

Statement of
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before the
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Committee on Agriculture
U.S. House of Representatives

September 26, 1986

NOTICE

This statement is not available for public release until it is delivered at 9:30 a.m. (EDT), Friday, September 26, 1986.

Mr. Chairman, it is a pleasure to appear before this Subcommittee to discuss employment and training programs for recipients of public assistance. Congressional Budget Office (CBO) staff members are currently conducting a study of work-related programs and options for recipients of Aid to Families with Dependent Children (AFDC). We are not specifically focusing on food stamp recipients, though of course the majority of AFDC recipients receive food stamps as well.

After providing background on the past development of work-related programs for welfare recipients, my remarks will cover three topics:

- o The goals of work-related programs for welfare recipients;
- o The extent to which past programs have achieved specific objectives; and
- o Several issues arising out of the particular characteristics of the food stamp program and its recipients.

BACKGROUND

Legislation involving work-related programs for welfare recipients has developed along two tracks. One is the enactment of programs explicitly designed for recipients of income transfer programs. The Work Incentive Program (WIN), established in 1967, provides AFDC recipients and appli-

cants with activities intended to help them become self-sufficient. 1/ The Omnibus Budget Reconciliation Act of 1981 (OBRA) and the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) authorized states to establish alternatives to WIN and to require, at each state's option, that certain AFDC recipients participate in job search assistance, unpaid work experience ("workfare"), or other activities. The Food Security Act of 1985, discussed further below, requires each state to implement an employment and training program for certain food stamp recipients by next year.

On a separate track, the Congress has developed employment and training programs whose primary target groups are low-income people, many of whom are also recipients of income transfer programs. The Manpower Development and Training Act of 1962 was the first major federal job training program. It was replaced by the Comprehensive Employment and Training Act of 1973 (CETA), which was in turn replaced by the Job Training Partnership Act of 1982 (JTPA).

Federal outlays for general employment and training programs have been much larger than for the programs specifically designed for welfare recipients. In the current fiscal year, the federal government will provide

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1. The Community Work and Training Program, enacted in 1962, and the Work Experience and Training Program, enacted in 1964, both provided work-related assistance to welfare recipients. They were superseded by the Work Incentive Program (WIN).

states with \$1.9 billion for training and related activities authorized by JTPA, compared with about \$200 million for WIN and less than \$100 million for other AFDC work programs. 2/ Because many participants in JTPA are welfare recipients, more federal money is likely to be provided for job-related assistance to recipients through JTPA than through the programs specifically designed for recipients, at least over the next few years. 3/

PROGRAM GOALS

Proponents of work-related programs for welfare recipients offer several different goals.

Raising Living Standards. Some proponents view the major goal of such programs to be raising the living standards of the recipients and their families, primarily by increasing their immediate or future earnings. This

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2. The total amount spent for work-welfare programs will be larger, because state governments also spend money on some of these programs.

Future federal outlays are difficult to project because, under the matching rules, federal outlays depend in part on the amounts spent by the states. The implementation of California's Greater Avenues for Independence (GAIN) program, for example, could significantly increase federal costs.

3. About 40 percent of the people enrolled in activities authorized by Title II-A of JTPA in 1985 were recipients of cash or noncash public assistance. Among these recipients, about half received AFDC and three-fourths received food stamps (including many of the AFDC recipients).

goal is shared with broader training programs, such as JTPA, that are designed to increase the participants' earnings. 4/

Reducing Welfare Costs. Many supporters see work-welfare programs as a means of reducing the number of people on welfare or decreasing their monthly benefits. One way of achieving this goal is to help recipients increase their earnings, as I just described. Another way to reduce welfare costs is by deterring people from applying for, or continuing to receive, benefits.

Enforcing an Obligation on Recipients. For others, the major goal of work-welfare programs is to enforce an obligation on all members of society to contribute to it in whatever ways they can. From this perspective, the recipient of welfare benefits has an obligation to do something in return--for example, participating in designated activities such as job search assistance programs, training, or unpaid work experience.

PROGRAM EFFECTIVENESS

In recent years, knowledge about the effectiveness of work-welfare programs has grown substantially. Researchers from the Manpower Demonstration Research Corporation (MDRC) have been conducting a major

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4. Whether earnings gains of the recipients result in increases in their living standards also depends, however, on the extent to which they are offset by reductions in cash welfare and related benefits.

evaluation of work-related demonstration projects for AFDC recipients and applicants and have published final reports for sites in three states. In addition, this summer the Department of Agriculture released a major assessment of food stamp work registration and job search demonstration programs by researchers at Brandeis University and Abt Associates.

Before discussing specific findings, I want to emphasize that the evaluation literature provides a wide range of estimates of the effects of work-related programs. This range results in part because the environments within which the programs operated have varied considerably over time and between locations. For example, in the AFDC and food stamp work-welfare demonstration projects, the strength of labor markets differed substantially among project sites. Researchers have not been able to disentangle the effects of variations in labor market conditions from variations in other circumstances, such as the level of AFDC benefits, or differences in the design and implementation of the programs.

Three findings, however, do recur throughout the evaluation literature on work-related programs. First, in a wide variety of settings and with a wide variety of program structures, these programs increase the average earnings of economically disadvantaged female participants. For example, MDRC found such an increase in their recent evaluations of demonstration programs for AFDC recipients in Arkansas, California, and Maryland and previously found it in their evaluation of the National Supported Work

Demonstration Program. The Congressional Budget Office and the National Commission for Employment Policy (CBO-NCEP), in a joint study of the effectiveness of CETA training programs for adults, reached a similar conclusion. We estimated that the average earnings of females increased as a result of their participation—by about \$1,700 annually (expressed in 1985 dollars), to a level about 40 percent more than their estimated earnings in the absence of the training. For men, the estimated gains from participating in CETA training activities were small and not statistically significant.

Second, the largest increases in participants' earnings occur for those with the least previous work experience. This result—found, for example, in the CBO-NCEP study of CETA—is not surprising since the majority of the gains in earnings were associated with increased hours of work rather than higher wage rates. In short, participants who were expected to work little or not at all in the absence of the program had the opportunity to expand their hours far more than those who would have worked substantial amounts anyway. This result helps explain the greater effectiveness of programs in raising the earnings of female participants, a larger share of whom have little previous work experience.

Third, the effects of the programs—whether they result in welfare savings, increases in the standards of living of the participants, or both—vary considerably. MDRC researchers, for instance, estimated statistically significant AFDC savings in Arkansas, but not in Maryland. The average

incomes of participants (earnings plus AFDC benefits) were estimated to have increased in Maryland, but not in Arkansas. In California, the results varied among treatment groups.

In terms of the third goal--enforcing an obligation on recipients--the studies by MDRC provide new information. The majority of participants interviewed in each of the three states who were aware of the work-related obligation indicated that they felt that it was fair.

SPECIAL CONSIDERATIONS FOR THE FOOD STAMP PROGRAM

The Food Security Act of 1985 requires each state to design and implement an employment and training program for nonexempt food stamp recipients by April 1, 1987. ^{5/} Among recipients exempt from participation in this program are those in compliance with the work requirements of the AFDC program, recipients caring for children under age 6, recipients under age 16 or over age 59, disabled recipients, and those who are working at least 30 hours a week or earning at least the equivalent of the minimum wage for 30 hours. States have considerable flexibility in determining the design of their programs, which may include job search assistance, workfare, training, or other activities to enable recipients to increase their employability. The Secretary of Agriculture is required to allocate among the states a specified

5. The state's plan is subject to the approval of the Secretary of Agriculture.

sum (\$50 million in 1987). In addition, each state is to be reimbursed for half of the costs it incurs that exceed its allocation.

The Food Stamp program differs from AFDC in several ways that might affect the implementation and effects of these work-related requirements. First, because a higher percentage of food stamp than AFDC recipients subject to work-related requirements will be men, it is likely that a higher percentage of them will have had recent work experience. This factor may make it more difficult to design training programs that will increase their long-term earnings, at least if the experience with CETA is applicable.

Second, the average monthly benefit from food stamps is much lower than that from AFDC, and the average duration of benefits is probably much shorter. Consequently, work-related requirements may be more of a deterrent for food stamp recipients than for AFDC recipients. ^{6/} Moreover, the savings to taxpayers of helping someone to get off of food stamps, rather than AFDC, may be substantially lower as well.

Third, the federal government provides all of the funds for food stamp benefits, compared with a nationwide average of about 55 percent of the

6. A person who risks losing, for example, \$80 in food stamps each month may be less willing to participate in a work-related program than one who risks losing a \$300 AFDC grant and accompanying Medicaid eligibility.

cost of AFDC benefits. None of the direct savings from reducing food stamp benefits would accrue to the states, although they might achieve savings in other programs, such as General Assistance. Consequently, states may have relatively small incentives to design and implement a work-related program that would be effective in increasing the earnings of the recipients, especially if doing so would raise their administrative costs.