INFORMATION TO USERS

This dissertation was produced from a microfilm copy of the original document. While the most advanced technological means to photograph and reproduce this document have been used, the quality is heavily dependent upon the quality of the original submitted.

The following explanation of techniques is provided to help you understand markings or patterns which may appear on this reproduction.

- The sign or "target" for pages apparently lacking from the document photographed is "Missing Page(s)". If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting thru an image and duplicating adjacent pages to insure you complete continuity.
- 2. When an image on the film is obliterated with a large round black mark, it is an indication that the photographer suspected that the copy may have moved during exposure and thus cause a blurred image. You will find a good image of the page in the adjacent frame.
- 3. When a map, drawing or chart, etc., was part of the material being photographed the photographer followed a definite method in "sectioning" the material. It is customary to begin photoing at the upper left hand corner of a large sheet and to continue photoing from left to right in equal sections with a small overlap. If necessary, sectioning is continued again beginning below the first row and continuing on until complete.
- 4. The majority of users indicate that the textual content is of greatest value, however, a somewhat higher quality reproduction could be made from "photographs" if essential to the understanding of the dissertation. Silver prints of "photographs" may be ordered at additional charge by writing the Order Department, giving the catalog number, title, author and specific pages you wish reproduced.

University Microfilms

300 Nòrth Zeeb Road Ann Arbor, Michigan 48106 A Xerox Education Company

73-12,831

SUPALLA, Raymond Joseph, 1944-THE POTENTIAL FOR INCREASING EARNED INCOME OF WELFARE RECIPIENTS IN RURAL AREAS: A CASE STUDY OF ALLEGAN COUNTY, MICHIGAN.

l

Michigan State University, Ph.D., 1972 Economics, agricultural

University Microfilms, A XEROX Company, Ann Arbor, Michigan

.

.

THE POTENTIAL FOR INCREASING EARNED INCOME OF WELFARE RECIPIENTS IN RURAL AREAS: A CASE STUDY OF ALLEGAN COUNTY, MICHIGAN

By

.

Raymond Joseph Supalla

A THESIS

Submitted to Michigan State University in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

Department of Agricultural Economics

PLEASE NOTE:

. .

.

.

.

Some pages may have Indistinct print. Filmed as received. .

.

•

University Microfilms, A Xerox Education Company

ABSTRACT

THE POTENTIAL FOR INCREASING EARNED INCOME OF WELFARE RECIPIENTS IN RURAL AREAS: A CASE STUDY OF ALLEGAN COUNTY, MICHIGAN

By

Raymond Joseph Supalla

Welfare costs and caseloads have risen to unprecedented levels both nationally and in Michigan and continue to increase rapidly, with the largest increases a result of the Aid to Families with Dependent Children (ADC) program. During the five years ending in January, 1972, the number of ADC recipients increased from two to six per cent of Michigan's total population, while total payments to recipients increased five and one-half times.

If welfare costs are to be reduced without relinquishing responsibility for society's poor, one must necessarily focus on increasing the earned income of the welfare prone population. The overriding question thus becomes, what is the potential for increasing earned income of welfare recipients and what is the best way to exploit that potential? Specifically, this study concerns the earned income potential for ADC recipients in rural areas.

A case analysis of a single rural Michigan county was the approach used in the study. The procedural components included: a detailed description of the Allegan County ADC clientele, with special focus on those variables believed to be important to employability; a description of the Allegan County labor market, including a survey and analysis of available job vacancies; and multiple regression analysis for explaining differences in length of time on assistance, level of earned income, and the probability of being employed. The results of the regression analysis are used as a means of identifying the client characteristics and other factors which are important determinants of employability. With the information regarding ADC client characteristics, available job vacancies, and the significance of each of the employability variables, inferences were drawn regarding the potential for increasing earned income of ADC recipients and the types of policy action needed.

For the most part, the Allegan County ADC adult recipients are relatively young (30.0 per cent less than age twenty-five), have 8-11 years education, are healthy, and have some work experience. The young tend to be better educated, are less likely to own an automobile, have better health and less work experience. Males have more work experience, but tend to be younger and have less education than females. The ADC population of rural Allegan differed from that of the more urban parts of Michigan in that the Allegan caseload included nearly three times the proportionate number of unemployed father cases. Also, Allegan ADC clients are better educated and possess more and better work experience than is characteristics of urban Michigan.

The survey and analysis of available job vacancies revealed that there were very few job vacancies in the county relative to need, but a large number of those which were available had entry requirements within the range of skills possessed by ADC clients. The greatest need was for operatives, followed in descending order by service workers, nonfarm laborers, and craftsmen or foremen. Job entry requirements established by employers in terms of education, training, and work experience did not appear to be excessive and there was an expressed willingness to make special provisions for disadvantaged people.

With respect to the client characteristics that influence earned income potential, health, age, and work experience emerged as significant. The absence of an automobile and the presence of young children appeared to be significant barriers to joining the work force. Years of education was not significant.

Consideration of policy alternatives indicated that job creation was most needed and that, in this context, public service employment had considerable potential. Of the other policy alternatives considered, elimination of the 100-hour rule for ADC-U fathers and a program to ease the difficulty of acquiring an automobile appeared to hold the greatest potential for increasing earned income of welfare clients and, accordingly, reducing welfare costs.

TO MY PARENTS

to whom I owe my interest in rural life and my concern for the welfare of others

.

ACKNOWLEDGMENTS

This dissertation represents to me not what I have done, but what others have done for me.

From my parents, I received a love of rural life and a concern for the welfare of man that has been my source of motivation for this study and all that came before it.

From Professors Carroll V. Hess, E. Fred Koller, and Dale C. Dahl, Department of Agriculture and Applied Economics, University of Minnesota, I received the stimulus for studying Agricultural Economics and the requisite personal confidence.

From the Department of Agricultural Economics, Michigan State University, I received the necessary financial support for graduate study and was provided an excellent learning environment.

From Professor A. Allan Schmid, major advisor, teacher, and humanitarian, I received an intellectual perspective, a teaching philosophy, and a human problem orientation that will remain with me forever more.

From other members of my committee, James D. Shaffer, James Booth, and Collette Moser, I received the guidance and assistance necessary for the completion of this study.

iii

From my wife, I received the personal sacrifice, support, and encouragement so necessary for successful graduate study.

To each and all I remain eternally grateful.

TABLE OF CONTENTS

.

Chapter															Page
I.	INTR	ODUC	TION	•	•	•	•	•	•	•	•	•	•	•	1
	A.	Prob	lem	Set	ting	ſ	•	•	•	•	•	•	•	•	1
	в.	Purp	ose	of	the	Stu	ldy	•	•		•	•	•	•	5
	Ċ.	Scop	e of	th	e St	udv	, 1	•		•		•	•	•	6
	р.	Obie	ctiv	88						•	•	•		•	7
	E.	Stud	y De	sig	nan	nd F	orm	at	•	•	•	•	•	•	7
II.	метн	ODOL	OGY	•	•	•	•	•	•	•	•	•	•	•	10
	А.	Meth	odol	ogi	cal	Iss	ues		•	•	•	•	•	•	10
	в.	Theo	ry	•	•	•	•	•	•	•	•	•			12
	с.	Empi	rīca	1 S	uppo	ort	for	th:)e	Theo	pry	•	•	•	17
	D.	The	Stud	v M	lodel		•	•	•	•	•	•	•	•	19
	Ε.	Form	ulat	ion	of	Hvr	oth	ese	28	and	Tes	stir	a .		
		Proc	edur	68					-						20
	F	Droc	odur	ъ f	or z	Nal		na	Po	licu	,	•	-	-	
	£ •	Alte	rnat	ive	S S	•	•	•	•	•	•	•	•	•	26
III.	THE	ALLE	GAN	ດວນ	NTY	LAB	BOR	MAF	RKE	T	•	•	•	•	28
	А. В.	Labo Indu	or Ma stry	rke	t De Occu	efir upat	niti Lion	.on al	St	ruct	ture	•	•	•	29 32
		1. 2.	Empl Empl	.ογπ .ογπ	ent ent	Lev Lev	vels vels	r p? r p?	, I , O	ndus ccup	stry	on	•	•	32 41
			a. b.	Est Cen	imat sus	tes Bui	Usi ceau	ing 1 Ef	th sti	e Bl .mate	LS N es	latı •	ix.	•	41 43
	C. D.	Labo Dise	or Fo equil	ibr	Cha cium	arac in	ter	ist E La	tic abc	s r Ma	arke	et	•	•	47 51
	Б.	Vaca	incie	38	·	•	•	•	•	•	•	•	•	٠	54
		1. 2.	The Rest	Dat 11ts	a s of	the	e Ja	>b \	Vac	canc	y . SI	urve	∍у	•	54 58
IV.	DESC	CRIPT	CION	OF	THE	AD	c c <i>i</i>	ASE	loa	D	•	•	•	•	67

Page

. . . .

.

	A.	The	ADC	Prog	graπ	l 👘	•	•	•	•	٠	•	•	•	67
	в.	The	Data	1.	•	•	•	•	•	٠	٠	٠	•	•	69
	с.	Clas	ssifi	icati	lon	of	the	a Al	DC (Case	2108	ıd	•	•	72
	D.	Chai	cacte	erist	:ics	i of	E Ad	lult	: Re	acij	pier	its	٠	٠	75
		1.	Fami	ily s	Stat	us	and	1 Se	ex (of 1	Adul	Lt			
			Reci	pier	nts	•	•	•	•	•	•	•	•	٠	76
		2.	Age	•	•	•	٠	•	•	•	•	•	•	•	78
		3.	Race	≥	•	•	•	•	•	•	•	•	•	•	79
		4.	Educ	catio	on	•	٠	•	•	•	•	٠	•	•	81
		5.	Heal	Lth	•	•	•	•	•	•	•	•	۰	.•	84
		6.	Fami	Lly S	Size	a a	nd 1	the	Ava	aila	abil	Lity	<u>y</u> o:	£	
			Moth	her i	Eor	Emj	blol	ymei	nt	•	•	•	•	•	86
		7.	Plac	ce ar	nd I	len	gth	of	Re	side	ence	3	•	٠	91
		8.	Avai	llab	ilit	Y (of 1	rai	nsp	orta	atio	on	•	•	93
		9.	Emp]	Loyme	ent	Hi	sto	CY .	•	•	٠	•	•	٠	94
		10.	Earr	ned 1	Inco	ome	•	•	•	•	٠	•	•	•	101
		11.	Time	e on	Ass	sis	tand	ce	•	•	•	•	٠	•	103
-	E.	Com	binat	tion	s of	E C	hara	acte	eri	sti	cs	•	•	•	105
	****	T 120 T (110 D (• •	NITST I	1031	• • • •		N D NU	en			
v .		UNE 3 Pist:	DOULS	EAC:	ruka	2 T	NE TV	JEIN	~ T 14	GE	HILLIN	لال			108
	TIAC	OME 1	POID	NT TA	L	•	•	•	•	•	•	•	•	•	100
	A.	Sig	nifi	cance	e of	EC	lie	nt (Cha	rac	ter	ist.	ics		
		as	Dete	rmina	ants	3 0	f Ea	arn	ed	Inc	ome				
		Pot	entia	al	•	•	•	•	•	•	•	•	•	•	108
		1.	Reg	ress	ion	Mo	del	Fo	rmu	lat	ion	an	đ		
			Est:	imat.	ion	•	•	•	•	•	•	•	•	•	110
			a.	Len	gth	of	Ti	me	on .	Ass	ist	anc	e	•	110
			b.	Lev	ēl (of	Ear	ned	In	com	e	٠	•	•	113
			c.	Pro	bab:	ili	ty d	of 3	Bei	ng	Emp	loy	eđ	•	115
		2.	Inte	erpro	eta	tio	n o	f R	egr	e 8S	ion				
			Res	ults	•	•	•	•	٠	•	•	٠	٠	•	117
			a.	Pla	ce d	o£	Res	ide	nce	•	٠	•	•	•	118
			b.	Tra	nspo	ort	ati	on	•	•	•	•		•	119
			с.	Edu	cat	ion	•	•	•	•	•	•	•	•	121
			d.	Wor	k E:	xpe	rie	nce	•	٠		•			122
			e.	Age	•	-					•		•	•	123
			f.	Hea	lth	•		•	•	•	•	•	•	•	125
			g.	Num	ber	, A	ge,	an	dн	eal	th	of			
				Dep	end	ent	Ch	ild	ren	•	•	•	•	٠	126
			h.	Rac	е	•	•	•	•	•	٠	•	•	٠	129
	в.	Emp	loym	ent	Opp	ort	uni	tie	8	•	•	•	•	•	129
		-	-												

Page

		1.	Nur	nbei	c of	ΕJ	ob	Vac	anc	ies	Th	at				
		_	C1:	Len	ts 1	Are	Ca	pab	le	of	Fil	lin	ıg	•	•	130
		2.	Jol Wad	o Lo re l	oca: Rate	tio es	ns and	• th	• e P	• ote	nti	al	• for	•	•	134
		5.	Se.	lf-	Sup	por	t	•	•	•	•	•	•	•	•	135
	c.	Sum	nary	Y	•	•	•	•	•	•	•	•	•	•	•	140
177	EU 23	ד. דו אייט ד	ION	OF	DO	с. т.С	ע א	т.ФЕ	DNA	mτv	ES	FOR	2			
VI.	INC	REAS	ING	EA	RNE	DIC	NCO	ME	•	•	•	•	•	•	٠	142
	Α.	Modi	ífi	cat:	ion	in	El	igi	bil	ity	Cr	ite	eria	1	•	143
		1.	E1:	imi	nat.	ion	of	th	e 1	00	Hou	ır F	Rule	3	•	146
		2.	Re	duc	tio	n i	n t	he	Wel	far	e I	lax	Rat	:e	•	153
	в.	Trai	nsp	ort	ati	on	Pro	vis	ion	8	•	•	٠	•	•	155
	C.	Imp	rov	ed i	Day	Ca	re	Pro	gra	ms	•	•	•	•	•	160
	D.	Labo	or I	Mar	ket	In	for	mat	ion:	L	•	•	•	•	•	162
	Ε.	Educ	cat	ion	an	d I	'rai	nin	ıg	•	•	•	•		•	166
	F.	Pub	lic	Se	rvi	се	Emp	lov	men	t		•	•		•	171
	Ġ.	Cum	บไล	tiv	ρĀ	996	ssi	ent	of	Pc	lic	.v				
	0.	Opt:	ion	S	•	•	•	•	•	•	•	•	•	٠	•	175
		1.	Cu	mul	ati	ve	Eff	ect	: Wi	the	out	Pul	olid	2		
			Em	plo	yme	nt	•	•	•	•	•	•	•	•	•	175
		2.	Cu	mul	ati	ve	Eff	ect	: Wi	th	Puk	olio	2			
			Em	plo	yme	nt	•	•	•	•	•	٠	•	٠	•	178
	TNO		** *		nb	~ ~ ~	****		1701		ז חו		מוזר	- E-		
VII.	TN2	TITU	110	NAL	RE	URG	АЙТ	. 281	NOT:	AL I	ID I	(55)	JUR	-6		100
	REA	TTOC	A'I' I	ON	•	•	•	•	•	•	•	•	•	٠	•	190
	Α.	Cur	ren	t P	roa	ran	is a	ınd	Ser	vic	es	fo	r Al	DC		
		Rec	ipi	ent	 5			_								181
	в.	Nee	ded	Ch	ang	- 88	in	Res	sour	'ce	ÂIJ	loca	ati	on	-	185
	~. ~	Sug	404 707	+i 0	nø	for	- Tr	ati	+ 11+	ior	nal.				•	200
	U •	Doo	yca	510 510		101		10 41			IGT					180
	-	Reo.	rga	niz De	ati	011	•	•	•	•	٠	•	•	•	•	102
	D .	Nee	aea	ĸę	sea	rcı	1	٠	٠	•	•	•	•	•	•	192
VIII.	SUM	IMARY	AN	DC	ONC	LUS	SION	IS	•	•	•	٠	•	•	٠	196
BIBLIOG	RAPH	IY	•	•	•	•	•	•	•	•	•	•	•	•	•	203
APPENDI	CES															
APPEN	DIX	A	•				•	•	•	•	•	•	•		•	209
ADDEN	hty	B		-	_	_	_	_		_	_		r	r	_	211
AFEBN	UTV	-	•	•	•	•	•	•	•	•	•	•	•	•	•	т. Т. т. т.
APPEN	DIX	С	•	•	•	•	•	٠	•	•	٠	•	•	•	•	214
APPEN	DIX	D	•	٠	•	•	•	•	•	•	•	•	•	•	•	216

vii

LIST OF TABLES

Page

. .

Table

٠.

1.	Minimum One-Way Commuting Distances for Welfare Recipients at Various Wage Rates .	31
2.	Allegan County Employment Levels by Industry for the Years 1960, 1964, 1967, and 1970 .	33
3.	Allegan County Monthly Employment Levels by Major Industrial Category	38
4.	Employment Levels by Industry and Occupation, Allegan County Employers Only	44
5.	Employment Levels by Sex for Residents of Allegan County	46
6.	Per Cent Participation in the Labor Force by Sex and Age Group, 1970	49
7.	Years of Education Completed by Allegan County Residents by Sex	51
8.	Job Vacancy Survey Results	59
9.	Job Vacancies by Occupational Category, Minimum Entry Requirements and Average Wage Rates	61
10.	Distribution of the Allegan County ADC Caseload by Type of Case, Number of Recipients, and Reason for Assistance	74
11.	Family Status and Sex of Allegan County Adult ADC Recipients by Types of Cases	77
12.	Age Distribution of Allegan County Adult ADC Recipients	78
13.	Racial Distribution of the Allegan County ADC Caseload Based on the Race of the Family Head	80

. .

Page

.

14.	Years of Formal Education of Allegan County Adult ADC Recipients	82
15.	Health of Allegan County ADC Recipients by Family Status and Sex	85
16.	Family Size and Children's Age Distribution by Type of Case, Allegan County	87
17.	Status of Allegan County ADC Mothers with Respect to Availability for Employment	90
18.	Per Cent of Allegan County ADC Families Who Live in the Country or Village Respectively	92
19.	Per Cent of Allegan County ADC Families Who Do or Do Not Own or Have Access to an Automobile	94
20.	Work Experience of Allegan County ADC Recipients by Sex	96
21.	Per Cent of Various Groups of Allegan County ADC Recipients Who Left Their Last Job for Various Reasons	99
22.	Distribution of Earned Income Levels by Type of Case, Allegan County	102
23.	Length of Time on Assistance by Type of Case, Allegan County	104
24.	Combinations of Characteristics of Allegan County ADC Recipients	107
25.	Comparison of Available Jobs by General Entry Requirements with ADC Recipients by General Characteristics	132
26.	Estimation of the Impact on Welfare Incomes and Welfare Costs of Elimination of the 100 Hour Rule	150
A-1.	Monthly Welfare Assistance Allowances	210
в-1.	Maximum Income and Liquid Assets Allowed for Food Stamp Eligibility	212

.

B-2.	Food Stamp Schedule for Non-Assistance Cases: Four-Person Household	212
B-3.	Food Stamp Schedule for Public Assistance Cases	213

LIST OF FIGURES

Figure			Page
1.	Michigan Welfare Cost and Caseload Trends	•	2
2.	Welfare Choice Model	•	13
3.	Model of Constrained Welfare Choice	•	16
4.	Geographic Distribution of ADC Cases and Job Vacancies, Allegan County	•	136
5.	Frequency Distribution of the Budgeted Requirements of ADC Families and of the Net Wages from Available Job Vacancies .	•	138

хi

CHAPTER I

INTRODUCTION

A. Problem Setting

Welfare costs and caseloads have risen to unprecedented levels both nationally and in Michigan and continue to increase rapidly. Welfare expenditures for the categorical programs¹ in the State of Michigan, exclusive of administrative costs, totaled \$448,756,690 in fiscal 1971. The federal, state, and local shares were \$191,000,000, \$227,716,179, and \$30,040,511 respectively. Costs increased by 46 per cent relative to fiscal 1970 and by 133 per cent over the past five years. As illustrated by Figure 1, most of the increase can be attributed to the ADC and GA programs. In fiscal 1971 Michigan ADC cases increased by 50 per cent, while costs rose 69 per cent. Over the same period GA cases and costs increased by over 45 per cent. During the five years ending in January, 1972, the ADC caseload nearly quadrupled to about 145,000 families per

¹The term categorical programs as used here includes: Aid to Families with Dependent Children (ADC), Aid to the Aged (AA), Aid to the Disabled (AD), Aid to the Blind (AB), and General Assistance (GA).



Source: Report of the Welfare Study Commission, State of Michigan, Lansing, 1971. *Aid to the Blind (AB) is too insignificant to be displayed on the above graphs as scaled.

Figure 1.--Michigan Welfare Cost and Caseload Trends.

month. Relative to Michigan's total population, the number of ADC recipients increased from 2 to 6 per cent in the last five years, while total payments to recipients increased five-and-a-half times.²

Such large increases have alarmed the public and Congress has responded accordingly. In 1967, Congress enacted a series of amendments to the Social Security Act which, among other things, emphasized employment as an alternative to public assistance. The amendments increased the responsibilities of employment and rehabilitative agencies, who, in cooperation with welfare agencies, were to provide services and incentives to increase the employment of welfare recipients. In addition, we witnessed during the late sixties implementation of a series of other programs with similar goals, e.g., Work Incentive Program (WIN), Job Opportunities in the Business Sector (JOBS), and a variety of federally funded training programs. Behind these efforts was the belief that such activities would mean increased employment of welfare recipients and consequently reductions in caseloads and expenditures. Continued increases, however, suggest that different approaches or perhaps different levels of current approaches would be appropriate.

²Vernon K. Smith, <u>Employment of AFDC Recipients in</u> <u>Michigan</u>, Division of Income Maintenance And Employment Research, Research and Program Analysis, Michigan Department of Social Services, Lansing, Michigan, 1972, p. 1.

A number of proposals for change have recently been made. The most well known and, perhaps, most significant is Nixon's Family Assistance Plan (FAP). Congressional response to FAP, which is essentially a guaranteed income proposal with work incentive and job development provisions, was to pass the Talmadge amendments to the welfare bill. Whereas FAP sought to establish an income floor for families with dependent children and offered financial incentives to supplement that guarantee with earned income, the Talmadge amendments ignore incentives and focus on strengthening already existing work requirement provisions. These two approaches and most others share a basic similarity in that the emphasis is upon employment (workfare as an alternative to welfare). The overriding question thus becomes, what is the potential for increasing employment of welfare recipients and what is the best way to exploit that potential?

Researching the question posed above has several dimensions: description of welfare recipients with respect to employability; consideration of employment opportunities; analysis of factors hypothesized to be obstacles to increased employment of welfare recipients; consideration of hypothesized differences between demographic groups and geographic areas with reference to their public policy relevance; and development and evaluation of policy alternatives. A great deal of work has been done on most

of these components, with inconclusive results. Much is known about the general characteristics of welfare recipients³ and about work incentives.⁴ Little is known, however, about the possibilities for recipients to find employment in particular geographic areas or type of labor market or about how recipient characteristics vary between types of communities, e.g., rural vs. metropolitan. Perhaps more significantly, little is known about the expected impact of policy alternatives.

B. Purpose of the Study

If the objective of reducing welfare costs through increasing employment (earned income) of welfare recipients is to be met, both agency people and politicians must know first what the problems (obstacles) are and, subsequently, what impact on those problems is likely to result from particular public programs. The primary purpose of this study is to provide some of this information with reference to the needs of rural counties. A secondary purpose is to identify for future researchers what the conditions

³Profile of Michigan ADC Caseload, Michigan Department of Social Services, Lansing, Michigan, Research Paper No. 1, October, 1969; <u>Characteristics of Families</u> <u>Receiving AFDC</u>, National Center for Social Statistics, Social and Rehabilitation Service, U.S. Department of Health, Education and Welfare, 1961, 1967, 1969, and 1971.

⁴Leonard J. Hausman, "Potential for Financial Self-Support Among AFDC and AFDC-UP Recipients," <u>Southern Economic Journal</u>, (July, 1969); David Martin and Jane Leuthold, "Formulas for Income Maintenance: Their Distributional Impact," National Tax Journal, XXI, No. 1 (1968).

are in rural counties; what data is available and where it can be found; and what specific questions need further investigation.

C. Scope of the Study

Although the concern is with employment of welfare recipients in general, the term "welfare" is unnecessarily encompassing. Of the major categorical programs, Aid to the Aged and Aid to the Blind were eliminated from consideration at the outset because the participants are employable only under very special circumstances. This leaves Aid to the Disabled, Aid to Families with Dependent Children, and General Assistance. AD, as indicated in Figure 1, is not relatively significant and was eliminated for that reason. GA tends to be a catchall program characterized by substantial variability in administration between counties and was therefore eliminated. Thus, the study considers the employment potential of ADC recipients only.

Original plans were to consider three or four separate and distinct counties such that rural-urban and similar comparisons would be more feasible, but resource constraints and the paucity of secondary data rendered that impossible. It was therefore decided that an in-depth study of a single county was the best approach. Allegan County, Michigan, was chosen for reasons to be discussed later.

D. Objectives

The objectives of the study are: (1) to describe the ADC clientele and the Allegan County low skills labor market, (2) to diagnose the obstacles to increasing earned income of ADC recipients and assess their significance; (3) to suggest and evaluate policy alternatives for removing those obstacles; (4) to draw inferences regarding needed public welfare policies for rural areas in general; and (5) to suggest ways of improving the existing welfare system, including identification of research priorities.

E. Study Design and Format

Given the objectives of the study, the availability of data, and the current state of the art, a case study was selected as the preferred approach. A case study lends itself to in-depth and comprehensive analysis and is consistent with the needs of politicians and agency people. The single greatest disadvantage of a case approach is that the results are often not generalizable to other situations. But, drawing inferences regarding the welfare problem in other rural communities is certainly not precluded.

Allegan County was chosen as the study community for several reasons. First and foremost, there was considerable willingness on the part of agency people in Allegan County to cooperate in such a study. Secondly, it is characterized by a relatively diversified economy, i.e., substantial agricultural <u>and</u> manufacturing employment and

some recreation resources. Also, it does not include a city of any significant size. Because it is not particularly unique, results of the study should be somewhat generalizable to other rural areas.

The first portion of the study (Chapter II) consists of a brief review of the relevant economic theory, development of a basic theoretical model, enumeration of hypotheses, and a brief discussion of testing procedures. It constitutes the foundation for the study, but is not comprehensive in that several aspects to be investigated do not fit the conventional theoretical formulation and hypotheses testing framework.

Chapter III consists of a description and analysis of the Allegan County labor market. Demand and supply conditions are described with considerable attention devoted to conditions of labor market disequilibrium. In particular, job vacancies are estimated via a sample survey and extensively analyzed. Focus is on assessing the excess demand for the types of skills possessed by ADC recipients.

Description of the labor market is followed (Chapter IV) by a detailed description of Allegan County ADC recipients, including comparisons with recipients in other welfare jurisdictions. The emphasis is on those characteristics which one would expect to be important determinants of employability.

The core of the study (Chapter V) consists of an analysis of the factors influencing earned income potential.

Multiple regression analysis is used to explain differences in earned income levels, length of time on ADC, and the probability of being employed utilizing the model developed in Chapter II. Also, existing employment opportunities are assessed by contrasting the entry requirements of available job vacancies with the skills possessed by ADC recipients.

Results of the employability analysis are used (Chapter VI) in evaluating a series of policy alternatives. Among others, a reduction in the welfare tax rate, guaranteed loans to ease the difficulty of automobile acquisition, education and training, and public service jobs are considered. No attempt is made to conduct a rigorous benefit-cost analysis of the alternatives. As desirable as such results might be, data availability and resource constraints effectively preclude doing more than identifying basic relationships and estimating policy impacts.

The final stage of the study examines the operations of the Department of Social Services, Michigan Employment Security Commission, and federal manpower programs in terms of their consistency with the study results. Both resource use and institutional issues are considered.

CHAPTER II

METHODOLOGY

A. Methodolical Issues

This study is essentially addressed to what it is that policy makers could do to increase employment within the welfare prone population. Given the current stock of knowledge and resource constraints, it is impossible in one study to come up with definitive answers to this all encompassing question. Definitive statistically sound conclusions require intensive in-depth analysis. At some point in the development of knowledge in a problem area it is feasible to select a narrow component for in-depth study, because enough is known about the problem to determine for which components of the policy issue the research payoff will be significant, but unfortunately that point has not been reached in the case of the welfare employment issue. It cannot be determined, for example, whether it would be useful to conduct an in-depth study of the possibilities of public service employment until such time as more is known about the dimensions of the problem with reference to several policy alternatives of which public service employment is but one. Therefore, the methodology employed

in this study is designed to provide explorative results over a broad spectrum as opposed to more definitive results on a narrower component of the policy problem. Accordingly, the thrust of the analysis is on description of the problem situation and tests of hypotheses which seek not only to answer the question directly, but also have as a major purpose the identification of those aspects of the problem that most merit further in-depth investigation.

Before one can formulate specific relevant hypotheses, some basis for choice of hypotheses must be developed. In other words, a theory is needed where theory is defined as a plausible or scientifically acceptable general principle or body of principles offered to explain phenomena. Unfortunately, existing economic theory does not offer very much that is directly relevant to the questions asked herein. Much of the work by economists in the welfare problem areas has focused on the economics of the workwelfare decision in the form of attempts to predict caseload levels, i.e., explain why particular numbers of people choose welfare instead of employment. In this study, it is assumed that they choose a particular level of public assistance because it is the best of known alternatives and seek to identify what factors obstruct or limit perceived real opportunities for employment -- a somewhat different question. Nevertheless, the theory of the welfare-work decision which has been developed is useful

as an organizational frameowrk and as a base for development of a model (set of hypotheses) for testing. Furthermore, in the final analysis, the objective is to modify the choice spectrum, i.e., actual and perceived income opportunities, of welfare recipients such that they will choose more employment. Viewed in this context, the current theory of the welfare-work decision is quite relevant.

B. Theory

Brehm and Saving developed the initial model in 1964.⁵ They proposed a simple static model of consumer choice between income from work (defined as not being on welfare) and leisure (defined as being on welfare), with the line of attainable combinations modified to reflect the welfare stigma. This model, with an assumed 100 per cent tax rate and constant wages, is depicted in Figure 2. Income (Y) is measured vertically in dollars, and leisure (L) is measured horizontally.⁶ The indifference curves have the usual properties, i.e., nonsatiety, transativity, and diminishing marginal rates of substitution. Recognizing that there is some relative disutility associated

⁵C. T. Brehm and T. R. Saving, "The Demand for General Assistance," <u>American Economic Review</u>, LIV (December, 1964), 1002-1018.

⁶The unit of time used on the horizontal axis is hours and the maximum leisure hours represents some total time period, usually one day. Brehm and Saving made the conventional assumption that the maximum hours one could work is also the total time period.

with welfare income (the welfare stigma), the value of the welfare grant is discounted to k(Y) amount such that the line of attainable combinations becomes YmaxCB instead of YmaxCD. Without a welfare program, the consumer would operate at point A representing Y_0 units of income at a cost of L_0 units of leisure. With a welfare program consisting of an available grant of Ymin and a 100 per cent tax rate, but no welfare stigma, the individual depicted would choose point D, maximum leisure (no work) and the full welfare grant Ymin. However, assuming a welfare stigma such as that shown, the consumer would remain at Point A.



Figure 2.--Welfare Choice Model.

Like any initial effort, the Brehm and Saving model needs a great deal of modification before it is of much use. Of primary concern are the policy alternatives for increasing the proportion of work income as opposed to welfare income chosen by the welfare prone population. These alternatives can be viewed in the context of the Brehm-Saving model as consisting of two sets: those which focus on modifying preferences and those which alter the available options. Over the long run it may be appropriate to consciously seek preference changes, however, the problems addressed in this study are more immediate and short Therefore, in terms of the theory, attention is run. focused on modifications to the model discussed that will result in a more complete and realistic portrayal of the available options.

First, consider possible modifications to reflect the probability of being able to find employment at the individual's possible wage.⁷ A broup of people with particular job entry skills face the conventional budget line whose slope reflects the wage rate for their skill level(s). But, not all in the group will be able to find jobs at that wage such that the expected earned income of any one of the group is something less than the possible wage times the number of hours worked. This factor can be

⁷Possible wage is herein defined as the income per unit time an individual could earn if he were given the opportunity to utilize his existing skills.

viewed as imposing a parallel shift of the budget line downward and to the left. Also, since the probability of finding employment for different quantities of hours is likely not constant for all hours, the budget line may no longer be a straight line.

As noted by Hausman,⁸ one needs to consider not only the probability of finding employment at a given wage, but also the difference in income variance between earned income and welfare income. If earned income is more variable than welfare income and if there is a waiting period for getting on welfare (a transaction cost) then for some range, beginning at that point where working more means getting off welfare entirely, the individual will discount welfare income relative to earned income less than he otherwise would.

The next step in the development of the theory is to closely define the feasible region. As Peter Albin and Bruno Stein correctly point out,⁹ utility maximizers with low income are faced with more than just a budget constraint. There is the matter of subsistence incomes, maximum working hours, and welfare requirements. The significance of these constraints and the other

⁸Leonard Hausman, "The 100% Welfare Tax Rate: Its Incidence and Effects" (unpublished Ph.D. dissertation, University of Wisconsin, Madison, 1967).

⁹Peter Albin and Bruno Stein, "The Constrained Demand for Public Assistance," <u>Journal of Human Resources</u>, III (Summer, 1968), 300-311.

modifications discussed are illustrated in Figure 3. Note the relatively small range within which there is any choice.



Figure 3.--Model of Constrained Welfare Choice.

In the early development of the theory, as reflected by the discussion thus far, it was assumed that the choice involved the allocation of time between work and leisure. With the exception of Elizabeth Durbin's Ph.D. dissertation¹⁰ and a piece of research not yet in published form

¹⁰Elizabeth Durbin, "Family Instability, Labor Supply and the Incidence of Aid to Families with Dependent Children," Columbia University, 1970.

by Daniel Saks,¹¹ there has been little attention given to the fact that welfare choice is really a choice about how members of the welfare family allocate their time between home activities and employment.¹² This is to say that the opportunity cost of work is not just leisure. Over time, employment may even result in more leisure in that the individual with a comparative advantage in out-home production can produce more there permitting greater investment in human capital and household labor saving devices. This view is not only more realistic, but also opens up the possibility of considering more explicitly the tradeoffs (production possibilities) between home production and employment and the relative values of each from both a private and a social perspective.

C. Empirical Support for the Theory

There is woefully little good empirical evidence to support or reject the existing theories. Most of the empirical work has focused on explaining the demand for welfare in terms of caseload levels over time and across

¹¹Daniel H. Saks, Michigan State University, in a research report available only in preliminary form, examines the thesis that the household combines time with goods and services bought in the market to produce commodities over which they have a well ordered set of preferences.

¹²The concept of tradeoffs between home activities and employment has been used extensively in work concerning the participation of women in the labor force, but for unknown reasons researchers tend to assume that welfare women choose between work and leisure.

welfare jurisdictions, as opposed to case studies focused on employment possibilities at a single point in time. What has been done will not be reviewed here, but those studies relevant to the various aspects of this study will be discussed as the analytical issues are encountered.

There appear to be two major reasons for the limited relevance of existing empirical work. The first is that the paucity of secondary data and the high cost of gathering primary data has effectively precluded intensive micro studies of the variables affecting employment opportunities and choice. Given that welfare administrative practices, local labor markets, and the welfare populations do vary considerably across geographic areas, micro studies are essential if we are to develop a clear picture of the boundaries of the feasible region. The second factor that should be noted is that use of number of cases or number of applicants for assistance is a poor indicator of the demand for welfare, but is nevertheless used as the dependent variable in virtually all attempts to estimate demand. This approach tends to measure the demand for assistance for those at the margin of capacity for self-support and does not consider the demand for various combinations of welfare income and earned income. The real issue is not the number of cases, given the documented limited capacity of welfare recipients for total
self-support,¹³ but the demand for particular levels of assistance among existing recipients.

D. The Study Model

Given the study objectives and the current state of the theory, the most appropriate analytic framework or model to use appears to be a static consumer choice model with income on one axis and home produced goods on the other, with an assumed utility surface and a carefully defined feasibility region. Algebraically, the utility surface and line of attainable combinations can be written as

$$U = f(Y_{t}, H_{h}); \quad Y_{t} = Y_{e} + K(Y_{w})$$

$$B = f(Y_{w}, W, P_{e}); \quad Y_{w} = f(G, T)$$

$$W = f(H, A, E, Ex)$$

$$P_{e} = f(V, R_{e}, T_{r})$$

Welfare recipients are viewed as utility maximizers allocating their time between employment and home activities. Their preferences are a function of the utility derived from total income (Y_t) and hours at home (H_h) where Y_t is homogeneous dollars and the value of H_h is assumed to be a function of the opportunities for home use of time, e.g.,

¹³Leonard J. Hausman, <u>The Potential for Work Among</u> <u>Welfare Recipients</u>, U.S. Department of Labor, Manpower Administration, Manpower Research Monograph No. 12, 1969, p. 32.

child care, rest, recreation, housekeeping, lovemaking, etc. The opportunities open to them (B) are a function of available welfare income (Y_w) , possible wage (W), and the probability of finding employment at that wage (P_e) , where Y_w is a function of total eligibility requirements (G) and the welfare tax rate (T); W is a function of health (H), age (A), education and training (E), and work experience (E_x) ; P_e is a function of job vacancies (V), place of residence (R_e) , and availability of transportation (T_r) . The rational consumer will maximize his satisfaction by consuming Y_t and H_h such that the marginal utilities of the last unit of each divided by their respective relative prices are equal.

E. Formulation of Hypotheses and Testing Procedures

Given the objectives of the study, the concern is not with testing the above model in the traditional sense, i.e., examining its capacity for predicting caseload levels or the number of hours a particular group of welfare recipients will choose to work. Instead the model is presented only as a mechanism for <u>identifying</u> some of the characteristics and relationships which are relevant to the employment potential of welfare recipients and, thus, worthy of further analysis.

Taking our cues from the model, the formal hypotheses testing component of this study consists of

three parts. First, a number of characteristics of welfare recipients hypothesized to be significant determinants of employment potential are examined in terms of their significance in explaining differences in earned income of welfare clients and in length of time on assistance, i.e., those recipient characteristics which affect either the probability of finding employment or the possible wage are analyzed. Secondly, a series of hypotheses concerning the availability of jobs for the skill levels possessed by welfare recipients and the feasibility of self-support are tested. Third and last, the earned income changes one could expect from a series of policy alternatives are estimated, given what has been learned about the labor market and the significance of various employability characteristics. Within each of these categories there are many propositions which merit analysis, but it is feasible to consider only a few because of the availability of data.

With respect to the employability significance of welfare client characteristics, six hypotheses are tested. Two involve the probability of finding employment given a set of entry skills; three consider the significance of particular entry skills; and one involves the importance of home responsibilities. The data used in testing are from a sample survey of welfare recipients and a survey of job vacancies. Each of the hypotheses is tested using

multiple regression analysis with length of time on assistance, earned income, and employment status as dependent variables. The hypotheses with brief accompanying explanations are enumerated below.

 Recipients who live in the country are less likely to be employed and remain on assistance longer than those who live in a village or city.

One would expect this relationship to hold because of proximity to jobs and to labor market information.

 Recipients who do not own or have access to an automobile will remain on assistance longer and are less likely to be employed than those who do.

Particularly in rural areas, the relevant geographical labor market is very small for those without access to an automobile. Therefore, with everything else constant one would expect it to be more difficult for them to find employment.

The model being used distinguishes between factors which affect the probability of finding employment, i.e., position of the line of attainable combinations where a group of recipients are being considered, and those which affect the possible wage, i.e., slope of the line. Unfortunately, data constraints do not permit making such a clear distinction. It should nevertheless be kept in mind that, for the most part, hypotheses three, four, and five involve factors which influence the amount one can earn as opposed to the probability of finding employment at a given wage.

3. The earned income of welfare recipients is a function of age; highest for middle age groups and lower for the younger and older cohorts.

This hypothesis is based on a belief that productivity and, thus, earnings increase until late middle age and then begin to decrease. For the relatively low skilled occupations that characterize welfare recipients, one would expect the initial increases to be less pronounced than the general case and the decreases with old age to be greater, because physical stamina as opposed to knowledge is of greater importance for many low skilled occupations. Also, the decreases associated with old age may be greater for welfare clients than in the general case due to discontinuous employment.

4. The earned income of welfare recipients is not a function of years of formal education.

It is known that for the population at large education is a significant determinant of earnings; however, one can argue that within the range which characterizes the welfare population education may not be significant, given basic literacy. For example, a man with eight years of education may be as capable of driving a forklift as a man with a high school diploma.

In addition to testing this hypothesis with regression analysis, the significance of education is considered in an analysis of job vacancies by entry requirements.

5. The earned income of welfare recipients is not a significant function of the number of months of job experience.

Although for some occupations the value of work experience is reasonably clear and positive, it seems reasonable to postulate that job experience makes little difference for many of the types of jobs open to welfare recipients. If there is little to learn, experience would be of little value.

As in the case of education, this hypothesis is examined in an analysis of job vacancies by entry requirements in addition to including work experience as a variable in the regression models.

6. Women with larger numbers of children and/or with children less than age six are less likely to be employed and remain on assistance longer than women with fewer and/or older children.

The significance of children as an employability factor is conceptualized as a preference variable. It is believed that home activities provide utility to women in relation to the number and age distribution of children in the home. Although no data is available on preferences per se, by examining the significance of number of children in explaining differences in length of time on assistance and in earned income levels we should get some indication of preference differences.

To this point, only hypotheses concerning differences in employability within the welfare population have been discussed. The most important determinant of the feasible region for all groups is the number and type of available job vacancies. Skills are worth something only when there is an opportunity to use them. Several hypotheses regarding the availability of jobs and the feasibility of self-support at prevailing wages are tested. They are:

 Welfare recipients tend to be located in those parts of the county where there are relatively fewer job vacancies.

This hypothesis is tested by "eyeball" analysis of a dot map showing the geographical distribution of welfare recipients and county employment.

 There are relatively large numbers of jobs available for which welfare recipients possess the necessary entry skills.

This hypotheses is tested through a simple comparison of job vacancy requirements and the entry skills of welfare recipients.

3. Prevailing entry wages preclude self-support for a high proportion of the welfare population if only one member of the family works.

To test this hypothesis, the heads of welfare families are grouped according to family size and marketable skills; the amount they could earn estimated, assuming they could find employment at the prevailing wage; and the proportion who could conceiveable earn more than their welfare grant is then determined.

 A relatively large porportion of two-parent families would attain self-support if both parents were to work at their expected wage.

The potential for reducing the welfare caseload is usually considered in terms of the earned income potential of the family head, which often leads to very pessimistic conclusions. If both parents are considered, one would expect the results to be considerably more favorable. This proposition is analyzed by estimating the proportion of two-parent families that could likely attain selfsufficiency if both parents worked.

F. Procedure for Analyzing Policy Alternatives

From the perspective of people interested in improving the well-being of low income people and in reducing welfare expenditures through increased earned income levels, one needs to know more than the relative significance of assorted explanatory variables. It is equally important to have some estimate of the number of people who face particular sets of constraints such that impact estimates

of changes in the variables can be made. To arrive at indications of probable impact of policy alternatives, the following procedure is used:

- a. For each of a series of policy alternatives, the adult ADC population is divided into employability groups according to sex, family circumstances, age, health, education and training, and other characteristics in whatever combinations are appropriate for the policy issue in question.
- b. The population size for each of the groups is then estimated using standard estimating techniques.
- c. The number of recipients who would potentially be affected by a particular policy alternative and the degree of the earned income effect is then assessed given what has been learned in the earlier analysis.

In analyzing policy alternatives via this method, no attention is given to program costs in quantified terms. That aspect is left for future study. In essence, the intent is only to identify the programs from which substantial gross benefits would be expected. This will facilitate identification of those alternatives for which an in-depth study may be appropriate and, in addition, aid those program decisions which are eminent whether or not in-depth study is forthcoming.

CHAPTER III

THE ALLEGAN COUNTY LABOR MARKET

In the final analysis, what can be done to increase the earned income of welfare recipients depends on the opportunities available in the relevant labor market. If no job vacancies exist for which welfare recipients are qualified or for which it is feasible to train them, no policy is going to be effective short of job creation or programs to enhance labor mobility. Furthermore, understanding either the plight of welfare recipients or the potential for improving their well-being is impossible without knowing something about labor demand factors and the composition of the labor force within which welfare people compete for jobs. Therefore, this chapter examines the industry-occupational structure of Allegan County, the general characteristics of the total labor force, and the availability of job vacancies including an analysis of entry requirements. These aspects are considered here in primarily a descriptive manner to be used later in hypothesis testing and analyses of policy alternatives.

A. Labor Market Definition

Labor markets can be delineated in several ways. One could simply use existing political boundaries or go the other extreme, which is perhaps the ideal, and attempt to define labor markets in terms of functional economic areas. The most appropriate approach lies somewhere between these extremes and depends on one's purpose and the constraints of data availability, time, and research funds.

The political boundaries of Allegan County certainly do not delineate a comprehensive labor market area. Over 30 per cent of Allegan County residents work outside the county. To the Northeast, about 15 miles from the county border there is the Grand Rapids metropolitan area, population 352,703, and about 12 miles to the Southeast is Kalamazoo, population 152,083. In addition, only about one-third of the city of Holland, population 26,337, is located within the county boundaries (see map on page 136). Nevertheless, the boundaries of Allegan County will define the labor market area for this study.

The justification for using county boundaries rests with the nature of the study, particularly the characteristics of the ADC clientele and with the matter of data availability. Most labor market data are available only on a county or SMSA basis, but this is not to say that primary data collection or the inclusion of the market of

adjacent counties or SMSA's would not be appropriate. The crucial question is whether a broader definition of the labor market would add enough to the study to justify the added cost. Given that we are interested only in those ADC residents who reside in Allegan County and not in the entire Allegan County labor force or in welfare recipients from other counties, it can be argued that very little would be gained by defining the relevant labor market more in terms of a functional economic entity.

Most welfare recipients are relatively low skilled and thus are qualified only for relatively low paying jobs. This means that it is not to their advantage to commute very far to work. Table 1 displays maximum one-way commuting distances under varying circumstances. It is evident from Table 1 that maximum commuting distances are relatively short for wage rates of \$2.00/hour or less, under either assumption regarding the minimum acceptable gain from work. At \$2.00/hour the maximum acceptable gain is \$6.00 and \$8.00 per day respectively. In neither instance is the figure sufficiently low for either of the surrounding metropolitan areas to fall within the relevant labor market of low-skilled welfare recipients living in the center part of Allegan County. However, both metropolitan areas are relevant for those people living in the respective fringe areas of the county.

Another factor that effectively limits the relevant labor market area for welfare recipients is access to

Hourly Wage	Daily Income	Reducti Expenses	ons Due : Except T	to Taxes and Work ransportation Costs	Gross	Minimum a	Reduced Gross Less Required	Maximum ^b One-Way
		Social Security (5.2%)	Other Taxes (14%)	Work Expenses Except Transport.	Income Less Reductions	Gain From Work/Day	Gain Equal Income Available For Transport.	Commuting Distance @ 9¢/mile
\$1.60	\$12.80	\$.67	\$1.79	\$2.00	\$ 8.34	\$6.00	\$2.34	14.0 miles
2.00	16.00	.83	2.24	2.00	10.93	6.00	4.93	22.5
2.50	20.00	1.04	2.80	2.00	14.16	6.00	8.16	45.0
1.60	12.80	.67	1.79	2.00	8.34	8.00	•34	2.9
2.00	16.00	.83	2.24	2.00	10.93	8.00	2.93	16.0
2.50	20.00	1.04	2.80	2.00	14.16	8.00	6.16	34.0

TABLE 1. -- Maximum One-Way Commuting Distances for Welfare Recipients at Various Wage Rates.

^aThe figures for the minimum acceptable gain from work per day are completely arbitrary assumptions.

^bThe 9¢ per mile cost of travel is based on the cost of operating a standard sized automobile as estimated by the U.S. Department of Transportation, Federal Highway Administration, Bureau of Public Roads. Their estimate of 11.9¢ per mile is reduced by 2.9¢ to account for part of the fixed cost of owning and operating an automobile given that said auto is used for purposes other than commuting to work. transportation. Without an automobile the relevant area is small irrespective of the costs of transport, because there is no public transportation available and over 30 per cent of all ADC families do not own an automobile.

One reasonable argument for countering the position that the labor market area for a given set of welfare recipients is relatively small is the issue of labor mobility. To the extent that welfare recipients are able and willing to change their place of residence, labor market considerations in out-county areas are relevant. But, consideration of questions of labor mobility is outside the scope of this study such that it remains reasonable to limit the labor market of interest to the boundaries of Allegan County.

B. Industry-Occupational Structure

1. Employment Levels by Industry

Allegan County is characterized by a rather heterogeneous industrial structure that exhibits significant year to year and seasonal variations in total labor requirements. These aspects are considered in turn below.

Table 2 gives a breakdown of employment levels by major industrial category for the years 1959, 1964, 1967, and 1970. Although the data are somewhat deficient because of disclosure problems and excluded categories (most notably agricultural employment), they nevertheless illustrate the industrial structure of the county. Manufacturing

Industry	Numbe Mid-M			
······································	1959	1964	1967	1970
Ag services, forestry, fisheries	5	13	20	24
Mining	14	60	67	66
Contract construction	230	264	418	366
Manufacturing ^a	3,584	3,776	4,466	5,817
Food & kindred products	592	539	653	745
Paper & allied products	795	749	766 ·	741
Printing & publishing	106	118	136	156
Fabricated metal products	650	539	485	1,531
Electrical products	179	285	281	537
Transportation & other public utilities	203	231	273	302
Wholesale trade	366	276	300	318
Retail trade	1,337	1,698	2,055	2,214
Building materials & farm equipment	164	136	145	169
General merchandise	98	118	120	115
Food	294	352	446	413
Automotive dealers & service stations	289	358	496	513
Apparel & accessories	55	65	73	72
Furniture & home furnishings	44	35	37	90
Eating & drinking places	235	315	391	526
Miscellaneous retail store	158	319	347	316
Finance insurance & real estate	118	139	113	121
Services	599	719	951	1,208
Unclassified establishments	41	28	25	
TOTAL	6,469	7,204	8,688	10,535

TABLE 2.--Allegan County Employment Levels by Industry for the Years 1960, 1964, 1967, and 1970.

Source: County Business Patterns, U.S. Bureau of the Census.

^aBecause of disclosure problems, the categories under main headings, e.g., manufacturing and retail trade, do not sum to the main heading total. employment is the most important sector, accounting for over 50 per cent of the recorded total. Manufacturing is followed in significance by the major categories of retail trade and services.

In terms of existing or potential welfare problems, the manufacturing component is particularly significant, because with the type of firms involved labor demand for manufacturing in Allegan County is extremely volatile or at least has been since about 1967. The category "fabricated metal products" accounts for nearly one-third of total manufacturing employment and this category more than tripled during the 1967-1970 period. More significantly, with reference to the current welfare problem, this category has been reduced sharply since 1970 (not shown in the table). Although no completely comparable data are available for 1971 or 1972, we know from interviews with county officials that there has been a substantial reduction in manufacturing employment due to the closing of at least one major metal fabricating plant which at its peak employed a total of about 450 persons.¹⁴

With respect to other major industrial categories, there is no evidence of any changes during the 1959-1970 period which would not be expected given the economic structure of the county. Employment in the retail trades

¹⁴Information from interviews with Homer Patterson, County Cooperative Extension Director, and with numerous officials associated with manpower programs in Allegan County.

remained relatively stable as a proportion of total employment. This one would expect since retail trades employment tends to be a direct function of the economic base which is reflected in the total employment estimates. Employment in the service industries increased significantly during the period (202 per cent), but again one would expect this considering the importance of tourism in the area as well as state and national trends.

There has been one important change in sectoral employment levels that is not reflected by the <u>County</u> <u>Business Patterns</u> data, i.e., a decrease in the relative importance of agricultural employment. Data collected by the Michigan Employment Security Commission, hereafter referred to as M.E.S.C., indicates that agricultural employment has decreased nearly 20 per cent during the past five years.¹⁵

The issue of agricultural employment is quite important because as agricultural employment decreased manufacturing employment increased both relatively and absolutely. A probable implication is that as rural farm youth entered the labor force many of them chose to accept manufacturing employment in Allegan County instead of migrating to urban areas like many of their counterparts in other regions. Then, over time as family responsibilities

¹⁵Estimates compiled from data collected monthly by the Kalamazoo office of the Michigan Employment Security Commission. It is not available in published form.

and community ties "lock in" these individuals to the opportunities available in their immediate area they may become very susceptible to prolonged unemployment due to Being laid off from a job in rural areas is often lavoffs. times more serious than being laid off in a major metropolitan area because of the lower proximity to other alternatives and the relative significance of major em-If, for example, a single plant in a rural area ployers. closes shop the problem is often very serious because there are too few employers within a reasonable distance to readily absorb those who are now without employment. The seriousness of this proposition is supported by the fact that over 20 per cent of the Allegan County ADC recipients left their last job because they were laid off. Unfortunately, comparable data for a more densely populated region are not available so that one could get a better idea of the relative seriousness of the problem for rural areas.

In this context, it should be kept in mind that although employment opportunities in Allegan County in total are reasonably diverse, there nevertheless exist a number of communities which are largely dependent on a single employer. For example, Chase Manufacturing Company of Plainwell, Michigan, employed at its peak in excess of 450 persons from an immediate community with a population of only 3,195. It is now closed down. Former employees must now commute to surrounding communities or relocate.

Either alternative requires that they have private transportation for the necessary job search and/or that they have the necessary resources for relocation.

A second major factor which needs to be considered with reference to the industrial structure of Allegan County is the seasonal difference in labor demand. The need for public assistance and related manpower programs depends to a significant extent on the degree of seasonality. Different services are needed for people who are temporarily unemployed because of the seasonal nature of their work than are needed for people who need assistance for other reasons. For example, people who are unemployed for extended periods of time during the off-season need temporary employment and would generally possess reasonable skills and work records such that an emphasis on placement services would likely be appropriate. On the other hand, those people who are completely without employment opportunities are likely lower skilled and have poor work histories such that income maintenance, guidance, and training are more needed in addition to placement efforts.

Table 3 gives employment levels by major industrial category for the months of March, July, October, and December in the years 1967 through March of 1972. It should be noted that these data were collected by M.E.S.C. using different categories and employing different estimating techniques than those used by the Bureau of the

	TABLE I	I.—Allegan Count	y Monthly Ampl	oyment Levels b	y Rajer	Industrial Category.
--	---------	------------------	----------------	-----------------	---------	----------------------

.

	1967			1948			1969			1970			1972				1972 mat	Menthly				
	Recch	July	. Oct.	Dec.	Rends	July	Oct.	Dec.	Retch	July	Oct.	Pec.	Aurch	July	Oct.	Dec.	Rench	July	Oct.	Der.	Rectio	anar ogo
Total labor force	15,199	16,875	16,675	15,250	15,425	16,850	15,675	15,275	15,350	17,825	16,639	16,634	16,550	17.635	14,350	13,875	15,000	17,125	16,175	15,625	14,825	16,136
Agricultural employment	1,500	2,390	1,675	1,125	1,000	2,475	2,575	1,258	1,125	1,990	1,475	1,175	1,725	1,825	1,175	1,199	1,130	1,790	1,275	1,825	1,100	1,744
Mon-form labor force	13,600	14,675	14,000	11,925	13,625	14,775	14,300	24,825	14,625	15,675	15,175	15,475	13,325	15,000	14,975	14,775	14,638	13,635	14,900	14,884	14,250	14.646
Unsep Loymont	1,925	1,150	788	775	1,825	1,100	775	758	875	1,150	575	825	2,600	1,858	1,625	1,999	2,125	1,750	1,125	3,450	1,775	1,353
Morters involved in labor mget. disputes										•	•	•	•	•	•				•			
Total non-form employment	12,575	11,535	13,140	13,154	12,648	12,675	11,525	13,275	13,153	13,825	14,688	14,650	11,725	13,958	13,350	12,175	12,525	12,475	11,575	11,150	13,150	13,424
A. Sect-support (including demostic)	1,675	1,625	1,775	1,799	1,625	1,100	1.750	1,675	1,600	1,750	1,775	1,775	1,475	1,750	1,630	1,688	1,575	3,700	1,675	1,675	1,425	1,690
B. Wage & salary workers	18,900	11,798	11.525	11,450	18,975	11,175	11,775	11,600	11,550	12,175	12,525	12,675	12,454	12,298	11,798	u,m	18,950	11,775	11,900	11,475	11.575	11,727
1. Manufacturing ^a industries	4,000	5,200	5,858	\$,125	4,230	5,225	5,200	5,175	5,150	5,175	5,700	5,925	5,400	5,275	4,630	6,458	4,350	4,758	4,966	4,725	4,750	5,844
2. Mon-menufacturing industries	3,498	4,158	3,775	3,658	3,425	4,290	3,656	3,700	3,630	4,325	6,358	4,125	3,825	4,475	4,175	3,925	3,725	4,525	4,298	4,825	3,825	3,971
a. Construction	325	546	475	350	300	475	488	325	300	475	425	275	254	458	488	254	175	375	125	250	225	349
b. Trans., comman. 4 william	300	125	300	300	325	254	375	375	375	425	425	425	488	450	400	400	490	450	425	435		382
c. Wholesale trade	225	175	299	225	200	299	225	250	290	225	275	275	254	258	275	375	275	388	300	309	275	244
d. Petail trade	2,650	1.775	1,725	1,788	1,675	1,998	1,750	1,725	1,775	2,125	1,975	1,925	1,006	2,435	1,950	1,875	1,100	2,850	1,956	1,954	1,850	1.858
e. Pinnace, rail estata 4 insurance	198	188	199	200	2.00	125	100	286	100	100	100	100	125	100	100	180	150	125	125	199	183	195
f. Service	758	1,625	858	825	758	1,000	858	888	858	1,125	1,635	1,825	125	1,658	900	344	475	1,100	950	925	925	925
go Manang	75	130	125	125	54	159	125	125	50	159	125	100	75	125	135	190	75	130	135	100	54	109
1. Government	2,788	2,458	2,788	2,675	2,125	2,450	2,725	2,750	2,758	2,275	2,775	2,825	2,825	2.500	2,875	2,923	2,875	2,500	2,966	2,908	2,958	3, 7, 7
a. federal	254	258	230	250	258	254	254	250	225	225	125	250	125	225	225	225	225	225	225	225	225	236
b. State	205	259	298	290	200	200	298	200	200	200	200	225	325	225	225	225	325	250	225	325	250	214
c. iocei	1,258	2,000	3,258	2,325	2,275	2,000	2,275	2,275	2,325	1,850	2,350	2,375	2,375	2,000	2,425	2,458	2,400	2,425	2,425	2,450	2,413	3.361

Sources - Compaind from labor force and employment data collected by the michigan Employment Security Commission.

"it sub-categories for amplayment in manufacturing are listed become of disclosure laws.

Census in compiling the <u>County Business Patterns</u> data cited earlier. The Census data are based on a 20 per cent sample of county employees, whereas the source of M.E.S.C. data is employer reports made for the unemployment compensation program supplemented by survey estimates of employment in uninsured categories.

There is nothing particularly striking about the seasonal employment pattern in Allegan. As one might expect, employment tends to be highest in July and lowest in March. Employment in agriculture and construction is highest in the summer months because of weather requirements, but interestingly employment in the retail trades is also significantly higher during July. Apparently, tourism has a substantial impact on retail employment. Agriculture and construction also account significantly for the low employment in March along with generally low employment throughout most categories.

More important than when the highs or lows occur is the magnitude of differences in seasonal employment levels. Average total employment for the months of March, July, October, and December is 14,375; 15,781; 15,219; and 14,700 respectively. On the average employment is 9.8 per cent or 1,406 higher in July than in March. This difference would be highly significant if the size of the labor force were the same for the two periods, i.e., it would mean that unemployment in March is very high relative to July.

Fortunately, however, the labor force is much smaller during the winter months when employment is low (an average of 15,506 in March compared to 17,094 in July) such that unemployment is even lower in March than in July. In fact, in both absolute and percentage terms unemployment tends to be highest in July. Unemployment, as a per cent of the labor force, averaged 7.25, 7.65, 5.7, and 6.75 per cent respectively for the months of March, July, October, and December over the period 1967-1971.

In the final analysis, it doesn't appear that seasonal variations in employment present much of a problem in Allegan County. The fact that increased summer employment is accompanied by an even greater increase in the size of the labor force indicates that many of those persons employed in summer but not in winter are people who are in the labor force only for the summer months, e.g., students and seasonal farm workers. Thus, it appears that one is not faced with finding temporary employment for large numbers of family heads during the "off season." However, the significant increase in the labor force in the summer months indicates that manpower programs need to be geared to provide more placement services during that time for people who are in the labor force only temporarily.

2. Employment Levels by Occupation

Knowing the year to year trends and seasonal variations in employment by industry provides a perspective of the nature of the welfare problem and the potential for effecting the problem through programs directed at employment. Of equal importance, however, is the occupational structure. Over time the potential for increasing the earned income of welfare recipients is to a significant extent dependent upon the types of occupations which characterize the community.

There are two means available for getting estimates of employment levels by occupation for Allegan County. One could use either 1970 Census data or attempt to estimate occupational employment levels by applying the national industry-occupational matrix developed by the Bureau of Labor Statistics to the estimates we have of employment by major industrial category.¹⁶ Unfortunately, neither approach is very adequate. Thus, both are employed herein to provide as good of an idea as possible about the occupational structure of the county.

(a) Estimates Using the BLS Matrix

The National Industry-Occupational Matrix is a matrix of the ratios of employment levels by occupation to

¹⁶National Industry-Occupational Matrix, Bureau of Labor Statistics, U.S. Department of Labor.

total employment by industry. It is derived from national data with 1960 employment levels by occupation as the base. It was developed for use in state and regional manpower planning and includes estimates of the ratios for 1975.

Using the matrix to estimate employment by occupation for a single county results in at best only "ball park" estimates. The two major problems with the technique are the limited appropriateness of using national employment patterns as an approximation of those in a single county and the applicability of 1960 patterns to 1972. Because of area relative price and wage rate differences and differences in available resources, one cannot expect the distribution of employment by occuaption for a given industry in a particular area to be the same as that for the nation. Similarly, changes over time in labor supply, technology, and relative prices will change employment patterns significantly.

A related problem in using the matrix, which is perhaps equally serious, is the difficulty which results from the need to aggregate industrial categories. At the county level employment data by industry are available only for relatively major industrial categories. Thus, the divergence between the actual employment patterns in Allegan County and the estimated patterns is further increased, because of the greater variation within broad industrial categories.

Table 4 gives estimates of employment by occupation as calculated by applying the BLS matrix. It is particularly interesting to note that those occupational categories which tend to require the least skilled workers account for a relatively small proportion of total employment. For example, the category "laborers, except farm and mine" accounts for only 4.9 per cent of total employment. Similarly, the category "sales workers" which includes a large proportion of low skilled cashiers and clerks, accounts for only 4.6 per cent of total employment. It is likely, however, that these figures do not portray the actual situation because of the reasons cited above. Nevertheless. to the extent that the low skilled categories are small, there are some quite obvious implications regarding the potential for increasing the earned income of welfare recipients.

(b) Census Bureau Estimates

The 1970 Census provides information on the occupational structure of Allegan County that is a useful complement to that based on BLS ratios. First, it is a necessary supplement given the weaknesses of the previous estimates, but most importantly the Census data provide a breakdown by sex. This source, however, also has its deficiencies.

For our purposes, the Census data are deficient in that they include people who live in Allegan County but

	Number Employed by Occupational Category ^b										
Industry Categories	Professional Technical Kindred	Managers, Officials, Proprietors	Clerical & Kindred Workers	Sales Workers	Craftsmen Foremen & Kindred	Operatives 5 Kindred Workers	Service Workers	Laborers Except Farm & Mine	Farmers & Farm Workers	Total Employment	
Agriculture	7.63	5.50	6.13	1.75	5.25	21.62	2.62	21.12	1178.38	1250	
Mining	4.16	4.71	4.45	.22	12.12	23.75	.60	0.0	0.0	50	
Total durable goods manuf.	252.20	148.72	323.96	48.10	584.74	994-24	46.80	201.24	0.0	2600	
Non-durable goods manuf.	122.54	149.16	269.72	110.22	316.58	1066.78	45.10	119.90	0.0	2200	
Construction	15.26	31.87	11.85	.82	142.45	21.62	1.37	49.75	0.0	275	
Trans., comm, & utilities	21.28	33.16	96.96	3.56	85.08	105.04	13.16	41.76	0.0	400	
Wholesale trade	6.52	60.77	60.03	56.32	15.57	53.57	2.75	19.47	0.0	275	
Retail trade	34.71	484.18	224.45	466.44	137.47	206.51	329.16	67.08	0.0	1950	
Finance, real estate 5 ins.	2.70	20.29	44.18	20.90	1.65	.40	7.29	1.59	0.0	100	
Service	320.40	62.90	117.50	6.10	53.30	54.90	357.60	27.30	0.0	1000	
Fed. Gov't.	415.06	239.25	1638.72	2.66	302.08	119.77	123.90	108.56	0.0	2950	
State Gov't.	55.22	30.97	94.90	.73	17.08	4.03	42.95	4.13	0.0	250	
Local Gov't.	254.18	278.93	507.13	2.23	139.59	78.71	1102.61	111.62	0.0	2475	
Totals for occupations	1511.8 6	1550.41	3399.98	720.05	1812.96	2750.94	2075.91	773.52	1178.38	15775	
Per cent by occupation	9.591	9.831	21.55%	4.56%	11.49%	17.448	13.160	4.91%	7.471	100%	

TABLE 4.--Employment Levels by Industry and Occupation, Allegan County Employers Only.

^aIncludes all employment in Allegan County as estimated by M.E.S.C. for April, 1972, except for non-agricultural self-employed and unpaid family workers and domestic workers in private households.

^bOccupational employment estimated by multiplying the ratios calculated by the Bureau of Labor Statistics times the level of employment in the industry. The ratios were based on national employment lavels for 1960.

work elsewhere. Therefore, it provides the occupational distribution of the residents as opposed to an occupational distribution of employment opportunities within Allegan County.

A second problem with the Census information is that there is some question as to whether a 20 per cent sample is adequate at the county level especially for those occupational categories where few people are employed, i.e., estimates based on small numbers have limited statistical validity. But, this is not a serious problem if the information is interpreted and used with caution.

The Census bureau estimates of employment by occupation of Allegan County residents are shown in Table 5. Note that the estimate of total employment is considerably higher than the 15,775 estimated by M.E.S.C. This is apparently the case for two reasons. First, to the extent that Allegan County is a "bedroom community" employment of residents would be higher than employment opportunities within the county boundaries and, secondly, there are some differences in the categories used such that the Census data may be more complete. Given this factor, direct comparisons of the two sources are not possible.

Taking the Census data by itself, there are some interesting observations one can make. A most interesting item is that 10.8 per cent of all female employees are classed as professional-technical whereas only 6.5 per cent

Occupation	Number of People Employed and Per Cent of Total for All Occupations					
	Males	Females	Total			
Total employed, 16 years old and over	15,930	8,048	23,978			
	100%	100%	100%			
Professional, technical & kindred workers	1,040	872	1,912			
	6.53%	10.83%	7.97%			
Managers & administrators, except farm	1,082	228	1,310			
	6.79%	2.83%	5.46%			
Sales workers	688	438	1,126			
	4.32%	5.44%	4.69%			
Retail trade	306	379	685			
Other than retail trade	382	59	441			
Clerical & kindred Workers	771	1,840	2,611			
	4.94%	22,86%	10.89%			
Craftsmen, foremen & kindred workers	3,976	277	4,253			
	24.96%	3.448	17.74			
Operatives, except transport	4,044	1,944	5,988			
	25.39%	24.15%	24.97%			
Durable goods manufacturing	2,488	1,054	3,542			
Nondurable goods manufacturing	913	646	1,559			
Nonmanufacturing industries	643	244	687			
Transport equipment operatives	970	142	1,112			
	6.09%	1.76%	4.64%			
Laborers, except farm	1,075	121	1,196			
	6.75%	1.50%	4.99%			
Farmers & farm managers	995	57	1,052			
	6.25%	.71%	4.39%			
Farm laborers & farm foremen	441	96	537			
	2.77%	1.19%	2.24%			
Service workers, except private household	848	1,779	2,627			
	5.32%	22.10%	10.96%			
Private household workers	0	254	254			
	0	3.16%	1.06%			

TABLE 5.--Employment Levels by Sex for Residents of Allegan County, 1970.

Source: Compiled from <u>General Social and Economic Characteristics</u>, <u>Michigan</u>, U.S. Bureau of the Census, Table 122, 1970.

of male workers are. Perhaps, this is because a large proportion of primary and secondary teachers are female and in rural areas teaching may account for a large proportion of total professional-technical employment. Another reason may be that women have fewer alternatives such that only those qualified for professional positions choose to work.

A second factor one ought to note, because of its relevance for determining the potential for employing ADC women, is that nearly one-fourth of female workers are employed as service workers, excluding private household employment. This compares to only 5.32 per cent for men.

C. Labor Force Characteristics

Although our target population is limited to welfare recipients, it is important that we know something about the characteristics of the entire Allegan County labor force for two main reasons. First, revealed differences between the total population and the subgroup of welfare recipients will be useful in understanding the welfare problem in general and in assessing the relative significance of particular characteristics or factors. Secondly, the welfare population must compete with the total labor force for employment such that the potential for increasing employment of welfare recipients must be seen in light of the employability characteristics of the total population.

According to the 1970 Census¹⁷ Allegan County has a total population of 66,575, of which 25,432 (16,766 male and 8,666 female) are in the civilian labor force. Of those classified as being in the labor force, 15,930 of the males and 8,048 of the females were employed at the time of the Census; 35.1 per cent of them, however, worked outside the county. In the paragraphs which follow, the entire Allegan population is described with reference to labor force participation by age, sex, and education.

Table 6 gives labor force participation rates for males and females by age group. The most interesting aspect regarding male participation is that the rate falls off significantly after age 44. How much of this decrease is due to reduced need and how much to reduced capacity to participate is an open question. One would expect, however, that reduced need is the major reason, because aside from the discouraged worker phenomenon people searching for work no matter how capable or employable are still considered part of the labor force. Perhaps, the figure reflects early retirement by farmers who live in the county or a migration to Allegan for retirement purposes.

Participation rates for women fall off at about age 20 apparently due to the advent of marriage and

¹⁷General Social and Economic Characteristics, U.S. Bureau of the Census, 1970.

	Per Cent P	articipation	
	Males	Females	
l4 & 15 years	15.2%	10.7%	
16 & 17	44.6%	25.4%	
18 & 19	82.7%	62.9%	
20 & 21	86.9%	57.0%	
22 - 24	93.6%	44.28	
25 - 34	97.0%	41.0%	
35 - 44	97.0%	47.18	
45 - 64	90.2%	44.5%	
65 & over	19.1%	9.2%	
All age 16 or over	79.4%	39.1%	

TABLE 6.--Per Cent Participation in the Labor Force by Sex and Age Group, 1970.

Source: <u>General Social and Economic Characteristics</u>, <u>Michigan</u>, U.S. Bureau of the Census, Table 121, 1970.

children and pick up slightly at about age 40 when many families would be largely grown.

The level of labor force participation of women with children is of considerable interest because of the size of that potential labor supply and because knowing how many women with children in the total population participate in the labor force may shed some light on the feasibility of expecting welfare mothers with young children to work. Unfortunately, however, data are available only with respect to participation by <u>all</u> women with particular numbers and ages of children and by women whose husbands are present. Participation rates are not available separately for women with children whose fathers are not in the home, which is the usual welfare case.

For all women age 16 and over who have children less than age 6 the participation rate is 29.9 per cent out of a total of 4,888 women. For all women with children age 6 to 17 the participation rate is 50.8 per cent of 4,851 women. For women age 16 and over whose husbands are present the comparable figures are 27.8 per cent of 4,532 and 48.2 per cent of 4,417 respectively. These figures indicate that as professionally staffed day care facilities increase and outside employment by women continues to become increasingly acceptable the available labor force is likely to increase substantially. This, of course, would increase the job competition encountered by welfare women relative to what it would be without such a change, given the same level of demand.

Table 7 shows the number of adult males and females in Allegan County who have completed various levels of education. These data are provided here for later comparison with the educational distribution of the welfare population.

Years of Education Completed	Males 25 Years & Older	Females 25 Years & Older
None	136	129
	.88	.78
1 - 4	368	363
	2.2%	2.1%
5 - 7	1266	937
	7.78	5.48
8	4094	3777
•	24.8%	21.7%
9 - 11	3389	3766
• ==	20.5%	21.6%
12	5111	5867
	30.9%	33.7%
13 - 15	1129	1755
	6.8%	10.0%
16 or more	1015	829
	6.2%	4.8%
Median vears		
completed	11.1	11.8

TABLE 7.--Years of Education Completed by Allegan County Residents by Sex.

Source: Compiled from <u>General Social and Economic</u> <u>Characteristics</u>, U.S. Bureau of the Census, Table 120, 1970.

D. Disequilibrium in the Labor Market

Since early 1970, unemployment has been a very serious problem in Allegan County. The unemployment rate, as estimated by M.E.S.C., increased from a monthly average of 5.2 per cent in 1969 to 9.7 per cent in 1970 reaching a high of 12.0 per cent in December, 1970. During 1971 and to date in 1972 the rate has remained high, fluctuating between about 8.0 and 11.0 per cent, and shows no signs of a decreasing trend. Despite this situation, a significant number of job vacancies continue to exist. Given concern with increasing earned income of welfare recipients, it is essential that this disequilibrium condition be analyzed. Of greatest importance is the availability of job vacancies. However, before that aspect is examined in detail it is instructive to consider some of the reasons why job vacancies and unemployment can and do exist simultaneously.

Neo-classical wage theory, under the assumptions of flexible wages, a homogeneous labor force, and a perfectly operating labor market, would predict that employers would bid wages to that level where the labor market was in equilibrium. At the equilibrium point there would be no one willing to work at the prevailing wage who could not find employment, i.e., no involuntary unemployment, and there would be no job vacancies which employers would like to fill at the prevailing wage. At wage rates above the equilibrium level there would be unemployment and below the equilibrium level job vacancies would exist. In a dynamic world unemployment and job vacancies would exist temporarily enroute to the equilibrium point, but both would not exist simultaneously given the assumptions of the theory. Unfortunately, the assumptions do not hold and a situation of simultaneous involuntary unemployment and

job vacancies develops. The specific reasons why this occurs are very germane to understanding the Allegan County situation.

Any geographic labor market is composed essentially of a series of sub-markets for different sets of skills and job characteristics, i.e., a geographic market is not homogeneous. Therefore, one could have, for example, an excess demand for cooks (vacancies) and an excess supply of teachers (unemployment) existing at the same time.

A second and equally important reason for the simultaneous existence of unemployment and job vacancies is poor labor market performance. To the extent that imperfect information exists, i.e., those searching for jobs do not know about all the alternatives, unemployment can exist despite the availability of jobs. In addition to poor information, one could have limited resource mobility which similarly would result in poor market performance. For example, if an unemployed individual is without either transportation or the resources to migrate, he would remain unemployed even if there was a job available a few miles away that he knew of and was interested in. There are numerous other reasons for potentially poor market performance, but for purposes herein these two factors are the most important. With these issues in mind, the availability of jobs in Allegan County is considered below in detail.

E. Estimation and Analysis of Job Vacancies

For formulation of needed manpower programs in general or, more specifically, needed welfare programs, knowledge of available job vacancies is an important if not the most crucial input. The potential for increasing the earned income of welfare recipients cannot be properly assessed without taking a close look at their opportunities for employment. This involves determining the number and types of jobs available, with emphasis on job entry requirements and wage rates.

Despite its importance in public program formulation, there is no secondary source of data on job vacancies for Allegan County that comes anywhere near being complete and adequate. Thus, it is necessary to go directly to employers to get an estimate of job vacancies.

1. The Data

The necessary job vacancy data for this study were collected by surveying employers.¹⁸ Using a list of Allegan County employers provided by M.E.S.C., a stratified random sample of 150 employers was drawn. In order to get the most accurate estimate for the least cost, the sample was stratified on the basis of employers size (number of

¹⁸James Booth of the Department of Agricultural Economics, Michigan State University, developed the basic design for collecting the job vacancy data and was also very helpful throughout the collection process.
employees). Five size classes were arbitrarily chosen: 1-3, 4-7, 8-15, 16-40, and greater than 40. It was then assumed that the variance in number of job vacancies per firm within each of the classes would be proportional to the mean number of employees. On this basis, a sample of 20 firms size 1-3, 22 firms size 4-7, 30 firms size 8-15, 45 firms size 16-40, and 34 firms size greater than 40 was drawn. The proportions of the total number of firms in each class were 5.0 per cent, 12.9 per cent, 28.3 per cent, and 100 per cent for the two largest classes.

After the sample was drawn a brief survey questionnaire was constructed (see Appendix C) and each of the firms selected was surveyed using a combination of procedures. Manpower agencies in Allegan County were interested in job vacancy information for career guidance and program planning such that the survey was modified slightly to reflect their needs and their help enlisted in gathering the information. Because of the importance of the larger employers and the desire of the manpower agencies to make personal employer contacts, it was decided that each of the firms in the two largest classes would be personally contacted. For the three smaller classes of employers, copies of the survey form were sent out by mail and those who did not respond immediately were contacted by phone. With the exception of those firms which had gone out of business or moved from their last known address, job vacancy data were gathered from all firms in the sample.

The results of this survey procedure were, however, insufficient in that the list of employers used was incomplete. Two major groups of employers were missing: most public employers; and employers of part-time or less than permanent workers, i.e., domestic workers and farm hands. As a result, a separate survey of those public employers in Allegan County which could be identified was conducted. To assess the significance of the other excluded groups, the help wanted advertisements in various county newspapers were screened.

Job vacancy information for the public sector was collected by first compiling a list of public employers from phone listings. Because of the deficiencies of this process, the resulting list was no doubt incomplete. However, an attempt was made to identify all schools, major city governments, county government agencies, and all state and federal government agencies operating in the county. Each of the employers on the list was then contacted by phone and asked the same questions as were asked the private employers.

Regarding job vacancies with employers of part-time or less than permanent workers, the screening of help wanted advertisements in three county newspapers for the last two weeks in May (the period of time when most of the employers were contacted) indicated that there were very few vacancies in employer categories not included in the survey. In fact,

the entire search revealed only two job vacancies by employers that had not been included in the sampling process. It cannot, of course, be concluded from this procedure that the survey estimates are complete. All the procedure provides is an indication that no major employer category with a significant number of job vacancies available was missed.

In addition to problems of employer coverage, severe estimation problems were encountered. In fact, they were so severe as to make estimation impossible for the two smallest classes of private employers. Of the 20 firms surveyed with 1-3 employees, only one vacancy was reported, and of the 22 firms with 4-7 employees there were no vacancies reported. Thus, any inferences regarding vacancies with those firms not surveyed is impossible. It needs to be considered, however, whether the reason no vacancies were reported was because there, in fact, are very few vacancies in those categories or if the results indicate lack of understanding or cooperation by employers.

In the two largest categories where all employers were interviewed in person, there was a vacancy rate of 1.5 per cent (26 vacancies of estimated employment of 1,736) in the 16-40 size class and 1.2 per cent (29 out of 2380) in the over 40 group. For the middle group, size 8-15, where 24 out of the 62 firms were contacted by mail and/or phone, the estimated vacancy rate is 2.9 per cent (21 out of 713). The fact that the vacancy rate is even

higher for the 8-15 group where phone contacts were used than for the larger classes would indicate that it is not lack of cooperation by phone that accounts for the absence of vacancies. Furthermore, there is no evidence from job bank listings or newspaper advertisement that the smaller employers have a significant number of vacancies. Thus, despite underestimation of available vacancies due to excluding vacancies in the smaller firms from the estimate, there are indications that the number of vacancies within those classes is not substantial.

2. Results of the Job Vacancy Survey

From the entire survey there were 85 job vacancies reported, 65 in the private sector and 20 in the public sector. In addition, if it is assumed that vacancies are distributed in the same proportion throughout those firms in the 8-15 group who were not contacted as they were in those firms who were, there are an additional 13 vacancies, making a grand total of 98.

Table 8 provides a breakdown of the vacancies by major occupational class, public or private employer, and employee size (private sector only). If the hazardous estimates of job vacancies by occupation for the 8-15 group are accepted despite the very small numbers, the greatest demand is for 23 operatives, 16 nonfarm laborers, 18 service workers, and 12 craftsmen or foremen. Do these vacancies

	Numbe	er of Va	canc:	ies by	Employer	Size	Public	Metele
Occupational Category	1-3 4-7 8-15		16-40	40	Sector	TOTALS		
Professional & technical	1	_			2	4	2	8
Managers, officials & proprietors					1	2		3
Clerical (receptionist- secretary)					1	1	5	7
Sales					6			6
Craftsmen & foremen					8	3		11
Operatives			10	4 est.	2	11	3	20 26 est.
Nonfarm laborers			8	3 est.	1	5	2	12 16 est.
Service workers			3	l est.	7	2	8	18 21 est.
TOTALS	1		21	8 est.	28	28	20	85 98 est.

TABLE 8.--Job Vacancy Survey Results.

exist because of poor market performance or because, in fact, no one is available to fill the positions? To answer this question and eventually explore the feasibility of filling these jobs with people on the welfare rolls, it is necessary that the requirements and characteristics of the available vacancies be examined. Table 9 shows the distribution of available job vacancies by occupational category, minimum entry requirements, and average beginning wage. Each occupational class is discussed in turn below.

(a) Professional and Technical

This category includes those jobs requiring either advanced formal education or substantial technical training or experience. There were nine vacancies identified in this category. Three required either a four-year college degree or an advanced degree, and six required technical training, a minimum of from nine to eighteen months. Three of the nine also required substantial work experience. The average starting wage for the group was \$3.74/hour, highest of all categories. In this case, it appears that the major barrier to filling these positions is the availability of appropriately trained manpower.

(b) Clerical

This category includes the full range of clerical activity, e.g., stenographers, secretaries, receptionists, desk clerks, etc. Seven clerical vacancies were identified.

	Number of Job Vacancies by Different Minimum Entry Requirements										
Occupational Category	Literate, No Training or Exp.	Literate, Some Training and/or Exp.	Some H.S., No Training or Exp.	Some H.S., Some Training and/or Exp.	H.S. or More, No Training or Exp.	H.S. or More, Some Training and/or Exp.	Average Beginning Wage				
Professional & technical					1	8	\$3.74/hr.				
Managers, officials & proprietors						3	\$3.04/hr.				
Clerical (receptionist- secretary)			1	3		3	\$2.24/hr.				
Sales				1	4	1	\$2.50/hr.				
Craftsmen & foremen		4			3	4	\$2.49/hr.				
Operatives	4	1		6	1	8	\$2.43/hr.				
Nonfarm laborers	9				2		\$2.83/hr.				
Service workers	8	3	1	3	2	1	\$1.99/hr.				
Total vacancies by entry requirements	21	8	2	13	13	28					
Average beginning wage ^a	\$2.39/hr.	\$2.43/hr.	\$1.96/hr.	\$2.01/hr.	\$2.46/hr.	\$3.05/hr.					

TABLE 9.--Job Vacancies by Occupational Category, Minimum Entry Requirements and Average Wage Rates.

.

.

^aJobs involving base wage plus piece work were averaged in as base plus 10 per cent. Those involving tips or commissions were treated as base plus 20 per cent.

Three of the seven required a high school education and the remainder only some high school. All but one of them required some training. Substantial job experience was required in three cases. The average starting wage was \$2.24/hour. The generally acceptable wage rate, relatively low entry requirements, and the fact that none of the positions had been vacant for more than thirty days at the time of the survey would indicate that the existence of these vacancies is more a product of rapid turnover due to marrying, pregnancy, etc. than any other factor.

(c) Sales

The sales category includes everything from retail clerks to company sales representatives. Of the six vacancies reported, two were for retail clerks (cashiers), two were for auto salesmen and two were for retail clothing Interestingly, although training and experience sales. was important in only one case, minimum required education levels were higher than one would expect given the nature of the job. In only one instance was less than a high school education acceptable and in two cases some college was required. Given the number of sales workers in the county, it is surprising that so few sales positions were vacant. Apparently, the relatively high average wage of \$3.07/hour, excluding cashiers, and the limited special training and experience required make these positions easy to fill.

(d) Craftsmen and Foremen

During the process of surveying employers, it was this occupational category which emerged as being the most troublesome to employers. A frequent complaint was that foremen of all types were difficult to find. The same was true of some crafts, but to a lesser extent. A brief examination of the entry requirements gives some indication why this is the case. Although wages are reasonable and minimum education is in no case greater than twelve years, substantial training and/or experience is required for foreman. Furthermore, and perhaps most importantly, a particular personality type is required to effectively handle the job of foreman.

Another factor we ought to note with reference to this category is that few vacancies were reported within the crafts (five of the eleven vacancies in this category were for foremen). This is perhaps due to a surprising willingness on the part of employers to train their own employees. Several employers who hire a large number of people in the crafts indicated willingness to train if they could find ambitious, dependable employees willing to learn. They, of course, would prefer trained, experienced people, but rarely required it as an absolute prerequisite for hiring. Even for the vacancies identified, where one would expect higher requirements to exist because of the fact that the positions are vacant, two of the six crafts

positions required no training or experience and the remainder only a few months of one or the other.

(e) Operatives

This category had the largest number of vacancies not so much because of the attributes of the occupation, but because it tends to be a bit of a "catch all" category for a variety of different jobs. It includes many factory jobs as well as truck drivers, equipment operators, etc. The range of jobs includes vacancies from the very lowest paid and minimally skilled to relatively high paying skilled jobs such that it is very difficult to generalize about the category. One observation that can be made is that with one notable exception employers did not appear to require more education or preparation than needed to perform the job and, in general, evidenced a willingness to train their employees where appropriate. The one exception was a large firm employing several sewing machine operators. The personnel manager complained bitterly about not being able to find the needed operators, but continued to pay only minimum wage plus piece work and require both training and experience as a prerequisite for hiring.

(f) Nonfarm Laborers

The most interesting characteristic of the eleven vacancies in this category is the relatively high beginning wage rate. Despite very low general education requirements

and no instances of training or experience being required, the average starting wage for this group (\$2.83/hour) was higher than all categories except Professional and Technical and Managers. Examination of the types of general labor vacancies available indicates that most involve either very dirty or very difficult work or both. Perhaps, this accounts significantly for vacancies existing despite a large unemployed labor pool with the requisite skills.

(g) Service Workers

This group of vacancies includes primarily cooks and waitresses, although there are a few other types of service jobs included. Like nonfarm laborers, this group is characterized by very minimal entry requirements, but contrary to the laborers case beginning wages are very low. Waitress positions appeared to exist primarily because of rapid turnover, i.e., employers indicated limited difficulty in filling such positions. Cooks, however, were another matter. Second only to foreman, cooks emerged as the job most difficult to fill in the county. In talking with employers the reason appeared to be that there were few dependable people willing to cook at the wage (usually \$1.60/hour) they could afford to pay. Employers complained considerably about welfare paying more than they could afford to pay their cooks. Why wages and subsequently prices would not be bid up in this situation was a bit baffling at first, but closer examination revealed that it

was the smaller, lower quality establishments that were having trouble hiring cooks. Apparently, one way to remain viable in a very competitive industry is to pay your employees very poorly and accept the implications of high labor turnover, i.e., worry more about keeping your prices low than providing quality food with trained and experienced employees.

(h) Managers

Surprisingly, in a county relatively devoid of highly skilled manpower there were only three vacancies for managerial positions. A likely inference one could draw from this is that employers broaded their search for managerial talent and do not limit themselves to the local labor market.

In summary, there were few job vacancies identified for a population of nearly 70,000 people, but given the probable degree of underestimation the number of jobs available is still significant. The extent to which welfare recipients would be capable of performing the jobs in question, if they knew about them, were able to get to the place of employment, and it was to their advantage to do so, is discussed extensively in Chapter V, Part B.

CHAPTER IV

DESCRIPTION OF THE ADC CASELOAD

The second descriptive component of this study considers the ADC recipients who reside within the boundaries of the labor market described in the foregoing chapter. The task is treated in four main parts: (1) an explanation of the ADC program; (2) discussion of the data used; (3) classification of the ADC caseload; and (4) description of the target population in terms of public assistance eligibility factors and employability variables, including comparisons with the urban ADC population in Michigan and other states.

A. The ADC Program

The ADC program is designed to provide needy families with dependent children a subsistence income. The amount of income provided and the procedure for determining how much each family receives is discussed in Appendix A. In addition to income maintenance, the ADC client is automatically enrolled in the Medicaid program (most medical expenses paid for) and has available to him a wide range of services offered by the local offices of

the Michigan Department of Social Services (DSS). These include: family planning services, housing services, aid in collecting child support payments, counseling to improve interpersonal family relationships, and help in finding employment. Some ADC recipients are also eligible for various training and job development programs.

Aid to dependent children may be granted for a child who (1) is under the age of 18 years (21 years of age if attending school), (2) is living in an approved home with father, mother, or other near relative, (3) is deprived of parental support or care because of the death, continued absence from the home, physical or mental incapacity, or unemployment of a parent, (4) has insufficient property or income to meet his needs, (5) has no legally responsible relatives able to support him, and (6) is not receiving aid to the blind or aid to the disabled.¹⁷

The ADC program is administered by the county department of social services under rules promulgated by the State Department of Social Services. To be eligible for federal matching, administrative rules must be consistent with federal guidelines.

The program is funded by the state with 50 per cent matching funds from the federal government. The county provides office space and equipment.

¹⁷Social Welfare Laws, Michigan Department of Social Services, Lansing, Michigan, March, 1971.

B. The Data

Although a large amount of data on welfare recipients is available from secondary sources, most of it is collected for administrative and not research purposes. Social services agencies collect large quantities of information on the composition of the welfare population in terms of eligibility factors and expenditures, but despite the concern over employability, very little information is gathered on major employability factors such as education, training, and work experience. Therefore, for this analysis it was necessary to go to a sample survey, with all its attendant costs, to get the necessary data.

Using November, 1971, payroll lists, a 25 per cent sample of the Allegan County ADC caseload was randomly drawn. A questionnaire was then prepared and over the ensuing three month period the data were collected. It should be noted at this point that a 25 per cent sample was selected not because that number of observations were believed to be perfectly adequate, but because resource restraints in collecting the data were so severe as to make a larger sample virtually impossible.

With the assistance and cooperation of the Deputy Director of the Allegan County Department of Social Services, case workers were enlisted as enumerators. This was necessary because of laws which prohibit public access to the personal case histories of welfare recipients. This

could not legally search the files or be given the names of recipients for interview purposes. Using case workers was very desirable, however, in that they are usually very well informed about individual cases, which places them in an ideal position for interpreting case records and interview responses.

The initial plan was to use case records as the basic source of the desired data and where necessary have the case workers supplement file information through home The case records proved to be reasonably adequate visits. in those instances where the case had been active for a relatively long period of time, but for cases that had been recently opened substantial supplementation was needed. The most typical problem was an absence of adequate education and work experience data. The initial idea of having case workers make home visits was tried, but proved to be much too time consuming (only a relative small percentage were found at home on first attempts). As an alternative, telephone interviewing was tried, and again this did not work very well. With small independent rural telephone exchanges phone numbers were difficult to trace and a relatively large number of clients did not have telephones. After these attempts failed, the only alternative remaining was to use a mail questionnaire and risk biased responses.

In the end, the following survey procedure was employed. First, case workers pulled all the case records

for the sample set and filled in the questionnaire as completely as possible. Secondly, duplicate blank copies of the questionnaire were mailed to recipients, and those returned were used to complete the originals. Mail questionnaire responses were then compared to case record information, where the information was available from both sources, to get an idea of the validity of the data provided by the recipients themselves. Rather surprisingly, few discrepancies were discovered.

The data were collected over a three month time period. This cause some problems in that the ADC caseload is relatively fluid, i.e., a large turnover in terms of cases closed, new openings, and intercounty transfers. Of the original 261 cases that were randomly selected from November, 1971, payroll information, nine had transferred out of the county and twenty-eight cases were closed prior to March 1, 1972. Cases closed during the data collection period are included.in the sample, although in many cases the data is sketchy because follow-up to supplement case record information was difficult -- clients are more difficult to locate and less inclined to cooperate when no longer on assistance. Those cases which transferred out of the county had to be dropped from the sample, because when a client transfers all records are forwarded to the new county of domicile.

Another problem caused by the length of the data collection period is that it is now difficult to speak of

the composition of the ADC caseload as it existed at a specific point in time. To the extent feasible, however, the survey data represents the assistance levels and employment conditions of the ADC population during February, 1972.

In summary, this analysis is based on a 25 per cent random sample of 251 cases (261 less nine transfers and one misplaced questionnaire). The data were collected by case workers from case records with responses to mail questionnaires used as a supplement. In some cases, education, training, and work experience data are not complete, but with that exception the survey data are complete and believed to be reasonably reliable.

C. Classification of the ADC Caseload

The ADC caseload includes families characterized by significantly different circumstances and who are on assistance for varying reasons. The Department of Social Services classifies the caseload into two major categories: ADC-U (Unemployed parent--almost always the father) and regular ADC (all other cases). Occasionally ADC-I (incapacitated parent) cases are classified separately. For purposes of analysis herein, the ADC caseload is classified into five categories: ADC-U, ADC-I, ADC-SP (stepparent), ADC-R (acceptable relative), and ADC-M (single parent female headed families). The stepparent cases are circumstances where the parent who has custody of the children remarried (almost always the mother) and the stepparent could not or would not support the children. In most cases only the children receive assistance and neither the parent nor stepparent is included in the grant. The acceptable relative cases are circumstances where children have been placed in the custody of someone other than their parents. The guardian receives a flat sum per child irrespective of his or her income. Table 10 gives the distribution of the Allegan County caseload by type of case and reason for assistance. In addition, the table shows the number of ... children and the number of adults by type of case.

Of particular note in the table is the relatively large number of unemployed father cases. ADC-U cases account for 22.7 per cent of the total Allegan caseload whereas for the State of Michigan ADC-U cases account for only 8.8 per cent of the total.¹⁸ This is particularly significant because it is with the unemployed father group where the greatest potential for increased employment is believed to lie.

Another interesting factor to note is the seemingly low number of cases (16.7 per cent) where the dependent child has no legal father. This compares to 32.9 per cent

¹⁸Social Services Statistics, Michigan Department of Social Services, Lansing, Michigan, December, 1971.

					Number o	of Time	s Each F	leason for Assis	stance Appear	:\$
••••••••••••••••••••••••••••••••••••••	of Cases	Number	Number of	Total	Pather	Absent	;			
Type of Case	of Total Caseload	of Adult Recipients	Children	Recipients	Divorce, Separation or Desertion	Dead	No Legal Father	Father Incapacitated	Pather Unemployed	Mother Absent
ADC-M (single paren female headed families)	129 51.43	129	317	445	97	2	_ 30	0	4	0
ADC-U (unemployed father)	57 22.71	114	166	180	8	0	3	0	57	0
ADC-I (incapacitated)	25 9.9%	50	111	161	0	0	· O	25	0	0
ADC-S (stepparent cases)	23 9.21	11	52	63	15	0	6	0	5	0
ADC-R (acceptable relative cases)	17 6.8%	0	23	23	8	3	6	0	0	17
TOTALS	251 100.0%	304	669	873	128	5	45	25	66	17

TABLE 10.--Distribution of the Allegan County ADC Caseload by Type of Case, Number of Recipients, and Reason for Assistance.^a

.

^aPigures reported are for a 25 per cent sample and thus the total figures for the county would be approximately four times those listed herein.

for the State of Michigan.¹⁹ Why this is the case remains open to speculation.

Close examination of the table reveals that there are more reasons for being on assistance than there are This is because it is deprivation with respect to cases. the child that determines eligibility and in any one family there may be children who are deprived for different reasons, e.g., a mother with one illegitimate child and another fathered by a husband since deserted. The frequency with which this occurs is of some interest. Observations of the case histories indicate that many of the adult clients arrived at their current circumstances through a long line of misfortune. For example, a mother whose first marriage goes sour finds herself with little to offer a second husband except the burden of another man's children and, perhaps, accordingly accepts as a second marriage a less than desirable situation such that eventually she is often in even worse straits, i.e., older, more children, and totally disillusioned with life.

D. Characteristics of Adult Recipients

There is an extremely large number of client characteristics, circumstantial factors and combination of factors that could be discussed as part of a description of the welfare population. Rather than attempting to be

¹⁹Profile of Michigan ADC Caseload, Michigan Department of Social Services, Lansing, Michigan, Research Paper No. 1, October, 1969.

exhaustive, this section focuses on those characteristics of welfare recipients that relate to employment potential, e.g., sex, age, education, race, work experience, and those items which affect availability for employment. The Allegan County ADC population is described in terms of these characteristics and compared with the State of Michigan and/or national ADC population where appropriate. For the most part, combinations of characteristics are not discussed in this chapter, but instead are treated in Chapter VI in the context of policy alternatives. Other aspects that are of some interest, but are not particularly relevant to the objectives of this study, e.g., food stamp program participation, use of services, status of dependent children 16 or over, etc., are discussed briefly in Appendix A.

1. Family Status and Sex of Adult Recipients

Table 11 shows the distribution of the adult ADC population classified by type of case, family status, and sex. Our 25 per cent sample includes a total of 304 adults of which 71.3 per cent are female and 28.6 per cent are male. There are 155 females and 62 males who are heads of families and, in addition, there are 62 females and 25 males who are second parents. The family head distinction is important because it is usually with reference to the family head that any efforts to alter the circumstances of the case are made.

Type of	Female Family Heads	Female Second Parents	Total Females	Male Family Heads	Male Second Parents	Total Males	Total Adult Recipients (3) + (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ADC-M	129	0	129	0	0	0	129
ADC-U	13	44	57	44	13	57	114
ADC-I	9	16	25	16	9	25	50
ADC-S	4	2	6	2	3	5	11
Totals	155	62	217	62	25	87	304
<pre>% of total number of recipient</pre>	s 50.9%.	20.4%	71.3%	20.4%	8.2%	28.6%	

TABLE 11.--Family Status and Sex of Allegan County Adult ADC Recipients^a by Type of Case.

^aOnly those adults who receive a welfare grant for themselves are included. Acceptable relatives who receive money for children in their care and step-parent cases where only the children are supported are excluded.

2. Age

The age distribution of the ADC population is of considerable importance when considering alternative measures for improving the well-being of recipients and particularly for those measures with an employment focus. The importance is of course most obvious in the case of training programs or other investment oriented endeavors --the younger the individual the longer one has to recoup investment costs. Also, age may often be a criteria in the hiring practices of employers.

In this context, it can be seen from Table 12 that the mean age of all adult recipients is 33.2 years, 75 per

Group	Mean	Standard	Per Cent Distribution by Age Group				
	Age	Deviation	25	25-40	41-55	55	
All adults ^a	33.20		30.0%	45.0%	17.9%	7.1%	
All female family heads	31.81	10.12	33.1%	46.9%	18.5%	1.5%	
Females ADC-M only	31.48	10.32	33.1%	46.9%	18.5%	1.5%	
All male family heads	33.06	12.34	34.3%	40.3%	17.9%	7.5%	
Males ADC-U only	29.47	8.35	40.3%	47.4%	12.3%	0.0%	

TABLE 12.--Age Distribution of Allegan County Adult ADC Recipients.

^aIncludes all second parents as well as all family heads. It is for this reason that mean age for all adults is greater than for either of the other categories.

cent are less than age 41, and 30 per cent are less than age 25. Only 7.1 per cent are older than age 55. The distribution for all adults is slightly older than for any other group, because it includes second parents as well as family heads.

It is of some interest to note that the age distribution for ADC-U fathers is significantly younger than that of any other group. A mean age of 29.5 compared to 33.1 and 31.8 for all male and female headed families, over 40 per cent being less than age 25.

The age distribution for ADC mothers for the entire State of Michigan is essentially the same as for Allegan County, 75.6 per cent vs. 75.0 per cent less than age 40.²⁰ Comparative data for ADC-U fathers are not available.

3. Race

To the extent that race may be a consideration in the hiring practices of employers, it is useful to know the racial distribution of the ADC population. Table 13 shows the distribution of the ADC caseload by race and type of case. Note that only 12.0 per cent of the total caseload consists of racial minorities; 5.2 per cent are Negro, 5.2 per cent are of Spanish origin, and 1.2 per cent are American Indian. This is substantially lower than for the State of Michigan in total, 12 per cent as opposed

²⁰Profile of Michigan ADC Caseload, Appendix A, Table 16.

L	Number of Cases by Race								
Type of Case	Caucasion	Negro	Spanish Origin	American Indian					
ADC-M	113	7	5	2					
ADC-U	50	2	5	0					
ADC-I	20	2	3	0					
ADC-S	23	0	0	0					
ADC-R	13	3	0	1					
Totals	219 88.0%	14 5.6%	13 5.2%	3 1.2%					

TABLE 13.--Racial Distribution of the Allegan County ADC Caseload Based on the Race of the Family Head.

to 54.8 per cent, but the distribution is quite comparable to that for all rural areas in Michigan.²¹ A much smaller proportion of the ADC caseload is composed of racial minorities in rural areas than in the major metropolitan areas of the state, reflecting the fact that there are few minority people living in rural areas.

Not surprisingly, minorities account for a higher proportion of the total caselaod than they do of the total population of Allegan County. Only 2.6 per cent of the population of Allegan are from the minority races, whereas they account for 12 per cent of the ADC caseload. This discrepancy is somewhat less than for the State of Michigan. Considering the Negro situation only (comparative data are

²¹Ibid., Appendix B, Table 2.

not available for other minority races), the proportion of blacks on ADC in Allegan County is 3.5 times greater than the proportion of the total population they account for, whereas the comparable figure for the state of Michigan is 5.4.

With reference to the racial distribution in terms of type of case, there is only one item of particular interest. Note that people of Spanish origin account for 10 per cent of the unemployed father cases; nearly one half of all the Spanish cases are in this category. One plausible explanation is that many people of Spanish origin are dropouts from the agricultural migrant stream and, although they may have dropped out because they found a "permanent" job, their relatively low skills and, perhaps, a language barrier as well make them very susceptible to structural unemployment.

4. Education

The unfortunate plight of ADC recipients becomes quite evident when their extremely low education levels relative to the same age group in the general population are considered. Despite a relatively young age distribution, overy 70 per cent of all adult recipients have less than 12 years formal education (see Table 14). In contrast, slightly less than 50 per cent of the total

Crown	Mean	Standard	Per Cent with Indicated Education Leve					
Classification	Years Education	Deviation	< 8	8-11	12 (HS Diploma)	> 12		
All adults	••	• •	16.9%	56.0%	25.3%	1.8%		
Females	10.11	2.03	8.0%	56.0%	33.3%	2.7%		
Males	8.48	2.76	25.0%	61.5%	11.5%	2.0%		

TABLE 14.--Years of Formal Education of Allegan County Adult ADC Recipients.

Allegan County population age 25 or over have less than a high school education.²²

Of particular interest is the difference in education levels between females and males. Mean education for females is 10.11 years as opposed to only 8.48 for males. Even more significant is the proportion with less than eight years education, 8.0 per cent for females and 25.0 per cent for males. To some extent, this difference should be expected because of the relatively more severe eligibility requirements for unemployed fathers. Whereas highly employable female family heads may remain on assistance without working as long as they are classified as being in the home full time and also can work any number of hours as long as their income does not rise above the break even point, unemployed fathers can remain on assistance only as long as they cannot find a job and if they work more than 100 hours in any one month period they go off assistance entirely irrespective of their income. Nevertheless, the difference is significant and quite important with reference to the differences expected in the returns to employment programs directed at the two groups.

Although the above difference is significant for Allegan County, the relationship apparently doesn't hold for the State of Michigan. For all of Michigan, 74.6 per

²²U.S. Census of Population, 1970.

cent of ADC mothers have less than twelve years education compared to only 64 per cent for Allegan. Figures for ADC-U fathers are not available, but it is doubtful that ADC-U fathers are very much less educated in other Michigan areas than they are in Allegan, such that the male-female difference in Allegan <u>is</u> unusual. Whether the relatively high education levels of Allegan ADC mothers is representative of rural areas in Michigan is an interesting question, but unfortunately we can only speculate.

5. Health

The health status of adult recipients is an important variable both for understanding the reasons for being on assistance and for evaluating their potential for employment. Table 15 gives a distribution of the health status of adult recipients classified by family status and sex.

For purposes herein, the most important health factor is the number of adult recipients whose employment opportunities are restricted for health reasons. Note that over 20 per cent of all adults are restricted in some way.²³ Thus, if those older than age 55 are because of

²³The health status of adults was rated on a scale of 0 to 6 on the basis of the degree of impact the author thought the particular health problem would have on employability: 0 = excellent health; 1 = minor health problem, but no effect on employability; 2 = health likely to increase absenteeism; 3 = health restricts employment opportunities; 4 = severe restriction of employment opportunities; 5 = totally incapacitated, unemployable; and 6 = near constant care required.

Group Classification	No Health Problem	Minor Problem, No Effect on Employability	Serious Enough to Increase Absenteeism	Restricted Employment Opportunities	Very Restricted Employment Opportunities	Totally Incapacitated, Unemployable	Requires Near Constant Care
All adults	240 74.8%	6 1.9%	8 2.5%	30 9.3%	22 6.9%	14 4.43	1
All family	176	6	6	24	16	8	0
heads	74.5%	2.5%	2.5%	10.2%	6.8%	3.41	0
All second	64	0	2	6	6	6	1
parents	75.38	0	2.3	7.1%	7.1%	7.1%	1.28
Female payees	131	6	4	11	11	3	0
	79.0%	3.6%	2.4%	6.6%	6.6%	1.8%	0
Male payees	44 65.7%	0 0	1 1.5%	12 7.9%	5 7.5%	5 7.5%	0

TABLE 15.--Health of Allegan County Adult ADC Recipients by Family Status and Sex.

age removed from consideration for employment,²⁴ the magnitude of the health problem is less than it might appear to be.

A second factor that merits attention is that the health of male recipients is significantly inferior to that of the females. Some 22.9 per cent of male recipients are restricted compared to only 15.0 per cent for females. This difference is likely due to the more stringent eligibility requirements for male recipients, but that matter aside it is still a significant difference in that it indicates that, <u>ceteris parebus</u>, male recipients as a group are relatively less employable.

6. Family Size and the Availability of Mothers for Employment

A very important factor in assessing the employment potential of ADC recipients is the constraints imposed on ADC mothers by home and family care responsibilities. Under the current rules, mothers with children less than age six or more than three children are classified as needed in the home full time and are not required to work. Thus, the number and ages of the children of ADC families is of critical importance.

Table 16 gives the number and age distribution of children of ADC families by type of case. Contrary to

²⁴Age 55 is purely arbitrary and is mentioned here only for illustrative purposes.

Number of Children	Number of Families with Particular Numbers of Children by Type of Case					Total Families	Per Cent of	
	ADC-M	ADC-U	ADC-I	ADC-S	ADC-R		All Families	
Total number of children								
1-2	73	31	9	17	15	145	58.0%	
3-5	49	19	9	6	2	85	34.0%	
More than 5	7	6	7	0	0	20	8.0%	
Number children less than age 6								
0	50	7	10	15	12	94	37.6%	
1-2	72	42	11	7	4	136	54.4%	
More than 2	8	7	4	1	0	20	8.0%	

.

TABLE 16.--Family Size and Children's Age Distribution by Type of Case, Allegan County.

popular belief, 58 per cent of all ADC families consist of less than three dependent children. Only 8.0 per cent have more than five and nearly 40 per cent have no children under age six. Therefore, it would appear that there are a substantial number of ADC mothers who are not severely constrained by child and home care responsibilities. The Allegan County family size distribution is very similar to that of the State of Michigan,²⁵ and according to a national study the size distribution of ADC families is very similar from region to region.²⁶

Although the family size and children's age distribution does vary somewhat by type of case in several instances, the only significant difference worthy of note is the ADC-U situation. Family size is not markedly different, but in an extremely high 87.5 per cent of ADC-U cases there are children less than age six. Thus, there may be little potential for employing the mothers in unemployed father cases.

There are factors other than the total number of children or the number less than age six that influence the availability of ADC mothers for employment. Further-more, to assume a priori that large and/or young families

²⁵Profile of Michigan ADC Caseload, Appendix A, Table 10.

²⁶<u>Findings of the 1969 AFDC Study</u>, U.S. Department of Health, Education, and Welfare, Social and Rehabilitation Service, National Center for Social Statistics, December, 1970, Table 4.

severely limit the availability of mothers for employment may be in error. Very instructive in this regard is the employment status of ADC mothers as classified by the Department of Social Services (DSS).

The DSS classified all ADC mothers as either employed full- or part-time, actively seeking work, having no marketable skills, incapacitated, or needed in the home full-time. A recipient may be classified in more than one category, e.g., needed in the home and actively seeking The criteria used in classification is within broad work. limits at the discretion of the case workers. Mothers with more than three children or any children under age six are automatically classed as needed in the home. Incapacitation may mean anything from being mentally unprepared to cope with family and job to a severe physical disability. No marketable skills means essentially that in the opinion of the case workers family responsibilities would permit the individual to work but it is not likely that she could find employment. Those classified as having no marketable skills, incapacitated, or needed in the home are not required to seek employment but, of course, may do so if they wish.

Table 17 shows the status of Allegan County ADC mothers with respect to availability for employment as classified by DSS and recorded on the respective case records of the sample population. The data must be

	Number of ADC Mothers										
Family Status of the Mother	Employed Full Time	Employed Part Time	Actively Seeking Work	No Marketable Skills	Incapacitated	Needed in Home	Classed as Needed in Home, but Working				
Single parent, <u>no</u> children < age 6	9	4	13	6	13	5	1				
Single parent, children < age 6	9	2	5	0	1	75	11				
Two parent family, no children < age 6	0	2	2	2	7	14	0				
Two parent family, children < age 6	2	. 2	2	2	4	74	4				
Totals	20	10	23	10	25	169	16				
Per cent of all mothers ^a	8.9%	4.48	10.2%	4.48	11.18	74.7%	7.18				

TABLE 17.--Status of Allegan County ADC Mothers with Respect to Availability for Employment.

^aThe percentages total to more than 100% because a given mother may be classified in more than one category.
interpreted very cautiously, because several mothers fall into more than one category. For example, it would be incorrect to sum the per cent of those with no marketable skills, who are incapacitated and who are needed in the home and conclude that that portion is unavailable for employment because of double counting. But nevertheless, some useful inferences can be drawn from the data shown.

One of the more interesting observations is that 23.5 per cent of the mothers are either employed full part-time or actively seeking work. Even more striking, of those employed full- or part-time, 53.3 per cent meet the requirements for being classified as being needed in the home full-time. In other words, 53.3 per cent of those working have either children less than age six and/or more than about three children. In light of this, it seems that one would be hard pressed to argue as others have done in the past²⁷ that those ADC mothers classified as needed in the home full time cannot be considered part of the labor force.

7. Place and Length of Residence

As shown by Table 18, 23.9 per cent of the female headed families and 34.4 per cent of the male headed

²⁷The usual procedure is to assume that because welfare women classified as needed in the home full time are not required to work they are uninterested in doing so and, thus, are not part of the labor force. For a case in point, see the <u>Report of the Welfare Study Commission</u>, Lansing, Michigan, 1971.

0	Place of Residence ^a								
	Country	Village or City							
Female headed families	23.9%	76.1%							
Male headed families	34.4%	65.6%							
All families	26.9%	73.1%							

TABLE 18.--Per Cent of Allegan County ADC Families Who Live in the Country or Village Respectively.

^aData based on the assumption that rural route addresses indicate country residence and are thus subject to a significant degree of error.

families live in the country, i.e., outside village or city limits. This estimate is based on the assumption that rural route addresses indicate country residence such that these figures have very little meaning other than to indicate that approximately 25 per cent of the adult recipients are relatively isolated from employment opportunities and available public services.

Another aspect of residency that is of some interest is the length of time the recipients have resided in Allegan County. Contrary to what one might expect, given limited income and education, they appear to be relatively mobile as a group. Nearly 40 per cent have lived in Allegan County for less than five years, and 12.0 per cent have lived there for less than one year. In contrast, only 16.7 per cent of all Allegan County residents at this time of the 1970 population Census had lived in a different county in 1965. This indicates one or both of two things: either as a group the welfare prone population migrates significantly more than the total population in search of better opportunities, or new residents of an area have a more difficult time getting themselves established to the point where they have a relatively stable earned income and do not need public assistance. From the limited information available, it appears that both reasons are valid. Over 3 per cent of the sample transferred to a different Michigan county over a span of about ninety days (presumably their residence changed, but not necessarily), which indicates substantial mobility. On the other hand, in a large number of cases the pattern appeared to be a major move, such as dropping out of the agricultural migrant stream (6.4 per cent of the caseload were former agricultural migrants), with no further migration despite many months without employment.

8. Availability of Transportation

Table 19 indicates the proportion of various categories of adult recipients who own, have periodic access to, or neither own nor have access to an automobile. Given the complete absence of public transportation facilities in rural areas, this factor is quite important. Without access to an automobile the individuals job search area effectively includes only those opportunities within walking distance.

		Automobile Ac	:Cess
Case Group	Own	Periodic Access	Neither Own Nor Have Access
Female headed families	59.3%	13.6%	27.2%
Male headed families	83.3%	7.6%	9.1%
All families	66.29	11.9%	21.9%

TABLE 19.--Per Cent of Allegan County ADC Families Who Do or Do Not Own or Have Access to an Automobile.

In terms of transportation to work, the most relevant figure is the proportion who own an automobile--more than periodic access is needed. Note that 59.3 per cent of female headed families and 83.3 per cent of male headed families own an automobile. Both figures are quite low, considering the importance of an automobile in rural areas, but, the 59.3 per cent is incredibly so and has severe implications for the employment potential of the group.

9. Employment History

The employment history of ADC recipients is very revealing. It provides insight into both the reasons for the "welfare problems" and the possibilities for solving it. In this context, the employment history of ADC recipients is considered with reference to the quantity and type of work experience, the period of time since last job, and the reason for leaving last job. With respect to type and quantity of work experience, the recipients as a group appear to have better quality and more work experience than one might expect. As indicated by Table 20, 80.7 per cent of the male recipients have had some semi-skilled work experience and 16.9 per cent have had skilled job experience.²⁸ This implies that an absence of work experience should not be a severe barrier to finding employment for the group. It should be noted, however, that some (very few given the small number of ADC-I cases) of those with higher skilled experience are individuals who are on assistance because they are mentally or physically incapacitated.

Of the female recipients, 32.0 per cent have had no outside the home work experience; 52.2 per cent have had semi-skilled experience, and 6.4 per cent have had skilled job experience. Allowing for the fact that 32 per cent have never worked outside of the home, the type, in terms of skill level, of experience is not decidedly different from that of men. If anything, of those women who have had

²⁸The distinction between the categories of experience were arbitrarily made by the author on the basis of the job description provided. Unskilled are those jobs where productivity is essentially unaffected by experience; semi-skilled are those where training or experience is likely to influence productivity but is not a prerequisite for performing the job; skilled includes those jobs where some training or experience is a prerequisite for job performance. The paraprofessional category may involve either unskilled or semi-skilled experience, but is included because experience as an aid to a professional may be quite valuable irrespective of the skill level. The farm management category is self-explanatory.

		Per Cen Eac	t with Experience h Skill Category	in ^a		Ex	Months	onths of Work Months prience Reported	hs Sinc	s Since Last Job				
Sex	Unskilled	Semi- Skilled	Paraprofessional	Skilled	Farm Mgmt.	None	1-6	7-24	24	0	1-6	7-24	24	
Males	38.6%	80.71	2.48	15.9%	1.28	0.0%	14.5%	22.98	62.61	15.6%	23.48	35.11	25.91	
Females	18.71	52.28	7.94	6.41	0.0%	32.01	23.6%	23.6%	20.7%	27.41	10.5%	28.21	33.98	

TABLE 20.--Work Experience of Allegan County ADC Recipients by Sex.

^aPercentages do not total horizontally to 100 per cent, because an individual may have reported experience in more than one category.

experience it is of higher quality. The significant work experience factor in the case of women would appear to be that a substantial portion have not worked outside the home.

In terms of quantity of work experience, any inferences from the data are hazardous. Employment information was requested for the recipients last three jobs, but in many instances less information was provided. Also, if the recipient had worked at the same job for several years a large quantity of experience would be recorded, whereas if he had changed jobs frequently there would be less total experience indicated because those jobs reported on would span a shorter period of time. This should be kept in mind when examining the data reported in Table 20.

A surprisingly large number of male recipients reported a total of more than twenty-four months work experience (62.1 per cent). In light of the fact that data was gathered only for the last three jobs and often not that far back, this is most significant. It indicates not only that male recipients have substantial amount of work experience but also that they tend to have relatively stable work histories, i.e., they do not move from job to job too frequently. We shall return to this issue later when considering the reasons given for leaving their last job.

Women report significantly less work experience, but no more less than should be expected given child rearing and other home responsibilities.

Perhaps, the most interesting and useful aspect of the employment history data is the reasons recipients gave for leaving their last job. Table 21 displays this information for different groups of recipients. Looking closely at the data, it is apparent that to a large extent welfare recipients left their last job for reasons they could not control. More than half (56.1 per cent) of the males and 25.9 per cent of the females left their last job either because they were laid off or because of illness or injury. Adding the reasons of pregnancy and family needs to the figure for women brings it to 50.3 per cent. If the proportions still employed are added to those figures, a full 71.9 per cent of the males and 79.0 per cent of the women are either employed or left their last job for reasons over which they had very limited control. Only 17.6 per cent of the men and 9.3 per cent of the women quit or were fired from their last job.

The reasons for leaving their last job were provided by the recipients and, thus, are subject to error in the direction of what they think the case worker would like to hear, but there is no evidence that this factor is too significant. In total, the employment history of Allegan County ADC recipients indicates that they are neither

		Reasons for Leaving Last Job														
Classification	Still Employed	Laid Off	Fired	Illness or Injury	Lack of Transport	Pregnant	Training or School	Family Needs	Quit	Moved (Husband)	Married					
All adults	22.9%	22.81	4.43	17.18	3.9%	6.88	1.5%	9.31	7.38	1.5%	2.9%					
Females	28.71	14.8%	2.8%	11.14	3.71	9.6%	0.0%	14.8%	5.6%	2.8%	5.61					
Males	15.8%	33.3%	5.31	22.8%	5.31	0.0%	5.31	0.01	12.38	0.0%	0.0%					

TABLE 21.--Per Cent of Various Groups of Allegan County ADC Recipients Who Left Their Last Job for Particular Reasons.

seriously lacking in experience nor characterized by extremely poor work records or attitudes. At the very least, it can be said that a substantial number of recipients have a relatively satisfactory work history.

Given the surprisingly good employment histories of Allegan County ADC recipients, it would be particularly interesting to compare them to urban area recipients or at least to the State of Michigan in total. Unfortunately, information on the employment history of recipients in other areas is rather sketchy, and it is possible to make only indirect comparison.

According to the 1968 Michigan survey, the usual occupational classes of ADC fathers were 49.7 per cent unskilled laborers and 27.8 per cent operatives and kindred semi-skilled and skilled workers.²⁹ The usual occupational classes of ADC mothers were 35.6 per cent service workers except private household, 21.9 per cent unskilled laborers, 17.4 per cent clerical and sales, and 15.5 per cent private household service workers. Assuming no major differences in the classification systems used, from a comparison of this information with the data on types of job experience displayed in Table 20, it might be inferred that Allegan County ADC recipients tend to be somewhat better qualified, in terms of experience, for higher skilled jobs than is the Michigan caseload in general, which is predominantly

²⁹Profile of Michigan ADC Caseload, Appendix B, Tables 54 and 57.

urban. Whereas the usual occupation for 49.7 per cent of ADC fathers in Michigan is unskilled labor, only 38.6 per cent of Allegan ADC fathers indicated that they had any experience as an unskilled laborer. For some proportion of that 38.6 per cent, however, their usual occupation would be something other than unskilled laborer. Similarly, the usual occupation for 37.4 per cent Michigan ADC women was either unskilled laborer or private household worker, whereas only 18.7 per cent of the Allegan ADC women indicated unskilled work experience.

10. Earned Income

The level and distribution of earned income among welfare recipients is of considerable importance, because it is on the possibilities for increasing earned income that this study is focused. At this point, the question is how much those who work earn and who (type of case) has what earnings. Later the relationship of the other client characteristics to earned income are examined.

Table 22 gives a frequency distribution of earnings by type of case. It is evident from the table that the proportion of the caseload with any earned income is small and that those who do work earn very little. In 80 per cent of all cases there is zero earned income and of those who do work over 70 per cent earn \$300 or less per month. Average monthly earned income, excluding those with zero, is \$222.85.

		Number o	Percentage		
Earned Income	ADC-M	ADC-U	ADC-1	ADC-S	Distribution
0	102	43	22	20	80.0%
1 - 50	1	0	0	1	.98
51 - 100	3	2	1	0	2.58
101 - 200	5	4	1	0	4.3%
201 - 300	7	7	1	1	6.8%
301 - 400	8	1	0	0	3.8%
400	3	0	0	1	1.7%
Total cases	129	57	25	23	
Per cent with 0 earned income	20.9%	24.6%	12.0%	13.0%	

TABLE 22.--Distribution of Earned Income Levels by Type of Case, Allegan County.

In addition to the earnings distribution for the total caseload, it is useful to note the distribution by type of case, because type of case, in fact, represents a cluster of circumstances. It can be observed, for example, that a slightly larger proportion of ADC-U cases reported earned income greater than zero than any other category, but that monthly earnings were lower. The level of earnings is indicative of the effect of the rule which states that ADC-U fathers who work more than 100 hours in any thirty-day period are no longer eligible for assistance irrespective of their income. Thus, for those with low earning capacity, part-time employment is encouraged. The relatively high proportion reporting some earnings, perhaps, reflects the existence of two potential wage earners in each ADC-U family.

These factors, in addition to the relationship of earned income to numerous other client characteristics are considered in depth in Chapter V.

11. Time on Assistance

On par with earned income in terms of importance is the matter of length of time on assistance. To a substantial extent, differences in length of time on assistance are related to earned income potential, i.e., one would expect those recipients with the highest earning potential to remain on assistance the shortest length of time. At least, this would be the case for some range near the margin of self-support. Also, inferences can be drawn from time on assistance data regarding general aspects of the welfare problem.

Table 23 gives a distribution of time since most recent opening of the case by type of case and whether or not the case had been open before. The most striking aspect of the distribution is the apparent fluidity of the caseload, as reflected both by the number of cases that have been open for less than one year (43.1 per cent) and by the number of cases which had been open for a time previously; 34.3 per cent of all cases, 28.1 per cent of ADC-M cases, and 36.8 per cent of ADC-U cases had been open

Type of	Was or	Numbe	Number of Cases by Months Since									
	Was Not	Most	Most Recent Opening of the Case									
Case	on ADC Before	1-4	5-12	13-24	25-48	48	Cases					
ADC-M	Yes	7	9	7	8	5	36					
	No	8	28	21	13	22	92					
ADC-U	Yes	6	6	5	3	1	21					
	No	4	16	13	1	2	36					
ADC-I	Yes	2	2	1	2	6	13					
	No	0	5	3	1	3	12					
ADC-S	Yes	3	4	2	2	2	13					
	No	1	2	5	2	0	10					
ADC-R	Yes No	0	1 3	0 4	1 3	0 3	2 13					
Totals		31	76	61	36	44	248					
Per cent of all cases		12.5%	30.6%	24.6%	14.5%	19.8%						

TABLE 23.--Length of Time on Assistance by Type of Case, Allegan County.

for some time previous to the most recent opening. With sufficient other income being the most common reason for being temporarily off welfare, the fluidity of the caseload indicates the large extent to which welfare functions as emergency relief from the irregularities of the labor market. The Department of Social Services is apparently not a haven for free loaders but a source of relief for the poor who are the most susceptible and the least capable of coping with labor market gyrations. The other aspect of the distribution which ought to be discussed at this stage is the differences between Allegan County and other welfare jurisdictions. Comparisons with the 1968 Michigan study indicate that the Allegan distribution is no different than that which characterizes other rural Michigan counties, but that the caseload is decidedly more fluid in rural areas than in metropolitan areas. According to the 1968 study, the larger the urban area the more likely recipients are to remain on assistance longer.³⁰ Only 23.6 per cent of Detroit cases had been open for less than one year, whereas 46.6 per cent rural nonfarm had been open less than one year. This compares to 43.1 per cent for Allegan County. There does not appear to be significant difference, however, in the proportion of repeat cases.

The many factors which influence time on assistance are analyzed in depth, along with earned income differences, in the next chapter. From explanations for differences in length of time on assistance inferences are drawn regarding the determinants of earned income potential.

E. Combinations of Characteristics

The foregoing discussion of client characteristics treats each factor individually and ignores the all important aspect of what combinations of factors exist. This

³⁰Ibid., Appendix B, Table 1.

matter is left until after the relative significance of each factor has been determined (Chapter V) and is then treated in depth in the context of policy alternatives. It is nevertheless useful at this point to identify the caseload in terms of a matrix of combinations for later reference and as a means of summary description.

Table 24 describes all adult ADC recipients in terms of combinations of seven characteristics: education; age; health; sex (male, female, and female with young children); months of work experience; type of work experience; and automobile ownership. It is evident from the matrix that to a large extent the welfare population is less than age 30, has 8-11 years education, is healthy, and has some work experience. The young tend to be better educated, are less likely to own an automobile, have better health, and less work experience. Males have more work experience, but tend to be younger and have less education than females and so forth.

Above all else, the extreme diversity of the caseload is evident. Which of these differences are significant in terms of employability and, accordingly, what policy action would be appropriate remains to be seen.

1 ⁻	•	•	24			ï		. 1	-		• -		1-	•••	1 -				0	· · · · · · · · · · · · · · · · · · ·	. T	ote	1 No	rk Ex	perience
Γ				 	Not				• •	Lucional de la companya de la compan	No	t			<u>۔</u>	U	No			Do Not		uto	Own	ershi	p
19		uto i s		π.	nut nT	s	U	T M	8		<u> </u>	6	5	M	8	U		20	UNIT AULO	AUCO	Ŧ	ype	of	Esper	Lence
-	╂╍╵	†"	4.	+	-1-	1		t I	1	†- ⁻	F	Ē	Ē	-	Ť	<u> </u>		Ē	•	<u> </u>	5			<u> </u>	_ _
ŀ	· ··	·	- I •	·	+-	-	- 44- 1		-			}	h		H		-				Ē	l?		Ι.	[
		Ť	1	1.			•	1	-	ľ		1	•	Ī	Π						×	~	Ē		
[1	T	ſ	ſ	Ĩ	I				[]		ſ		ľ	\square						3	[ĮĮĮ
-	1	T	T	Ľ	T			1	<u> </u>	<u> </u>	1_			I							E	1	E	15	
Ľ		Γ	Γ	.[Ι]		L	Ĺ	1			Ĺ	Ľ.	Ĺ	Ŀ					=	Ľ	ç		
		1				[L		L	L		-						u		2		F		
Ŀ			Ι	L				-						2	Ľ							Ŀ	Ē.	l a	
Ŀ	· _ •									ļ			-		L						Ľ	Ĺ	br	2	
	-		. .	+-	-	-				ŧ	⊢			┣					<u> </u>	↓	Ę		T		5
-			-		-			+-			-	\vdash	~	<u> </u>	-	<u>⊢</u>		-			╞	*	10	l ≈	5
 _ `	Ľ	┨	┢	+	4-	_		 -		 	┣			┣		┣—			├	_	Ê	-	<i></i>	┨	
	+	+	+-	╀	╋	-{			┝		⊢			-		┣	┝╍┥	<u>-</u>			Ę	?	Ē		۲ I
	+-	+-	╇	┢	4			ļ		┣	┣	\square	\vdash	—				-	ļ	<u> </u>	Ē	n.	111		
┝─	┼━	╈	╋	╋	╋	-			┝		├	\vdash								<u> </u>	5	┝─	-	8	
-	┢	╇	╀	+	+	_	_	┣—	-	<u> </u>	┨	\vdash				-		-		<u> </u>	F	×.	Ē	l ≈	
┝╍	∤ ~∗	╓	╇	┉┝╍	╓╋╌	-			-	<u> </u>	┢	\vdash			-			H		<u> </u>	Ē	Ľ	Ş		
1-	1.	7	Ť	1	1-	1		•	[~	5		-	-			~		-	=	7		*	Γ	
-	╪	┉	╈	╈	┢	-†		<u> </u>		†										N	Ť	Ī	Ē.		
Ŀ		·	1.	Ī	1	_t	2	4	F		~			2		۳					Ē		6	3	
Ľ	Γ	Γ	Γ		Γ	[-			-			2							E	[_	F		{ {
			Γ	1.	T	-1														N	Ē		ul t	ľ	
1	1	+	Ļ	15	1	_		1	-			Lİ	Ľ		ļ		ļ			· · · · · · · · · · · · · · · · · · ·	<u>۲</u>	 	1	 	1 7
!	1_	<u>.</u>	.L		1.			•• ····		<u>۲</u>	۲			*	L	~	-		•		F	•	F		
. `	1-		+	┢	- -	4					~		Ľ	<u>~</u>	—						E	1	ale	3	
┟	1-	╬	+-		╺┝╸		-	·	-	┝╌╾		┝╶┥				-	 	-		<u>. </u>	Ē	┝	. <u> </u>	8	5]
	. .		_						_		┝╼╴╎						-				¥	v .	Ē	1.	F
ŀ	-		+	+:	+				┢			\vdash			-		–	\vdash	<u>├</u>	<u>↓</u>	Ē	~	Ē	1	
┝	╢╌	+	╉┥	+-	-	-+		-										\vdash	<u> </u>	<u> </u>	t	-		╞╌╼╴	8
-	+	╈	┢	1-	+-	• 🛉			F			\vdash			\vdash			\vdash		i	F	1	Ē		
1-	†-•	1-	1-	1		٠f	• • • •			-	 	1						†			F	2	6	3	
-	┝~	+-	┢╴	╈	╈	-†						Γi						t-		t	न्र	[3	[l
[-	F	t	t	E	t	1													-	+	F			۳.	
Γ		-1-	ŀ	1	Γ	T															-		6		
Γ	Γ	•		, N	ľ		*				•	F		5	-	-	N		2	<u> </u>	F	•	F		
	Ŀ	L	L	Γ	Т			N										\square		↓	Ľ.	1	41 c	1	
	Ē	1	Ĺ	L			-											L			2	Ĺ	<u> </u>	3	
L	 	4	Ļ	 _	-	_	_				_				L.:			_	ļ	<u> </u>	님	•	ž.	ы ы	
Ļ	 	1	╞	_	∔	_				 			\square		L		<u> </u>	1		 	╞	~	16	ŀ	ະສຸ 🛛
Ľ	<u> -</u>	-	╞	╞		-		_	Н	<u> </u>	-										╞	┝╼			8
┝	Ľ	F	+-	┢	+	-	<u>.</u>								-	\vdash		_	<u> </u>	↓ . – –	ŧ	?	F		i și
-	Ļ	-	┼─	1-	┉┼╍	┦	-		H		-	Н	-			╞─┤				<u>├──</u> ─	Ī	Ň	IC)	1	
	+	+-	ł۰	<u>}</u>	·	4			ŀ-		-	-								<u> </u>	5	•		۲.	
•	+-	;	╂─	╂─	┿	┥			Η		\vdash	-	\vdash			<u> </u>		┝	N 1		F		Tin and the second s	1	8
•••		F	1-	†	T	-†						\square			H			\mathbf{F}	<u>}</u>	<u> </u>	F		G		
-		┮	t	1-	T	1												t			3	0			
┝╼	┢	┢	┢	+	╋	┥			\vdash		\vdash							⊢		<u> </u>	Ē	1	Ē		2
-	<u> </u>	T	┢	T	1	-†						-						Γ	·		Ĩ¥	N	G	\$	
-		┢	†	Γ	T	Ť	T											Γ			7		¥	• •	Į I
-	<u> </u>	†-	1-	Γ	╈	1												1	Í		Г	ň	E.	•	1
	†~#	1-	t	t-	+-	-†			11		—					[]	-	t	t		I		6		1 1

È

CHAPTER V

ANALYSIS OF FACTORS INFLUENCING EARNED INCOME POTENTIAL

The foregoing chapters describe the Allegan County labor market and the composition of the ADC caseload in some detail. At this point, much is known about the characteristics of the people on ADC and about the labor market they operate within, but very little about earned income potential per se. This chapter focuses on this aspect and consists of two main parts. First, multiple regression models are developed and used to test a series of hypotheses in an attempt to determine which client characteristics are significant determinants of earned income potential and, secondly, the earned income opportunities available to welfare recipients are examined at some length, assuming no employment constraints other than job entry requirements.

A. Significance of Client Characteristics as Determinants of Earned Income Potential

The model developed in Chapter II posited a relationship between a series of variables and the earned income options open to welfare recipients. The attainable

combinations of earned and welfare income were identified as a function of available welfare income, (Yw) potential wage (W) and the probability of finding employment at the potential wage (Pe), where Yw is a function of eligibility requirements and the welfare tax rate; W is a function of those factors which influence what one is capable of earning, i.e., education, work experience, age, and health; and Pe is a function of those factors which influence the probability of finding a job at what he is capable of earning, i.e., available job vacancies and knowledge of them, place of residence, and availability of transportation.

To the extent that some of the variables indicated do have an influence on the options open to welfare recipients (earned income potential), it should be reflected both in differences in earned income among welfare recipients and in the length of time clients remain on assistance. In other words, if it is possible <u>and</u> advantageous for welfare recipients to choose more work and less welfare they will do so. Thus, one can test for significance in explaining differences in earned income and length of time on assistance as a means of determining which variables are important determinants of the earned income options.

To test the significance of various client characteristics as determinants of earned income potential, three regression equations are estimated. The first explains

differences in length of time on assistance; the second differences in earned income among those recipients who are employed; and the third is an attempt to explain why some recipients are employed and others are unemployed. It is believed that by examining the significance of client characteristics, e.g., age, education, work experience, etc. in these three contexts it will be possible to get a good idea of what difference it would make in the quantity of employment chosen by ADC recipients if the variables were modified. Accordingly, it will help determine what policies for increasing earned income would be most appropriate and also toward which recipients those programs should be directed.

Because concern herein is with the relevance of the individual client characteristics (dependent variables) as determinants of employment potential and not with explaining differences in length of time on assistance or in earned income per se, all the regression results will be presented first and then each of the variables believed to be important determinants will be discussed in turn.

- 1. Regression Model Formulation and Estimation
- (a) Length of Time on Assistance

The equation for length of time on assistance is of the general form:

$$\ln T_{i} = B_{0} + B_{1}P_{i} + B_{2}\ln L_{i} + B_{3}S_{i} + B_{4}\ln A_{i} + B_{5}\ln Ct_{i} + B_{6}Cy_{i} + B_{7}\ln Hc_{i} + B_{8}\ln Ha_{i} + B_{9}\ln E_{i} + B_{10}\ln W_{i} + B_{11}Tr_{i} + U_{i}$$

where:
$$T_i = Number of months since most recent opening
 $P_i = 1$ if client resides in country, 0 otherwise
 $L_i = Length of residence in Allegan County$
1 if less than 1 year
2 if at least 1 but less than 3 years
3 if at least 3 but less than 5 years
4 if 5 years or more
 $S_i = 1$ if family head is female, 0 otherwise
 $A_i = Age$ of family head in years
 $Ct_i = Total$ number of dependent children
 $Cy_i = Number of children$ less than age 6
 $Hc_i = Health of children coded 1 to 4$
 $Ha_i = Health of family head coded 1 to 7$
 $E_i = Years education of family head
 $W_i = Months$ work experience of family head
 $Tr_i = 1$ if own a car, 0 otherwise
 $U_i = an error term$$$$

.

It is assumed: that the error term U_i is a random distrubance that is normally distributed with zero mean and constant variance; the independent variables are uncorrelated with U_i ; and no exact linear relationship exists between any of the explanatory variables. Under these assumptions, ordinary least squares calculation of the regression coefficients will yield best linear estimates which can be tested for significance using test statistics developed on the basis of a normal probability distribution.

The estimated equation, utilizing 168 observations, is: 0.203P 0.4441nL 0.0975 lnT - 0.342 -(0.073)(0.160)(0.076)(0.661)0.2331nHc 0.2721nCt 0.171Cy 1.001nA + + (0.381)(0.122)(0.088)(0.253)0.0131nE 0.1201nW 0.107T 0.3921nHa + ; (0.123)(0.208)(0.065)(0.070) R^2 .3840

The coefficients for place of residence (P), length of residence (L), age (A), and health of family head (Ha) are all significantly different from zero at less than the 1 per cent level. Total number of children (Ct) and number of children less than age six (Cy) are both significant at the 5 per cent level. Work experience (W) and ownership of an automobile (T) are significant at 6 and 12 per cent respectively, Both the health of the children (Hc) and education of the family head (E) are very insignificant.

The signs of coefficients, with one exception, are what you would expect, a priori. The one exception is the negative sign for place of residence indicating that people who live in the country as opposed to within the boundaries of a municipality remain on assistance a shorter period of time. Given their reduced proximity to employment opportunities and various social services, one would expect the contrary.

The R^2 of .3840 is relatively low, but with crosssectional data this is not unexpected. Furthermore, the significance levels of the particular variables are of more importance for this study than is predicting the length of time a given type of client might remain on assistance such that the proporition of the total variance explained is not of too much concern. Using the same variables in simple linear form, an equation with a slightly higher R^2 was fitted, but for the most part, the standard errors were larger and, thus, it was rejected in favor of the above equation.

(b) Level of Earned Income

The equation for level of earned income is of the general form:

$$\ln I_{i} = B_{0} + B_{1}P_{i} + B_{2}\ln L_{i} + B_{3}S_{i} + B_{4}\ln A_{i} + B_{5}\ln Ct_{i} + B_{6}Cy_{i} + B_{7}\ln Hc_{i} + B_{8}\ln Ha_{i} + B_{9}\ln E_{i} + B_{10}\ln W_{i} + B_{11}T_{i} + U_{i}$$

where I_i equals the amount of earned income for case i and all other symbols are the same as for the previous equation. The same assumptions are assumed to hold.

Initial attempts to explain differences in earned income levels when all observations, including those with zero earned income were used, proved futile. When those observations of zero were dropped from the observation set, a relatively good fit was achieved. Therefore, the estimated equation includes only those cases where there was some earned income, a total of forty-three observations. The estimated equation is:

lnI = 0.1275 0.103P 0.4961nL 4.853 + (1.48)(0.193)(0.334)(0.151)2.0471nA + 0.3951nCt + 0.5451nHc 0.133Cy (0.825)(0.205)(0.171)(0.562)0.258T 0.4311nHa + 0.2171nE + 0.2771nW ; (0.192)(0.260)(0.528)(0.129) $R^2 = .4443$

Relative to the previous equation standard errors are quite low and, correspondingly, more of the variables are significantly different from zero at acceptable levels. Age and work experience are significant at the 5 per cent level. Total number of children and health of family head are significant at the 10 per cent level. Length of residence and auto ownership are significant variables at 14.8 and 18.8 per cent respectively. All the others are not significant at any reasonable level.

Three of the signs of the coefficients are different from what one might expect. One would expect that the larger the number of children and the poorer their health the lower the earned income of the parent or parents, because in both instances there would be reason for ADC mothers to work less, but the opposite relationship exists. The other unexpected relationship is the negative sign for auto ownership. Possible explanation for these relationships will be offered when we consider the results of all three equations for each of the important variables.

(c) Probability of Being Employed

In addition to differences in earned income among those recipients who are working, there is the matter of what factors explain who is employed and who is not. In an attempt to shed some light on this issue, an equation of the following general form was estimated:

$$\hat{P}_{i} = B_{0} + B_{1}P_{i} + B_{2}L_{i} + B_{3}S_{i} + B_{4}A_{i} + B_{5}N_{i} + B_{6}Hc_{i} + B_{7}Ha_{i} + B_{8}E_{i} + B_{9}W_{i} + B_{10}T_{i} + U_{i}$$

where the dependent variable (P_i) is dichotomous taking the value of 1 if the family head is employed, 0 otherwise, and $N_i = 1$ if the mother is classified as needed in the home full-time, 0 otherwise. All other symbols are the same as for the previous equations. The model can be regarded as a linear probability model, although there

are no restrictions on the stimates such that they may be outside the 0 - 1 range of a true probability.

Ordinary least squares estimation, utilizing 168 observations, yields:

P 0.031P 0.021L 0.0445 0.005A 0.162 + (0.289)(0.081)(0.032)(0.080) (0.004)0.039Ha 0.075Hc 0.018E 0.237N (0.072)(0.025)(0.015)(0.078); $R^2 = .1555$ 0.097T 0.001W + (0.001)(0.075)

For equations in which the dependent variable is dichotomous, there exists heteroskedacity and, although the estimates of the coefficients are still consistent, estimates of the standard errors are biased in an unknown direction and, thus, tests of hypotheses may be incorrect.³¹ The problem of heteroskedacity could be partially corrected by weighing those observations with smaller vacancies more heavily, but this is a difficult and expensive procedure and would not likely add much of significance to the results. First of all, minor bias in the size of the standard errors will not materially affect the conclusions to be drawn and, secondly, in using a GLS weighted regression procedure, it is necessary to drop from the sample those OLS estimates of P_i which were less than or equal to zero or equal to or greater to one and it is possible that

³¹Jan Kmenta, <u>Elements of Econometrics</u>, (New York: The Macmillan Company, 1971), pp. 425-28.

the loss in efficiency due to this factor would be greater than the gain due to the removal of the effects of heteroskedacity.³² Therefore, an acceptable approach would seem to be a conventional interpretation of the OLS estimates keeping in mind that the size of the standard errors and thus the significance levels of the variables may be biased in either direction.

Whether the mother is classified as needed in the home full-time is significant at the 3 per cent level. Using conventional (1, 5, or 10 per cent) significance limits, none of the other variables is significant. However, if one accepts 25 per cent or less as significant, three other variables meet the criteria. Health of the family head, education, and automobile ownership are significant at 12.0, 23.1, and 19.8 per cent respectively.

The signs of the coefficients are as expected, a priori.

2. Interpretation of the Regression Results

Given the estimated regressions, it is now possible to consider the overall relationship of each of the important dependent variables (client characteristics) to the employment potential of welfare recipients. Each variable is discussed in turn.

³²Arthur S. Goldberger, <u>Econometric Theory</u> (New York: John Wiley and Sons, Inc., 1964), pp. 248-51.

(a) Place of Residence

Earlier it was hypothesized that recipients who live in the country are less likely to be employed and remain on assistance longer than those who reside in the village or city. The results of the foregoing analysis indicate that place of residence is significant as a determinant of length of time of assistance at the 1 per cent level, but is not significant at any acceptable level in the other two cases. More importantly, the value of \hat{B}_1 in the case of time on assistance is - 0.203 indicating that the mean difference between people who live in the country and those who live in the village is approximately a minus fifteen months, country residents being on assistance for less time. Thus, the hypotheses the country residents remain on assistance longer must be rejected.

Although the place of residence is not a significant variable in the other two cases, it is of some relevance to note the sign of the coefficient. In both cases, it is negative indicating that country residents earn less when employed and are less likely to be employed. The latter is consistent with our initial hypothesis, but contrasts with the results for time on assistance. One would expect that those who earn less and are less likely to be employed would remain on assistance longer. It cannot be said with any degree of certainty that this contrast exists, but if it does, there is a plausible explanation. The data were

collected during the late winter and early spring and represent the state of affairs at that point in time. Thus, to the extent that country residents are seasonal workers, e.g., agriculture or agribusiness, as a group they would have been on assistance a short time and nevertheless be largely unemployed relative to their village counterparts as of the time the data were collected.

(b) Transportation

In Chapter II, it was hypothesized that recipients who do not own an automobile remain on assistance longer are are less likely to be employed than those who do. According to the regression results, those recipients who do not own an automobile do remain on assistance an average of about five months longer and are less likely to be employed. The coefficient for auto ownership (B_{11}) is negative (indicating less time on assistance for those who own an auto) and significantly different from zero at a 12.6 per cent level of significance in the case of time. It is positive (meaning those who own an auto are more likely to be employed) and significantly different from zero at a 19.8 per cent level of significance in the case of the probability of being employed. Therefore, the null hypothesis that auto ownership has no effect can be rejected in both cases. But, of course, this contention is subject to a relatively high probability of error given the poor significance levels.

The magnitude of the effect, moreover, is quite small. The indicated mean effect of auto ownership is only about five months less time on assistance and a 9.7 per cent greater probability of being employed.

Although nothing was hypothesized about the effect of auto ownership on the level of earnings of those employed, it is quite interesting to note that according to our regression estimates for earned income employed recipients who own autos earn about \$38/month less on the average. To the extent that a relationship exists, one would expect those who own autos to earn more because they are able to search greater distances for employment. One plausible explanation is the degree of colinearity that exists between auto ownership and type of case. In the description of the caseload, it was observed that a much larger proportion of unemployed father cases have automobiles than do single parent female headed families. And the simple correlation coefficient between auto ownership and the difference between the two types of cases is .2 indicating some degree of colinearity. Thus, the indicated lower earnings for auto owners could be explained by the fact that ADC-U fathers are subject to a 100 hour/month work limit or else must leave the welfare roles, which provides an incentive to work only part-time and part-time employment would explain the lower earnings.

In sum, it can be concluded that recipients who own autos remain on assistance less time and are more likely

to be employed at least part-time. This supports the original contention that auto ownership contributes significantly to employment potential.

(c) Education

The hypothesis is that the earned income of recipients is not a significant function of years of education and, accordingly, that education is not a significant determinant of length of time on assistance. The results of the regression analysis support this contention. Education is not at all significant as an explanatory variable either in explaining differences in earned income or in explaining differences in length of time on assistance. The signs of the coefficients, however, indicate that to the extent there is any effect recipients with more education earn more and remain on assistance less time.

It is not surprising that <u>within</u> the welfare population the level of education is unimportant. For nearly all of the jobs at which recipients work, formal education would not be important to productivity. This is born out by both the occupational pattern of recipients and by the emphasis employers placed on education as an entry requirement for the jobs in question.

In addition to the effect of education on the earnings of those employed, it is of some interest to consider whether education contributes to the probability of having <u>a</u> job. Although the coefficient for education in the case of the probability of being employed is significantly different from zero only at the 23.1 per cent level, it is nevertheless more significant in this case than either of the other two. This indicates that education is somewhat useful for finding a job and, at least, is more useful in that regard than in performing the job once one has it. That education may facilitate job search is not to be unexpected. Within the range of education levels we are talking about, the simple process of filling out applications can be a barrier where only basic literacy or less is the case, but would not be a barrier for someone with some high school.

(d) Work Experience

In this case, the a priori hypothesis is that months of work experience is <u>not</u> a significant variable in explaining differences in earned income among employed welfare recipients. If this hypothesis holds, then there is no reason to expect any relationship between work experience and length of time on assistance or the probability of being employed either. From the results of the analysis, this hypothesis can be rejected with a high degree of certainty.

The coefficient for work experience (B_{16}) is significantly different from zero at the 6.6 per cent level in the case of time and at the 4.0 per cent level in the

case of earned income. It is not significantly different from zero in the case of employment probability.

The value of the regression coefficients indicate that the more work experience a recipient has the shorter the time on assistance and the higher the income of those working, although the effect is not particularly substantial in either case. Depending on the point one is at on the curvilinear function, the effect of one month's additional job experience is approximately 40¢/month additional income and .2 months less time on assistance.

It can be quite safely concluded from this analysis that work experience is an important factor delineating the earned income possibilities open to welfare recipients. The initial contention that work experience would not be significant, because for most of the jobs available to welfare clients experience would not be important to productivity, is apparently false. Either work experience does in fact contribute to productivity and/or employers use experience as an indicator of productivity where it is difficult to measure. Probably both explanations are to some extent true.

(e) Age

It was hypothesized in Chapter II that earned income differences were not significantly related to age because, as in the case work experience, there seemed no a priori reason to believe that age was related to

productivity for the types of jobs in question. The regression results permit one to clearly reject this hypothesis. The coefficient for age (B₇) in the earned income equation is significantly different from zero at the 2 per cent level.

More surprising than the significance level is that the coefficient has a negative sign meaning that older recipients earn less. This author can come up with no good logical or statistical reason for this relationship to exist other than the possibility of age discrimination in hiring.³³ None of the variables for which age might act as a proxy, e.g., health and work experience, have been excluded and there is no significant degree of multicolinearity. It would seem most likely that the relationship was incorrectly specified, but a simple linear and parabolic functional form were tried and provided no indication that there is not a negative relationship between earned income and age.

The relationship of age to length of time on assistance and to the probability of being employed does not negate the observed negative relationship of age to earned income. In the time equation, the age variable is significantly different from zero at the 1 per cent level.

³³Although no direct evidence of age discrimination was observed, it is apparently not uncommon in the industrial sector. See Daniel E. Diamond, <u>Industry Hiring</u> <u>Requirements and the Employment of Disadvantaged Groups</u>, (New York University, School of Commerce, 1970), p. 350.

The coefficient is positive and relatively large indicating that older people have been on assistance substantially longer. This is to be expected, because older recipients have had the opportunity to be on assistance longer, but it is also consistent with the evidence of lower earned incomes for older recipients. The age coefficient in the probability equation is statistically insignificant, but the sign of the coefficient does indicate that a higher proportion of older recipients are employed.

In summary, it is evident that age is a significant determinant of employment potential and that in general the older the recipient the lower the potential. This does not mean, however, that the thirty-five-year-old recipient has a lower earning potential than the twenty-year-old, but what can be said with some certainty is that the recipient less than age twenty-five has a higher earning potential per unit time than the individual over age fifty, ceteris paribus.

(f) Health

There is no question but that health is an important determinant of employment potential. The only question is how important. The variable for state of health (B_{14}) is significantly different from zero at the 10 per cent level in the case of earned income and at the .2 per cent level for time on assistance. In both cases, the sign of the coefficient is as expected and its value is relatively

large. The approximate mean effect of one unit poorer health is six months more time on assistance and \$12.00 less income per month.

Further reinforcing the importance of health is the fact that a significantly smaller proportion of recipients with poor health are employed. B_1 is significantly different from zero at the 12 per cent level in explaining the probability of being employed.

Of all the client characteristics to consider when assessing employment potential, it appears that health is most important.

(g) Number, Age, and Health of Dependent Children

It was hypothesized in Chapter II that women with larger numbers of children and/or with children less than age six are less likely to be employed and remain on assistance longer than women with fewer and/or older children. The results of testing this hypothesis are conflicting.

The variable for total number of children (B_9) is significantly different from zero at 2.8 per cent for time on assistance and at 6.4 per cent for level of earned income. This is not surprising, but the signs of the coefficients are a different matter. The sign is positive for time on assistance indicating that families with more children are on assistance longer, which is as hypothesized.
But the sign for earned income is also positive indicating that families with more children have more earned income. This is contrary to what would be expected if mothers with large numbers of children are, in fact, needed in the home full-time, but is consistent with the earlier observation that a substantial number of women classified as needed in the home full-time work outside the home.

For the effect of children less than age six (variable B_{11}) the results are also not totally as expected. B_{11} is significantly different from zero at the 5.2 per cent level in the case of time, but the sign is negative indicating that families with children less than age six are on assistance less time. Although one would expect less employment effort from mothers with children under age six and, thus, more time on assistance, this effect is apparently counterbalanced by the fact that many of the cases with children under age six have only been eligible for assistance for a short time.

The effect of B₁₁ on earned income is not significantly different from zero. Perhaps recipients with children under six do not work significantly less than recipients without any children under six (remember that differences in earned income exist both because of differences in earning capacity and because of amount worked), but there is insufficient evidence to say that this is the case.

In the equation for estimating the probability of being employed, a variable for whether the mother was classified as needed in the home full-time (B_{12}) was used instead of variables for age and number of children. B_{12} was highly significant, being significantly different from zero at the .3 per cent level, and has a negative sign. Clearly, mothers not classified or needed in the home full-time are much more likely to be employed.

The variable for health of the children (B_{13}) was not significantly different from zero in either of the three equations. To the extent that the signs of the coefficients are nevertheless relevant, they indicate that cases where the children are in poor health are on assistance longer, have more earned income if the adult recipient(s) are employed, but employment is less likely.

The overall effect of children on the employment potential of adult recipients is apparently negative, but less substantially than is often believed. The evidence is that mothers of young children, for the most part, prefer not to work, but a significant number of those with large families, which may or may not include children under six, do choose to work, and when they do, those with the largest families earn the most. It could be inferred, therefore, that when earned income is most needed, because of large families, those mothers most capable of earning choose to work. This is quite consistent with what was posited in Chapter II regarding the preference relationship between home responsibilities and earned income, i.e., those with substantial home responsibilities will choose to work only if their earnings are greater than the opportunity cost of home production.

(h) Race

Although a race variable was not included in the reported regression equations, it was included in earlier runs and found to be very insignificant. On this basis, however, it cannot be concluded that race is an unimportant variable. When the original thirty minority cases in the sample are reduced by the number for which complete data were unavailable, too few remain to draw any reasonable inferences.

B. Employment Opportunities

The earned income possibilities for welfare recipients depend as much on available earning opportunities as on the earning capability factors and employment constraints discussed in the preceding section. If there are no job vacancies available that welfare recipients are capable of performing, their earned income opportunities are obviously zero. Similarly, if a job exists in the county, but is relatively distant from the residence of the recipient, it is effectively not an earning opportunity. Accordingly, this section is an analysis of, first, the number of jobs which are available that welfare recipients are qualified to fill and, secondly, the location of jobs relative to the location of ADC recipients. In addition, the potential for self-support is considered, given prevailing entry wages.

Number of Job Vacancies That Clients Are Capable of Filling

It was hypothesized in Chapter II that there is a relatively large number of jobs available for which welfare recipients possess the necessary entry skills. This really involves two issues: how many job vacancies exist; and to what extent are there jobs for which welfare recipients possess the necessary entry skills.

The number and type of existing job vacancies were discussed in Chapter III. As reported therein, fewer jobs exist than was expected, but when the deficiencies of the survey procedure and other factors are considered, the total number is nevertheless significant. The number of vacancies is clearly small relative to need but is significant in that there are enough vacancies to merit asking how many of the welfare recipients possess the necessary skills to perform the jobs in question.

Answering this question in anything akin to a complete manner is impossible. There are so many variables and so much uncertainty that there exists no precise answer. Nevertheless, some insight can be gained by matching basic specifications, i.e., cluster the vacancies by basic entry requirements and then examine how many recipients possess those requirements.

The best that can be done with the available data is to classify the job vacancies according to requirements for basic education, training and/or experience, and sex; then estimate the number of recipients classified by age and health who are not employed full-time and meet those requirements, further classified by age and health. This is feasible as long as one is prepared to be subjective with respect to the sex criteria, because there is no data on job requirements by sex. Also, lack of data on the training and job specific experience possessed by recipients requires that the work experience factor be treated as work experience in general. This means, of course, that not all of the recipients shown to meet the experience requirement in fact do so. Although this particular problem does severely limit what can be said about the number of recipients gualified to fill particular vacancies, it should be remembered that for many low skilled jobs where experience is a requirement, it is not a requirement for job specific experience. In other words, the employer wants someone with demonstrated capacity to be dependable, follow instructions, etc., but may not care at what job that experience was acquired.

Table 25 provides a comparison of the estimated number of jobs by general entry requirements with the

Clusters of Job Entry Requirements 0-3 yrs. ed. (illiterate), no training or experience	Number of 1 Jobs by Sex Requirement		Number of Recipients in the Sample Who Are Unemployed or Underemployed ² and Estimates ³ of the Number in the Total ADC Population Who Possess the Indicated Characteristics								
			Male age 56 0 - 2		Male age 56 3 - 4	:Male age 55 0 - 2	Female age 56 0 - 2	Female age 56 3 - 4	Female age 55 0 - 2		
	Male (Female (Either)	0 0 3	Sample Pop. est.	0	0	0	0	0	1		
0-3 yrs. ed., some training or experience	Male (Female (Either (0 0 0	Sample Pop. est.	5 25	1 5	0	2 10	0	5		
<pre>4-7 yrs. ed. (basic literacy), no training or experience</pre>	Male Female Either	7 4 15	Sample Pop. est.	0 0	0	0	10 51	0	0		
<pre>4-7 yrs. ed. (basic literacy), some training and/or experience</pre>	Male Female (Either (4 0 6	Sample Pop. est.	7 35	1 . 5	0	7 46	3 15	0		
8-11 yrs. ed. (some high scnool), no training or experience	Male Female (Either)	1 0 2	Sample Pop. est.	0 0	0 0	0	30 153	5 25	0		
8-11 yrs. ed. (some high school), some training and/or experience	Male Pemale Either	2 2 12	Sample Pop. est.	27 137	13 117	0	54 275	7 35	2 10		
<pre>12 or more yrs. ed., no training and/or experience</pre>	Male Female Either	2 0 11	Sample Pop. est.	0	0	0	9 46	2 10	0		
<pre>12 or more yrs. ed., some training and/or experience</pre>	Male Pemale Either	11 2 14	Sample Pop. est.	6 31	2 10	0 0	30 153	5 25	0		

TABLE 25.--Comparison of Available Jobs by General Entry Requirements with ADC Recipients by General Characteristics.

¹Division of the available jobs according to sex was made on the basis of the author's judgement regarding the feasibility of both sexes performing the job.

²Underemployed is defined here as an earned income of less than \$275/month, which amounts to full-time employment at the minimum wage of \$1.60/hour.

 3 Population estimates were made by multiplying the number of observations in each cell by a factor of 5.087. 5.087 = 1.00 divided by (the proportion the above observations are of the estimated adult ADC population). number of recipients who possess those requirements. Both the number in the sample who possess particular characteristics and an estimate of the corresponding population size are shown. Given the general nature of the data, inferences from the distribution are extremely hazardous for reasons already discussed, but there nevertheless exists a couple of conclusions that can be drawn with some certainty.

What is most striking in general is that a substantial portion of the available jobs have entry requirements easily met by the "typical" welfare recipient. Of the 98 total vacancies, nearly half (45) do not require any training or experience beyond basic education, and 29 of that 45 require only basic literacy or no education at all. For these vacancies, aside from the question of sex, over 70 per cent of all unemployed or under-employed adult recipients are definitely qualified, and this does not include those who have a health problem rated 3 or 4 (on a scale of 0 - 6) and may be able to perform the job. It also excludes those who are illiterate but could still perform at least those positions not requiring any education. If sex is ignored as a criteria, it is estimated that there are 926 adults in the Allegan County ADC population capable of performing the 45 jobs. This does not mean, of course, that this many are available for employment, only that if they are available, they do possess the necessary entry skills.

For those jobs that require some training and/or experience, nothing very definite about the number of people who possess the necessary skills can be said, because training and experience requirements are often job specific. It is interesting to note, however, that 58 of the 98 jobs required less than a high school education, which indicates that training and experience requirements may not be too stiff and thus outside the reach of many recipients.

Given the above analysis, it is reasonable to accept the hypothesis that a large portion of those jobs which do exist have entry requirements that a substantial number of welfare recipients can meet. Thus, there are earned income opportunities in the county. The next question is whether in general they are located so as to constitute real opportunities for recipients with limited transportation capability.

2. Job Locations

In Chapter II it was hypothesized that welfare recipients tend to be located in those parts of the county where there are relatively fewer employment opportunities. This hypothesis is based on the theory that a significant cause of the welfare problem is dynamic shifts in the location of employment opportunities, with those unable to adjust being left behind to occupy the welfare roles and on the related contention that fewer people will be on

assistance in those areas where there are more employment opportunities. If this is the case, the geographical distribution of welfare recipients within Allegan County should differ from that of the existing job vacancies.

The map on page 136 (Figure 4) illustrates that the above relationship does not appear to hold. There is no discernable significant difference between the distribution of recipients and the distribution of job vacancies. The Pullman area in the southwest corner of the county appears to have a fair number of recipients and no job vacancies, but with that exception the two distributions are amazingly similar. Therefore, the hypothesis that welfare recipients tend to be located in those parts of the county where there are relatively fewer employment opportunities cannot be accepted. Furthermore, it appears that in general the location of recipients relative to job vacancies does not constitute a serious employment barrier.

3. Wage Rates and the Potential for Self-Support

A third aspect of employment opportunities that is of importance in assessing earned income potential is prevailing wage rates. Of interest is not simply what the wage rates are, but the extent to which they are sufficient to permit self-support of ADC families.

A self-support level of income is defined herein as net earned income (gross earnings less taxes and work



= three job vacancies

Figure 4.--Geographical Distribution of ADC Cases and Job Vacancies, Allegan County.

expenses) equal to budgeted needs, where budgeted need is the amount of the welfare grant if there is no other income. Self-sufficiency by this definition does not necessarily mean that the client would not receive welfare payments any longer, because work incentive provisions permit earning more than budget requirements without loss of all assistance. Furthermore, it should be noted that budgeted need does not reflect those living requirements provided in kind, e.g., medical care and food stamps.

It was hypothesized in Chapter II that prevailing entry wages preclude self-support for a high proportion of the welfare population if only one member of the family works. In other words, it is posited that even if one member of each ADC family were to find employment at prevailing wages, few would achieve self-sufficiency.

As a first step in testing this hypothesis, consider the distribution of entry wage rates relative to the distribution of budgeted needs. Figure 5 shows these two distributions using job vacancy entry wages converted to gross monthly income (hourly wage at 172 hours per month) and then reduced by 20 per cent to reflect income after taxes and work expenses. It is evident from the distributions that even if only one member of each ADC family was to work, a substantial portion could achieve selfsufficiency as defined herein, given prevailing entry wages. Eighty-five per cent of ADC families have budgeted



Figure 5.--Frequency Distribution of the Budgeted Requirements of ADC Families and of the Net Wages from Available Job Vacancies.

needs of less than \$400 per month and nearly 30 per cent of available jobs pay more than that amount. Said differently, if one member of each ADC family was to find employment at the average net entry wage of \$350 per month, slightly more than three-fourths would achieve self-sufficiency.

It is constructive at this point to also consider the proportion of families who if employed at prevailing wages would earn enough to be dropped from the welfare roles, i.e., earn their budgeted needs plus that amount allowed as a work incentive under 1972 rules. The earned income allowed as a work incentive is approximately the first \$30 plus one-third of the remainder. If one member of each family were employed at the average net wage of \$350 per month, less than 40 per cent would be earning enough to leave public assistance.

It was also hypothesized in Chapter II that a relatively large proportion of two parent families would attain self-support if both parents were to work at prevailing wages. Given the foregoing analysis, selfsufficiency is clearly possible in virtually all two parent cases if both parents were to find work. Likewise, an income equal to budgeted needs plus work incentive allowances could be earned at prevailing wages in nearly all cases if both parents were employed. Unfortunately, however, only about 20 per cent of all ADC famililies include two parents, and in some of the two parent cases

the employment of one parent is sufficient to achieve an off-assistance level of income. Thus, consideration of both parents does not substantially change the situation.

In summary, prevailing wage rates alone do not preclude self-support for many families where selfsufficiency is defined as earned income equal to budgeted needs, but significantly less than half of all ADC families would be able to earn an off-assistance level of income at prevailing wage rates if only one parent is considered. Consideration of both parents would increase the proportion able to earn an off-assistance level of income only slightly, perhaps, by 10 per cent. Therefore, the obstacles to self-sufficiency appear to be available jobs and the employability of the clientele as opposed to wage rates per se.

C. Summary

Of all the factors influencing the earned income potential of welfare recipients, available jobs are most important. In this context it was found that there are relatively few jobs available, but that many recipients are qualified for a significant portion of those that do exist. Furthermore, it was observed that entry wages are sufficient to permit self-support for many ADC families.

In attempting to determine what client characteristics are important to earned income potential or, conversely, what characteristics function as barriers to

employment, it was observed that health, age, and work experience were important determinants of earning capability and that the absence of an automobile and the presence of young children were significant barriers to joining the work force. The most interesting finding was that years of education is quite unimportant over the range that characterizes welfare clients.

These observations are utilized in the next chapter in an attempt to evaluate a series of policy alternatives.

CHAPTER VI

EVALUATION OF POLICY ALTERNATIVES FOR INCREASING EARNED INCOME

The factors which influence earned income potential, i.e., the various client characteristics and existing employment opportunities, have been diagnosed and discussed at some length such that it is now possible to consider programs for increasing current earned income levels within the ADC population. Six approaches are considered: (1) modifications in elibigility criteria; (2) transportation provisions; (3) increased focus on labor market information and job development; (4) education and training; (5) public service jobs; and (6) improved day care programs. No attempt is made to determine which is the preferred alternative or to rank alternatives, which would require consideration of costs. The intent is to estimate only the probable impact of a series of alternatives on the earned income of recipients and thus on welfare expenditures and caseload levels. First, each approach is considered individually and then the cumulative impact of the programs is discussed.

A. Modification in Eligibility Criteria

There are two eligibility factors which appear to be important to the earned-welfare income choices of ADC recipients. The first is the 100 hour rule for ADC-U fathers, and the second is the welfare tax rate. Both focus directly on the question of work incentives.

The question of work incentives has not only occupied the time of numerous economists for decades, but it has been a major issue in the welfare reform debates Increasing work incentives by effectively reas well. ducing the price of work relative to other activities makes work more attractive, but at the same time less necessary. In terms of the classical work-leisure model, this matter can be expressed with reference to whether or not the substitution effect (substitution of work for leisure) is greater than the leisure increasing income effect. If the substitution effect is sufficiently great or the income effect sufficiently small, ³⁶ a reduction in welfare tax rate or similar provision, e.g., guaranteed income, would result in higher incomes for the poor at less cost to other members of society. The question is what would the effect likely be if either or both the suggested incentive provisions (welfare tax rate reduction

³⁶The reader ought to note that the income effect would be zero if at the time of the change no work was being performed.

and/or elimination of the 100 hour rule) were implemented in Allegan County?

Unfortunately, there is little evidence upon which to base a prediction of the earned income effects (change in work effort) of either action. There is a wealth of literature on the subject of work incentives, but most of it is theoretical, because of the cost and difficulty of empirical studies. The analysis reported in Chapter V gives some indications, but nothing at all definitive. Nevertheless, the importance of work incentive questions, given the current welfare reform discussions, makes it imperative that an attempt be made to use what evidence does exist and at least speculate as to the probable impact.

Existing empirical studies provide substantial evidence that reductions in the welfare tax rate and similar work incentive actions result in more work effort, but there is no clear indication of the magnitude. The most significant attempt to assess the impact of increased work incentives are the guaranteed income experiments still being conducted by the Office of Economic Opportunity (OEO) in New Jersey; Seattle, Washington; Gary, Indiana; and in a series of rural counties in Iowa and North Carolina. Preliminary results are available only for the New Jersey plan. It involves monthly payments to 1,359 families and is similar to the current welfare system if

the welfare tax rate were lower and there were no work requirements. After two years of payments, data on 509 families show that there is no work disincentive as a result of guaranteed payments.³⁷ Earnings increased for 53 per cent of the families receiving assistance and for only 43 per cent of the families not receiving it. Earnings declined for 29 per cent of the families receiving aid and for 31 per cent of those not receiving it. A less massive, but more germane study of Michigan's experience with work incentives³⁸ found statistically significant increases in employment in all of thirteen geographic areas studied as a result of implementing the thirty-and-a-third disregard policy.³⁹ Employment increases measured in terms of the per cent of AFDC mothers reporting some earnings in July, 1970, as opposed to July, 1969, ranged from an increase of 3.3 per cent to 9.9 per cent in the thirteen areas studied. For most of the empirical studies, this is the usual pattern. Policy action to increase financial

³⁸Gary L. Apple and Robert E. Schlenker, "An Analysis of Michigan's Experience with Work Incentives," <u>Monthly Labor Review</u>, U.S. Department of Labor, Bureau of Labor Statistics, September, 1971, pp. 15-22.

³⁹The thirty-and-a-third regard policy is a program implemented in Michigan in 1969 under federal provision which permits welfare recipients to keep the first \$30/ month of earned income and one-third of the remainder.

³⁷Fred J. Clark, "When You Just Give Money to the Poor," <u>New York Times Magazine</u>, May 3, 1970, pp. 23, 190-212.

incentives to work results in more work, but no one has really been able to say specifically how much more. Thus, predictions of the effect in Allegan County will have to be made largely on the basis of theory and the evidence of Chapter V. Although both involve work incentives, the two policy alternatives being considred are considerably different in several respects and are discussed separately below.

1. Elimination of the 100 Hour Rule

The current welfare system has been dubbed "the welfare mess," and probably no single aspect is more responsible for this title than the 100 hour rule for ADC-U fathers. Under this provision, a father on assistance because of unemployment remains eligible for assistance only for so long as he does not work more than 100 hours in any thirty-day period, irrespective of his income or his needs. Thus, ADC-U fathers are deterred from accepting employment⁴⁰ that totals more than 100 hourse per month, unless they are relatively certain to earn on a regular basis at least the amount of their welfare grant. Until quite recently, the rule was "not more than sixty-four

⁴⁰Technically, under the current rules ADC-U fathers must accept employment when offered or lose their assistance, but this provision is not very enforceable and, furthermore, there is little that encourages them to search for the opportunity to begin with.

hours in any two-week period," and attempts to get it removed on the ground that it discouraged temporary fulltime employment resulted in the 100 hour rule which permits full-time employment for a couple of weeks at a time but is more of a discouragement to steady part-time employment. A major purpose of this section is to demonstrate why and to what extent the rule functions as a disincentive.

The rule affects only ADC-U fathers and thus the analysis is limited to that component of the caseload. The approach used is to estimate the difference in income which would accrue to ADC-U fathers as a result of accepting employment after the rule change, as opposed to before, and then on the basis of theory and what little is known about preferences of the welfare population determine the likely number who would accept employment, the gain in earned income of the group, and the corresponding effect on welfare costs.

From Chapters IV and V, it is known that relative to other welfare recipients ADC-U fathers are quite employable as a group. For the most part, they are young; have considerable work experience, with reasonably good work histories; are in good health; over 80 per cent own automobiles; and although their formal education is quite limited, earlier analysis indicated that education was unimportant to employment potential. Because of the criteria used to define an ADC-U father, they are not

only quite employable but also a rather homogeneous group. None are older than age 55, all have some work experience, and none have a health rating poorer than 2 (male recipients with poor health are classified as incapacitated, not unemployed). Therefore, there is little reason to subdivide ADC-U fathers into employability groups except on the basis of those unemployed and those underemployed. Furthermore, to do so, given the small number of ADC-U fathers in the sample, would make accurate estimation of the population size more difficult.

In the sample, there are 57 ADC-U fathers, 49 unemployed and 8 underemployed (reported earnings of less than \$275 per month). Multiplying by a factor of 4.16, based on the proportion of the caseload the sample represents, yields an Allegan County welfare population of 204 unemployed ADC-U fathers and 33 with some earnings. Average earnings for the 8 employed were \$208, and, making the assumption that this is the mean of the population, it is accordingly estimated that total earned income for the group was \$6,864. What would it have been had the 100 hour rule not existed?

Elimination of the rule, but assuming the same welfare tax rate, would mean that those working part-time could now either work more hours at the same job or seek another and keep at least one-third of each additional dollar they earn, and those not working at all could now

seek employment at any wage and in any quantity with full assurance that they would be made financially better off by doing so. The crucial question is to what extent the possible financial gains would induce more work effort. How large are the potential gains?

The major determinant of potential gain is the availability of jobs for the group. The job vacancy survey revealed only 98 jobs, of which 8 require a woman. On the other hand, there are 204 ADC-U fathers unemployed and another 33 employed only part-time. The number of available jobs which ADC-U clients would likely fill if the 100 hour rule were eliminated are estimated and shown in Table 26, with the corresponding increase in earned income and predicted change in welfare costs also shown.

In predicting the reaction of elimination of the rule, a nine-step process is used: (1) the ninety identified job vacancies are increased arbitrarily by 50 per cent across all job descriptions to reflect underestimation; (2) the number of jobs which could be filled by ADC-U fathers considering only entry requirements are estimated for four skill categories on the basis of the skills possessed by the clients; (3) these numbers are reduced 20 per cent to reflect barriers due to job location, transportation, and poor market information; (4) average monthly income from the four categories of jobs is estimated on the basis of entry wages collected in the job

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Groups of Job Vacancies (All Suited for Males)	No. of Jobs from Survey Est.	Total Jobs If Est. Assumed 50% Low	Est. 1 No. Which Could Be Filled Given Skills and No. of Clients	Est. 2 No. Which Could Be Filled Given Skills, Location and Infor. Factors	Monthly Mage @ 172 Hrs. Per Mo.	Before ³ Change Gain from Work/ Client	After ⁴ Change Gain from Work/ Client	Added Incentive Per No. Per Client	Est. No. ⁵ Mho Mould Choose to Nork Given Incentive	Predicted Income Gain to Clients	Predicted Saving in Welfare Costs
Jobs requiring no training or exp. and < 12 yrs. ed.	28	42	42	34	\$404	\$ 8	\$155	\$147	28	\$ 4,340	\$ 4,732
Jobs requiring no training or exp., but 12 or more yrs. ed.	13	20	15	12	\$423	\$ 33	\$161	\$128	10	\$ 1,610	\$ 1,800
Jobs requiring some training and/or exp. and < 12 yrs. ed.	24	36	24	19	\$373	\$7	\$144	\$151	15	\$ 2,160	\$ 2,280
Jobs requiring some training and/or exp. and at least 12 yrs. ed.	25	38	10	8	\$524	\$114	\$195	\$123	6	\$ 686	\$ 1,422
Totals	90	136	91	73	••	• •		• •	59	\$11,794	\$10,234

TABLE 26 .--- Estimation of the Impact on Welfare Incomes and Welfare Costs of Elimination of the 100 Hour Rule.

¹Estimate based on number of male recipients who possess indicated skill levels, with 25 per cent reductions used to account for job specific training or experience requirements where appropriate. See Table 25 for estimates of the total number of clients who have the various skills.

²Column 3 is artibrarily reduced by 20 per cent to reflect barriers to employment other than skills.

³ADC-U clients who want to work full time would lose all assistance, so gain from work before elimination of the rule is estimated to be gross earned income less taxes at 10 per cent, work expenses at 10 per cent and less the average grant of \$305/month. The loss of medicaid and other social services is not considered.

⁴Gain from employment after elimination of the rule is computed on the basis of the thirty-and-a-third disregard provisions as currently applied to ADC mothers. Thus net gain = \$30 + 1/3 (gross earnings - \$30).

SArbitrary estimate based on assumed preferences.

survey; (5) monthly net gain in income from working <u>before</u> elimination of the 100 hour rule is estimated for the "typical" recipient in each group; (6) the per client gain in each skill category which would accrue after eilimination of the rule is estimated; (7) the additional work incentive per client per month is then calculated; (8) on the basis of this incentive, the number of clients who would, in fact, accept employment is estimated; and (9) estimates of the income change from elimination of the rule are then made and the corresponding decreases in welfare costs calculated.

The results of this procedure are subject to considerable question. At several steps along the way the analysis is based on little more than "gut" assumptions-most notably in the case of predicting the number who would choose to work given the estimated incentive. However, in the opinion of the author, the assumptions are conservative. Out of a population of over 200 unemployed recipients it is predicted that only sixty would become employed if the rule was eliminated, despite a quite well qualified population and incentives ranging from \$123 to \$151 per month. It is therefore most likely that the additional number employed would be significantly larger and not smaller due to estimating errors.

The analysis shows a gain to ADC-U recipients of \$10,868 per month and a monthly saving in welfare costs of

\$8,046. Both these figures, however, are static estimates and reflect only the immediate effect of the rule change. Over time the rule change would undoubtedly lead to a larger ADC-U caseload. Currently an ADC-U recipient who finds a staeady job that it is to his advantage to accept or one which he is forced to accept is dropped from the welfare rolls, but elimination of the 100 hour rule means that ADC-U clients working full-time could remain on assistance until their income reached the breakeven point. Given the current welfare tax rate and prevailing wages, few recipients are likely to reach that point, and, therefore, the dynamic result will be a larger ADC-U caseload characterized by smaller grants and more earned income per individual. The ADC-U prone population will clearly be better off, but total welfare costs could conceivably rise if the caseload increases enough to offset the redution in costs due to increased earned income of those on assistance. Just how much the caseload might increase must await further study.

Because of the dynamic issues involved (possible increases in welfare costs), elimination of the 100 hour rule would not necessarily constitute a pareto better change. But, welfare costs are simply income transfers and the important point is that the rule change would result in increased social product to the extent that ADC-U recipients would be performing jobs that would otherwise be vacant.

2. Reduction in the Welfare Tax Rate

A critical issue with respect to needed welfare reform is the appropriate level of the welfare tax rate. If the rate is too high it stifles work incentives, and if too low it results in a breakeven level of income so high as to make welfare costs prohibitive. In efforts to balance this tradeoff, what has emerged in the literature is some degree of consensus regarding the appropriateness of a 50 per cent tax rate.⁴¹ In addition, it is a 50 per cent rate that has been proposed in Nixon's Family Assistance Plan (FAP). For these reasons, the implications of a 50 per cent tax rate, as opposed to some more arbitrary figure, are discussed herein.

The basic question of interest, as in the case of the 100 hour rule, is to what extent would changing to a system whereby a welfare recipient retained 50 per cent of all earnings beyond taxes and work expenses result in increased work incentives and thus increased employment relative to the current thirty-and-a-third provisions.

Current work incentives, i.e., the income gains from employment given prevailing wages, are for ADC mothers what they would be for ADC-U fathers if they were not subject to the 100 hour rule. Thus, it is only necessary

⁴¹See Robert J. Lampsman, <u>Adding Guaranteed Income</u> to the American System of Transfers, Discussion Paper, Institute for Research on Poverty, University of Wisconsin, Madison, for an excellent discussion of the tradeoff involved.

to calculate what the incentives would be under a 50 per cent rate to determine what the net change would be if a 50 per cent rate was adopted. If taxes and work expenses are assumed to equal 20 per cent of gross income and the 50 per cent welfare tax applied to the remainder, the gain from working ranges from \$149 per month for those jobs paying \$373 per month to \$210 per month for those paying \$524 (here utilizing the job categories in Table 25). Subtracting the comparable figures for the current system yeilds added financial incentives to work of from \$5 to \$15 for the four job categories.

Although the marginal tax rate under the current system is 67 per cent, whereas it is only 50 per cent under the proposed system, it is clear from the small change in incentives that the average rate is very similar for the relevant gross income range. Whereas the current system excludes the first \$30 after work expenses (lowering the average), a flat 50 per cent system does not. Therefore, there would be no significant change in work incentives and, subsequently, in earned income if the current thirty-and-a-third system were discarded in favor of a 50 per cent marginal tax rate.

One could consider a rate lower than 50 per cent, but if one accepts the analysis of Lampman and others the incentive effect of a lower rate would not be sufficient to compensate for the cost implications of the resulting

high breakeven point. Accordingly, it appears that policy action to increase work incentives for ADC mothers beyond what they now are would not be appropriate.

There remains the question of whether it is the marginal or average tax rate that is important to the work decisions of welfare clientele, but there would be a difference in response only if they could trade off at the margin, and, given the rigidity of available jobs (forty hours per week or nothing), it is extremely difficult to make such tradeoffs.

B. Transportation Provisions

In Chapter IV it was observed that 40.7 per cent of female headed families and 16.7 per cent of male headed families did not own an automobile. When the significance of this factor was assessed with respect to employment potential, it was concluded that recipients who did not own an automobile remained on assistance longer and were less likely to be employed. Also, it was observed that 2.6 per cent of the recipients gave "lack of transportation" as a reason for leaving their last job. The corresponding policy question involves what difference it would make with respect to client well being (total income) and welfare costs if the transportation barrier was in some way diminished.

There are two possible ways of reducing the transportation barrier that come to mind: a rural bus system

and a credit program to ease the difficulty of acquiring an automobile. A bus system simply is not feasible in a sparsely populated area (even in the major cities substantial subsidization is needed), which means it is necessary to consider only the automobile.

Consider, as one possibility, a program whereby the Department of Social Services agreed to guarantee bank loans for the purchase of automobiles by recipients who are unemployed or underemployed, but considered employable and are without transportation. Assume a loan limit of \$800.00 and a payback policy requiring the client to pay back only 80 per cent of the loan if he is employed for a full-time equivalent of at least six months during the one year after the loan is issued, but if employed less the individual would be required to repay the entire loan. This payback policy would encourage employment and discourage abuse of the loan program, because repaying such a loan from an assistance budget would be quite difficult. What would be the impact on employment?

As a first step in the analysis, the number of recipients who would be potentially affected must be determined. Assume employable is defined to mean anyone less than age 55 and with health status of 2 or better. On this basis in the sample there are 53 females and 7 males who do not own an automobile and are unemployed or underemployed. Multiplying by a factor of 5.087 yields

corresponding population estimates of 270 females and 35 males. Thus, a total of 305 adults would be eligible for loans, but this number includes 25 two parent families, which means there are only about 270 families eligible.

The next question is how many of those eligible would take advantage of the program, and of those who do, how many would in fact become employed. The regression results in Chapter V, weak as they may be, indicate that those who own automobiles are about 10 per cent more likely to be employed, but that does not say anything about how many clients would take advantage of the loan program, nor can we necessarily infer that of those who do acquire an auto 10 per cent will become employed. It is quite possible that more of those who own automobiles work not because the automobile permits them to, but because it makes it necessary, i.e., one may need an auto for purposes other than employment but have to work to afford it. Thus, what evidence exists regarding the impact of such a loan program does not take us very far, and impact estimates will necessarily provide only a reasonable indication of the likely effect.

The number of recipients who would avail themselves of such a program depends essentially on the number prepared to pay the price but for whom credit constitutes a barrier to automobile acquisition. If credit is not a barrier, easier credit will not change the situation except

to the extent that guaranteed loans have lower interest rates and the recipient is interested in the 20 per cent discount contingent upon his employment. Although we do not know how many are prepared to pay the price of an auto but have been unable to acquire one because of credit constraints, it is reasonable to posit that, given the importance of an auto in rural areas, many people without cars would be willing to purchase them if low cost credit was available. The fact that many welfare clients do own cars indicates that it is possible do to do and still subsist, and discussions with case workers, administrative officials, and welfare clients revealed that getting credit is frequently a severe problem for people on assistance. Even credit granted routinely to the general public, e.g., automobile loans, is denied people on assistance. As a case in point, caseworkers talked of the problems caused by clients needing to pay utility bills in advance, an action rarely required of the general public. 42 Therefore, there is clearly some portion of welfare clients who would avail themselves of the loan program. For analytical purposes, assume that 50 per cent of eligible families would choose to do so.

⁴²In discussions with social services workers about the general problems associated with improving the well being of welfare recipients, a problem frequently cited was the distrust of the business community regarding the character and dependability of recipients.

Regarding the number of those taking advantage of the loan who would become employed, 15 per cent is assumed, based on the regression results (10 per cent) and an additional 5 per cent because of the incentive built into the loan program. If this is in fact the nature of the response, the following effects on client income and welfare costs will result.

Fifty per cent of an estimated 270 families is 135, and 15 per cent of that number gives an estimate of twenty additional recipients employed. From the entry level wages of existing job vacancies, we can assume an average monthly wage of \$400. After reductions due to taxes, work expenses, and a lower welfare grant, the recipient is left with a monthly gain of \$197. An allowance for transportation costs (auto operating costs are part of work expenses) has already been figured in, but the \$197 needs to be further reduced by the amount of the loan payment. If the "typical" loan was amortized over the life of the car at \$40 per month, this would still leave \$157 per month income gain per recipient or a total gain for the twenty recipients of \$3,140 per month.⁴³

With respect to welfare costs, each of the twenty welfare grants involved would be reduced by \$167 per month,

⁴³In addition, there would be non-income gains equal to the value of having an automobile available for purposes other than employment.

assuming that each of the original grants was \$167 or more, which is likely. Thus, monthly welfare costs would decline by \$3,340 less the costs of the loan program, which would include defaults, the 20 per cent bonus, and administration.

C. Improved Day Care Programs

Another factor believed to constitute a major employment barrier for ADC women is the absence of adequate day care facilities. Although this may be the case in some communities, investigations of the Allegan County situation revealed no evidence to suggest that the unavailability of day care was a significant employment constraint.

At the present time, the State of Michigan reimburses ADC mothers for the full cost of child care during working hours as long as the care is provided under DSS approved arrangements. These include a licensed babysitter who comes to the client't home, a licensed day care home or center, and approved relatives. County social services officials report that it is rare to encounter any difficulty in making arrangements for child care when a client requests it.⁴⁵ Thus, child care could present an obstacle only insofar as clients were unaware of the program or

⁴⁵In interviews with administrators and case workers it was stated that to the extent there was a problem it consisted of clients' ignorance of the state reimbursement and not with any difficulty in making the arrangements, but enither aspect was believed to be significant.

employed higher child care standards than those acceptable to the state.

If standards of knowledge of child care possibilities were a problem, one would expect a significant number of women to have left their last job because child care was not available, but this was not the case. Only 4.0 per cent of ADC mothers indicated that they left their last job because of child care problems, and in several of those cases the indicated difficulty was not child care per se, but logistical problems of the sort which improved child care arrangements would not alleviate. It should be noted, however, that the statistic ignores the 32 per cent who have never worked, and it is possible that some of them never worked because of day care problems.

Before concluding that improved child care arrangements are unnecessary, a note of caution is in order. Because ADC mothers do not demand child care facilities other than dependable "babysitting" before seeking work outside the home is not to say that the establishment of improved professionally staffed child care facilities would not be appropriate. Even though such facilities apparently would not lead to more employment of ADC mothers, it is possible that the children would gain from a different and, in many cases, a vastly improved environment.⁴⁶

⁴⁶It is this contention which prompted the Head Start program which provides preschool children of poor families with nursery school training to help compensate for a deficient home environment.

D. Labor Market Information

A fourth approach to increasing earned income of welfare recipients consists of policy action to improve labor market information systems. This section explores the need for improved labor market information in Allegan County with particular reference to the needs of welfare recipients.

In a very basic sense, the information issue involves determining the possibilities for increasing employment or, conversely, reducing job vacancies via improved labor market information. This aspect, however, has several dimensions. There is the conventional matter of employees knowing of what jobs exist and employers knowing of potential employees. In addition, there is a series of other information aspects which, to some extent, are a subset of the above. These include: (1) employer knowledge of what potential employees expect in terms of compensation and working conditions for performing particular functions; (2) employer knowledge of factors which accurately predict employee performance; (3) employer knowledge of what his competitors for the same skill are doing; (4) accurate assessment on the part of employees regarding their performance and earning capabilities; (5) employee understanding of what employers expect; and (6) knowledge of career possibilities. Defined this broadly, the information issue incorporates a wide range of manpower services,
including job listings, job development, ⁴⁷ employer guidance, and career guidance. Only those aspects which relate to the possibilities for immediately increasing the earned income of welfare recipients are discussed herein, but it is important to recognize that the question of adequate labor market information involves more than knowledge of job vacancies per se.

Given the objective of increasing earned income of welfare recipients, in a short run context there are two information aspects of importance. The first is the extent to which more recipients would be employed if they knew of available jobs, and secondly, the extent to which employers use inappropriate "rules of thumb" to assess the capabilities of potential employees and in doing so deny many low skilled individuals jobs they could perform. Each of these aspects is considered in turn below.

Although there exists no direct evidence on the extent to which welfare recipients are aware of available jobs, there are indications that better labor market information would not have resulted in a significant increase in employment. The existence of most of the vacancies identified, despite the pool of unemployed welfare recipients, can be explained by factors other than lack of

⁴⁷The term "job development" is used in the literature to mean one-to-one matching of unemployed people with jobs, i.e., attempts to find (develop) jobs for particular individuals, and is used here in the same context.

knowledge on the part of recipients regarding their existence. In the first instance, because of the 100 hour rule unemployed fathers have essentially no incentive to accept employment, which means that many jobs requiring men or favoring men would likely remain vacant even if most welfare clients knew of their existence. It was estimated that of the jobs identified, 27.6 per cent required men, 8.1 per cent required women, and 64.3 per cent were potentially suited to either sex. Many of those jobs classified as suited to either sex would favor men, e.g., truck drivers and equipment operators. Therefore, there remains at best about 50 per cent of the available jobs for which knowledge of them could <u>potentially</u> make any difference.

Of the group potentially suited to women, many are low paying, largely undesirable, service jobs, e.g., waitress, cook, or cleaning services, meaning there would be little incentive to accept the jobs if informed. Thus, given the current state of the job market there is little reason to expect any significant increase in employment of welfare recipients from better job information. This is not to say, however, that if the Allegan County economy were not so stagnant that efforts to enhance job information services would not be useful. Furthermore, if one thinks in terms of the total labor force it is quite possible that action to improve job information would be

Ą

appropriate, perhaps taking the form of programs to encourage employer use of the already existing M.E.S.C. placement service, i.e., the job bank.

As with the above case, there does not appear to be much potential for increasing earned income of welfare recipients through efforts to inform employers of the inherent capabilities of the welfare clientele. Contrary to what might be expected, given the literature on the subject, 48 there was no evidence that employers tend to require more than the needed skills or use inappropriate indicators of performance capability. Most notably, little emphasis was placed on years of formal education by Allegan County employees, despite the tangibility of the criteria. Only in two instances did an employer indicate minimum entry requirements that were clearly in excess of those appropriate for the job. Also, there appeared to be considerable willingness on the part of employers to "take a chance" on employees with limited skills or poor work histories. This is most clearly exemplified by the fact that for nearly 40 per cent of the job vacancies where some training was required, employers were willing to substitute their own on-the-job training if their costs were reimbursed. Such a program would not be limited to welfare recipients, and, perhaps,

⁴⁸Daniel E. Diamond and Hrach Bedrosian, <u>Industry</u> <u>Hiring Requirements and the Employment of Disadvantaged</u> <u>Groups</u>, New York University, School of Commerce, 1970, p. 390.

a willingness to participate should be expected given the reimbursement provisions, but it at least gives an indication that employers are not particularly reluctant to hire or otherwise participate in efforts to aid those with limited earning capacity.

E. Education and Training

A common response to problems of unemployment, poverty, and welfare existing side by side with economic prosperity has been to attempt retraining those who lack the skills to participate in the "modern" economy. The corresponding thesis is that if people are poor (on welfare) because of limited earning capacities, increase that capacity and the problem will be solved. The feasibility of this approach, however, depends on the trainability of the people involved and on the magnitude and composition of the demand for additional skilled manpower. This section examines these two aspects in an attempt to determine the extent to which education or training programs would enhance the earning potential of Allegan County welfare recipients.

Analysis of education or training programs as an alternative for increasing earned income of welfare recipients is frought with problems and requires data far in excess of that available for this study. In particular, it is impossible to properly assess the demand for trained manpower on the basis of current job vacancies for a single

county. Especially for relatively high paying occuaptions, the relevant labor market to consider for potential trainees is much larger than a single county and, given the investment involved, it is essential that long term needs be considered. Similarly, a proper assessment of trainability would require consideration of aptitudes and interests in addition to the data available on education, health, age, and work experience. For these reasons, definitive conclusions with respect to the appropriateness of eduation and training for welfare recipients are not possible from this study, and essentially all that is provided are indications of whether the possibilities for education and training should be further investigated.

Before proceeding any further, perhaps, it would be useful to distinguish between education, training, and types of training. Education means formal classroom instruction of a general nature, whereas training refers to instruction in job specific skills and may occur in either a formal institutional setting (classroom) or via job experience. Another commonly used term, "basic skills training," incorporates some aspects of both education and training and refers essentially to classroom instruction in the skills that are essential to most occuaptions, e.g., reading, writing, and arithmetic.

From the results of the analysis in Chapter V, education per se can be rejected as being important to the

earned income potential of welfare recipients. Within the education range that characterizes welfare people, there is no statistical difference in revealed earning capacities. Thus, it appears that one need be concerned only with job specific training and, perhaps, basic skills training to the extent that years of education is a poor proxy as a measure of basic skills.

What can be said about the importance of training? Although lack of data precludes informed judgements regarding specific skill needs, it is possible to draw some inference from the job vacancy survey regarding the type of training desired by employers. Of the jobs identified in the survey, over 40 per cent required some amount of skill training, but in most instances it was not necessary that the sklls be acquired in an institutional setting. In over 80 per cent of the cases where training was desired, employers said appropriate work experience would be an acceptable substitute, which means that formal training was an absolute prerequisite for hiring for only about 8 per cent of the available vacancies. On the basis of Allegan County needs alone, therefore, it appears that on the job training or experience would enhance earning potential, but that costly institutional training programs should be viewed with caution.

The remaining aspect of training programs that is important and about which it is possible to say something is the trainability of the welfare population.

Marven E. Konyha in a study of the potentials for retraining rural poor in the east northcentral states employed general education development levels (GED) as a means of assessing retraining potential. 49 Konvha converted years education completed to GED levels and assumed that the GED level⁵⁰ required for training in a particular job was the same as that estimated by the U.S. Department of Labor to be necessary for performing the job. On this basis he concluded that people with from zero to five years education were potentially trainable only for unskilled occupations unless they were provided with more general education; that for people with six to eight years education it is questionable as to whether they could be trained to perform jobs that paid more than a poverty level income without more general education; and that people with nine or more years education had good training potential. These conclusions are questionable in light of what was observed in Chapter V regarding the relationship of years education to earned income potential, but

⁵⁰For the conversion method used see R. S. Eckus, "Economic Criteria for Education and Training," <u>Review of</u> <u>Economics and Statistics</u>, (May, 1964), pp. 181-90.

⁴⁹Marvin E. Konyha, "Potentials for Retraining the Rural Poor in the East Northcentral States" (unpublished Ph.D. thesis, Michigan State University, 1970). A published summary of the study is available: Marvin E. Kohyha, <u>Rural</u> <u>Poor Who Could Benefit from Job Retraining in the East Northcentral States</u>, Agricultural Economic Report No. 204, U.S. Department of Agriculture, Economic Research Service, Washington, D.C., 1971, p. 35.

on the other hand this procedure applies to institutional training and not necessarily to on the job training, and it is quite possible that education may be an appropriate indicator of the capacity to complete institutional training programs and still not show up as a determinant of earned income differences. Two people, for example, with different education levels may continue to earn the same unelss one or the other embarks on a formal training program in which case the one with the most education may be more likely to complete the program. Thus, assuming education levels are an important determinant of trainability, what is the potential for training welfare recipients?

If those older than age fifty-five or with a health status poorer than two are first removed from considration, according to Konyha's criteria, 36 per cent of all ADC adults have good training potential; 13 per cent have questionable potential; and 3 per cent could not be trained for more than unskilled jobs without additional basic education.

There is an additional 12 per cent of the population which could, perhaps, be appropriate candidates for vocational rehabilitation, i.e., they have mild health problems coded three or four.⁵¹

⁵¹Consideration of vocational rehabilitation needs in any detail is beyond the scope of this study.

In total, there is evidence that, for the most part, lack of institutional training is not a significant barrier to qualifying for available jobs, but in many instances at least appropriate on the job training or experience is necessary. Thus, OJT programs may well be an appropriate policy action for increasing the earning capabilities of welfare recipients, and, to the extent Konyha's procedure is an indicator of training capability for either OJT or institutional trainig programs, a large proportion of the welfare population would be able to benefit from training.

F. Public Service Employment

With the advent of the Emergency Employment Act (EEA) passed in July, 1971,⁵² and a growing recognition that economic prosperity does not necessarily mean that all who are capable and want to work can work, the possibilities of public service employment as a means of reducing unemployment (increasing earned income of welfare recipients) has been receiving increased attention. Although current EEA programs are designed as much to provide needed public services as they are to reduce unemployment and EEA positions are not limited to the

⁵²The Emergency Employment Act authorized the allocation of federal funds to counties to be allocated to various public employers within the county for purposes of hiring unemployed people when national unemployment rates were high. During approximately one year of operation, seventy-two people were hired in Allegan County under this program.

disadvantaged or chronically unemployed, there is reason to believe that public sercie employment offers considerable potential for increasing the earned income of welfare recipients and reducing welfare costs.

Public service employment is an attractive alternative for coping with the welfare problem because it offers the possibility of getting increased social product that otherwise would not be forthcoming and at the same time can provide valuable job experience and on-the-job training which will increase the earning capability of welfare clients. In addition, there is the psychic income associated with earning one's way as opposed to being dependent on transfer income. It is an attractive alternative, however, only to the extent that there is a need for public services that are not being provided through regular budgeting procedures for the service in question⁵³ and to the extent that there are unemployed welfare recipients capable of providing those services. This section, accordingly, consists of a brief analysis of these two aspects.

Regarding the need for additional public services, there is evidence that existing public agencies could, if provided more manpower, provide additional or improved services of social value. When EEA funds were being allocated in Allegan County public employers were asked

⁵³Due to the imperfections of public budgeting procedures, services which the public would be quite prepared to pay for go unprovided.

to submit requests for needed personnel and submitted more than twice the seventy-two requests eventually filled.⁵⁴ An interview with the Allegan County road commissioner revealed that they have been able to use to good advantage the male welfare recipients sent to them under the terms of a recently established work project and have the need to employ many more such individuals on a regular basis. At the national level, the National Commission on Technology estimated that 5.3 million jobs could be created in the public sector to meet pressing needs, 1.2 million of which are in the field of health.⁵⁵ Thus, it is quite clear that there is a substantial need for addtional manpower in the public sector. For purposes herein, the crucial question is the extent to which welfare recipients are capable of filling these manpower requirements.

This aspect involves both the capacity of welfare recipients to be productive within the current job structure of public agencies and the possibilities for restructuring job descriptions to better utilize lower

⁵⁴Given the 100 per cent federal financing this should not be unexpected nor does it imply that they expected the individuals hired to produce the full amount of their salary and, of course, a good bureaucrat would request twice what he hoped to get. Nevertheless the requests would not have been made if the people hired were not expected to be of some value.

⁵⁵<u>Technology and The American Economy</u>, Report of the National Commission on Technology, Automation and Economic Progress (Washington, D.C.: Government Printing Office, 1966), p. 36.

skilled people. With respect to possibilities within the current job structure, there is a need for road and park maintenance people, file clerks, typists, teacher's aides, hospital aides, and a number of similar positions for which many welfare recipients would be qualified, given their health, age, education, and work histories.⁵⁶

Although no data were collected on either the feasibility or willingness of public employers in Allegan County to restructure their institutions to make greater use of lower skilled manpower, there would theoretically be considerable potential. Jobs can be broken into smaller, less difficult components much as they were in many industrial plants during WWII; paraprofessionals could be used to improve delivery of health and other social services; and, as a general rule, outside funds earmarked for employment expwnditures would effectively reduce the cost of capital relative to labor to the agency in question leading to restructuring due to labor-capital substitution. Thus, it is quite evident that the existing capabilities could be effectively used by the public sector.

The extent of the gains in income for welfare recipients and corresponding saving in welfare (transfer) costs would be a function of the magnitude of the program

⁵⁶Harold Leap, Director, Allegan County Department of Social Services, and current administrator of county EEA funds, indicated in a telephone interview that he believed there was substantial potential for employing welfare recipients in the public sector in types of positions noted.

implemented and the value of the social product produced by the recipients employed. The success of a public employment program would depend to a large extent on the capacity of program administrators to allocate the funds to employers who could make the best use of them.

Of all the policy alternatives considered, public service employment appears to offer the greatest potential for increasing earned income of recipients and reducing welfare costs. Programs to increase incentives or remove barriers to employment, although effective, can have only limited impact due to the number of jobs available.

G. Cumulative Assessment of Policy Options

To this point each policy action has been considered separately with no attention given to the cumulative impact of the programs. This section is addressed to this aspect and consists of two parts. First, the cumulative effect of all programs excluding public employment and, secondly, the cumulative effect with public employment is discussed.

1. Cumulative Effect Without Public Employment

Assuming no public service employment or other job creation activity, the cumulative impact of the remaining programs would be much less than the sum of their individual effects. Available jobs are the constraining factor and, and once a position is filled as a result of

one policy action it cannot be filled again as the result of another. To assess the total effect, it seems reasonable to begin with the program which had the greatest estimated impact and proceed to ask what additional impact the others could be expected to have.

It was estimated that elimination of the 100 hour rule for ADC-U fathers would alone result in filling 59 of 147 (98 identified plus a 50 per cent miss factor) total available job vacancies. Of the 88 remaining positions, rough estimates indicate that 23 are female specific, 33 have extremely high entry requirements, 18 remain vacant because of information and location factors, and 14 remain vacant because of insufficient work incentives. No precise empirical estimates of how much the other policy alternatives might reduce these residuals are possible, but the foregoing discussion of each alternative does provide some indications.

It was estimated that implementation of an automobile credit program, considered by itself, would result in an increase in employment of twenty persons. If it is assumed that the effect was in proportion to which families were without automobiles, the cumulative impact would be nearly as great. Almost 90 per cent of the families without cars are female headed and, thus, would not have been affected by elimination of the 100 hour rule.

Implementation of a third program, improved education and training, would have at best a very marginal

impact. Earlier, when considering education and training independent of the other programs, it was observed that such efforts would likely have little effect with the possible exception of on-the-job training programs. Consideration in conjunction with the other programs further reduces the probable effect, because many of the jobs into which OJT trainees would be placed are already assumed filled as a result of other programs.

With respect to improved labor market information and job development, it was observed earlier that there was little need for better job information per se, but that one-to-one job development activity might be useful. Without the other programs, one-to-one job development may result in a significant increase in employment, but as in the case of education and training, with many of the job vacancies filled this potential effect would be reduced to virtually zero.

Of the two remaining programs, reduction in the welfare tax rate to 50 per cent and provisions for better day care, it was predicted that they would have very little, if any, effect if implemented individually, and there is no reason to expect a different result if considered in conjunction with other programs.

Without public employment or other job creation activity, the total increase in employment would be limited to approximately 100 jobs. Of those vacancies which remain, at least twenty-five have entry requirements substantially greater that those possessed by ADC clients, and the others are either sufficiently undesirable, poorly located, or could be expected to remain unknown to clients despite the programs. Probably two-thirds or more of the initial job vacancies would be filled by ADC fathers, because they are more suited to men and because of the major impact expected from eliminating the 100 hour rule. Thus, even if all programs were implemented nearly all the ADC women and over two-thirds of all ADC fathers would remain unemployed.

2. Cumulative Effect With Public Employment

The cumulative effect when a public employment program is included depends largely on the magnitude of such a program. In order to employ all ADC clients capable of working, one would need to create a total of over 900 jobs, over three-fourths of which were suited for females. In addition, getting the desired client participation would require incentive provisions such as elimination of the 100 hour rule and extensive support programs including transportation and day care arrangements. To create 800 productive public service jobs in a single county would be virtually impossible, but earlier analysis of the possibilities indicated that a substantial number could be created, perhaps, about half those required. The total

cumulative effect would then be the 100 or so existing positions that were filled plus the number of new positions created. Given the relatively small proporition of male clients, the end result would probably be most ADC-U fathers employed but several hundred capable women still unemployed if all programs were implemented, including a massive public employment program.

CHAPTER VII

INSTITUTIONAL REORGANIZATION AND RESOURCE REALLOCATION

The foregoing parts of this study have sought to determine what factors are important determinants of the earned income potential of rural ADC recipients and, correspondingly, what the possibilities are for increasing their earned income. The analysis provided indications of what type of action programs may be appropriate, but what new specific policies are called for depends as much on existing programs and institutional arrangements as on the needs which have been identified. Discussing only the type of programs needed ignores the important matter of delivery systems both with respect to possibilities for increasing earned income through improved delivery of currently offered services and with respect to alternative implementation procedures for new programs. Accordingly, this chapter examines the current programs and services available for ADC clients in light of what has been observed regarding their earning potential and recommencations are made with respect to needed changes in both resource use (relative program size and content) and in

the institutions for delivering the services. The chapter closes with a discussion of high priority research needs.

A. Current Programs to Increase Earned Income of ADC Recipients

Current programs for ADC recipients for the most part are focused on meeting day to day needs, e.g., providing a subsistence income; assistance in securing better housing, medical care, and in collecting support payments from absent parents; provision of protective services for neglected children and general family counseling. Substantial efforts are being made, however, to help clients approach self-sufficiency through increased earned income. These efforts include employment counseling, job placement services, provision for various types of work training, and supportive services. The extent of these efforts and the procedures employed, both operational and administrative, are discussed briefly below.

With reference to employment counseling and job placement services, all adult ADC recipients are first assessed by DSS to determine those appropriate for employment, and those deemed appropriate are referred to the Michigan Employment Security Commission (M.E.S.C.). Clients referred to M.E.S.C. are interviewed, their skills and work histories recorded, and if M.E.S.C. is aware of jobs for which the client might qualify, he or she is referred to them. If no jobs are available, the clients' records are placed on file for later referral if a job should develop. In the event that a job is available and supportive services such as transportation, medical exams, child care, or counseling are required, members of DSS can be called upon to try to provide these services.⁵⁸

In addition to maintaining a file of potential employees and of available jobs,⁵⁹ the job placement services provided by M.E.S.C. include efforts to "develop" jobs by actively soliciting employers to utilize M.E.S.C. placement services. Little attempt is made, however, to encourage employers to hire particular people or to find particular individuals jobs. Instead, the focus is on making referrals when requested by employers, i.e., a matching function only.⁶⁰

Regarding training or other services to improve the employability of welfare clients in Allegan County, not much is available. At the present time the only major program is Operation Mainstream. Operation Mainstream is

⁵⁸To facilitate this process as well as to aid in the registration-interview process, an employee of DSS is officed with the M.E.S.C. staff.

⁵⁹The file of available jobs is a computerized "job bank" and includes vacancies from other parts of Michigan as well as Allegan County.

⁶⁰M.E.S.C. officials are assisted in this task by manpower agents in the Cooperative Extension Service under terms of an experimental program dubbed Operation Hitchhike, which began in July, 1971.

a federal program designed to provide work-training and employment acitivities for chronically unemployed poor adults who have poor employment prospects and are unable because of age or other reason to secure appropriate employment or training under other programs.

Essentially the way the Allegan County program operates is that the local CAP (Community Action Program), under terms of a contract negotiated with Manpower Administration, U.S. Department of Labor, contracts with government agencies and nonprofit organizations in the county to provide relevant work experience for eligible individuals. The welfare recipients who participate are referred by DSS to the Operation Mainstream office of CAP where efforts are made to place them in one of about 50 slots available for the county. If placed they are employed for 32 hours per week at \$1.60 per hour for 26 weeks, with possibilities for extension of the time period. At the end of the program Operation Mainstream staff attempt to find permanent employment for the people involved.

Out of 307 welfare clients placed in the program, full-time employment was found for 159.⁶¹ The potential impact of this program, however, has recently been reduced as a result of implementation of the 100 hour rule for ADC-U fathers. Under terms of the rule, if ADC-U fathers

⁶¹The crucial question is for how long they remained employed, but that unfortunately is unknown.

were enrolled in the program at 32 hours per week they would lose all public assistance and be forced to exist on \$51 per week (32 x \$1.60).

In addition to Operation Mainstream, the only other training and work experience services available are a few occasional on-the-job training slots provided by the Department of Vocational Rehabilitation and the possibilities for employment of welfare clients with Emergency Employment Act funds, neither of which offers significant possibilities at the present time. It bears noting at this point, however, that efforts are underway to establish a WIN team (Work Incentive Program) in Allegan County. This program is designed specifically for ADC recipients and would offer a wide range of employment services.

Supportive services now provided include day care, arranging for medical exams, and trying to remove barriers to accepting employment as they develop. These are the responsibility of DSS, and, for the most part, they are able to provide the needed day care arrangements and medical care. With respect to other needs such as transportation, there is very little that they are able to do at the present time.

In total, the employment services available for welfare recipients in Allegan County are extremely limited given the apparent need. M.E.S.C. provides placement services but does not have the resources for one-to-one

job development acitivities. The Department of Social Services assesses the employability of ADC clients, refers them accordingly, provides supportive services, and aids M.E.S.C. in work registration and placement, but most of their resources are employed in determining eligibility for assistance and in providing services in meeting day-today crises, e.g., housing, fraud, support payment collection, etc. CAP provides a significant number of Operation Mainstream positions, but few other training or trainingrelated services are provided. Clearly, the results of this study indicate that some changes are in order.

B. Needed Changes in Resource Allocation

Issues of resource allocation involve two aspects: reallocation between functions or programs, but within the same basic objective or problem area; and reallocation between objectives, e.g., welfare and crime control. Consideration of the latter, however, requires knowledge of needs other than welfare or at least rate of return estimates and, thus, is not considered here.

In essence, the question of reallocation between functions involves asking what potential gains could be had in terms of increased earned income for welfare clients and reduced welfare costs from changing the emphasis placed on particular approaches to the problem. From the earlier analysis, it appears that four functions merit greater

relative emphasis than they currently receive: job development activities, programs which provide on-the-job training and experience, public employment, and transportation provisions.

As discussed earlier, job development means more than job information. It also includes efforts to encourage employers to hire particular individuals they would not hire on the basis of standard indicators of capability and a concerted attempt to identify available jobs. TO some extent, job development also involves working with employers to get them to restructure their labor requirements more in line with available manpower. Currently, very little is being done in the way of job development other than conventional placement services. It would seem that with the number of job vacancies for which welfare recipients appear to be qualified, plus a seeming willingness on the part of employers to participate in programs involving the disadvantaged, that increased emphasis on finding jobs for and placing particular people would be appropriate. It needs to be emphasized, however, that there is little indication that an increase in job information per se would be very useful. What is needed is efforts to get employers to offer limited skilled people opportunities with a future, efforts to get employers to restructure their needs according to available manpower, and associated efforts to get clients to accept those positions.

Related to the job development aspect is the matter of on-the-job training and experience. Given the number of job vacancies where some experience is a requirement for hiring and the importance of work experience as a determinant of earning potential, it would seem that more emphasis should be placed on providing appropriate job training and experience for welfare clients. To some extent this can be accomplished through intensive job development activities, but for those not sufficiently job ready special programs are needed. At the present time, the only such program is Operation Mainstream, which is not only limited in capacity but also excludes ADC-U clients from participation.

Due to both the absence of jobs and the need to provide relevant work experience, a public employment program merits considerable emphasis, but currently no such program exists in Allegan County with the exception of an occastional EEA slot for which a welfare recipient is able to qualify.

The fourth function that merits greater emphasis, i.e., transportation provisions, is an important supporting function for both job development and on-the-job training programs. It was earlier observed that lack of transportation is a significant barrier to employment, but at the present time efforts to solve this problem are limited to informal attempts to arrange car pools and the

like. This is a difficult problem to solve, but perhaps a loan program such as that suggested in Chapter VI would be a proper direction to investigate further.

Increased resources devoted to these four functions means fewer elsewhere unless more funds are to be allocated to the welfare problem. From within the agencies involved it is difficult to identify where the reductions might occur. A prime candidate, however, would be to change the current package of administrative rules which force the DSS to devote much of its resources to determining eligibility for assistance and enforcing regulations as opposed to working on solutions to the need for welfare assistance. If eligibility requirements were simplified and financial incentives as opposed to work requirements used to encourage employment, a substantial portion of DSS resources could be devoted to work training and experience programs and other activities directed at removing the need for assistance as opposed to just providing it.⁶² Such a change would also free M.E.S.C. resources for intensive job development activities. At the present time employable welfare recipients must report once monthly to M.E.S.C. and secure verification that they are seeking employment. If more emphasis was placed on work incentives and less on enforcing work requirements, this would be unnecessary.

⁶²One of the more attractive features of a guaranteed income plan is that it would facilitate this change.

C. Suggestions for Institutional Reorganization

Proper institutional arrangements are crucial for efficient and effective delivery of needed public services irrespective of the type of service involved. They determine not only how well a particular program is delivered but also what programs are used to address a particular need or problem. With a welfare system as complex and bureaucratic as the current one, there are innumerable institutional issues that could be addressed here. There are two, however, which particularly merit attention. The first is the need for increased integration of those manpower services directly involving welfare clients, and the second is the need for regionalization with respect to certain social welfare functions.

Regarding manpower services for welfare clients, it is the opinion of this author that such services could be delivered more effectively and efficiently if the current responsibilities of DSS were expanded to incorporate the work registration, job development, and training functions now performed for welfare clients by M.E.S.C. or other agencies. Under the current system where particular services are the domain of particular agencies, the focus is on measures of how much of that service is provided as opposed to asking what the welfare clients need. In other words, the role of M.E.S.C. is to register clients, identify jobs, and make appropriate

referrals; the job of DSS is to provide supporting services, e.g., medical exams and child care; and the job of the Operation Mainstream staff is to provide work training slots. But, the role of identifying the "real" needs of welfare clients and the relative importance of each of the functions does not rest with any single agency.

Another reason for centralization is that the effectiveness of, for example, finding an individual a job often depends on supporting services such as day care being provided and, thus, coordination is critical. Although there is now significant interagency cooperation, this approach often works well only as along as both agencies attach similar priorities to the services involved and the proposed action does not threaten the size of the pie belonging to one or more of the agencies involved. Therefore, it would seem that greater centralization of authority and responsibility for these services may be worthy of consideration.

The current Work Incentive Program (WIN), which is operating in some Michigan counties but not yet in Allegan, does in fact provide greater centralization of manpower services for welfare clients and may be an appropriate route to follow. However, WIN is not administered as part of DSS and thus does not possess the potential advantages of having the same agency who is responsible for welfare payments also responsible for the services directed at reducing those costs.

The second institutional issue of interest is the appropriateness of focusing on larger geographic units (regionalization) for delivering welfare services. There has been a trend in this direction for some time, and the question is whether it should continue and, if so, in what manner or in what areas.

At the present time there exists significant regionalization with respect to delivery of vocational rehabilitation programs and other assorted manpower services. Also, there is substantial cooperation between individual county social service departments regarding the operation of day-to-day programs. Given the presence of scale economics and the fact that functional labor market areas and other socio-economic conditions overlay county boundaries, this would seem to be most appropriate. What is missing, however, is well coordinated regional activity for problem diagnosis and program design.

Earlier in this study it was observed that the characteristics of the welfare population vary significantly between areas and also that economic conditions are dynamic and vary from region to region. In addition, it was observed that very little was known at the county or regional level about the characteristics and needs of their particular welfare clientele. Thus, there would appear to be a distinct need for sub-state level efforts to identify needs and design programs on a relatively continuous basis. For the above reasons, the possibilities for establishing regional "diagnostic units" within DSS should be given serious consideration. They would be responsible for monitoring the welfare needs of a region and providing an input into improved resource allocation and welfare program administration. They would draw upon and coordinate their efforts with other agencies and groups interested in similar aspects of the same domain, e.g., economic development organizations and manpower planning groups.

D. Needed Research

Although a number of policy implications and conclusions have been drawn, this study, as it was designed to be, is more explorative than conclusive. A major purpose of the study was to identify those aspects of the "welfare problem" which most merit further investigation. This is in addition to the usual range of unanswered questions and uncertainties which flow from any major study.

Given what has been learned about the relative importance of the problem parameters, the following major research topics are suggested:

 Cost-benefit evaluation of the feasibility of a public employment program directed at welfare recipients, including consideration of the number of productive positions for low skilled people which could be created and estimates of the net social value product that would be produced. There are indications that a public employment program offers considerable potential for both increasing the productivity of welfare recipients and simultaneously meeting some of the pressing needs for increased public goods and services. The basic research question involves the extent of this potential in terms of net social gain.

 Development of procedures for administering a public employment program.

One of the crucial barriers to effective use of the public employment option is the difficulty in allocating the employment slots to various public agencies in a manner that will maximize social gain. With the cost to the hiring agency being very low, each agency will seek additional employees even if they are of little value to them. Unless some procedure is worked out to counter this problem, the result will be that the most effective bureaucrats will get the most positions, which will not likely be consistent with maximizing social value product.

3. A cost-benefit study of a program emphasizing one-to-one job development efforts.

It has been observed that there exists considerable potential for increasing earned income of welfare recipients through efforts to encourage employers to hire particular individuals or, said differently, by helping clients sell themselves. The crucial unanswered question is whether the costs of such a program are prohibitively

high relative to the gains. Efforts of this type are part of the WIN program in some counties and, thus, a complete analysis of such a program may be quite feasible.

4. An in-depth study of transportation as a barrier to employment in rural areas, including consideration of alternative methods for alleviating the barrier and the attendant costs of those methods.

It is known at this point that transportation is a significant determinant of the earned income potential of welfare recipients in rural areas. A fledging attempt was made in this study to assess the gains associated with a program that would alleviate this problem, but more attention needs to be given to this aspect, and program costs need to be considered.

5. An estimation of projected manpower requirements for selected rural areas.

Although there is little evidence of skilled manpower shortages in Allegan County at the present time, there have been and will likely continue to be changes in labor requirements. To the extent that one can predict these changes, it may be possible to encourage appropriately different career choices for area residents and, thus, prevent a future situation where the individual is unable to adjust to changes in labor demand and becomes a welfare client. Furthermore, it would facilitate identification of needed education and training programs for the general population and for welfare clients. These five projects would likely yield the highest research payoffs with reference to current information needs associated with the design and administration of programs directed at increasing the earned income of welfare recipients. There are other research needs, however, which merit some attention. They are: (1) estimation of probably responses to financial incentives to work; (2) feasibility of vocational rehabilitation for those welfare clients with certain types of medical problems; and (3) analysis of the effects a guaranteed income would have on rural communities, particularly those which are relatively depressed.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

A useful summarization procedure to follow is to reiterate what has been found or concluded with respect to each of the stated objectives of the study.

Regarding the first objective, which was to describe the ADC clientele and the Allegan County low skills labor market, several points merit enumeration. With respect to the characteristics of ADC clients, it was found that:

- The ADC clients are relatively young, mean age of thirty-three; have for the most part less than ten years of education; approximately 20 per cent have a serious health problem; nearly 35 per cent do not own an automobile; about one-fourth reside in the country; and 12 per cent are from racial minorities.
- 2. The Allegan County ADC population, although much less qualified for employment than the general population, is for the most part better qualified than the total Michigan ADC population, which is predominantly urban. Although there was some difference in education levels, the most significant difference was with respect to work histories and experience. The employment histories of Allegan ADC recipients revealed that a larger number of

clients have rather stable work histories and have had higher skilled job experience than is characteristic of the Michigan ADC clientele in general.

Regarding the county labor market, the following significant observations were made:

- The Allegan County labor market is reasonably diversified, but in recent years has been plagued by high unemployment due somewhat to the closing of major manufacturing plants.
- 2. There are relatively few current job vacancies in the county, but many of those which do exist are relevant positions for welfare recipients. The greatest demand was for operatives, nonfarm laborers, service workers, and craftsmen or foremen. Nearly 60 per cent of the vacancies required less than a high school education, but over 50 per cent required some training or experience.
- 3. For the most part, employers did not appear to over specify job requirements, and there was evidence of willingness to make special efforts to hire the disadvantaged.

With respect to the second objective, which was to diagnose the obstacles to increasing earned income of ADC recipients and assess their significance, the analysis yielded some interesting results. In attempting to determine what client characteristics are important to earned income potential, or conversely, what characteristics function as barriers to employment, it was observed that health, age, and work experience were important determinants of earning capability, and the absence of an automobile and the presence of young children were significant barriers to joining the work force. The most interesting observation was that years of education is quite unimportant over the range that characterizes welfare clients.

The major constraining factor for all recipients, however, was the availability of jobs. There are few jobs available, relative to the number of recipients, but of those that do exist many would be suited to the capabilities of welfare clients. It was further observed that entry wages are sufficient to permit self-support for many ADC families.

The third objective was to suggest and evaluate policy alternatives for increasing the earned income of welfare clients, i.e., remove the obstacles to employment. Seven alternatives were considered: elimination of the 100 hour rule for ADC-U fathers, reduction in the welfare tax rate, transportation provisions, labor market information, education and training, improved day care programs, and public service jobs. Of these alternatives, it was concluded that a public service employment program offers the greatest potential in that it would provide needed jobs, could easily provide a work training-experience component, and would also contribute to the provision of needed public service.
A second alternative offering considerable potential, but limited in effectiveness by the availability of jobs, is elimination of the 100 hour rule for ADC-U fathers. If this rule was eliminated it was estimated that work incentives would increase an average of about \$140 per month, resulting in an increased income gain to clients of \$11,794 per month and a monthly saving in welfare costs of over ten thousand dollars.

With respect to the other incentive proposal, it was observed that a flat 50 per cent marginal tax rate similar to that proposed in FAP would not have a significant effect on incentives or, accordingly, on employment, income, or welfare costs.

Regarding transportation, it was concluded that improved transportation provisions had merit, but that it would be difficult to implement a viable program, being that private automobiles are the sole means of transportation in rural areas. Assuming a "far out" guaranteed loan program for the purchase of automobiles, it was estimated that there would be an increase in income for welfare clients of \$3,140 per month and a similar saving in welfare costs.

Consideration was given to the need for education and training programs. With due recognition that data on labor demand projections and a larger geographic labor market would be necessary to draw very meaningful

199

conclusions, it was concluded that neither formal education or institutional training would contribute significantly to the earned income possibilities open to county welfare recipients, but that on-the-job training programs may constitute an appropriate policy action. On the assumption that institutional training may be called for if future labor needs and a larger market were considered, the training capability of the welfare population was assessed and it seemed that a large proportion of the welfare population could benefit from institutional training if there were sufficient labor demand to warrant it.

In the case of job information, it was concluded that little gain could be expected from improved job information per se, but that greater emphasis on one-to-one job development activity was warranted.

With respect to day care, there was no evidence that the provision of more or better day care facilities would result in an increase in employment of ADC mothers.

The last objective of the study asked for inferences regarding needed changes in public welfare policies for rural areas. Analysis of current welfare programs, in light of what had been determined regarding the factors which influence earnings potential and the probable impact to be expected from various types of programs, revealed that relatively more emphasis should be placed on public employment, intensive job development, job training and experience (OJT), and transportation provisions. In addition, it was estimated that welfare clients would be much better off and welfare costs lower if the 100 hour rule for ADC-U fathers was eliminted.

With reference to administration of the welfare system, it was suggested that manpower services for welfare clients be centralized in DSS and that regional diagnostic units be established for the purpose of monitoring welfare needs and contributing to the design and evaluation of welfare programs.

The overall objective of the study, as reflected by the title, was to determine the potential for increasing earned income of welfare recipients in rural areas. Each of the conclusions and recommendations has been made on the basis of the situation in a single rural county, which makes it difficult to draw valid inferences for rural areas in general, but in the case of Allegan County alone it is quite clear that considerable potential exists for increasing earned income of welfare recipients if the proper policies were implemented. Although explicit consideration was not given to the costs associated with such policies, there is reason to believe that in most instances the gains to welfare clients and the savings in welfare costs would more than compensate for the program or policy in question.

There is little reason to suppose that the situation is different for other rural areas in Michigan, but there is some evidence that the potential and corresponding policy

201

needs in urban areas are somewhat different. The most significant difference appears to rest with the capabilities of the welfare clients involved. Rural area clients appear to be more employment ready than their urban counterparts, which means that less investment in training and related activities is needed before they become employed. To the extent that rural recipients are more capable, programs designed primarily for the job ready such as job development and supporting services, and to a large extent public employment, should be given greater relative emphasis in rural areas, whereas in urban areas programs with a training focus may merit the emphasis. BIBLIOGRAPHY

BIBLIOGRAPHY

Literature Cited

Albin, Peter, and Stien, Bruno. "The Constrained Demand for Public Assistance." Journal of Human Resources, III (Summer, 1968).

Apple, Gary L., and Schlenker, Robert E. "An Analysis of Michigan's Experience with Work Incentives." <u>Monthly Labor Review</u>, U.S. Department of Labor, Bureau of Labor Statistics, September, 1971.

Brehm, C. T., and Saving, T. R. "The Demand for General Assistance." <u>American Economic Review</u>, LIV (December, 1964).

- Clark, Fred J. "When You Just Give Money to the Poor." New York Times Magazine, May 3, 1970.
- Diamond, Daniel E., and Bedrosian, Hrach. <u>Industry Hiring</u> <u>Requirements and the Employment of Disadvantaged</u> <u>Groups</u>. New York University, School of Commerce, 1970.

Durbin, Elizabeth. Family Instability, Labor Supply and the Incidence of Aid to Families with Dependent Children. Columbia University Press, 1970.

Eckus, R. S. "Economic Criteria for Education and Training." Review of Economics and Statistics, May, 1964.

Goldberger, Arthur S. <u>Econometric Theory</u>. New York: John Wiley and Sons, Inc., 1971.

Hausman, Leonard J. "Potential for Financial Self-Support Among AFDC and AFDC-UP Recipients." <u>Southern</u> Economic Journal, July, 1969.

. "The 100 Percent Welfare Tax Rate: Its Incidence and Effects." Unpublished Ph.D. Dissertation, University of Wisconsin, 1967.

- Kamenta, Jan. <u>Elements of Econometrics</u>. New York: The Macmillan Company, 1971.
- Konyha, Marvin E. "Potentials for Retraining the Rural Poor in the East Northcentral States." Unpublished Ph.D. dissertation, Michigan State University, 1970.
- Martin, David, and Leuthold, Jane. "Formulas for Income Maintenance: Their Distributional Impact." <u>National Tax Journal</u>, XXI, No. 1 (March, 1968).
- Michigan Department of Social Services. <u>Social Services</u> <u>Statistics</u>. Lansing, Michigan, 1971.
- Michigan Department of Social Services. <u>Social Welfare Laws</u>. Lansing, Michigan, March, 1971.
- Michigan Department of Social Services. Research and Program Analysis Division. <u>Profile of Michigan ADC Caseload</u>. Research Paper No. 1. Lansing, Michigan, 1969.
- Michigan. Executive Office of the Governor. <u>Report of the</u> Welfare Study Commission. Lansing, Michigan, 1971.
- National Commission on Technology, Automation and Economic Progress. Report of the Commission. <u>Technology</u> and the American Economy. Washington, D.C.: Government Printing Office, 1960.
- Smith, Vernon K. <u>Employment of AFDC Recipients in Michigan</u>. Michigan Department of Social Services, Research and Program Analysis Division, Lansing, Michigan, 1971.
- U.S. Department of Agriculture. Economic Research Service. <u>Rural Poor Who Could Benefit from Job Retraining in</u> <u>the East Northcentral States</u>, by Marvin E. Konyha. Agricultural Economics Report No. 204. Washington, D.C.: Government Printing Office, 1971.
- U.S. Department of Commerce. Bureau of the Census. <u>County</u> <u>Business Patterns, Michigan</u>, 1959, 1964, 1967, 1970.
- U.S. Department of Commerce. Bureau of the Census. <u>General</u> Social and Economic Characteristics, Michigan, 1970.
- U.S. Department of Health, Education and Welfare. National Center for Social Statistics, Social and Rehabilitation Service. <u>Characteristics of Families Re-</u> <u>ceiving AFDC</u>. Washington, D.C.: Government Printing Office, 1961, 1967, 1969, 1971.

- U.S. Department of Health, Education and Welfare. National Center for Social Statistics, Social and Rehabilitation Service. <u>Findings of the 1969 AFDC Study</u>. Washington, D.C.: Government Printing Office, December, 1970.
- U.S. Department of Labor. Bureau of Labor Statistics. <u>National Industry - Occupational Matrix</u>. Washington, D.C.: Government Printing Office, 1960.
- U.S. Department of Labor. Manpower Administration. The <u>Potential for Work Among Welfare Recipients</u>, by Leonard J. Hausman. Research Monograph No. 12. Washington, D.C.: Government Printing Office, 1969.

General References

- Bawden, D. Lee; Cain, Glen G.; and Hausman, Leonard J. <u>The</u> <u>Family Assistance Plan: An Analysis and Evaluation</u>. Discussion Paper Series, Institute for Research on Poverty. University of Wisconsin, 1970.
- Christenson, Reo M. "A New Attack on Poverty." <u>The Pro-</u><u>gressive</u>, January, 1969.
- Citizens Research Council of Michigan. "The Welfare Dilemma in Michigan, Rising Caseloads and Costs." Council Comments. Lansing, Michigan, July 9, 1971.
- Clawson, Marion. "Rural Poverty in the United States." Journal of Farm Economics, XLIX, No. 5 (December, 1967).
- Conley, Bryon S., and Shelhav, Moshe. Local Government <u>Program Budgeting for Welfare</u>. Institute of Government and Public Affairs, University of California, May, 1970.
- Devine, E. J. "Manpower Shortages in Local Government Employment." <u>American Economic Review</u>, May, 1969.
- Essig, David R. Labor Force Participation in Rural Nonfarm Areas of North Carolina in 1960. Discussion Paper Series, Institute for Research on Poverty. University of Wisconsin, 1969.
- Faltermayer, Edmund K. "A Way Out of the Welfare Mess." Fortune, July, 1968.
- Green, Christopher, and Lampman, Robert J. "Schemes for Transferring Income to the Poor." <u>Industrial Rela-</u> tions, VI, No. 2 (February, 1967).

- "Greensboro: Women Power, Community Minded Women Establish Day Care Centers for Low Income Families." <u>Blue</u>print for Opportunity, III, No. 5 (December, 1968).
- Handler, Joel F., and Hollingsworth, Ellen Jane. "The Administration of Social Services and the Structure of Dependency: The Views of AFDC Recipients." The Social Service Review, XLIII, No. 4 (1969).
- Handler, Joel F., and Hollingsworth, Ellen Jane. <u>The</u> <u>Administration of Welfare Budgets: The Views of</u> <u>AFDC Recipients</u>. Discussion Paper Series, Institute for Research on Poverty. University of Wisconsin, 1969.
- Johnson, Paul. "Labor Mobility, Some Costs and Returns." President's National Advisory Commission on Rural Poverty, <u>Rural Poverty in the United States</u>. Washington, D.C.: Government Printing Office, 1968.
- Kesselman, J. "Labor-Supply Effects of Income, Income Work, and Wage Subsidies." Journal of Human Resources, Summer, 1969.
- Kurth, E. A. "Social Implications of United States Manpower Training Program." <u>Review of Social Economics</u>, March, 1968.
- Levitan, Sar A. <u>Programs in Aid of the Poor for the 1970's</u>. Baltimore: The Johns Hopkins Press, 1969.
- Michigan Department of Social Services. <u>Adaptation of the</u> <u>Bureau of Labor Statistics' Lower Standard of Living</u> <u>for Assistance Programs in Michigan</u>, by Judith Lachman. Research Paper No. 4. Lansing, Michigan, 1971.
- Michigan Department of Social Services. <u>Social Services</u> <u>Board Orientation Handbook</u>. Lansing, Michigan, 1971.
- National Association of Counties. <u>NACO News and Views</u>, II, No. 11 (April 20, 1970).
- Nichols, Jack L. <u>The Relocation of the Hard Core Unemployed</u>. Minneapolis Rehabilitation Center, Incorporated, February, 1968.
- Poverty: Four Approaches, Four Solutions. Proceedings of the First Annual Conference on Social Issues at the University of Oregon. Published by the Associated Students of the University of Oregon, Eugene, Oregon, 1966.

- Reich, Charles. "Individual Rights and Social Welfare: The Emerging Legal Issues." <u>Yale Law Journal</u>, LXXIV (1965).
- Rossi, Peter H., and Blum, Zahava S. "Class, Status and Poverty." <u>On Understanding Poverty</u>. Edited by Daniel P. Moynihan. New York: Basic Book Inc., 1968.
- Schultz, T. W. "Investment in Human Capital." <u>American</u> Economic Review, LI, No. 1 (March, 1961).

_____. "Public Approaches to Minimize Poverty." <u>Poverty</u> <u>Amid Affluence</u>. Edited by Leo Fishman. New Haven, Connecticut: Yale University Press, 1966.

- Sheppard, Harold L. <u>The Nature of the Job Problem and the</u> <u>Role of the New Public Service Employment</u>. Kalamazoo, Michigan: The W. E. Upjohn Institute for Employment Research, 1969.
- Thurow, Lester C. "The Causes of Poverty." <u>Quarterly</u> <u>Journal of Economics</u>, LXXXI, No. 1 (February, 1967).

. <u>Poverty and Discrimination</u>. Washington, D.C.: The Brookings Institutions, 1969.

- Tobin, James. "The Case for an Income Guarantee." The Public Interest, Summer, 1966.
- Tweeton, Luther G. <u>Rural Poverty: Incidence, Causes and</u> <u>Cures</u>. Processed Series P-59OR, Oklahoma State University Experiment Station, Stillwater, Oklahoma, July, 1968.
- Ulmer, Melville J. <u>The Welfare State</u>. Boston: Houghton-Mifflin Co., 1969.
- U.S. Department of Agriculture. Economic Research Service. <u>The Role of Education in Alleviating Rural Poverty</u>, by Luther G. Tweeton. Agricultural Economic Report No. 114. Washington, D.C.: Government Printing Office, 1967.
- U.S. Department of Agriculture. Economic Research Service. <u>Welfare Reform: Benefits and Incentives in Rural</u> <u>Areas</u>, by Fred Hiner and Max Jordan. No. 470. Washington, D.C.: Government Printing Office, 1971.
- U.S. Department of Labor. <u>Rural Manpower Dilemmas</u>. A reprint from the 1971 Manpower Report of the President. Washington, D.C.: Government Printing Office.

Weisbrod, Burton A. "Conceptual Issues in Evaluating Training Programs." <u>Monthly Labor Review</u>, LXXXIX, No. 10 (October, 1966). APPENDICES

APPENDIX A

PROCEDURES FOR CALCULATING WELFARE BUDGETS, ALLEGAN COUNTY

PROCEDURES FOR CALCULATING WELFARE BUDGETS, ALLEGAN COUNTY

Table A-1 displays the procedure used for calculating welfare budgets for the categorical assistance programs, where the individual or family is assumed to have no other income. As an illustration, an ADC family of four in Allegan County would receive \$216 per month plus a family type shelter allowance of actual cost to a maximum of \$80. In addition, the family would be eligible for the miscellaneous allowances indicated.

If the case involves outside income, the size of the grant is reduced by 66¢ for every dollar earned, excluding the first \$30 plus work expenses.

	matel Barrent			Household Needs		
in Bligible Group	Needs	Needs	Needs	Heating Fuel	Utilities	
	A (B + C)	B	C (D + E)	D	E	
One - Householder, living alone						
(Adult)	\$ 79.00	\$ 58.00	\$ 21	\$ 14	\$7	
One - Householder, living with others, no other grant						
(Adult)	74.00	53.00	21	14	7	
One - Householder, eating in restaurant		,				
(Adult)	92.00	71.00	21	14	7	
One - Living with others, personal needs only						
(Adult)	• •	53.00	• •	• •	• •	
One - With others, personal needs, eating in restaurant	:	71 00				
(Adult)	• •	/1.00	••,	• •	••	
One - With self-supporting relatives (ADC Child)	60.75	• •			••	
Legal dependent (all categories)	46.00	• •	• •	• •	• •	
Two	115.50	93.50	22	14	8	
Three	165.25	140.25	25	15	10	
Four	216.00	187.00	29	18	11	
Five	263.75	233.75	30	18	12	
Six	313.50	280.50	33	20	13	
Seven or more	Add \$46.	75 for each	additional p	person.		

TABLE A-1. -- Monthly Welfare Assistance Allowances.

Monthly (4.3 weeks) Shelter Maximums

Miscellaneous Allowances

Board and	Room -	Ş 1	105
All other	family-type shelter	; \$	80

If heat or utilities or both are provided by landlord, add the appropriate amount(s) from Columns D and E to the shelter maximum above to determine whether the total actual shelter cost can be budgeted. (Not applicable for sleeping room or board and room.)

Revised as of December, 1971

Hospital sundries	9.00
Telephone, OAA, AB, AD	4.00
Special diet, OAA, AB, AD	6.00
Household operations (householder	
only), ΟλΆ, λΒ, λD	5.00
Guide Dog, AB	10.00
Incidentals, ADC	20.00
Incidentals, adults, long-term	
care	20.00
Incidentals, adults, room and	
board, permit home, home for	
aged, or residential care	
facility	23.00

ليستحجز فالحالي برويو وليست

APPENDIX B

FOOD STAMP ALLOWANCES

-

FOOD STAMP ALLOWANCES

The food stamp program of the U.S. Department of Agriculture is administered in Michigan by the State Department of Social Services through county departments of social services.

Under the food stamp plan eligible families exchange their food money for food coupons of higher monetary value. The bonus or free coupons, paid for by the federal government, increase the purchasing power of the household. Families can use the coupons to buy food at authorized retail food stores at prevailing prices.

All families living in the county who are preparing meals in the home and who meet the limitations on inome and liquid assets, as shown in Table B-1, are eligible for food coupons. In addition, all recipients of public assistance are automatically eligible.

Using a four-person household as an illustration, non-assistance cases receive coupons according to the schedule in Table B-2.

Public assistance cases receive coupons according to the schedule in Table B-3.

Any food or food product for human consumption may be purchased with coupons except mean and meat products which are imported and other foods which are identified on the package as being imported. However, coffee, tea,

Number in Household	Maximum Income ^a Per Month	Liquid ^b Assets
l person	\$ 210	\$ 1000
2 persons	250	1500
3 persons	290	1500
4 persons	330	1500
5 persons	370	1500
6 persons	410	1500
7 persons	450	1500
8 persons	490	1500
Each additional person <u>add</u>	\$ 40	\$0

TABLE B-1.--Maximum Income and Liquid Assets Allowed for Food Stamp Eligibility.

^aAdjustment of income may be made for unusual expenses such as high shelter cost, child care, or medical expenses.

^bLiquid assets include cash, bank accounts, savings accounts, stocks, bonds, checks, money orders, or other assets that can be promptly converted into cash.

TABLE B-2.--Food Stamp Schedule for Non-Assistance Cases: Four-Person Household.^a

1	With Inco	Mc ome	onthly e of	Family Pays	Total Coupons Received	Free Coupons	<u> </u>
\$	140	-	149.99	\$ 37	\$ 106	\$ 69	
	150	-	169.99	42	106	···· · -··· 64	
	170		189.99	48	106	58	
	190	-	209.99	54	106	52	
	210	-	229.99	60	106	46	
	230		249.99	66	106	40	
	250		269.99	72	106	34	
	270	-	289.99	72	106	34	
	290	_	309.99	76	106	30	
	310	-	330.00	80	106	26	

^aCoupons received for the indicated payment increase approximately \$28 for every additional family member.

Household Size	Family Pays	Total Coupons Received	Free Coupons
1	\$ 16	\$ 28	\$ 12
2	31	56	25
3	45	84	39
4	60	106	46
5	73	126	53
6	88	144	56
7	96	162	66
8	106	180	74
9	110	196	86
10	115	212	97

TABLE B-3.--Food Stamp Schedule for Public Assistance Cases.

bananas, and cocoa, although imported, can be purchased with food coupons. Coupons may <u>not</u> be used to purchase non-food items, such as alcoholic beverages, soaps and detergents, tobacco products, pet food, vegetable seeds, etc. APPENDIX C

JOB VACANCY SURVEY QUESTIONNAIRE

JOB VACANCY SURVEY QUESTIONNAIRE

Employer Code _____

This information is collected by Allegan County Cooperative Extension to be consolidated with other employer data for use in career guidance and the development of training opportunities. This is not a job order to the Employment Service or any other agency.

Type of Industry

None None

Basic Literacy

Descriptive job title, or a _____ description of a job which is currently vacant and for ______ which outside applications would be considered.

Circle if this job is (permanent), (30 days or less)

(seasonal), or (under 35 hours/wk.)

Number of these vacancies which you hope to fill in the next 30 days

Number of these vacancies which <u>have existed for</u> the past 30 days

Minimum general education required for hiring: (Check one)

- 🛄 Some College
- Junior College Degree
- Some High School 4-year College Degree
- 🛄 High School Equivalent 🔄 Advanced Degree

Minimum length of completed occupational or skill training course work required for hiring: (Check one) None None [7 to 12 months Less than 4 weeks [1] 13 to 24 months 4 to 8 weeks More than 2 years 2 to 6 months Is this usually from a: High School Vocational Course Community College Trade School or Skill Center Apprenticeship Would appropriate work experience substitute for this training? (Yes) or (No) None Minimum work experience in this or a related occupation Under 3 mos. as a requirement to be hired. 3 to 12 mos. More than 1 year Would you substitute your on-the-job training for the above job qualifications if your training costs were reimbursed? (Yes) or (No) What salary would you expect to pay (Hour) (Month) a person with minimum acceptable qualifications for this job? per (Year) (Circle One)

Use the reverse side for any comments you want to make about difficulties you have had in hiring or retaining employees in this position.

This information will be treated as confidential research data and will not identify your firm!

APPENDIX D

ADC CASELOAD QUESTIONNAIRE

.....

È.

ADC CASELOAD QUESTIONNAIRE

INSTRUCTIONS FOR QUESTIONNAIRE

Purpose

The information requested by this questionnaire is to be used for several purposes. The most important are:

- 1. To provide Allegan County social services employees and other conerned individuals with a relatively detailed description and analysis of the ADC caseload.
- 2. To facilitate diagnosing the problems which need to be solved if unemployment or underemployment of ADC clients is to be significantly reduced. Specifically, we would like to know the relative importance of, for example, insufficient labor market information, lack of marketable skills, absence of child care facilities, insufficient jobs, lack of access to transportation and work incentives.

Instructions

Each of the questionnaires is identified by case number and name of payee and also includes the load number of the case worker to whom the case is assigned. Each of the cases involved was selected on a random basis (25 per cent sample) from the total ADC caseload.

It is important to keep in mind that the emphasis of the questionnaire is on those factors or characteristics which relate directly or indirectly to issues of employability.

It is expected that much of the requested information will not be available for many cases. Please do the best you can and leave the remainder blank.

If in doubt regarding how to respond to a particular question, please pencil in an explanation.

The numbered instructions below correspond to questions with the same number.

1. Name. Listed only for ease of identification of the case in question. Will be dropped once the information is compiled.

- Address. Location of people relative to jobs is important. Thus, please list complete addresses, including RR#'s where applicable, etc.
- 3. If client has lived in Allegan County intermittently, respond in terms of the total time in residence, not just the current continuous period.
- 4. Give best estimate available, whether it be for the most recent month or not. For earned income, do not subtract out disregards.

Questions 5, 6, 7, 8, 9, 10, 11, 12, & 13 are selfexplanatory.

- 14. If there are more than 2 children 16 or over, use back of questionnaire.
- 15. Note that it may be appropriate to check more than one box. For example, if the Day Care Home is that of a relative, both the box after Day Care Home and the box after relatives should be checked. "Other arrangements" refers to those situations where some day care arrangement is used, but the client is <u>not</u> enrolled in the DSS child care program.
- 16. Self-explanatory.
- 17 & 18. Note any disabilities that could be expected to affect the employability of the client or spouse. If possible, note the magnitude of the disability with respect to employability.
- 19. Self-explanatory.
- 20. Self-explanatory except for the category "actively seeking work." Indicate that the client is actively seeking work if : (1) she is unemployed but looking for work; (2) she is employed part-time but would prefer a full-time job; or (3) she is classified as having no marketable skills but would like to work.

Questions 21, 22, & 23 are self-explanatory.

24 & 25. Formal education means general education at the elementary, high school, or college levels. Vocational education means occupationally oriented education or training. Hopefully, the questions on formal education are self-explanatory. Regarding the questions on vocational education, some clarification is in order. If the client received training of a vocational nature in high school, e.g., mechanics, carpentry, typing, or shorthand, check the box and indicate type and extent of training. The same applies for the other types of programs or curriculums. By OJT is meant the acquisition of marketable skills through job experience (it may be a relatively formal program or simply relevant job experience). Indicate military training only where relevant "civilian" skills were acquired.

26 & 27. By type of work is meant a very brief job description, e.g., sales clerk, gas station attendant, etc. By type of industry is meant such things as dairy farm, retail store, automobile repair, etc. The other parts of the question are hopefully self-explanatory.

		Load No.
Case	number	ADC case 🗌 or ADC-U case 🗌
1.	Name of payee	·
2.	Address	
	(Number)	(Street) (City)
3.	Payee has lived in Alle necessarily at the same	gan County for how long (not address)?
	Less than 1 year	Less than 5 years
	Less than 3 years	More than 5 years
	Payee is from the migra	nt stream? Yes 🦳 No 🦳
4.	Income (estimate for mo	st recent month):
	Total requirements \$	Grant \$
	Earned income \$	Support ordered \$
	Other income \$	
-		
5.	Payee: Motner Fa	cher [] Other
6.	Is second parent present	t in the home?
	Yes No If no with	ot present, ignore questions an asterisk.
7.	Age of payee *	B. Age of second parent
9.	Race of payee	
10.	Is family participating	in the food stamp program?
	Yes No Quan	tity of stamps \$
	Size	of bonus \$
11.	Length of time on ADC:	months
12.	Was client ever on ADC 1	pefore? Yes 🛄 No 🥅
	For how long?	months

	Reason terminated: Sufficient other income
•	Other
з.	Number of dependent children
	Number less than age 6 Number age 6 through 11 Number age 12 through 15 Number age 16 or over Number of other legal dependents
4.	List below the name and requested data for each dependent child age 16 or older:
	(1) Name Age Sex
	If not a student, is he or she employed?
	Yes No Unknown
	Referred to M.E.S.C.? Yes No
	(2) Name Age Sex
	If not a student, is he or she employed?
	Yes No Unknown
	Referred to M.E.S.C.? Yes No
5.	Child care arrangements:
	What child care arrangement is client currently using?
	None Day Care Home
	Day Care Aid Relatives
	Day Care Center Other arrangements
	Estimated monthly costs \$
	Do any of the children have health problems or other characteristics requiring more than normal care? If so, please specify the nature of the problem.

16.	Has family	been	referred	to	services	in	the	last
	90 days?							

90 days? Yes No		·
Type of service:		
Protective services Housing services Fraud Support Emergency assistance Supplemental Interpersonal family relationships		
Other		
Physical or mental disab	ilities of payee:	
		None
Physical or mental disab	ilities of second p	arent:
		None
Status of father with re eligibility:	spect to the family	18
Death Desertion Divorce or legal se Institutionalized Incapacitated Unemployed Step father case	paration	
Child has no legal fathe	r 📖	
Status of mother:		
Death Desertion Divorce or legal se		
Institutionalized Employed full-time	paration L	
Institutionalized Employed full-time (at least 32 hour Employed part-time Actively seeking wo No marketable skill Incapacitated Needed in home full	paration	
Institutionalized Employed full-time (at least 32 hour Employed part-time Actively seeking wo No marketable skill Incapacitated Needed in home full If needed in home, why?	paration	lldren I mber of

21.	Was payee referred to M.E.S.C.?	Yes 🗔	No
22.	Was second parent referred to M.E.S.C.?	Yes 🗀	No
23.	Does payee own a serviceable automobile?	Yes 🗔	No
	Does payee have access to a serviceable automobile?	Yes 🗔	No
24.	Education of payee:		
	Formal education (years completed)		
	Where completed (name and location of las attended):	t insti	tution
	Does payee have a high school diploma?	Yes 🥅	No
	If no diploma, has client passed the GED exam?	Vee	งการ
	Other degrees or certificates of educational achievement:		
	Vocational education received:		
	Program or curriculum:		
	High schoolImage: School s		
	Type of training		
*25.	Education of second parent:		
	Formal education (years completed)		
•	Where completed (name and location of las attended):	t insti	tution
	Does client have a high school diploma?	Yes 🗔	No 🗔
	If no diploma, has client passed the GED exam?	Yes 🗔	No 🗔
	Other degrees or certificates of educational achievement:		

	Vocational education received:	
	Program or curriculum:	
	High school Post H.S. vocational school Institutional training prog OJT Operation Mainstream DVR programs Correspondence courses Military	
	Type of training	
26.	Work experience of payee: None	
	Employment history beginning wit recent job:	h current or most
	1. Type of work	Hourly wage \$
	Type of industry	Est. monthly earnings \$
	Job location	Months on job
	Reason for leaving	Date left
	2. Type of work	Hourly wage \$
	Type of industry	Est. monthly earnings \$
	Job location	Months on job
	Reason for leaving	Date left
	3. Type of work	_ Hourly wage \$
	Type of industry	_ Est. monthly earnings \$
	Job location	Months on job
	Reason for leaving	Date left
*27.	Work experience of second parent	: None
	Employment history beginning wit recent job:	th current or most
	1. Type of work	_ Hourly wage \$

	Type of industry	Est. monthly earnings \$
	Job location	Months on job
	Reason for leaving	Date left
2.	Type of work	Hourly wage \$
	Type of industry	Est. monthly earnings \$
	Job location	Months on job
	Reason for leaving	Date left
з.	Type of work	Hourly wage \$
	Type of industry	Est. monthly earnings \$
	Job location	Months on job
	Reason for leaving	Date left

.

General comments: