Prepared statement submitted to the Senate Finance Committee by Martin D. Lowenthal, Director, Social Welfare Regional Research Institute, Boston College

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PREPARED STATEMENT SUBMITTED TO THE SENATE FINANCE
COMMITTEE BY MARTIN D. LOWENTHAL, DIRECTOR, SOCIAL
WELFARE REGIONAL RESEARCH INSTITUTE, BOSTON COLLEGE

My name is Martin Lowenthal. I am Director of the Social Welfare Regional Research Institute at Boston College. The Regional Research Institute was established by a grant from the Social and Rehabilitation Services Division of the Department of Health, Education, and Welfare in 1970 to undertake research on the subject of the employment and employment potential of welfare clients. Since that time we have been involved in a number of studies, including a study of what we already know on the subject of work and welfare, the evaluation of the new work registration program in the Commonwealth of Massachusetts, a study of the labor markets for women, particularly female recipients, a study of AFDC mothers who work and the factors in their lives that impinge on decisions about work and welfare, an investigation of the legal rights of women on welfare as they seek employment, and various studies on day care.

This testimony is based primarily on the studies conducted by the SWRRI. The major points of the testimony are the following:

1. **Work registration requirements which seek to limit the welfare roles do not work.** They unnecessarily harass clients, result in higher costs, are ineffective in moving people to self-support, and hamper the provision of employment services to those who want them and can best utilize them.

2. Generally accepted criteria for the determination of "non-employability," such as those contained in recent Amendment to
the Social Security Act and in new legislation in Massachusetts and New York tend to increase the administrative problems and consequently the costs.

3. The use of State Employment Offices does not tend to be an effective way of getting people into jobs. Most people get jobs on their own efforts.

4. The ability of most AFDC family heads to meet the minimum income needs of their families through employment is quite low. This is due largely to the fact that the jobs available to them in the labor market tend to be low wage, irregular, and part time or seasonal. Significant interventions in the economy which would affect the unemployment rates and wages for nonwhite, poor whites, and women are necessary in order to move large numbers of welfare families to self-support through employment.

5. Persons who work their way off the assistance roles, but subsequently lose their jobs should become automatically re-eligible for assistance, within certain financial limitations.

6. A few state-wide pilot programs should be undertaken to work out the problems previously mentioned. Massachusetts might appropriate for this purpose because of its characteristics. its experience and its commitment to welfare reform.
EVALUATION OF THE GENERAL ASSISTANCE WORK REGISTRATION AND CHECK PICK-UP PROGRAM IN MASSACHUSETTS

This study was undertaken at the request of Commissioner Steven Minter of the Department of Public Welfare. In his charge to the Regional Research Institute, the Commissioner asked that an objective evaluation of the new General Relief - Division of Employment Security Program to restore employable General Relief clients to self-support, be undertaken at the outset of the program in October 1971.

The Program was initiated by the Legislature of the Commonwealth of Massachusetts in the late summer of 1971 by the following provision in the appropriations bill: "that after October first, nineteen hundred and seventy-one every person eligible for an assistance check under chapter one hundred and seventeen of the General Laws, determined by the department to be an employable person, shall receive such check from the nearest office of the division of employment security." Little, if any, formal study had preceded this provision so that its effects, problems, and possible approaches toward implementation were generally unknown.

Summary of Findings

1. A great deal of human suffering and individual costs on the part of those clients who were unable to obtain their checks and often went long periods without sufficient funds to meet their minimal needs resulted from this program. In October 1971, of those people who did not pick up checks, 38.7% were ill, disabled, or hospitalized, according to two surveys on the first pay period of the program. Another 22.6% reported that they did not know of the new requirement and administrative errors by DES and DPM were in-
involved in 15.5% of the cases. Approximately 17% were already working--those who were already working full time were not supposed to report, and part-time workers stated they were working at the time of the appointment with DES.

2. Even if the human costs are disregarded, the administrative costs alone far exceed the savings in this program. Administrative costs of the program in the local offices of the DPH alone run over $70,000 a month, according to our survey of the social workers in the Welfare Service Offices throughout the state. In reviewing over 1700 cases, the additional cost incurred by the local offices of the DPH as a result of the new GR-DES program is $1.69 per GR case per payroll period, or $3.38 per case per month. This comes to $7.96 per "unemployable" GR client in the month of December.

When the costs of the central administration, overhead, and those of the Division of Employment Security are added to this figure, it will probably come to two or three times this amount.

Liberal estimates of the possible savings through the program range from approximately $51,000 to $71,000 a month from those who do not pick up their check at the employment office without good cause and from those who find employment through this program. These figures tend to be somewhat inflated due to the fact that they are not adjusted for normal turnover in the General Relief program and assume that the average payments to these individuals are the same as those for the program as a whole. In fact the payroll for General Relief, not including vendor payments, went down only $48,929 from September through December, which covers the first months of the program when the highest savings were expected.

3. Using generally accepted criteria for determination of "unemployability," the operational decision by the Department of Public Welfare to
consider clients "employable" unless they could be determined to be "unemployable" inflated the number who had to report to DES, many of whom were subsequently determined to be unemployable. This involved additional costs to DP!, to DES, and to those clients who were unable to report due to illness and other reasons. Further, it placed the burden on the clients to prove to the Department that they were in fact unemployable and had good cause for not reporting to DES. This resulted in suffering for hundreds of clients and additional problems for the social workers to remedy incorrect classifications and check cancellations. The Department could have operated on the opposite assumption that clients were unemployable unless determined to be employable. Those who were seeking employment and were obviously employable could have been classified initially and then on the basis of a case-by-case intensive review, those who were found to be employable in the remainder of the caseload could have been so classified. This would have involved fewer errors which resulted in client hardships and marginally lower costs in following up incorrect classifications. Further, it would have permitted a phasing in of the program which would have allowed the Department time for training and revision of procedures where problems arose.

4. Only 524 clients actually obtained jobs as of December 31, 1971 covering a ten weeks of the program. The average number of referrals from the Welfare Department per pay period was 7450 with the DES considering an average of 4763 "employable" by their standards. The average placement rate per pay period of those referred was only 1.4% and of those considered employable by DES only 2.2%. In addition, only 5 of the 20 clients surveyed, out of the 99 in Boston who got jobs in the beginning of the program, obtained employment through the services of DES. Fifteen reported that
they had found jobs through their own efforts. In other words, of the small sample only 25% obtained their jobs through the new work registration program.

5. Our findings on the management problems in administering the new GR-DES program concern the Department of Public Welfare which asked the Institute to look at this subject. Six problem areas were identified which represent deficiencies in the administrative implementation of the program by DPH. These were the following: (1) overloading of DPH staff in the Welfare Service Offices (which is obviously due to the lack of additional funds for the administration of the program), (2) incompatibility of DPH and DES operational definitions of nonemployability, (3) problems arising from changes in the General Relief payroll procedures, particularly the transitional problems due to the shift from the local Finance Units to a central computer system for the state, (4) inadequate information and training in the new payroll procedures for the VSO payroll clerks, (5) insufficient staffing, equipping, and procedures at the GR-DES Project Office, and (6) low staff morale resulting from the manner in which the changes in the General Relief program were developed and implemented.

One of the most difficult and time consuming problems in the new procedure for all parties--social workers, employment counselors, and clients--is the basic conflict between the operating procedures with regard to employability of the two agencies participating in the program. DPH operated as if a GR recipient is employable unless specifically exempted. The six categories of exemptions listed in the State Letter provided the grounds for deeming a recipient non-employable. In order to classify a client as non-employable the social worker had to fill out
Form GR-DES 1 - stating the reasons for the exemptions and verifying it. A worker is thus under severe pressure to place a recipient in the employable category unless he can produce written verification to the contrary in the recipient's file (i.e., in most cases, a doctor's letter). Then, and only then, is the recipient placed in the non-employable category.

However, DES operated on the opposite set of assumptions. Despite written instructions to the contrary, we found in practice that DES staff operate from the premise that a client is considered employable only if he is potentially employable, i.e., has work related characteristics - age, sex, previous work experience, education - which make it likely for him to be placed in a job or in a training program. Employment counselors at DES are under pressure to deem employable only those GR recipients who are likely to be placed and to deem non-employable those with little chance of placement. This approach serves two purposes for DES staff. First it conserves staff time - the employment counselor does not have to continually see clients who are not likely to get jobs. Secondly, it produces good monthly reports - the rate of placements per number of active cases is not depressed by a large pool of clients who are not likely to get jobs.

The result of these conflicting agency positions is that many GR recipients find themselves constantly shuttled back and forth between the WSO and DES office. The worker classifies the client as employable and sends him to DES. At DES the employment counselor interviews the recipient, finds him or her not likely to be employed and sends their form back checked "non-employable." The worker must then follow up - find out why the recipient was marked non-employable and try to get verification in order to fit the recipient into one of the exemptions for non-employability.
The recipient often does not qualify for an exemption and is sent back to DES where the process is repeated.

These findings for the state of Massachusetts are similar to those of a recent study of the new welfare-work legislation in New York state done by the League of Women Voters of the Rochester Metropolitan Area and the Center for Community Issues Research. Their conclusions about the program as it operated in Monroe County emphasized that the new regulations "have not resulted in substantial numbers of welfare recipients becoming self-supporting" and that the program "is costly to administer ... in October, the additional administrative expenses of $82,474 a month far outweighed the savings of $44,690 due to case closings."

LABOR MARKET STUDIES

The labor market studies of SWRRRI reveal important connections between the welfare caseload and labor market conditions. Unemployment rates exert pressures on welfare directly through AFDC-UP, through General Relief, and through AFDC as mothers are laid off, and indirectly through the impact of unemployment on family stability and organization. The structure of the labor force which is reflected in one way through wage differentials also creates a pressure to use welfare because of inadequate earnings of the millions of poor people. It also places limitations on the extent to which employment can be used as a way of reducing welfare costs and caseloads because of the restricted job opportunities and consequent low wages. The structure of labor markets and their differential affects on earnings and unemployment are a crucial factor in assessing both the employment potential of women on welfare and of the policies required to create meaningful opportunities for work.
The implications of unemployment levels reveal a clear interdependence between labor market phenomena and the welfare system. Rising unemployment levels in a labor market result in increased demand for welfare. Individuals and women with families who formerly were able to support themselves are no longer able to find or hold jobs.

A second area in which the unemployment rate affects the welfare system is the difficulty for welfare mothers to move out of the welfare system when unemployment is high. If no jobs are available, then employment programs, no matter how well designed, will face high costs and probable failure in efforts to induce movement off welfare.

Our labor market studies, under the direction of Professor Barry Bluestone, suggest that poverty is due in large part to the job opportunities available which tend to be concentrated in those industries and occupations which pay low wages, are often part-time, are irregular in their duration, and have poor working conditions. These peripheral jobs are filled by workers who make up a kind of peripheral labor force because only seasonal or part-time work is available to them, or because only temporary jobs or no work is available.

The relevance of this discussion of labor market operations to women welfare recipients is clear. Women are likely to be "peripheral workers," particularly women with children who need to work part-time or intermittently. The concentration of welfare women in the peripheral economy, the only labor market to which they have access because of needs, skills, location and experience, means that the wage rates available to them are likely to be low and the work conditions and promotion prospects poor.
The generally low occupational status of AFDC mothers is confirmed by all studies. Of those reporting previous employment in 1967, 48 percent had been service workers, almost 19 percent were unskilled laborers. The data on the participation rates of AFDC women reflected the pattern of the general population with 19 percent of the nonwhite welfare women working and 12.5 percent of the white women in the labor force. However, the white mothers who did work, earned more on the average than the black mothers who were employed.

Table 1 - AFDC Mothers in the Home By Usual Occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>1967</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Mothers in the Home</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Professional, Semi-Professional, Proprietors, Managers and Officials</td>
<td>1.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Clerical, Sales, and Kindred Workers</td>
<td>9.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Craftsmen, Foremen, and Kindred Workers</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Farm Owners and Managers</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Farm Tenants, Renters, Share-croppers, Farm Laborers</td>
<td>4.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Operatives and Kindred Semi-Skilled and Skilled Workers</td>
<td>7.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Service Workers, Except Private Household</td>
<td>18.7</td>
<td>16.3</td>
</tr>
<tr>
<td>Private Household Service Workers</td>
<td>13.5</td>
<td>17.7</td>
</tr>
<tr>
<td>Unskilled Laborers</td>
<td>12.6</td>
<td>10.5</td>
</tr>
<tr>
<td>Never Held Employment</td>
<td>24.9</td>
<td>31.2</td>
</tr>
<tr>
<td>Unknown</td>
<td>8.0</td>
<td>6.1</td>
</tr>
</tbody>
</table>


The earnings of AFDC mothers in 1967, when they were employed, were much lower than the median earnings of employed women in the general population. About half of the AFDC mothers employed were working full time, but earnings were not high enough to make the family ineligible for assistance. The average monthly earnings of all AFDC employed mothers was $135.00. The average was less than $100.00 in 12 states and more than $200.00 in
only 4 states.

It is not possible to assess the family support potential of AFDC mothers without considering the experience of women in general in the labor market. Drawing data from U. S. Department of Labor reports, the following points emerge: (1) the labor force participation of women is largely related to age, marital status, presence and ages of children and education; (2) only 29% of mothers with children under 6 were in the labor force and only 25% of those with children under 3; (3) labor force participation by women increased with their educational levels; (4) in 1967, women were generally concentrated in relatively low-paying occupations; (5) 32% of employed women were in occupations producing median earnings for women of $3,700 per year or less; (6) the median wage for all women workers in 1967 was $2,295 with 75% earning less than $4,000 and 31% earning less than $1,000; (7) non-white women at all educational levels are more likely to have been employed than white women, but their median earnings were less than white women at $1,635 in 1967.

If we assume that no major economic intervention will be forthcoming in the near future to make jobs readily available and increase wages substantially in low-wage sectors, the ability of most AFDC family heads to meet the minimum income needs of their families by working is probably quite low. The anticipation that many are or will be able to earn their way off assistance is probably unrealistic. Only a minority of welfare recipients will be able to get off public assistance through employment sooner than the normal attrition rates. For a family of four headed by a women, she would need to earn $2.25 or more an hour on a full-time basis to be removed from the welfare rolls in 30 states. In only nine states could the family head earn less than $2.00 per hour and become completely self-supporting.
In some states where the cost of living and the welfare payments are higher, a mother would have to approach earnings of $3.00 per hour or more.

TRAINING FOR WELFARE RECIPIENTS

We are only gradually beginning to realize that it is not enough to design programs which attempt to alter the supply of labor by training, rehabilitation, and education in order to assure higher levels of income and living. The structure of the occupational system, the operation of labor markets, and the levels of wages, which make up the demand side of labor market equations, required appropriate and significant intervention.

The evidence for evaluating the performance of efforts to train welfare recipients, particularly women, is scarce. What is known about WIN is not encouraging to those who would expand such programs as a part of welfare revision. A total of 167,000 had enrolled in WIN through April 30, 1970. More than a third had dropped out, and of the 89,000 enrolled in the fall of 1970, nearly a third were in the intake, assessment, orientation, or holding stages, which generally involved waiting for placement.

Estimates are that 25,000 had moved on to work, with less than half of those being able to move off of welfare - approximately 10,000 received pay adequate to leave public assistance. Most of those who found jobs were among the early participants in the program when, according to most observers, "creaming" was prevalent. These early enrollees included a large percentage of employable fathers receiving AFDC-UP (as much as 40 percent) who could find work most easily and probably would have found jobs in time without WIN. (AFDC-UP cases make up only 5 percent of the AFDC population.) Further, it is doubtful that WIN has had much effect on the pattern of use of welfare in view of the average stay on welfare of two years.
Another consideration in the training approach toward substituting work for relief is the costs—the costs of training, the costs of providing work incentives, the costs of day care, and the costs of creating employment or subsidizing employment during those times and in those places where jobs are not available. The likely costs of these efforts will substantially exceed any savings in welfare payments.

This picture can be seen by taking estimates of costs under the WIN program and matching them with the characteristics of the typical AFDC family. The Department of Health, Education and Welfare conservatively estimates the average cost of after-school and summer care for school-age children at $400 per year, and for full-day pre-schoolers at $1,600. The average AFDC family has three children and if we assume the mother has one child under six and one in school still requiring some attention, the annual cost of the child care arrangements will be $2,000. Training under WIN averages around $1,250 per slot and the recipient is allowed to retain $30 and one third of earnings. If the family earned even $2,000, which studies suggest only a third of employable recipients could do, the welfare payments would be reduced by only $973. Thus, for $3,250 in day care and training cost (not including any subsidies for job creation, services, or work related expenses such as transportation), the reduction in welfare payments would amount to less than $1,000. Further, the low placement rates under WIN would indicate that jobs are not available and that employers are not seeking recipients as workers. This suggests that a large scale and costly public employment or publicly supported private employment programs would be required.

In an investigation of the WIN program in Boston, Sum and Piore (1969) observed that of the 127 enrollees under study in October 1969, only a
small number were employed. Only 12 enrollees were working; forty-four were still in training; fifty eight had been terminated; and 13 were in holding status (approximately half of these were in the process of being terminated). They found that females had a higher termination rate and a lower placement rate than males.

Of the 12 who had obtained employment, seven were male heads of households on AFDC-UP. Five of these had found employment on their own. Only one of the five found a position which was training-related, and three returned to their previous occupation, with one setting up a business. The remaining two enrollees were placed by the WIN team in their previous occupations - one of them with his previous employer. Two of the 12 employed were female heads of households on AFDC. Neither had any children under six at the time. The other three employed enrollees were teenagers.

In the Auerbach evaluation (1970) of WIN, it was found the unified supportive services promised in the program were largely unavailable. The training programs were of doubtful relevance to the client population and little emphasis was placed on on-the-job training. Many of the crucial features of the training strategy were having severe difficulties in practice.

In surveys of the employment and actual earnings of WIN graduates in 1969, labor market factors clearly emerged and it was found that two-fifths were employed in low-paying occupations such as clerical, sales, and service jobs. One survey showed that at the end of 1969, female WIN graduates earned substantially less than males and one-half of the females earned less than $2.00 an hour. As the small number of AFDC men complete WIN and women comprise a larger proportion of the trainees, average earnings, which were put at $2.30 an hour, can be expected to decline. These
trends also appear to make it unlikely that WIN can function as a major instrument for reducing the caseload in AFDC.

In New York a similar criticism was made by the bipartisan Legislative Commission on Expenditure Review, pointing out that most opportunities offered to minority persons had been limited to typist and attendant jobs. The Commission also called attention to many other problems of the manpower programs in New York. The Work Incentive Program, WIN, was particularly criticized in the Commission report, which called the program "almost totally ineffective." Of the 17,814 enrollees in the first 21 months of the program through June 1970, only 17 percent were placed in jobs, and only 4 percent remained employed beyond six months.

One of the conclusions that emerges from a review of WIN and other manpower programs is that in slack labor markets, there are increasing difficulties and rising costs to placing recipients in jobs. The justification for this training approach is difficult to make on the grounds of a productive investment which will significantly reduce the costs of welfare. The argument that training is a one-shot investment in the long-term work pattern to be established for mothers when their children no longer need care must be weighed against (1) the uncertainty of jobs in the labor markets that most recipients work in, (2) the fact, as revealed in most studies, that women work anyway when their children are old enough, (3) the likelihood for many that future child-bearing will interrupt work experience, and (4) the low earnings that most are likely to desire.

Concerning the placement process, the Wright Institute study of WIN, like that of the SU/RRI study in Massachusetts, found that, by far, the most important source of job referrals for mothers was their friends
and relatives. Official government programs—WIN and the employment offices of the Human Resources Department—were often used in job-seeking attempts but efforts through these channels were rarely successful. Based on this finding, it was suggested that the government should consider supporting the more successful referral system of friends through possibly a system of commission payments.

The rhetoric of manpower and rehabilitation policies has exaggerated the potential impact and the importance of manpower programs. To show that the rhetoric of mass employment of the disadvantaged is a gross exaggeration is not to imply that the methods are ineffective or irrational in all cases or that they do not have value. In fact, it is only when assessed in terms of inflated claims and expectations that such programs can be considered a failure. When seen in terms of smaller numbers and specific client problems, such methods are useful and necessary.

SOME IMPLICATIONS FOR HR I
FROM OTHER SVRRRI STUDIES

1. Our study of AFDC recipients who work suggest that among other factors which might discourage them from moving completely off welfare, two should be mentioned here. The first concerns the loss of other benefits such as medical care, day care, housing supplements, and various food programs. The second is the fear of losing their job and not being easily able to get back on welfare. Since most of the jobs obtained by female recipients tend to be somewhat irregular, the security of a job is small. In this case, welfare payments are much more reliable and stable and so some mothers avoid the risk of relying entirely on their employment for their income.
This latter effect might be remedied in the bill by removing the requirement that recipients remain in employment as a condition of support once they have a job and by inserting language to the effect that a person who works their way off the roles and loses their job becomes automatically re-eligible, within certain financial limitations.

2. Our study of AFDC mothers also shows that they did not know how much of their earnings they would be allowed to keep and how much would be deducted from their public assistance grants. Our impression is that most mothers do not know about the work incentive disregard aspects of the 1967 Amendments and, when they do, the computations are often too complex. The Wright Institute study of AFDC revealed most welfare mothers base their calculations with respect to job opportunities more on group and community standards of expectation than on their individual situations. If this conclusion is correct, it would imply that community-wide programs of information diffusion would be required in order for the work incentives to affect the work efforts of many clients.

Furthermore, the problem of getting the correct information to the target populations would have to be solved in order to have the working poor use the new programs in HR 1. More study and experimentation is needed on this particular aspect of the Act.

3. Our work indicates that more experimentation and study are needed on various parts of the welfare reform package. The following work needs to be done:

a. One or more statewide pilots programs should be undertaken to trace the effects of the various provisions of the Act and to work out the administrative problems. This should be
done using a higher minimum than that contained in the House version of the bill. Massachusetts should be considered if such a pilot is contemplated since it has both urban and rural areas, is committed to welfare reform, is manageable from an experimental and research point of view (as we have found), and has some experience with aspects of the new programs, such as working arrangements between the Welfare Department and the Employment Offices.

b. While we would recommend that enforced work registration be dropped as improper, costly, ineffective, and counterproductive, if such mandatory referrals to employment offices are kept, more appropriate and realistic criteria for the determination of employability must be developed to minimize (1) the harmful effects on recipients, (2) the costs of the program, (3) the administrative problems resulting from the continual registration and processing of people who are not employable, and (4) the barriers within the program to those who can really use employment services. A study should be undertaken to determine a workable and operational definition of "employability" for use in present programs and in those contained in HR 1.