

Too Few Jobs For Workfare To Put Many To Work

The recently passed welfare reform bill stresses training and education to help welfare families achieve economic independence. The feasibility of these programs hinges on the ability of family members to work and on the availability of jobs. After estimating the number of potential workfare workers and available jobs, we conclude there are only enough jobs for, at most, one in six welfare recipients.

Welfare reform was one of the major issues grappled with by the 100th Congress. The target of congressional reform proposals was the Aid to Families with Dependent Children (AFDC) program. The Nation's most prominent welfare program, AFDC provides benefits to millions of Americans each year. With its roots in the 1930's, AFDC provides cash support for low-income families with dependent children. Originally designed to benefit single parents with children, about half the States also currently support married couples with children if the principal breadwinner is also unemployed. Although most AFDC families live in metropolitan (metro) areas, over 23 percent live in nonmetro America, which is about the same as the nonmetro share of all U.S. families.

While a mainstay of U.S. anti-poverty policy, AFDC has come under increasing criticism for being part of the poverty problem rather than a solution. Citing an alleged tendency to promote dependence, Congress has endorsed a major overhaul of AFDC, one that emphasizes gainful employment as a means of escaping poverty. A key feature of the new law is "workfare," which, its

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proponents argue, will reduce welfare dependency by requiring many welfare recipients to seek and obtain a job. Failure to participate in the program will result in loss or reduction of welfare benefits.

A number of aspects of workfare are controversial, not the least of which is its expense. Workfare will not be cheap. One estimate puts the cost at \$1 billion per

More Nonmetro Than Metro Jobs For Workfare Participants

By our definition, occupations in the following 14 categories would be accessible to workfare participants in both metro and nonmetro areas:

- Private household service
- Food service
- Cleaning and building service
- Farm occupations, except managerial
- Related agricultural occupations
- Forestry and fishing
- Other precision production
- Machine operators and tenders, except precision
- Fabricators, assemblers, and hand working occupations
- Material-moving equipment operators
- Construction laborers
- Freight, stock, and material handlers
- Other specified handlers, equipment cleaners, and helpers
- Laborers, except construction

...while the following 6 occupational groups would be accessible only to nonmetro workfare participants:

- Health service
- Mechanics and repairers
- Construction trades and extractive occupations
- Carpenters
- Production inspectors, testers, samplers, and weighers
- Transportation occupations

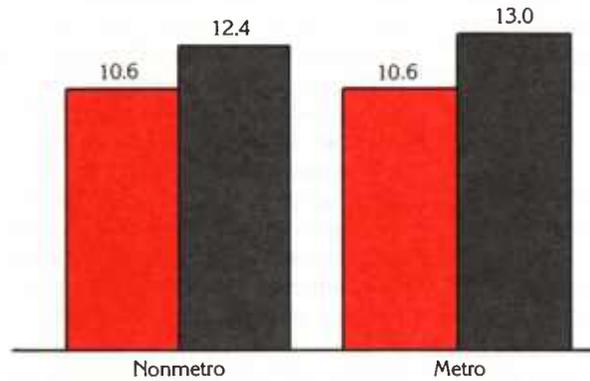
year for just the Federal Government's share (50 percent of the total cost) to enroll less than 20 percent of eligible recipients in workfare. A major reason for the high cost is the basic education and job training included as part of workfare programs. Proponents, acknowledging that startup costs would be high, contend that these expenses would be recouped over time by having fewer people dependent on welfare payments and greater revenues from income taxes. This outcome, however, assumes that there are enough jobs for more than a small share of welfare recipients. That is the assumption we analyze here. We conclude that the total number of welfare recipients eligible for workfare would far exceed the number of jobs for which they qualify under current economic conditions. This disparity is even more glaring when the unemployed are counted among the jobseekers. Our assessment is somewhat less pessimistic in nonmetro than metro areas.

It is useful to think of workfare in terms of supply and demand: On the supply side, how many welfare recipients will need to find jobs and what are their skills? And on the demand side, which jobs could workfare participants obtain and how many of these are available? The former depends, first, on the program requirements and, second, on the skills that workfare participants will bring to the job market. Their competitiveness for jobs depends on how their skills compare with those of other jobseekers. On the demand side, the fundamental consideration is the availability of jobs that employ workers with skills comparable with those of workfare participants. For convenience, we call these workfare accessible jobs. The question then is how many workfare accessible jobs would be vacant at a given time without displacing those currently employed. With this supply and demand framework, we carried out a statistical analysis in which we estimated and compared the supply of workfare-eligible welfare recipients and the demand for their labor; that is, the number of suitable jobs that are available.

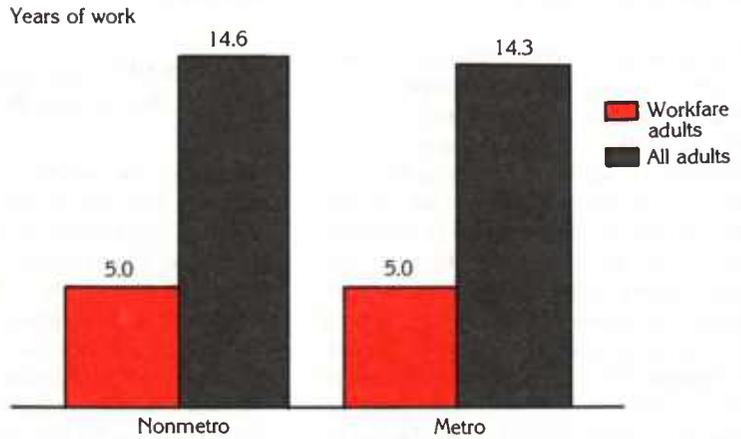
Supply Side Question 1: Which Welfare Clients Would Be Expected to Work?

First, we identified adults receiving AFDC who would be expected to work under a workfare program. In keeping with the

Figure 1
Workfare adults have low education
 Grades completed



... and little work experience



welfare reform law, we assumed that all adult recipients of AFDC will be expected to work except:

- Single parents with children under 3 years of age. The rationale for this exemption is fundamentally humanitarian; it may be harmful to require separation of a parent and young child. Providing day care for so many children might also be a tremendous drain on resources.
- Recipients already working full-time. Clearly, they would not be expected to participate in a workfare program.
- Those who cannot work due to illness or disability.
- Those attending school and trying to improve their employability.
- Those 65 years or older.

Overall, 35 percent of nonmetro recipients would be exempted under such rules and 41 percent of metro recipients. Thus, 65 percent of nonmetro and 59 percent of metro AFDC recipients would be expected to work under such a workfare program.

Supply Side Question 2: What Skills Do Welfare Clients Have?

Social scientists frequently define people's skills according to years of education and work experience. Workfare participants rank low on both measures (fig. 1). A standard measure of work experience is: **Age minus Years of Education minus 6** (for pre-school years). This measure assumes that people work continuously

after they complete their schooling, and that they improve their skills through work experience. The measure is faulty, however, for people who have never worked. Accordingly, we used an adjusted measure of work experience to account for those who have never worked. Based on this measure, the average work experience of workfare adults is only 5 years. By contrast, the average work experience of all nonmetro adults is 14.6 years, 14.3 years for metro adults.

Welfare recipients eligible for workfare are also less educated. The average education of workfare adults (both nonmetro and metro) is 10.6 grades completed. The average education of nonmetro adults already in the labor force is 12.4 grades completed, 13.0 grades for metro adults. Thus, both measures of skill level indicate that workfare participants would be at a significant disadvantage in competing for jobs.

Demand Side Question 1: Which Jobs Could Welfare Clients Obtain?

The magnitude of the workfare participant disadvantage depends on how many jobs there are for workfare participants and other jobseekers. Estimating the number of jobs available requires a look at the issue from the demand side. The key for

demand side questions is to identify jobs for which workfare participants would be competitive.

We first identified potential jobs for workfare participants as those for which the mean education of those already in the job was less than or equal to that for the workfare adults (10.6 grades completed). Because the educational levels of most workfare adults is so low compared with the employed labor force, this method yielded only three suitable occupations. To broaden the pool of potential jobs, we assigned an additional year of education to the cutoff point (11.6 grades completed). While somewhat arbitrary, this procedure is consistent with welfare reform proposals that emphasize training to help make AFDC adults more employable. The training is expected to make up for the skills workfare participants would have gained if they had been working instead of on welfare.

The average education of a number of occupations is 11.6 grades or less (see box, "More Nonmetro than Metro Jobs for Workfare Participants"). Our procedure yielded more of those occupations in nonmetro than metro areas. The larger number of occupations defined as workfare accessible jobs in nonmetro than metro areas reflects the greater demand for labor with little education in nonmetro areas. Employers of health service workers, for example,

hire people in nonmetro areas with lower average education than in metro areas. Thus, workfare participants would be competitive for a wider range of jobs in nonmetro areas than in metro areas. In fact, we estimate that 46 percent of nonmetro jobs are accessible to workfare participants, compared with only 21 percent of metro jobs.

Our reliance on education as the sole variable creates two potential problems. Both problems would contribute to an overestimation of the number of jobs available for workfare participants. First, most of the occupations that we identify as likely for workfare employ many more men than women. Only four of the occupations listed in the box (private household service, food service, cleaning and building service, and health service occupations) have sizeable proportions of women (40 percent or more). Because over 85 percent of workfare eligible adults are women, there may be a mismatch between our list of workfare accessible jobs and the kinds of jobs most workfare participants would normally seek. We are not suggesting that women do not, or should not, have access to jobs that are predominantly male. Rather, we simply note that both workfare participants and

employers may consider many workfare accessible jobs, now mostly filled by men, "inappropriate" or even "unavailable" for female participants. A further complicating factor is that many of these jobs may be only part-time positions. This may also bias upward our estimate of the number of jobs accessible to workfare participants.

Demand Side Question 2: How Many Jobs Would Be Available?

Based on the above percentages, we estimate that there are 10.3 million workfare accessible jobs in nonmetro areas and 17.9 million in metro areas. Barring displacement of people already employed in these jobs, only a fraction would be available to workfare participants. Accordingly, we sought an estimate of the number of workfare accessible jobs likely to be *vacant* at any time. These are the positions for which workfare participants would be competing.

To determine the number of available workfare accessible jobs, we estimated the proportion of these jobs that, at the time of our study, were temporarily

vacant. While little empirical work has been done on job vacancy rates, a procedure has been developed to estimate them. The estimation procedure builds on the empirically tested relationship between vacancy and unemployment rates. In general, the higher the unemployment rate the lower the vacancy rate. In January 1978, for example, a 7-percent unemployment rate was associated with a 1-percent vacancy rate, whereas in January 1973 the 5.5-percent unemployment rate implied a 1.5-percent vacancy rate (see the article by Katharine Abraham in the list of readings at the end of this article).

While it was not possible to directly derive the vacancy rate for March 1986 (the time the survey we use was conducted), the national unemployment rate at that time was 7.5 percent (table 1), which is close to the rate in January 1978. Assuming that other labor market conditions were similar, the implied vacancy rate would therefore be around 1 percent. The fact that the March 1986 unemployment rate was higher than the January 1978 rate actually implies a vacancy rate lower than 1 percent, but we decided to use the 1-percent vacancy rate in order to bias our analysis toward a favorable assessment of

Table 1—Availability of jobs for workfare participants

Item	Unit	Total	1986		1988 (estimates)		
			Nonmetro	Metro	Total	Nonmetro	Metro
Size of employed labor force	1,000	107,381	22,402	84,979	114,778	23,978	90,802
Jobs accessible to workfare participants	Percent	30.9	46.6	21.1	26.4	46.6	21.1
Number of welfare client accessible jobs	1,000	28,231	10,302	17,929	30,333	11,174	19,159
Unemployment rate	Percent	7.5	9.1	7.1	5.4	6.0	5.3
Estimated vacancy rate for workfare accessible jobs	Percent	1.0	1.0	1.0	1.5	1.5	1.5
Number of available workfare jobs	1,000	282	103	179	455	168	287
Number of workfare eligible AFDC adults	1,000	2,078	502	1,576	2,078	502	1,576
AFDC jobseekers for each available workfare job	Ratio	7.4:1	4.9:1	8.8:1	4.6:1	3.0:1	5.5:1
Number of unemployed not receiving AFDC with less than H.S. education	1,000	2,821	812	2,009	2,117	539	1,578
Total jobseekers for workfare jobs	1,000	4,899	1,314	3,585	4,195	1,041	3,154
Total jobseekers for each available workfare job	Ratio	17.4:1	12.8:1	20.0:1	9.2:1	6.2:1	11.0:1

Source: March 1986 Current Population Survey and Bureau of Labor Statistics Data for Second Quarter 1988 and authors' calculations.



Coffeyville Community College in southern Kansas offers classes in skills training for mothers on welfare, through the Women in Transition program. The program also provides child care while the women are in class. The program is partially funded by the Job Training Partnership Act.

workfare. Note, however, that this decision may particularly bias our assessment of workfare in nonmetro areas, where the March 1986 unemployment rate was 2 percentage points higher than in metro areas (9.1 percent versus 7.1 percent).

Are There Enough Jobs?

We applied the 1-percent vacancy rate to the number of workfare accessible jobs and estimated that 103,000 jobs would be available to jobseekers in nonmetro areas and 179,000 in metro areas (table 1). How do these numbers compare with the number of welfare recipients who would be seeking jobs? Recall that, according to our calculations, 65 percent of AFDC adults in nonmetro areas and 59 percent in metro areas would be required to participate in workfare programs. These proportions yield estimates of 502,000 workfare participants in nonmetro areas and 1,576,000 in metro areas.

Obviously the number of potential workfare participants would have greatly exceeded the number of available workfare accessible jobs in 1986: 4.9 jobseekers per job in nonmetro areas and 8.8 jobseekers per job in metro areas. These figures imply that it will be difficult to place AFDC recipients in the employed labor force without displacing many of

those already working in these jobs or without creating many more suitable jobs than now exist.

The outlook for workfare programs seems especially pessimistic in metro areas. The ratio of AFDC jobseekers to available workfare accessible jobs is much higher in metro than nonmetro areas. This discrepancy arises because there is more demand for labor with low educational levels in nonmetro than metro areas. This assessment is consistent with studies of job growth, which have found that growth in jobs with low educational requirements has occurred mostly in rural and suburban areas rather than the central cities where metro welfare recipients are concentrated.

Even in nonmetro areas, however, the ratio of potential workfare participants to available workfare accessible jobs is high. The picture becomes even more bleak when one realizes that AFDC recipients would be competing with others for available jobs. Many unemployed workers will likely be seeking them as well. Accordingly, we estimated the number of unemployed who might also be seeking these jobs. This was done in two steps.

First, to avoid double-counting, we subtracted those who received AFDC benefits from the total pool of unemployed. Second, from this group of unemployed we subtracted those whose

educational level was 12 or more years. Most (though not all) of these better educated unemployed persons would not be competing for the same types of jobs as the less-educated AFDC recipients. By this procedure, we essentially included only those unemployed who did not have a high school diploma and who were not on AFDC.

The estimated numbers are 812,000 nonmetro and 2,009,000 metro unemployed persons who would have been competing with AFDC recipients for workfare accessible jobs in 1986. We then added these numbers to the numbers of potential workfare participants cited earlier. This produced estimates of the total number of jobseekers looking for such jobs: 1,314,000 in nonmetro areas and 3,585,000 in metro areas. The ratios of these figures to the numbers of workfare accessible jobs in the two areas are very high: over 12:1 in nonmetro areas and 20:1 in metro areas.

The U.S. economy has of course improved markedly since March 1986. The number of jobs has increased and the unemployment rate has dropped sharply. Indeed, the national unemployment rate was 5.4 percent in the second quarter of 1988. The prognosis for workfare should therefore be more favorable in 1988 than in 1986. How much more favorable? Although data were not available for us

to replicate our 1986 analysis exactly, it was possible to approximate the ratios of jobseekers to available jobs using Bureau of Labor Statistics quarterly data. We assumed that: (1) labor market conditions in the second quarter of 1988 were similar to those in January 1963, when the unemployment rate was 5.5 percent and the vacancy rate was estimated at 1.5 percent; (2) the number of AFDC adults remained the same, which is consistent with the relatively constant size of the welfare population in recent years; and (3) the workfare accessible proportion of total jobs in nonmetro and metro areas remained the same, as did the percentage of unemployed persons who would be competing with workfare participants for such jobs.

The ratios of potential jobseekers to available workfare jobs in 1988 do suggest a more favorable assessment of the feasibility of workfare in 1988 than in 1986. The ratios remain quite high, however. There are three times as many workfare participants as available workfare accessible jobs in nonmetro areas and over five times as many in metro areas. Moreover, the ratios of total jobseekers to available jobs are 6.2:1 in nonmetro areas and 11:1 in metro areas.

These figures dramatize just how difficult it is likely to be to place welfare recipients in the existing jobs for which they are suited without taking positions away from either workers who already have them or the unemployed who are also competing for them. Based on these results, the underlying assumption of workfare, that jobs are available in sufficient numbers for more than a few workfare participants, seems highly questionable. Although the situation is somewhat less bleak in nonmetro than metro areas, there appears to be ample evidence to doubt that workfare will accomplish the overall goal enunciated in the new welfare reform law, to help welfare recipients achieve economic independence. This is particularly true without major growth in the number of jobs appropriate for workfare participants (see box, "Our Analytic Approach").

Conclusions

Our analysis suggests four key points about the feasibility of workfare programs. First, there are likely to be many more workfare participants (and others) seeking

More on Our Analytic Approach...

Our analytic strategy was to answer a succession of fundamental questions. How many welfare recipients would be expected to participate in workfare? To what jobs would they seem to have access? How many of those jobs are available?

While more rigor and refinement are possible, we are confident in our key conclusion regarding the lack of available jobs for workfare participants, for the following reason. At nearly every step of our analysis that required an arbitrary decision, we took a conservative path and built the case in favor of the viability of workfare. For example, (1) we *increased* the pool of available jobs by assigning an additional year of education to workfare adults, (2) we included all occupations that met the education criterion, even though most are male dominated while AFDC adults are mostly female, and, (3) we underestimated the number of unemployed adults who would be competing for such jobs to the extent that we excluded those with a high school education or better.

In view of these conservative assumptions, it is probable that the true availability of jobs for welfare recipients is even more limited than our results portray.

jobs than there will be jobs available to them. This impugns a key assumption of welfare reform, that jobs are available in sufficient quantity for many to get off welfare. It does not seem likely that proposed workfare programs would significantly reduce the welfare rolls.

Second, our estimates imply that workfare programs have a greater likelihood for success in nonmetro than metro areas. This is due to the higher proportion of nonmetro jobs accessible to welfare recipients, not nonmetro/metro differences in the types of people on welfare.

Third, the success of welfare reform efforts involving workfare will depend greatly on the strength of the economy. The stronger the economy, the lower the unemployment rate and the greater the

availability of workfare accessible jobs. Lower unemployment rates also mean fewer unemployed to compete with workfare participants for those jobs. Further, there may be substantial local variations in the success of workfare programs because areas of the country vary so dramatically in the strengths of their local economies. Thus, the feasibility of workfare programs will likely depend on local unemployment rates and other indicators of local economic health, not just national economic conditions (see the study by Judith Gueron in the list of readings at the end of this article).

Fourth, in the current situation, workfare programs could result in the displacement of workers already employed, many of them the "working poor." Because a higher percentage of the nonmetro poor are working than the metro poor, workfare programs may prove less successful in nonmetro areas than our estimates imply. If welfare reform is to reduce welfare dependency among more than a small share of AFDC recipients, then it may be necessary to integrate public job creation strategies with workfare programs. According to our analysis, the existing demand for workers in workfare-type jobs in the private sector seems to be greatly exceeded by their supply, in both nonmetro and metro America.

While our analysis clearly suggests that current proposals for workfare will have only a limited effect on reducing the welfare rolls, this is not to say workfare programs should not be tried. Rather, policymakers and program administrators need to be realistic about the potential success of workfare programs. Workfare may make sense as an effective way to help some welfare recipients obtain gainful employment, but it should not be viewed as a way to significantly reduce the number of people on welfare. **RDP**

For Additional Reading...

Katharine G. Abraham, "Structural/frictional vs. Deficient Demand Unemployment: Some New Evidence." *American Economic Review*, September 1983.

Judith M. Gueron, *Reforming Welfare With Work*. New York, The Ford Foundation, 1987.