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ABSTRACT

This report provides objective information about the relationship of poverty, welfare, and homelessness to California's regional economy and about the design of programs that help people in poverty build working lives. California does not have enough jobs for its workforce, and welfare caseloads are consequently determined by the economy. The severity of California's current recession is tied to the decline in the manufacturing and construction sectors. The sharp decline in aerospace and high-technology jobs has affected many occupational specialties that require many years of education and experience. In addition, in California, and in Los Angeles in particular, there are few occupations where there is not already an available pool of highly trained and experienced workers who are seeking work. The sections covered in this report are as follows: (1) The Recession That Refuses To Leave; (2) Welfare Caseloads Determined by Economy, Not Work Ethic; (3) Challenging Myths about Welfare Recipients; (4) The Need for Safety Net Programs; The Experience of Michigan; (5) Proposed Welfare Changes Portend Harm for the Majority of Recipients--Children; and (6) Homeless Job Seekers Have Skills but Need Stability To Be Job Ready. (Contains 26 references and 8 figures.) (SLD)

Jobs, Welfare and Homelessness

Southern California Inter-University Consortium on Homelessness and Poverty

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INTRODUCTION

Lack of jobs for California's labor force has growing costs in the form of poverty, welfare, homelessness, sickness, crime, and diminished futures for the state's children. The Southern California Inter-University Consortium on Homelessness and Poverty has prepared this report to provide objective information about the broadly shared interest of California residents in reducing the social and personal costs of poverty and welfare.

Homelessness has become one of the dominant social and visual features of urban areas throughout California. The growing number of economically disenfranchised individuals and families living at the most meager level of poverty makes our cities increasingly bleak. This dismal spectacle is neither inevitable nor necessary. The best evidence indicates that poverty and welfare rise and fall with the availability of jobs in the regional economy, and the most effective remedy is a growing economy that offers jobs paying living wages to those wanting to work. Findings from multiple research programs validate the effectiveness of helping people maintain a connection with work and offering them the means to rise out of poverty. Research findings also indicate that the destabilizing effect of eliminating essential safety net programs for people with no resources decreases their success in achieving employment.

The common thread running through this report is the relationship of poverty, welfare and homelessness to the regional economy, and the design of programs that effectively help individuals in poverty build working lives. Californians share a fundamental, pragmatic interest in harnessing tools for shaping the economy and providing human services to increase the share of the state's residents who are able to be productive and economically self-sufficient. Issues and findings covered in each chapter of this report are as follows.

California does not have enough jobs for its workforce — California is experiencing the worst and most prolonged period of unemployment since World War II. The current number of jobs in the State is still 2.8 percent less than in 1990. A full count of the unemployed shows 2,230,000 jobless workers, or 14.5 percent of the State's workforce in 1993. Basic tools for correcting the long-term de-industrialization and wide spread unemployment California is experiencing include encouraging capital investment and job growth in manufacturing industries, and helping those who cannot find jobs remain connected to the work force.

Welfare caseloads are determined by the economy — Changes in the level of employment in Los Angeles County's economy account for as much as 81 percent of the changes in its welfare caseload. Availability of jobs for low-skill workers is much more significant than work ethic or skills in determining whether they support themselves through welfare or employment. Welfare caseloads are an index of opportunities offered by the regional economy to support low-skill workers. Successful strategies to create jobs in the regional economy will result in reduced welfare caseloads and are the most realistic approach to reducing welfare.

Welfare reforms that work must make it possible for people to rise out of poverty — Most welfare recipients are adults with small families who are either working or trying to work. But work is no longer a sure route out of poverty. Many of those who find work return to welfare because of lack of health care, a breakdown in child care, low wages, and temporary jobs. The solution is to enable recipients to remain working by providing support services such as low-cost child care, health insurance, and temporary financial and social assistance at times of crisis. To help the majority of recipients find jobs, training should be replaced by job development and placement programs.

Loss of safety net programs does not bring increased employment for former recipients — In the two years after Michigan terminated its General Assistance program, only one-third of former recipients found any employment, and most of this was unstable. Most welfare recipients are part of social networks made up of other poor people who are unable to offer even minimal help if welfare ends. Workers "tottering on the edge of subsistence" are less employable than workers whose lives are stable; welfare needs to be available to help jobless people maintain this stability. Families and friends should not be viewed as having the capacity to replace public assistance for low income individuals.

Welfare recipients are predominantly children — Almost half a million children (22 percent) in Los Angeles County live in families with incomes below the poverty level. Poverty rates have been rising steadily in the County, from 11 percent of the population in 1970 to 17 percent in 1992. Insufficient income increases family stress, impairs parenting skills, and increases risks of developmental difficulties, academic failure, and teenage pregnancy. High levels of poverty among children should be recognized as having future costs, including diminished public resources for providing retirement and health services when today's workers retire. Childhood poverty is solved through job opportunities for parents, quality child care, and health care.

Homeless job seekers have skills but need stability to be job-ready — Homeless job seekers in downtown Los Angeles are adequately qualified for jobs in terms of education and work history. Yet, only 40 percent find jobs and 9 percent remain employed full-time a year later. Barriers to employment result from lack of reliable, stabilizing social relationships and substance abuse. Over four-fifths of the homeless would accept jobs at $5 an hour cleaning up streets. Long-term employment should be adopted as the most feasible, although difficult, strategy for reducing homelessness. Effective employment programs need to address the full range of problems that undermine stability as well as offer tangible job opportunities to successful graduates. Public funds for cleaning-up Skid Row should be used to provide entry-level jobs for the homeless.

The Consortium has published this report to support objective, pragmatic discussion about the need for economic growth, jobs, and human service programs that effectively enable individuals to rise out of poverty. The Consortium is available to answer questions about this report and assist in implementing its recommendations.

THE RECESSION THAT REFUSES TO LEAVE

Background to the Current Recession in California

California is currently in the midst of its worst economic crisis since the 1930s. While few analysts were prepared for the depth of the current downturn, there were many signs that the California economy was vulnerable. Eight years before the onset of the latest recession, the state had already experienced what was, up until then, the worst of the post-war recessions. In 1981 and 1982, widespread layoffs, business failures, and economic dislocation brought the most devastating period of unemployment that the state had experienced in nearly thirty-five years.

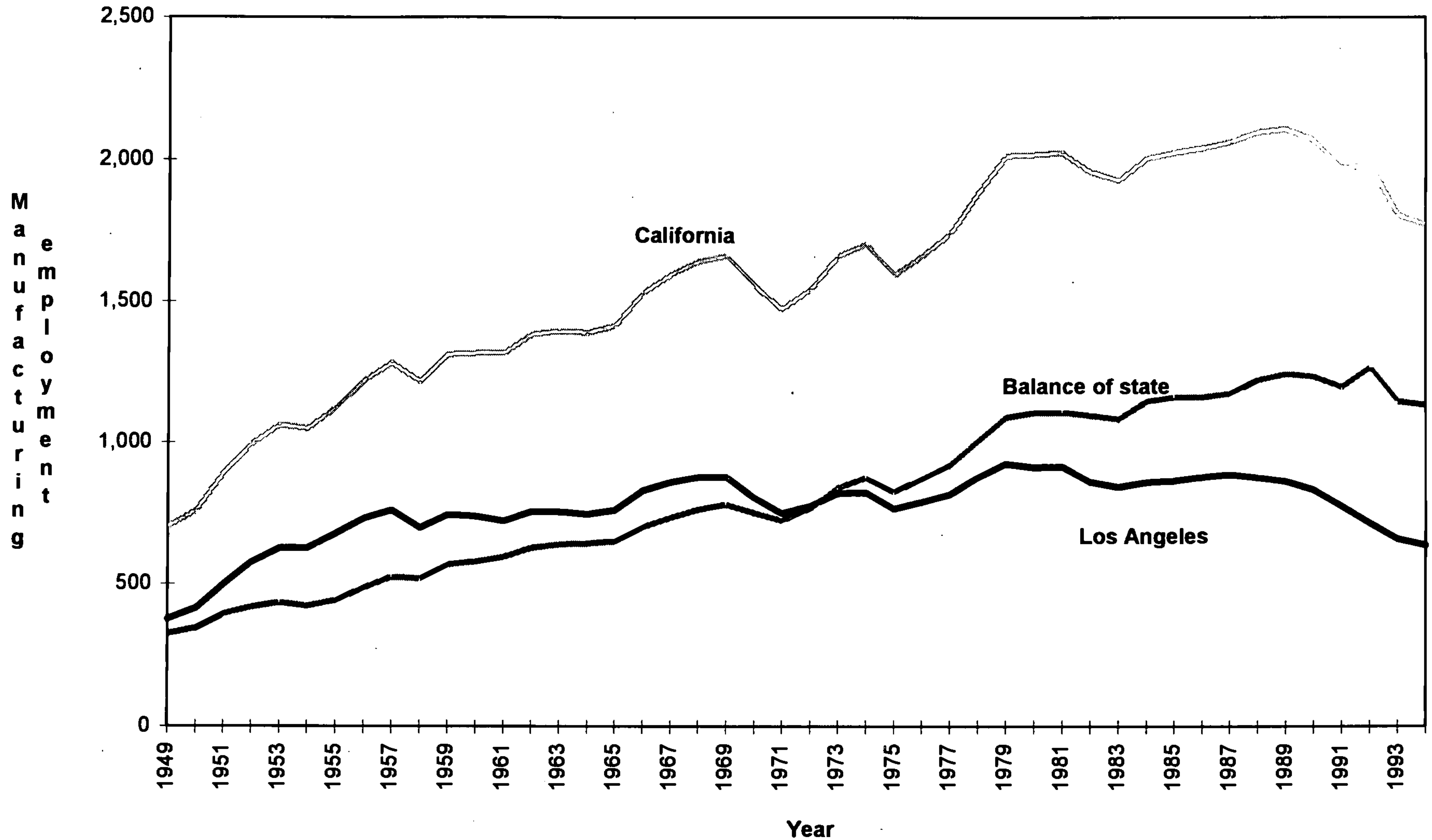
It took some time for California to regain the jobs that were lost during the 1981-82 period. Some important manufacturing sectors have never fully recovered. Among the lasting casualties were metal manufacturers, fabricated metal products firms, automobile manufacturing, shipbuilding, and the production of various types of industrial machinery. The level of employment in these sectors was still below their 1980 levels when the beginning of the current recession hit in 1989. The 1980s were also characterized by prolonged periods during which interest rates soared to historic highs. These unprecedented high interest rates had a crippling effect on the performance of the most capital-intensive industries in the state.

As a result of these factors, the 1980s produced the slowest economic growth rates in over forty years. While the ten-year increase in employment was 42 percent for both the 60s and 70s, the 1980-90 growth rate was only 27 percent. Most strongly affected in terms of lost jobs during that period was the economy of Los Angeles County. Although there was steady growth in this county in most defense-related manufacturing over the past decade, as well as a general expansion in other areas of the state, many types of heavy manufacturing either declined or disappeared altogether from Los Angeles between 1980 and 1988 alone. All through the decade, Los Angeles' manufacturing sector failed to keep pace with the rest of the state.

Measuring the Economic Decline

This was the situation in California at the time that the latest recession arrived in 1989. It produced the deepest and longest decline in employment ever experienced by most of the state's current residents. The weight of these job losses has once again fallen most heavily on the population of Los Angeles County. Although this area contained half of all the state's manufacturing jobs in 1970 (in particular, the more complex and capital-intensive portions of durable-goods production), by the start of the latest downturn, Los Angeles' share had slipped to 41 percent of the statewide total, and by 1995, Los Angeles had only 36 percent of the state's factory jobs (see Figure 1).

Figure 1
Total Manufacturing Employment for the State of California, Los Angeles County, and the Balance of the State, 1949-1994 (in Thousands)



California lost 455,800 non-farm jobs between 1990 and 1993 alone. Over half of these losses were in manufacturing. In addition, the number of construction jobs fell by 7.2 percent during that same period. Of the state's 1990-93 job loss, 92 percent was the net result of layoffs in Los Angeles County. The depth of the latest California recession, as measured in percent of jobs lost, is similar to the one that followed the end of World War II, but the latest recession has lasted more than twice as long as any other since the 1930's (see Figure 2).

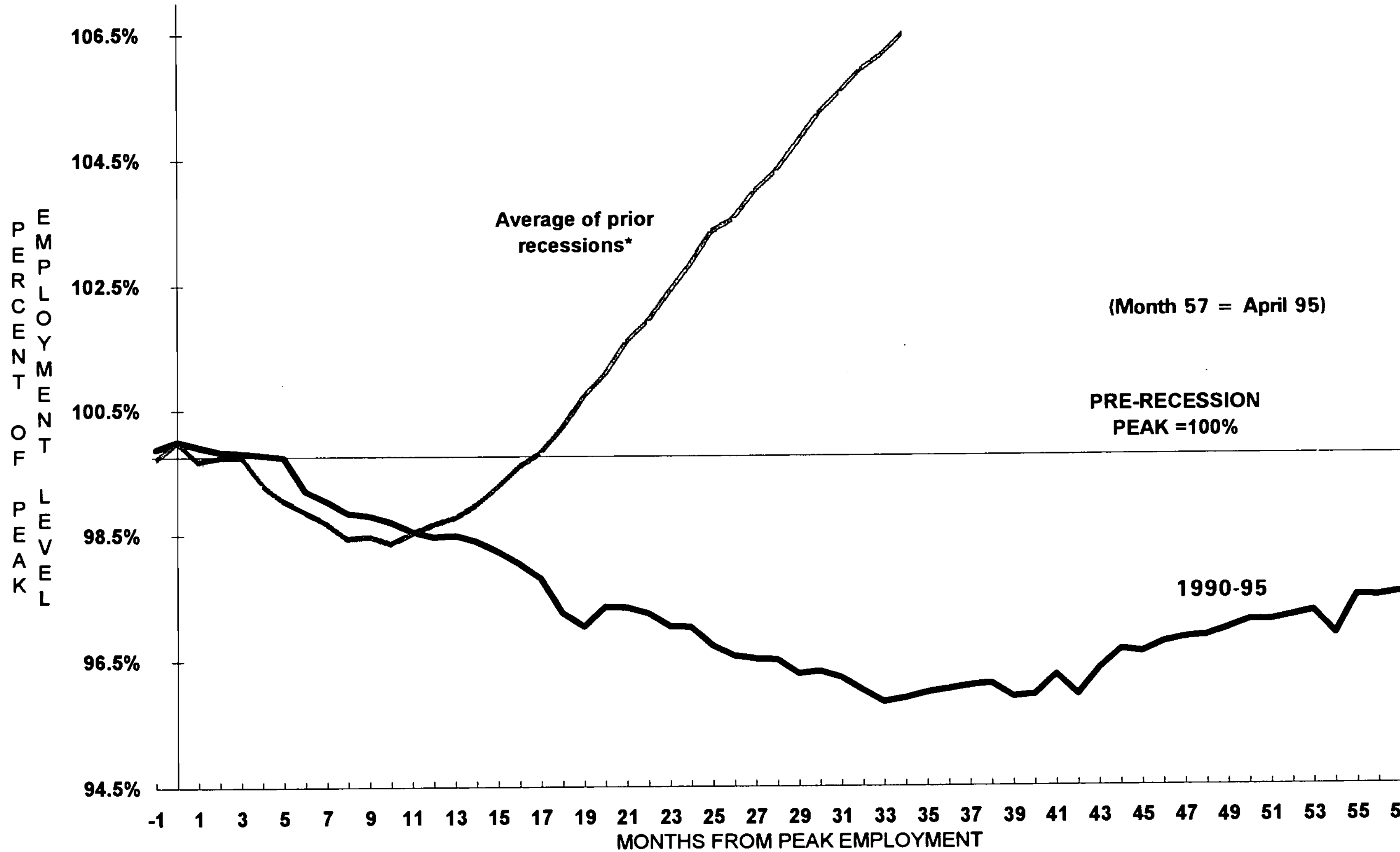
The severity of the current recession is directly tied to a deep and long-term decline in employment in manufacturing and construction sectors, primarily in Los Angeles County. These job losses, in turn, can be traced to two important factors: a decline in aerospace-related production in California, and the second worst drop of the postwar period in bank loans to business. The latter event began after the Federal Reserve raised interest rates in 1987 and 1988 in the midst of a period during which the economy was already being hampered by high corporate debt and a struggling financial sector. The two major areas of the economy most dependent upon the availability of credit are manufacturing and construction. The rest of the economy cannot maintain its strength if these two sectors are not expanding.

Evidence of Hidden Unemployment

Because of the large loss of jobs, the unemployment rate in California rose from 5.6 percent in 1989 to an average of 9.2 percent in 1993. In Los Angeles, the increase for the same period was from 5.8 to 9.7 percent. The actual level of unemployment statewide rose from 850,000 to 1,410,000 in that period. Unemployment in Los Angeles increased by 164,000 between 1990 and 1993, to a total of 431,000.

As disturbing as these statistics are, the official counts of unemployment ignore a large sector of "disguised" unemployment, in the form of discouraged workers, involuntary part-time workers, and those Californians who have found it necessary to leave the state in order to find employment. (The jobless data also do not count those workers forced to accept jobs at a reduced pay level.) Discouraged workers are made up of members of the working-age population who want a job, but have given up looking for work after an unsuccessful period of searching. The Department of Labor has not published any estimate of discouraged workers for California. However, some approximation of the size of this workforce category can be derived by comparing the labor force experience of the working-age population for the state for the years 1989 and 1993.

Figure 2
COMPARISON OF CALIFORNIA EMPLOYMENT TRENDS
SHOWING DATA FOR CURRENT RECESSION AND AVERAGE OF PREVIOUS POST-WAR RECESSIONS
(California Nonfarm Payroll Employment, Seasonally Adjusted
Source: California Employment Development Department)



* 1948-49, 1953-54, 1957-58, 1960-61, 1969-70, 1973-75, 1980-81, 1981-83

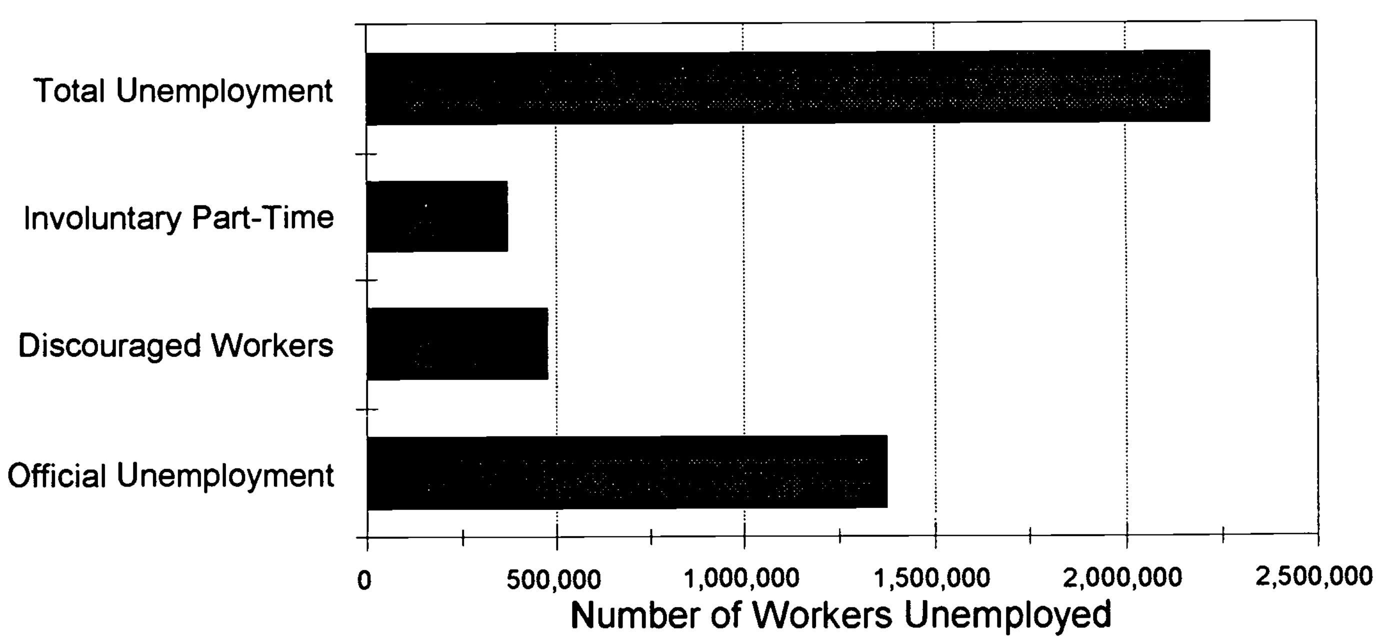
Workers are considered to be in the labor force when they either have a job, or are actively seeking work. There was a marked decline in labor force participation for all ethnic groups in California during the 1989-93 period. If labor force participation rates had remained unchanged over that four-year span, the additional displaced workers estimated in this manner would expand the count of the unemployed in the state to 1,850,000, or 35 percent higher than the actual 1993 estimate. Also, sharply declining participation rates in Los Angeles, as compared with the rest of California, suggest a disproportionate share of the state's discouraged workers reside in this county.

Involuntary Part-Time Unemployment

Another measure of hidden unemployment includes those workers who are working less than full time because they either could not find full-time employment (35 hours per week or more) or were forced to accept a reduced work schedule in their current jobs. Using a formula developed by the Department of Labor, the "lost-work" factor can be measured by adding half of the involuntary part-time worker count to the unemployed (while also subtracting half of the unemployed who are only seeking part time work). This would add another 370,000 workers to the California unemployment estimate for 1993.

Figure 3

NUMBER OF UNEMPLOYED IN CALIFORNIA
Official and Hidden Unemployment-1993



Adding the discouraged-worker and part-time unemployed estimate to the official jobless count would expand the 1993 unemployment number to 2,230,000. The combination of the unemployed figure plus the "hidden" component gives an effective unemployment rate of 14.5 percent in California for 1993 (see Figure 3).

Effects of Job Losses on the Local Population

The estimates of unemployment and lost sources of income to the state, and in particular Los Angeles County, cannot adequately describe the social disruption and the human suffering caused by this seemingly unending recession. Other data add greater dimension to the economic devastation that this state has experienced. Burgeoning welfare caseloads, homelessness on a scale not seen since the 1930's, plummeting government revenues, and a rapidly growing prison population are the most obvious and visible social ills traceable to the precipitous drop in employment and earnings. Reduced access to proper health care because of lost health insurance, increased incidence of child abuse and juvenile delinquency, the return of youth gangs to our neighborhoods, and increasing alcoholism and drug addiction are some of the many other related symptoms found in communities that have been deprived of sufficient access to stable jobs that pay a living wage.

Wage earners who have been cut off from a means of supporting themselves and their dependents because of a shrinking job market have few avenues to turn to for an income. They can remain in their communities, or (if they have sufficient resources) move to another community. If that other community is in California, chances are there are limited job openings in the new locality as well. Those choosing to remain in their home communities must rely on unemployment insurance or welfare to survive their period of joblessness. However, fewer than half of all unemployed now qualify for unemployment insurance benefits in California. The government has recently declined to extend the period of long-term benefit eligibility despite the unusually long duration of the current recession, and the number of workers that can qualify for any type of unemployment allowance diminishes as the economy continues to stagnate. Fewer and fewer of the unemployed (or sporadically employed) have sufficient past earnings to reach the minimum threshold necessary for a weekly benefit.

Blaming the Victims of Economic Dislocation

The response of some policy makers in government is to increasingly focus on demanding that the unemployed who are seeking assistance in the form of unemployment insurance or welfare allowances find a job or lose their allowance. The assumption implicit in that policy is that the unemployed (and those forced out of the labor market completely) are somehow accountable for their own layoffs and the shortage of opportunities. All the available data challenge the rationality of that line of thought.

It defies logic to believe that within a single three-year period several hundred thousand experienced wage earners in the state suddenly lost their skills and their desire to work. Yet, most public and private programs aimed at assisting the jobless target the worker as the source of the problem, rather than the condition of the economy. Over the twelve-month period ending in May of 1995, a net total of 117,600 jobs were created in California. Nearly all of that growth was in the services sector, and manufacturing still has not halted its downward trend. At this rate, it would take at least two more years for the number of nonagricultural jobs to return to just the level of 1989, and longer still to lower the unemployment rate and raise the participation rate to their pre-recession levels. And this would be assuming no increase in the working-age population.

Studies of job vacancies (most notably a very comprehensive survey carried out in the late sixties and early seventies by the Department of Labor) show that as the economy slows or contracts, vacancies, as a percent of all existing jobs, diminish. This occurs as fewer workers voluntarily leave their jobs, and as the ease of filling job openings increases rapidly with the rising number of available job seekers. At the same time, when the economy is not expanding, few new openings are being created.

If all potential job seekers (including those discouraged workers who still want a job) are counted, the official data suggest that with an unemployment rate of eight percent of the labor force, the ratio of those who want employment to the number of existing job openings would be about twenty-three to one. In the case of Los Angeles County, all the hundreds of millions of dollars that have been spent in worker retraining and job-search assistance over the last few years could not change the harsh arithmetic of a labor market that has just lost one out of ten of its jobs.

The Education Solution

According to survey data from the California Employment Development Department, the massive layoffs that took place between 1990 and 1992 left few occupations and industries untouched. The sharp reductions in aerospace and "high-technology" employment affected numerous occupational specialties that require many years of education and experience. This was especially true in Los Angeles, where over 326,000 jobs were lost in that two-year period. Ten percent of all manager and administrator jobs were eliminated. Professional and technical jobs declined by 48,500, and the categories most affected included accountants, financial specialists, and purchasing agents. Engineers of all types found that job prospects had evaporated with the loss of over 14,000 positions, or 15 percent of 1990 total. Aeronautical engineers saw a nearly 20 percent decline in employment. To one degree or another the same was true of jobs for physical scientists, computer scientists, systems analysts, and programmers.

Many other occupational specialties requiring extensive training were on the layoff lists. These included various factory production occupations such as machinists, machine setters, and most other high-skilled machine-operating categories. Occupations within many clerical classifications requiring above-average education and training also shrank.

Given the occupational employment trends experienced by the Los Angeles labor market during the recent past, two fact emerge. First, there are few occupations where there is not already an available pool of highly trained and experienced workers who are seeking work. This does not augur well for the effectiveness of job-training programs as a short-term solution to the high level of unemployment. Secondly, the prospect of ensuring economic competitiveness and stability by raising the educational level of the work force appears less and less convincing in light of the current plight of many workers with a high level of educational attainment.

Federal Workforce Policy

The experience of the Great Depression is no longer important in the public consciousness and does not occupy the prominent place in history courses that it once did, yet powerful images of that period are still evoked by movies and old photographs. Much of current government economic policy has its origins in the experiences of that time. From the perspective of those who would argue over what should be the government's response in dealing with a weak and stagnant economy that is incapable of providing a sufficient level of employment, the years 1939 to 1943 provide evidence that it is within the capabilities of the federal government to successfully stimulate rapid employment growth and a larger, more robust national economy.

In 1939, the unemployment rate was stuck at over 14 percent of the civilian labor force. After a mass mobilization of economic resources that began in 1941 to support the war effort, the nation's industrial output began to soar. Between 1939 and 1943, the total output of goods and services more than doubled. The number of workers employed in nonagricultural establishments rose by one-third, with about 10 million new workers absorbed into production. The number of unemployed fell from an estimated 9.5 million in 1939 to a barely measurable 670 thousand by 1943. Expansion of the United States industrial base and full employment of its workforce resulted in tax revenues that repaid national borrowing for the war effort that stimulated this growth.

The potential irony of employing the nation's resources to the maximum extent possible in order to protect its citizens and ensure their well-being in wartime, while not choosing to do so in the post-war period was not lost on the working population and labor leaders of that period, for whom the memories of the depression were still vivid. The Employment Act of 1946 was originally designed to mandate that the federal government guarantee a job for every individual able and willing to work, both through the exercise of economic policies and use of national resources. However, approval of this legislation required compromises that gave controlling the rate of inflation priority over guaranteeing the livelihood of working people and their families. This is currently reflected in the Federal Reserve policy of maintaining a "necessary unemployment" rate of 6 percent to prevent "wage inflation."

The validity of the balance that the United States has struck between controlling inflation and maintaining full employment, as well as strategies for maintaining that balance, deserve renewed national debate. The social and economic costs of unemployment, welfare and poverty that are described in this report need to be fully weighed against the benefits produced by current national economic policies. Basic, short-term policy alternatives for reversing the long-term de-industrialization, massive unemployment, and substandard incomes of the working poor that California is experiencing include:

1. Stabilizing and maintaining interest rates at a level that encourages capital investment in manufacturing industries.

2. Raising the minimum wage.

3. Incorporating greater progressivity into the tax structure.

4. Establishing public jobs programs for the long-term unemployed.

5. Extending the period of eligibility for Unemployment Insurance benefits, or providing subsidized private sector employment, for those who are unable to become reemployed because of lack of jobs.

WELFARE CASELOADS ARE DETERMINED BY THE ECONOMY NOT WORK ETHIC

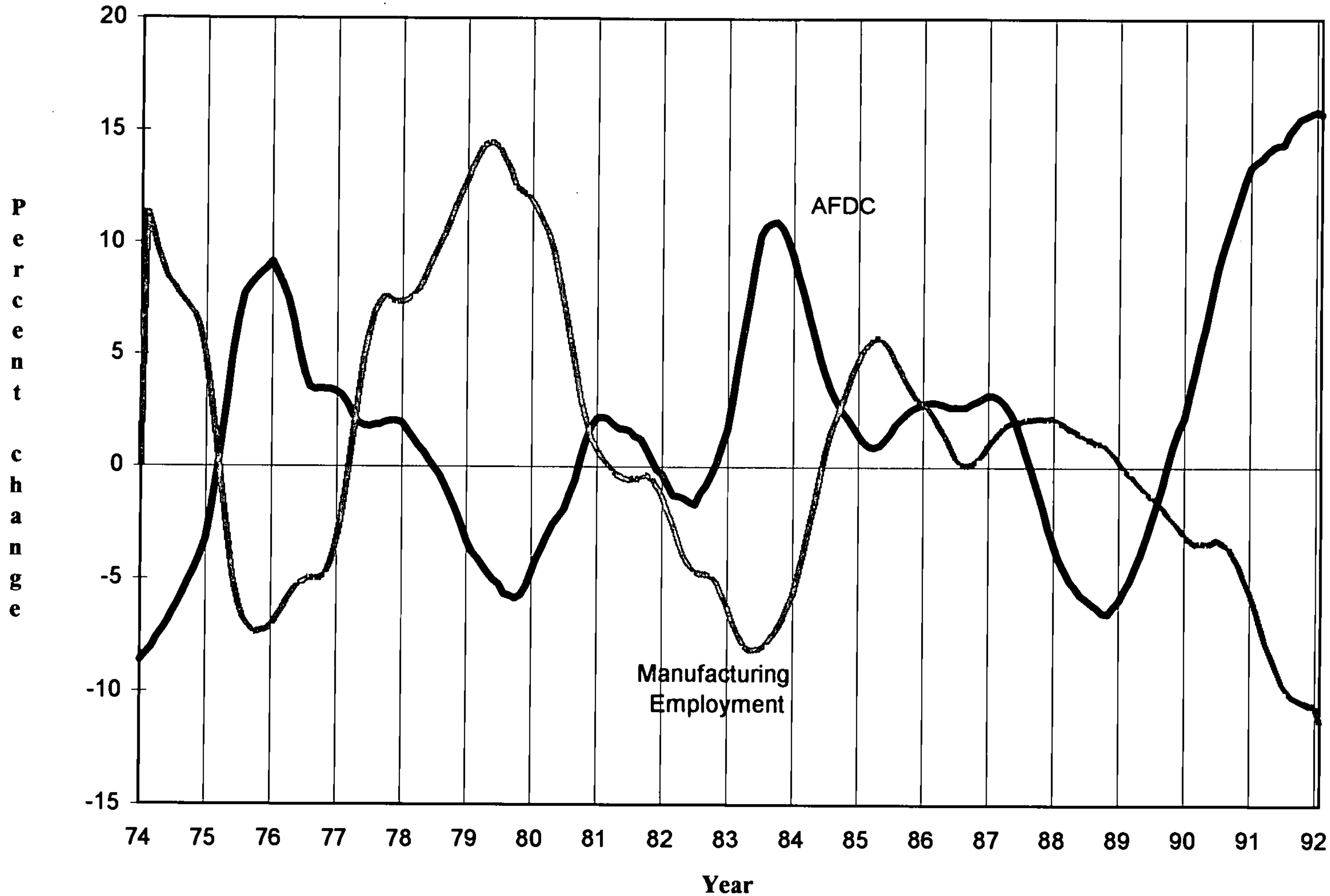
Two recent studies of welfare in Los Angeles County suggest that economic conditions are the central factor determining how fast welfare caseloads grow over time. These findings stand in stark contrast to much of the conventional wisdom about welfare, which focuses on a perceived lack of work ethic among welfare dependent families and the need for education and employment training to make welfare recipients more attractive to prospective employers. These findings also suggest that efforts to improve macro-economic conditions, such as wage and employment levels, are far more important to limiting the expansion of welfare than reforms designed to change recipients' behavior. Results thus call into question the welfare reform proposals contained in the 'Contract for America' which aim to produce self-sufficiency among welfare recipients.

In a 1994 study of welfare caseload fluctuation in Los Angeles County between 1974 and 1992, caseload changes were analyzed in relation to key local economic trends. The analysis, which utilized data from the County's Department of Public Social Services, assumed that before turning to the welfare system, the typical worker who loses his or her job relies on unemployment insurance benefits and other family resources until they run out, and that a job search proves futile. Results showed that over half (58 percent) of the variation in annual percent changes by month in the County's Aid to Families with Dependent Children (AFDC) program caseload were linked to changes in wage and salary employment levels in the manufacturing sector of the local economy during the prior year. Similar results were obtained when information about employment levels in other sectors of the economy were utilized (e.g., services).

During the later portion of the study period (1987-1992), the relationship between employment levels and welfare caseloads became even stronger (accounting for 81 percent of caseload variation). A slightly different form of the analysis assumed that individuals would be able to avoid resorting to public assistance for two (as opposed to one) years following job loss. This analysis, which related AFDC caseload change in a given year to the extent of manufacturing employment change that had occurred two years before, showed that the two trends were highly convergent. The interrelationship between manufacturing employment and welfare caseloads is shown in Figure 4. The relationship is inverse with the two trend lines mirroring each other: as manufacturing employment decreases, welfare caseloads increase; as manufacturing employment increases, welfare caseloads decrease.

A more detailed statistical analysis by Dr. Woobae Lee, who recently completed a doctoral dissertation on welfare reform at the School of Urban & Regional Planning at the University of Southern California, reinforces the conclusion that welfare caseloads are driven by the health of the local economy.[1] Dr. Lee developed a sophisticated statistical model to explain monthly welfare caseload additions and closures (or terminations) in the

Figure 4
AFDC Caseload, Annual Percent Change, 6-month Moving Average, and Employment in Manufacturing, 6-month Moving Average, Annual Percent Change, Lagged 24 Months
Los Angeles County, 1974-1992



AFDC program between 1975 and 1987. The model's results indicated there were three key sets of factors explaining both additions and terminations: demographic factors, which measured the size of the potential pool of AFDC recipients; policy changes in the AFDC program (in particular, those changes associated with the 1981 Omnibus Reconciliation Act — OBRA, which changed eligibility criteria); and trends in the local economy. When the size of the potential welfare population rose, caseload additions rose.

Changes in welfare regulations implemented under OBRA reduced caseload additions, and increased the rate of terminations. And economic factors indicative of the ability of low-skill workers to survive without public assistance were also important in determining caseload dynamics. Measures of the economy included total employment in food processing, furniture, apparel, and transportation equipment industries, overall unemployment rate, minimum wage, and the average wage of food service workers.

While unemployment and minimum wage rates were not helpful in explaining caseload dynamics, changes in the low-skill labor market were related to both welfare caseload additions and terminations. When employment in food processing, furniture manufacturing, and transportation equipment rose, AFDC caseload additions fell and closures rose. When wages for food service workers declined (as they did in real terms throughout this period), so did caseload terminations. Overall, the analysis determined that a 1 percent decrease in total employment in the four manufacturing industries translated into a 3.5 percent increase in AFDC cases.

CHALLENGING MYTHS ABOUT WELFARE RECIPIENTS

Assumptions behind current welfare reform proposals are seriously misconceived. The empirical evidence indicates the following: (1) The problem of single-parent families is a problem of poverty, which is much broader and deeper than welfare. (2) Because of the decline in real wages, the rise of contingent work, and the decline in employment opportunities, contrasting welfare with work is no longer a credible idea because families simply cannot live on either. (3) Most welfare recipients are adults with small families, who are either working or trying to work, and most exit welfare via work. The problem is not the work ethic; the problem is a lack of decent jobs and supplemental support. (4) Welfare work requirements have never even come close to meeting their objectives. Current reform proposals are most realistically seen as symbolic exercises that will have little impact on reducing the number of single-parent families or leading recipients to financial self-sufficiency.

"The Problem" of Welfare Is a Problem of Poverty

Concerns about single-parent families are real and arise because these families are poor. More than 4.9 million Californians, or 16 percent of the population, lived below the official poverty line in 1992.[2] The welfare population is considerably smaller; 2.3 million, or 8 percent, of California's population received AFDC in 1992.[3] Clearly, the problem of poverty is much larger than the "problem" of welfare.

Large numbers of children and youth in single-parent families are at high risk. These children experience many of the harmful behavioral consequences often ascribed only to welfare families. They encounter more stress, have a greater risk of dropping out of school, are less attached to the labor force, and tend to have children early.[4] But the major reason for these consequences is poverty, and not living in a single-parent family. When loss of income and residential dislocation are controlled for, the children of single parents are not much different from the children in two-parent families.

The Problem of Work

Work is no longer a sure route out of poverty. In California, 12 percent of all poor families in 1989 were headed by a person working full-time for the whole year.[5] People are working, and working longer hours, but there is growing income inequality. Nationally, 22 percent of poor employed adults in 1989 worked full-time, year-round, while 43 percent worked at least 50 weeks. The employment rates of low-income married women increased over the past two decades. Still, almost half (48 percent) of poor single mothers work, as compared to 40 percent of married women with children. Most significantly, however, earnings for all of these groups have fallen because of the decline in real wages for less skilled, less educated workers. Moreover, this decline occurred during a period of economic expansion.[6] The decline was especially pronounced for adults age 24-35 with a high school diploma or less. The earnings for women who lack a high school diploma are particularly low; female dropouts earn only 58 percent of what male dropouts earn.

There are many reasons for the fall in earnings, but a significant one is the decline in the real value of the minimum wage. At $4.25 per hour, the earnings of a full-time worker with a family of four are still only two-thirds of the poverty line. Almost 5 million workers are employed in minimum-wage jobs. The nature of employment is also shifting from full-time work to "contingent," or part-time, temporary work. It is estimated that there are more than 32 million contingent workers, accounting for almost a quarter of the workforce, and this is expected to increase to about 40 percent of all jobs by the turn of the century. Almost two-thirds of the new entrants into the labor force by the year 2000 will be women, and they are more likely than men to hold part-time and temporary jobs[7]. It is likely that this trend will significantly increase the problem of poverty because part-time jobs are more likely to be dead-end, part-time workers keep their jobs for shorter periods than full-time workers, often lack health and pension benefits, and receive a lower hourly wage than full-time workers. Families headed by part-time workers are four times more likely to be living below the poverty line than families headed by full-time workers.

Finally, the notion that there are enough jobs paying a living wage for all able-bodied, unemployed poor is unfounded. Available research suggests that at any point in time there are more unemployed persons than available job openings. For instance, one scholar estimated that, for 1990, there were six working-age adults in poverty for every one job opening at above-poverty wages.[8]

The Welfare Population

For California in 1993, the average monthly enrollment in AFDC was 806,086 families. These families included 1,633,036 children and 716,310 adults, almost exclusively women.[9] From 1984 to 1989 approximately 6 percent of Californians received AFDC.[10] Enrollment rose to 8 percent in 1993, most likely because of the severe economic recession; unemployment had risen from 5 percent in 1989 to 9 percent in 1993. Adjusted for inflation (1994 dollars), the maximum monthly AFDC grant for a family of three in California declined from $850 in 1980 to $607 in 1994, a 29 percent reduction.

Between 1984 and 1993, the average number of children in California's AFDC-FG (Family Group) assistance unit remained steady at two children.[11] In 1991-92, 40 percent of these children were under the age of 5.[12] Very few of the mothers on AFDC are teens. In 1993, a little more than 2 percent of the mothers receiving AFDC were under 19 years of age,[13] and of these young mothers 44 percent were 18 years old.[14] For 1991-92, whites accounted for 31 percent of the AFDC parents, Latinos 36 percent, African Americans 17 percent, and Asians 10 percent.[15]

The welfare population is dynamic. In California, approximately 50 percent of those enrolled in AFDC for the first time leave within 12 months, and more than 70 percent leave within two years.[16] However, many return. Using national data and counting multiple spells, researchers estimate that 30 percent of recipients are on welfare for less than two years; 50 percent receive aid less than four years; and a small proportion, perhaps as low as 15 percent, stay on welfare continuously for five years. In short, long-term welfare is the exception.[17]

While on welfare, a majority of recipients engage in substantial labor market activity. National studies indicate that more than half of the women have some contact with the labor force while on welfare.[18] Contrary to popular belief, the most common route out of AFDC is through work: 60 percent of the women who leave welfare for work do so within a year after beginning a spell on welfare. However, 40 percent return within one year. By the end of five years, about 75 percent of the women who left welfare for work will return to the welfare system.[19] The main reasons for returning to welfare are lack of health care, a breakdown in child care, low wages, and temporary jobs. In short, most welfare recipients try to obtain employment and many do work, but they are unable to obtain or maintain steady employment that will keep them permanently off welfare.

Work Programs for Welfare Recipients

The major remedy to getting welfare mothers to become economically independent is through federally mandated work programs such as JOBS. Yet, experience with such programs indicates that, at best, they have very modest effects on increasing earnings and reducing welfare costs, and they never lift the women out of poverty. Greater Avenues for Independence (GAIN) is California's implementation of JOBS. In FY 1992, 22 percent of all adults on AFDC participated in GAIN, but only 12 percent were "countable," i.e., participated in any program activity for 20 hours per week.[20] A three-year evaluation of GAIN in six counties shows that the program is modestly successful. For welfare mothers, in the third year after enrollment, average earnings for the experimental group were $636 higher than for the control group.[21] On average, AFDC payments were reduced by $331, and there was a 3 percent increase in AFDC case closure. To put these results in perspective, it is important to note that, across the six counties, about two-thirds of the participants in both the experimental and the control groups did not work during year three, and almost half never worked during the entire three-year period.

Policy Implications

When we put the pieces together -- the state of the labor market, the characteristics of the welfare population, and the effectiveness of welfare-to-work programs -- we see that single mothers on welfare cannot come close to supporting themselves by earnings alone.[22] Even if they work full-time, the majority of women receiving AFDC are not likely to earn much more than they receive on welfare. Nevertheless, despite a long history of failing to help these women become self-sufficient, we are now embarking on another wave of reform premised on the same old assumptions. In light of the empirical evidence, effective policies must have the following provisions:

1. To reward work, welfare recipients must be assured sufficient income to lift them out of poverty. This can be achieved by several strategies, such as raising the minimum wage, providing wage subsidies, and expanding the earned income tax credit.

2. To remain working, recipients need support services such as low-cost child care, health insurance, and temporary financial and social assistance at times of crisis.

3. When recipients lose their jobs through no fault of their own, they should receive adequate temporary income support, such as unemployment insurance, until they can obtain a new job.

4. To help the majority of recipients obtain a job, employment programs must be transformed to job development and placement services. For the minority of the recipients who have serious educational and skill deficits, these programs should provide an integrated set of services combining education, skill training, child care assistance, and job development and placement, following the model developed by the Center for Employment and Training in San Jose.[23]

THE NEED FOR SAFETY NET PROGRAMS
THE EXPERIENCE OF MICHIGAN

In these times of welfare reform, General Relief (GR) programs are facing an uncertain future. General Relief (also called General Assistance) serves extremely low-income individuals without dependents who are ineligible for other forms of cash assistance. Unlike Aid To Families with Dependent Children (AFDC), there are no national guidelines directing the scope of GR programs. As a result, states have a great deal of flexibility in the type of program, if any, they develop for this population. The popular stereotype of recipients as largely young, urban, African American males who do not subscribe to mainstream values regarding work and personal responsibility, has helped fuel a nation-wide attack on General Relief. Fourteen states in 1991 and 8 states in 1992 significantly reduced General Relief payments.[24] In California, a state where GR programs are run by the counties, Los Angeles County reduced its monthly benefit level for a single adult from $292 to $212 per month in 1993. The state of Michigan terminated its program (called General Assistance) all together, replacing it with a much smaller state disability program for a select group of former recipients. Contrary to predictions of Michigan officials that ending General Assistance would force recipients to find jobs, only slightly more than one-third found any employment in the two years following elimination of the program.

Like much of the policy debate surrounding welfare reform, the stereotype of GR recipients is based much more on assumptions about the population rather than on actual empirical evidence about the needs and experiences of the population. Findings from a recent study of General Assistance recipients in the state of Michigan, funded by the Ford Foundation, and carried out by the University of Michigan and the Michigan Department of Social Services, challenge the stereotype by providing a much more complex description and analysis of the program's clientele. While Michigan differs from California in many important ways, these results begin to build a body of knowledge that is sorely lacking in the public debate, and should be of interest to Californians.

Until it was terminated on October 1, 1991, Michigan's state-funded program provided monthly cash benefits to extremely low-income single adults who did not qualify for other forms of assistance. Historically, caseloads had risen during periods of unemployment, and at the time of its termination, General Assistance caseloads were high and Michigan had the second highest unemployment rate in the country. With its termination, 80,000 individuals were left without cash assistance.

The findings of the Michigan study stand in stark contrast to the popular stereotype of GR recipients. This study included an analysis of administrative data on the entire caseload, two different surveys of a random sample of about 500 recipients carried out one year and two years after the program ended, and in-depth interviews with a subset of survey respondents.

Findings from the study provide insight into characteristics of GR recipients, their success in finding jobs, alternative sources of support available to them, and the impact of eliminating benefits on their health.[25]

Characteristics of the Caseload

An analysis of the General Assistance caseload in Michigan demonstrates that the clientele was quite diverse in respect to race, gender, age, and geographic residence. A full 40 percent of the caseload was female, although it had largely been viewed as a men's program. About 43 percent of former recipients were non-Hispanic White, and 40 percent were over 40 years of age. **In fact, young, African American males living in Michigan's largest city, Detroit, the group most believed to be relying on General Assistance, made up less than 5 percent of the total caseload.**

Post-Termination Employment

Former recipients have not had much success in the labor market since General Assistance ended. In fact, an examination of the employment history both before and after General Assistance was terminated, suggests that while the state predicted termination would move former recipients into the labor market, findings demonstrate that recipients' work histories were actually more positive before than after Michigan eliminated this safety net. **Three-fourths of recipients had worked at some point before General Assistance ended, whereas only 38 percent had any work experience in the two years after the program's termination.** Importantly, the 38 percent that found employment after the cut-off, had not been working continuously. Rather this work was largely unstable, low-wage, employment. Moreover, the majority of non-disabled recipients reported that they had consistently looked for work while receiving General Assistance. Thus, rather than serving as a disincentive to seek employment, as was suggested by advocates of the program's termination, these findings suggest that GR can more accurately be understood as an option for individuals unable to find employment despite a consistent search.

The percentage of recipients who had work experience before General Assistance was terminated compared to the percentage after termination is shown in Figure 4. The graph shows employment success two years after GA was terminated for a sample of 426 former recipients in Michigan.

No work since General Assistance termination:

- Employment before, but not after, General Assistance was terminated (51.5 percent)
- No employment either before or after General Assistance was terminated (10.5 percent)

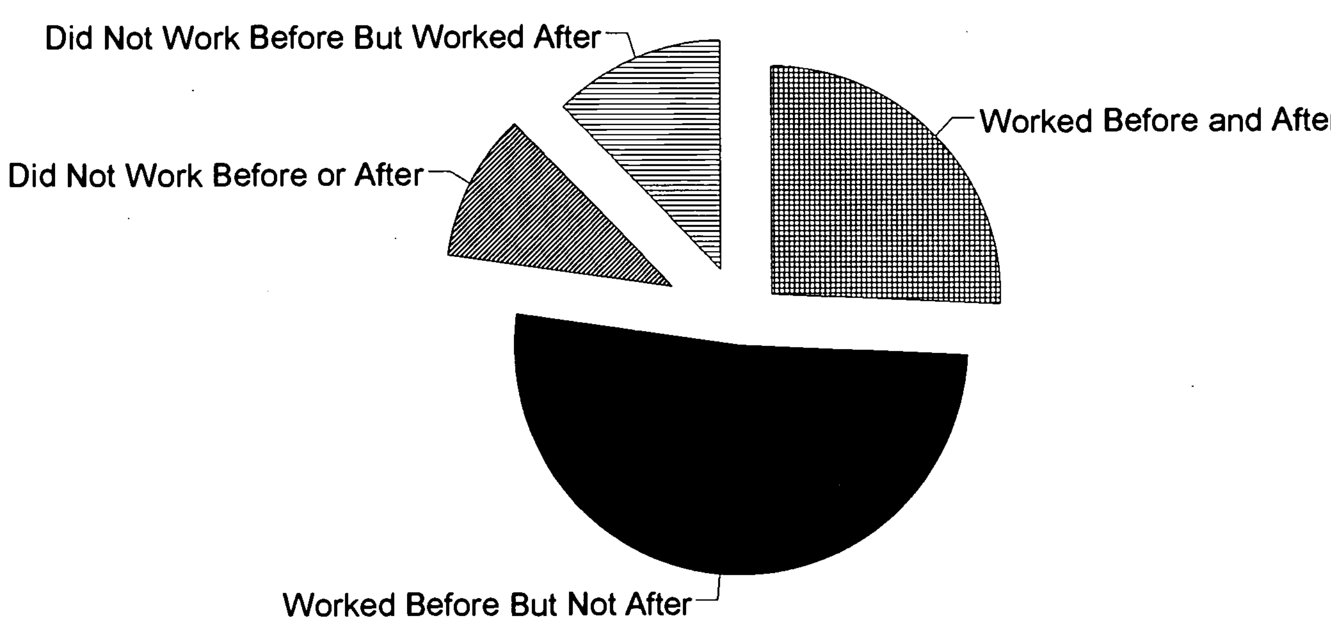
Found work since General Assistance termination:

- No employment before, but employment after, General Assistance was terminated (12.3 percent)
- Employment before and after General Assistance was terminated (25.7 percent)

Following termination of General Assistance, a small percentage of recipients (12.3 percent) who had not previously worked found work, but a percentage **four times larger** (51.5 percent) who previously had work experience did not succeed in find jobs after loss of the General Assistance safety net.

Figure 5

EMPLOYMENT AFTER WELFARE TERMINATION
Work Experience Before and After



Support from Informal Networks

Help from family and friends also proved to be an unstable and unreliable alternative to state assistance. **The majority of recipients were in support networks that were also poor, and financial assistance from these network members was scarce.** In fact, two-thirds of recipients reported receiving no financial support from friends and family in the year after General Assistance ended. Slightly higher numbers of respondents received some cash from these sources in the second year (48 percent), however the amount of money and other concrete assistance friends and family could provide was inconsistent and minimal. The following quote from the interviews illustrates the precarious nature of informal support.

> <u>Dorothy</u>: Well, I have friends, but they ain't got nothing. They ain't got nothing...But I do have a friend who around the corner, she gives me a little food when she get her food stamps...[and] I have a niece here, a couple nieces here. Well, they got kids, and they do, you know, they help me, you know, like sometime with a little food, or maybe give me one or two dollars. So, you know, I hate to call on them, you know, too much, because they's, you know, they on they own, and they not married, and they's rent is something like 550 dollars per month.

As another interviewee explains, families often serve as "last resorts," not as regular sources of financial help.

> <u>Doris</u>: I don't, you know, make it no habit of depending on it [financial help from family members] because, like I said, they have their family. But I do know, you know, that if I need anything, they would give it to me. So I try to let that be the last resort.

This lack of substantial informal support translated into increased homelessness, according to a survey of homeless shelters in the Detroit area carried out University of Michigan Researchers. **Emergency bed capacity doubled after General Assistance was terminated**, and many Single Room Occupancy hotels which formerly housed General Assistance clientele, were converted to homeless shelters as their tenants could no longer pay the rent. These hotels formerly obtained much of their revenue through vendored General Assistance checks, but with their new status as homeless shelters they now receive state operating funds to cover costs. This means some of the funds that appeared to be saved by eliminating General Assistance simply moved into another expenditure account in the state budget.

Health and Disability

Respondents in the Michigan survey report significant health problems and disabilities that interfere with their ability to work. **Half the sample reported experiencing a chronic illness in both survey periods, and 50 percent of the sample also reported an overall decline in their health status throughout the two year period after General Assistance ended.** Only a little more than one-fourth of the sample had qualified for disability benefits (either SSI, SSDI, or the new state disability program, SDA) by the second year, and about the same percent had applied but been turned down. This increase in sickness offers persuasive evidence that Michigan experienced increased public health costs for this population after their assistance was terminated.

Terminating General Assistance left many recipients "tottering on the edge of subsistence," as the authors of the University of Michigan study report. The termination did not result in former recipients entering the labor force in large numbers, and informal support did not pick up the slack. As California, and Los Angeles County in particular, begins to re-evaluate its own system of General Relief, the lack of success shown by the Michigan experience seems worthy of careful consideration.

PROPOSED WELFARE CHANGES PORTEND HARM FOR THE MAJORITY OF RECIPIENTS — CHILDREN

Over two-thirds (69 percent) of California's recipients of Aid for Families With Dependent Children (AFDC) are children. One in every four children in California (1.6 million) live in families who relies upon the state's monthly cash grant, $607 for a family of three. Proposed changes in federal welfare policy threaten to further imperil circumstances of many children in Los Angeles County.

Nearly a third of Los Angeles County's population were children, numbering 2.5 million in 1990, and close to half a million of these children (22 percent) were poor. Almost half (49 percent) of these children lived in 'working poor' families, where at least one family member was employed, working at wages too low to raise the family out of poverty. Poverty rates among residents in Los Angeles County continue to increase, from 11 percent in 1970 to 15 percent in 1990, up to 17 percent in 1992. In 1993, 1.6 million county residents were poor.

One in every four of the county's children, 592,000, lived in families who relied on government assistance in 1993. Few people realize that the majority, 66 percent, of the county's children live in two-parent families, while only 21 percent reside in single parent families. This rate of single-parent families is no higher than it was in 1980.

Poverty and AFDC Benefits

Households are considered poor if their incomes are less than the U.S. poverty thresholds. These income thresholds, which vary by household size and are updated each year, represent the costs of minimum necessities for households; in 1992, the poverty threshold for a family of three was $11,186, and $14,335 for a family of four. When the prevalence of poverty is estimated, the 'cost' of taxes on household incomes is ignored, but the value of cash benefits, including AFDC and unemployment insurance, is added. Research suggests that these thresholds are too low to accurately count the number of families who lack sufficient cash to purchase essentials.[26]

California's AFDC grant is worth only 63 percent of the poverty threshold for a family of three. State AFDC recipients received $821 per month in 1994 if the value of food stamps was added, still too low to move them out of poverty. By a variety of indicators, many of Los Angeles County's children are growing up with less than minimum necessities to sustain them.

In 1994, one group estimated that 42 percent of children in Los Angeles County could not afford to purchase lunch at school. And more than a third of children living in single-parent families (37 percent) did not receive ANY child support payments from absent parents, despite court-orders requiring these parents to pay.

Poverty's Deleterious Effects on Children

Living in poverty increases children's risks for developmental difficulties, and exacerbates adverse outcomes among children with these problems. Low birth weight and premature babies are more frequently born to poor mothers; these infants are at significantly greater risk for developmental difficulties, including autism, cerebral palsy, and mental retardation. Poor children are more likely to have health problems and to experience academic failure. Poor teenagers are more likely to become sexually active and, among girls, become pregnant, take part in acts of delinquency, get arrested, drop out of school, exhibit poor academic achievements, and be less successful at moving into a job or college. Poor teenagers also have higher rates of health impairments, mental disorders and depression.

In 1993, nearly one in four children in Los Angeles County lacked health insurance; 60 percent of two-year olds had not been fully immunized. Tuberculosis and other preventable childhood diseases are back, and nearly 600 children in the county have AIDS. If proposed reductions in welfare benefits come into force, current recipients of AFDC who lose their eligibility will also lose health coverage under MediCal. Children whose families cannot afford or find health care will increase, raising the specter of severe public health disasters.

Poverty Impairs Parenting Skills

The National Research Council reported that multiple stresses brought on by poverty and economic hardship invoke feelings of hopelessness and helplessness, undermining parents' ability to provide emotional support and stimulation which facilitate their children's healthy development, and increasing the likelihood of family disintegration. Poor parents worry about their children's health and education, and family finances. Poverty undermines parents' capacities to promote their children's - and their own - health. Poor pregnant women are less likely to eat nutritiously, gain enough weight, or obtain sufficient prenatal care.

Economic difficulties increase interpersonal conflict and family disharmony. In 1994, Los Angeles County's Department of Children and Family Services (DCFS) responded to 166,613 calls alleging abuse or neglect of children in our county. Already overburdened, DCFS' s staff predicts that decreasing the availability and amount of financial support to poor families will increase family difficulties and demand for DCFS services (funding which is also threatened under Title II of the Personal Responsibility Act).

Housing

Only 27 percent of California's AFDC families receive government assistance of any sort to defray high housing costs; the rest fare as best they can in the private, unsubsidized market. Not surprisingly, the rate of overcrowding in homes with more than one people per room has risen to nearly one in five (18 percent) in Los Angeles County households, from a low of 9 percent in 1960.

The federal Department of Housing and Urban Development set 1994 Fair Market Rents, charges determined to be reasonable to rent a modest, non-luxurious one-bedroom apartment, at $695 per month in Santa Monica and Pasadena, $716 in Santa Ana, and $426 in Eureka, California. Even if AFDC families could find apartments at or below this rent, it would consume nearly all of their cash grant, making it impossible to also buy food, clothing, and other necessities. Families whose benefits are terminated or reduced will find the slide into homelessness more difficult to avoid. Not surprisingly, 54,000 children and teenagers were homeless in Los Angeles County in 1992, 2 percent of the county's children.

Child Care and Job Training

The Children's Planning Council reported that at least $365 million was spent on regulated child care in Los Angeles County in 1986; they estimated that the county needs another 100,000 child care spaces for children to enable other parents to work. In 1990, average weekly costs of licensed child care ranged from $115 for center-based infant care, $80 for center-based preschool care, $75 for family day care, and about $2.70 per hour for after-school care in Los Angeles County.

Proposed changes to AFDC would reduce funding — and eligibility — for children currently receiving child care, and, most likely, contribute to a reduction in the quality of existing services. The federal Department of Health and Human Services predicts that California will lose $53.7 million in federal child care assistance funding, causing at least 33,000 children in the state to lose eligibility by fiscal year 2000.

Under proposed AFDC changes, job training programs would cease, eligibility for cash grants narrow, the value of these grants decline, and the circumstances of California's children deteriorate even further. One estimate predicts that California will lose $736.5 million in federal funding, and 239,000 children will be denied assistance under AFDC.

Solutions

If today's children grow up well, everyone will benefit. Healthy children grow into adults who contribute in the workplace, at home, and in society. Proposed changes in AFDC policies will exacerbate problems of poverty among the county's children. Research abounds about the promising effects of high-quality programs that provide work training, supportive services, and assist poor children by preparing their parents to work out of poverty.

The cost of building effective solutions to welfare is not cheap. Unless and until welfare reform takes place within an economic framework which addresses the conditions of children in the United States, the need for sufficient jobs at sufficient wages to allow parents to work their way out of poverty, with child care, health care, and other proven successful interventions, the costs of the present version of welfare reform promise to be far higher than any revenue saved. The children of Los Angeles County, California, and the United States need nurturing and support, not only from their parents, but also from government programs and we, their neighbors, who will one day depend on them to fill our places in the nation's workforce.

HOMELESS JOB SEEKERS HAVE SKILLS BUT NEED STABILITY TO BE JOB-READY

For most homeless people, steady employment is the only feasible avenue to economic independence and a better life. Furthermore, because work offers most people their single most important link with society, employment can provide a foundation for reconnecting homeless individuals with their community.

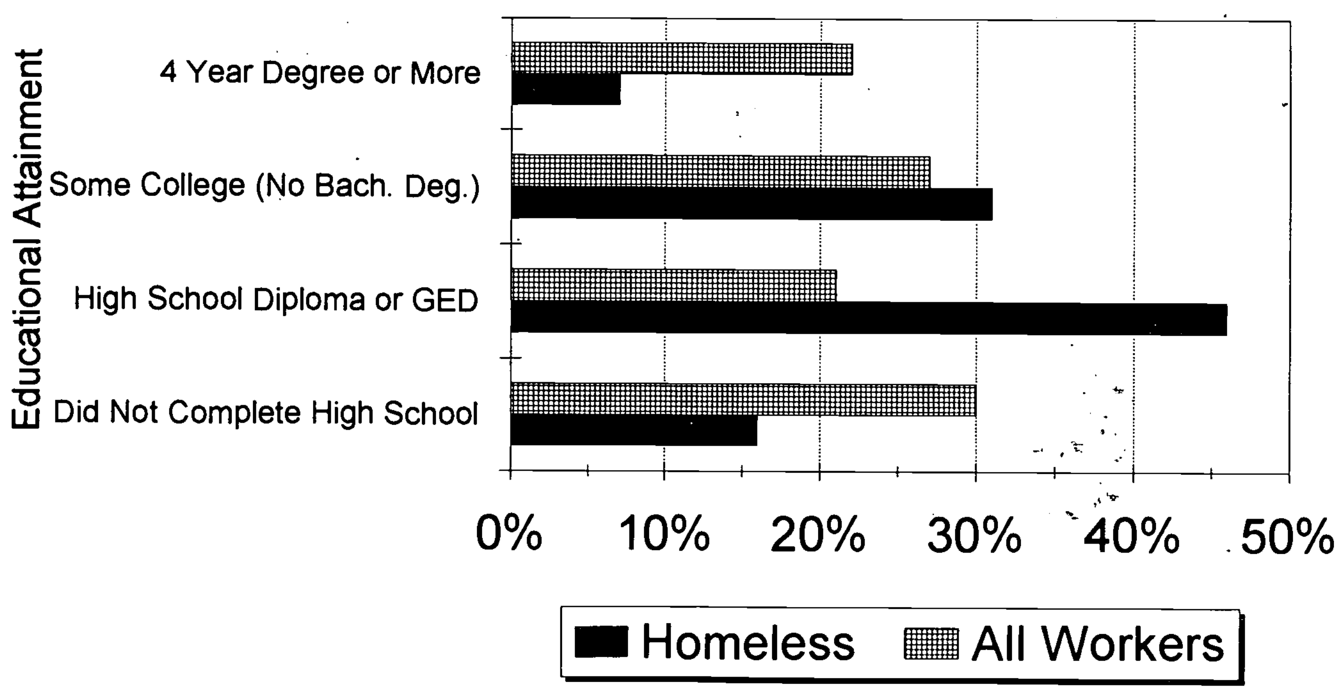
Homeless Job Seekers In Downtown Los Angeles

A study conducted by the Economic Roundtable in 1994 of 1,223 homeless job seekers in downtown Los Angeles found their formal qualifications for work compared favorably to those of the average worker in the region. Yet once homeless, lasting employment was persistently elusive, with 70 percent earning less than $1,000 in annual income following participation in an employment program and search for a new job.

Most homeless job seekers are mature adults with many potentially productive years ahead of them. Nearly half are in their mid-thirties to mid-forties, and another third in their mid-

Figure 6

EDUCATION OF HOMELESS JOB SEEKERS
Downtown Los Angeles



forties to mid-fifties. More than four-out-of-five (84 percent) have at least a high school diploma, and 7 percent have graduated from college. One-third have had vocational training. In contrast, 70 percent of all adults in Los Angeles County are high school graduates, and 22 percent have a bachelors degree or higher. Homeless job seekers have significant educational strengths compared to the labor force in general (Figure 6).

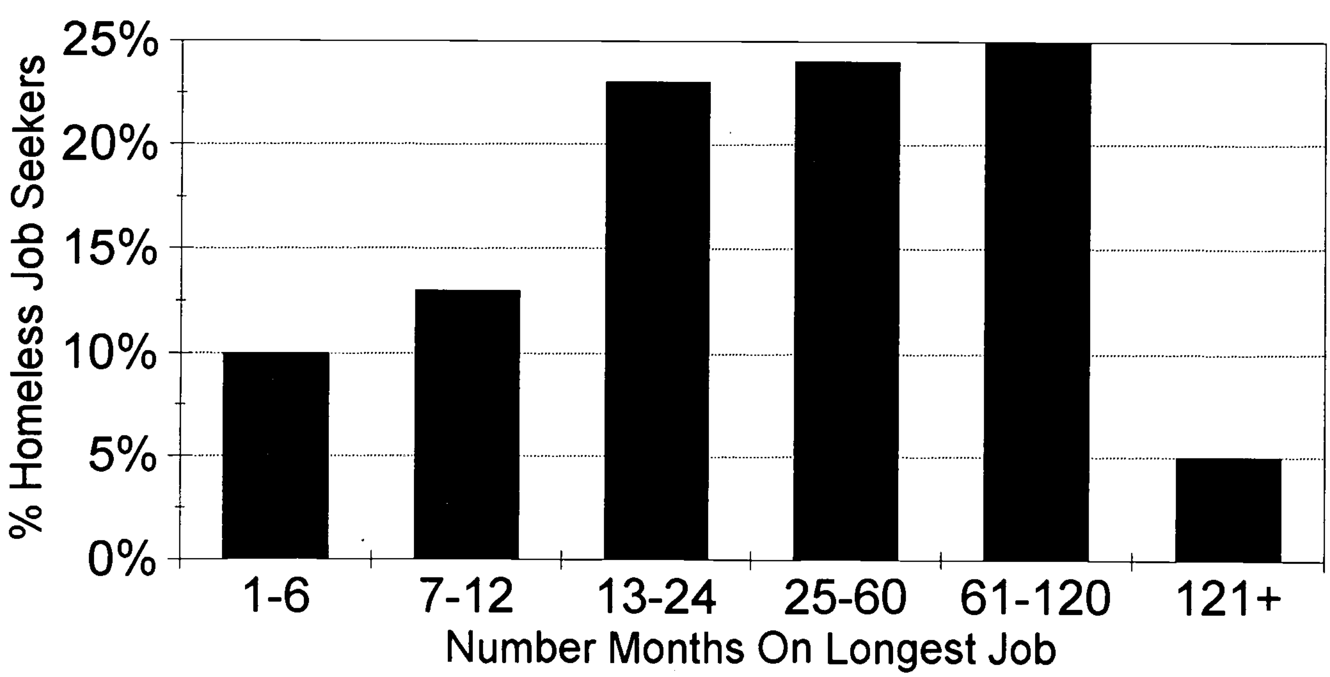
Over three-quarters have previously held a job that lasted longer than one year, and over half have held a job that lasted longer than two years (Figure 7). However, only 40 percent of the job seekers found employment while participating in an employment program. Most employment tended to be in sectors in which the workforce is "churned." More than one-fifth of those who found employment took jobs as security guards. Over half of the jobs found were in service industries.

The jobs which homeless individuals found tended to have low pay. One-quarter accepted jobs paying under five dollars an hour. Another third accepted jobs in the five dollar an hour range. The average placement wage of individuals who found employment was $6.64 per hour. This is slightly less than half the earnings of an average working person in the regional labor market.

Figure 7

EMPLOYMENT HISTORY

Homeless Job Seekers In Downtown L. A.

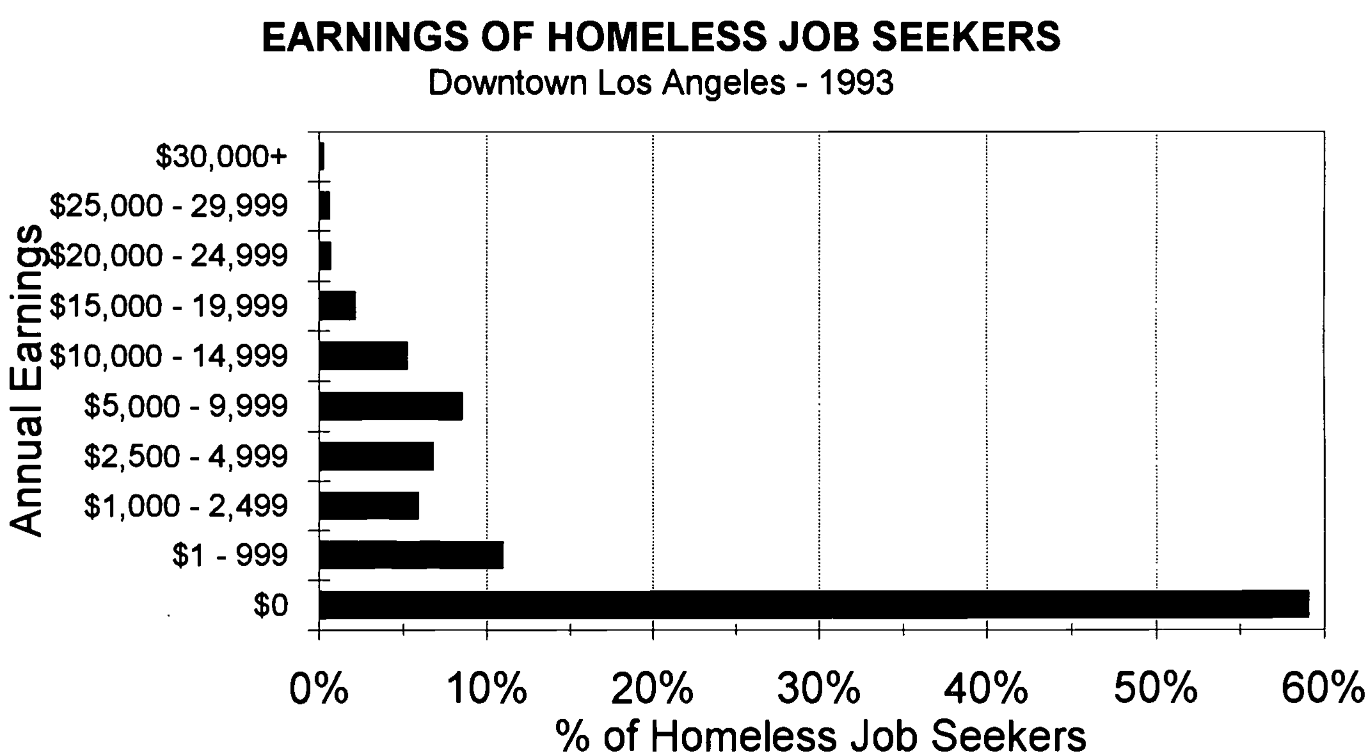


Earnings of the 1,223 homeless job seekers were determined using Unemployment Insurance wage records for 1993. Although 75 percent of the homeless individuals who became employed (or 30 percent of all homeless job seekers) found jobs which they described as permanent and full time, less than 9 percent had annual earnings of $10,000 or more, which would reflect full-time employment, in the year following their participation in an employment program (Figure 8).

Despite having credible levels of education and long-duration work experience, The fact that only 40 percent of homeless job seekers find employment, that it is at less than half the wage of an average working person in the regional labor market, and that less than 9 percent have earnings following employment reflecting full-time employment, indicates that the most significant barriers to employment are in areas of personal stability and establishment of supportive social relationships rather than job related skills.

Even though homeless job seekers have critical needs for assistance in stabilizing their lives and becoming reconnected with the mainstream of society, only half receive some form of public benefits to support themselves. And, as demonstrated by their employment out-

Figure 8



comes, the employment programs available to them generally lack the scope and duration of services needed to support lasting stabilization and reemployment.

Interest in employment remains strong even among homeless individuals so disconnected from the mainstream economy that they are sleeping on the streets of Skid Row. A survey of homeless individuals living in Crocker Street encampment conducted by the Economic Roundtable in May of 1995, found that 89 percent of those surveyed said they would accept jobs paying $5 an hour cleaning up streets in that area.

Employment is the most realistic means by which the difficult lives of homeless individuals can be improved and the costs of their social dependency reduced. The most effective point of intervention is prior to long-term unemployment, attenuation of social ties, and loss of confidence in individual productive capabilities. Many of those who are homeless want to have jobs, but programs to effectively assist them must adequate resources and duration of service to rebuild lasting, stable ties to the larger community. Essential ingredients of programs that will help homeless people become stabilized and productively employed include:

1. Hope offered through respect for people as individuals as well as realistic job opportunities after program completion.

2. Integrated services offering shelter, food, legal help, drug treatment, income maintenance, health services, personal counseling, development of affirming personal relationships, skill development (where necessary), and job placement.

3. Sustained help in the form of roughly nine months of residential enrollment as well as case management strategies that set high standards for individuals yet maintain connections with them even if they relapse.

Successful programs for the homeless will save public costs and offer much needed hope to the homeless, as well as a broad range of workers uneasy about their own standing and anxious about their children's futures, that casualties of a harsh and unpredictable economy are not inevitably discarded.

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The Southern California Inter-University Consortium on Homelessness and Poverty is dedicated to addressing the problems of homelessness and poverty through research, analysis, technical support, and education. Its membership includes representatives from Southern California universities and colleges as well as other members of the academic community in both the public and private sectors.

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