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## A New Path from Welfare to Work

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The new welfare law, the Personal Responsibility and Work Opportunity Reconciliation Act, represents a major step in welfare reform by promoting work-based programs, but there is still room to improve the law within the confines of the new political consensus that those who are on welfare need to be put on a path that takes them into the labor market and keeps them there. This will require a whole new way of thinking about welfare. To realize the goals of work and self-sufficiency involves no less than breaking down distinctions between welfare programs and other employment programs. It involves achieving a more coherent and comprehensive employment policy by merging existing welfare and employment bureaucracies.

The opportunity this legislation offers to the states to create employment programs is an opportunity they should seize to integrate existing programs for assisting the unemployed with programs for assisting welfare recipients. Because the new law requires more recipients to enter the labor market, the public sector will find it necessary to find ways in which it, along with the private sector, can create the job opportunities to absorb them. More comprehensive employment programs might cost the nation more money in the short term, but they will be worth it in the long term if the result is a better set of institutional structures that add vitality to the labor market. In the end, there is no way around the fact that if we, as a society, want to reform welfare in a meaningful way, we will have to pay for it.

The new welfare ends the entitlement status enjoyed by the old AFDC system. Instead, states receive block grants and funding is subject to the annual appropriations process. The grants allow states flexibility to create programs that best meet their needs, but in order to receive the grants, the states must follow an array of regulations designed to facilitate the transition from welfare to the labor market. The new law sets a timetable for states to reduce their welfare rolls and calls for mandatory work requirements, but assumes that states will create their own work-based programs, as several have already done under waiver.

One of the more successful state programs is the one in Wisconsin. But as successful as Wisconsin has been in finding jobs for people who are immediately employable and in assisting those who cannot move directly into the labor market with a variety of employment options, its Wisconsin Works W-2 program costs the state substantially more than the block grant it receives from the federal government. The expected cost in Wisconsin, for instance, for the fiscal year beginning in 1997 is \$1.091 billion; \$653 million is from federal block grants and the difference comes from state funds. In 1995 there were 72,366 AFDC cases in Wisconsin. Spending the entire current budget on that caseload would mean a cost per case of roughly \$15,070. If the plan were implemented nationwide, costs would increase from the \$22 billion spent on AFDC alone in 1995 to approximately \$72.6 billion.<sup>1</sup> Without federal support, it is unlikely that many states will be willing or financially capable of creating programs such as that in Wisconsin. But spending more is what we must do if we really want to move people from welfare to work.

The old system, in its initial design, reflected a societal norm of the time??that mothers with small children should remain at home (Teles 1996; Gordon 1994). The norm, however, has changed, and it is now demanded that they work. Therefore, it is perhaps time to end the artificial distinction between employment policy and welfare policy. Instead of increasing funding for existing programs, more money ought to be appropriated for transitional services such as education and training. Ways should be sought by which existing job training programs could be coordinated with the new efforts to assist the poor. The key is to add greater unity and coherence to the welfare and work programs. Congress has already begun the process of reforming unemployment insurance and workforce development. Those reforms and the streamlining of existing programs could be the foundation of a more comprehensive employment program.

As part of the reform of the unemployment insurance (UI) system, the Unemployment Compensation Amendments of 1993 established a system whereby individuals, upon filing for UI benefits, are profiled according to demographic and occupational characteristics. The goal of worker profiling is to identify people who are likely to be unemployed for long periods. Those so identified are targeted for job search assistance. The UI system thus already contains a basis upon which the long-term unemployed could receive training in order to meet the new demands of the labor market. This training could be provided by offering vouchers to employers for on-the-job training. The cost of these vouchers could be partly offset by the UI benefits the long-term unemployed would have received during an extended period of unemployment. This would allow employers to train their workers to meet their own specific needs (Levin-Waldman 1996). The literature indicates that on-the-job training is more effective than program training because it is specifically geared to employer needs (Lynch 1994).

If we could end the welfare-unemployment distinction and make use of training vouchers, the welfare stigma would no longer exist. Current welfare recipients might then have an easier time finding employment. Therefore, it would seem logical to look to the current UI system for the resources necessary to implement more comprehensive employment programs. Moreover, as the new welfare appears to point toward a path of workforce development, several policies ought to be considered for improving the new law. At a minimum, it ought to require that all states provide job search assistance. In the end, this could prove to be more effective than simple workfare. A truly streamlined welfare-work bureaucracy would ultimately give substance to the Employment Act of 1946, the objective of which was to ensure that all those who want to work are able to do so. All assistance programs of the future ought to be predicated on the notion that people need to work and that the goal of public policy is to provide opportunity, not entitlement. If new institutional structures can be created that will end the stigma associated with traditional assistance, they will ultimately achieve greater middle-class acceptance (Gans 1995). Improvements to the new welfare would include the following.

- Existing welfare bureaucracies would be merged with employment bureaucracies to offer more efficient delivery of employment services. The welfare state would no longer be characterized by public assistance programs, but by comprehensive employment services.
- Unemployment offices would no longer distinguish between those who were recently laid off and those who have been on welfare. Each applicant would be evaluated on the basis of what services she or he needs in order to obtain employment.
- Profiling would be used to identify those most likely to have the greatest difficulty in obtaining work. Those so identified would be targeted for education and training programs.
- States would at a minimum provide job search assistance.
- Subsidies would be made available to employers to hire welfare recipients, but these subsidies would be tied to on-the-job training requirements.
- Those identified as most likely to need comprehensive employment services would be among the first to be selected for an employer-based voucher program, which offers vouchers to employers to hire and train workers.

Efforts to improve the new welfare would involve streamlining existing programs and ultimately creating new institutional structures. Congress, to some extent, has already begun this process with its recent passage of the Workforce Development Act. The act essentially consolidates more than 100 federally funded training programs administered by 15 different federal agencies at a cost of more than \$20 billion annually, and it creates a new structure for their funding, principally through block grants. The idea behind this law was to make the United States more competitive globally by eliminating the fragmentation inherent to the old training

system and creating "coherent, integrated statewide workforce development systems designed to develop more fully the academic, occupational, and literacy skills of all segments of the workforce."

Consolidated workforce development works in much the same way as the new welfare. States submit to a national governing board their plans for providing many of the same types of services that are to be provided under the new welfare and the unemployment insurance reforms. Just as they must do with the new welfare, states are required to offer a core set of services that at a minimum include outreach, intake, and orientation to whatever information and services are available through one-stop career centers; initial assessment of skills, aptitudes, abilities, and supportive service needs; job search and placement assistance and career counseling if appropriate; screening and referral of qualified applicants to employment; and the provision of accurate information relating to local labor market conditions.

Workforce development involves considerable emphasis on training. And to the extent that welfare recipients will, under the new welfare, be required to participate in education and training programs, the new welfare effectively moves in the same direction. Just as the new welfare returns welfare policy to the states under a uniform set of federal regulations, so, too, does the new law on workforce development. The question is, therefore, why are workforce development, welfare reform, and unemployment insurance operated as separate entities. If the goal of the new welfare is to end dependency and foster a greater work ethic, then it needs to be tied more closely with existing policy aimed at developing the workforce. Not only would this lead to greater efficiency in the delivery of public services, but it would also end the stigma now attached to welfare. Instead of viewing the new system as welfare policy with new flexibility, we should look at it as an opportunity to create a more comprehensive employment program that would replace outmoded welfare and public assistance. For this to occur, a new institutional structure is essential. This can involve no less than breaking down the artificial bureaucratic distinctions between those programs traditionally regarded as welfare and those programs tradition-ally regarded as employment. All these programs should be viewed as sharing a single goal: to enable people to work.

## Note

<sup>1</sup> This figure is derived by multiplying the cost per case by the national caseload, which, according to unpublished tables by the Administration for Children and Families in the U.S. Department of Health and Human Services, was 4.818 million. This figure represents an average. It does not take into account cost-of-living disparities or the costs associated with addressing entrenched social pathologies. Therefore, \$15,070 per case might overstate the costs in places like Arkansas and Mississippi, but understate them in places like New York and California.

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Oren M. Levin-Waldman is a resident scholar at The Jerome Levy Economics Institute. His research focuses on transforming the welfare and unemployment insurance systems in order to achieve greater efficiency, equity, and effectiveness in the delivery of service and on developing a methodology for analyzing public policy that relies on the application of political philosophy as well as cost-benefit analysis. Recently, he has been examining the effects of a change in the minimum wage, worker displacement due to plant closures, welfare reform and the potential for workforce development, and political realignment in the electorate. He is the author of *Plant Closure, Regulation, and Liberalism: The Limits to Liberal Public Philosophy* ; *The Consolidated Assistance Program* (Public Policy Brief No. 21); *Making Unemployment Insurance Work* (Public Policy Brief No. 26); and *Reconceiving Liberalism: Dilemmas of Contemporary Liberal Public Policy* . He received a B.A. in history, an M.A. in urban studies, and a Ph.D. in political science from Temple University.

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