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The Work Incentive Program as a Grant for Investment in Human Capital

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AS A GRANT FOR INVESTMENT
IN HUMAN CAPITAL

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Major Professor Thomas Nelson
THE WORK INCENTIVE PROGRAM
AS A GRANT FOR INVESTMENT
IN HUMAN CAPITAL
BY
L. JAMES (BUD) EATON
Introduction

In an effort to reduce the number of people receiving public assistance, Congress created the Work Incentive Program (WIN) under the 1967 Social Security amendment. The program mandated all those receiving public assistance, 16 years and over, and physically and mentally able, to participate in an established training program. The program was established to include child care and other supportive services. Its objective was to reduce the taxpayer burden by attempting to move persons on public assistance back into the labor force more quickly.

The thesis for establishment of the program assumed participants, as human capital, have potential capabilities which can be developed. Abilities have not been developed because of the lack of capital available for investment in them.

The WIN program grew out of changes which Congress started making in the welfare system in the early sixties. Before that time, the social work philosophy held that assistance should be given to the mother of dependent children since home responsibilities would prevent her from earning a living. The unanticipated and undesirable consequences of this emphasis was a disruption of the family unit. It became virtually impossible for a family to receive public assistance if an able-bodied father was in the home. The unemployed and jobless father many times deserted his wife and children. This type of welfare program did nothing to elevate the people on the program to a level where they could provide a better life for themselves and many times
did the reverse by adding psychological hardship to their already vulnerable position. To reverse this trend and to reduce welfare, work training programs were initiated. These training programs changed the meaning of welfare and its purpose.

Grants and the Welfare System

The welfare system is a network of grants. The WIN program is designed to take people currently receiving welfare payments and develop their abilities. The objective is to enable these people to become self-supporting. The government has reached the conclusion through long and costly experience that these people are unable to provide the funds to invest in themselves to raise their income level above poverty, and that financial assistance without inducements to develop productive capabilities prolongs the agony of life without hope. Grants, then, may be self-perpetrating, and socially destructive, or they may be offered in a way to strengthen community integration.

To gain a clearer perspective of grants, let us view them more generally. There are many examples of grants in both the public and the private sectors of the economy. The private sector utilizes foundations which distribute millions of dollars each year to promote private and public service. There are also charitable organizations, i.e., religious and other organizations which provide social services within the local community. Grants can even be found in an individual's personal life. Children receive grants from their parents. As they are growing up they receive food, shel-
ter and clothing and usually do not have to make any type of payment in exchange. Today, many receive a college education without having to pay the major part of the expenses. The important fact about these grants are that they do not represent a 100% transfer. None of these examples are a one-way transfer. When foundations award their grants, they expect reports and studies prepared in return. In the charitable organizations, people perform work for little pay. Even in the family, the food and clothing are not a 100% grant. The children are expected to help around the house. After they have left home, they are expected to aid their parents if the need arises.

With the concept that a grant does not have to be an unilateral transfer, exchange can be studied to see the grant element involved. Before this is presented, I would like to define the motives for a grant. There are three motives for a grant. The first motive is the one used in the discussion so far, the benevolent grant. There is no outside force or factor controlling the donors' reason for making the grant. This grant is made with full knowledge for benevolent reasons, by the grantor.

The second motive is the threat. If A does not do something for B, A will receive something unwanted or have something wanted taken away. The most common example given is the situation when a robber demands "Your money or your life (4,21)."

The third grant motive is ignorance. It arises when two people or organizations of unequal status exchange something between them. This type of motive can be found throughout society. Persons
who neglect to take advantage of services provided for them is one example of multitudes of others that exist today.

With this background on grants and the motives for their existence, how do grants apply to the welfare program and the WIN program in particular? The welfare program has always been a grants program. Except for Aid to Families with Dependent Children (AFDC), people have received transfer payments and not expected to pay anything in return. The program has been benevolent, a grant in which the community provided a subsidy to those who were unable to provide for themselves.

There were many social pressures which tended to keep some people off the program. Those on welfare were looked down upon and humiliated, but there was no pressure or program to move them off of welfare. Today, this has changed with programs being devised which try to move people from the welfare roles to the labor market.

With the introduction of the anti-poverty programs by the Johnson Administration, the objectives of welfare have changed. Programs have now been designed under the assumption that people on public assistance have productive potential that should not be wasted. With the introduction of this policy, the grant motive of welfare has changed. Even before this time, some of the welfare programs contained the motive of threat. AFDC was one of these programs. When it was enacted into law in 1936, it provided aid to mothers with dependent children if the man in the house was absent or incapacitated. Many men left home so their families would be eligible for the grant. So the AFDC program from its inception included a motive of threat.
Today the motive of threat has been intensified through the use of evaluations. If it is determined that the recipient has the ability to be trained, participation in a WIN program is mandatory. If the recipient refuses to participate, they become ineligible to receive welfare payments. The extension of the threat motive has changed the whole program from a welfare grant to a grant for the development of human resources. It is a trade-off with the intention of funnelling recipients back into the labor market at a faster rate.

Under the program, the trainee receives the same welfare payment plus an incentive payment. Even though the grant element has changed from a benevolent grant to a threat, the recipient receives the advantage of an increase in the grant payment while training.

Theoretical Basis for Grants under the WIN Program

The development of human capital through the WIN program can best be explained by the use of the general model developed by Gary Becker, to explain human capital and the distribution of income (1,5). First, Becker developed a model to find the optimal investment in human capital. In the model, Becker plotted the amount invested in human capital along the horizontal axis, and the marginal rate of return along the vertical axis (See Figure 1). The demand curve represents the marginal benefit and is measured by the rate of return to particular persons for each additional dollar of investment. The supply curve, S, shows the effective marginal financing cost measured by the rate of interest of each additional dollar
invested. If $D$ exceeded $S$ at a particular level of investment, the marginal rate of return would exceed the marginal rate of investment, while the opposite would be true if $S$ exceeded $D$. Consequently, income is maximized by investing up to the point where $D$ equals $S$, at point $p$, $p'$ in the chart, and implying a total capital investment of $C_o$, $C'_o$ (1,5).

Just what does this model mean in terms of the WIN program? Working under the assumption that all human capital is homogeneous, the aggregate demand curve for human capital will be downward sloping and to the right because of the limits of the physical and mental capabilities of human beings. The point would be reached where diminishing return would make it unproductive to invest more in the
Another factor making the curve downward sloping is the opportunity costs of the participants. This factor could be one of the reasons for reducing the marginal effect of the program. WIN program enrollees are receiving welfare, otherwise some would have left the welfare roles during the course of the training period for higher-paying employment. Statistics show that very few unemployed persons remain unemployed for long periods of time. In 1971 the average level of unemployment was five million persons. Of these 517,000 had been unemployed for 27 weeks or longer. That is only ten percent of the unemployed workers. Few remain unemployed more than one or two months. Selection criteria for most programs do assure that jobless persons are given preference in enrollment. However, given the rapid transition from unemployment to employment which characterizes the job market, it is a serious mistake to assume that people would be unemployed the full duration of the program (10, 64).

The third factor which would have an influence on the demand curve and its marginal effect would be the age of the participant. The marginal rate of increase should be smaller for an older participant. The demand curve is downward sloping for the WIN program as well as for all other training programs because of the natural limits of a person's ability to achieve, the opportunity cost of training and by the trainee's age.

The supply curve that Becker uses in his model represents capital investment. The curve is increasing because it measures the rate of interest which has been paid to finance additional
capital. The curve is segmented because the cost of obtaining capital is not a constant increase for each additional dollar. The curve increases by the sources of capital. An example of this is the ability of a person to borrow money from a bank at a fixed rate of interest. Increased capital borrowing would result in the need to locate another source of funds at possibly a higher rate of interest. As shown in Figure 1, the first section Og represents a government grant. This segment of the supply curve lies along the horizontal axis. The cost to the person receiving it is zero. The second section, g'h, represents government loans, section h'i represents personal funds and section i'S represents commercial loans. For the purpose of this paper, work will be done in segment Og.

Assuming the WIN program is a grant, let's see how it is used to increase the value of human capital. The subject will be examined with the use of investment rates of return, and impact on the distribution of earnings.

"In a market economy, a person's income (excluding transfer payments) is defined by the resources he owns and their market prices. Hence, individuals with low incomes are either poor in resources or own resources that are not highly valued in the market, or some combination of the two (3, 215)." Since most income of the poor comes from their labor, it may be said that their labor resources are either low in quality or are held in forms that do not command high prices in the market. Recent developments in labor economics have suggested that, for some purposes, it is useful to think of labor resources as capital. It is the services of a person's skills
and knowledge that have market value, and the rental value of these skills can be associated with wage income. The WIN program is trying to increase these resources in the trainees. In doing this, their value on the labor market increases enabling them to command higher wages for their services.

Becker approaches this situation from two angles, the supply curve and the demand curve. With the supply curve, Becker assumes that demand conditions are the same for everyone, and the only cause of inequality is the difference in supply conditions. He is assuming that environment determines success when developing a productive human resource. As Adam Smith pointed out in *The Wealth of Nations* (15, 15), "The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom and education."

The difference in opportunity which Becker and Smith refer to are part of the reason for the establishment of WIN and other programs. Increasing the availability of funds to raise productivity is accomplished by directing money to a special non-productive segment of society. It is the same as investing in a student's education or an eventual profession, an investment of capital with the expectation of receiving a return, in this case, increasing the productivity of a human resource above the poverty level. As Becker points out, for a variety of reasons cheaper funds are more accessible to some persons than to others, and the former then have more favorable supply conditions. Some may live in areas providing
liberal government and other subsidies to invest in human capital, or receive social scholarships because of luck, or political contacts. Others may be born into wealthy families, have generous parents, borrow on favorable terms or willingly forego consumption while investing (1, 14).

For these reasons and others, the supply curve for funds could differ considerably as in Figure 2.

Figure 2
Marginal rate of return

In this figure, the demand is kept constant and supply is allowed to fluctuate. The equilibrium position for each of the supply curves is the point where they cross the demand curve on
points $P_1$, $P_2$, $P_3$, and $P_4$.

Full knowledge of the positions of the marginal rate of return, associated with each amount of capital investment, would permit the common demand curve to be identified. Moreover, the marginal rates could themselves be identified from the earnings received by persons with capital investments.

As can be seen from Figure 2, the more unequal the distribution of the supply curve the more unequal will be the distribution of total capital. The WIN program is trying to equalize this type of unequal distribution. The distribution of the total capital invested obviously would be more unequal, the more unequal was the distribution of the supply curves.

Now the opposite assumption shall be made, with supply conditions identical and demand conditions varying. Previously, opportunity was measured by supply curves, now capacity is measured by demand curves. For the purpose of this paper, the assumption is made that all human capital is identical, the demand curves can be higher only if more units of capital are produced by a given expenditure.

It is assumed that everyone has equal opportunity, but actual investments and earnings differ primarily because of differences in the capacity to benefit from investment in human capital. The ability and motivation of an individual is being measured. Again people in the WIN program are directly related to this assumption because many have the ability but lack the motivation to cultivate their abilities.
Looking at Figure 3, when the demand curve alone varies, the capital investment and marginal rate of return of different persons would be found at the intersections of the different demand curves with the common supply curve. Figure 3 also shows that earnings and capital investments are clearly more unequally distributed as a result of the unequally distributed demand curves.

In Figure 3, there is a positive relation between the height of the demand curve, the amount of capital invested, and the mar-
inal rate of return. Knowledge of the latter two quantities for many different persons would permit an identification of the common supply curve, just as such information earlier would have identified the common demand curve. A training program must locate the most favorable position in supplying trainees with the resources needed at a point where optimum achievement can be reached.

Taking a more general approach from Becker, it is found that if both supply and demand curves varied, different persons could invest the same amount of money, and yet some could earn more than others because they had higher demand and supply curves (See Figure 4). The same amount would be invested by persons with \( D'' \) and \( S, D' \) and \( S' \), and \( D \) and \( S'' \), but return would vary.

The distribution of earnings and investments would partly depend on the same parameters already discussed. Both would be more unequal the greater the elasticities of supply and demand and the more unequal their distribution. The distribution of earnings and investments also depends on a new parameter and that is the correlation between different curves (1, 24).

Why is the supply curve not independent of demand? There are several reasons. More able persons are likely to receive public and private scholarships and therefore have a downward shifting supply curve. High income families tend to receive more psychic benefits from human capital. Finally, in the case of programs like WIN, grants received help to lower the supply curve for some persons.

The actual day to day interchange of the supply and demand
curves is determined by human and financial desires accompanied by the government's policies in meeting the demands for services that affects the interplay of these curves. The variables which influence the opportunities of the supply curve are easier to influence than are the variables which influence capacities or demand curves.

The WIN program should not work under the above assumption that all supply curves are identical or that they should be. The program is trying to move some of the people from their present low
productive supply curve to the right or to another supply curve, allowing productive and self-sufficiency. The program should provide people equal opportunity with their own ability or demand curve. The program should realistically not try to produce engineers or doctors but to produce cooks or production workers.

A negative aspect of the WIN program is that it is compulsory. Having the compulsory requirement means the program is assuming anyone who takes part in the program will increase their rate of return. All that is needed is an opportunity. In Figure 5 D will be the demand curve, S the supply curve and OC\textsubscript{S} the equilibrium before training. Under this assumption, the trainee will take advantage of the new investment made at C\textsubscript{m} and learn a skill or trade. In turn, this will raise the trainee's ability to demand higher wages in the labor market, resulting in the establishment of a new equilibrium along OC\textsubscript{m}, above and to the right of the old equilibrium. This is not the case. Even though trainees are screened for the ability, many fail to increase their marginal rate of return due to lack of ambition and motivation. Regulations that require everyone with ability to participate in training, results in a high rate of failures. The marginal rate of return is inelastic, it will not change with an increase in investment. This is represented by OC\textsubscript{m} in Figure 5. The investment in the trainee is increased from C\textsubscript{S} to C\textsubscript{m} but the marginal rate of return remains at B\textsubscript{m}. This would be true for any investment made in an unmotivated trainee. This factor will show up in some of the later findings of the program.

Whether the WIN program is voluntary or not, it is still a new
idea in the United States. This country has always developed its higher educational facilities but middle and lower levels have been left to develop on their own. This was shown in the late 1950s and early 1960s when there was a general belief that the country was short on engineers and scientists. In less than ten years the country was over-producing people in these professions.

The educational process is narrowly structured to provide for high level education and does not provide assistance for lower level education. A person can go to almost any school system in the U.S. and prepare to go on to college, but choices are limited
in preparation of careers as a baker or an auto mechanic. Today
at these lower levels there is an inadequate development of human
resources. Adequate investment is made but it is not distributed
to reflect the needs of the labor market. The person who wants
to be a baker has to complete twelve years of unnecessary formal
education. This is one reason when investment in education is
charted, different rates of return are produced for the same invest-
ment. Referring to Figure 4, all people represented by the demand
and supply curves have had the same amount invested in them. Their
marginal return was different because of their abilities, desires
and aspirations.

The WIN program is taking people who have had a large amount
of investment made in them and have not responded for either rea-
sons of ability or ambition. Of the trainees enrolled in WIN, less
than 16.9 percent had less than an eighth grade education, 41.2
percent had nine to eleven years of schooling, while the remaining
forty-one point nine percent had twelve or more years of schooling
(18, 234), a large investment with no return. This means that
more capital should be invested a different way. Even success-
fully trained, the return expected for the recipient will always be
less for the investment than what it should have been.

Important in making an investment in WIN is that the marginal
return will raise the trainees income above the poverty level.
It is a good social investment if the cost of investing to raise
the income above the poverty level is smaller than the welfare
cost that would have been generated had the training not been given.
The one element which has to be mentioned here is that before this breakeven cost between welfare and training is reached the trainee will have to become productive and raise the income above the poverty level. If the breakeven point is reached and the trainee does not become self-supporting then the social costs will have been greatly increased.

The conclusion that can be drawn from this is that anytime an investment is made in human capital and there is no response through an increase in marginal return, there will be a multiple increase in the social cost. This paper is operating under the assumption that some type of return is generated by each social dollar invested.

The value of human resources can be increased to better fit the needs of the economy. Again, using the baker as an example, once the trainee is given the opportunity to train he will take it and in so doing, raise his ability to demand more return in the market place. This increase means employment resulting in income above the poverty level. The marginal increase which the trainee has received represents more than an increase in income. It represents added productivity to the economy and a more efficient allocation of resources. Along with the placement of human resources in a productive job, there is freeing of capital that can be transferred within the economy.

One important thing that must always be kept in mind when discussing the value of human capital is the unrecovered lost time before training. This again means that the age of a person receiving
training can be very important. A younger person would provide a higher return on investment than would an older person. This can become an important issue in determining program participants. It might be more efficient not to retrain a fifty-five year old, unemployed person. Not enough return could be generated during the remaining lifetime of the person to cover the investment costs or the public assistance already paid. In developing human capital under an assistance program, a person is accepted who is unable to command a salary above the poverty level in the open market and provide capital in the way of training which should raise the ability to command an adequate return on the market.

The WIN Program: Objectives and Experience

The need has come about for the WIN program and other programs like it because of the complexities which have become a part of the traditional American economy. The American economy is structured around human resources, in planning and developing every economic decision at a high productive level. The system is at its best when operated at optimum levels. The WIN program is a method of applying human resources at their most efficient uses.

WIN is being utilized because the rationing of economic goods is done, in large measure, through the employment of human resources and the return it can command in the marketplace. Some people in the total spectrum of this rationing system feel that they are not being given an equal opportunity to participate in producing or receiving the rewards of the system. To try and help these people
participate more fully, the WIN program and others like it have been set up.

With this rationing system the structure has grown very complex. Where it once took very little or no investment in human resources it now takes a large amount. Some individuals are unable to finance this investment on their own and must depend on the public sector for financial assistance. The complexities are overwhelming the people trying to function within the system and they feel engulfed by ignorance. WIN is trying to match the resources of persons out of the labor market with fulfilling employment.

The government has become the traffic controller in a society where the economic structure has become so complex that the natural functions used to match supply and demand can no longer operate on their own.

What has just been presented is the discussion of the WIN program with its complex structure removed. The program was reduced to the operation of the supply and demand forces of the traditional economy. To do this, two assumptions were made. One, that the trainees would be trained in marketable jobs with above poverty wages and, two, that the trainees have the ability to increase their productivity. Using these assumptions, it is assumed they would take the opportunity to learn a new skill and raise their marginal return in the marketplace above the poverty level resulting in a change in the demand and supply curves.

WIN does have some safeguards to try and keep these assumptions valid. The people registered for WIN are first screened, followed
by interviews to appraise employability, aptitudes and job interests. WIN participants found to be immediately employable are referred directly to jobs. Those who are not job ready, for example those who require such services as literacy or skill training, health services, or help with child care problems begin their WIN Program at the point appropriate to their individual needs (See Table 1).

Table 1

THE WIN PROGRAM

<table>
<thead>
<tr>
<th>Referral</th>
<th>Counseling</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Train</td>
<td>Education</td>
<td>Health</td>
</tr>
<tr>
<td>Job</td>
<td></td>
<td>Child care</td>
</tr>
</tbody>
</table>

The program includes individual employability plans usually developed by the WIN staff in cooperation with the welfare staff and the participant's involvement. Welfare agencies are required by the 1971 amendments to designate staff to work solely in the WIN program. In the course of developing the plan, the participant may sample typical job tasks at the WIN training center and be counselled about the job market to help in selecting realistic occupational objective. The plan drawn up is a flexible one, sub-
ject to modification if job market or participant interests change (18, 38).

After a plan has been agreed upon, the participant is referred to an unsubsidized job, work experience or training program. Work experience may include an on-the-job training assignment in private industry, with reimbursement to the employer for training courses, or a subsidized job in a public or private non-profit agency. Both private and public employers must pledge to retrain WIN people in permanent non-subsidized employment after the training period as a condition of their contract.

The program stresses training that is relevant to the job market, relying on local Labor Market Advisory Councils to identify occupational areas in which jobs are available or are likely to become so. Controls have been established over the duration of training, with an average of six months and a maximum of twelve months without special authorization (18, 39).

Having presented the case for WIN, what is the overview of the actual program? WIN was established by an amendment to the 1967 Social Security Act to make adjustments in one of the earlier programs which was established in 1964 under the Economic Opportunity Act. That program was titled Work Experience and Training Act (WET). The major failing of the WET program was that few participants moved on to become self-supporting through private sector employment. The limitations of the program's training and rehabilitative services were partly to blame, but of greater importance were the lack of incentives and the failure of participants to find jobs
that paid above poverty income.

The first change that was made in the program was to include only AFDC recipients. During the training, participants started receiving $30 per month incentive pay along with continued welfare payments and the social services needed for successful completion of training. Along with the inducements for participation to entice welfare recipients to enter training or to find work, WIN features a work requirement.

The WIN amendment also made it a national goal to restore economic independence to all employable persons, 16 years old and over in families receiving AFDC. The program has three priorities. First, those who are capable of holding a job are placed as soon as a job can be found with intensive efforts to find participants suitable jobs or on-the-job training. Additional supportive services are provided to insure keeping the job. The second priority is to prepare those people who are not immediately ready for jobs through work orientation and basic education. The third priority is to establish work projects through public and private non-profit agencies. The purpose of the third priority is to upgrade the level of the participant to another of the priority levels.

How does the program work? "Each enrollee is assigned to an 'employability team,' including a counselor and a work and training specialist. This team devises for each enrollee, and re-evaluates continually, and employability plan or blueprint to provide direction and continuity without rigidity in the movement of enrollees through the WIN program into a job, according to U.S. Department
of Labor guidelines, which provides a reasonable prospect of self-
sufficiency, defined ordinarily as wages of at least $1.60 per
hour (11, 82). Table 2 shows how the trainees were placed in the

Table 2

<table>
<thead>
<tr>
<th>Component</th>
<th>1970</th>
<th>1971</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>89,445</td>
<td>117,409</td>
</tr>
<tr>
<td>Working and receiving</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>supportive services</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Orientation and assessment</td>
<td>54</td>
<td>51</td>
</tr>
<tr>
<td>Education, training, experience</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>Education</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>Training</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Work Experience</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>Other training programs</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Waiting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Department of Labor, Manpower Report of the
President 1972.

The WIN program is a joint effort carried out by the U.S. Depart-
ment of Labor and the U.S. Department of Health, Education and
Welfare through state agencies. Each state's Employment Security
Division assesses referrals from local welfare agencies after con-
sultation and all others are classified into one of the three pre-
viously mentioned groups. If an enrollee is job-ready, placement
is made in Priority I and placed on a job or in on-the-job training.
If more training is needed, placement is in Priority II, with work
experience training. The remaining referrals are placed into
Priority III, and assigned to public service employment.
Operating on the state level provides assurance that the program will meet local needs and will not be training for obsolete jobs. Follow-up is also assured. Under WIN, the enrollee is not cut loose upon obtaining the first job but retains welfare status until self-maintenance in the regular job market is established. The program is complete in that the state helps with the referrals’ total problem, including the location of child care centers as they are needed. Officials operating the program are not pressured to rush people through since those enrolled in the program are already receiving welfare payments. The attempt is to train people to a degree where they will become self-sufficient and remove themselves from the welfare roles.

What type of people are utilizing the WIN program? They can best be described by presenting the characteristics and work experience of APDC households at the beginning of 1971. One point three million families who receive AFDC payments during all of 1970 accounted for less than one-half of the caseload at the beginning of 1971. Most families join and leave the AFDC roles quickly. In recent years approximately one-quarter of the cases left within six months, 30% left within one year, half closed within two years and three-fifths were gone within three years. The high proportion of APDC clients who have previously received public assistance is another indication of the interdependence between work and welfare. In both 1967 and 1971, one APDC family in three had previously received aid, two-thirds had been on the roles only once before and and one-third had been listed at least twice. Moreover, one-fifth
had been denied assistance at some previous time.

What are the characteristics of the fathers on the program? Just over one in five was a high school graduate in 1969, as contrasted with nearly three of every five adult males in the civilian labor force. About one-half of the unemployed fathers, but less than one-fifth of the civilian labor force, had failed to complete more than eight years of education. They have few skills and two percent have never worked full-time. Of those who have been employed, only 5% held white-collar jobs, as opposed to 47% of the national work force. Sixty-four percent were service workers or laborers, while only 13% of the national work force were in these low-skilled jobs (11, 52). It can almost be said that these people represent idle human capital.

The median educational attainment of welfare mothers increased between 1961 and 1971 from less than nine years to more than ten years, but still trailed other adult females by two years (See Table 3). The proportion who had completed eight or fewer years of schooling declined from 56% to 31%. The proportion of mothers who had never worked dropped sharply from about one in three in 1961 to less than one in four in 1971 (11, 60). The WIN program is trying to take people with these backgrounds and mold them into self-supporting human beings that can find a better way of life for themselves and their families.

These people are the hard-core unemployed. They are completely outside the main stream of employment and society. Many have become discouraged and left the labor market.
Assessment of the Effectiveness of the WIN Program

The test of the WIN program is to what extent it has rejuvenated participants and increased their worth in terms of human capital. The best way to judge this is to study productivity in terms of how successful the trainee is in obtaining a job after the completion of training. Productivity can also be revealed by increased wages received in the marketplace.

Table 4 shows that 31 percent of men raised their income by 51¢ an hour. Women raised their income more substantially than the men with a 59 percent increase. Though these are gains, they are low for such a high cost program.
Table 4

Hourly Wage Gains of WIN Graduates

<table>
<thead>
<tr>
<th>Hourly Gain</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>$1.51 or more</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>$1.01 to $1.50</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>$0.51 to $1.00</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>$0.26 to $0.50</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>$0.01 to $0.25</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>No gain, no loss</td>
<td>39</td>
<td>13</td>
</tr>
</tbody>
</table>


The success of the WIN program has been limited in placing people on permanent jobs. The program itself has only maintained an overall employment rate of thirty percent. This figure is distorted because it includes enrollees who terminated the program before completion. If the program is broken down to reflect the employment rate of trainees completing the program, it is found that less than ten percent of the trainees failed to obtain jobs. This is higher than some of the other programs the government has used (18, 55).

WIN employment rates are higher because on-the-job training gives the trainee the concept of a real job, not made-up work. Job creation had in the past used federal money to influence employers to hire youth for only temporary jobs. These jobs did not really prepare the person for future employment. The same is true for the programs that place participants on payrolls of public agencies. They are not trained to perform useful work. WIN provides real jobs which concentrate on both institutional and on-the-job training.
efforts to increase long-term employability. Table 5 shows one group of trainees' endeavors to find work. Though the rate has been increasing, it is very small and one wonders if it is adequate.

Table 5: Work Effort by AFDC Mothers

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed Full-time</th>
<th>Employed Part-time</th>
<th>Looking For A Job</th>
<th>Enrolled In Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>9.0%</td>
<td>5.1%</td>
<td>5.6%</td>
<td>6.8%</td>
</tr>
<tr>
<td>1967</td>
<td>7.2%</td>
<td>9.2%</td>
<td>6.6%</td>
<td>5.7%</td>
</tr>
<tr>
<td>1971</td>
<td>6.0%</td>
<td>7.8%</td>
<td>5.7%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>


It has already been indicated that the objective of manpower programs is to improve the human resources of the enrollees so that employment and earnings opportunities can improve. Just how much the earnings must improve for a person to be justified is subject to debate. If the economist's dictum is followed, the enrollee
must be made better off without any non-enrollee being made worse off. The earnings increase must add enough to the Gross National Product to repay the individual program costs with interest. However, manpower programs have been justified primarily as a means of giving disadvantaged workers some compensatory advantages in job competition. As long as income redistribution is a specific objective or allowable means a less rigorous test is allowed. Was the enrollee from the appropriate target group and were gains from program participation greater than those which could have been obtained by simply giving money?

Table 6  Manpower Program's Hourly Earnings

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Hourly Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NDTA</td>
</tr>
<tr>
<td></td>
<td>Institutional</td>
</tr>
<tr>
<td>All trainees</td>
<td>$2.49</td>
</tr>
<tr>
<td>Sex:</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>2.75</td>
</tr>
<tr>
<td>Women</td>
<td>2.23</td>
</tr>
<tr>
<td>Race or ethnic group:</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>2.55</td>
</tr>
<tr>
<td>Black</td>
<td>2.32</td>
</tr>
<tr>
<td>Spanish-speaking</td>
<td>2.25</td>
</tr>
<tr>
<td>Age:</td>
<td></td>
</tr>
<tr>
<td>Under 22 years</td>
<td>2.27</td>
</tr>
<tr>
<td>22 to 44 years</td>
<td>2.57</td>
</tr>
<tr>
<td>45 years and over</td>
<td>2.71</td>
</tr>
</tbody>
</table>


The average hourly earnings at the completion of Win is at $2.46 an hour. Table 6 shows that men earn more than women who complete the same training program, and white trainees tended to earn more than
either blacks or Spanish-speaking Americans. Spanish-speaking Americans had higher average hourly earnings than blacks, $2.48 compared with $2.26. Surprisingly, the group aged 45 years old and over earned more than the 22 to 44 year old group, suggesting that maturity and experience do have a price in the labor market (18, 52).

Comparing this to the average hourly wages of a trainee going into the program, an increase is reflected. The average wage of a pre-trainee is just below $2.00, an increase of $0.48 to $0.50 per average hourly wage. Increases like this have to be improved if the program is going to be worth its costs.

The program does have serious shortcomings which must be overcome. For WIN to be effective, it must move people into the labor market more rapidly and at higher wage levels. One positive factor of the program is that it takes individuals who have fallen out of the labor market and attempts to pull them not only back into the labor market but provides employment. The program appears to continue with the problems experienced in 1967. WIN does not move people into the labor force.

Why does WIN have so many shortcomings? One of the problems is the standard under which the program is judged. Most evaluations claim to be neutral by not applying moral or ethical evaluations in reporting. When a program is studied and no judgement is made to accept the standards under which the program is being operated. This is one of the problems with judging the WIN program. The guiding principle of welfare reform is the work ethic requiring
employable welfare recipients to earn income through employment rather than to rely upon welfare alone. The welfare reformers assume that jobs can be generated for all those who are able to work and that training can be provided for all those who can be made employable. This assumption suggests that assistance be given to individuals who work but earn less than those on welfare. Public assistance is then providing an adequate floor of income to all the poor regardless of residence or source of income. These principles of work, training, adequate benefits and equitable treatment form the mold from which specific legislative programs can be cast.

This is the attitude which the politicians are taking. They are saying that all people must work. This mode of thinking does not accept the factual statistics coming from the continually increasing number of studies conducted on work/training programs. These studies are finding people that are unable to hold jobs and function normally in modern society even though they are not mentally or physically handicapped. Most of the studies are recommending that these people be kept out of manpower programs. This would result in program performance increases. Of the 2,664,000 persons in Table 7 on AFDC through 1971, only 36,000 were able to complete the WIN program. This is not an acceptable rate of return for initial investment costs of the program.

Conclusion

These people are no different than any of the other under-utilized resources found in and created by modern society. Humans
as a resource are being applied to industrial and social situations in such a way as to receive the most efficient service from their productive efforts.

Table 7
The WIN Program
2,664,000 persons assessed through fiscal 1971...
627,000 were found appropriate for referral
493,000 were referred
286,000 were enrolled
170,000 left the program
36,000 have completed successfully


Some people are unemployable, lost energy in a system analogous to a combustion engine with over 40% loss of energy. This inefficiency has been recognized by society before and dealt with. The Social Security Act of 1935 enabled mothers to remain outside the labor force to raise their children in their own homes if they choose benefits rather than employment. It would be just as reasonable for society to realize these people are unproductive and let them station themselves in life. This might make more economic sense than did the 1935 Act. If the mothers were forced to seek
employment they could have created demand for child care centers thus creating more jobs and replacing marginal workers with more productive resources. Whether this was the case in 1935 could leave room for debate, but today this is truly the case. Marginal male workers are being increasingly replaced by the entrance of more productive women into the labor market, placing more unacceptable people on the welfare roles. This is a vast problem which has to be dealt with by those who are able to respond with the help needed.

What is needed is a new interpretation of production as it applies to the economy today. In developing the new application, care will have to be taken not to go to extremes and use people in the work force instead of machines because people are available, as has already been suggested. Some have said that it would be better to use the unemployed to clean the streets as opposed to automatic street cleaners so the unemployed would have a job. Again, the problem is that work is seen as all powerful and good. The reason this feeling is so strong is that no alternative system has been introduced to ration the goods except for the present system of wages. To create work in this way is not sound in economic terms. This is disguised unemployment in which an economy is not utilizing its potential to maximize machine capacity.

The time is coming that in order for progress to be made people are going to have to evaluate what the purpose of life is in this modern age and adjust their values to that purpose. The world is going into a new age which will be as much a part of history as
the stone age or the bronze age. Work will have to be defined in a new concept that will have to be changed, first, that each person is working for survival. Today, the majority of people work to create and possess material items. It is taking less and less time to produce these items and people have more free time.

People have not learned how to use this time to their own advantage. In the past, they were tied to their work which took almost all of their time. Now, they have to plan their own time and what they will do with it. A lot of people just do not know how to plan and find themselves in a constant state of boredom.

One reason people are unable to accept their new freedom is that they are still operating under the old purposes of life. Because of this, they have developed guilt feelings which will not permit them to operate in a society. These feelings also prevent them from making a welfare program that will work. They have to develop new purposes for life that aligns itself with the place to which humans have evolved. Once this is done, the guilt which they have will be gone and people will be able to accept their new being.

The whole concept might be a widening of the meaning of work. Activities not taken to be work before may become so in the future. This has happened in the area of sports. Most of the high-paying professional sports were thought of as games for recreation at the turn of the century. Today they are some of the highest paying professional careers.
Other changes taking place are the retirement of people when their jobs are done away with. Some people will be retired because the knowledge which they have will become obsolete. In the future, a person could stay in the labor force for as few as ten to fifteen years, as with the Westinghouse Corporation today. They believe the half life of a graduate engineer is ten years, or that one half of what the engineer has learned will be outdated within ten years.

Some of these people will return for retraining and move back into the labor market, possibly as many as four or five times for different jobs or careers. But for others, this will create problems. Some people will not be able to retrain because they will not be able to work with the changes taking place. Until there is a new rationing system devised, the public sector of society will have to deal with these people. Its biggest job will be to provide services that can treat these people and try to help.

The best approach to the problem of work would be with an income maintenance program. The training programs should be provided but through the traditional educational means. Federal government programs have not worked. The educational facilities provided by state and local levels have worked for higher education. They could also work for the lower skills if applied. The state and local educational system needs to be expanded in two areas to provide more vocational education and secondly, to provide continuing education, and training in skills that do not lead to formal degrees. Classes in grocery store check-out procedures could be a program. They would not be just for the young but the older people in the
community also.

WIN has shown that people cannot be forced to obtain higher ability by providing more opportunity. It would be better to pay income maintenance to those who qualify and let them seek their own training. Each time a person is forced to participate in a program, as was shown earlier, if they do not respond with an increase in their marginal return, the total social cost increases. Opportunity and ability have dependent action on one another and providing one does not mean the other will follow. Most people will seek out their own ability if provided a reasonable opportunity.
REFERENCES


