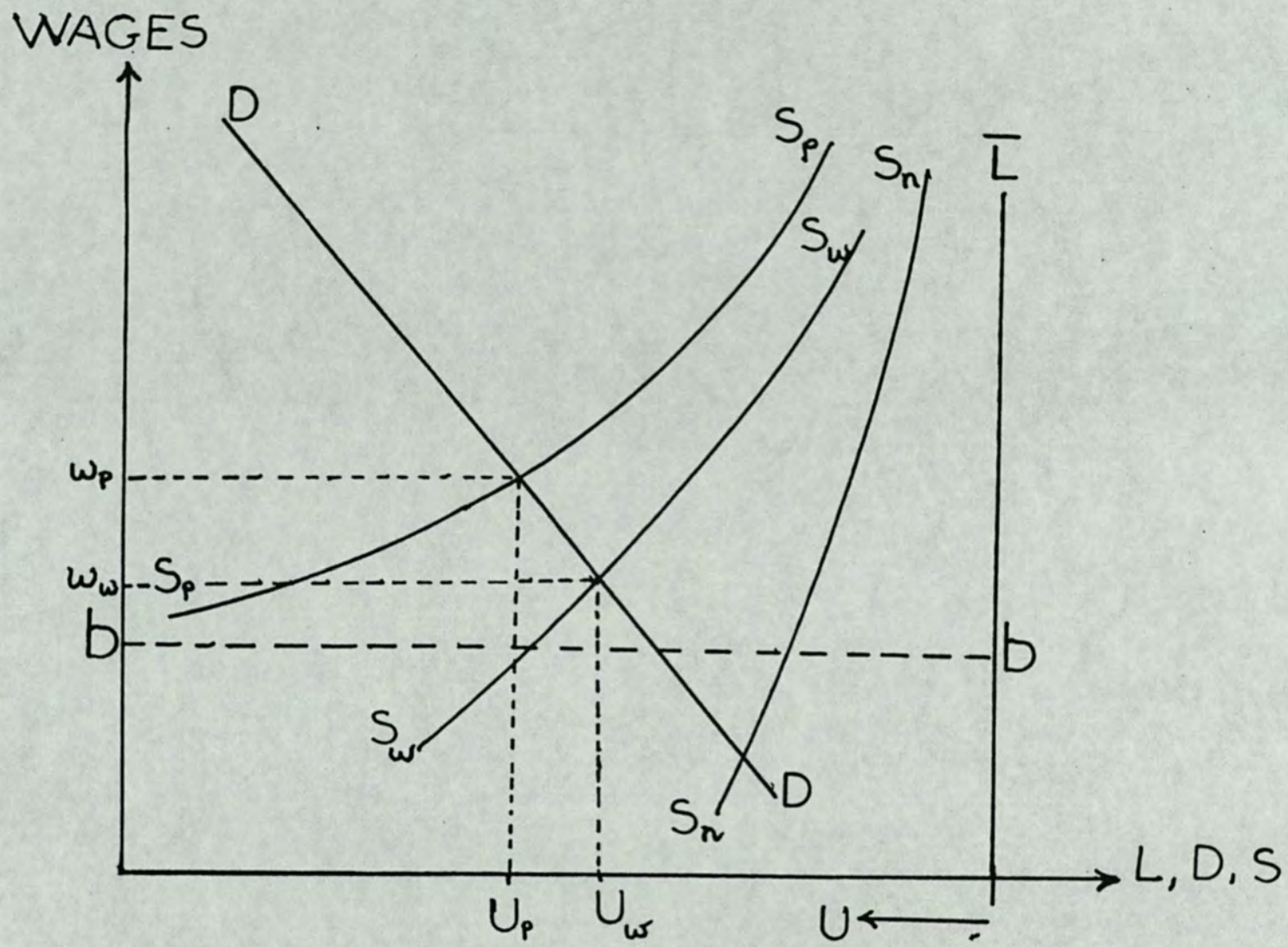


DIAGRAM I: WORK FARE  
AND THE NATURAL RATE

WORKFARE: THE UNITED STATES EXPERIENCE

by

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# SPECIAL NOTE

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TOGETHER CAPTURED IMAGE  
AS SEEN IN ORIGINAL

## I. Introduction

In this review, we present an outline of the U. S. experience with workfare or, more accurately, with welfare and work from 1962 to date. This historical perspective is mandated by the evolutionary nature of workfare experimentation in the United States. A simple focus on the current state of play would either miss this development or quickly become ensnared in a plethora of program titles, operating agencies, welfare category descriptions, and references to past programs with current operational content.

We have attempted to bring our discussion up to date but the nature of the system -- for example, the continuing evolution of workfare projects from demonstration to permanent status -- inevitably means that our discussion lags the experience. Clearly, more work is required here.

The plan of the report is as follows. We first trace the development of workfare in the years prior to the passage of the Omnibus Budget Reconciliation Act of 1981, which established the framework for current experimentation with workfare and work-related schemes for welfare recipients. That legislation is next discussed together with evidence on the proliferation of workfare projects in the 1980s. We then turn to examine the Reagan Administration's most recent proposals for regulatory reform that would make workfare mandatory for all states. Evaluation of these proposals is addressed against the backdrop of contemporary experience. The evaluative exercise is continued in the penultimate section of this report which examines three case studies, two of which provide perhaps the best analytical statement of workfare operation. In a concluding section, the threads of the preceding arguments are drawn



together. Finally, the report includes three appendices documenting Food Stamp workfare, descriptive information on eleven community work experience program demonstrations, and evaluative material on the scope of workfare in sixteen states, respectively.

## II. A Chronology of Work and Training Programs for AFDC Recipients, 1962-81

Workfare as practiced in the United States has largely to be set in the context of that country's federal welfare program. Prior to the passage of the Social Security Act in 1935, there were no federal programs that provided families with cash benefits and therefore no federal work-for-benefit programs. That said, there is, of course, a long history of workfare at the state level for recipients of non-federally funded general assistance. As early as 1798, for example, the New York Manufacturing Society was organized for the purpose of requiring men and women to work on exchange for public aid. And during the 1930s and 1940s 'work relief' became Roosevelt's preferred means for tackling unemployment. Yet the Works Progress Administration, and the Public Works Administration, inter al., were not viewed as work-for-benefit programs. They differed from the state schemes of earlier vintage in that they paid wages (and offered jobs) for the provision of 'public goods.'

With the end of federal work programs after 1941, the sole source of welfare assistance was that made available to female-headed, single parent households. As a complement to the Old Survivors Insurance title of the 1935 Social Security Act, the Aid to Dependent Children (ADC) Program was established to provide income to the children of families headed by women in which there was no spouse to support the family. The law was later amended to provide support for the mother as well as her children and, accordingly, ADC became Aid to Families with Dependent Children, or AFDC. Note the assumption here that the mothers of these children were unemployable, even though the

Income received by an AFDC family was to be allowed for in calculating the family's grant (which until 1967 was reduced by one dollar for each dollar of other income received).

The AFDC eligibility limitation to mothers became a cause for concern in the 1950s on the reasoning that poor families might actually be encouraged to break up so that the mother and her children could then receive support. Accordingly, in 1961 the Social Security Act was amended to give states -- each of which was authorized to set its own benefit levels, with the federal government matching a share of the administrative and grant payment costs -- the option of broadening eligibility to include families of fathers who were involuntarily unemployed. Less than half of all states elected to establish an AFDC Unemployed Parent, or AFDC-U, program. Note, too, that very different eligibility criteria attached to AFDC-U than to what we might term AFDC-Basic. An applicant father had to have a recent work history and be willing to fill an available job. Eligibility would be lost by his turning down a job or by acceptance of a part-time job involving more than 100 hours of work per month.

Against this backdrop, let us now turn directly to the introduction of work programs for AFDC recipients during the 1960s and the 1970s. Such work programs emphasized improving the ability of welfare recipients to compete in the labor market and consisted primarily of training programs and social support services. Two important exceptions to this emphasis were the Community Work and Training (CWT) Program and its successor, the Work Experience and Training Program. The former was introduced as an amendment to the Social Security Act in 1962 and authorized state welfare agencies to establish CWT programs for AFDC unemployed parents. Work assignments were created in public agencies and welfare recipients could be required to work in them or risk being sanctioned. Although the purpose of the CWT program was to provide both work

and training, the states ran the projects primarily as workfare activities in which the AFDC unemployed father worked off his grant at the prevailing wage, thus strengthening the employment connection in the AFDC-U program.

The latter piece of legislation was introduced in 1963 and ultimately became Title V of the Economic Opportunity Act. Title V authorized 100 percent federal financing for work projects -- unlike CWT which had a 50-50 federal matching ratio -- and a range of educational and training services. Its funds could also be used to supplement CWT programs. (Participation in Title V was not limited to the (22) AFDC-U states, though it was hoped that its passage would encourage more states to create AFDC-U programs.)

In practice, all states elected to operate Title V programs, but the very large majority enrolled fewer than 200 welfare recipients. Three states -- Kentucky, West Virginia, and Puerto Rico -- accounted for one-quarter of all Title V outlays in 1965 and 1966, and included nearly one-third of Title V enrollees in 1967.

Note in all of this the strong employment expectation for AFDC-U fathers. In contrast, little was expected of AFDC mothers. This was shortly to change with a burgeoning AFDC caseload and the increasing numbers of AFDC families eligible for aid because of the absence of the father.

In 1967 a separate employment and training program for AFDC recipients was introduced, known as the Work Incentive (WIN) Program. Operational authority for WIN was assigned to both the Department of Labor and the Department of Health, Education and Welfare and their counterparts at state level. The local social services departments provided social service support and welfare while the federally-funded Employment Security Agencies provided job preparation and training services. Under WIN, as initially established, all AFDC unemployed parents were required to register for training or jobs with the employment

service. Failure to register or participate would be grounds for reducing the family's AFDC grant. Initially, registration was voluntary for AFDC mothers, but amendments to the Social Security Act in 1971 required the registration of women with no preschool children. (Currently, WIN requires the registration of all AFDC recipients unless they are younger than 16, children in full-time schooling, ill, incapacitated, elderly, too far away from a project, needed at home to care for a person who is ill, providing care substantially full time for a child younger than 6, employed at least 30 hours per week, or the parent of a child whose other parent is required and has not refused to participate.)

'Special Works Projects', under which AFDC recipients registered with WIN could be assigned to public or nonprofit agencies at minimum wages or better were also authorized under the WIN legislation. However, only one state -- West Virginia -- established such projects, and in 1972 they were replaced by Public Service Employment.

A somewhat different kind of WIN work program more in line with workfare was introduced in the 1970s. Under WIN Work Experience a WIN registrant could be assigned to unsalaried job training in a public or nonprofit agency for a period of up to 13 weeks, with the possibility of assignment to additional work sites for up to 13 weeks. Participants were to be reimbursed for training-related expenses and given an incentive allowance for each day worked. The work could be full time or part time; the period was not linked to an implicit wage rate, and so the scheme did not in any sense require working off the grant.

WIN was financed by 90 percent federal funding, but the overall level of funding was such that only a relatively small share of all mandatory registrants received employment, training, or job referral services. As of March 1978, for example, one-quarter of the nonworking mandatory WIN

registrants were not participating in the employment or training component. Given this coverage, WIN was not in practice a truly mandatory scheme. Typically, only the most motivated and employable AFDC recipients were assigned to training.

Following the introduction of WIN, there was very little experimentation with AFDC workfare for the next 13 years. This outcome reflected rulings by the Department of Health, Education and Welfare (HEW) to the effect that WIN and its regulations removed the state's option of establishing workfare programs. Thus, in the case of the two major experiments next examined, HEW discontinued the demonstration status of California's Community Work Experience Program and withdrew federal funds from Utah's Work Experience and Training Program. (Utah's scheme was established not as a demonstration project but as a permanent requirement of that state's AFDC program.) Federal funds were withheld for two years, until the administration reversed the initial ruling, and approved the program in May 1976.

California's Community Work Experience Program (CWEP) was a three-year demonstration introduced as part of a major reform package to cut the rapidly rising costs of that state's relative generous AFDC programs. As its name suggests, the demonstration was run to establish the administrative practicability of workfare. Its goals were to reduce welfare dependency, discourage new welfare applications, and reduce welfare costs. It is widely believed that the California scheme is the genesis of most recent efforts to institute workfare, not least perhaps because the project was introduced under an earlier Reagan Administration. Prior to being assigned to CWEP, AFDC recipients were expected to search for unsubsidized employment. If they failed to locate a job, they were assigned to a specialized training program such as WIN. If neither jobs nor training were available, the Employment Service

(called the Employment Development Department) was to create public agency positions. The number of hours to be worked was a function of the size of the recipient's AFDC grant but was not to exceed 80 hours a month so as not to frustrate job search activity. Work-related expenses were covered by county welfare departments and the agencies for whom the participant worked.

In California, 27 of the 35 counties with workfare programs also had a WIN program; 21 also had an 'employables' program operated by the Employment Service to assist in the location of jobs and training. To repeat, AFDC recipients were assigned to workfare only in the event that they could not find suitable jobs or training under either program.

The intention was to enroll 30,000 participants in the first year of the program but participation amounted to less than 4 percent of the target. For the second year, the target was lowered to 5,500 but participation was less than 30 percent of this total. At no time did participation exceed 1 percent of the total AFDC caseload. In the 3 years of operation, there were some 9,627 assignments to work sites. Activity was highest in 1974 when 4,760 individuals participated -- 2.6 percent of those who were eligible and 0.2 percent of the AFDC cases in the 25 counties.

The factors that appear to have led to this modest outcome include legal challenges, actions of the state legislature (which voted to end CWEP in 1974, albeit producing a veto by Governor Reagan, and which mandated that WIN slots be filled to a certain level before AFDC recipients could be placed in workfare), lukewarm support by counties and opposition from social workers and county welfare directors, and highly selective screening at county level which reduced the number of referrals, job assignments, and sanctions.

Also in the early 1970s, Utah began its WEAT program, drawing on a work relief program run for its state-funded general assistance programs that had

operated since the 1950s. WEAT was directed at able-bodied WIN registrants not receiving WIN services (together with general assistance recipients). Such unassigned recipients are screened for WEAT assignments which may then be temporarily waived, the cases closed, or assigned on the basis of screening interviews.

A summary of AFDC activity for the period June 1974 through end-1980 suggests a greater measure of success than achieved in the Californian experiment. Over this interval some 25,387 AFDC WIN registrants were in the unassigned category and hence screened for WEAT assignments. In all, some 7,990 were assigned to WEAT, 13,075 assignments were temporarily waived, and the remaining 4,362 cases were closed during screening. The monthly average number of clients at work sites was 618. The most recent statistics for the six-month period July to December 1980 indicate that 79 percent of those requested to participate in WEAT were actually assigned to a work site.

Unlike the Californian workfare experiment, WEAT has occasioned little controversy, and is still in being. Utah officials argue that the program has many benefits for both participants and the AFDC program but they have not sought to document these benefits, or the associated costs of the program, and they have not attempted to determine whether the observed benefits may be attributed to WEAT alone.

Mention should also be made of a third exception -- Massachusetts -- and two demonstration programs funded by the Department of Labor in the mid-to-late 1970s. In 1978 Massachusetts launched a mandatory work program for its AFDC-U recipients requiring work experience for 3 days a week up to 13 weeks. As in California, substantial controversy attached to the program. Accordingly, participation was very low. A little over 3,000 of the 5,000 eligible AFDC-U were selected. Of these one-half attended for interview and some 1,000 were

emed appropriate for work experience. With a random research design in place, 754 of this group were assigned to work experience, but only 256 actually materialized at worksites.

The two demonstration programs funded by the Department of Labor sought mandatory participation in subsidized jobs at a wage not tied to the welfare grant. The Minnesota Work Equity Program was a mixture of training and work experience that also provided jobs to those not finding other employment and as such may be viewed as a (well-funded) WIN program with a large public sector employment component. Some 20 percent of those who participated in the program (including AFDC, General Assistance, and Food Stamp recipients) were assigned to jobs.

The second demonstration, the Employment Opportunities Pilot Project, operated in a number of areas. AFDC recipients were first required to participate in a job search assistance program and those unsuccessful could then be referred to and required to participate in either a subsidized job, on-the-job training, work experience, or classroom training. In total, 15 percent of program participants worked in a subsidized job.

There was, then, an hiatus in the development of workfare schemes between 1967 and 1981. This conclusion has to be modified in only two major respects. First, traditional workfare schemes continued in operation for the recipients of state or local general assistance. As of 1977, for example, state, county, city or township workfare programs were available in 19 states with general assistance for employed recipients. Second, from 1979 food stamp recipients have been required to work in exchange for their food stamp benefits. Details and analysis of the demonstrations authorized under the Food Stamp Act of 1977 together with recent changes that authorize state and local jurisdictions to



implement workfare as a permanent feature of the food stamp program are given in Appendix 1.

### III. The Current Legislative Environment

From the outset, the Reagan administration proposed that states be required to operate AFDC workfare programs. But under the most recent legislation, namely the Omnibus Reconciliation Act (OBRA) of 1981, states were merely given the option of setting up Community Work Experience Programs (CWEPs). The CWEP was but one of twenty-two OBRA provisions on AFDC. The general thrust of OBRA was of course to reduce costs and create disincentives to welfare dependence (e.g., by decreasing the amount a person could earn and still receive AFDC benefits).

OBRA authorized CWEP in an amendment to section 409 of the Social Security Act. In a CWEP states may require certain AFDC recipients to work at unpaid jobs in order to continue receiving their welfare benefits. CWEP is a straightforward case of workfare, although in implementing it states can choose to approximate all or some of the goals of a workfare program.

OBRA also offered an alternative approach to WIN, namely WIN demonstration projects. These differ from regular WIN programs (see Section II) in that they are administered by the state AFDC agency rather than the state employment agency; the aim being to discover whether WIN, which has been limited in its success, would be more effective when run by the welfare agency which is closer to the needs of recipients. They also provide the states with more flexibility in program design. Accordingly, WIN demonstrations usually offer a mix of components, such as education, job search, work experience, classroom and on-the-job training. CWEP may also be run as part of a WIN demonstration project as indeed may two other programs established since 1981, namely Job Search (which requires participants to look for a job in a structured manner

either individually or as part of a team) and Work Supplementation or Grant Diversion (which allows the participant's welfare grant to be diverted and used to subsidize an on-the-job training position, often in the private sector, which may become unsubsidized employment). CWEP, Job Search, and Grant Diversion if run independently of WIN demonstrations are funded under the regular AFDC program.

It should be noted that CWEP demonstrations are also authorized under section 1115(a), of the Social Security Act. Under the authority of section 1115(a) the Secretary of Health and Human Services may agree to waive a demonstration's compliance with the requirements of certain sections of the Social Security Act regarding eligibility for benefits, sanctions, and exemptions and use federal funds for the costs of a demonstration that would not ordinarily be covered in the AFDC Federal matching formula (e.g., work related expenses in excess of \$25 per month).

At the time of writing thirty-eight states have implemented one or more of the above options since 1981. Twenty-two states have implemented CWEP, eight on a statewide basis. Thirteen states have implemented AFDC Job Search, with nine programs involving applicants and twelve involving recipients. Thirteen states have implemented Grant Diversion programs. Twenty-six states operate WIN demonstration programs. The states in question are given in Table 1. Note that thirteen states and the District of Columbia operate regular WIN programs alone, with no OBRA content.

[Table 1 near here]

In the first of three reports on workfare and work-related projects for AFDC recipients, the General Accounting Office (GAO, 1983) considered some eleven CWEP demonstrations either active in fiscal 1982 or approved for fiscal 1983. (Background information on these demonstrations is provided in Appendix

The pessimistic conclusion of the GAO was that oversight of the demonstration by the monitoring agency, the Department of Health and Human Services, had not produced information that allowed conclusions to be drawn as to the efficacy of the demonstrations (the purpose of which was clearly evaluative). In short, the exercises had not provided evidence to support or refute the expectation that expanded workfare programs would affect welfare costs and AFDC caseloads.

#### IV. Proposals for Reform

The Reagan administration has always sought to make CWEP a compulsory requirement for employable AFDC recipients, unlike WIN which has proved unable to place in work or training many of the AFDC recipients who are required to register with it -- at the end of fiscal 1980, for example, nearly one-half of the 1.6 million WIN registrants were classified as unassigned while 62 percent of the adult AFDC population was not required to register for WIN. Thus, in a stream of budget documents and legislative proposals, the administration has continued to request changes that would give the states less flexibility with respect to CWEP. The most recent proposals for fiscal 1986 are enshrined in The Social Welfare Amendments of 1985 (S.1081 and H.R. 2944). The proposed bill requires all states to have work programs in which all able-bodied AFDC applicants/recipients would be expected actively to participate. That said, the states were to have considerable flexibility in program design. Thus, in addition to such work activities as the Community Experience program, grant diversion (the pooling of welfare benefits of a number of welfare recipients to provide wage subsidies was introduced under the 1984 Deficit Reduction Act), job search (an option made available to states under the 1982 Tax Equity and Financial Responsibility Act), and job training under the 1982 Job Training Partnership Act (JTPA) (which allocated some training funds to welfare

recipients), states could design alternative work-directed activities or develop innovative projects using demonstration authority.

All AFDC applicants, unless exempted, were to participate in employment or job search and AFDC recipients, again not otherwise exempted, were to participate in one or more employment-related programs to include job search, CWEP, work supplementation, and JTPA training, in addition to any approved state-developed work directed initiatives. Those exempted from participation were essentially the same groups as specified under OBRA -- typically, the disabled, the aged, and those with very young children. However, states could require caretaker relatives with children aged between 3 and 6 to participate, given child care availability.

The Act envisaged a three-year phasing-in period, ultimately to achieve a participation rate of 75 percent. Participation was set at 25 percent for fiscal 1986, 50 percent for fiscal 1987, and 75 percent thereafter. Penalties were to be imposed on states that failed to meet these targets. Effectively, the state would be adjudged to have made erroneously excessive AFDC payments -- to have increased the so-called AFDC 'error rate'. This in turn could decrease federal funds to the state.

Since the bill either replicates or permits most work activities conducted under the authority of WIN and WIN demonstrations, it was proposed to repeal these two programs.

Federal funding for the administrative costs of work activities was set at \$145m. for the first year with funding in subsequent years rising with program participation rates. The amount provided individual states was a function of the number of employable AFDC recipients in the relevant state. (In addition, fixed amounts, totalling \$948m. for fiscal 1986, were provided each state for the administrative costs of the AFDC program.)

Other features of the bill included the removal of an employable parent/caretaker from AFDC rolls when the youngest child reached aged 16 and a requirement that, with certain exceptions, minor mothers live with their parents in order to receive AFDC benefits.

In her testimony before the Congressional Subcommittee on Intergovernmental Relations and Human Resources Committee on Government Operations, July 9, 1985, Jo Anne Ross, Associate Commissioner for Family Assistance in the Social Security Administration, estimated that the administration's Work Opportunities proposal would result in a net Federal AFDC saving of \$52m. in fiscal 1986. This outcome reflected welfare caseload savings associated with the enhanced employability of welfare applicant/recipients. For its part, as we shall see, the General Accounting Office (1985) was altogether less sanguine (see also Appendix 3).

It would appear that the administration's latest proposals have a basis in five studies: a 1978 job search evaluation; a 1981 food stamp workfare evaluation; a study of an ongoing job search project in Oregon; and a preliminary report on the San Diego demonstration project. In its wide-ranging analysis of the administration's proposals, the GAO examines each of the above studies. First, it notes that the food stamp evaluation itself acknowledged that its sample was geographically unrepresentative. Moreover, the food stamp clientele differed from the AFDC population. (See also Appendix 1.) Second, the evaluation of Utah's ongoing WEAT project (see p.8, above) is based on that state's own management reports. These do indicate that 11,143 AFDC grants were closed or reduced between 1974 and 1980. However, no formal analysis of the Utah program was performed and so the source of the grant reductions is unclear. Third, while the analysis of the job search projects indicated that the intensive services provided did achieve significantly higher placement

rates for the experimental group vis-a-vis its control, only the most job-ready recipients were selected. A mandatory AFDC program on the other hand, would have to draw upon those confronting serious employment barriers as a result of their low education and skill levels. Fourth, Oregon's job search program was associated with a reduction in the AFDC caseload of some 1,900 families over the period 1982-85. Unfortunately, the effect of job search per se is less than transparent because the sample period encompassed changes in program eligibility following OBRA and the commencement of a WIN demonstration. Furthermore, the project is a case study with no control group. Finally, the GAO noted that the most promising project of all for evaluative purposes -- the San Diego job search and work experience program -- was targeted at AFDC applicants rather than recipients. For this reason the findings cannot be generalized to the total welfare case load. Applicable groups include a higher proportion of individuals who will quit welfare after a comparatively short period of time. Also, the experimental group had prior work histories and educational levels that exceeded those of the welfare population generally (see below).

But the scope of the GAO report is considerably wider than the above critique. It examines Social Security Administration files for no less than 34 work-related demonstration projects and assembles information on 3 other projects. The GAO concluded that the recommendation that demonstration projects could be implemented on a mandatory basis nationwide was premature because 33 projects were still in progress, while those that had been completed yielded inconclusive or unreliable outcome data. It recognized that some work projects (e.g., in San Diego, Maryland, and Massachusetts) had demonstrated their ability to enhance the employment and earnings of welfare women and to reduce welfare dependency. That said, it again drew attention to the special

conditions obtaining in these jurisdictions and chose to emphasize the following problems encountered in implementing work projects in the wider sample:

Support Services. Adequate child care (and transportation) is critical if women with young children are to be included in a work program. While in some programs the Federal government had matched part of the expenses of these services, they could still be costly to the states and/or participants unless other sources of Federal funding (e.g., Social Services Block Grant (Title XX) funds) could be tapped. The GAO found a very wide variance in the extent to which sites provided such services. Some clearly had to exempt people from participation because of insufficient day care slots or the unavailability of inexpensive transportation.

Education and Training. Basic educational or skills background is often lacking thus limiting participation in work programs, even for performance of the basic tasks required in workfare sites. GAO noted that Baltimore's program usually requires a high school education or its equivalent for participation in its training programs.

Work Slot Development. It was reported that in five of the twelve workfare programs investigated difficulties were encountered either in generating work sites at all or in finding suitable sites. One program had as many as 35 eligible participants for each slot.

Workers' Compensation. In two workfare projects the failure of the state initially to provide workers' compensation for participants apparently affected local agencies' willingness to provide sites.

Staffing Problems. Returning to a continuing theme in its earlier reports, the GAO reported that inadequate staffing has led to implementation delays and lower participation rates. In one state's WIN demonstration program, for

example, lack of staff due to funding shortages in two sites severely curtailed the program by limiting the number of participants the program served. Other state programs were delayed because welfare staff had difficulty in adjusting to new tasks for which they had not been trained (e.g., developing work sites).

Relationships With Other Programs. The GAO observed that programs with limited resources often had to draw upon other program resources. However, when differing objectives among programs precluded smooth cooperation then obviously the work programs' implementation could be impeded. The GAO cited the example of two workfare projects that depended on WIN staff for client referrals.

Here, the projects experienced participation problems because the WIN staff frequently referred clients who were unsuited to the program. Similarly, grant diversion projects that depended on Job Training Partnership Act (JTPA) staff encountered difficulties when they referred clients whom the JTPA staff considered unemployable and were reluctant to place.

These problems clearly impact on the Reagan administration's most recent proposals, notably in the areas of funding, participation, and training. We have earlier seen that the proposed first year funding for the new program is significantly less than current expenditures for WIN (allocated \$267 million in Fiscal '85). Yet workfare programs have often drawn upon WIN funds to provide such support services as child care. Again, the Social Services Block Grant -- a significant source of funding for child care -- is scheduled to have level funding through the rest of the decade, while states have apparently decreased their allocations for day care. The net effect of the administration's proposals is clearly to shift work program cost to the states. The issue is whether or not states can compensate for lost federal funds, given that the level of funding often appears to have been critical in resolving implementation problems.



Achieving a participation rate of 75 percent would appear to be a difficult undertaking on the basis of the demonstration projects analyzed by the GAO. Few programs have attained their participation goals, many of which appear quite modest alongside the administration's threshold. Clearly, achieving a successful participation rate is related to the feasibility of implementing a program statewide. The minority of extant schemes have this status, and the demonstrations have also underscored the problems encountered in rural sites.

Finally, the reduced funding levels and shift in emphasis away from training and education toward job placement could hamper program development. States are basically encouraged to rely on training under JTPA. While JTPA is required to target a proportion of AFDC recipients for its services, it remains unclear whether or not that program can serve all the training needs of the new AFDC program. Most JTPA Service Delivery Areas do not apparently pay substantial attention to that program's mandate to serve those most in need of its training services, namely the seriously disadvantaged (a category that would presumably include many AFDC clients).

#### V. Further Evaluation

Despite the proliferation of workfare and work-related schemes for AFDC recipients in the wake of OERA, enough has been said to indicate that hard information on such schemes is limited. There is no generally available summary material that reports in a consistent manner and across states the growth in unsubsidized jobs for AFDC recipients following exposure to CWEP, CWEP impact on AFDC costs, and deterrence effects, inter al. Information necessary to assembling such a general impact statement is becoming available but the multiplicity of schemes, their evolution from demonstrations to permanent features of the welfare program, the limited resources for evaluating

the true effects of programs at state level coupled with general funding difficulties will always mean that any overall evaluation will be patchy at best. Accordingly, in the case study material that follows we comment on specific projects with a view of isolating those issues of interest to British policymakers that are perforce somewhat opaque in the broad sweep of the foregoing.

#### ARKANSAS

In October 1982, Arkansas began its WORK Program for single heads of households receiving or applying for welfare under the AFDC program. WORK is a WIN demonstration (see Section III). The proposal was implemented in eight counties, encompassing 33 percent of that state's population and 39 percent of adults on AFDC. The material in this case study is taken from the final report on the WORK program issued by the Manpower Demonstration and Research Corporation (MDRC, 1985a) and focuses on the effects of WORK in two counties.

WORK requires participation of new welfare applicants and recipients who have recently been determined mandatory (primarily because their youngest child has turned three). WIN volunteers (usually so classified because they have younger children) are also encouraged to participate. For welfare applicants who are judged mandatory, registration with WORK is a prerequisite for completion of the application process. Failure to comply with staff assignments to activities provides a basis for sanctioning the adult's share of family benefits.

WORK has a fixed sequence of required activities: a two-week group job search followed by up to 60 days of individual job search. In the two counties surveyed in the MDRC report, enrollees who were still unemployed at the termination of these activities were assigned to unpaid work experience (i.e.,

conventional workfare) for up to 12 weeks. Altogether four of Arkansas' eight counties operated this workfare component.

With the passage of OBRA, CWEP became available. Although CWEP was originally planned for the WORK Program, Arkansas officials decided that CWEP hours (AFDC benefits divided by the minimum wage) would be too restrictive to be useful given the state's low AFDC payments. They therefore opted for WIN Work Experience which allows for 20 to 30 hours of weekly work with the component being limited to 12 weeks. That said, work experience was used infrequently in the WORK program. In a second step intended to extend the reach of WORK, Arkansas obtained a federal waiver to apply mandatory status to mothers whose youngest child was aged three years or more (rather than six, as under WIN proper). In the two-county sample over one-half of the enrollees were parents of a child under six.

In its analysis of WORK, the MDRC examines processes (e.g., did the program meet its objective of expanding the reach of employment services to a broad segment of the eligible case load?), impact effects (e.g., how effective was the program in increasing enrollees' employment and earnings?) and program benefits and costs. To obtain reliable answers to these broad questions, the MDRC analysis established experimental and control groups. During the WORK program enrollment interview, eligible individuals were randomly assigned to an experimental group, for which participation was required if assigned program activities, or to a control group which was excluded from participating in WORK activities for the duration of the research. Random assignment began on 20 June 1983 and continued through 31 March 1984, during which period 1,153 applicants and recipients formed the main research sample.

For the impact effects' component of the study, the employment and welfare outcomes for all experimentals (both participants and nonparticipants) were

# **SPECIAL NOTE**

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individual job search, or work experience. Neither measure indicates on a monthly basis the percent of program registrants actively engaged in job search or work experience as required in proposed national legislation (see Section IV).

It is reported that overall, during the nine-month follow-up, 38 percent of WORK program entrants took part in the three main program activities, surpassing the participation rates under an earlier, conventional WIN program. Rates of participation increased over the follow-up period, although the majority of those who participated did so in the first month after enrollment.

Although the aim of the WORK program was to extend services to as many enrollees as possible it was recognized that limited resources meant that this could not be achieved quickly. Accordingly, staff were given guidelines to work with the more employable enrollees first and then draw into active participation those groups confronting greater employment barriers. The increase in participation rates on a monthly basis appears to indicate that this policy was indeed followed.

Interestingly, 45 percent of the later enrollees (those entering in early 1984) participated in WORK activities within three months as compared with 32 percent of those entering in the summer of 1983. MDRC speculate that one factor in this upturn could well have been the introduction of new guidelines by the central welfare administration that put greater pressure on local offices to increase levels of participation.

Turning to the second measure of participation, at the end of the sample period 23.7 percent of the sample was still registered in the program but had yet to participate in any WORK component. It appears that this proportion remained inactive largely because of the discretion granted local staffs to "unofficially" excuse certain enrollees from participation on grounds of

illness, pregnancy and illiteracy. In short, many of this inactive population were judged unemployable.

Sanctioning did not emerge as a major source of departures from the WORK program. Only 88 sanctions were issued among the 1,733 assessed in one of the counties (through September 1984) to produce a sanctioning rate of 5 percent. The rate in the other county was only 3 percent.

Similar proportions of applicants and recipients were active in the program over the nine-month interval, namely 37 percent and 40 percent, respectively.

Interestingly, enrollees were seldom assigned to work experience in either county. Overall, only 3 percent participated and this value clearly reflects the staff's low priority for the workfare component of WORK. Moreover, the program guidelines failed to define clearly who among enrollees should be assigned. Again, the job developers charged with operating the component had many competing responsibilities. Those who participated in workfare reported that their jobs were important and not make-work. Participants interviewed claimed that they liked their jobs, believed they had learned something, and stated that they felt better about getting welfare when working for it. That said, most respondents perceived that the agencies got the better end of the deal.

#### Impact Effects

At the outset recall the limited recent labor market activity of both applicants and recipients, particularly the latter. Note also that welfare benefits (the 'standard of need') in Arkansas are amongst the lowest in the nation, so that virtually any full-time employment will render a family ineligible for welfare.

MDRC computed the short-term impacts of WORK by comparing the behavior of all enrollees -- both participants and nonparticipants -- in the experimental group to that of the control group after a nine-month follow-up.

As can be seen from Table 2, the WORK program achieved modest increases in employment and earnings. All short-term employment indicators were higher for the experimental group over the nine-month follow-up interval. A little under 19 percent of experimentals were working during the second and third quarters as compared with 14 percent of the controls, yielding a net impact of 5 percent. The earnings of experimentals also rose by \$78 -- from \$213 for controls to \$291 for experimentals. Nevertheless, both overall employment and earnings remained low.

[Table 2 near here]

Turning to welfare receipts, it can be seen that the effect of the program built up over time: few differences in the proportion receiving welfare are evident between the two groups during the quarter of enrollment, but as more enrollees began their job search activities experimentals began to leave welfare at a faster rate than controls. At the end of the follow-up period (Quarter 3), 64 percent of the control group versus 57 percent of the experimentals were receiving welfare. Over the entire nine-month span, controls received welfare payments for five and one-half months on average, compared with five months in the care of experimentals. Matching this reduction in welfare receipt was a corresponding reduction in payments. Total benefits paid in the third quarter averaged \$289 and \$246 for controls and experimentals, respectively, for a true welfare saving of 15 percent. At least three-quarters of the savings arose from a reduction in the numbers receiving benefits, the residual coming from the lower average payments made to experimentals who were still receiving benefits. Again recall the low standard

need in Arkansas in the context of the dominance the former factor. It should also be noted that welfare reductions for enrollees appeared to continue beyond the nine-month observation period, though this is not shown in Table 2.

Data contained in Table 3 allow us to examine the impacts of WORK on the categories of recipient and applicant. Despite the poorer work record of recipients when they entered the program, recipients had more sustained employment gains. With the assistance of the WORK program, recipient experimentals were able to find jobs they would not otherwise have found. Hence their lead over recipient controls. On the other hand, applicant controls even without special program assistance were often able to regain lost jobs or find new ones, thereby shrinking the experimental-control differences. Normal employment patterns would seem to explain these findings and the lower ability of recipient controls to increase their employment levels unaided. (Moreover, within the applicant subgroup, those with lower employability experienced employment gains of a similar magnitude to those of recipients, although this is not reported in Table 3.)

[Table 3 near here]

Short-term reductions in welfare receipt among experimentals were much larger on average for recipients than for applicants. In fact, nearly all the welfare savings achieved by WORK came from the savings for recipients: although recipients were only 40 percent of the full sample of program enrollees they accounted for 80 percent of the total nine-month welfare savings achieved by the program. By the end of quarter three the dollar difference in payments per recipient was \$77 (down from \$415 for controls to \$338 for experimentals) to yield a 19 percent reduction in benefit expenditures for that quarter. The corresponding reduction for applicants was only \$16 or a saving of 8 percent.



These results can be explained in part by AFDC eligibility and turnover. About 40 percent of applicants who enrolled in WORK never received any welfare during the sample period. For these individuals participation in WORK would have made no difference. Also, few applicants were deterred by the program requirements -- a statistically insignificant 2.9 percent of applicants. Moreover, applicant controls who received welfare often received it for only a short period. Recipient controls, on the other hand, left welfare more slowly so that the program intervention made more of a difference here.

Other impact results merit brief discussion. The program worked just as effectively for mothers with preschool children as it did for parents with children of school age. The federal waiver that lowered the exemption criterion expanded enrollment -- over half of the total sample had a preschool child, 70 percent in the case of recipients by 1984 -- but was not associated with smaller employment and welfare impacts for enrollees with preschool children.

Finally, the WORK program appeared more successful in one county than in the other. MDRC suggest that the principal reason for differential success lay in the intensity of program treatment.

#### Benefit-Cost Analysis

The potential benefits of WORK include the value of the net output from work experience jobs, the increase in earnings from regular jobs, changes in the taxes paid by experimentals, changes in their AFDC, Medicaid and Unemployment Insurance payments, and savings in the costs of administering these transfer programs. (The Arkansas study does not compute program effects on Food Stamps and General Assistance.)

Estimated program costs include the resources expended for enrollees' assessment, job clubs, individual job search and other local staff activities;

cost of monitoring by the central office of the WORK program and by the Department of Human Services; and the allowances and incentive payments made to experimentals. (The costs incurred by the JTPA program in serving referrals made by one of the counties are also included.)

In what follows it is important to note that all benefits and costs were estimated on a per experimental basis and are net of the benefits and costs attributed to the control group. Also, projections were made for benefits and costs generated after the data collection ended; the time horizon being five years from the point of random assignment.

Expected benefits and costs are analyzed from the perspective of experimentals, taxpayers, and society. The relevant matrix is given in Table 4.

[Table 4 near here]

Before turning to net value estimates, note two limitations of the benefit-cost analysis. First, the program's impact on earnings is perforce estimated with less reliability than the other impacts. Second, the extent to which program impacts will persist following the nine-month follow-up period is difficult to predict. According, MDRC made alternative estimates, using different assumptions concerning the persistence of program impacts on earnings and welfare receipt. One estimate, drawing on other MDRC findings, is that the magnitude of the impacts observed during the last two quarters of follow-up will persist thereafter. A second is that the impacts will decay by 30 percent a year (roughly that observed in a national study of female welfare clients in the conventional WIN program.). Additional estimates using only observed data assume that no benefits will accrue beyond the follow-up period.

The major findings are summarized in Table 5. Taxpayers experienced a net gain from WORK that ranged from \$209 to \$1,177 per enrollee over five years.

Taxpayers gains were reported for both counties. The main benefits stemmed from reductions in AFDC and Medicaid payments to experimentals. A reduction in AFDC administrative costs provided another measurable source of benefit, as was the small increase in taxes paid by the experimentals employed in unsubsidized jobs.

However, unlike taxpayers, experimentals did not appear to have benefited financially from the program. Increases in earnings net of taxes as a result of the improved rates of unsubsidized employment among experimentals were offset by reductions in their AFDC and Medicaid benefits. (Again note that given the uncertainty attaching to the earnings estimate, the net effect for experimentals is estimated with considerably less precision than the taxpayer effects.)

The net value to society as a whole ranged from \$41 to \$642, although these results were produced by positive net values for one county that exceeded negative net values obtained for the other.

The net value of the WORK program from the perspective of the government budget was positive, although since this value differs from that recorded for taxpayers only insofar as it ignores the output produced in program related jobs and since the value of work experience and JTPA output was only \$20 the budget and taxpayer net values are quite similar.

Finally, the average cost of the WORK program was low--at \$158 per experimental. This low cost reflects the small size of the program staff in each county and the fairly low intensity of program services (e.g., few individuals received work experience).

[Table 5 near here]

Finally, let us briefly return to the 38 percent participation rate noted earlier under 'program participation'. Note that this understates the success

of WORK in one obvious sense. A large number of enrollees did not participate simply because they entered the welfare system only briefly. Indeed, the majority (57.6 percent) of the sample did not remain registered in the program, one reason being that 40 percent of the applicants (both controls and experimentals) were never approved for welfare and were immediately deregistered. In the follow-up period, many of those approved and those who were already recipients left the rolls on their own without ever being active via normal caseload turnover. That said, the 23.7 percent of the sample who were still enrolled but never participated constituted around 56 percent of all those enrolled in the program at March 1984.

SAN DIEGO

The Employment Preparation Program (EPP) and the Experimental Work Experience Program (EWEP) introduced in San Diego provide perhaps the best test of job search and work experience yet available. Again, MDRC (1985b) have provided an exhaustive analysis of these two work-related projects for AFDC recipients. Their report forms the basis for what follows.

Since 1982, the County of San Diego in California has operated a demonstration to test the effectiveness of two program strategies designed to enhance the employability of welfare recipients and reduce the cost of public assistance. The first and earlier program, EPP, emphasizes job search and is conducted mainly in workshops where applicants are taught how to locate and obtain unsubsidized jobs. The second also offers job search but is followed by EWEP in which welfare recipients work in public or nonprofit agencies in exchange for their benefits. Participation in both programs is mandatory and sequential; that is, job search is required of all WIN - mandatory applicants for AFDC -- both single parent (AFDC-Basic) and two parent (AFDC-U) households. In practice, the majority of AFDC-U cases are headed by married men. Individuals assigned to the job search/EWEP model who fail to find regular jobs through the workshops are then assigned to EWEP work experience.

The San Diego programs provide an opportunity to test the reach of job search and work experience on a large scale. And since both programs were implemented as mandatory requirements, they also allow examination of the feasibility of operating a participation and work requirement for the welfare population.

Both program models began at the point of welfare application. Job Search involved one-day job placement assistance at the welfare office followed by registration with EPP (which in 1980 replaced WIN), followed by a three week

job search workshop consisting of one week of orientation and training and two weeks of self-directed job search in a group setting. Job search/work experience involved an unpaid EWEP position in the event of unfruitful job search. Monthly work hours in EWEP were determined by the family's AFDC grant divided by the minimum wage; but EWEP restricted the work obligation in that it applied only to those welfare recipients who failed to locate a job in the first phase (as relatively small share of all applicants) and applied only for 13 weeks. Also, there was an hours limitation of 32 hours per week so as to leave one day free for ongoing job search.

As in the case of the Arkansas study, the MDRC research design focuses on a process analysis, an impact study, and a benefit-cost analysis. Eligible welfare applicants were randomly assigned to one of two experimental groups (Job Search, whose members were required to participate in this activity alone and Job Search/EWEP) or to a control group which was offered minimal WIN services.

For the process study, the two experimental groups were followed using program data from the state's EPP Information System and the county's special EWEP logs, supplemented by a large survey of a subset of applicants, case file studies, and a special survey of a random sample of EWEP participants and their supervisors. For the impact study, the employment and welfare experience of experimentals and controls was compared by using data from computerized AFDC payment and Unemployment Insurance earnings records. Finally, for the benefit-cost study, program impacts on a broad array of measurable outcomes, including the value of the goods and services produced by EWEP participants, were compared with program operating costs using impact and process results coupled with fiscal and administrative records.

Random assignments took place between October 1982 and August 1983, enrolling 7,004 application for welfare into the research sample (3,596 AFDC-Basic's and 3,408 AFD-U's). The composition of the sample was as follows. The AFDC-U group was, as noted earlier, primarily male, married and living with a spouse. Many had recent work experience. Roughly half of the AFDC-U's were white, 33 percent were Hispanics, and 9 percent black. Over 60 percent had high school or General Equivalency diplomas (GED), and 42 percent had received welfare hitherto. By contrast, the AFDC-Basic sample was predominantly female and white (57 percent) with a slightly higher proportion of blacks than Hispanics (21 versus 18 percent). Thus group had a more limited work history and a greater degree of prior welfare dependency, although its educational level was similar to that of AFDC-U's.

The two programs were directed to welfare applicants. Random assignment was conducted at the time of welfare application rather than at program registration or the point of welfare approval. Program impacts and benefit-cost comparisons were estimated for the full group of applicants, including those who did not participate or were not approved for welfare -- about one-half of the applicants did not participate in program activity and approximately one-fifth did not receive welfare. Data on program participation, however, are presented not for the applicants but primarily for the 86 percent of the experimentals who registered with the EPP program since they were the only ones who could be assigned to the workshops and EWEP.

#### Program Participation

Program participation rates were substantial but not universal. As noted above, 86 percent of the experimentals who applied for welfare registered with the program. Among these registrants, one half participated in some activity, typically job search, within the nine-month follow-up period. Almost all

individuals eligible for EWEP were referred to the program and 61 percent of these did participate in mandatory work assignments. This proportion is the equivalent of 15 and 19 percent of AFDC and AFDC-U registrants, respectively. The MDRC notes that these EWEP rates, which increased overtime, were comparable to or exceeded those in most prior special demonstrations of community work experience.

Participation rates were higher for the AFDC-U registrant group than for AFDC-Basic's -- 60 percent and 55 percent respectively -- but there were no consistent differences between the two groups within each assistance category.

By the ninth month, 91 percent of the AFDC-Basic and 94 percent of the AFDC-U registrants had either completed program participation requirements or were no longer subject to these requirements; that is, they had found jobs, were deregistered, or were no longer on welfare (see Figure 1).

[Figure 1 near here]

Apparently, program staff granted few exemptions and deferrals and effectively identified non-cooperation with program requirements. Almost three-quarters of a random sample of Job Search/EWEP registrants was identified at some point as not being in compliance with program requirements, although only 10 percent of noncomplaints were subsequently sanctioned. Overall, sanctions were requested for from 5 to 10 percent of registrants.

Let us turn finally to some findings on the work experience component of Job Search/EWEP. As noted above, around 61 percent of welfare recipients referred to EWEP actually worked in a job. There did not appear to be any shortage of job slots. Of those who worked, over 40 percent completed at least 80 percent of their assigned hours. Program data show that 18 percent of EWEP participants reported finding a job while in EWEP; 43 percent completed their 13-week job assignment without finding employment. The remainder were either



noncompleters or still working in EWEP at the end of the twelve-month follow-up period.

Most EWEP jobs were entry level and did not result in skills improvement, largely because participants possessed the required skills when they began their assignments. However, the small number identified as lacking required skills did acquire them as a result of EWEP. Supervisors reported EWEP participants to be "as productive" or "more productive" than regular new employees.

More than three-quarters of the supervisors judged the work performed by participants as important to the daily functioning of their agencies (this is reflected in the benefit-cost analysis, below). Participants responded favorably to the EWEP jobs and affirmed the fairness of a work requirement (less so among AFDC-Basic's than for the AFDC-U group).

#### Impact Effects

For the impact analysis, longer-term estimates were based on an early group of applicants (October 1982 through March 1983), the majority of the full sample, for whom roughly one year of data were available (cf. the process analysis).

The impacts of the two programs were estimated by comparing the behavior of applicants in each of the two experimental groups with that of the control group. In addition, the incremental effect of EWEP was obtained by comparing the outcomes for the two experimental groups.

Approximately 60 percent of the sample were tracked for one year following welfare application. Welfare impacts were measured for the full 12 months and employment outcomes for the three calendar quarters after the quarter of application. Shorter-term impacts for the full sample were examined to

determine whether or not later applicants were differentially affected by the programs.

We consider the results for the AFDC-Basic and AFDC-U categories in turn. AFDC-Basic's. Between 83 and 85 percent of experimentals and controls received assistance at some point during the 12-month follow-up period. However, many subsequently left welfare and/or found jobs: at the end of the year, less than half were on welfare and over a third were employed. On average, by the end of the year, earnings were a more important source of income than welfare grants.

As Table 6 shows, both Job Search and Job Search/EWEP had substantial and statistically significant impacts on the proportion of AFDC applicants employed and the amount they earned. Quarterly employment rates for experimentals were between 5 and 10 percentage points above those for the controls, representing a 16 to 40 percent increase in those working. Quarterly earnings gains ranged between \$96 and \$213, also substantially above the average earnings of controls.

However, both programs resulted in only modest reductions in the percent on welfare of between 1 and 7 percentage points in the different follow-up quarters. Welfare savings were larger but, as shown in Table 6, these were only statistically significant for the Job Search/EWEP group; for whom the 12-month welfare savings totaled \$206 per experimental, or a 7 percent reduction from the benefits paid to the control group over the same period. (The fact that large earnings gains translated into only small welfare savings reflects the child-care and other deductions used in calculating grants for working welfare recipients.) Finally, the impacts on welfare payments and earnings appeared to be stable for AFDC-Basic's over the 12-month follow-up period.

[Table 6 near here]

AFDC-U's. Data for both experimentals and controls show that between 80 and 82 percent of applicants had their welfare grants approved. However, by the end of the 12-month follow-up, approximately 60 percent were off welfare and about half were employed, with average earnings more than double those of AFDC-Basic applicants.

As shown in Table 7, neither the job search nor the Job Search/EWEP sequence had a sustained impact on AFDC-U employment rates or earnings. There were some significant effects in the first quarter, but these decreased through time. However, both programs led to significant 12-month welfare savings, particularly for the Job Search/EWEP sequence which led to welfare savings totaling \$350 per experimental -- a 14 percent reduction in welfare benefits. (These large welfare savings despite small earnings gains reflect the higher benefit reduction rates on earnings and stronger sanctioning penalties for noncompliant AFDC-U's than for AFDC-Basic's.) Finally, there are signs that program impacts were less stable for AFDC-U's than for AFDC-Basic's.

[Table 7 near here]

When the data are summarized across both recipient groups, three principal findings emerge. First, there is no suggestion that mandating EWEP produced substantial additional impacts over those resulting from the job search workshops. The major exception to this statements is in the area of AFDC-U welfare payments, where large incremental though statistically insignificant reductions in welfare payments were observed. (The problem here of course resides in the longer sequence of program activities for the Job Search/EWEP group.) Second, earnings impacts resulted from increased employment, not increases in wages. Third, preliminary analysis confirms findings from other studies that the programs have their largest impact on those who have little recent employment experience.

### Benefit-Cost Analysis

The following benefit-cost analysis uses data for the full sample but is preliminary because it looks at results only through December 1983. (In a final report, to be published later in 1986, the MDRC will report on extended findings.) In view of the fact that most of the program costs but only part of the program benefits are measured, the results shown in Table 8 are impressive.

Using the same accounting perspectives as employed in the Arkansas study, it can be seen that social benefits were substantial and exceeded social costs for both assistance categories in both programs, except for the AFDC-U experimentals in the job search only program. - For this latter category short-term benefits fell short of the net costs by \$70 per experimental. For other groups, the program's net social benefits ranged between \$98 and \$280 per experimental.

The programs also had a striking distributional effect. For AFDC-Basic's both Job Search and Job Search/EWEP produced net benefits for applicants that exceeded \$300 per experimental group member. However, taxpayers incurred some net costs, amounting to \$87 and \$215 for Job Search/EWEP and Job Search experimentals, respectively.

For the AFDC-U's the major beneficiaries were taxpayers, with applicants incurring substantial losses as a result of the program's effects in reducing the transfer payments they received.

It is interesting to note that very substantial benefits came from the value of the goods and services produced at EWEP worksites. The estimated value of EWEP participants' work was \$229 in the case of AFDC-Basic's and \$360 for AFDC-U's, after averaging over both participants and nonparticipants.

A central benefit of the two programs was their effect on employment. This was associated with increases in earnings for experimentals of between

\$461 and \$461 per experimental through December 1983. As can be seen from Table 8, the gain to welfare applicants was reduced by increased taxes, which in turn was a gain to taxpayers.

Clearly, the dependence of experimentals on transfer programs was reduced. This was partly because of the program's effects on employment. Average welfare payments decreased by between \$173 and \$378 per experimental through December 1983. On the other hand, average Food Stamps and Unemployment Insurance payments (included in 'Other Reduced Transfer Payments') to AFDC-Basic applicants rose, virtually offsetting the reductions in AFDC payments for that group. Unemployment Insurance payments also increased for AFDC-U applicants assigned to Job Search but fell for those assigned to Job Search/EWEP.

What is very clear is the very modest operating costs of the two programs. Thus, Job Search cost between \$366 and \$480 per experimental -- again, including participants and nonparticipants -- while the EWEP costs were \$73 and \$85 per AFDC and AFDC-U experimental, respectively. (Note that these values include the net costs of registration and assessment -- over and above what it cost for controls -- the costs of operating search workshops and EWEP, the costs of sanctioning noncompliant applicants, total administration costs, and the small costs associated with allowances and support services provided to applicants.) The cost of serving an experimental who completed the entire sequence of demonstration activities was around \$1,100 for registration and job search, and \$500 for EWEP.

The governmental budget effects are a mirror image of the taxpayer effects in the case of job search (implying a net budget cost of \$215 for AFDC-Basic's and a net budget gain of \$24 in respect of AFDC-U's.). But budget effects in the case of Job Search/EWEP are obtained by subtracting EWEP output benefits from the net value of the program to taxpayers. This calculation indicates a

budget loss of \$316 per AFDC experimental and a budget gain of \$197 per AFDC-U experimental.

Note in all of this the failure to take account of displacement effects, inter al. This, then, is a very partial benefit-cost analysis.

The final report on San Diego has yet to be published by the MDRC, but in the interim California has gone ahead statewide with a program modeled after the San Diego experiment.

[Table 8 near here]

### WEST VIRGINIA

West Virginia is one of three states that has elected to operate CWEP to nearly the full extent authorized under OBRA: on a statewide basis, requiring eligible recipients to "work off" their entire grants at public or nonprofit agencies (with the maximum hours per month being determined by the size of the welfare check divided by the minimum wage), and with the work obligation to continue as long as the client receives welfare.

West Virginia launched its large-scale CWEP program for members of the AFDC-U category in early 1982 under the WIN Demonstration provision. At that time there were about 5,000 AFDC-U cases in the state all of whom were eligible for CWEP. A considerably smaller CWEP for AFDC-Basic's began in July 1983; of the 21,000 such AFDC cases in the state, some 7,000 were eligible for CWEP.

This case study, which is again taken from an MDRC (interim) evaluation exercise (MDRC, 1984), assesses the implementation of two special CWEP demonstrations that West Virginia is operating within its statewide program. Again note that West Virginia is untypical in that it operates only a workfare program with essentially no other components.

The first of the two demonstrations, begun on 1 March 1983, tests the feasibility of "saturation", or making the work-for-benefits approach universal

for the AFDC-U category. The project operates in four Department of Human Services administrative counties (out of 27). In February 1983, these areas contained 1,200 AFDC-U families, or roughly one-fifth of the state's caseload.

The second demonstration covers AFDC-Basic's in some nine administrative areas, to include the four AFDC-U saturation areas. This demonstration encompasses some 40 percent of the state's AFDC-Basic caseload and began at the same time as the statewide scheme.

Unlike the previous MDRC reports, this particular case study focuses on processes rather than impact analysis and benefit-cost evaluations. A final MDRC report, to be issued later in 1986, will consider the latter elements. Nevertheless, the initial process analysis is interesting in its own right because of the full-scale work requirement, at least for AFDC-U's.

In what follows, we concentrate on program participation and implementation although brief mention will also be made of worker and supervisor perceptions at the worksite.

In discussing participation, a distinction is drawn between caseload and individual registrant analysis. The former has to do with the proportion of the CWEP eligible caseload that participated in each month, while the latter focuses on the CWEP participation rates of individual registrants during a specified follow-up period. This latter approach has the advantage that each individual's probability of CWEP participation, regular job placement, or sanctioning is based on the same length of exposure to the program. The longitudinal AFDC-U sample comprised 1,615 individuals (1141 prior registrants and 474 new registrants) and the AFDC-Basic sample consisted of 1,307 individuals (997 current registrants and 310 new registrants). The AFDC-Basic's had a follow-up period of only 3 months, compared with 8 months in the case of AFDC-U's.

Let us first consider the caseload analysis -- this was not performed for AFDC-Basic's whose program was not intended to be a saturation experiment. In 1982, when the statewide CWEP program began, participation reached 2,000 or 40 percent of the states AFDC-U recipients by the fourth month of operation. When the central office authorized staff in the four AFDC-U saturation areas "to fill as many CWEP slots as you have with AFDC-U recipients," the staff reacted with some speed. As indicated in Table 9, and Figure 2, the saturation areas raised their caseload participation rate from 46 percent in February 1983 to 69 percent by June of that year. This was accomplished by reaching out to agencies that had not earlier sponsored participants and by requesting current sponsors to use more CWEP participants. It can also be seen that the caseload participation level achieved in June fell thereafter, dropping 10 percentage points in February 1984. One factor behind this was a very substantial increase in the AFDC-U caseload statewide -- in the saturation areas the caseload jumped 35 percent between June 1983 and February 1984. Thus, not only did more recipients have to be assigned each month to maintain the participation level but also staff had to spend more time processing paperwork to register these men in the WIN program.

[Table 9 and Figure 2 near here]

Area staff made a strong effort to keep up with the rising caseload. Increasing numbers of AFDC-U recipients were assigned to CWEP. Thus, the number of participants rose from 720 in June 1983 to 826 in February 1984, or by 14 percent. But as Figure 3 indicates the staff effort was even greater than implied by the increase in the numbers participating in CWEP activity. Staff had to assign substantially more clients because of the normally high turnover in welfare rolls. In September 1983, for example, 691 AFDC-U recipient were participating in CWEP, while 705 participated in October.



Although the net increase was only 14, the saturation areas assigned far more individuals than that because 66 individuals began to take part in CWEP in October and 52 ceased participating, either temporarily or permanently. On average, after the rapid build up through June 1983, the saturation areas assigned 68 participants to CWEP each month, a far larger number than the 20 per month net increase.

[Figure 3 near here]

Next consider the longitudinal analysis for individual participants, taking AFDC-U and AFDC-Basic participants in turn. An examination of the program activity of individual AFDC-U registrants reveals that 65 percent of the sample participated in CWEP within the uniform eight-month follow-up period. As can be seen from Table 10, participation rates were higher for prior registrants than for new registrants. These were the individuals already on board in the early months of 1983 when the area staffs began the rapid build-up of CWEP assignments.

[Table 10 near here]

Thirty percent of AFDC-U registrants reportedly found employment within the eight-month follow-up period. (Note, however, that this sample does not include the later recipients who contributed to the large increase in the AFDC-U caseload, namely those who applied for welfare in the last half of 1983.) Apparently, longer-term recipients (included within the prior registrant category) responded no differently in employment behavior than new registrants who had just started their spell on welfare.

Almost 8 percent of the AFDC-U registrants in the registration areas were sanctioned in the follow-up period. Thus the demonstration suggests that high levels of participation can be achieved without high levels of "sanctionable" behavior.

Finally, prior registrants and new registrants showed cumulative participation paths of very similar shape, all having a rapid rise in participation in the first four months of follow-up but different average rates of participation. Figure 4 indicates that the earliest registrants, already on welfare for at least six months before the demonstration started in March 1983, participated at very high rates. The cumulative participation rates for the next later group, September - November 1982 WIN registrants, were not quite as high. These individuals were less well-known to caseworkers and it is likely that the number of potential jobs was reduced by the high participation rates of the earliest registrants. These factors probably also account for the lower cumulative participation rates of the three later groups, each of which displayed nearly identical participation paths. Also, of course, these later registrants had higher rates of welfare turnover.

It appears that one can conclude from these cumulative participation paths that those on welfare for a fairly long period had as much as an 80 percent chance of participating in CWEP and that the probability of any individual participating in CWEP during the first five or six months of welfare was in the order of 50 percent.

[Figure 4 near here]

Turning briefly to AFDC-Basic's, a very much smaller percentage of this group participated during the follow up period: 16 percent overall. For those who were reappraised between July and November 1983 the participation rate was 18 percent, as compared with 10 percent of new WIN registrants (see Table 11). But note that it was never intended that high participation rates would be achieved for AFDC recipients: there were no caseload participation targets and a decision was made not to provide child-care funds. It is clear that the higher priority attached to AFDC-U's. (This substantially explains the

fourfold difference in caseload participation rates statewide.) Moreover, caseworkers seemed to select the more employable women, particularly those with a recent work history and a higher level of education.

Data on the cumulative participation rates of a small sample of AFDC-Basic's are given in Figure 5. Note the steep jump in participation for the women randomly assigned in July 1983 which occurred between 90 and 120 days after assignment and covered the 30-day period spanning October and November when school was in session. Area caseworkers had a long period of time in which to locate worksites, resulting in a high participation rate that leveled off after four months, at around 30 percent. Women randomly assigned in the next two months (52 percent of the analysis sample) showed a similar pattern, except that the cumulative growth of their CWEP participation was smaller and steadier, rising to around 22 percent after five or six months. It appears that a woman's chance of participating in CWEP was most likely to occur within four months of registration or reappraisal. But Christmas vacation and mid-semester school breaks slowed CWEP assignments making it difficult to project longer-term probability of participation. MDRC offer a guess that the cumulative long-term CWEP-Basic participation rate is likely to be in the range 25-27 percent.

[Figure 5 near here]

Four principal findings emerge from a survey of 94 CWEP participants and their supervisors conducted during a nine-month period beginning in July 1983. First, the great majority of supervisors, and an even greater majority of participants, believed that work made a valuable and usually necessary contribution to the sponsoring agency. Second, supervisors reported that both male and female CWEP participants were "the same" or "better" than new regular employees on most dimensions of job performance, attendance, behavior, job

skills and maturity. (These judgements were made when the average male CWEP participant had been at the worksite 35 weeks and the average female worker for 13 weeks.) Third, most of the CWEP jobs demanded a range of general working skills such as punctuality, working well with others, taking instruction and working quickly. A smaller share of the jobs required reading, writing, or mathematical skills. With the exception of two of the skill areas, at least three-quarters of the participants were judged to be "adequate" or better in these skills when they first showed up for their job assignments. Of the one-eighth to one-quarter who lacked a particular skill, nearly all had reached a level of adequacy by the time their supervisors were interviewed. Thus, CWEP jobs appeared to offer skills improvement to the small proportion of participants needing it. Fourth, the great majority (approximately 80 percent) of CWEP participants were satisfied with their jobs and thought that a work requirement was a "satisfactory" or "very satisfactory" arrangement. Participants' reactions were a function of whether they thought CWEP would help them obtain a job in the future.

Overall, these survey responses closely resemble those reported by the MDRC in their San Diego evaluation (MDRC, 1985b, Chapter 3). The suggestion would appear to be that CWEP in general gave relatively little skills development, but high levels of job satisfaction and acceptance of the fairness of the workfare principle.

The West Virginia experiment clearly indicates that it is possible to introduce a universal work program on the lines suggested by the Reagan administration. At issue, and ignoring differences between schemes for AFDC-U's and AFDC-Basic's, is whether such a program can be replicated nationwide. In this context, MDRC draw attention to eight characteristics that contributed to the smooth implementation of CWEP statewide and to the

achievement of high participation rates for AFDC-U recipients in the saturation demonstration:

- (i) Strong support, from the commissioner to the local-office level, for a mandatory work program for men;
- (ii) A strong sense of professionalism and long tenure among senior officials at the central and local-office levels;
- (iii) A long institutional history, almost unique among states, of Departmental implementation of mandatory work programs for men;
- (iv) A centrally administered WIN Program, staffed by individuals who had helped run earlier work programs, some of them having had prior experience as area-office welfare directors;
- (v) Increased staffing (by nearly 40 percent) to handle the growing workload in the CWEP saturation areas;
- (vi) An aggressive Departmental involvement in the WIN Program (dating back to 1971) in which the Department had played a stronger role than the state Employment Service in day-to-day management. Applying for WIN Demonstration status and taking over the WIN Program entirely in 1982 was the final stage in a 12-year evolution;
- (vii) An ethnically homogeneous state with a traditionally strong work ethic, and the nation's highest unemployment rate in 1983, with the result that many experienced workers were applying for benefits;
- (viii) The recession (felt strongly in a state depending on energy production), cutbacks in federal revenue-sharing, and the demise of the CETA Public Service Employment Program. All these

factors created a potential demand for subsidized CWEP workers among local government and nonprofit agencies.

While noting that not all these conditions were unique to West Virginia, MDRC concluded that the combination was.

This small sample of case studies reveals the progress that has been made in implementing workfare and work-related schemes for welfare recipients in recent years and provides tangible evidence of success. Indeed, other schemes that depart from the workfare concept have been credited with even greater success. A case in point is provided by Massachusetts's so-called ET (Employment and Training Choices) Program, which offers assessment and career counseling, education and skills training, on-the-job training through supported work, and job placement, and as such is more in line with a traditional (though particularly well-run) WIN program. ET began in October 1983 and since then is reported to have placed 20,000 individuals in unsubsidized jobs. Seventy-two percent of the placements have been in full-time jobs, yielding an average salary of \$9,800 as compared with an average yearly welfare grant of \$4,800. Apparently, 86 percent of those exiting welfare via ET are still off welfare one year later. State officials estimate that without ET the welfare caseload would have risen to 93,200 by July 1985 instead of dropping to 84,700, and that the program has saved some \$60 million in welfare and Medicaid costs, split roughly 50-50 with the federal government. These are impressive statistics by any reckoning. But a number of questions remain unanswered. For example, the role of normal caseload attrition and the contribution of that state's very low unemployment rate have formally to be isolated. Considerable injections of state funds and past program experience also limit generalizations as to the wider applicability of ET.

But the evaluation process is proceeding apace. Thus, for example, the MDRC is to issue final reports on California, Maine, and West Virginia in 1986 and on Illinois and New Jersey in 1987. The Maine study is particularly interesting in that it examines the impact of Grant Diversion. The study will be supplemented by a wider analysis of this OBRA option encompassing six states, which is also to be published in 1986. These and other analyses will substantially augment our understanding of the success and limitations of workfare experimentation, and allow firmer inferences to be drawn than at present.

#### VI. Conclusions

This report has considered almost one-quarter of a century of experimentation with workfare and work-related schemes for welfare recipients. Our focus has not been upon the recipients of non-federally funded general assistance programs. Were that the case we would have had to range far beyond the time frame of the present study. Instead, we have chosen to locate our discussion in the context of the main welfare program, namely Aid to Families with Dependent Children (AFDC), although we have discussed food stamp workfare in some detail. For this group we have traced the development of workfare and work related programs distinguishing as appropriate between AFDC-Basic's and AFDC-U's, while recognizing that only 23 states pay benefits to two-parent families in which the principal bread-winner is unemployed.

We have seen that, after a 13-year hiatus in workfare experimentation following the introduction of WIN in 1967, there has been a massive proliferation in workfare schemes for welfare recipients. Since 1981, 22 states have implemented community work experience programs (CWEPs), 8 on a statewide basis. The CWEP option is but one of four -- the others being WIN demonstrations, Job Search, and Grant Diversion -- and because of the

flexibility of the system may be combined with one or more of the other options. For this reason alone it is inaccurate to depict the workfare experiment as heralding the re-emergence of the workhouse. Analysis of pure CWEP schemes would also refute this crude caricature.

This rapid burst of experimentation with workfare and work related schemes owes its genesis to the Omnibus Reconciliation Act (OBRA) of 1981. OBRA was designed to secure a reduction in the burgeoning costs of the welfare program, and workfare was but one component of this overall strategy. Interestingly, despite a marked deterioration in welfare benefits to recipients engineered by OBRA, there are no signs of increasing welfare dependence (GAO, 1984b) which is surprising given certain changes it introduced which, by increasing the tax rate on earnings, might have been expected to provide a disincentive to work. This observation has a parallel in the reduced net earnings of those welfare recipients who have successfully graduated into full-time or part-time work following exposure to workfare. We have identified a number of instances of this in our report.

We are currently far from being able to provide a consistent measure of the success or otherwise of the variety of workfare and related schemes. We do not know the extent to which a workfare stipulation has discouraged welfare applications or otherwise removed from the existing welfare rolls those with a disinclination to work or already working off the books. This was clearly one aim of the OBRA provisions. We do not know the extent of displacement, even though the administrative regulations are fairly firm on this. We have more information on the success of workfare in taking people off the welfare rolls through job placement but even here the absence of control groups, the role of normal caseload attrition, and the contribution of an expanding economy make generalizations hazardous.



But it is demonstrably the case that workfare can work, even though precise quantification of the costs and benefits remains elusive. However, success depends on a number of factors identified in this report that include administrative streamlining, commitment, the establishment of performance standards, resources and, more controversially, a degree of coercion. Workfare is emphatically not an expensive program, although the wider work-related projects involve much greater expenditure at least in set-up costs. But resources are not unimportant in determining outcomes. Here, we note that the Reagan administration's current proposals (and continuing budget exigencies) involve funding cuts. It is of course consistent with the 'new federalism' that states take up the slack. The extent to which they do so will in part determine what may be expected of workfare and the other work-related programs. Arguably, the extent to which CWEP benefits from other programs has not been taken adequately into account by the administration. The administration's insistence upon performance standards seems both consistent and entirely appropriate. At issue, however, is the scope for a uniform standard. More narrowly, further research is required on the factors that have hindered program implementation in some jurisdictions and the special circumstances obtaining in others before any mandatory targets can unambiguously be set. But one thing is clear: mandating that welfare recipients be required to enter (not simply register with) various employment and skill augmenting programs is altogether less contentious an issue than it was prior to OBRA. One might further argue that this new environment is also propitious for increasing acceptance of the narrower concept of workfare.

Table 1: AFDC Work Programs by State, October 1985

STATE	WIN DEMO	CWEP	JOB SEARCH	GRANT DIVERSION
Alabama		X		
Arizona	X			X
Arkansas	X			
California	X	X	X	
Colorado		X		X
Connecticut	X			X
Delaware	X			
Florida	X			X
Georgia	X	X		
Idaho		X		
Illinois	X	X		
Indiana	X			
Iowa	X	X		
Kansas		X	X	
Maine	X		X	X
Maryland	X		X	X
Massachusetts	X		X	X
Michigan	X	X		
Minnesota		X		X
Nebraska	X			
New Jersey	X			X
New York	X	X		X
North Carolina		X		
North Dakota		X		
Ohio		X	X	X
Oklahoma	X	X	X	
Oregon	X		X	
Pennsylvania	X	X		
South Carolina		X		
South Dakota	X	X		
Tennessee	X			
Texas	X		X	X
Utah			X	
Vermont		X	X	X
Virginia	X	X	X	
Washington		X	X	
West Virginia	X	X		
Wisconsin	X			
TOTAL	26	22	13	13

## (ARKANSAS)

TABLE 2: SUMMARY OF IMPACTS FOR RESEARCH SAMPLE

Outcome and Follow-Up Period	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 3 (%) <sup>a</sup>	18.8	14.0	+ 4.8**
Average Number of Quarters With Employment, Quarters 2 - 3 <sup>a</sup>	0.30	0.22	+ 0.08**
Ever Employed (%) <sup>a</sup>			
Quarter of Enrollment	18.1	11.8	+ 4.3**
Quarter 2	14.8	9.8	+ 5.0***
Quarter 3	15.2	12.2	+ 3.1*
Average Total Earnings, Quarters 2-3 (\$) <sup>a</sup>	280.63	212.84	+77.70*
Average Total Earnings (\$) <sup>a</sup>			
Quarter of Enrollment	98.78	83.33	+15.46
Quarter 2	140.77	86.38	+54.38**
Quarter 3	140.88	126.55	+23.31
Ever Received Any AFDC Payment, Quarters 1 - 3 (%)	72.8	75.9	- 3.1
Average Number of Months Receiving AFDC Payments, Quarters 1 - 3	4.98	5.48	- 0.53***
Ever Received Any AFDC Payments (%) <sup>a</sup>			
Quarter of Enrollment	66.6	69.0	- 2.4
Quarter 2	65.6	71.4	- 5.8**
Quarter 3	56.8	63.8	- 6.9***
Average Total AFDC Payments Received, Quarters 1 - 3 (\$) <sup>a</sup>	771.68	864.55	-92.86***
Average AFDC Payments Received (\$) <sup>a</sup>			
Quarter of Enrollment	248.66	258.31	- 0.65
Quarter 2	275.57	316.79	-41.22***
Quarter 3	246.46	289.44	-42.98***

SOURCE: MDRC (1985a), Table 5.1, p. 84.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

A two-tailed t-test was applied to differences between Experimental and Control groups. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.

<sup>a</sup> Quarter 1, the quarter of enrollment, may contain some earnings from the period prior to enrollment and is therefore excluded.

## (ARKANSAS)

TABLE 3: SUMMARY OF IMPACTS FOR RESEARCH SAMPLE, BY WELFARE STATUS

Outcome And Follow-Up Period	Applicants			Recipients		
	Experimental	Control	Difference	Experimental	Control	Difference
Ever Employed, Quarters 2-3 (%) <sup>a</sup>	23.7	18.1	+ 4.8*	11.5	6.7	+ 4.8**
Average Number of Quarters With Employment, Quarters 2-3 <sup>a</sup>	0.38	0.30	+ 0.07	0.20	0.10	+ 0.10**
Ever Employed (%)						
Quarter of Enrollment	22.0	16.4	+ 5.6**	7.0	5.5	+ 1.5
Quarter 2	17.9	12.8	+ 5.1**	9.7	5.0	+ 4.7**
Quarter 3	18.8	16.8	+ 1.8	10.3	5.3	+ 5.0**
Average Total Earnings, Quarters 2-3 (\$) <sup>a</sup>	348.34	302.15	+46.19	189.90	87.25	+112.65**
Average Total Earnings (\$)						
Quarter of Enrollment	132.84	128.89	+ 4.06	45.86	18.78	+27.08
Quarter 2	167.75	115.85	+52.10	98.34	45.71	+52.83**
Quarter 3	180.58	186.48	- 5.91	101.56	41.54	+60.02**
Ever Received Any AFDC Payment, Quarters 1 - 3 (%)	56.9	61.8	- 2.9	93.9	95.8	- 1.8
Average Number of Months Receiving AFDC Payments, Quarters 1 - 3	3.48	3.76	- 0.29	7.20	7.88	- 0.78***
Ever Received Any AFDC Payments (%)						
Quarter of Enrollment	43.6	50.2	- 1.3	93.7	96.1	- 2.4
Quarter 2	52.8	57.1	- 4.5	85.3	92.1	- 6.8**
Quarter 3	45.2	48.5	- 3.3	74.3	85.7	-11.4***
Average Total AFDC Payments Received, Quarters 1 - 3 (\$)	559.91	588.96	-29.05	1,091.57	1,282.88	-171.31***
Average AFDC Payments Received (\$)						
Quarter of Enrollment	154.52	144.60	+ 9.92	393.34	422.60	-29.26**
Quarter 2	219.46	242.05	-22.59	360.27	424.92	-64.65***
Quarter 3	185.94	202.32	-16.38	337.97	415.37	-77.40***

SOURCE: MDRC (1985a), Tables 5.4 and 5.5, pp. 95 and 99.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

A two-tailed t-test was applied to differences between Experimental and Control groups. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.

<sup>a</sup>Quarter 1, the quarter of enrollment, may contain some earnings from the period prior to enrollment and is therefore excluded from the measures of total follow-up employment and earnings.

(ARKANSAS)

TABLE 4: EXPECTED BENEFITS AND COSTS  
PER EXPERIMENTAL, BY PERSPECTIVE

Component of Analysis	Perspective		
	Experimentals	Taxpayers	Society
<b>Benefits</b>			
In-Program Output	0	+	+
Earnings	+	0	+
Tax Payments	-	+	0
Transfer Payments	-	+	0
Transfer Program Administration	0	+	+
<b>Costs</b>			
Program Operating Costs	0	-	-
Participant Costs	+	-	0
JTPA Operating Costs	0	-	-

NOTE: Components are listed as benefits and costs according to whether their expected effect is a net benefit or cost from the social perspective. Within each perspective, a positive sign (+) indicates an expected gain to that group, a negative sign (-) indicates an expected loss, and a zero (0) indicates neither a gain nor a loss. For each component, the gain or loss to society is obtained by summing the effects on experimentals and taxpayers.

(ARKANSAS)

TABLE 5: OBSERVED AND EXTRAPOLATED  
NET VALUE ESTIMATES FOR BENEFIT-COST ANALYSIS, BY PERSPECTIVE

Type of Estimate	Perspective		
	Experimentals	Taxpayers	Society
Observed Net Value <sup>a</sup>	\$-168	\$209	\$41
Total Net Value Assuming 30% Decline in Impacts <sup>b</sup>	-363	711	224
Total Net Value Assuming No Change in Impacts <sup>c</sup>	-535	1177	642

SOURCE: MDRC (1985a), Chapter 6 and Table 6.5.

NOTES: Costs were estimated for the same five year period as benefits although most costs were incurred in the first year after random assignment.

Results are for Pulaski South and Jefferson samples combined and are expressed in 1984 dollars.

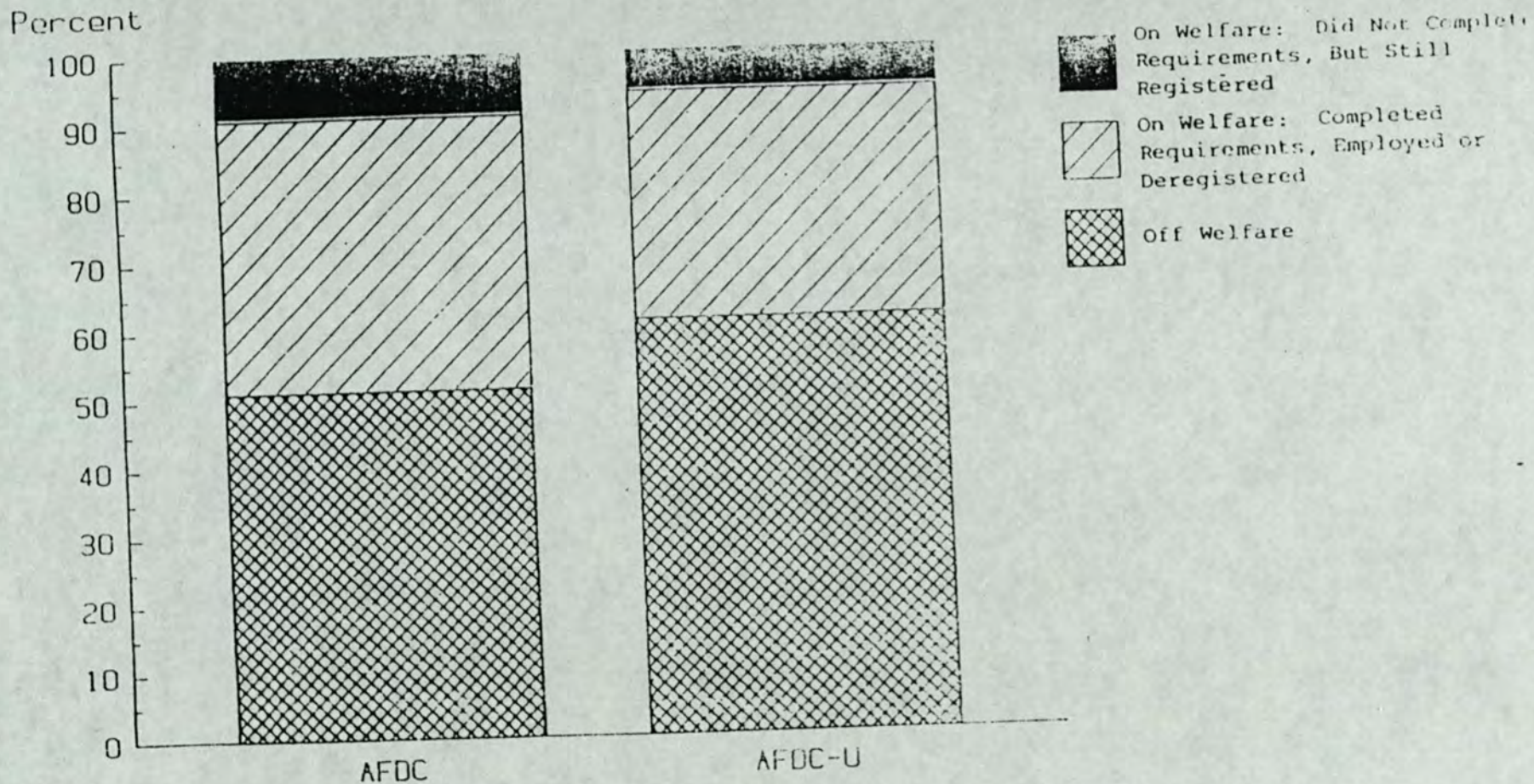
Within each perspective, positive numbers indicate gains to that group and negative numbers indicate losses.

<sup>a</sup> Sum of observed gains and losses.

<sup>b</sup> Sum of observed and extrapolated gains and losses, assuming an annual 30 percent decline in program impacts during the extrapolation period.

<sup>c</sup> Sum of observed and extrapolated gains and losses, assuming no change in program impacts after data collection ends.

FIGURE 1  
 PERCENT DISTRIBUTION OF EXPERIMENTAL REGISTRANTS<sup>a</sup>  
 BY PROGRAM, WELFARE, AND EMPLOYMENT STATUS  
 IN THE NINTH MONTH AFTER WELFARE APPLICATION



SOURCE: MDRC (1985b), Table 4.1, p. 80.

NOTE: <sup>a</sup> Includes both Job Search - EWEP and Job Search Experimentals.

## (SAN DIEGO)

TABLE 65 AFDC APPLICANTS: SUMMARY OF PROGRAM IMPACTS

Outcome and Follow-Up Quarter	Job Search - EWEF			Job Search		
	Experimentals	Controls	Difference	Experimentals	Controls	Difference
Percent Employed During						
Second Quarter <sup>a</sup>	32.4	25.8	+ 6.6***	35.8	25.8	+ 10.0***
Third Quarter	37.8	28.7	+ 9.0***	36.3	28.7	+ 7.6***
Fourth Quarter	40.7	33.4	+ 7.3***	38.8	32.4	+ 6.4*
Ever Employed During Three-Quarter Follow-up Period (%)	81.8	42.2	+ 39.6***	80.4	42.2	+ 38.2***
Average Total Earnings (\$) During						
Second Quarter <sup>a</sup>	434.84	304.87	+ 130.27***	801.89	304.87	+ 497.32***
Third Quarter	818.22	480.88	+ 337.38**	884.13	480.88	+ 403.25***
Fourth Quarter	730.17	608.74	+ 121.43*	702.87	608.74	+ 94.63
Average Total Earnings During Three-Quarter Follow-up Period	1787.27	1382.28	+ 404.99**	1888.89	1382.28	+ 506.61***
Percent Who Ever Received Any AFDC Payment During Quarter of Application <sup>b</sup>						
Second Quarter	77.0	81.3	- 4.3*	78.3	81.3	- 3.0
Third Quarter	64.7	89.0	- 24.3*	88.1	88.0	+ 0.1
Fourth Quarter	64.2	88.7	- 24.5*	81.9	88.7	- 6.8**
Fourth Quarter	47.8	48.6	- 0.8	45.8	48.6	- 2.8
Ever Received AFDC Payment During Twelve-Month Follow-Up	82.8	85.0	- 2.2	83.7	85.0	- 1.3
Average AFDC Payments (\$) Received During Quarter of Application <sup>b</sup>						
Second Quarter	721.88	738.28	- 16.40	723.81	738.28	- 14.47
Third Quarter	889.43	763.88	+ 125.55**	706.43	763.88	- 57.45
Fourth Quarter	808.36	888.28	- 79.92*	804.17	888.28	- 84.11
Fourth Quarter	538.83	582.98	- 44.15	542.55	582.98	- 40.43
Average Total AFDC Payments Received During Twelve-Month Follow-Up (\$)	2858.88	2781.88	+ 77.00*	2877.08	2781.88	+ 95.20

SOURCE: MDRC (1985b), Table 5.5, p. 120.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences due to rounding.

<sup>a</sup> These data are for the first calendar quarter after the quarter in which a person applied for welfare.

<sup>b</sup> The first month of the first quarter is the month in which an individual applied for welfare.

\* Statistically significant at the 10 percent level.

\*\* Statistically significant at the 5 percent level.

\*\*\* Statistically significant at the 1 percent level.



(SAN DIEGO)

TABLE 7:

AFDC-U APPLICANTS: SUMMARY OF PROGRAM IMPACTS

Outcome and Follow-Up Quarter	Job Search - EWEF			Job Search		
	Experimentals	Controls	Difference	Experimentals	Controls	Difference
Percent Employed During						
Second Quarter <sup>a</sup>	44.8	39.3	+ 5.3*	43.5	39.3	+ 4.2
Third Quarter	50.2	48.9	+ 1.3	49.8	48.9	- 2.2
Fourth Quarter	53.1	52.5	+ 0.7	49.8	52.5	- 2.6
Ever Employed During Three-Quarter Follow-up Period (Σ)	58.9	54.4	+ 2.5	52.7	54.4	- 1.6
Average Total Earnings (\$) During						
Second Quarter <sup>a</sup>	789.71	740.88	+ 58.83	603.08	740.88	+162.16*
Third Quarter	1233.21	1244.73	- 11.51	1337.05	1244.73	+ 82.32
Fourth Quarter	1537.20	1518.31	- 78.11	1548.98	1518.31	+ 32.69
Average Total Earnings During Three-Quarter Follow-up Period	2570.12	2501.91	- 31.79	2889.10	2601.91	+ 287.19
Percent Who Ever Received Any AFDC Payment During Quarter of Application <sup>b</sup>						
Second Quarter	73.8	76.8	- 2.8	77.2	76.8	+ 0.8
Third Quarter	58.9	61.4	- 5.2*	57.8	61.4	- 3.8
Fourth Quarter	44.4	48.5	- 5.6**	46.1	48.8	- 3.8
Fourth Quarter	27.8	41.1	- 3.4	41.0	41.1	- 0.1
Ever Received AFDC Payment During Twelve-Month Follow-Up	80.0	89.4	- 2.4	81.7	82.4	- 0.7
Average AFDC Payments (\$) Received During Quarter of Application <sup>b</sup>						
Second Quarter	565.75	593.72	- 27.96	594.48	593.72	+ 0.74
Third Quarter	501.11	599.59	- 58.48**	523.75	599.59	- 85.84
Fourth Quarter	490.52	531.35	- 140.54***	520.25	531.35	- 111.11**
Fourth Quarter	474.79	557.44	- 82.65**	508.24	557.44	- 49.10
Average Total AFDC Payments Received During Twelve-Month Follow-Up (Σ)	2232.47	2582.11	-349.63***	2356.80	2582.11	-225.71**

SOURCE: MDRC (1985b), Table 5.6, p. 121.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare payments. There may be some discrepancies in calculating Experimental-Control differences to rounding.

<sup>a</sup> These data are for the first calendar quarter after the quarter in which a person applied for welfare.

<sup>b</sup> The first month of the first quarter is the month in which an individual applied for welfare.

\* Statistically significant at the 10 percent level.

\*\* Statistically significant at the 5 percent level.

\*\*\* Statistically significant at the 1 percent level.

(SAN DIEGO)

TABLE 8:

**ESTIMATED SHORT-TERM BENEFITS OF JOB SEARCH AND JOB SEARCH-EWEP  
THROUGH DECEMBER 1983,<sup>a</sup> BY ASSISTANCE CATEGORY,  
RESEARCH GROUP, AND ACCOUNTING PERSPECTIVE**

Component of Analysis	Job Search - EWEP			Job Search		
	Accounting Perspective			Accounting Perspective		
	Social	Applicant	Taxpayer	Social	Applicant	Taxpayer
<b>AFDC SAMPLE</b>						
<b>Benefits</b>						
Value of EWEP Output	\$229	\$ 0	\$229	-91	\$ 0	-91
Increased Earnings	481	481	0	438	438	0
Increased Tax Payments	0	-85	85	0	-82	82
Reduced AFDC Payments	0	-187	187	0	-173	173
Other Reduced Transfer Payments	0	177	-177	0	127	-127
Reduced Transfer Administrative Costs	-2	0	-2	1	0	1
Reduced Use of Training Programs	50	-6	56	45	-7	52
<b>Costs</b>						
EPP Operating Costs	-386	0	-386	-383	0	-383
EWEP Operating Costs	-73	0	-73	b	0	b
Allowances and Support Services	0	22	-22	0	12	-12
Client Out-of-Pocket Expenses	-15	-15	0	0	0	0
<b>Net Value</b>	<b>\$280</b>	<b>\$367</b>	<b>-\$87</b>	<b>\$86</b>	<b>\$313</b>	<b>-\$215</b>
<b>AFDC-U SAMPLE</b>						
<b>Benefits</b>						
Value of EWEP Output	\$380	\$ 0	\$380	\$ 1	\$ 0	\$ 1
Increased Earnings	270	270	0	324	324	0
Increased Tax Payments	0	-45	45	0	-54	54
Reduced AFDC Payments	0	-378	378	0	-307	307
Other Reduced Transfer Payments	0	-250	250	0	-83	83
Reduced Transfer Administrative Costs	48	0	48	27	0	27
Reduced Use of Training Programs	55	b	55	58	b	58
<b>Costs</b>						
EPP Operating Costs	-475	0	-475	-480	0	-480
EWEP Operating Costs	-65	0	-65	b	0	b
Allowances and Support Services	0	21	-21	0	8	-8
Client Out-of-Pocket Expenses	-16	-16	0	0	0	0
<b>Net Value</b>	<b>\$157</b>	<b>-\$400</b>	<b>\$557</b>	<b>-\$70</b>	<b>-\$91</b>	<b>\$24</b>

SOURCE: MDRC (1975b); Tables 6.7 and 6.8, pp. 178 and 179.

NOTES: Benefits and costs reflect estimated experimental-control differences. See Chapter 6 for data sources and estimation procedures. Because of rounding, detail may not sum to totals.

<sup>a</sup> Because of the limited time period covered by this preliminary analysis, most of the program costs, but only part of the program benefits, have been estimated.

<sup>b</sup> Estimated value of component less than \$0.50.

## (WEST VIRGINIA)

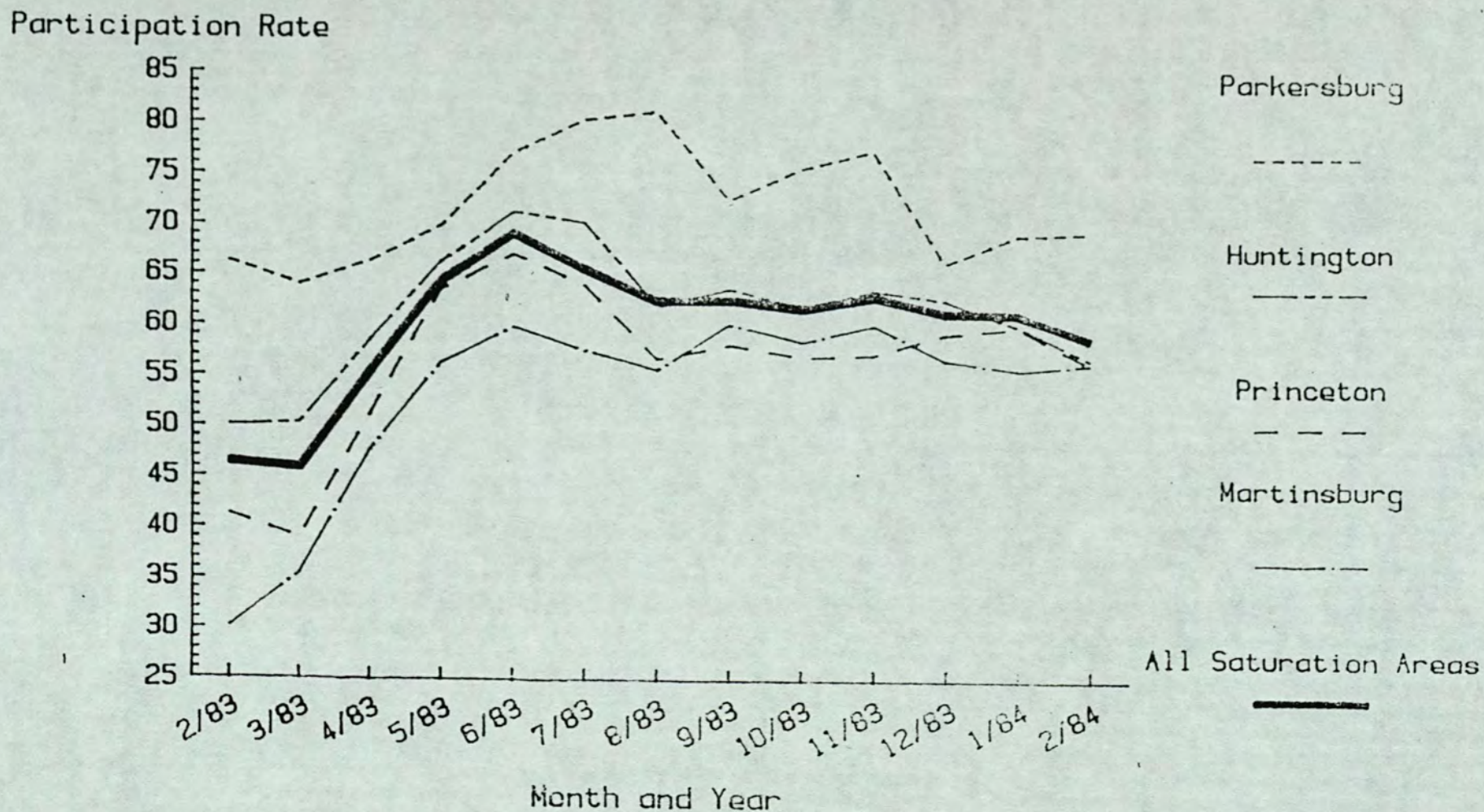
TABLE 9: NUMBER OF CWEP PARTICIPANTS IN AFDC-U SATURATION AREAS AS A PROPORTION OF THE AFDC-U CASELOAD, BY ADMINISTRATIVE AREA AND CALENDAR MONTH

Administrative Areas	Feb- ruary 1983	March 1983	April 1983	May 1983	June 1983	July 1983	August 1983	Sept- ember 1983	Oct- ober 1983	Nov- ember 1983	Dec- ember 1983	Jan- uary 1984	Feb- ruary 1984
Huntington													
CWEP Participants	168	171	199	204	199	192	209	221	222	232	226	240	249
AFDC-U Caseload	336	340	341	308	280	315	338	348	360	366	362	401	440
Participation Rate (%)	50.0	50.3	58.4	66.2	71.1	70.0	61.8	63.5	61.7	63.4	62.4	59.9	56.6
Martinsburg													
CWEP Participants	59	79	99	99	86	70	61	60	56	60	65	71	77
AFDC-U Caseload	196	223	208	176	144	122	110	100	96	100	115	128	137
Participation Rate (%)	30.1	35.4	47.6	56.3	59.7	57.4	55.5	60.0	58.3	60.0	56.5	55.5	56.2
Parkersburg													
CWEP Participants	143	147	155	155	160	162	154	138	147	156	148	168	175
AFDC-U Caseload	216	230	234	222	208	202	190	191	195	202	224	244	253
Participation Rate (%)	66.2	63.9	66.2	69.8	76.9	80.2	81.0	72.3	75.4	77.2	66.1	68.9	69.2
Princeton													
CWEP Participants	186	189	244	285	275	263	263	272	280	289	298	317	325
AFDC-U Caseload	451	486	477	449	411	412	465	469	493	506	504	530	579
Participation Rate (%)	41.2	38.9	51.2	63.5	66.9	63.8	56.6	58.0	56.8	57.1	59.1	59.8	56.1
Total for Saturation Area													
CWEP Participants	556	586	697	743	720	687	687	691	705	737	737	796	826
AFDC-U Caseload	1,199	1,279	1,260	1,155	1,043	1,051	1,103	1,108	1,144	1,174	1,205	1,303	1,409
Participation Rate (%)	46.4	45.8	55.3	64.3	69.0	65.4	62.3	62.4	61.6	62.8	61.2	61.1	58.6

SOURCE: MDRC (1984), Table 4.3, p. 80.

FIGURE 2

# TRENDS IN THE PERCENTAGE OF AFDC-U CASELOAD PARTICIPATING IN CWEP, BY SATURATION AREA, FEBRUARY 1983 - FEBRUARY 1984

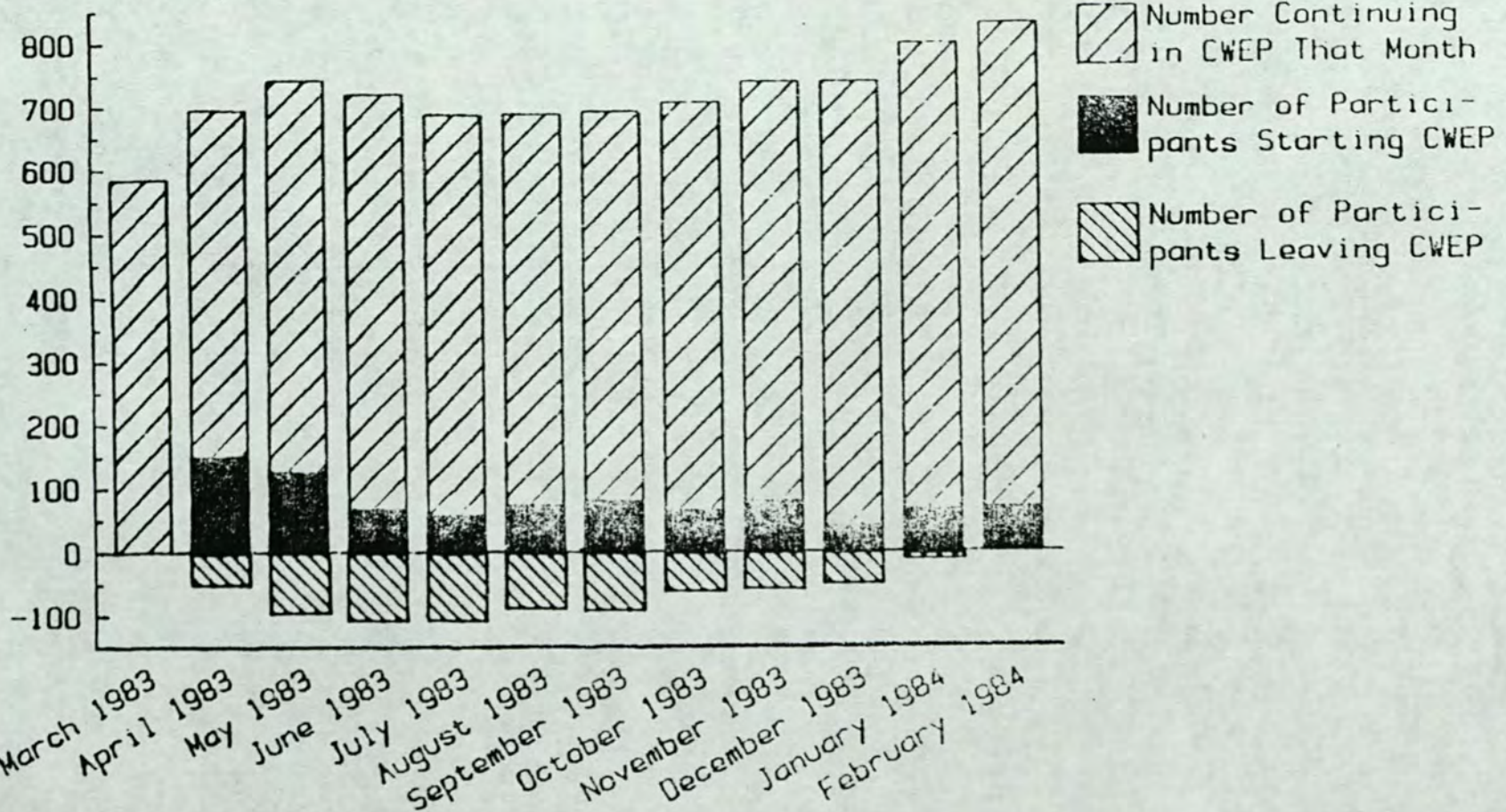


Source: Table 9.

(WEST VIRGINIA)

FIGURE 3  
NUMBER OF AFDC-U REGISTRANTS  
PARTICIPATING, STARTING, AND LEAVING CWEP  
IN SATURATION AREAS, BY CALENDAR MONTH

Number of Participants



SOURCE: MDRC (1984), Figure 4.3, p. 84.

NOTE: Data for full set of calculations unavailable for March 1983 and February 1984.

## (WEST VIRGINIA)

**TABLE 10: KEY PERFORMANCE INDICATORS OF THE AFDC-U ANALYSIS SAMPLE,  
 WITHIN EIGHT MONTHS AFTER RESEARCH START  
 (MARCH - JUNE 1983 SAMPLE)**

Performance Indicator	Prior Registrants	New Registrants	Total
Participated in CWEP (%) <sup>a</sup>	70.6	51.7	65.1***
Reported Placed in a Job (%) <sup>b</sup>	29.3	32.3	30.2
Sanctioned (%)	7.3	9.5	7.9
Total Sample	1141	474	1615

SOURCE: MDRC (1984), Table 4.4, p. 91.

NOTES: Prior registrants are those individuals who were registered with the WIN program as of March 1, 1983. Their research start date is March 1, 1983. Research start date for each new registrant is his/her WIN registration date.

<sup>a</sup>Participation is defined as working at a CWEP worksite for at least one day.

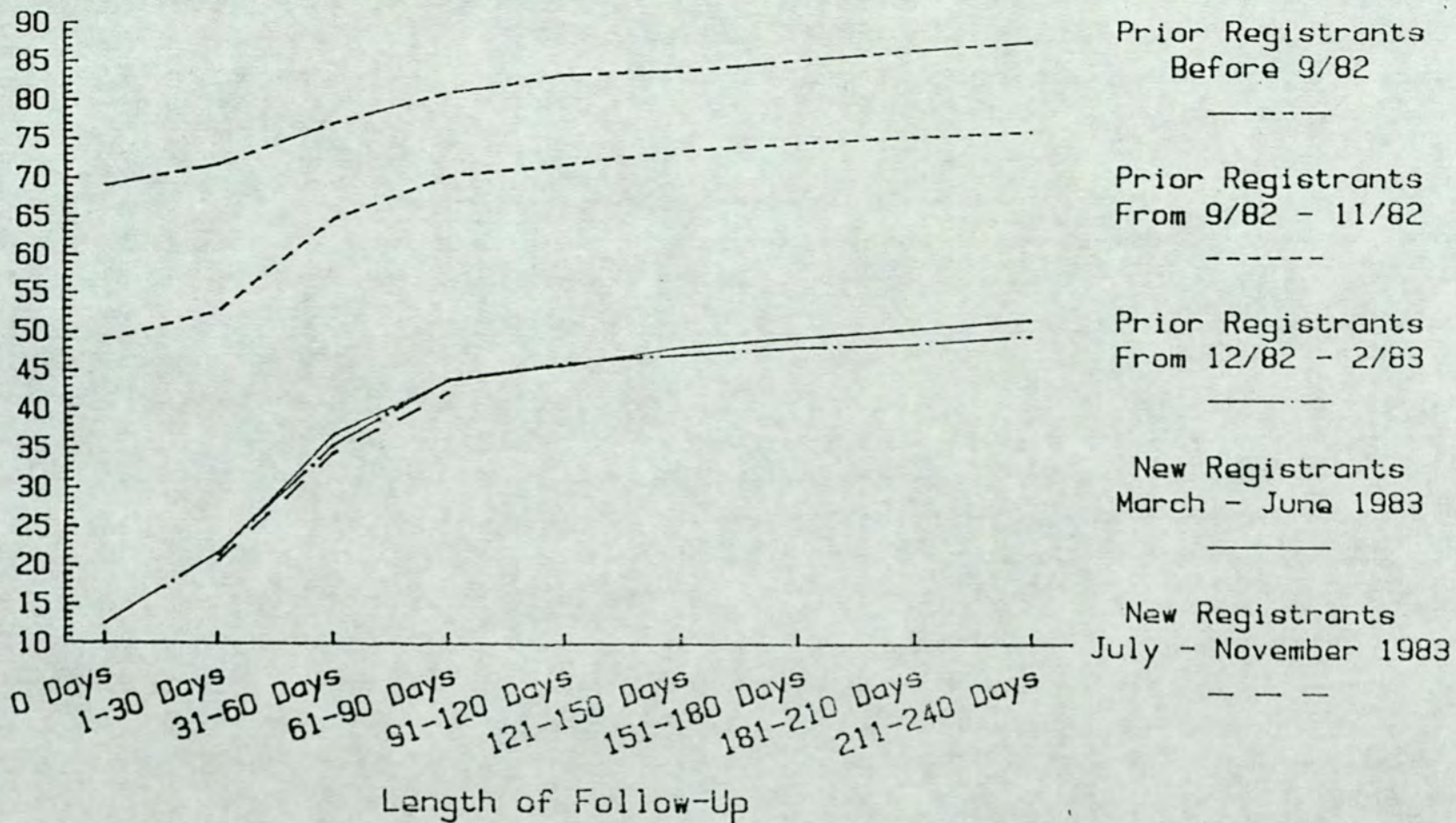
<sup>b</sup>Program placement information is based on employment that is reported to program staff by the registrant or the Department of Economic Services.

\*\*\*Differences between prior registrants and new registrants are statistically significant at the 1 percent level using a two-tailed t-test.

Figure 4

# CUMULATIVE PERCENTAGE OF AFDC-U SAMPLE MEMBERS PARTICIPATING IN CWEP, BY DATE OF WIN REGISTRATION

Percent Participating



SOURCE: MDRC (1984), Figure 4.6, p. 99.

NOTES: Participation shown at "0" days indicates the percent of the sample participating when the demonstration started.

Follow-up for all prior registrants starts on March 1, 1983. Follow-up starts at WIN registration for new registrants.

## (WEST VIRGINIA)

TABLE 11 : KEY PERFORMANCE INDICATORS OF THE AFDC ANALYSIS SAMPLE  
WITHIN THREE MONTHS AFTER RANDOM ASSIGNMENT  
(JULY - NOVEMBER 1983 SAMPLE)

Performance Indicator	Re-Appraised Current Registrants	New Registrants	Total
Participated in CWEP (%) <sup>a</sup>	18.4	10.0	16.4***
Reported Placed in a Job (%) <sup>b</sup>	5.8	7.1	6.1
Sanctioned (%)	0.4	1.0	0.5
Total Sample	997	310	1307

SOURCE: MDRC (1984), Table 5.2, p. 113.

NOTES: Random assignment for current registrants is at re-appraisal.  
 Random assignment for new registrants is at WIN registration.

<sup>a</sup>Participation is defined as working at a CWEP worksite for at least one day.

<sup>b</sup>Program placement information is based on employment that is reported to program staff by the registrant or the Department of Economic Services.

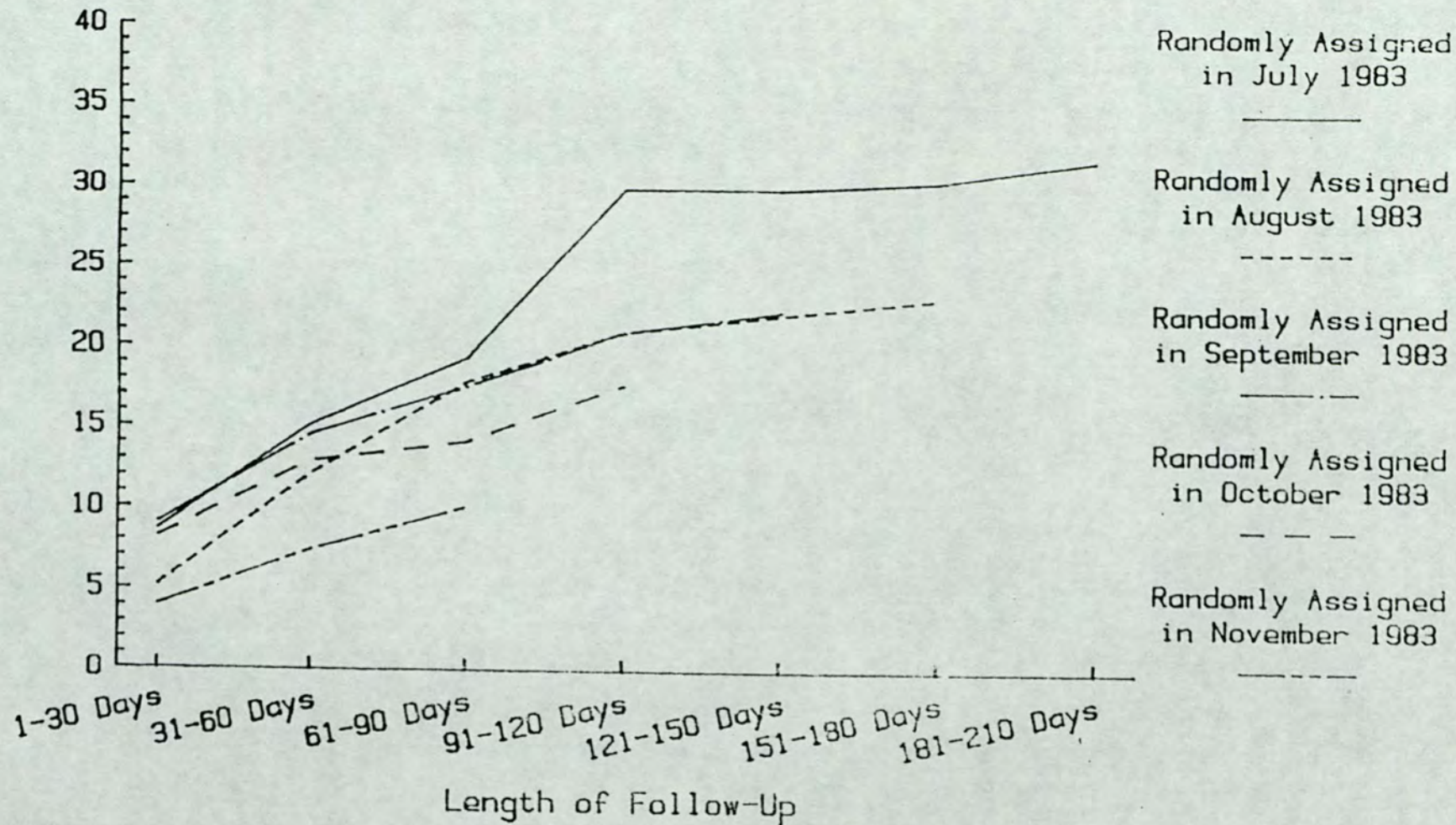
\*\*\*Differences between current registrants and new registrants are statistically significant at the 1 percent level using a chi-square test.



Figure 5

CUMULATIVE CWEP PARTICIPATION RATES OF AFDC ANALYSIS SAMPLE MEMBERS  
RANDOMLY ASSIGNED EACH MONTH, BY LENGTH OF FOLLOW-UP

Participation Rate



SOURCE: MDRC (1984), Figure 5.i, p. 119.

References

- GAO (1981), Insights Gained in Workfare Demonstration Projects, CED-81-117, Washington, D.C., July 31.
- GAO (1982), Food Stamp Workfare--Cost Benefit Results Not Conclusive; Administrative Problems Continue, CED-82-44, Washington, D.C., February 19.
- GAO (1983), Does AFDC Workfare Work? Information Is Not Yet Available From HHS's Demonstration Projects, GAO/IPE-83-3, Washington, D.C., January 24.
- GAO (1984a), CWEP's Implementation Results to Date Raise Questions About The Administration's Proposed Mandatory Workfare Program, GAO/PEMD-84-2, Washington, D.C., April 2.
- GAO (1984b), An Evaluation of The 1981 AFDC Changes: Initial Analyses, GAO/PEMD-84-6, April 2.
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- MDRC (1984), Interim Findings on the West Virginia Community Work Experience Demonstrations, New York: Manpower Demonstration Research Corporation, November.
- MDRC (1985a), Arkansas: Final Report on the WORK Program in Two Counties, New York: Manpower Demonstration Research Corporation, September.
- MDRC (1985b) Findings from the San Diego Job Search and Work Experience Demonstration, New York: Manpower Demonstration Research Corporation March.

Appendix 1: Food Stamp Workfare

Under the Food Stamp Act of 1977 recipients of food stamps were to be required to work on public service jobs for the value of their benefits in 14 pilot or demonstration projects. Food stamp recipients subject to workfare were identified by the food stamp office and, after a thirty-day job-search period, were assigned to work in state and local government agencies or with private, nonprofit organizations. Workfare participants were notionally employed at the minimum wage rate for sufficient hours to earn their households' food stamp benefits. Those who failed to report for work were referred back to the food stamp office to determine whether sanctions be imposed. In the absence of "good cause" (e.g., absence of transportation, illness, and conflict with employment, training, or job search) the individual was rescheduled for work. Referrals who refused either to be assigned or to carry out obligations were sanctioned by being denied food stamp benefits for one month, although other members of the family would continue to receive benefits. If the individual continued to ignore the workfare obligation, sanctions of one month's duration were to be applied every other month. Ten categories of food stamp recipient were exempted from workfare participation:

- (i) those aged less than 18 and those aged 60 and above;
- (ii) those physically or mentally unfit for employment;
- (iii) those subject to and participating in WIN;
- (iv) those parents responsible for the care of a dependent child under 12 or an incapacitated individual;
- (v) those parents or other caretakers of a child under 18 in a household where another able bodied parent is registered for work or is exempt as a result of unemployment;
- (vi) those receiving unemployment benefit;

- (vii) regular participants in a drug addiction or alcoholic treatment and rehabilitation program;
- (viii) those employed or self employed and working a minimum of 30 hours per week or receiving weekly earnings at least equal to the Federal minimum wage multiplied by 30 hours;
- (ix) students enrolled at least half time in any recognized school, training program, or institution of higher education;
- (x) households whose earned income is low enough to qualify for food stamps but which is equal to or exceeds their monthly food stamp benefits.

Experience with food stamp welfare at the seven (rather than fourteen) demonstration projects actually operated during the first year of the program has been documented by the General Accounting Office (GAO, 1981). The GAO analysis focuses on exemptions, waiting periods, sanctions and administration. Taking each in turn, the GAO first recommended a change in certain of the exemptions listed above. Specifically, it singled out items (iii), (vi), (ix), and (x) as automatic exemptions. In the total of 1,900 certifications sampled by the GAO in the project areas, no less than 1,675 (88 percent) were exempt from workfare participation and of these 470 fell within the four exempt categories. The GAO made its recommendation in the light of the generally low workfare obligation -- typically less than 5 days (40 hours) a month. Such a modest time involvement, reasoned the GAO, was unlikely to create a real conflict with participants' efforts to look for a job, go to school, or engage in part-time employment or training. Second, the GAO argued that the 30-day job search allowance given new referrals to the workfare program prior to being assigned to a workfare job was excessive. The basic problem here was that households were in many cases approved to receive food stamp benefits for only short periods at a time so that many individuals would not be affected by

workfare. It was reported that out of a sample of 805 workfare referrals, 130 did not start a workfare job because their food stamp certification period ran out before they could be assigned. Accordingly, the GAO recommended that all those eligible for workfare should report to the workfare office for interview and work assignment as an integral part of the certification procedure for food stamps. Third, with respect to sanctions, the GAO argued that the existing rules did not provide an effective deterrent to workfare noncompliance and suggested the possibility that food stamps be denied for a specified number of months or until all past workfare obligations were satisfied. Indeed, it was even suggested that benefits be denied to the entire household for similar periods of time. Fourth, much was made of the administrative weaknesses attaching to the program. The workfare program was administered by the Department of Agriculture. Criticism was made of both Federal and local project design and administration. At the Federal level, Agriculture did not require demonstration sites to examine their existing food stamp caseload to identify and refer all eligible participants to workfare jobs as soon as possible. Furthermore, Agriculture did not develop criteria for determining whether welfare participants performed satisfactorily on their assigned jobs. Typically, merely showing up at the job site constituted compliance. Again, Agriculture had not required demonstration projects to verify the validity of "good cause" reasons for nonattendance at workfare interview or job. At the local level, individual project sites were shown to have experienced several types of administrative difficulties involving delays in interviewing participants and in notifying food stamp offices of required sanctions. Two locations were detected to have been handling sanctioning requirements incorrectly. Other failings included a lack of continuity in the workfare office -- staffing shortages in two sites suspended or curtailed demonstration activities -- and a lack of full local support of demonstration objectives.

The GAO also commented on the cost effectiveness of food stamp workfare. While noting that data on costs and benefits at the seven demonstration projects were very sketchy, the GAO estimated the annual project operating costs at \$360,000 (some \$120,000 of which represented special evaluation costs). The GAO was able to identify additional costs directly attributable to the workfare project at only four of the seven projects in the form of the salaries of full time staff in the workfare office. Other workfare costs and all food stamp office costs were based on allocations and estimates. As for the benefits side, the value of work performed and sanctions applied was crudely set at \$115,900. This value did not include savings resulting from individuals not applying for food stamps or leaving the program because of their disinclination to participate in workfare. The savings in food stamp benefits resulting from recipients finding regular jobs, and as a result leaving the program or receiving lower benefits, were also not computed. Nor for that matter was any account taken of the value of any work training or work ethic acquired by workfare participants. It was noted that changes in the law, in program regulations, and in administration could only impact favorably on the benefits and effectiveness of workfare.

In 1982 the GAO issued a second report on food stamp workfare drawing on an expanded sample of demonstration projects made possible by a one-year extension of the demonstration authorized by the Food Stamp Amendments of 1980. The report (GAO, 1982) broadly confirmed the conclusions of the earlier report that expanded workfare eligibility criteria, shorter job-search periods, stronger penalties for noncompliance, and better local administration would increase participation in the food stamp workfare program and provide additional program benefits.

During the period in which the report was prepared, legislation was passed -- the Agriculture and Food Act of 1981 -- which authorized states and local

jurisdictions to implement workfare as a permanent feature of the Food Stamp Program. In addition to ending the demonstration, the Act contained many of the legislative changes recommended by the GAO in its earlier report (GAO, 1981) and Congressional testimony. The Act removed several of the exemptions for participation, eliminated the mandatory 30-day job-search period, and strengthened the penalty for not fulfilling workfare obligations. The GAO recommendations that the automatic exemptions for households based on earned income and student status be eliminated were not enacted into law, but some change was made with respect to the earned income exemption.

Four specific points of the GAO report might usefully be adumbrated here. First, at the four sites investigated, enough jobs existed for workfare participants. Specifically, the number of hours that participants were required to work varied from 8.5 percent to 63.1 percent of the total hours available, and at each site less than half the assigned hours were completed. Second, the evaluation of workfare costs and benefits remained sketchy. The evaluative exercise prepared by Agriculture in its April 1981 report to Congress had revealed results from a Government perspective that ranged from a net gain of \$5 per person to a net cost of \$9 per person referred to the Workfare Demonstration Project. The following items comprised costs and benefits:

- (i) reduction in food stamp benefits payable (including sanctions imposed) and lower administrative costs ranged from \$21 to \$29 per person;
- (ii) tax revenues ranged from an increase of \$13 per person to a decrease of \$13 per person;
- (iii) net work benefits were about \$21 per person (\$23.50, less a 10 percent imputed cost for worksite supervision);

- (iv) total administrative costs were about \$50 for each person referred to workfare.

As before, the GAO noted that changes in program policies, procedures and practices (including the separate administration of workfare and work registration) could significantly alter the benefit-cost relationship. But its main point was that the data indicated workfare to be administratively feasible. As for the future, it recommended that Agriculture should seek to evaluate alternative program designs: an endeavor that would require establishing and reporting on workfare goals that were explicit and measurable. These goals included returning something of value in exchange for Government or community support; introducing individuals to a work environment; and deterring applications for benefits by those who could work but chose not to work. Third, the GAO tentatively concluded from a reduction in the job search period to 10 days in one demonstration that participation was boosted, allowing the project to react faster in both assigning and sanctioning households. Finally, the GAO noted the emergence of union opposition to workfare despite the fact that the food stamp workfare legislation prohibited workfare participants from being assigned to a job site having employees on layoff status who formerly performed the same or equivalent tasks. (Identical restrictions apply in the case of hiring freezes unless open positions resulting from the freeze occurred because of a lack of funds to sustain staff levels, not solely because work participants were available.) In two of the locations examined it was found that when unions objected -- even when the functions to be performed by workfare participants were not usually performed by regular personnel -- workfare directors and the job sites yielded to union insistence that assignments not be made to those organizations.



Appendix 2: CWEP Demonstrations by State, 1982

The following material summarizes information on eleven CWEP demonstrations and is taken verbatim from the General Accounting Office report Does AFDC Workfare Work? Information Is Not Yet Available From HHS's Demonstration Reports (GAO, 1983).

1. CALIFORNIA

The San Diego County Experimental Work Project (EWEP) was approved for fiscal year 1983. It will be operated in coordination with an existing demonstration project that has intensive job search and placement assistance components and is called the Private Sector Alternative to Welfare Dependency program, or PSA. After 3 weeks in the job search program, participants may be assigned to EWEP for up to 32 hours a week for 3 months. The program will be targeted primarily toward recipients of AFDC-UP benefits. EWEP will be tested both separately and as a component of the broader employment strategy.

The program has four objectives: to reduce AFDC caseload size and cost for the category of recipients who are required to participate, improve the public perception of welfare recipients, increase the recipients' self-reliance and self-esteem, and determine the costs and benefits of this approach.

Final decisions about the evaluation design will be made with the assistance of an independent contractor. At this point, specific criteria for judging success on each objective have been tentatively defined. It is also anticipated that participants will be assigned randomly to experimental and control groups in order to determine EWEP's effect.

Special Federal 1115(a) project funds amount to \$108,000, and no waivers have been granted.

2. MICHIGAN

Michigan's demonstration is a component of its WIN demonstration. The combined program is called the Employment and Training Program (ETP) and was

approved in March 1982. The CWEP component of ETP replaces a previous CWEP demonstration that was approved in January 1982 but never implemented. All employable AFDC and General Assistance recipients in the State must register for ETP unless exempted by the regulations. Caseworkers assign registrants for up to 40 hours a week to one or more of three activities--"looking" (as in participation in a job club), "working" (as in employment under CWEP), and "learning" (as in enrollment in an adult education program).

According to the Social Security Administration's Office of Family Assistance, all waivers for ETP apply to CWEP participants. Waivers that have been granted allow the State to require an adult with a child as young as 6 months to participate in CWEP and to remove an entire family from the AFDC rolls for one month the second time the responsible adult refuses to participate in CWEP. The one waiver that applies only to CWEP participants is an agreement in which the Federal Government will pay 50 percent of work-expense reimbursements greater than \$25 a month.

Michigan did not propose and SSA did not request that the CWEP component of WIN be evaluated separately or that the effect of all the waivers on CWEP participants be evaluated. SSA did, however, set conditions for the approval of the increase in the \$25 work-expense allowance. One is that the cost of work expenses may average no more than \$45 a month for an average monthly total of 5,000 clients 16 to 21 years old. Another is that the evaluation methodology must contain one control group and two treatment groups. These conditions and the details of an acceptable evaluation plan are being negotiated.

There are no special Federal 1115(a) project funds.

### 3. NEW MEXICO

The objective of the Las Cruces Work Experience Project is to design, implement, and test a CWEP for 42 AFDC recipients in Las Cruces and its

vicinity that will prepare them for regular employment. Approved for fiscal 1983, its emphasis will be on training, job development, and job search. Four target groups were identified, but the selection of participants will be mainly from women who have been receiving AFDC benefits for longer than 5 years and whose youngest child's age will make them ineligible within a year. Participants will be at a work site for 13 weeks. Their placement there will be evaluated at the end of 4 weeks.

No specific criteria for the program's success have been defined and its results have not been anticipated. The job developer is expected to interview each participant and obtain an oral status report from the job supervisor every 2 weeks. No evaluation plan has been presented, but one condition of the demonstration's approval for fiscal 1983 was that an acceptable evaluation plan be developed.

Special Federal 1115(a) project funds amount to \$52,850, and no waivers have been granted.

#### 4. NEW YORK

New York has the only demonstration that was approved in the first group of solicitations for 1982 and then funded in the second group for fiscal 1983. The second demonstration differs from the first only in that it includes an evaluation plan that compares the CWEP results with statistics from similar districts that have no CWEP and from another employment program. The first demonstration did not include an evaluation plan because New York expected to develop one in cooperation with another evaluation project that SSA never funded.

CWEP's have been approved for 14 local districts that volunteered to participate in the demonstration. The districts are expected to differ in the way they administer CWEP and in the support services they provide. This difference is considered to be an important feature of the State's program.

program's objectives are to offer work and training that will ease the recipients' transition to regular employment, to test the relative effectiveness of various models of CWEP in the several districts, and to test the extent to which CWEP removes from the welfare rolls employable recipients who have chosen not to participate.

Because New York did not have an amended State plan for implementing CWEP when it first applied, the demonstration's approval required waivers for making participation in a work program a condition of AFDC eligibility in some counties. The waivers also allow some counties to use sanctions other than those usually allowed in CWEP's. One sanction removes the individual from the grant calculation for 60 days for each instance of noncompliance, except that the shelter allowance is not affected. Another removes from the grant for 30, 60, and 90 days (for the first, second, and third offenses) people who refuse to participate.

Special Federal 1115(a) project funds amount to \$68,834.

5. NORTH CAROLINA

Approved in January 1982, North Carolina's program consists of six projects administered by counties. Its goal is to design and test an approach to help AFDC recipients enter the work force that would be feasible and cost-effective if it were used statewide.

The State received waivers that allow it to operate a CWEP without an approved State plan. The program differs from those established under the basic CWEP legislation in that all participants can be required to work the same fixed number of hours. It differs also in that an agreement to participate is a condition of eligibility not only for recipients but also for applicants, although they cannot be required to participate unless they become recipients.

The State's application for the program indicated that the demonstration would be related to four research efforts. The first is a public opinion survey on the effect workfare has on public attitudes toward welfare and welfare recipients. The second is a study of families who have lost their grants by not participating. (North Carolina applied for a waiver that would have allowed it to apply sanctions against entire families for noncompliance, but it was not granted.) The third research activity is to develop a Markov model for describing participants' progress through the various program stages. The fourth research activity is to assess the project's deterrence of welfare participation. Little information on how these efforts are to be carried out was provided in either the application or our visit to the State. It is also unclear whether all or any of the efforts will be attempted, except that the study of sanctioned families has definitely been abandoned because of the waiver's denial.

No special Federal 1115(a) project funds have been granted.

6. OHIO

Ohio's demonstration, approved in January 1982, is being operated by Bowling Green State University in Wood County. The Wood County Welfare Department refers all employable AFDC recipients to the project. Those who are referred are tested for job skills, placed on a 120-hour orientation program, and assigned to CWEP job sites. Ohio needed waivers because the project does not operate under an amended State plan.

The demonstration's evaluation plan was designed to describe the accomplishment of the following five activities:

- the establishment of a community work experience program for AFDC recipients in Wood County,
- the provision of a 120-hour program orientation to approximately 500 AFDC recipients,

- the placement of at least 75 percent of the program's participants in public service jobs,
- the employment of at least 30 percent of the program's participants in unsubsidized jobs within 6 to 12 months after they entered CWEP, and
- the reduction of the number of AFDC recipients in Wood County

There are no plans for comparing these statistics on CWEP's participants with outcomes for recipients not in CWEP.

The demonstration has no special Federal 1115(a) project funds.

7. OKLAHOMA

Oklahoma's Work Experience Program is one component of its WIN demonstration, which is called the Employment and Training Program, and it was approved in December 1981. Caseworkers assign AFDC and General Assistance recipients to CWEP only if they believe that these people need this particular kind of work experience.

The State received a waiver for both WIN and CWEP with which it can require the parent of a child younger than 6 years old to participate in CWEP. Its waiver request included a plan to evaluate the effectiveness of requiring the participation of mothers whose children are younger than 6 years old. The intention was to demonstrate that those mothers are more employable than AFDC mothers whose children are older than 6 and also that it is more cost-effective to register all AFDC applicants (except those who meet other exemption criteria) than to omit those with young children.

No separate evaluation of the overall effectiveness of the CWEP component of the WIN demonstration is planned. Program officials expect that any data-collection focused solely on CWEP will be quite limited.

There are no special Federal 1115(a) project funds for this demonstration.

8. PENNSYLVANIA

The CWEP in Pennsylvania is called the Pennsylvania Community Work Experience Program: Incentives for Employment. It will be instituted in fiscal 1983 in the context of a new State-administered welfare reform program for the AFDC and General Assistance populations. In addition to the services provided by Pennsylvania's Department of Public Welfare, three other departments will have a role in CWEP. The Department of Community Affairs will develop CWEP job slots, the Department of Labor and Industry will provide work registration and employment search services, and the Department of Revenues will administer a program through which employers receive tax credits for employing CWEP participants or for providing or paying for day-care services. The demonstration was proposed as a way of answering the following questions:

"What are the advantages and disadvantages of an interagency approach for administration of a work registration and work experience program?

"Following participation in CWEP, are there differences in the rate of placement in gainful employment among the categorical assistance groups?

"Are CWEP participants who receive incentive payment vouchers and/or supplemental employment services and training more likely to obtain gainful employment than CWEP participants who do not receive incentive payment vouchers and supplemental services?"

SSA's approval was conditional on the State's deleting from the evaluation plan all activities not related to CWEP. According to SSA's Office of Family Assistance, the meaning of that condition was to be negotiated after approval.

The evaluation plan calls for structured interviews with executives, program staff, job sponsors, and participants to address the first question. The second question will be answered by examining outcomes for different groups of CWEP recipients, but no comparison is planned with similar participants of programs other than CWEP.

Special Federal 1115(a) project funds amount to \$68,000, and no waivers have been granted.

9. SOUTH CAROLINA

Approved for fiscal year 1983, South Carolina's CWEP is expected to serve 2,000 recipients in two counties. In addition to providing work experience, it will offer an 18-module course in how to find, obtain, and keep a job. The program will involve all unassigned WIN registrants in one county and all employable recipients in the other county, which does not have a WIN program.

Three research and evaluation questions were posed in the application. The first is whether the project is successful in meeting its goal of being cost efficient. The definition of "cost-efficient" was that savings in governmental payments to participants because of CWEP are greater than the cost of CWEP. Savings are to be determined by comparing CWEP recipients with people who applied for welfare in the 3 months preceding CWEP. The difference over 12 months in AFDC, Medicaid, Title XX, and Food Stamps costs is to be attributed to CWEP participation.

The two other questions are "What are the reasons the project succeeded or failed?" and "How could the project have been more successful?" The answers to these questions are expected to come from questionnaires given to caseworkers and clients and from an analysis of data on the characteristics, participation, and job placements of the program's recipients.

Special Federal 1115(a) project funds amount to \$73,786, and no waivers have been granted.

10. VIRGINIA

Virginia's CWEP demonstration, approved for fiscal year 1983, is intended to demonstrate that a program of unpaid work experience coupled with self-directed job search will increase the number of people with jobs, can be operated cost-effectively and result in substantial welfare savings by reducing



ants and closing cases, and can be successful in urban and rural areas and with diverse populations.

Because the State plan was not amended to include CWEP, waivers were granted to allow the imposition of a work requirement in part of the State on mothers with children between the ages of 3 and 6 years old.

The evaluation plan calls for the random assignment of participants to experimental or control groups at each site. Evaluation hypotheses will be tested at each project site and for the whole program.

SSA's application approval set three conditions related to the evaluation. First, the evaluation plan proposed that employable recipients be assigned randomly to treatment groups (CWEP for 12 weeks, then self-directed job search) or control groups (self-directed job search only) in each of six welfare jurisdictions; SSA's approval required that the job search activity precede CWEP. Second, SSA required that the evaluation plan be modified "to ensure that there are sufficient size samples for the research design." Third, SSA required that the demonstration maintain the sample size and research budget for the project.

Special Federal 1115(a) project fund amount to \$75,000.

#### 11. WASHINGTON

The target population for Washington's project is unassigned WIN registrants in two counties. It was approved for fiscal 1983. Its objectives are to assist recipients with little or no work skills to gain skills, determine the extent to which participants secure unsubsidized jobs, compare the participants' rate of employment with the rate for participants in other employment programs, and assess costs and benefits.

The evaluation methodology emphasizes both the process of implementation (including problems that may be encountered) and the outcomes. Outcomes will be assessed by an experimental design in which eligible participants are

assigned randomly to CWEP, to another employment program, or to a no-treatment control group. SSA's approval letter requested that their assignments come after, rather than before, the job search. Data collection will include a 6-month post-program study of all clients (by a telephone or a mail survey) and repeated interviews for in-depth case studies of 40 to 50 cases.

Special Federal 1115(a) project funds amount to \$64,530, and no waivers were granted.

Appendix 3: An Evaluation of CWEP Implementation, February 1983

In 1984 the General Accounting Office (GAO) issued a report on CWEP implementation in all 16 states that had operational programs as of February 1, 1983 (GAO, 1984a). The three principal questions addressed by the GAO were as follows:

- (i) have the states implemented programs in which participants work off the value of their AFDC grants in unpaid jobs;
- (ii) are all employable AFDC recipients required to participate in the CWEP;
- (iii) does CWEP reduce AFDC program costs and provide other social benefits.

First, the GAO reported that most participants do not in practice work off their grants at unpaid jobs. In only three of the sixteen states -- Delaware, Idaho, and West Virginia -- was this expectation met. (The projects in these states were limited in other ways. Thus, for example, West Virginia's CWEP, though operating as a statewide scheme, only applied to two-parent families so that most of the women in AFDC households were exempt from CWEP.)

In other CWEPs, participants could substitute job search or training activities for time at a work site, receive compensation that exceeded work expenses, or work less time than would be required to work off a grant. The various state procedures that limited the time spent by participants at the work site are given in Table A2.1, some of which are geared to increasing participants' employability.

[Table A2.1 near here]

Second, the GAO found that no state operated a program that required all employable AFDC recipients to participate in workfare. Recall that the 1981 federal statute and its regulations only define which participants may be required to participate; they do not require that each and every CWEP require

them all to do so. The states can decrease or increase the number of employable adults in their CWEP programs according to whether they implement the CWEP statewide and the scope of their eligibility criteria. As shown in Table A2.2, as of February 1983 only few states included all their counties in CWEP, although in Alabama, Georgia, Iowa, North Carolina, South Carolina, South Dakota, and Washington these were clearly pilot schemes in advance of intended statewide implementation. In other states, participation depended in practice upon county interest.

[Table A2.2 near here]

Most states chose eligibility criteria for their workfare programs similar to those used in existing work and training programs for AFDC recipients, typically WIN (see main text, pp. 4-5), although six states -- Michigan, New York, North Carolina, Ohio, Oklahoma, and South Carolina -- had expanded their eligibility criteria to require CWEP participation of AFDC recipients who have children younger than six (three, in the cases of Michigan and Oklahoma), given the availability of child care.

Using criteria for participation similar to those of WIN exempts many potentially employable adults. Because of this and the generally small-scale implementation of CWEP, participation in workfare has been limited. Table A2.3 indicates the extent of participation as of February 1983 in those states for which data are available. It can be seen that only one state, Alabama, included as many as one-half of the AFDC cases defined as eligible to participate, and that no state had as many as 20 percent of its AFDC cases participating in CWEP. In short, even statewide programs include only a fraction of the employable recipients of public assistance.

[Table A2.3 near here]

The GAO reports that this low participation reflects a number of factors. One is the fact that states have to pay everything in excess of \$25 for the

work-related expenses of the program; to economize therefore states have lessened the participation requirements or even exempted AFDC recipients who could work but who have expensive child-care or transportation needs. Another is that some states require participation from those eligible only if officials believe that the work experience would be beneficial.

Finally, what of AFDC costs in the wake of CWEP? Here the GAO draws attention to usable data from the San Diego experiment (see main text, pp. 30-39), but in general emphasizes the dearth of evaluative data on CWEP. Not surprisingly, the anecdotal evidence is mixed. For example, Alabama's pilot project was not extended beyond one county because its administrative costs substantially exceeded the original calculation of savings from terminating and reducing AFDC grants. On the other hand, Oklahoma officials asserted that the eligibility waiver that permitted them to include parents irrespective of the age of their children in that state's WIN demonstration (which includes CWEP) had resulted in net savings of approximately \$150,000 in one year. Even here the GAO cautions that Oklahoma planned to reduce the size of CWEP because of its cost.

The GAO notes the difficulty of assessing the effectiveness of CWEP because of the plethora of cost related issues including the administrative burden of supervising CWEP participants at the work site and the costs to other workers displaced either directly or indirectly. As for the somewhat narrower issue of AFDC costs, the problem is complicated by the levels of government involved. Thus, for example, the cost of AFDC benefit payments is shared by the federal and state governments according to a formula which varies for each state by its average per capita income. On average, however, the federal government pays approximately 55 percent of each benefit dollar. Some states pay the residual while others shift it forward in part to local governments. Similarly, while the federal government pays 50 percent of the administrative

costs of CWEP for all the states, it pays 90 percent of the costs under the WIN program. Thus those states operating CWEP as a component of WIN pay only 10 percent of the administrative costs of WIN. They share almost equally with the federal government whatever savings accrue from reduced AFDC caseloads. Table A2.4 shows the administrative relationship between CWEP and WIN for the sixteen-state sample. The range of benefits from operating CWEP in conjunction with WIN is substantial. Thus WIN staff may undertake and pay for the initial screening and employability assessments (with only the AFDC recipients who are not accepted into WIN being forwarded to CWEP), or WIN may provide CWEP with staff and office facilities, or CWEP may be an integral part of a WIN demonstration and have full access to its resources.

[Table A2.4 near here]

Table A2.1: State Procedures that Reduce the Time CWEP Participants Spend at Work Sites

Procedure	State
Deduction from AFDC grant before dividing by minimum wage	California
	South Dakota
Hours to be worked determined by dividing usual wage for work rather than minimum wage	Michigan
	New York
Weekly or monthly limits on hours worked	California (32 hrs/week)
	Colorado (36 hrs/week)
	Georgia (48 hrs/month)
	Iowa (32 hrs/week)
	Michigan <sup>a</sup>
	North Carolina (50 hrs/month)
	Washington (128 hrs/month)
\$25 monthly limit on work-expense reimbursement	Alabama
	Iowa <sup>b</sup>
	New York
Substitution of other CWEP activities for work-site hours	Georgia
	New York
	North Carolina
	Ohio
	South Carolina

Monthly limit on time in program

California (3)

Iowa (9)<sup>b</sup>

Ohio (6)

Oklahoma (6)

Washington (4)

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Notes:     <sup>a</sup>Usually 40 or 80 hrs/month; some counties require only 10 with  
assignment to non-CWEP activities for the residual

<sup>b</sup>Five-county AFDC-Basic pilot program; work expenses reimbursed at  
\$25 plus 15 percent of basic grant.

Source:     GAO (1984a), Table 2, p. 13.



Table A2.2: The Geographical Scope of State CWEPs by County

No. of counties		Statewide
Less than one third	Greater than one third	
Alabama (1/67)	Michigan (81/83)	Delaware
California (1/58)	Iowa (34/99) <sup>a</sup>	Idaho
Colorado (12/63)		Oklahoma
Georgia (10/159)		West Virginia
Iowa (5/99) <sup>a</sup>		
New York (18/58)		
North Carolina (6/100)		
Ohio (1/88)		
South Carolina (2/46)		
South Dakota (15/67)		
Washington (2/39)		

Notes:     <sup>a</sup>County-operated programs for AFDC-UP

<sup>b</sup>Pilot program for AFDC-Basic

Source:     GAO (1984a), Table 4, p. 17.

Table A2.3 The Percentage of AFDC Recipients Eligible for and Participating in CWEP, February 1983

State	No. of participants	Percentage of total AFDC cases	Percentage of adults eligible for CWEP
Alabama	237	11	67
Colorado	268	3	n.a.
Delaware	20	1	1
Georgia	120	7	37
Idaho	379	5	29
Iowa			
AFDC-UP	428	3	n.a.
AFDC-Basic	57	2	5
Michigan	6,849	3	3
New York	1,095	3	9
North Carolina	621	13	27
Ohio	162	19	n.a.
Oklahoma	2,097	9	13
South Carolina	74	1	3
South Dakota	174	6	16
West Virginia	2,600	13	46

Note: California and Washington limited the number of CWEP participants, and are not included.

Source: GAO (1984a), Table 7, p. 20.

Table A2.4: Administrative Relationship Between CWEP and WIN

CWEP benefits from WIN resources		Independent programs
As a component of WIN	Using WIN resources in other ways <sup>a</sup>	
Delaware	Alabama	California <sup>b</sup>
Michigan	Colorado	Georgia <sup>c</sup>
Oklahoma	Idaho	Iowa <sup>d</sup>
South Dakota	Iowa <sup>e</sup>	Ohio
West Virginia	North Carolina	
	New York	
	South Carolina	
	Washington	

Notes: <sup>a</sup>In counties that have WIN and CWEP, recipients who are mandatory WIN registrants but not assigned to a WIN component are referred to CWEP, except in North Carolina, where CWEP benefits from using WIN funds to pay staff and fund some activities

<sup>b</sup>WIN and CWEP co-exist in San Diego county, but eligible clients are assigned randomly to WIN, job search, a job search and CWEP

<sup>c</sup>Georgia counties that have CWEP do not have WIN

<sup>d</sup>CWEP is one component of a larger employment program similar to a WIN demonstration in this (five-county) pilot program for AFDC-Basic

<sup>e</sup>County-operated program for AFDC-UP

<sup>f</sup>Eligible recipients are referred simultaneously to WIN and CWEP.

Source: GAO (1984a), Table 9, p. 26.