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ABSTRACT

This report synthesizes some of the most significant research findings on job training programs. It relates them to the decisions faced by states as they implement the Jobs Opportunities and Basic Skills (JOBS) Training Programs mandated by the Federal Family Support Act of 1988, which must be structured to meet the needs of recipients of Aid to Families with Dependent Children (AFDC). The following findings are reported: (1) changes in the workforce affect job prospects of AFDC recipients; (2) employment programs are not equally effective for all participants; (3) more intensive services are required for those with greater barriers to employment; (4) interagency cooperation can provide more intensive services; (5) employment programs for two-parent families are not effective; and (6) voluntary programs can be effective. While changes in the workforce in the next decade will likely improve the job prospects of many workers, those with less education and poor skills may be left out, so states may find it advantageous to exceed the minimum requirements of the Family Support Act in the following service areas: (1) basic literacy; (2) postsecondary education; (3) intensive education and training programs; (4) job placements that provide long-term economic security; and (5) early program implementation. A list of 72 references and an order form for other publications are appended. (FMW)

Making **JOBS** *Work*

What The Research Says About Effective Employment Programs For AFDC Recipients

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Washington, D. C.

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a nonpartisan, nonprofit research organization that studies government spending and the programs and public policy issues that have an impact on low income Americans. The Center is funded by grants from foundations.

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PREFACE

The Family Support Act is one of the most comprehensive pieces of legislation affecting the welfare system enacted in many years. In addition to the JOBS program, the Act covers child support enforcement, the provision and funding of child care services, transitional health and child care benefits, and benefits for two-parent families. Many of these other issues are relevant to the implementation of JOBS, but a thorough discussion of research in all these areas is well beyond the scope of a single document. This report does not attempt to cover all these related issues; instead, the focus is on research related to employment programs for individuals receiving AFDC payments.

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EXECUTIVE SUMMARY

The Job Opportunities and Basic Skills (JOBS) Training Program, mandated by the Family Support Act of 1988, requires states to establish employment programs for recipients of Aid to Families with Dependent Children (AFDC). Within the general parameters of JOBS, however, states have considerable flexibility to structure the programs to meet the needs of the AFDC recipients in their state.

This new federal mandate comes at a time when considerable research has been conducted addressing the most effective ways to assist AFDC recipients find employment and increase their earnings. This report synthesizes some of the most significant research findings and relates them to the decisions states face as they implement their JOBS programs.

Changes in the U.S. Workforce Affect Job Prospects of AFDC Recipients

The Family Support Act is being implemented as the U.S. economy -- and the jobs being created in the economy -- are in a period of change. These changes result from several key economic trends. One is the declining number of new workers entering the labor market each year. This means that employers increasingly need each new worker they can find who can perform adequately on the job. Moreover, the proportion of new workers from low income or minority backgrounds is increasing.

These developments are good news for AFDC recipients and for employment-related programs for these recipients. Workers whom employers

might not have hired in the past when there were more potential workers to choose from may now be able to obtain jobs.

But if there is good news in these developments, there is also a strong danger signal, stemming from a second basic economic trend. The workplace is becoming more technological. An increasing number of the jobs that pay enough to lift a family out of poverty require higher levels of education and basic skills in reading and mathematics than such jobs required in the not-too-distant past. Education and basic skills levels now play a larger role in influencing income levels and poverty status than even a decade ago.

The evidence suggests that in some parts of the country, a mismatch is already developing between the higher levels of skills needed to fill the new jobs and the lower education and basic skill levels of disadvantaged workers. This can create a situation in which there are substantial numbers of unfilled jobs along with large numbers of unemployed workers. In some urban areas, employers already are having difficulty filling jobs requiring certain levels of basic skills, while substantial numbers of unskilled adults remain poor and unemployed.

There is a danger that despite the tightening of labor markets, many AFDC recipients and other low income individuals still may be unable to find steady jobs -- especially jobs that can lift them out of poverty -- because they lack the requisite levels of education or basic skills. This danger is especially great for AFDC recipients, many of whom have particularly low levels of education and basic academic skills.

Employment Programs Not Equally Effective for All Participants

In recent years, several studies have examined the effects of employment and training programs for AFDC recipients. Those conducted by the Manpower Demonstration Research Corporation (MDRC) are particularly useful because they compare the employment and earnings effects of these programs with what would have happened in the absence of the program.

The MDRC researchers used randomly selected control groups of AFDC recipients who did not participate in the employment programs, but who were otherwise comparable to the participants. The researchers thus were able to compare those who participated in the employment program and then obtained jobs with those in the control group who obtained jobs on their own. The difference between the number of participants who found jobs and the number of control group members who found jobs reveals how many of the participants obtained jobs *as a result* of the employment programs.

One important finding of this research is that the programs are least effective for those who are the most job-ready. Many of the most job-ready recipients find employment on their own, even without the employment programs. Therefore, even though relatively large numbers of the most job-ready did find jobs after participating in an employment program, there was little or no *net* increase in their employment.

The largest impact of the programs studied by MDRC, most of which offered mainly job search assistance and unpaid work experience (or "workfare"), was on those in a middle group in terms of job readiness. These were participants who had received AFDC in the past, but had been off the program for a period of time, including those who had a small amount of earnings in the previous year. For these moderately job-ready recipients, the employment programs led to modest but significant increases in employment and earnings, and these effects continued through the end of the evaluation period, up to three years.

The employment programs studied by MDRC were less effective in increasing the earnings of those who were the least job-ready -- those who had not worked at all in the prior year or who had been on AFDC for more than two years. The lack of an impact on the earnings of the least job-ready may have been due to the type of services provided. As noted, the employment programs studied by MDRC provided fairly low-cost services such as job search assistance and workfare. For recipients with serious barriers to employment, these services appear to have been insufficient to enable them to overcome these barriers and find employment.

More Intensive Services for Those with Greater Barriers to Employment

The Family Support Act requires states to spend more than half of their employment program funds on certain target groups: young high school dropouts, young people with little work experience, recipients who are about to become ineligible because their children will be too old to qualify for AFDC, and long-term AFDC recipients. Many of the recipients in the target groups are among the most disadvantaged of the AFDC population.

The research indicates that low-cost employment services, such as job search assistance, have not been very effective in increasing the employment or earnings of AFDC recipients with the greatest barriers to employment. On the other hand, more intensive job training services do appear to help these more disadvantaged recipients. Several state programs offering intensive services have been shown to increase the employment rates and earnings of less job-ready recipients.

"Intensive services" are those services -- such as basic or longer-term education, occupational skill training, or job-readiness training -- intended to improve a participant's work-related skills. Less intensive services, such as job search assistance, help participants find employment without significantly upgrading their skills.

One intensive training program found to be particularly successful with the least job-ready AFDC recipients was a program known as "Supported Work." This program provided a supportive work environment and gradually increasing job responsibilities to long-term AFDC recipients with little or no recent work experience. The evaluation of Supported Work found significant increases in employment and earnings, as well as reductions in AFDC payments, for participants as compared with a control group of comparable AFDC recipients not enrolled in the program.

Another program offering intensive employment services to AFDC recipients with substantial barriers to employment was the Training Opportunities in the Private Sector (TOPS) program in Maine. More than a year after leaving the program, participants had higher employment rates than a comparable control group of AFDC recipients not participating in TOPS. The earnings of participants were also significantly higher, on average.

Similarly, the Baltimore (Maryland) Options Program offers more intensive services, such as basic literacy training, high school equivalency preparation, job skills training, and work experience, to AFDC recipients with substantial employment barriers. An evaluation of the Options Program found that participating AFDC recipients had higher employment rates and greater earnings than a comparable group of recipients who participated in a less intensive program consisting primarily of job search assistance.

It is also important to consider how intensive services are provided. Preliminary results from a demonstration of education and job training services for single parents from minority groups suggest that educational services may be more effective if they are integrated into programs of job skill training.

In this demonstration, increases occurred in participants' employment and earnings at the program site emphasizing practical occupational skill training designed to meet the needs of specific jobs in the local job market. The job training was provided to all participants regardless of their educational background, and remedial education was offered within the context of job skill training. Other demonstration sites placed more emphasis on classroom instruction in basic education, which preceded training in specific job skills. No

improvements in participants' employment or earnings appeared to result from the services provided at these sites, although these findings were only preliminary. (At the time of the preliminary findings, some of the participants were still in training and so were not available for employment.)

Coordinating with Other Agencies to Provide More Intensive Services

One way for state and local welfare departments to stretch limited resources is to use the education, employment, and training services provided by other agencies. Many welfare departments already work with other agencies because they have found developing separate education, employment, and training services specifically for AFDC recipients can be expensive and time-consuming. Using the services of existing programs may be an efficient way to provide more intensive education and training services, even if the welfare department pays part of the cost.

Developing a cooperative relationship with other organizations and agencies is especially important in education. In the past, most welfare agencies had little contact with state or local education agencies. The JOBS program, however, puts much more emphasis on education than the AFDC employment programs in most states, requiring that states provide educational services to certain recipients if they do not have a high school diploma.

In many states, welfare departments already work with Job Training Partnership Act (JTPA) agencies to provide training services for AFDC recipients. Data from these states indicate that these relationships can work well, but that there are barriers to overcome in successfully working with JTPA. Some of these barriers are likely to be lessened, however, by legislative changes in the JTPA program expected to be enacted in 1990.

Eestablishing working links with education and training agencies may not be as difficult as some AFDC administrators fear. In many cases, state and local agencies providing remedial education and job training serve a clientele that overlaps with the AFDC population. Just as the state welfare department cannot provide all education and training services needed by AFDC recipients, so the other education and training agencies cannot provide all the needed support services such as child care and transportation assistance to their low income clientele. These other agencies may welcome a cooperative relationship with the state welfare department that helps them fulfill their own obligations to this population.

Employment Programs for Two-parent Families Not Shown to be Effective

The Family Support Act requires all states to provide AFDC benefits to two-parent families in which the principal wage earner -- usually the father -- is unemployed. The law also mandates that states establish employment programs which require at least one of the parents in each two-parent family to engage in some work-related activity.

The law sets very high participation requirements for states in the employment programs for two-parent families. Moreover, states are given less flexibility in designing programs for two-parent families than for single-parent families. Programs for two-parent families must provide work-related activities such as on-the-job training or workfare, rather than education, skills training, or job search assistance. The combination of the requirement for work-related activities and the very high mandated participation rates can make these programs costly to operate.

Yet the research does not demonstrate that either low-cost services such as job search or more intensive services have been effective in increasing employment or earnings among AFDC recipients in two-parent families. Although one program did increase the employment rates and earnings of the principal wage earner in two-parent families, previous studies of similar programs found no significant impact on employment or earnings.

The reason for the lack of impact in previous studies appears to be that the primary wage-earners in two-parent families (most of whom are men) tend to be among the most job-ready of all AFDC recipients. AFDC employment programs have the least impact on participants who are the most job-ready, because these participants tend to find jobs on their own, whether they are enrolled in an employment program or not.

In states with resource constraints, there is a serious risk that providing services to large numbers of the AFDC recipients in two-parent families will reduce the funds available to provide services to single mothers. Single mothers are more likely than recipients in two-parent families to benefit from employment services and more likely to remain on the AFDC program for longer periods of time if they are not assisted in finding employment. Therefore, it may be prudent for states to defer establishing a separate program for recipients in two-parent families until required to do so in fiscal year 1994, especially since it is possible that the participation requirements for two-parent families might be changed before then.

Voluntary Programs Can Be Effective

Several states currently operate voluntary programs or have voluntary components within their programs. Participants in many of the programs offering more intensive services have been volunteers. Even within mandatory programs there is a great deal of variation among states in how strictly sanctions are imposed for non-participation. State administrators will continue to have considerable leeway in determining how much to emphasize voluntary compliance and how strictly to enforce mandatory participation requirements.

Studies of voluntary programs indicate that these programs can successfully attract a sufficient number of participants. An Urban Institute study of the entirely voluntary Massachusetts Employment and Training (ET) Choices program indicates that about two-thirds of all adults receiving AFDC in Massachusetts in fiscal year 1987 completed the initial ET Choices assessment and orientation, and half of all adult AFDC recipients participated in some substantive component.

Several of the employment and training programs found to be successful were voluntary programs. Participants in the Supported Work Program, the AFDC Homemaker-Home Health Aide Demonstrations, and TOPS were all volunteers. All three programs produced significant increases in the employment and earnings of participants over those of comparable non-participants.

Some administrators may be concerned that voluntary employment programs would primarily attract the most employable AFDC recipients. The studies of voluntary employment programs do not support this concern. Two of the three voluntary programs discussed here -- Supported Work and Maine's TOPS program -- were intended to reach recipients who had substantial barriers to employment, as indicated by their lack of prior work experience and relatively long time receiving AFDC benefits. The characteristics of those who actually participated indicate that the programs were successful in reaching this group.

Conclusions from the Research

While changes in the workforce over the next decade will likely improve the job prospects of many workers, those with less education and poor skills may be left out. These trends suggest that states may find it to their advantage to go beyond the minimum requirements of the Family Support Act in providing educational services to their AFDC population.

One area states may want to emphasize more than is required by the regulations is providing basic literacy services. The research indicates that the

achievement of higher levels of basic academic skills, such as reading, is strongly associated with an increase in earnings, even without an increase in education level.

States also should consider including post-secondary education, such as college studies, in their JOBS programs. The research indicates that a college education is associated with a substantially greater level of earnings than a high school diploma. It would be especially unwise for states to discourage recipients already in self-initiated post-secondary programs from completing these programs.

Among the least job-ready recipients, the research done by MDRC and others has found that lower-cost services, such as job search assistance, generally do not produce significant effects on employment or earnings. For this group, more intensive education or training services appear to be more effective than the less intensive services like job search in increasing employment and earnings. The greater effectiveness of more intensive services for those with greater barriers to employment confirms the notion that investments in education and training can increase a participant's ability to compete for higher-skilled and better-paying jobs.

The data on the length of time recipients remain on AFDC indicate that some recipients find jobs and leave AFDC on their own, but that a substantial proportion of these former recipients return to AFDC within a short time. If they are to become self-sufficient and remain off AFDC, recipients need to find jobs that are stable and pay enough to provide a reasonable income. Low-paid jobs may enable them to leave AFDC temporarily, but a disruption in their income, such as a job layoff or an illness in the family may send them back to the program. For this reason, the more successful programs have sought to enable participants to find jobs that paid more than the minimum wage and could provide longer-term economic security.

In planning for the provision of more intensive education and training services, states should build their capacity to provide these services during the next few years, when federal participation requirements are lower. The JOBS program participation requirements are set at relatively lower levels in fiscal years 1990 and 1991 and then increase through fiscal year 1995. A state that does not allocate resources to provide sufficient slots in intensive education and training programs in the early years of the JOBS program may find it more difficult to find the resources to launch these activities in subsequent years, as the participation requirements increase.

States designing JOBS programs will find that they generally get what they pay for. Programs providing more intensive education and training services are likely to be more expensive per participant than programs providing only the

minimum amount of intensive services and concentrating instead on job search or similar services. The benefits of providing more intensive services, however, may well outweigh the costs, both in improving the lives of some of the poorest mothers and children and in the gains states may realize even if only a small portion of their longer-term AFDC recipients are able to achieve self-sufficiency.

CONTENTS

INTRODUCTION

This report is intended for state and local administrators, advocates, and others who are concerned with the implementation of state education, employment, and training programs for AFDC recipients mandated under the Family Support Act of 1988. The Act requires each state to set up a Job Opportunities and Basic Skills (JOBS) Training Program for AFDC recipients. However, within the general parameters of the JOBS program, states have considerable flexibility to design programs that best meet the needs of their AFDC caseloads.

In addition to the mandate to implement a JOBS program, the Family Support Act provides additional federal funding for the program. Total federal funding for the program is set at $800 million in fiscal year 1990, rising to $1.3 billion in fiscal year 1995.

This new federal mandate and the additional federal funding come at a time when considerable research has been generated concerning the most effective employment and training programs for AFDC recipients. Within the past few years, major studies have examined the employment needs of AFDC recipients, the impacts of employment programs on different groups of recipients, and the types of programs that appear to be most effective.

This report synthesizes some of the most significant recent research findings and relates them to the decisions states face as they implement the AFDC employment programs required under the Family Support Act. The report is organized into several chapters, each focused on a major topic related to the design of state JOBS programs.

The first chapter discusses possible goals for a state JOBS program and how specific goals affect what is measured as success in a program. This chapter also

contains new data indicating that low-wage jobs for AFDC recipients often do not lead the recipients to subsequent employment at better wages and may result in a return to AFDC.

The second chapter outlines the most significant changes expected in the U.S. labor market in coming years and shows how these developments are likely to affect the chances of AFDC recipients finding employment. This chapter also assesses the growing importance of education and basic reading and math skills in determining an individual's success in the labor market.

The third chapter examines recent data on the effectiveness of AFDC employment programs for different groups of recipients. It shows that, contrary to what is often believed, many employment programs are less effective in raising the earnings of those who are the most immediately employable than the earnings of those with greater barriers to employment.

The fourth chapter discusses recent findings concerning the types of programs that have proven most effective in raising the earnings of recipients with the greatest barriers to employment. The chapter includes examples of several programs that have been successful with these recipients.

The fifth chapter presents strategies for providing needed employment services to recipients within the program parameters and participation requirements set out in the Family Support Act. In this context, suggestions for using the services of other agencies and collaborating with programs such as JTPA are discussed.

The sixth chapter addresses the issue of providing services to recipients in two-parent AFDC families. It points out why programs providing services to this group have not been found to be successful in raising their earnings.

The seventh chapter presents research evidence on the impact of voluntary employment programs for AFDC recipients. It discusses the issues of participation rates, the effectiveness of the programs, and the types of participants who are attracted to voluntary programs.

Much of the data discussed in this report was unknown as recently as five or ten years ago. Those now implementing state JOBS programs are fortunate to have this knowledge available in making the decisions required under the Family Support Act. Administrators and advocates should make full use of the information available from this research.

I. GOALS OF AN EMPLOYMENT PROGRAM

Programs providing employment services to AFDC recipients may have any of a number of different goals. One goal could be improving the employment prospects and raising the earnings of recipients. Another could be reducing AFDC caseloads and costs by moving recipients off AFDC. While these objectives can complement each other and are not mutually exclusive, they can lead to different emphases in a state's employment program.

In this report, the impacts of employment and training programs on AFDC recipients will be assessed primarily in terms of their effects in raising recipients' earnings. This criterion was based on the stated goal of the JOBS program, which is to "assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence."[1] Thus, the program's stated purpose is not to reduce AFDC costs *per se*, but to enable AFDC recipients to become self-sufficient and thereby reduce dependence upon AFDC.

There are a number of reasons why short-term decreases in AFDC payments are not the best measure of the success of an AFDC employment program. Decreases in AFDC payments do not capture changes in a recipient's financial situation as accurately as do increases in the recipient's earnings. For example, in programs that make frequent use of sanctions against non-complying recipients, reductions in AFDC payments may not be accompanied by any increase in earnings, leaving recipients considerably worse off financially and no closer to self-sufficiency.

[1] 42 USC 681(a).

In addition, AFDC eligibility limits are so low that in most states, recipients become ineligible for AFDC benefits well before their earnings reach the poverty level.[2]

Some of the employment programs that have been studied have led to both increases in recipients' earnings and decreases in AFDC payments. However, others have produced increases in the earnings of recipients without a commensurate decrease in AFDC payments. There may be various reasons for this. The AFDC program contains certain work incentive disregards which cause some of an AFDC recipient's earnings to be disregarded in computing AFDC benefits. Because of the disregards, AFDC benefits may decrease less than one dollar with each dollar of additional earnings.[3]

In addition, there are a number of other reasons earnings increases may not be fully reflected in AFDC benefit reductions. Because earnings above a certain level will cause a participant to become ineligible for AFDC, any increase in earnings past this level will not cause a decrease in AFDC payments (because the AFDC payment is already zero). In addition, poor communication between recipients and AFDC workers can result in delayed responses by the AFDC program to increases in recipients' earnings. In states that use retrospective budgeting to determine AFDC benefits (as nearly all states do), changes in benefit levels will always lag a month or more behind changes in earnings.

Gary Burtless, a noted analyst of poverty issues, has pointed out that there is a tradeoff between the degree to which employment programs produce cost savings in the AFDC program and the amount by which they increase the well-being of AFDC recipients.[4] Generally, any income earned by AFDC recipients results in some decrease in their AFDC benefits. Thus, some of the earnings of recipients serves to increase their total income, while some, in effect, goes back to

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[2]In 1981, AFDC income eligibility levels were made more stringent for working families. As a result, many working families with incomes far below the poverty level were terminated from the program. As of January 1989, in 49 states and the District of Columbia a family of three with a member who has worked for more than four months becomes ineligible for AFDC at an income that is below the poverty level. In 36 states, such a family would become ineligible at an income that is below 75 percent of the poverty level. (These figures assume the family has no deductible child care costs; most AFDC families do not have such costs.)

In addition, in 35 states, families that have worked for less than four months become ineligible for AFDC at an income level that is below the poverty level.

[3]Under current law, disregards are limited after the first four months of earnings. Following the first four months, AFDC benefits drop one dollar for each dollar of earnings above a set limit.

[4]Gary Burtless, "The Effect of Reform on Employment, Earnings, and Income," in Phoebe H. Cottingham and David T. Ellwood, editors, *Welfare Policy for the 1990s*, Harvard University Press, 1989.

the AFDC program through the reduction in benefits being paid. The larger the amount retained by the recipient, the smaller the share available for AFDC savings. As Burtless notes, "If policy makers wish to improve substantially the financial health of participating families, they must permit them to retain a hefty share of the earnings gains produced by the [employment] program. This reduces the likelihood that the program will offer much payoff to taxpayers."[5]

In the long run, however, AFDC employment programs that substantially increase participants' earnings, but do not decrease their AFDC benefits to the same extent, may prove to be cost-effective. As will be discussed below, these programs may be more successful in moving participants toward self-sufficiency -- and thus reducing AFDC costs in the long run -- than are programs aimed at saving AFDC costs in the short term.

The total cost of the program is, of course, an important consideration for state administrators of AFDC employment programs. Some of the most successful employment programs, in terms of increasing recipients' earnings, are also fairly costly in terms of immediate state resources. Yet while the availability of resources places limits on the total cost of a program, even programs that are fairly costly on a per-participant basis may produce benefits that exceed their cost. For example, Supported Work, a unique program that provided a supportive work environment for individuals with little or no work experience, was one of the most expensive of the AFDC employment programs on a per-person basis. Supported Work, however, was found to produce benefits that exceeded its cost by several thousand dollars per participant.

Self-Sufficiency Requires Skills for Good Jobs

As noted earlier, a basic goal of the JOBS program is to assist families in avoiding long-term AFDC recipiency. The types of jobs most likely to enable participants to become self-sufficient on a long-term basis generally are jobs that not only pay adequate wages but are also stable and provide reasonable benefits.

Most AFDC recipients move off the program relatively quickly, but many also return when jobs are lost or financial crises occur. Long-term self-sufficiency requires a stable source of employment that provides enough income for a decent standard of living (at least above the poverty level) and job-related benefits that adequately cover medical needs. Employment that does not meet this standard

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[5]Burtless, "The Effect of Reform on Employment, Earnings, and Income," p. 128.

may help recipients move off the program, but may not provide long-term independence.

Low-paid jobs do not necessarily even serve as a bridge to higher-paid employment which might enable recipients to remain off AFDC. A new analysis of data on year-to-year changes in family income shows that most AFDC recipients who obtain low-wage jobs do not subsequently move on to higher-paid employment. Fewer than one out of three recipients who were employed at a wage of $5.30 per hour or less in 1984 went on to a job that paid a higher wage. Nearly half of the recipients who took low-wage jobs became unemployed or returned to AFDC when the job ended.[6]

The primary way AFDC recipients obtain stable jobs with adequate pay is by developing skills that make them competitive in the job market. Competitive skills not only increase the likelihood that recipients will get decent jobs, but also make it more likely they will remain employed and will find other jobs if the first job ends.

While changes in earnings thus provide a better measure of an individual's financial status than changes in AFDC benefits, an increase in *earnings* is not necessarily the same as an increase in *income*. As noted, some of the increase in earnings may be offset by decreases in AFDC benefits for participants whose earnings are low enough that they remain eligible for AFDC. In addition, for those whose earnings make them ineligible for AFDC, work-related expenses such as child care and transportation may consume a large portion of earnings. The actual increases in disposable income for working participants who leave AFDC are likely to be smaller than the increases in earnings recorded in the research. Relatively few evaluations have examined the impact of AFDC employment programs on participants' total incomes or poverty status.

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[6]Diana Pearce, *Chutes and Ladders: Playing the Low-Wage Employment Game*, unpublished.

II. FUTURE WORKFORCE TRENDS

Implementation of the Family Support Act comes as the U.S. economy -- and the jobs being created in the economy -- are in a period of change. An understanding of these changes is important if new employment-related programs for welfare recipients are to be designed in a manner that has the best chance of success.

This chapter explores several key economic trends that need to be considered in designing new employment programs for AFDC recipients. One is that the number of new people entering the U.S. labor market each year is declining. This means that employers increasingly need each new potential worker they can find who can perform adequately on the job. Moreover, the proportion of the new workers who are from low income or minority backgrounds is increasing.

These developments represent good news for AFDC recipients and for employment-related programs for these recipients. Workers whom employers might not have hired in the past, when there were more potential workers to choose from, now may be able to obtain jobs. As Secretary of Labor Elizabeth Dole has stated: "Tighter labor markets are good for U.S. working men and women because issues once defined as social problems will have to be dealt with out of economic necessity."[7] Tighter labor markets should provide disadvantaged workers with a better opportunity to find jobs, if they have the requisite skills.

But if there is good news in these developments, there is also a strong danger signal, which stems from a second basic economic trend. The workplace is

[7]Elizabeth H. Dole, Testimony before the Committee on Labor and Human Resources, U.S. Senate, January 26, 1989, p. 2.

becoming more technological. An increasing number of jobs that pay enough to lift a family out of poverty are likely to require higher levels of education and of basic skills in reading and mathematics than these jobs required in the not-too-distant past. Education and basic skills levels are now far more likely to be linked to income levels and poverty status than was the case even a decade ago.

The increasing mismatch between the higher levels of skills needed to fill the new jobs and the lower education and basic skill levels of disadvantaged workers can create a situation in which there are substantial numbers of unfilled jobs along with large numbers of unemployed workers. In some urban areas, employers already are having difficulty filling jobs requiring certain basic skill levels, while substantial numbers of unskilled adults remain poor and unemployed. As Labor Secretary Dole has noted, "The nation faces the prospect of a surplus of people without the skills demanded by a highly competitive, information-based economy while a growing number of higher skill jobs go begging at the same time."[8]

There is a danger that despite the tightening of labor markets, many AFDC recipients and other low income individuals still may be unable to find steady jobs (especially jobs that can lift them out of poverty) because these people will lack the requisite levels of education or basic skills. This danger is especially great for AFDC recipients, because AFDC recipients have particularly low levels of education and basic academic skills.

Thus the challenge is to design employment programs for AFDC recipients that take advantage of employers' increased willingness to hire individuals from disadvantaged backgrounds and that prepare these individuals for the job markets of coming years.

Declining Labor Force Growth

In the 1970's, the number of people entering the labor force grew rapidly.[9] During these years, the members of the "baby boom" generation were reaching working age, and an increasing proportion of women were entering the labor force.

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[8]Dole, Testimony before the Committee on Labor and Human Resources, p. 2.

[9]The labor force consists of people who are either working or looking for work.

In the latter part of the 1980s, this situation changed. The baby boomers had already entered the labor force. Starting in the mid-80s, those born during what has been called the "baby bust" were beginning to reach working age and the number of young workers sharply declined. The growth in the rate of entry of women into the labor force slowed as well. As a result, the overall rate of growth in the labor force fell significantly, a trend that is expected to continue into the 1990s.

- While the number of people in the civilian labor force grew at an average annual rate of 2.7 percent from 1969 to 1979, the U.S. Department of Labor projects that it will grow only 1.2 percent annually between 1986 and the year 2000.[10] In other words, over the next decade, the rate of labor force growth will be less than half what it was in the 1970's.

- The Labor Department also estimates that 10 million fewer workers will be added to the labor force from 1986 to 2000 than were added from 1972 to 1986.

The Labor Department data also show a second and related trend. The growth that will occur in the labor force will be concentrated among women and minorities. Nearly two-thirds of the labor force growth is projected to occur among women. Nearly half is expected to occur among blacks and Hispanics.[11]

- Some 63 percent of the labor force growth projected to occur between 1986 and 2000 will be among women. This figure is particularly significant because in 1986, women constituted less than half of the labor force.

- More than one-sixth of the labor force growth during this period is projected to occur among blacks. Black workers made up 11 percent of the labor force in 1986.

- Especially rapid labor force growth will occur among Hispanics. Nearly one-third of the labor force growth is projected to occur among Hispanics, even though they constituted just seven percent of the 1986 labor force.

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[10]Howard N. Fullerton, "Labor Force Projections: 1986 to 2000," *Monthly Labor Review*, Bureau of Labor Statistics, U.S. Department of Labor, Vol. 110, No. 9, September 1987.

[11]Fullerton, "Labor Force Projections: 1986 to 2000."

With slow labor force growth, and a disproportionately large proportion of the growth occurring among women and minorities, employers are likely to be more receptive than in the past to hiring female, black, and Hispanic workers even when these workers are from economically disadvantaged backgrounds.

New Jobs Will Require More Skills

This potentially bright picture for economically disadvantaged workers is darkened, however, by expectations about the skill requirements of the new jobs. The types of jobs that are filled by people with low levels of basic reading and math skills are expected to grow very slowly or to decline in number. The majority of the new jobs are projected to require more education and higher levels of basic academic skills than current jobs.

Skills Mismatch Between New Jobs and Disadvantaged Workers

The evidence is growing that what analysts call a "mismatch" is already developing in the economy. Increasing attention is being given to the difference between the relatively high skill requirements for many new jobs and the low skill levels of many jobless individuals from disadvantaged backgrounds.

John Kasarda, a University of North Carolina researcher who has conducted extensive work on urban employment patterns, found strong evidence of a growing mismatch in metropolitan areas. Kasarda studied changing job patterns in several large northern cities. He found that from 1970 to 1980, the number of jobs held by workers with less than a high school education dropped by 40 percent to 59 percent, depending on the city studied. The number of jobs for those with a high school diploma also declined, but by a smaller magnitude (11 percent to 29 percent, depending on the city). By contrast, the number of jobs for college graduates increased by 31 percent to 71 percent.

In 1987, the Hudson Institute, a nonprofit research organization, issued a report titled *Workforce 2000* that focused on future trends in the American economy. The report, which received widespread attention, projected that the education needed for the new jobs created by the year 2000 will be substantially higher than that needed for existing jobs.[12]

- More than half of the new jobs are projected to be in occupations that employ people with more than a high school education. Nearly one-third of the new jobs are projected to be in occupations that employ people with a college degree.

- By comparison, in 1984, only about four out of 10 jobs employed people with more than a high school education, and only a little more than one out of five jobs employed people with a college degree.

Kasarda's findings are particularly ominous for minority men who lack a high school diploma. For example, he found that some 35 percent to 54 percent of black men in the cities studied in 1980 lacked a high school education. Yet only 11 percent to 30 percent of the jobs in these cities were held by people with less than a high school education.

Based on these and other similar findings, Kasarda concluded that "advances in transportation, communication, and industrial technologies interacting with the changing structure of the national and international economy" have transformed urban economies -- and that in the process, many jobs that "once constituted the economic backbone of cities and provided employment opportunities for their poorly educated residents either vanished or moved. These jobs have been replaced, at least in part, by knowledge-intensive white collar jobs with educational requirements that exclude many with substandard educations."

(John D. Kasarda, "Urban Industrial Transition and the Underclass," *The Annals of the American Academy of Political and Social Science, Vol. 501, February 1989.)*

[12]William B. Johnson and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-First Century*, Hudson Institute, June 1987.

In addition to examining education levels, the Hudson Institute examined the basic academic skill levels likely to be required for the new jobs. The findings for basic skills were similar to those for educational level: job growth will occur at a faster pace among jobs demanding higher basic skill levels.[13]

- Only about one-quarter of the new jobs are projected to require low skill levels (i.e., skill levels equivalent to those required of transport workers and laborers). By contrast, four out of 10 jobs now require no more than low levels of basic skills.

- At the same time, four out of 10 new jobs are projected to require very high levels of basic skills, equivalent to the skills required of teachers, engineers, or lawyers. Now, only one-quarter of the jobs require such skill levels.

Of course, many existing jobs, including many low-skilled, low-wage jobs, will remain alongside the new jobs. But two key points stand out. First, with the slow growth expected in jobs requiring only low levels of basic skills, those potential workers who have only low skill levels may find themselves competing for a limited number of low-skilled jobs. The benefits of the tightening of the overall labor market may not be felt by low-skilled workers -- and significant numbers of them may remain unable to find employment.

Second, not only do low-skill jobs pay low wages, but the wage levels for these jobs have eroded much more in recent years than wages for jobs requiring more education and basic skills. If current trends continue, low-skill jobs will be increasingly unlikely to lift families out of poverty.

Education and Skill Levels of AFDC Recipients

These data on trends in the labor market indicate that while future employers are likely to be more willing to hire people from disadvantaged backgrounds, the employers increasingly will be looking for people with adequate education and skill levels. Education and basic skill attainments seem to be critical ingredients to finding employment that can enable a family to become economically self-sufficient. Unfortunately, data on the characteristics of AFDC recipients indicate that many have little education and low levels of basic skills.

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[13]Johnson and Packer, *Workforce 2000: Work and Workers for the Twenty-First Century.*

Most mothers receiving AFDC payments are fairly young, but past high school age. In 1987, more than half of all female heads of AFDC families were between the ages of 19 and 29.[14] Fewer than five percent were younger than 19 years old.

Nevertheless, a large proportion of AFDC recipients lack a high school diploma. In 1987, nearly half had not finished high school.[15] Slightly more than two-fifths had finished high school but had no further education. Fewer than one in 10 had any education beyond high school.

The relationship between lack of education and receipt of welfare assistance is also seen in the percentage of those without a high school diploma who receive some form of public assistance. A recent Census Bureau report shows that over a 32-month period, one out of seven American adults (19 or older) who did not have a high school diploma received either AFDC, state-funded General Assistance, or Supplemental Security Income.[16] By contrast, fewer than one in 20 of those with a high school diploma but not a college degree, and only one percent of those with a college degree received any of these forms of cash assistance over the same period.

Most AFDC recipients also have below-average skill levels in reading, vocabulary, and mathematics. A nationally representative study of young people aged 19 to 23 found that nearly four out of five of those receiving public assistance had below-average scores on a test of basic academic skills.[17] More than half of the young people receiving public assistance scored in the lowest fifth of all young people in the study of basic skills.

The same study also found "a strong relationship between low basic skills and the incidence of welfare dependency...among young adults."[18] The number of 18- to 23-year-olds receiving public assistance was three times as high among those

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[14]Committee on Ways and Means, U.S. House of Representatives, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means, 1989 Edition*, March 1989.

[15]For more than half of the sample (59.7 percent), information on educational level was not available. (Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*).

[16]Bureau of the Census, U.S. Department of Commerce, *Characteristics of Persons Receiving Benefits from Major Assistance Programs*, April 1989.

[17]Gordon Berlin and Andrew Sum, *Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future*, Ford Foundation Project on Social Welfare and the American Future, February 1988.

[18]Berlin and Sum, *Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future*, p. 28.

in the lowest five percent on the basic skills test as among those in the middle group in basic skills.

In addition, another study found that 17- to 21-year-old AFDC mothers have reading abilities averaging below the sixth-grade level.[19]

Earnings Related to Education and Basic Skills

AFDC recipients, like other individuals with little education and low basic skill levels, will be at a disadvantage competing for the higher-skill jobs of the future, unless their educational levels and basic skills are upgraded. Even in the current labor market, a large gap exists between the earnings of workers with more education and the earnings of those with less education.

It should come as no surprise that the earnings of workers with more education are higher than the earnings of those with less education. What is striking, however, is the size of the earnings gap and the extent to which the gap has grown in recent years.

Educational Attainment

The divergence in earnings between those with more education and those with less education is particularly marked among young adults. Among people under age 30 who head families – the group that includes a majority of AFDC recipients – the typical (median) earnings of those with a college degree were twice as high as the earnings of those with only a high school diploma, and four times as high as the earnings of those who had not completed high school.

- In 1986, the median earnings of family heads under 30 with a college degree were $24,000. This was almost twice the $13,600 median earnings of those with only a high school diploma.[20]

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[19]Andrew Sum and Bill Goedicke, *Basic Academic Skill Deficiencies of Young Women Potentially Eligible for Participation in Project New Chance: Implications for Educational Remediation and Training,* Center for Labor Market Studies, Northwestern University, September 1986.

[20]Clifford M. Johnson, Andrew M. Sum, and James D. Weill, *Vanishing Dreams: The Growing Economic Plight of America's Young Families,* Children's Defense Fund, 1988.

- The median earnings of college-educated young family heads were nearly four times the $6,240 median earnings of those lacking a high school diploma.

This earnings gap has widened considerably since 1973, when the median annual earnings of a young high school dropout were more than half that of a young college graduate.

Indeed, the earnings of young adults without much education have fallen sharply in recent years. From 1973 to 1986, median annual earnings for young family heads who did not complete high school fell more than 50 percent, after adjusting for inflation.[21] The median annual earnings of young family heads with a high school diploma also fell, but only by about 30 percent, after adjusting for inflation. Meanwhile, mediar annual earnings of young family heads with a college degree remained about the same, in inflation-adjusted terms.

During this period, as earnings fell, poverty rates rose. The increase in poverty was greatest for those with no education beyond high school.

- By 1987, close to half of young families headed by a high school dropout lived in poverty, up from one-quarter in 1974.[22] (A young family, as referred to here, is one in which the head is under age 30.)

- By comparison, one in five young families headed by a high school graduate was poor in 1987 – more than double the proportion in 1974. Among young families headed by a college graduate, only one in 40 was poor.

Striking as these poverty rates for young families are, they are even higher for young single parent families headed by a woman who is a dropout, a description that fits nearly half of the women heading families receiving AFDC benefits.

- In 1986, *nearly nine out of 10* children in families headed by a woman under 30 who had not graduated from high school lived in poverty.[23] The poverty rate for children in families headed by a young woman

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[21]Johnson, Sum, and Weill, *Vanishing Dreams: The Growing Economic Plight of America's Young Families.*

[22]Johnson, Sum, and Weill, *Vanishing Dreams: The Growing Economic Plight of America's Young Families.*

[23]Johnson, Sum, and Weill, *Vanishing Dreams: The Growing Economic Plight of America's Young Families.*

with a high school diploma but no college education was also extremely high -- 68.6 percent.

- Among children in families headed by a young woman, a college degree made a substantial difference. In families headed by a young woman with a college degree, 15.9 percent of children lived in poverty. This was lower than the national poverty rate for all children, which exceeded 20 percent in 1986.

A new study of the relationship between poverty and education also found that higher levels of education were associated with much lower poverty rates for women.[24]

- For white women aged 25-54 living in families, the poverty rate was nearly three times higher among those with some high school education but no diploma than among those who had a diploma. Furthermore, the poverty rate was nearly four times higher among those with a high school diploma than among those with a college degree.

  For these women, the poverty rates in 1986 were 22.7 percent among those without a diploma, 8.4 percent among those with a diploma but no college education, and just 2.4 percent among those with a college degree.

- Among black women aged 25-54 and living in families, differing levels of education were also associated with wide disparities in poverty rates.

  Among these women, nearly half of those with no high school diploma were living in poverty. This was far above the poverty rate for the women who had a diploma but no college education, even though the poverty rate for that group -- 29.8 percent -- was also very high. Moreover, the poverty rate for the women with a high school diploma was six times higher than the poverty rate for those with a college degree. The college-educated women had a poverty rate of just 4.9 percent.

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[24]Sheldon Danziger, *Education, Earnings, and Poverty*, Institute for Research on Poverty, University of Wisconsin-Madison, Discussion Paper No. 881-89, August 1989.

- The same study also found that poverty rates increased between 1979 and 1986 among nearly all groups of women who were 25-54 years old and lived in families. The only exception was women with a college degree, for whom poverty rates did *not* rise.

This link between education and poverty applies to rural as well as urban areas. For example, among rural household heads aged 25 or older who had some college education, only one in 18 lived in poverty in 1987. Among rural household heads who had a high school diploma but no further education, one in eight was poor. And among rural household heads who had not graduated from high school, one in five was poor.[25]

Basic Skill Levels

The relationship between education, earnings and poverty also applies to basic skill levels. Individuals with low levels of basic academic skills such as reading and arithmetic are considerably more likely to have low earnings and high poverty rates than those with better skills.

To be sure, the more education individuals have, the higher their levels of basic reading and mathematical skills are likely to be. Yet even for those with comparable levels of education, differences in basic skill levels have an effect on employment, earnings, and the likelihood of being poor.

One measure of an individual's basic academic skill level is the Armed Forces Qualification Test, used to determine eligibility for enlistment in the armed services, and as a general measure of basic academic competencies. The test, which consists of four subtests of vocabulary, reading, numerical operations, and arithmetic reasoning, is considered among the least culturally biased of these tests. Data on basic skill levels were obtained in 1981 by administering the Armed Forces Qualification Test to a nationally representative sample of 11,900 young people.[26]

Part of the sample consisted of a group of young women, all of whom were 20 to 24 years old in 1981. While a high school diploma was found to make a large difference in these women's earnings, their basic skills levels also had an effect, over and above the effect of educational levels.

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[25]Bureau of the Census, U.S. Department of Commerce, *Poverty in the United States: 1987*, February 1989.

[26]Berlin and Sum, *Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future.*

For example, the earnings of young women who were dropouts were found to vary greatly, depending on their basic skills. Those whose test scores were in the middle fifth of all individuals tested had average earnings levels more than twice as high as those dropouts whose test scores fell into the lowest fifth.[27] Similarly, dropouts with test scores in the top fifth had average earnings 33 percent higher than those with test scores in the middle fifth, and nearly three times as high as the earnings of those with scores in the bottom fifth.

A similar pattern was found among high school graduates. Those with test scores in the middle fifth earned over 50 percent more than high school graduates with test scores in the bottom fifth. Those with test scores in the top fifth earned 30 percent more than those with scores in the middle fifth and more than twice as much as those in the bottom fifth.

Levels of basic academic skills were also found to be linked to the likelihood of living in poverty. Nearly half of those young people tested who were poor ranked in the lowest fifth of all scores on the Armed Forces Qualification Test.[28] More than three-fourths of those who were poor had basic skills below the average for all individuals in their age bracket.

Conclusions

The substantial reduction in the number of people entering the labor force each year and the consequent need for additional workers increases the likelihood that state AFDC employment programs will be able to assist more AFDC recipients to obtain jobs. This tightening of the labor market creates a unique window of opportunity for state JOBS program administrators.

And yet, there is a danger that this window of opportunity will be missed. The economy is increasingly requiring higher levels of education and basic skills from prospective workers. Those without the requisite education and skills may be unable to find employment -- or may find only low-wage jobs that leave them in poverty. Due to the frequently unsteady nature of such jobs, these workers may also periodically return to the AFDC program.

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[27]Andrew Sum and Bill Goedicke, *Basic Academic Skill Deficiencies of Young Women Potentially Eligible for Participation in Project New Chance: Implications for Educational Remediation and Training.*

[28]Berlin and Sum, *Toward a More Perfect Union: Basic Skills, Poor Families, and Our Economic Future,* Table 7.

Recognition of these economic trends led the framers of the Family Support Act to require that states provide certain minimum levels of educational activity for some AFDC recipients. This also led the framers to highlight the need for basic skills improvement by including the words "basic skills" in the title of the new welfare employment program -- the Job Opportunities and Basic Skills (JOBS) Training Program.

The Family Support Act requires that educational services be provided to custodial parents under 20 who have not completed high school. Educational services must also be provided to those 20 or over who lack a high school diploma or GED, if they are required to participate in the JOBS program, unless they have achieved basic literacy levels or have long-term employment goals that do not require a diploma. States may find it to their advantage, however, to go beyond the minimum requirements of the Family Support Act regarding educational services. A state is free, for example, to provide educational services to other AFDC recipients as well and to offer a broader range of educational services.

One area in which it may be very much to a state's advantage to go beyond these minimum requirements is in providing basic literacy services. The data on basic skill levels and earnings indicate that the achievement of higher levels of basic academic skills, such as literacy, is strongly associated with an increase in earnings even if education level is held constant. The federal JOBS regulations require that basic literacy services be provided to adults who cannot "function at a level equivalent to at least grade 8.9."[29] However, states are permitted to set the standard for providing educational services at a level higher than grade 8.9.

In fact, the preamble to the federal regulations expressly encourages states to consider using a higher standard. The preamble states: "We recognize the trend toward a more literate workforce and strongly urge each State to adopt a definition of basic literacy level that will fulfill the aim of JOBS to reduce welfare dependency and foster self-sufficiency.... It would not serve any useful purpose under JOBS for a State to excuse an individual from educational activities on the basis of her performance at grade 8.9 if the local job market requires a higher level of educational competency to produce long-term self-sufficiency."[30]

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[29]54 *Federal Register*, p. 42245 (October 13, 1989). The use of the term "grade 8.9" is another way to specify completion of eighth grade.

[30]54 *Federal Register*, p. 42151.

As the data indicate, individuals with basic literacy skills below the level of high school completion may find only a limited number of jobs for which they can compete. These jobs are much less likely than others to provide stable employment with sufficient wages to lift a single-parent family out of poverty or to enable a family to remain off AFDC on a long-term basis.

States should also consider including post-secondary education, such as college studies, in their JOBS program. As the data on education and earnings levels demonstrate, a college education is associated with substantially greater earnings than a high school diploma. Recipients with a college education are far less likely than those with a high school diploma to return to the AFDC program once they have found employment. The jobs available to college graduates are better paid, more stable, and more likely to offer benefits than the jobs available to those with only a high school diploma.

Under the regulations governing the JOBS program, federal funding may be used to defray the cost of tuition, books, or fees for JOBS participants placed in post-secondary education, as well as the costs of child care, transportation, and other supportive services. Since the direct costs of post-secondary education can be expensive, however, states may want to get the most for their resources by helping participants find other sources, such as federal grants and loans, to pay the cost of tuition, books, and fees. Students enrolled in certain educational institutions may also have access to career and academic counseling, job placement assistance, internships, and other services provided by the educational institution.

The federal regulations also allow states to count an AFDC recipient who has begun an education or training program on her own as a JOBS program participant. Federal JOBS funds are not available to pay the direct costs of post-secondary education for participants in self-initiated programs, but child care, transportation, and other supportive services for these students are covered by the federal match. Including self-initiated education and training activities under the state JOBS program may help the state meet federal participation requirements. In addition, supporting self-initiated activities is a good way to assist AFDC recipients who wish to pursue post-secondary educational activities, by providing the recipient with child care, transportation, and other supportive services.

In view of the apparent link between education and earnings levels, it would be unwise for states to discourage recipients already in self-initiated post-secondary programs from completing these programs. Such an action would be especially short-sighted if the purpose of removing a recipient from self-initiated post-secondary education was to require her to participate in a less intensive employment activity that did not raise her educational level or improve her skills.

The JOBS program was designed to help families receiving AFDC become more self-sufficient. Increasing educational and skill levels is a necessary step toward that goal. If AFDC recipients do not attain significantly higher levels of education or basic skills, the promise of the Family Support Act may remain unrealized for many of our nation's poorest families.

III. TARGETING PROGRAMS FOR GREATEST EFFECTIVENESS

Within the last few years, much research has been conducted on the effectiveness of education, employment, and training programs for disadvantaged groups. As a result, several programs have been shown to be successful in increasing the employment rates and earnings of program participants. In addition, the research has provided information on the characteristics of the individuals most likely to benefit from these programs.

Information on which participants benefit from employment programs is particularly relevant to state JOBS programs. Under the provisions of the Family Support Act, states stand to lose some of their federal funding unless they spend a substantial proportion of their employment program funds on several target groups of more disadvantaged recipients.[31] The decision of Congress to target program funds on the more disadvantaged groups was based in large part on recent research findings.

Analyses of how long recipients receive AFDC benefits have shown that most of those who start receiving benefits will leave the program within a

[31]Under the Family Support Act, federal matching funds will be reduced unless 55 percent of JOBS program funds are spent on:

- Families in which the custodial parent is under age 24 and either has not completed high school and is not enrolled in high school or an equivalent course of study, or had little or no work experience in the preceding year;
- Families in which the youngest child is within two years of being ineligible for assistance because of age; and
- Families who have received assistance for more than 36 months during the preceding 60-month period.

relatively short period of time, even without any employment assistance. A minority of those entering the program, however, will receive benefits for a longer period of time. Because of their concern about long-term AFDC recipiency, the authors of the Family Support Act were especially interested in those who remain on the program for long periods. The interest in long-term recipients also stems from fiscal concerns, because these recipients account for the majority of benefits paid under the AFDC program.

In addition, other research has shown that some individuals benefit more than others from the types of employment programs that most states have offered for AFDC recipients. In general, participants who are better prepared for employment tend to benefit *less* from these programs than do those with greater barriers to employment. Most of those who are already prepared for employment would leave the AFDC program fairly quickly on their own even without employment assistance. As a result, the largest impact of AFDC employment programs has been found to be on those who otherwise would be less likely to find [illegible] on their own.

Current Programs Modestly Successful

Some of the most useful findings on the impacts of employment and training programs for AFDC recipients have emerged from the recent work of the Manpower Demonstration Research Corporation (MDRC), a nonprofit research organization that has studied employment programs for AFDC recipients and for disadvantaged young people. MDRC has evaluated a number of the AFDC employment programs initiated by various states beginning in the early 1980s. Most of the programs studied by MDRC offered primarily job search assistance and some unpaid work experience or "workfare."

By using control groups of AFDC applicants or recipients who do not participate in the AFDC employment programs, MDRC has been able to determine how many individuals find employment on their own, without the assistance of the employment program. By comparing the number of individuals in a control group who obtain jobs on their own with the number who obtain jobs after participating in the employment program,[32] the researchers have been able to ascertain the *net* number of recipients who obtain jobs as the result of their participation in the employment program.

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[32]The term "participants" in this report refers to those enrolled in the employment program. In some cases, participants who are enrolled in the program may not actually take part in any employment activities. Whether or not they actually took part in an activity, MDRC included the employment and earnings of all those enrolled in the program in computing the average employment and earnings for the group.

Using this approach, MDRC found that a number of the programs improved the chances that female AFDC recipients would find employment and earn more income, but that the magnitude of these effects was relatively modest. These modest impacts, however, tended to persist for at least a year after participation in the program.

MDRC found that one year or more after participating in the program, the employment rate among those who had participated was three to eight percentage points higher than that for those who did not participate.[33] For example, in an evaluation of a job search and workfare program operated in San Diego, MDRC found that the employment rate among participants was 61 percent, compared with 55 percent among non-participants -- a difference of six percentage points. This difference was observed 15 months after participants enrolled in the program.[34]

MDRC also found that program participants experienced an increase in earnings. A year after entering the program, the average earnings of those who had participated were 10 percent to 25 percent higher than the earnings of those who did not participate.[35] In addition, MDRC found that AFDC benefits paid to participants in the employment programs generally dropped due to the increase in their earnings, although this was not true for all the programs studied.

Increases in the *average* earnings of participants do not imply that participants were necessarily earning more *per person* than non-participants. In the MDRC studies, most of the increase in average earnings came about because more participants than non-participants worked, and thus had earnings. A much smaller portion of the increase occurred because working participants obtained better-paying jobs or jobs with longer hours than non-participants.

Most of the programs studied by MDRC consisted of job search or job search followed by workfare. As discussed in the next chapter, the impacts of these relatively low-cost programs may differ in important ways from the impacts of programs providing education, job skills training, or other types of training. In addition, the programs MDRC studied gen ally exempted mothers with children

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[33]Barbara Goldman, Daniel Friedlander, and David Long, *Employment Programs for Welfare Mothers in the 1980s*, Manpower Demonstration Research Corporation, November 7, 1988.

[34]Judith M. Gueron, *Reforming Welfare with Work*, Ford Foundation Project on Social Welfare and the American Future, 1987.

[35]Goldman, Friedlander, and Long, *Employment Programs for Welfare Mothers in the 1980s.*

under six years of age, so the impacts of these programs on recipients with younger children is not known.

Other research organizations have also studied the impacts of various types of AFDC employment programs on participants. A review by Mathematica Policy Research, Inc. of several evaluations of AFDC employment programs found that "it has generally been the case that evaluations of these programs have shown evidence that they have increased the employment and earnings of AFDC recipients, but that they have had little effect on hourly wages, and quite modest effects on welfare receipt."[36]

Mathematica's review found that employment rates increased by five to 29 percentage points (depending on the program) as a result of the programs, and that average earnings increased by $300 to $1,800 per year. The Mathematica review also found decreases in AFDC payments resulting from these increases in participants' earnings, but the decreases in AFDC payments were smaller than the earnings increases.

In the programs Mathematica reviewed, earnings increases generally did not result from participants obtaining jobs at higher wage rates than non-participants. Instead, earnings increases were primarily the result of more participants obtaining jobs or participants working more hours than non-participants.

Studies Found Least Impact on Those Who Are Most Job-Ready

Researchers who study the impacts of employment programs measure not only the overall impact of a program on its participants, but also the differences in the impact of the program on various groups within the participant population. One important finding is that the programs have been least effective for those who are the most job-ready. Many of the most job-ready participants find employment on their own, even without the employment programs. Therefore, even though relatively large numbers of the most job-ready participants found jobs after participating in an employment program, there was little or no *net* increase in their employment.

The relationship between the job-readiness of participants and the impact of AFDC employment programs on their employment and earnings is examined in a

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[36]Jean Baldwin Grossman and Audrey Mirsky, *A Reanalysis of Employment and Training Programs for Welfare Recipients: An Examination of Differential Impacts Among Subgroups of Recipients.* Mathematica Policy Research, Inc., April 1985, pp. 17-18.

recent MDRC report.[37] The report synthesizes evaluation results from various job search assistance and job search/workfare programs and includes new data collected by tracking participants for up to three years after they entered a program. These data enabled the researchers to study the long-term effects of the programs on participants' employment and earnings and on their receipt of AFDC benefits.

MDRC's report divides those eligible for the employment programs into three groups based on their job-readiness, as measured by their length of time on AFDC. The three major groups were subdivided based on their previous receipt of AFDC benefits and their earnings in the prior year.

Those considered to be the most job-ready were applicants who had not previously received AFDC payments, including those who had earned at least $3,000 in the prior year. Those considered to be in the middle, or moderately job-ready group, were those returning to the AFDC program after having left it in the past, including those who had smaller amounts of earnings in the prior year. Considered the least job-ready were those currently receiving AFDC benefits, including those who had not worked at all in the prior year or who had been on AFDC for more than two years.[38]

Even those MDRC classified as being in the most job-ready category were not necessarily very job-ready compared to the typical worker in the labor force. Among those MDRC classified as being in the most job-ready group were those with $3000 or more in earnings during the prior year. Although they were the most job-ready of the AFDC population that MDRC studied, someone with only

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[37]Daniel Friedlander, *Subgroup Impacts and Performance Indicators for Selected Welfare Employment Programs*, Manpower Demonstration Research Corporation, August 1988.

[38]MDRC divided program eligibles into three "tiers" based on their AFDC status. The first, most job-ready tier consisted of those who were first-time applicants for AFDC; the second, moderately job-ready tier consisted of AFDC applicants who had received AFDC benefits in the past; and the third, least job-ready tier consisted of current recipients of AFDC.

Within each of these tiers, potential participants were divided into subgroups based on the amount they had earned in the previous year and how long they had been on AFDC. Those with more than $3000 in earnings in the prior year were in one subgroup, those with $1 to $3000 in prior year earnings in another subgroup, and those with no earnings in a third subgroup. In addition, the potential participants were divided into different subgroups according to how long they had been on AFDC: never, two years or less, or more than two years. Each potential participant thus fell into one subgroup on the basis of earnings and another subgroup on the basis of length of time on AFDC.

To determine how the participants' job-readiness affected the impact of the programs on them, MDRC compared the impact of the programs on the employment and earnings of the participants in the first tier with the impact on those in the second and third tiers. In addition, the impact of the programs on the employment and earnings of subgroups in each tier was compared with the impact on all those in the tier, as well as with the impact on other subgroups in the tiers.

slightly more than $3000 in annual earnings would likely be considered to have limited work experience.

Based on an analysis of these three groups, MDRC concluded that the job search and workfare programs it studied had little impact on those in the most job-ready group. Among these participants, the net impacts of the programs were not significant, in terms of either increased earnings or reduced AFDC payments. Many of the participants in this group found jobs, but those in this group who were not enrolled in an employment program did just as well.

Those in the middle group generally had the largest increases in earnings as a result of their participation in these programs. For these moderately job-ready participants, increases in earnings were modest but significant, and the impacts continued through the end of the evaluation period, up to three years. Reductions in AFDC payments were generally not significant for those in the middle group.

Those in the least job-ready group were less likely than those in the middle group to have increases in earnings due to the employment programs. Reductions in AFDC benefits were inconsistent but significant for some of those in the least job-ready group.

The MDRC researchers suggested that the lack of an impact on earnings in the least job-ready group may have been due to the fairly low-cost services such as job search assistance and workfare programs provided in the programs they studied. For those with serious barriers to employment, these services may have been insufficient to enable them to overcome these barriers and find jobs. According to MDRC, "it is at least plausible that there is a substantial group for which the relatively low-cost interventions included in this study lose some of their effectiveness in improving earnings outcomes."[39]

In a subsequent report, MDRC found that another employment program, the Saturation Work Initiative Model (SWIM) in San Diego, had a larger impact than previously studied programs, especially on the employment and earnings of those currently receiving AFDC. If the population participating in SWIM had been divided into three groups, as in the MDRC study discussed above, current recipients would be in the least job-ready group. In the report on SWIM, MDRC suggested that the greater impact on these recipients may have been due to the

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[39]Friedlander, *Subgroup Impacts and Performance Indicators for Selected Welfare Employment Programs*, p. 97.

fact that the San Diego program put more emphasis on education and training than did most of the employment programs operated in other areas.[40]

Many AFDC Recipients Leave Program Without Assistance

The programs studied by MDRC had no impact on the most job-ready group because many of those in the most job-ready group were likely to find jobs and leave AFDC on their own, without the assistance of an employment program. A number of recent studies have examined the question of how long recipients remain on the AFDC program and which recipients are most likely to leave on their own.[41]

Recently, the Bureau of the Census released data showing that the typical length of time on AFDC is relatively short. The Census Bureau's Survey of Income and Program Participation (SIPP) gathered income data from a sample of families on a monthly basis for 32 months. An analysis of the SIPP data shows that one-quarter of those who begin receiving AFDC payments leave the program *within four months,* and about half leave the program within 12 months.[42] Only three out of 10 remain on the program for two years or more.[43]

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[40]Gayle Hamilton and Daniel Friedlander, *Final Report on the Saturation Work Initiative Model in San Diego,* Manpower Demonstration Research Corporation, November 1989.

[41]In examining the implications of length of time on AFDC, it is important to understand the distinction between those on AFDC at any one point and all those who enter the program. The difference can be explained using the analogy of a hospital. A typical hospital room contains two beds. In this example, one bed is occupied for an entire month by one chronically ill patient. The other bed is occupied by a different patient each week -- a total of four patients over the course of the month. Of all those patients who occupy that room in that month, four out of five are short-term patients. Yet on any day during the month, half of the patients occupying the room are long-term.

Similarly, of all those who begin receiving AFDC payments, most will leave the program within a fairly short period of time. Yet of those on the AFDC program in any month, a much larger proportion will be longer-term recipients. Although those who are longer-term recipients constitute a minority of those ever receiving AFDC payments, their larger number of months on the program means that they are more likely than the shorter-term recipients to be on the program at any one point.

[42]John Coder and Patricia Ruggles, *Welfare Recipiency as Observed in the S.I.P.P.*, Bureau of the Census, U.S. Dept. of Commerce, July 1988.

[43]Another useful source of information on the length of time that recipients remain on AFDC is research conducted by Mary Jo Bane and David Ellwood of Harvard University. Bane and Ellwood used data from the Panel Study of Income Dynamics, a survey that followed the same families for a 12-year period and gathered information on their incomes, including both earnings and public assistance payments. The results show that of all women entering the AFDC program, three in 10 receive AFDC payments for a year or less. Nearly half leave the program within two years. Only one in five remain on AFDC for more than six consecutive years.

(continued...)

On the other hand, many of those who leave AFDC subsequently return. Data from the Panel Study of Income Dynamics (PSID), analyzed by Mary Jo Bane and David Ellwood, show that more than two-fifths of all those who leave AFDC later return to the program.[44] When all spells on AFDC are counted, the total length of time on the program is typically about twice the length of the initial spell.

Data from California tend to corroborate the findings of the analyses based on national data. The California data, gathered on a monthly basis from 1983 through 1985, are particularly relevant since California contains a significant portion (about 15 percent) of all AFDC recipients. In California, three-fifths of all single-parent AFDC recipients and two-thirds of two-parent AFDC recipients left the program within one year.[45] The typical spell on the program was nine months for the single-parent families and six to seven months for two-parent famiiies. However, within six months of leaving the program, one-third of the single-parent families returned to the program. Within three years, half of these families returned. Two-parent families were less likely to return to AFDC.

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[43](...continued)

Most of the differences between the Bane and Ellwood findings and those in the Census Bureau analysis occur because the data available to Bane and Ellwood, which was drawn from the PSID, contain information on an annual basis only. By contrast, the SIPP has monthly income data, which is more useful in tracking the length of time a family receives AFDC. By using the PSID data, Bane and Ellwood were able to determine only whether a family had received AFDC at some point during the year, not the number of months that benefits were received. Thus, Bane and Ellwood counted a family that received AFDC for two months in a calendar year as having received AFDC for the entire year. A family that received AFDC for four months from November of one year through February of the next year would be counted as having received AFDC for two years.

To partially correct for this problem, Bane and Ellwood counted a family as participating in the AFDC program only if the family received more than $250 from AFDC in that year. This did not completely correct for the problem, however, because in most states a family could collect that amount in a month or two, especially if the family had more than one child.

By contrast, each family in the SIPP sample was interviewed every four months and asked whether any family member had received AFDC in any of the previous four months. Thus, a family receiving AFDC for only part of a year would be counted as a recipient only in the months benefits were actually received. (Mary Jo Bane and David T. Ellwood, *The Dynamics of Dependence: The Routes to Self-Sufficiency*, Urban Systems Research and Engineering, Inc., June 1983.)

[44]David T. Ellwood, *Targeting "Would-Be" Long Term Recipients of AFDC*, Mathematica Policy Research, Inc., prepared for U.S. Department of Health and Human Services, January 1986.

[45]David Maxwell-Jolly and Paul Warren, *California's Welfare Dynamic*, A Joint Publication of the Senate Committee on Appropriations and the Joint Oversight Committee on GAIN Implementation, State of California, May 1989.

The national findings are also confirmed by data from Texas which, unlike California, pays low benefits and does not provide AFDC payments to two-parent families. In Texas, as in California, more than three-fifths of all recipients leave the program within one year and only 12 percent remain on the program continuously for more than three years.[46] Within the four-year period covered by the study, however, nearly two-fifths of all recipients had left and returned to AFDC at least once. Among those who returned, more than half returned within six months of leaving.

In addition to the length of time that families receive AFDC benefits, the national PSID data also show that those with more education and prior work experience -- those who would be considered more employable -- are those most likely to leave AFDC due to an increase in their earnings.[47] An analysis of these data by David Ellwood shows that women who worked in the two years prior to receiving AFDC benefits, and who had 12 years or more of schooling, were far more likely than other recipients to leave AFDC within two years of first receiving AFDC benefits.[48] They were also more likely to earn more than $6,000 in the first year off AFDC.

Conclusions

The research by MDRC and others has not found the AFDC employment programs they studied -- in which job search generally was the most common activity -- to have a significant impact on the most job-ready participants.

A substantial proportion of participants find jobs (or leave AFDC for other reasons) without employment assistance. As a result, these studies have demonstrated that the most important test of the effectiveness of an employment program is not the number of people placed in jobs, but the number finding jobs *who would not otherwise have found jobs on their own.* Even without the assistance of

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[46]Christopher T. King and Deanna T. Schexnayder, *Welfare Dynamics in Texas: An Exploratory Analysis of AFDC Turnover and Program Participation*, Center for the Study of Human Resources, University of Texas at Austin, March 1988.

[47]According to the PSID data, only about one in five women who leave AFDC do so because of an increase in their earnings, and another five percent leave when the earnings of another family member increase. The major reason for leaving AFDC is marriage, remarriage, or reconciliation with a spouse; one-third of those who left AFDC did so for these reasons. The rest left for a number of other reasons, including their children becoming too old for the family to qualify for AFDC, an increase in income other than earnings, changes in family circumstances, or a move to a different area. (See David T. Ellwood, *Working Off of Welfare: Prospects and Policies for Self-Sufficiency of Women Heading Families*, Institute for Research on Poverty, University of Wisconsin-Madison, Discussion Paper No. 803-86, March 1986.)

[48]Ellwood, *Working Off of Welfare: Prospects and Policies for Self-Sufficiency for Women Heading Families.*

these programs, the most job-ready participants tend to find jobs on their own. As a result, the net impact of job search programs on these participants is insignificant.

The data on how long different groups of recipients remain on AFDC help to explain these results. Most of those who begin receiving AFDC benefits remain on the program for a year or less. Of those who leave because their earnings increase, most have more education and prior work experience than other recipients.

Thus, a job search component does not appear to be the best choice if the goal is to raise the earnings of the most job-ready participants. Other types of employment services may have a more significant impact on the employment and earnings of this group. (This issue is discussed in Chapter IV.)

States with limited resources for their JOBS program may wish to focus their resources on less job-ready participants, for reasons discussed in the next chapter. A state may find, however, that it also needs to involve a substantial number of the more job-ready participants in some employment activity to meet the federal JOBS program participation standards. Accordingly, a state may decide to offer job search services to the most job-ready participants as a low-cost means of involving them in JOBS. Program designers should be aware, however, that this strategy is unlikely to have much effect on the employment or earnings of the most job-ready group.

The MDRC research indicates that the participants for whom job search is modestly effective in increasing employment and earnings are those who fall into a middle group in terms of job-readiness. (MDRC's middle group consisted of applicants who had previously received AFDC, especially those with a small amount of earnings in the prior year.) This finding does not indicate whether job search would be more or less effective than other types of programs for this group. But it does indicate that states planning to include a job search component in their JOBS programs should be aware that it is only among moderately job-ready that job search has been found to produce any significant impact on employment rates or earnings.

Among the least job-ready recipients, job search programs alone have not been found to produce significant effects on employment or earnings. The Saturation Work Initiative Model, which did have an impact on the employment and earnings of those in the least job-ready group, included education and training as well as job search and workfare. For this least job-ready group of recipients, strategies other than job search are evidently needed. This issue is the subject of the next chapter.

States Can Aid the Transition to Work Through Use of the Earned Income Credit

Some recipients who leave AFDC for employment go to work at low-wage jobs that leave their families far below the poverty line -- and that often make them little better off than when they were on public assistance. Their earnings can be supplemented, however, through the use of the federal government's Earned Income Credit (EIC). It is important for state JOBS programs to inform working families about the credit.

The Earned Income Credit is a tax credit provided to families with children whose earnings and adjusted gross income fall below a designated level ($19,340 in 1989). To receive the credit, an eligible family need only file a federal income tax return. The credit is "refundable," which means that if a family earns too little to owe any federal income tax, the Internal Revenue Service still sends the family a check for the full amount of the credit for which the family qualifies.

In 1989, families earning between $6,250 and $10,240 qualified for a credit of $910. Working families that either earned less than $6,250 -- or between $10,240 and $19,340 -- qualified for lesser amounts. More than 10 million families received EIC benefits for tax year 1988.

There are two steps that JOBS programs can take to help assure that families working their way off AFDC receive the EIC benefits to which they are entitled. First, each January, states can send a simple notice or flyer about the EIC -- and the need to file a federal income tax return to receive it -- to all families that worked their way off AFDC rolls in the previous year. This is important because many of these families will have earned too little to owe federal income tax and may not be planning to file a tax return. The State of Oklahoma has sent out such a notice each winter for the past several years.

In addition, those families leaving the AFDC rolls for employment, as well as working families on the rolls, should know that they can receive the EIC throughout the year *in their regular paychecks*, rather than waiting to receive it as a lump sum tax refund after the end of the year. Under the law, if workers eligible for the EIC elect to receive the credit in their paychecks, their employers must add these payments into the paycheck. The employer then subtracts these payments from the income and payroll taxes otherwise deposited with the IRS.

This can be helpful both in enabling a family to meet ongoing needs throughout the year and in making the family's take-home pay more competitive with a public assistance check. Accordingly, states should provide a fact sheet to clients leaving the welfare rolls for employment. The fact sheet should contain information about the EIC, the right to receive EIC payments in regular paychecks, and how a working family can exercise this right.

IV. PROGRAMS FOR THOSE WITH SUBSTANTIAL BARRIERS TO EMPLOYMENT

To receive enhanced federal funding under the Family Support Act, states must spend 55 percent of their AFDC employment program funds on certain target groups: young high school dropouts, young people with little work experience, recipients who are about to become ineligible because their children will be too old to qualify for AFDC, and long-term AFDC recipients.[49] These target populations are among the groups with the greatest barriers to employment.

In addition, there are other reasons that states would want to target services on those with substantial barriers to employment. Without some type of additional help, these less job-ready recipients are likely to remain on the program the longest and to receive the largest share of total program benefits.

Research indicates that low-cost employment services, such as job search assistance, have not been very effective in increasing the employment or earnings of those AFDC recipients with the greatest barriers to employment. More intensive services, however, do appear to have an impact on at least some of these more disadvantaged recipients. A number of state programs that offer intensive services have been found to increase employment rates and earnings among several groups of less job-ready recipients.

"Intensive services" are defined here as those services -- such as basic or longer-term education, occupational skill training, or job-readiness training -- that are intended to improve a participant's work-related skills. Less intensive services, such as job search assistance, help participants find employment without significantly upgrading their skills. In this context, Community Work Experience

[49]For a more detailed description of the targeted groups, see footnote on page 23.

Programs or workfare programs are not considered intensive services because they have not been shown to improve participants' skills.

Programs Offering More Intensive Services Assist the Less Job-Ready

As the MDRC findings discussed in Chapter III indicate, job search assistance services for AFDC recipients generally have not been effective in increasing the earnings of those with the greatest barriers to employment. Other research suggests that more intensive employment and training services, however, may have an impact on this group. Studies of programs providing more intensive services have shown that they can affect the employment and earnings of those who are the least job-ready.

One intensive training program found to be particularly successful with AFDC recipients who are the least job-ready was a unique program known as "Supported Work." This program, evaluated in several cities in the late 1970s, provided a supportive work environment and gradually increasing job responsibilities to participants who had received AFDC payments for at least three years and had little or no recent employment experience.

The results of an evaluation of several Supported Work program locations found significant increases in employment and earnings, as well as reductions in AFDC payments, for participants as compared with a control group.[50] (The control group consisted of comparable AFDC recipients who were not enrolled in the program.) Approximately two years after enrolling in the program and about one year after leaving the program, Supported Work participants worked 35 percent more hours and earned nearly 50 percent more than non-participants.

Not only were participants more likely to work, but their hourly wages were also higher on average than the hourly wages of the non-participants. Due to the increase in earnings, there was a sizable reduction in AFDC and food stamp benefits for participants compared with non-participants.

The evaluation also examined the total income and poverty status of both participants and non-participants. The total income of participants was higher than the income of non-participants, and the proportion of participants in poverty was lower. However, the differences between participants and non-participants in total income and poverty were less than the differences between these groups in

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[50]Stanley H. Masters and Rebecca Maynard, *The Impact of Supported Work on Long-Term Recipients of AFDC Benefits*, Volume 3 of the Final Report on the Supported Work Evaluation, Manpower Demonstration Research Corporation, February 1981.

earnings, primarily because the reduction in AFDC benefits for participants offset some of the increase in earnings.

Supported Work was found to be most beneficial for those whose employment prospects were otherwise quite dim -- those who had not completed high school, who had received AFDC for a long time, or who had no prior work experience or recent job training. These are the groups most likely to remain on the AFDC program longer in the absence of any intervention. Without the assistance of the Supported Work program, many of these participants probably would not have obtained employment on their own.

A major reason Supported Work was so successful is that there was so much room for improvement in the job prospects of program participants. Even after participation in the program, Supported Work participants worked relatively few hours and had relatively low earnings in comparison with AFDC recipients who were more job-ready. Nevertheless, the program had a substantial impact, because the employment and earnings of those who participated were significantly higher than the employment rates and earnings of comparable AFDC recipients who were not enrolled in the program.

A program that offered similar services to a group of AFDC recipients with substantial barriers to employment was the Training Opportunities in the Private Sector (TOPS) program in Maine. TOPS offered a prescribed sequence of pre-vocational training (personal decision-making skills, job-seeking and job-holding skills, and basic education for some participants), then work experience, followed by on-the-job training. During on-the-job training, employers received a subsidy for part of the participants' wages.

The TOPS program was designed to help participants become self-sufficient by assisting them to find and hold jobs that paid more than the minimum wage and had opportunities for advancement. The program was targeted to recipients with substantial barriers to employment. Nearly two-thirds of TOPS participants had been receiving AFDC for more than two years, and only one-third had any recent employment experience.[51]

More than a year after leaving the program, participants had higher employment rates and higher average earnings than those in a control group of comparable AFDC recipients who did not participate in TOPS. (Those in the control group could receive other AFDC employment services.) The amount of

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[51]Patricia Auspos, George Cave, and David Long, with Karla Hanson, Emma Casper, Daniel Friedlander, and Barbara Goldman, *Maine: Final Report on the Training Opportunities in the Private Sector Program*, Manpower Demonstration Research Corporation, March 1988.

AFDC benefits paid to TOPS participants, however, was not significantly different from the amount paid to the comparable non-participants. The researchers suggested that the lack of impact on AFDC benefits might have been due to the fact that Maine, unlike most states, calculates AFDC benefits in a way that permits working recipients to earn more income before their AFDC benefits are reduced.[52]

Like Supported Work, TOPS led to increases in wage rates and hours worked. Three-quarters of the increase in earnings due to the impact of TOPS resulted from increases in wages and hours. Only one-quarter resulted from increases in the numbers of participants employed.

Unlike Supported Work, the TOPS program also led to significant increases in the total incomes of participants compared with non-participants. The reason for this increase in total income was that the earnings of participants were higher than those of non-participants, while their AFDC benefits did not decrease commensurately. Since less of their earnings increases were offset by decreases in AFDC benefits, the total incomes of participants were higher.

Another program offering more intensive services to recipients with greater barriers to employment was the AFDC Homemaker-Home Health Aide Demonstration. This program also showed significant impacts on earnings.[53] Participants received four to eight weeks of formal training in the skills needed to provide homemaking and health services to functionally impaired persons in their own homes. Following the training, participants were employed for up to a year in subsidized employment.

Most of the AFDC recipients participating in the demonstrations had low educational levels and no recent work experience. Two-fifths had not graduated

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[52]Like all states, Maine reduces a working AFDC recipient's income by one dollar for each dollar of earnings above a certain standard amount, after the recipient has been working for more than four months. However, Maine, unlike most states, subtracts the earnings amount from the standard of need, rather than from the maximum AFDC benefit level, in order to calculate the actual amount of AFDC benefits paid to the family.

The standard of need is an amount set by each state to represent the income a family needs for an adequate standard of living. In all states, a family's countable income must be below the need standard for the family to be eligible for AFDC benefits. In most states, including Maine, the need standard exceeds the maximum AFDC payment. Thus, subtracting earnings from the need standard results in a higher amount of AFDC benefits paid than would be the case if earnings were subtracted from the maximum AFDC benefit level.

[53]John H. Enns, Kathleen L. Flanagen, and Stephen H. Bell, *AFDC Homemaker-Home Health Aide Demonstrations: Trainee Employment and Earnings*, Abt Associates, Inc., June 1986.

from high school and only one-fifth had any training beyond high school. The average participant had not worked for nearly three years.

In six of the seven states, the demonstrations resulted in statistically significant increases in the employment and earnings of participants compared with non-participants. Participants' earnings were $86 to $198 per month higher, depending on the state, than the earnings of non-participants during the two years following the subsidized employment. In four of the seven states, participants also had significantly higher employment rates and hours worked by the second year.

In five of the seven states, participants earned higher wages than non-participants. The increases in wage rates were greatest in southern and mostly rural states, where wage rates tend to be lower than in more urban states.

Another program currently offering more intensive services to AFDC recipients is the Baltimore (Maryland) Options Program, which emphasizes basic literacy training, high school equivalency preparation, job skills training, and work experience, in addition to offering job search assistance. Most of those served by the Options Program have substantial barriers to employment.

In 1982-83, more than half of the Options participants had no high school diploma, and over half had received AFDC for two years or longer before enrolling.[54] Fewer than half had held a job in the year before they entered the program.

An evaluation of the Options Program found that participating AFDC recipients had higher employment rates and greater earnings than a comparable group of recipients who participated in a less intensive program consisting primarily of job search assistance.[55] Over the three years following enrollment, the employment rate among Options participants was about five percentage points higher than the employment rate among those participating in the less intensive program. The average earnings of participants were 16 percent higher. As with other AFDC employment programs reductions in the AFDC payments provided to Options participants were found to be smaller than the increases in earnings.

The effects of the Options Program on employment and earnings were stronger for participants who lacked recent work experience than for those who

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[54]Daniel Friedlander, Gregory Hoerz, David Long, and Janet Quint, *Maryland: Final Report on the Employment Initiatives Evaluation*, Manpower Demonstration Research Corporation, December 1985.

[55]Daniel Friedlander, *Supplemental Report on the Baltimore Options Program*, Manpower Demonstration Research Corporation, October 1987.

had some recent work experience. While all Options participants had higher average employment rates and greater average earnings than those who participated in the less intensive program, the differences in employment and earnings were much larger for those who had not worked in the year prior to enrollment than for those who had.

A particularly important finding of the Options evaluation is that the program's impact on employment and earnings *increased over time*. Comparing the earnings of Options participants with the earnings of those in the less intensive program, the evaluators found the earnings advantage gained by Options participants to be greater in the second year than in the first, and slightly larger in the third year than in the second. Based on this evidence, the evaluators concluded that the earnings differential could be expected to continue beyond the three years covered by the analysis.

Also of interest, the Options Program's impact on earnings was larger than its impact on employment rates. In other words, the relative increase in earnings was due more to participants' obtaining jobs with higher wages or longer hours than to a larger number of the participants finding jobs.

The impacts of the Options Program are especially notable because participants were not compared with AFDC recipients who did not participate in an employment program, but with participants in a program that primarily offered job search. Thus, the increases in employment and earnings for Options participants are *not* increases over what the participants would have attained on their own, but increases over what they would have attained with only job search assistance.

Still another analysis of intensive training services was conducted by the General Accounting Office (GAO).[56] The GAO surveyed 63 agencies providing employment services to disadvantaged adults and young people under the Job Training Partnership Act (JTPA). Data on the type of training received and the kinds of jobs obtained following training were collected for almost 11,000 participants and analyzed separately for more job-ready and less job-ready trainees. Participants considered to be less job-ready were those without recent work experience, those who had not completed high school, those receiving AFDC or other public assistance, those who were single parents, and those who were black or Hispanic.

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[56]U.S. General Accounting Office, *Job Training Partnership Act: Services and Outcomes for Participants with Different Needs*, June 1989.

The GAO found that the JTPA programs tended to offer higher skill occupational training primarily to the more job-ready participants. Despite this, the GAO found that higher skill training was more effective than less intensive services for less job-ready participants as well. Among both more job-ready and less job-ready participants, those who received higher skill training and were placed in jobs were more likely to obtain better-paying jobs than those who received less intensive services. (The GAO study did not include comparison data on non-participants or follow-up data beyond the first job placement.)

On the basis of this study, the GAO concluded that "participants who received higher or moderate skill occupational training, regardless of their job readiness, tended to get better jobs at higher wages than those who received other training or services."[57]

Further evidence of the benefits of more intensive programs is found in a recent Urban Institute study of the Employment and Training (ET) Choices program in Massachusetts.[58] This study found that more intensive training is also associated with longer job retention. The Massachusetts ET Choices program offers participants a choice of several employment-related services, including assessment, job development and job placement, GED preparation, college studies, and supported work. The Urban Institute study was based on a sample of 1183 ET Choices participants who found jobs between July 1 and December 31, 1986. It determined that those who participated in less intensive services such as job development or job placement tended to leave their jobs sooner than other participants and those who participated in GED preparation, college studies, or supported work, tended to retain their jobs longer than other participants.

Finally, an analysis by Mathematica Policy Research of data from several AFDC employment programs provides further information on the impact of more intensive services.[59] In analyzing several programs that provided a variety of services, Mathematica analysts reached the conclusion that more intensive services have greater effects on the earnings of participants than do less intensive services such as job search assistance. The Mathematica researchers found that job search assistance programs had small impacts on employment, earnings, and welfare

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[57]U.S. General Accounting Office, *Job Training Partnership Act*, p. 60.

[58]Demetra Smith Nightingale, Lynn C. Burbridge, Douglas Wissoker, Lee Bawden, Freya L. Sonenstein, and Neal Jeffries, *Experiences of Massachusetts ET Job Finders: Preliminary Findings*, The Urban Institute, November 1989.

[59]Jean Baldwin Grossman, Rebecca Maynard, and Judith Roberts, *Reanalysis of the Effects of Selected Employment and Training Programs for Welfare Recipients*, Mathematica Policy Research, Inc., October 1985, p. 12.

payments, while the impacts of more intensive programs were both sizable ($600 to $1000 per year) and lasted for the three- to five-year periods that participants were followed.

In addition, the Mathematica results suggest that the impacts of the more intensive programs were greatest for high school dropouts without recent work experience and for those who have been on AFDC for relatively long periods of time.

Education More Effective When Combined with Vocational Training

Information from a preliminary evaluation of a major demonstration project focused on minority single female parents can be useful in designing more intensive education and training services for AFDC recipients. These new findings suggest that combining basic education with vocational training may be more effective than sequential services in providing AFDC recipients with education and training.

The Minority Female Single Parent Demonstration was designed to test various ways of providing education, job skill training, and employment preparation, along with support services such as child care.[60] For the demonstration, which was carried out from 1982 through 1988, the Rockefeller Foundation provided funding to four community-based employment training organizations to provide education and training services to women who were single mothers and members of minority groups.

The applicants for these demonstration programs tended to be quite disadvantaged. More than half had not completed high school, and only about half had any work experience in the year prior to their application. Their average household income was right at the poverty level. Although the demonstration was open to all single mothers who were members of minority groups, two-thirds of the applicants were AFDC recipients, and more than 80 percent lived in households that had received AFDC at some point in the previous year.

Mathematica Policy Research evaluated the impacts of the demonstration by comparing the employment rates and earnings of those who participated in the education and training programs with a comparable control group of individuals who applied to the program but were not served. One year after application to

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[60]Anne R. Gordon and John Burghardt, *The Minority Female Single Parent Demonstration: Report on Short-Term Economic Impacts*, Mathematica Policy Research, Inc., February 1990.

the programs, the participants had higher employment rates and earnings than non-participants at one of the four sites. At the other three sites, the participants' employment rates and earnings were not significantly different from those of non-participants.

The difference in impact between the sites is of particular interest because the site that produced an improvement in the employment and earnings of participants at the 12-month follow-up differed from the other three sites in one important respect. This site, the Center for Employment Training in San Jose, California, emphasized occupational skill training designed to meet the needs of specific jobs in the local job market. The job training was provided to all participants regardless of their educational background, and remedial education was offered within the context of job skill training. The other sites put more emphasis on classroom instruction in basic education, and this instruction preceded training in specific job skills.

Although these findings are preliminary, they suggest that integrating basic education with job skill training may be more effective than providing classroom instruction in basic education before job skill training. The report also notes that participants in the San Jose program were not only more likely to be employed than non-participants, but were also likely to have better jobs than non-participants, with more fringe benefits such as health insurance.

A concern raised by the Minority Single Parent Demonstration is why three of the four sites apparently were not successful in raising employment rates and earnings of participants. There could be several reasons for the apparent lack of impact at the other three sites.

One reason is the short length of time over which the impact of the demonstration was assessed in the preliminary report. At the time of the 12-month follow-up, about 20 percent to 30 percent of the participants were still in training. When the researchers expanded their measure of "impact" to include not only those who were employed, but also those in training, they found a significant difference between participants and non-participants. At the 12-month point, substantially higher proportions of the participants than the non-participants were either employed or in training at all four sites.

In addition, the Mathematica researchers suggested that the impacts of the intensive education and training programs may not be quickly apparent but may increase over time, as happened with the Baltimore Options program. Mathematica intends to analyze the results of the demonstration on employment and earnings again 30 months after initial application.

The researchers at Mathematica also noted that these results could not be considered representative of the impacts of all education and employment programs, since this study evaluated only four demonstration sites.

State Programs Focus on Most Job-Ready Recipients

As discussed in Chapter III, AFDC employment programs offering primarily job search assistance have been found to have the least impact on those participants who are the most job-ready. In addition, the low-cost services provided by these programs are not likely to be sufficient to increase the earnings of the least job-ready participants. Nevertheless, the majority of state programs in place when the Family Support Act was passed provided mainly low-cost services to their AFDC populations.

In a 1987 report to Congress, the General Accounting Office examined employment-related programs for AFDC applicants and recipients.[61] The GAO found that "to serve more participants, programs spread their limited funds thinly, providing inexpensive services, such as job search assistance, and paying for few support services."[62] In 23 states operating AFDC employment programs in fiscal year 1985, the GAO found that more than half of the participants were put into a job search component, while only three percent received remedial or basic education, two percent received vocational skills training, and less than five percent received other education or training services. In addition, those recipients with the most severe barriers to employment were often excluded from the program.

A survey of all states by the Urban Institute found similar patterns.[63] The data, collected in late 1986, indicated that the primary activity offered in state AFDC employment programs was job search. All 50 states and the District of Columbia included a job search component in their programs. Thirteen states offered job search only, or job search plus one other activity, usually a workfare program. Only 11 states provided a full array of employment and training

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[61]U.S. General Accounting Office, *Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy*, January 1987.

[62]U.S. General Accounting Office, *Work and Welfare: Current AFDC Work Programs and Implications for Feaeral Policy*, p. 3.

[63]Demetra Smith Nightingale and Lynn C. Burbridge, *The Status of State Work-Welfare Programs in 1986: Implications for Welfare Reform*, The Urban Institute, July 1987.

services -- job search assistance, work experience, classroom or vocational training, and on-the-job training -- to more than a limited number of recipients.

The data for the Urban Institute and GAO studies were collected when federal funding for AFDC employment programs was limited. Federal appropriations for the Work Incentive (WIN) Program, the primary employment for AFDC recipients, dropped 55 percent from fiscal year 1981 to fiscal year 1986 (the year for which the Urban Institute data were collected), after adjusting for inflation.

Participation Standards and Targeting

With the passage of the Family Support Act, states are required to target services on several groups of more disadvantaged recipients and to put greater emphasis on education and basic skills development. The Act also provides a substantial increase in federal funding for states that provide the required state matching funds. Thus, states should now have more resources and more reason to expand their programs and to offer a greater variety of services, including more intensive services.

At the same time, the Act requires states to meet federal minimum rates of participation in the state JOBS programs. States must meet these participation standards to receive their full federal match on funding for these programs. The combination of the requirement to target funds on those for whom more intensive -- and more costly -- services appear to be most effective and the requirement governing the participation standards can create a dilemma for some states.

Under the Family Support Act, the federally mandated participation rates are set at seven percent of non-exempt recipients in fiscal years 1990 and 1991, although states will not be penalized for failure to meet the 1990 standard. The rates then rise gradually to 20 percent of non-exempt recipients in fiscal year 1995. In other words, by fiscal year 1995, at least 20 percent of AFDC recipients in a state who are not exempt must participate in the JOBS program.

Although the participation rates may not appear excessively high, in practice they may be quite stringent, because states must meet the participation standard on an average monthly basis. Ensuring that 20 percent of non-exempt AFDC recipients participate in some JOBS program activity in an average month is considerably more difficult than ensuring that 20 percent of eligible recipients participate at some point during the year.

The participation standards are made still more stringent by the definition of participation contained in the federal regulations governing the JOBS program. Under the regulations, by fiscal year 1995 a state must schedule at least 20 percent of its AFDC caseload, other than those exempt from JOBS, for an average of at least 20 hours a week of JOBS program activity. (Prior to fiscal year 1995, the percentage of the caseload that must be enrolled in JOBS would be lower than 20 percent.) An individual participant's JOBS program activities do not count toward fulfilling these participation standards unless she takes part in the program for at least 75 percent of her scheduled hours. If a recipient participates but for less than 75 percent of her scheduled hours, she can not be counted toward fulfillment of the state's participation standards, regardless of the reason she did not participate. It does not matter whether she was ill or whether the activity was cancelled due to inclement weather.

States that attempt both to meet these participation standards and to provide the more intensive services needed by more disadvantaged recipients may face some difficult choices. Within a given amount of resources, the more that is spent on each participant, the fewer the participants that can be served. Ideally, a state would be able to devote sufficient resources to the JOBS program to fund more intensive services for enough recipients to meet the state's participation requirements. However, many states cannot afford intensive services for this large a portion of their caseload.

Given this dilemma, states will need to develop strategies enabling them to provide enough resources for intensive services to the less job-ready recipients, while also covering enough recipients to meet the JOBS participation requirements.

One such strategy is to target recipients who will benefit most from specific services. States that do not have sufficient resources to provide intensive services to large portions of their caseload can choose to target resources by providing intensive services primarily to those who are less employable. Judith Gueron, the president of MDRC and a researcher who has studied this issue for a number of years, has suggested that states use relatively low-cost services to cover a large number of participants in order to meet the participation standards. By so doing, she has suggested, a state could conserve enough resources to provide more intensive services for a smaller number of the potentially long-term recipients.[64] She has also suggested that states not spend significant amounts of state resources on the most job-ready group, since MDRC research has shown that these recipients

[64]See, for example, Judith M. Gueron, Testimony before the Subcommittee on Social Security and Family Policy, Committee on Finance, U.S. Senate, May 15, 1989.

are the most likely to leave AFDC fairly quickly on their own without assistance from an employment program.

Such a strategy could enable states to meet federal participation requirements primarily by serving significant numbers of those in the middle group -- neither the most job-ready nor the least job-ready. MDRC's research indicates that less intensive services such as job search have been modestly effective in increasing the aggregate earnings of these recipients. At the same time, providing primarily low-cost services to this group could enable state administrators to conserve some resources to provide more costly intensive services for those who are least job-ready and for whom intensive services appear to be most valuable.

On the other hand, this strategy does have a drawback -- it means providing only less intensive services or no services to large groups of participants who might benefit from more intensive services. Although less costly services have been found modestly effective in increasing the employment rates and earnings of the moderately job-ready, more intensive services might prove more effective, if the state has the resources to provide them. The findings from some of the demonstration projects and studies of programs providing more intensive services suggest that this might be the case.

Conclusions

Based on the studies conducted to date, more intensive employment and training services appear to be more effective than less intensive services in increasing the earnings of AFDC recipients who have the greatest barriers to employment. The studies indicate that less intensive employment services do not have a significant impact on the earnings of the least job-ready group of recipients.

The intensity of an employment or training program is not necessarily related to the number of hours per week a participant spends in the program. A very demanding training program might be scheduled for relatively few hours per day to allow participants to absorb one day's lesson before going on to the next. Supported Work, a very successful job-readiness training program, is based on a gradual increase in the participants' hours of work and level of responsibility on the job.

The research also suggests that more intensive services can lead to improvements in the jobs participants obtain and their wage rates. The studies have found that both more intensive and less intensive services can lead to increases in earnings for some participants, but these increases occur for different

reasons. Less intensive services tend to increase average earnings primarily by increasing the proportion of participants who work, rather than by increasing the earnings of individual workers. By contrast, more intensive services are more likely to increase the earnings of individual workers, presumably by enabling them to find higher-paying jobs or jobs with longer hours than they would otherwise obtain.

The data on the length of time recipients remain on AFDC indicate that some find jobs and leave AFDC on their own, but that many of these former recipients return to AFDC within a relatively short time. This suggests that while the jobs many recipients find on their own do enable them to leave AFDC, many of these jobs pay too little or are too unstable to permit them to maintain self-sufficiency for more than a limited time. The study that examined the length of time that Texas recipients remain on AFDC found that "the nature of the employment opportunities facing women on welfare [in Texas] -- typically low-wage, no-benefit jobs in high-turnover service and sales occupations -- will tend to result in repeat spells of [AFDC] receipt."[65]

If they are to become self-sufficient and remain off AFDC, recipients need to find jobs that are stable and provide a reasonable income. Low-paid jobs may enable them to leave AFDC temporarily, but a disruption in their income, such as a job layoff or an illness in the family, may send them back to the program. For this reason, the programs providing more intensive services, such as Baltimore Options and the Maine TOPS program, have sought to help participants find jobs that paid more than the minimum wage and could provide longer-term economic security.

The greater effectiveness of more intensive employment and training services for those with greater barriers to employment supports the idea that investments in education and training can increase a participant's ability to compete for higher-skilled and better-paying jobs. As discussed in Chapter II, earnings tend to increase as educational level rises and as reading and math skills improve.

The evaluation of the Baltimore Options Program lends credence to this idea. The Options Program, which emphasized basic literacy training, high school equivalency preparation, job skills training, and work experience, led to increases in the employment rates and earnings of participants that grew larger over time. This suggests that the program's emphasis on education and job skills training

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[65]King and Schexnayder, *Welfare Dynamics in Texas: An Exploratory Analysis of AFDC Turnover and Program Participation*, p. 2.

improved participants' ability to find better-paying jobs long after they left the program.

This can be important not only to the participant but also to a state, because it may contribute to an increase in the skill level of the state's workforce. Some states now screen *all* AFDC recipients (not just those lacking a high school diploma or those showing evidence of other barriers to employment) for deficiencies in basic literacy and computational skills -- and provide remedial education to those whose skills fall below a specified level.

Also of interest are the Mathematica findings suggesting that certain more intensive services may be effective for the entire AFDC population, including more employable recipients, although the impacts appear to be greatest for the least employable group. The MDRC studies in which AFDC employment programs were found to have no effect on the most employable recipients were evaluations primarily of less intensive programs, such as job search and workfare, and did not determine whether these groups might benefit from more intensive services.

Even the more employable AFDC recipients face substantial employment barriers compared with the overall working-age population. An administrator of an employment program for non-AFDC as well as AFDC participants could reasonably consider AFDC recipients to be less job-ready than other potential program participants (as the GAO did in its study). If resources permit, state JOBS program administrators may wish to extend eligibility for intensive services to the relatively more employable of the AFDC recipients, as well as to those with greater employment barriers.

In deciding how to deliver more intensive education and job training services, states may also want to consider the preliminary findings of the Minority Female Single Parent Demonstration. In this demonstration, the site that produced an improvement in participants' employment and earnings integrated remedial education into job skill training, rather than offering education and job training separately.

This integration of basic education into job skill training may alleviate one of the problems observed in some of the existing education programs for AFDC recipients. Some participants in the educational components of the GAIN program in California were reported to be disappointed that they could not move directly

into job training and did not see a connection between education and employment.[66]

These findings may also provide another method of meeting the average 20-hour standard for participation in JOBS. Currently, many educational programs do not offer 20 hours per week of educational activities, making it more difficult for a state to meet the average 20-hour standard. Combining vocational training with education may help extend the number of hours for a program component.

In addition, the apparent success of the San Jose site in this demonstration indicates that it may be wise for states to consider nonprofit community-based organizations as possible providers for education and job training services, rather than limiting the provision of educational services to traditional educational institutions.

In planning for the provision of more intensive employment and training services, states should plan to build their capacity to provide intensive services during the next few years, when federal participation requirements are lower. The JOBS program participation requirements are set at relatively lower levels in fiscal years 1990 and 1991 and increase in successive years through fiscal year 1995. A state that does not allocate resources to provide sufficient slots in intensive employment and training programs in the early years of the JOBS program may find it difficult to launch these activities in subsequent years, as the participation requirements increase.

State administrators should also note that while the participation requirements start at more modest rates and do not reach their highest level until fiscal year 1995, the requirement that states allocate a substantial proportion of their resources to certain disadvantaged target groups takes effect *in the first year of the program.* This is another reason to build the capacity to provide intensive services first, and then develop or expand less intensive services that may be needed to cover more of the eligible recipients.

Whatever path is taken, resource constraints are likely to present difficulties and tough choices for many JOBS program administrators. One way for state welfare agencies to stretch resources further so that more intensive services can be offered is to use the services of other state and local programs that provide education, employment, and training activities. This issue is discussed in Chapter V.

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[66]James Riccio, Barbara Goldman, Gayle Hamilton, Karin Martinson, and Alan Orenstein, *The Greater Avenues for Independence (GAIN) Program: Early Implementation Experiences and Lessons,* Manpower Demonstration Research Corporation, April 1989.

Study Shows Few Eligible AFDC Recipients Receive Transitional Medicaid Benefits

A draft of a study prepared for the U.S. Department of Health and Human Services by SysteMetrics suggests that many of those leaving the AFDC program may fail to receive the transitional Medicaid benefits to which they are entitled.[67] The study examined families that left AFDC in California and Georgia.

According to the study, only five percent to six percent of the single parents leaving the AFDC program in California in August 1985 received four-month transitional Medicaid benefits. Some of those leaving AFDC received other forms of Medicaid coverage, such as Medically Needy coverage (which is available in some states to those whose incomes are too high for AFDC but who fall below a state Medically Needy income limit after their medical expenses are deducted.) In total, about one-third of those leaving AFDC in August 1985 in both California and Georgia received some form of Medicaid benefits.

Not all those leaving the AFDC program left due to an increase in their earnings. The researchers at SysteMetrics estimated that 20 percent to 40 percent of those leaving AFDC in both states left due to earnings and, as a result, should have been eligible for the four-month transitional benefits. In California, the researchers calculated that only one-quarter to one-half of those leaving due to earnings received some form of Medicaid coverage. In Georgia, the authors estimated that most of those leaving due to earnings received coverage under Medicaid.

The researchers noted that perhaps one-third of the women leaving AFDC in California may have obtained private insurance coverage. The remainder of those entitled to receive transitional Medicaid benefits apparently failed to get the benefits because they did not know they were eligible or because the welfare department did not know they were leaving due to an increase in their earnings.

This study suggests that many AFDC recipients who leave the program due to earnings may not receive the Medicaid transitional benefits to which they are entitled under the Family Support Act, unless states create effective mechanisms for ensuring that these recipients receive the benefits. The findings suggest two potential areas for state attention -- better provision of information to recipients before they begin looking for work so that they are aware of their eligibility for transitional benefits if they should find employment, and better tracking of recipients who leave the program so that those with earnings can be identified.

Providing transitional benefits may be key to enabling former AFDC recipients to remain self-sufficient. A recent Urban Institute study of Massachusetts AFDC recipients who found jobs after participating in the state's employment and training program found that health insurance coverage was associated with job retention.[68] In Massachusetts, those AFDC recipients who became employed and received either employer-provided health insurance or transitional Medicaid benefits tended to retain their jobs longer than those who found jobs but did not have some type of health insurance.

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[67]David T. Ellwood, E. Kathleen Adams, Suzanne Dodds, and Marilyn Rymer Ellwood, *Medicaid Mysteries: Medicaid and Welfare Dynamics*, Draft report prepared for U.S. Department of Health and Human Services by SysteMetrics/McGraw-Hill, December 1989.

[68]Demetra Smith Nightingale, Lynn C. Burbridge, Douglas Wissoker, Lee Bawden, Freya L. Sonenstein, and Neal Jeffries, *Experiences of Massachusetts ET Job Finders: Preliminary Findings*, The Urban Institute, October 1989.

V. COORDINATING WITH OTHER AGENCIES TO PROVIDE EDUCATION AND TRAINING SERVICES

One way for state and local welfare departments to stretch limited resources is to make use of education, employment, and training services provided by other agencies. Many welfare departments already work with other agencies because they have found that it can be expensive and time-consuming for them to develop separate education, employment, and training services specifically for AFDC recipients. Using the services of existing programs may be an efficient way to provide the more intensive education and training services, even if the welfare department pays part of the cost.

Moreover, establishing working relationships with other agencies is required under the Family Support Act. The Act requires the governor of each state to assure that JOBS program activities are coordinated with JTPA and other programs providing education, employment services, and training.

Developing a cooperative relationship with other organizations is especially important in education. Most state welfare agencies currently have little contact with state or local education agencies. This situation, by necessity, will change. The JOBS program puts much more emphasis on education than the AFDC employment programs in most states, requiring that states provide educational services to certain recipients if they do not have a high school diploma.

In many states, welfare departments already work with Job Training Partnership Act (JTPA) agencies to provide training services for AFDC recipients. Data from these states indicate that these relationships can work well, but there are barriers to establishing a successful working relationship between the welfare department and JTPA. Some of these barriers may be lessened, however, by legislative changes expected in the JTPA program in 1990.

Establishing links with education and training agencies may not be as difficult as some AFDC administrators fear. State and local agencies providing remedial education and job training often serve a clientele that overlaps with the AFDC population. Just as the state welfare department cannot provide all the education and training services needed by AFDC recipients, so the education and training agencies cannot provide all the needed support services such as child care and transportation assistance to their low income clientele. These other agencies may welcome a cooperative relationship with the state welfare department that helps them to fulfill their obligations to this population.

Education and Training Services Available to AFDC Recipients

Because each community's education and training resources are different, welfare departments must begin by identifying the resources in their communities. This is especially important in the area of education.

In most areas, there are many potential sources of education and training services. These may include community-based organizations, public schools, community colleges, vocational and technical schools, four-year colleges, JTPA agencies, and state employment agencies.[69] Some of these sources already serve some AFDC recipients, although perhaps not as many as the welfare agency would like.

In addition to identifying a community's educational resources, AFDC program administrators will have to determine whether the educational services offered are suitable for AFDC recipients. Even in communities that contain a variety of educational resources, not all will be appropriate to the needs of JOBS participants. For example, although public schools are an obvious source of educational services, not all schools have programs suitable for teen parents or for dropouts who are beyond school age. Putting teen parents or older dropouts into

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[69]For more information on the types of education resources available, see *New Partnerships: Education's Stake in the Family Support Act of 1988*, a statement of the American Public Welfare Association, the Center for Law and Social Policy, the Center for the Study of Social Policy, the Children's Defense Fund, the Council of Chief State School Officers, the Institute for Educational Leadership, the National Alliance of Business, the National Association of State Boards of Education, and the National Governors' Association (undated).

For information on training resources, see Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: Coordinated Human Investment Directions for the 90's, JTPA-Welfare Linkages*, U.S. Department of Labor, July 1989.

classrooms with younger students may result in academic failure or dropping out again.[70]

Another source of employment and training services is agencies operating under the Job Training Partnership Act.[71] The Act was designed to provide employment and training services to economically disadvantaged individuals, including AFDC recipients. The law requires local JTPA agencies to serve AFDC recipients in proportion to their representation in the population eligible for JTPA.

Using the services of JTPA agencies has several advantages for welfare departments. JTPA agencies generally provide a range of relatively sophisticated training and placement services. They usually have extensive experience in skills training activities and in contracting with and monitoring the vendors that provide the training. In addition, because of JTPA's link to employers, these agencies may be more successful than welfare agencies at finding jobs for recipients.[72]

Developing Links with Education and Training Agencies

While using the services of education and training agencies has advantages for AFDC administrators, there are also a number of reasons for education and training agencies to want to develop a working relationship with the welfare department.

In recent years, the public education system has come under increasing criticism for rising dropout rates and for students who graduate without the basic academic skills needed to satisfy employers. As a result, many public schools and other education institutions have developed special programs for young people at

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[70]*New Partnerships: Education's Stake in the Family Support Act of 1988.*

[71]Enacted in 1983, the Job Training Partnership Act established a partnership between the public and private sectors to provide job training and other employment-related skills to low income people. JTPA is intended to help the private sector obtain a well-trained work force, while also helping low income people become self-supporting. One of the stated goals of JTPA is to reduce welfare dependency.

JTPA is administered through local Private Industry Councils (PICs) made up of local business leaders, government officials, representatives of organized labor, and others. The federal government does not specify how JTPA services are to be provided. Instead, the local programs are held to federally designed performance standards, which measure the numbers of program participants placed in jobs and the types of job placements. JTPA programs are also required to target services on AFDC recipients, among other groups. The amount that JTPA programs are allowed to spend for supportive services such as child care is limited.

[72]For a more detailed discussion of benefits to state welfare agencies, see Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: Coordinated Human Investment Directions for the 90's, JTPA-Welfare Linkages.*

risk of dropping out. The needs of these "at risk" students are also the subject of a number of recent reports by groups of educators.[73]

Yet many school officials developing programs for at-risk students have expressed concern that students who face economic or family problems need more than academic assistance.[74] Most schools cannot provide all the assistance these students need; for example, schools generally do not provide child care or similar support services. If young people at risk are from AFDC families, however, the JOBS program may be able to provide some of the services needed. This could help the student to stay in school and thus serve the goals of both the education system and the JOBS program.[75]

There are similar reasons for JTPA agencies to want to work with welfare agencies. JTPA agencies are under a legal mandate to serve disadvantaged persons, including AFDC recipients, and the agencies' performance is measured against standards that include the number of AFDC recipients placed in jobs. Many JTPA agencies find it difficult to attract, train, and place AFDC recipients because the recipients often lack basic education and work experience. In addition, recipients often need relatively expensive supportive services such as child care. State welfare agencies can make AFDC recipients more attractive to JTPA agencies by alleviating some of these difficulties.

To meet their mandate to serve AFDC recipients, JTPA agencies must identify recipients for whom JTPA services would be suitable. By referring those AFDC recipients who are interested in and qualified for JTPA services to JTPA agencies, the welfare department can reduce the cost to the JTPA agency of recruiting among this group.

In addition, the welfare agency can screen recipients and provide basic education programs for those recipients whose academic skill levels are too low to meet the entry requirements for JTPA training programs. These basic education

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[73]See, for example, Council of Chief State School Officers, *Children at Risk: The Work of the States*, 1987.

[74]*New Partnerships: Education's Stake in the Family Support Act of 1988.*

[75]For additional information on developing cooperative relationships between AFDC agencies and educational institutions to meet the requirements of the Family Support Act, see: Arloc Sherman and Alan Houseman, *Welfare Reform and Education: Learning from Experience*, Center for Law and Social Policy, 1989; *New Partnerships: Education's Stake in the Family Support Act of 1988*; and Michael Bangser, Edward Pauly, and David Long, *Linking the Welfare and Education Systems to Serve Poor Families: Program Design and Implementation Issues*, Manpower Demonstration Research Corporation, May 1989.

programs can then feed their graduates into JTPA. The states of Indiana and Maine currently have such "feeder" programs for AFDC recipients.[76]

The Job Training Partnership Act limits the amount that JTPA programs can spend for support services such as child care. An Urban Institute survey of 13 local employment programs for AFDC recipients found that programs run by JTPA agencies either provided no child care or provided child care only as a last resort when the AFDC program ran out of child care funds.[77] Many state welfare departments can provide support services such as child care to AFDC recipients who are enrolled in JTPA training programs. This is another way that cooperation between the state welfare agency and JTPA can facilitate the participation of AFDC recipients in JTPA programs.

Many state welfare agencies also provide case management services to their AFDC recipients. This type of assistance may help some recipients overcome personal and family problems that can decrease the likelihood they will complete a JTPA training program and be placed in jobs. (JTPA programs get credit only for job placements, not for the number of participants in their programs.)

Finally, the Family Support Act provisions providing transitional child care assistance and medical insurance to recipients who leave AFDC because of increased earnings are also helpful. These services help former AFDC recipients stay in jobs obtained through JTPA. This is important to JTPA agencies because one of the JTPA performance standards is based on the employment rates and weekly earnings of former JTPA participants 13 weeks after job placement.[78]

Existing Relationships with JTPA

While few AFDC employment programs have strong working relationships with providers of educational services, many of the employment programs for AFDC recipients do use the services of JTPA agencies.

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[76]Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: Coordinated Human Investment Directions for the 90's, JTPA-Welfare Linkages.*

[77]Lynn C. Burbridge and Demetra Smith Nightingale, *Local Coordination of Employment and Training Services to Welfare Recipients*, The Urban Institute, May 1989.

[78]For additional information on developing cooperative relationships between welfare agencies and JTPA, see Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: Coordinated Human Investment Directions for the 90's, JTPA-Welfare Linkages.*

An Urban Institute study found that in late 1986, more than half the states were operating AFDC employment programs that involved coordination between state welfare agencies and JTPA, beyond simply referring AFDC recipients to JTPA.[79] Nineteen of these states had made some special arrangement that encouraged JTPA to serve more AFDC recipients. For example, some states used performance standards that provided an incentive for JTPA to place more AFDC recipients in jobs. Others shared financial resources between JTPA and the state welfare agency. In nine other states, JTPA had an even more substantial role in the AFDC employment program. In these states, the JTPA agency operated all or part of the AFDC employment program, with funding from the welfare department.

Although coordination with JTPA provides several benefits to state and local welfare departments, some studies have identified obstacles that must be overcome if state welfare agencies are to work successfully with JTPA.[80] Some stem from differences in goals and philosophy between JTPA and AFDC. JTPA is oriented toward the needs of employers as well as those of disadvantaged workers, and performance standards that emphasize job placements have caused many local JTPA programs to favor more employable over less employable potential participants. Some analysts argue that JTPA programs need to include a certain proportion of more employable participants to maintain a favorable reputation with employers.[81] Compared with other groups eligible for JTPA, AFDC recipients are among the less employable.

Even among AFDC recipients, JTPA programs tend to favor the most employable, rather than those most in need of intensive skill training and employment services. Many JTPA training activities require participants to have certain basic academic skills before entering the training. This can eliminate many of the AFDC recipients most in need of services, unless some efforts are undertaken to provide these recipients with basic education services first.

There are also major differences between the federal and state regulations for these programs and between the reporting requirements JTPA and JOBS

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[79]Demetra Smith Nightingale and Lynn C. Burbridge, *The Status of State Work-Welfare Programs in 1986.*

[80]See, for example, Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: Coordinated Human Investment Directions for the 90's, JTPA-Welfare Linkages;* Burbridge and Nightingale, *Local Coordination of Employment and Training Services to Welfare Recipients;* and Jeffrey Zornitsky and Mary Rubin with the assistance of Dr. Stephen H. Bell and William Martin, *Establishing a Performance Management System for Targeted Welfare Programs,* Abt Associates, Inc., August 1988.

[81]Christopher T. King, *Some Reflections on the Creaming Issue,* Center for the Study of Human Resources, University of Texas at Austin, September 1988.

programs must meet. For example, the participation standards for the JOBS program require states to have detailed information on the number of AFDC recipients participating each month and the extent of their participation. If JTPA is providing training services to some JOBS participants -- and if the welfare agency wants to count these participants toward its JOBS participation requirement -- the welfare agency needs to be able to get this detailed monthly information from JTPA. However, JTPA has no comparable requirement for collecting this information. As a result, many local JTPA programs have no system for such extensive monitoring of participation.

Despite the difficulties of interagency coordination, working with JTPA programs may allow state welfare agencies to obtain needed training services at an affordable price. A report prepared for the Job Training Partnership Act (JTPA) Advisory Committee by a group of AFDC and JTPA administrators contains a detailed plan for facilitating collaboration by JTPA and AFDC agencies at local, state, and federal levels.[82] The report also provides examples of states that have developed good working relationships between AFDC and JTPA agencies.

The JTPA Advisory Committee report notes that the leadership of elected and appointed officials is often crucial in maintaining a cooperative relationship between local AFDC and JTPA program administrators. The committee also points out that several states have promoted cooperation by using financial incentives. For example, several states use their JTPA six percent incentive funds (reserved for allocation to local JTPA programs on the basis of criteria set by the state) to reward programs serving large numbers of AFDC recipients.[83]

Some states have also developed other mechanisms for encouraging program coordination. For example, California requires county JOBS plans to be reviewed by a number of state agencies, including the state JTPA agency and the state department of education.[84] California also requires local JTPA agencies to specify in their JTPA plans how they will meet the needs of JOBS participants. In Georgia, the local JTPA coordinating councils are required to include

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[82] Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: Coordinated Human Investment Directions for the 90's, JTPA-Welfare Linkages.*

[83]JTPA six percent incentive funds consist of six percent of the state's allocation of federal JTPA funds. These funds are available for distribution to local JTPA programs on the basis of several criteria specified in the law: for local programs that exceed their performance standards, for technical assistance, and for services to participants who are harder to serve. The state determines what portion of the six percent funds will be distributed on the basis of each of the criteria.

[84]Mark Greenberg and Jodie Levin-Epstein, *The JOBS Program: Good Ideas and Some Concerns in the First Round of State Plans,* Center for Law and Social Policy, August 1989.

representatives of the welfare department, education agencies, community action agencies, client advocates, AFDC clients, and providers of support services (such as child care and substance abuse treatment).

Changes in JTPA Likely to Make Program More Accessible to AFDC Recipients

Federal legislation likely to be enacted in the near future should increase the targeting of JTPA services on more disadvantaged participants. Enactment of these changes, expected in 1990, should make it significantly easier for state AFDC program administrators to work with JTPA to provide training services for AFDC recipients.

In July 1988, the Secretary of Labor named a JTPA Advisory Committee to recommend changes in the program. The committee's first report, issued in March 1989, found that JTPA could do a more effective job of reaching disadvantaged individuals and recommended a series of changes in the program.[85] Included in these recommendations are provisions to target the program more directly on disadvantaged persons with serious skills deficiencies, to provide more individualized and intensive services, to redesign the performance standards to encourage services that increase the long-term economic self-sufficiency of participants, to make the program more responsive to the needs of participants with serious barriers to employment, and to encourage coordination between JTPA and other human resources programs.

Many of these recommendations are reflected in a bipartisan consensus in Congress and the Bush Administration to focus JTPA more on the most disadvantaged. Legislative initiatives are under consideration in both houses of Congress, and a bill is likely to be enacted before the end of the year.

The legislative proposals under consideration would require more adults receiving JTPA services to have at least one of certain specified barriers to employment. Long-term receipt of AFDC would be one of the barriers specified. In addition, pending legislative proposals would reward JTPA programs for providing more basic education services. Several proposals would also provide for a larger proportion of JTPA funds to be spent on supportive services. Nearly all of the proposals take some steps to encourage coordination between JTPA and other programs, such as state AFDC employment programs.

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[85]Job Training Partnership Act (JTPA) Advisory Committee, *Working Capital: JTPA Investments for the 90's*, U.S. Department of Labor, March 1989.

Conclusions

The requirement of the Family Support Act that states provide educational services to certain AFDC recipients will necessitate closer coordination than in the past with education agencies and private educational institutions, including post-secondary institutions such as community colleges. Education agencies and institutions may have to develop different types of programs to meet the needs of AFDC recipients, and welfare agencies may be called on to provide support services for AFDC recipients in education programs.

In addition, JTPA programs provide both expertise and a variety of training services that AFDC program administrators can use, if some coordination problems can be solved. Legislative changes anticipated in the JTPA program are likely to improve the relationship between welfare agencies and JTPA agencies, making it easier for AFDC recipients to receive JTPA services in the future. State administrators should monitor the progress of the JTPA legislation and plan accordingly. When the changes embodied in the new JTPA legislation are implemented at the state and local level, welfare administrators may wish to modify their AFDC employment programs further to take advantage of the increased availability of JTPA services.

Family Support Act Increases Need for Child Care

Under the Family Support Act, the availability of child care is likely to be a key factor in the success of a state's JOBS program.

Most AFDC recipients are single parents with young children. Nationally, four out of five AFDC families are headed by one parent, nearly always the mother. In most cases, the children in these families are very young. Three out of five AFDC families contain children under six, and nearly two out of five contain children under the age of three.[86]

Until enactment of the Family Support Act, federal policy had been to exempt families with preschool children from AFDC work requirements. The new law, however, requires states to involve families with young children in JOBS. The Act mandates JOBS participation by AFDC parents with children as young as three years of age and allows states the option of extending the mandate to parents with children as young as one year of age. In addition, teen parents may be required to participate in educational programs as soon as their child is born. These changes increase by at least 50 percent the number of families potentially affected by JOBS program requirements.[87]

The framers of the Family Support Act recognized that child care is necessary if AFDC families with young children are to participate in JOBS or to accept employment. Therefore, they included a guarantee of child care for families participating in education, training, and employment activities. The Act also guarantees child care for AFDC families with a working parent.

To enable states to fulfill this strong child care guarantee, the Act authorizes an open-ended source of federal matching funds for child care needs, increases the amount that can be paid for each child needing care, and provides a range of mechanisms with which states can pay for this care. In addition, to help families gain a stable footing in the workplace, the law provides 12 months of transitional child care on a sliding fee scale basis to families who leave AFDC due to earnings.

The availability of child care services is one of the major factors that will determine whether a state is able to achieve its JOBS participation targets. In planning and budgeting for JOBS, states will need to assess the need for child care among AFDC recipients and to determine whether the supply of child care is sufficient to meet the need.

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[86]Committee on Ways and Means, *Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means.*

[87]Committee on Ways and Means, *Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means.*

Previous experience may not provide much guidance for estimating child care needs and costs under JOBS. Under the WIN program, most states served families with school-age children and many programs consisted primarily of short-term, less intensive activities such as job search and workfare. Many of these participants could attend activities while their children were in school, or could use informal child care arrangements. In fact, a 1987 GAO review of state welfare employment programs found that AFDC recipients who needed child care tended to be screened out of employment and training programs.[88]

Now, however, states must serve many more families with younger children who have greater child care needs. In addition to the increase in the numbers of families with young children, the JOBS program generally demands increased hours of participation by many recipients, thereby increasing the amount and cost of child care needed by each family.

Several recent studies support the view that JOBS programs will require larger investments in child care than many states have made in the past. The Minority Female Single Parent (MFSP) Demonstration's findings are particularly relevant to JOBS because many MFSP participants were women with young children (two-thirds had children under six and 40 percent had children under three). A Mathematica evaluation of the demonstration found that paid child care was used heavily by mothers with young children and that formal child care arrangements were selected by a larger proportion of participants than the proportion that use formal arrangements among the general population of mothers.[89]

A recent MDRC study of child care usage in California's GAIN program may also be relevant in planning for child care needs under the Family Support Act. This study is useful because it distinguishes between child care usage by GAIN mandatory participants, who had children age six and over, and child care used by GAIN volunteers, who had younger children. MDRC found that GAIN registrants with preschool age children used GAIN funds for child care at a rate four times higher than that of the registrants with school age children.[90] The study also determined that center-based care was the most commonly reported arrangement among families with younger children.

Although in past years, the GAIN program has reported expenditures for child care substantially below projected levels, MDRC points out that this raises a number of questions -- including whether recipients fully comprehended their entitlement to child care, were permitted to exercise choice in selecting providers, and were able to find care that met their needs and preferences.

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[88]U.S. General Accounting Office, *Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy.*

[89]Ann R. Gordon and John Burghardt, *The Short-Term Impacts of the Minority Female Single Parent Demonstration*, Mathematica Policy Research, Inc., November 1989.

[90]Karen Martinson and James Riccio, *GAIN: Child Care in a Welfare Employment Initiative*, Manpower Demonstration Research Corporation, May 1989.

VI. PROGRAMS FOR TWO-PARENT FAMILIES

The Family Support Act requires all states to provide AFDC benefits to two-parent families in which the principal wage earner -- usually the father -- is unemployed.[91] The law also requires states to establish employment programs for at least one of the parents in each two-parent family.

The law sets very high participation requirements that states must meet in their employment programs for two-parent families, beginning at 40 percent of non-exempt parents in fiscal year 1994.[92] The participation requirements then increase each year until in fiscal years 1997 and 1998, 75 percent of non-exempt parents in two-parent families must participate. These participation requirements expire after fiscal year 1998.

States are given less flexibility meeting the participation requirements for two-parent families than in designing programs for single-parent families. To count toward the participation requirements, parents in two-parent AFDC families must take part in a work-related activity such as on-the-job training or a workfare program for at least 16 hours per week. Participation in education, skills training,

[91]States that did not have an unemployed parent program as of September 26, 1988, may limit the AFDC benefits for these families to six months in any 12-month period. However, even states limiting cash benefits must provide Medicaid coverage for the full 12 months as long as the family otherwise meets the AFDC eligibility standards.

[92]Until fiscal year 1994, the only statutory requirement specific to parents in two-parent families is that the state must ensure that all such parents "participate or apply for participation" in JOBS within 30 days of receiving AFDC benefits unless the parents are exempt from JOBS requirements. In the preamble to the federal regulations, this requirement is interpreted to mean that state agencies must take some demonstrable action, such as a brief assessment to determine the recipient's availability for JOBS, within 30 days. (54 *Federal Register*, pp. 42241-42242, October 13, 1989.)

or job search does not count toward the participation requirements.[93] If a parent in a two-parent family is under 25 and has not completed high school, the state has the option of requiring education in lieu of the work requirement.

The combination of the work-related activities requirement and the very high mandated participation rates can make these programs costly for states, especially during periods of economic downturn when the number of two-parent families on AFDC tends to increase. Yet the research does not clearly show that either low-cost services or more intensive services have increased employment or earnings among parents (mainly fathers) in two-parent AFDC families. In states with resource constraints, there is a serious risk that the cost of providing services to fathers in two-parent families will reduce the funds available for services to single AFDC mothers, who are likely to benefit significantly more from them.

Effects of Employment Programs for Two-Parent Families are Mixed

Research on the effects of AFDC employment programs on adults in two-parent AFDC families has produced mixed results. Recent studies have examined three programs providing employment-related services to primary earners in two-parent AFDC families. Two of the programs had no significant impact on the employment or earnings of two-parent recipients; a study of the other program showed it did have some effect.

MDRC studied the effect on two-parent AFDC families in San Diego of a program that provided job search assistance and workfare.[94] The evaluation found that the program had no statistically significant impact on either the employment or the earnings of the recipients, most of whom were men.

Similarly, MDRC conducted a study of a small sample of recipients in two parent families who were participating in the Options Program, the Maryland employment program providing more intensive services to AFDC recipients. This study found that the impact of the program on participants (mostly fathers) was either negative or non-existent.[95] The participants in the Options Program actually

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[93]In computing the percentage of eligible parents who are participating in the employment program for two-parent AFDC families, states have the option of excluding from the eligible population parents in families that have been receiving AFDC benefits for two months or less, if those parents are engaged in a job search for an average of 20 hours a week or more.

[94]Barbara Goldman, Daniel Friedlander, David Long, *Final Report on the San Diego Job Search and Work Experience Demonstration*, Manpower Demonstration Research Corporation, February 1986.

[95]Friedlander, Hoerz, Long, and Quint, *Maryland: Final Report on the Employment Initiatives Evaluation.*

had lower employment rates and earnings than those not in the program, although the differences were not statistically significant.

In addition, a review of earlier research on employment programs for AFDC and food stamp recipients found that these programs consistently had little or no impact on the employment rates or earnings of male recipients.[96]

On the other hand, a recent analysis of a program providing job search, workfare, and education and training (also in San Diego) found increases in the employment and earnings of a small sample of parents (mostly fathers) in two-parent AFDC families.[97]

Given these mixed results, it is difficult to draw firm conclusions on the effectiveness of employment programs for two-parent AFDC families. In analyzing the more recent San Diego program, MDRC noted several differences between this and the earlier San Diego program and also between the evaluations of the two programs, but could not explain the difference in impacts on parents in two-parent AFDC families.

Much of the research cited in earlier chapters lends more support to the findings of little or no impact on the employment and earnings of parents in two-parent AFDC families than to findings that do show an impact. As noted in Chapter III, several evaluations of AFDC job search programs showed these programs had little or no impact on the most job-ready recipients. The lack of impact on these recipients was due to the fact that these recipients were the most likely to find jobs on their own even in the absence of an employment program.

In general, fathers in two-parent AFDC families are among the most job-ready of all AFDC recipients. In part because the eligibility criteria for the two-parent AFDC program differ from the eligibility criteria for the single-parent AFDC program, fathers in two-parent families are far more likely than single parents to have recent work experience. For a two-parent family to be eligible for AFDC, the principal wage earner must have worked in at least six of the 13 previous calendar quarters or have been eligible to receive unemployment

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[96]Patricia Auspos, "Bibliography and Review of Research Findings Relevant to Employment and Training Programs for Food Stamp Recipients," in *Food Stamp Employment and Training Resource Guide*, Center on Budget and Policy Priorities, September 1986.

[97]Hamilton and Friedlander, *Final Report on the Saturation Work Initiative Model in San Diego.*

insurance within a year before applying for AFDC.[98] Thus, there are no families in the two-parent AFDC program in which neither parent has much prior work experience. Such families are ineligible.[99]

By contrast, a single parent need not have any work experience to qualify for AFDC benefits. And, in fact, many single-parent recipients have little or no work history.

In addition, fathers in two-parent families receiving AFDC usually have a spouse to assist with child care. This makes it much easier for them to look for work and to find and accept full-time employment.

For these reasons, two-parent families are likely to receive AFDC for shorter periods than single-parent families. Fathers in two-parent families are also more likely to find jobs on their own than mothers in single-parent families. Largely because the fathers are more likely to do better than other AFDC recipients in finding jobs on their own, employment programs should be less likely to have an impact on their employment rates or earnings.

Conclusions

The research suggests that providing employment services for parents in two-parent families may not be an efficient use of limited state JOBS program resources. Meeting the participation requirements set by the Family Support Act for parents in two-parent families could consume a significant amount of state resources, especially during periods of high unemployment when the number of unemployed fathers receiving AFDC benefits tends to increase.

It is important to note that the participation standards for two-parent families do not take effect until fiscal year 1994, and there is a possibility that the standards could be modified before then.

When the Family Support Act was debated in Congress in 1988, the participation standards for two-parent families were opposed by a number of

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[98]Specifically, the principal wage earner must have worked in at least six quarters in any 13-quarter period ending within one year of the date the family applies for AFDC or Unemployment Insurance. The Family Support Act provides states with a new option that makes this eligibility criterion somewhat less rigid, however. States may now count up to four quarters of attendance in elementary or secondary school, vocational training, or participation in JTPA toward meeting the six-quarter requirement.

[99]A two-parent family in which one parent is disabled and unable to work may be eligible for benefits under the single-parent AFDC program.

groups, including the National Governors' Association. Several governors wrote strong letters protesting these standards as misguided, an undue interference with state flexibility, and likely to result in an inefficient allocation of resources.

These provisions were also resisted by many members of Congress, and neither of the committees with jurisdiction over the JOBS legislation included them in the bills they approved. The provisions were added to the legislation later, and only because the Reagan Administration, insisting that fathers in two-parent families be required to work, threatened to veto the legislation without these participation standards Consequently, this issue might be reconsidered by fiscal year 1994, particularly if states continue to oppose these standards.

The research raises serious questions about whether providing employment services to parents in two-parent families is a wise use of limited state resources. Since the participation standards could be changed by 1994, state administrators may want to delay development of employment programs designed to meet these standards until closer to the implementation date.

Under the JOBS regulations, states that do not establish a separate employment program for two-parent families are to include these recipients in the regular JOBS program. States with limited resources may already be hard-pressed to cover the target populations specified in the law and to provide them the types of intensive services found most effective for harder-to-employ recipients. Under these circumstances, providing services to two-parent families likely means either serving fewer of the less job-ready participants or providing more of the less job-ready participants with the type of low-cost services not found effective in increasing their earnings. This suggests that states should give very low priority to providing employment services to two-parent families if they wish to use their resources to greatest effect.

VII. VOLUNTARY PROGRAMS

Under the Family Support Act, state administrators have a number of choices about how to structure their education, employment and training programs for AFDC recipients. While all AFDC recipients who are not exempt because of age, illness, responsibility for the care of a very young child, or for other reasons are technically subject to the requirement that they participate in JOBS, funding limitations will mean that, in reality, not all these recipients will participate.

In deciding who to serve first, state administrators are required to focus a certain amount of resources on specified target groups -- young people who have not graduated from high school or who have little work experience, older recipients, and longer-term recipients.[100] Within these target groups, states are required to give priority to those who volunteer to participate. Outside the target groups, states may decide whether to give priority to volunteers.

Several states currently operate voluntary programs or have voluntary components within their programs.[101] Participants in many of the programs offering more intensive services have been volunteers. Even within mandatory programs there is great variation in how strictly sanctions are imposed for non-participation by eligible recipients. Under the JOBS program, state administrators will continue to have considerable leeway in determining how much to emphasize

[100]For a list of the target groups specified in the Family Support Act, see footnote on page 23.

[101]According to a survey by the National Governors' Association, one-quarter of the states (11 of the 43 states responding) had voluntary welfare employment programs in fiscal year 1988. Of these, two had programs that were mandatory in some counties and voluntary in others. (Jose R. Figueroa and Robert A. Silvanik, *The Provision of Education and Other Services in State Welfare-to-Work Programs*, National Governors' Association, 1989.)

voluntary compliance and how strictly to enforce mandatory participation requirements.

Among the AFDC employment programs that have been evaluated are several that relied on voluntary participation. The results indicate that these programs were successful in attracting and increasing the earnings of participants, and that those who volunteered were not necessarily those with the fewest barriers to employment.

Participation Rates in Voluntary Programs

Attracting participants to a voluntary program involves different techniques than ensuring that recipients comply with the requirements of a mandatory program. Enrolling a sufficient number of voluntary participants requires that the staff "sell" the program to potential participants. In some instances, this may involve more effort than ensuring that recipients comply with mandatory participation requirements. On the other hand, the "selling" process often creates a more positive attitude on the part of both the participants and program staff and results in less emphasis on paperwork and nominal compliance with program rules.[102]

Because voluntary programs often provide more intensive education, employment, and training services, they are sometimes intended to cover part rather than all of a state's non-exempt AFDC caseload. There are states, such as Massachusetts, however, that operate voluntary programs for their entire AFDC population. Massachusetts has operated a voluntary employment program for AFDC recipients since late 1983. The program, known as "Employment and Training (ET) Choices," emphasizes education, skills training, supported work, job search, and career planning services.

Data from the Massachusetts ET Choices program indicate that it has been as successful as mandatory programs in attracting participants. A new Urban Institute study indicates that between July 1, 1986, and June 30, 1987, about two-thirds of all adults on AFDC in Massachusetts completed the initial ET Choices assessment and orientation, and half of all adult AFDC recipients participated in some substantive component.[103]

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[102]Mary Jo Bane, "Welfare Reform and Mandatory Versus Voluntary Work: Policy Issue or Management Problem?" *Journal of Policy Analysis and Management Volume 8, Number 2, Spring 1989*, pp. 285-289.

[103]Nightingale, et al, *Experiences of Massachusetts ET Job Finders: Preliminary Findings.*

In addition, an analysis of participation data in several states by the General Accounting Office found that in fiscal year 1986, an average of 20 percent of all adult AFDC recipients in Massachusetts participated in some ET Choices activity each month.[104] Those who received only orientation and assessment were not counted as participants. In Michigan and Texas, two states with mandatory programs, the GAO found that the percentages of all adult AFDC recipients who participated in some activity were similar to the percentages in Massachusetts -- 24 percent in Michigan and 13 percent in Texas.[105] Unlike Massachusetts, both Michigan and Texas counted those receiving only orientation and assessment as participants.

The Massachusetts program differs from most other state AFDC employment programs because it has more resources available. In fiscal year 1986, Massachusetts spent an average of $747 per participant for training and other services, plus an average of $510 per participant for child care costs.[106] The higher cost for training and other services was due to the greater emphasis in Massachusetts on intensive services. In fiscal year 1986, some 26 percent of participants in an average month were in post-secondary educational programs (including vocational programs), 20 percent were in skills training programs, and eight percent were in GED or high school completion programs. In addition, the ET Choices program pays for most of these services, rather than using services paid for by other agencies.

Recent data from California's GAIN program indicate that volunteers are more likely than mandatory participants to take part in GAIN activities. GAIN provides basic education for those without a high school diploma or basic skills, followed by job search and work experience or skills training. Nearly 45 percent of those who volunteered to participate in GAIN attended orientation and were active in some GAIN component, compared with 34 percent of single-parent mandatory registrants.[107]

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[104]U.S. General Accounting Office, *Work and Welfare: Analysis of AFDC Employment Programs in Four States*, January 1988.

[105]Oregon, which also had a mandatory program, reported that an average of 46 percent of all adult AFDC recipients participated in its program each month. However, Oregon counted any recipient who was required to participate or who volunteered to participate as a participant.

[106]U.S. General Accounting Office, *Work and Welfare: Analysis of AFDC Employment Programs in Four States*.

[107]James Riccio, Barbara Goldman, Gayle Hamilton, Karin Martinson, Alan Orenstein, *GAIN: Early Implementation Experiences and Lessons*, Manpower Demonstration Research Corporation, April 1989.

Furthermore, of those GAIN participants who attended orientation and took part in a component, volunteers were active for more days than mandatory participants. Four out of 10 volunteers were active for at least 70 percent of the time they were registered, compared with 15 percent of mandatory registrants.

Voluntary programs that do not provide intensive employment services have also been successful in attracting active participants. Two job search assistance programs operated in Louisville, Kentucky, in the mid-1970s -- the Intensive Employment Service WIN Lab consisting of assisted individual job search, and the Group Job Search WIN Lab -- were able to attract adequate numbers of participants to carry out job search activities.

In the Intensive Employment Service WIN Lab program, AFDC recipients could volunteer for job search activities as soon as they applied for AFDC. The program provided incentive payments and reimbursements for lunches, transportation, and child care for participants. Even though no education or skill training services were provided, 55 percent of the AFDC recipients given the option of undertaking a job search elected to do so.[108]

In addition, the proportions of recipients who began a job search were highest among those known as "WIN volunteers." These were AFDC recipients not required to participate in *any* employment activities, usually because they were the mothers of very young children.[109] Two-thirds of these AFDC recipients, who were not subject to a work requirement but were given the option of participating in this job search, elected to do so.

The other group participating in this job search program were recipients known as "WIN mandatories." These were AFDC recipients required to participate in *some* employment activity, but not necessarily in the immediate job search component. Slightly less than half of the WIN mandatories participated in the job search program.

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[108]Barbara S. Goldman, *Impacts of the Immediate Job Search Assistance Experiment: Louisville WIN Research Laboratory Project*, Manpower Demonstration Research Corporation, June 1981.

[109]The Work Incentive (WIN) program required non-exempt AFDC recipients to participate in a state operated program that was originally intended to provide training, counseling, and job placement. Women with children under the age of six, full-time students, those with full-time jobs, and a few other specified groups were exempt from WIN participation. In practice, most of those exempted from participation were mothers with children under six. Because of lack of adequate federal funding, the WIN program never provided services to more than a fraction of those eligible. By October 1990, WIN will be replaced in all states by the JOBS program authorized by the Family Support Act.

In Louisville's other voluntary job search program -- the Group Job Search program -- even higher proportions of those eligible elected to participate. Nearly two-thirds of all those given the option of participating in six weeks of group job search training and of making telephone contacts with employers actually took part in these activities.[110] Four out of five recipients not subject to a work requirement -- the WIN volunteers -- agreed to participate, as did just over half of the WIN mandatories -- those required to participate in some activity but not necessarily in this job search component.

Positive Impacts on Employment and Earnings

Several of the employment and training programs found to be successful were voluntary programs. The Supported Work Program, the AFDC Homemaker-Home Health Aide Demonstrations, and Maine's Training Opportunities in the Private Sector (all of which are discussed in Chapter IV) were voluntary. As noted earlier, all three programs produced significant increases in the employment and earnings of participants.

A voluntary program in New Jersey also resulted in increased earnings for participants. The New Jersey Grant Diversion Project was a small voluntary component within a larger mandatory employment program. The Grant Diversion Project provided on-the-job training subsidized by grant diversion, with the understanding that participants who satisfactorily completed the training period would be kept on as regular employees.[111]

The Grant Diversion Project did not result in higher employment rates for those who participated in the program but did lead to a significant increase in earnings. In the two years following enrollment in the program, participants' average earnings were 15 percent higher than the earnings of a comparable group of non-participants.[112] This impact on earnings, but not employment rates, suggests

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[110]Carl Wolfhagen, with Barbara S. Goldman, *Job Search Strategies: Lessons from the Louisville WIN Laboratory*, Manpower Demonstration Research Corporation, November 1983.

[111]Grant diversion is a mechanism for providing wage subsidies to AFDC recipients placed with public or private employers. Under this program, participants are placed in paid employment. Their earnings from these jobs cause their AFDC benefits to be reduced, and the amount by which the benefits are reduced is diverted to partially compensate the employers for the wages paid to the participants. The purpose of grant diversion programs is to provide work experience or on-the-job training to participants and to encourage employers to hire AFDC recipients as regular employees after the wage subsidies end.

[112]Stephen Freedman, Jan Bryant, George Cave, with Michael Bangser, Daniel Friedlander, Barbara Goldman, and David Long, *New Jersey: Final Report on the Grant Diversion Project*, Manpower Demonstration Research Corporation, November 1988.

that while participants were not more likely than non-participants to find jobs, those who found work secured better jobs with higher wages or more hours.

Participants in the New Jersey Grant Diversion Project also received smaller AFDC payments, on average, than non-participants, due to the increase in their earnings.

The Grant Diversion Project and other voluntary programs discussed in Chapter IV were evaluated by comparing the employment and earnings of participants with those of a comparable control group of AFDC recipients who volunteered but were not chosen to participate in the programs. In other words, the impact of the programs was measured by comparing participants with a group of equally qualified and motivated would-be volunteers, not by comparing them with a group of mandatory participants. The evaluations thus demonstrate that these voluntary programs were effective, but do not indicate whether the programs were more effective than a mandatory program would be.

Another study, however, did compare the impacts of a program on volunteers and mandatory participants. Evaluations of the two Louisville programs -- the Intensive Employment Service WIN Lab and the Group Job Search WIN Lab -- found that even a less intensive activity such as job search could have significant impacts on volunteers.[113] On average, the employment rates and earnings of those who participated in individual and group job search were significantly higher than for those who did not participate. Moreover, in both of these evaluations, the estimated impacts of the job search assistance programs on the annual earnings of WIN volunteers were several times greater than the impacts on WIN mandatories.[114]

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[113]Goldman, *Impacts of the Immediate Job Search Assistance Experiment: Louisville WIN Research Laboratory Project*, and Wolfhagen, *Job Search Strategies: Lessons from the Louisville WIN Laboratory*.

[114]In the individual job search program, only the WIN volunteers had statistically significant increases in earnings. In the group job search program, impacts were significant for both groups, but were two and one half times as large for the WIN volunteers as for the WIN mandatories.

Due to the increases in earnings, AFDC payments were lower for participants than for non-participants in the individual job search program. Only the decreases for the WIN volunteers were significant, however. In the group job search program, small but significant decreases in AFDC payments were found for WIN mandatories, but no significant decreases were found for WIN volunteers. The researchers suggested that the lack of an impact on the AFDC payments for WIN volunteers, most of whom had young children, may have been due to the deductions allowed for child care costs.

Volunteers Not Necessarily the Most Job-Ready

Some administrators may be concerned that voluntary employment programs would attract primarily the most employable AFDC recipients. Although the research does not directly address this issue, the studies of voluntary employment programs do not support this concern.

The Urban Institute study of the voluntary Massachusetts ET Choices program found very few differences between the AFDC recipients who chose to participate and the overall AFDC population. The only way in which ET Choices participants differed from the general population on AFDC is that they were more likely to be long-term recipients, one of the target groups under the Family Support Act.[115] According to the study, the ET Choices program was more successful in attracting those who had been receiving AFDC benefits for 12 to 36 months and less likely to attract those who were new applicants to the program.

In addition, two of the three voluntary programs discussed in Chapter IV -- Supported Work and Maine's TOPS program -- were intended to reach recipients who had substantial barriers to employment, as indicated by their lack of prior work experience and length of time receiving AFDC benefits. The characteristics of those who actually participated indicate that the programs were successful in reaching this group.

To be eligible for the Supported Work program, recipients had to have received AFDC benefits for at least three years and have little recent employment experience. Most of the recipients who actually enrolled in the program were even more disadvantaged than the program entry standards required. More than half had received AFDC benefits for eight or more years, nearly half had not worked for four years or longer, and over two-thirds had less than a high school education.[116]

Volunteers for TOPS were screened by program staff, and those with certain barriers to participation, such as child care needs or basic skills deficiencies, were screened out. Despite the screening, most of those who enrolled were quite disadvantaged. The screening criteria eliminated those with little education -- three-quarters of participants had a high school diploma or equivalent -- but

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[115]Nightingale et al, *Experiences of Massachusetts ET Job Finders: Preliminary Findings.*

[116]Stanley Masters and Rebecca Maynard, *The Impact of Supported Work on Long-Term Recipients of AFDC Benefits.*

nearly two-thirds had been receiving AFDC benefits for more than two years, and only one-third had any recent employment experience.[117]

Participants in the New Jersey Grant Diversion Project were also screened, and only those considered employable were selected for the program. However, the selections were made from a group of not very job-ready volunteers. Although three-fifths had a high school diploma and four-fifths had some work experience, three-quarters of the participants had received AFDC payments for at least two years, and more than half had not worked in the prior two years.[118]

In the Louisville WIN Laboratory group job search program, all participants were encouraged to take part in the job search activities, regardless of how job-ready they were considered to be by program staff. About half of those classified as "non job-ready" by program staff voluntarily took part in the job search program.[119]

The evaluation also found that personal problems -- health problems, child care difficulties, or transportation problems -- were at least as important as the AFDC recipient's characteristics in determining whether she actually took part in job search activities.

Advantages for Program Management

The research on program impacts shows that voluntary programs can be effective in raising earnings. Some researchers also feel that voluntary programs may be more effective than mandatory programs in creating a positive atmosphere for both participants and workers.

An analysis by Mary Jo Bane, a noted analyst of welfare issues and a former state welfare administrator, points out the pitfalls of both mandatory and voluntary approaches.[120] Although a mandatory requirement establishes the seriousness of the effort to find a job, "the dangers of mandatory programs...come from their possible tendencies toward nominal compliance, toward adversary

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[117]Auspos, Cave, and Long, *Maine: Final Report on the Training Opportunities in the Private Sector Program.*

[118]Freedman, Bryant, and Cave, *New Jersey: Final Report on the Grant Diversion Project.*

[119]Wolfhagen, *Job Search Strategies: Lessons from the Louisville WIN Laboratory.*

[120]Bane, "Welfare Reform and Mandatory Versus Voluntary Work."

relationships between workers and clients in which each blames the other, and toward worker laziness in the form of either blaming or excusing clients."[121]

Voluntary programs can be perceived as less serious but "under good management,... a voluntary program can engender even more enthusiasm and zeal on the part of both workers and clients than a mandatory program. In a voluntary program, more of the burden for success falls on the workers: they must sell and motivate the clients. In doing so, however, they are likely to convey a strong impression that success is possible, that jobs can be found and that clients can capably fill them."[122]

Based on her analysis, the author concluded that "good programs can be run under either rubric, and that bad management can subvert either. Given the current structure and culture of welfare offices, however, the dangers of slipping into those bad management practices characteristic of mandatory programs are probably greater than of falling into the pitfalls of voluntary programs."[123]

Conclusions

The Family Support Act requires states to give first consideration to volunteers within the target groups specified in the law. State administrators may also wish to emphasize voluntary participation for those recipients not in the target groups. Several states have also offered voluntary intensive education and training components within a larger mandatory program.

The research provides several examples of successful voluntary programs. The Massachusetts ET Choices program demonstrates that a statewide voluntary program is feasible and that it can attract sufficient numbers of participants. Data from the GAIN Program in California indicates that volunteers are more likely than mandatory participants to take part in program activities. Even less intensive job search programs in Louisville were able to attract substantial numbers of participants on a voluntary basis.

Voluntary programs have also been found to lead to increases in the employment and earnings of participants. Supported Work, the AFDC Homemaker-Home Health Aide Demonstrations, and the TOPS program in Maine

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[121]Bane, "Welfare Reform and Mandatory versus Voluntary Work," p. 287.

[122]Bane, "Welfare Reform and Mandatory versus Voluntary Work," pp. 287-288.

[123]Bane, "Welfare Reform and Mandatory versus Voluntary Work," p. 288.

all improved the employment and earnings of participants. In New Jersey, a small voluntary program funded by grant diversion increased the total earnings of participants compared with a control group.

There is little research on the impacts of voluntary compared with mandatory employment activities. However, in the two programs in which the impacts on voluntary and mandatory participants were compared -- the Louisville WIN Labs -- improvements in earnings were greater for volunteers than for mandatory participants.

The research does not support the idea that only the most job-ready recipients will volunteer for these programs. Although staff in Maine and New Jersey screened potential participants for some employment-related characteristics, the programs did reach recipients with substantial employment barriers. Moreover, in one program for which recipients were not screened -- the Louisville Group Job Search WIN Lab -- about half of those considered "non job-ready" volunteered for the program.

Given these findings, state administrators should not be deterred from encouraging volunteers by the fear that these programs will be less successful than programs in which AFDC recipients are required to enroll. In addition, as Mary Jo Bane has pointed out, voluntary programs can create a more positive atmosphere with less push toward nominal compliance and more enthusiasm for finding employment for recipients.

The GAIN data suggest another advantage for voluntary programs. The GAIN volunteers participated for more hours than mandatory participants. This indicates that program administrators who want to ensure that participants put in enough hours to enable the state to meet the 20-hour average participation requirement may find it easier to meet this standard with voluntary than with mandatory participants.

There may be further advantages to voluntary programs. Participants in voluntary programs may be more enthusiastic and committed to completing the program, since they have chosen this activity. Some voluntary programs, such as the one in Massachusetts, place great emphasis on the voluntary nature of the program to enforce the message that the individual recipient is responsible for her own life choices, to reinforce her decision-making skills, and to increase her self-esteem.

VIII. CONCLUSIONS FROM THE RESEARCH

The Family Support Act sets new directions in federal policy toward employment programs for AFDC recipients. The Act recognizes the importance of employment services for those with greater barriers to employment and requires states to spend a majority of their JOBS funds on several groups of more disadvantaged recipients. It also emphasizes the importance of education by requiring states to provide educational services to young parents and other recipients with less education.

Much of the Act's emphasis on education and on employment services for less job-ready recipients stems from research conducted in the past five to 10 years. This research has shown a strong association between earnings and levels of education and basic skills. These findings suggest that educational services, both basic education and post-secondary programs, are likely to be good investments for state JOBS programs.

The research has also expanded our knowledge of who benefits from certain kinds of employment services and which types of services are most effective for different groups. Contrary to what was believed a few years ago, AFDC recipients who are most job-ready do not benefit the most from the types of employment services that have been provided in the past, since many of them are able to find jobs on their own. It is those who are less likely to find employment who derive the greatest benefits.

For the least job-ready recipients, more intensive education and training services appear to be needed. The advantage of investing in more intensive services for these clients is that these services can increase the likelihood that recipients will find jobs providing an income sufficient to lift them out of poverty and to enable them to remain off AFDC over the long term.

States designing JOBS programs will find they generally get what they pay for. Programs providing more education and other intensive services are likely to be more expensive per participant than programs providing only minimal education services and concentrating instead on job search or similar less intensive services. The benefits of providing more intensive services, however, may well outweigh the costs, both in improvements in the lives of some of the poorest mothers and children and in the gains states may realize even if only a small portion of their longer-term AFDC recipients are able to achieve self-sufficiency.

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