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## GOVERNMENT SPENDING AND WELFARE EMPLOYMENT \*

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### ABSTRACT

One of the persistent issues which welfare policy makers and analysts confront in western industrial nations, particularly in the United States, is the appropriate relationship between public assistance payments and employment. There is a great deal of debate over whether welfare recipients should work or be required to take jobs and whether the government should emphasize training or placement services or create jobs directly. Relatively little concern and attention have been given to the problem of the number of jobs that are actually available in the private sector for recipients who want to work.

Although the federal government will plan its spending levels with an eye to the impacts on the employment situation in the country, there has been little effort to examine how various types of spending affect the employment prospects of specific population groups. This paper makes an initial attempt to analyze the differential employment impacts of various kinds of federal spending as they affect the population on welfare. Based on research on the employment characteristics of recipients population and the application of an input-output model developed by the Department of Labor, estimates of increased welfare employment are derived for increases in particular types of federal spending.

### I. Evolution of AFDC Employment Strategies

When Aid to Dependent Children was established in 1935 it was designed to benefit children of families who were effectively outside the labor force. Until 1962 the federal government showed little interest in efforts to increase the labor force activity of AFDC recipients. In 1961 Congress extended AFDC to offer to states the option of including unemployed parents (UP), thus bringing employable males into the program for the first time.

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These new clients were expected to be looking for work as a condition of their eligibility. To assist them Congress established in 1962 the Community Work and Training Program. This program was expanded into the Work Experience and Training Program by the Economic Opportunity Act of 1964. Under Title V of that Act, grants were given to state and local welfare agencies to pay the costs of "demonstration" projects so that the states could establish work experience projects. The expanded funds allotted to this effort and the broadening of the base of eligibility reflected the doubt that low national unemployment rates could assure a job for everyone who wanted to work. It was clear that, even with declining unemployment in the 1960's, certain groups continued to experience considerable joblessness. The idea behind these programs was to reach out and help persons who could not "compete" in the labor market changing their characteristics in such a way that "structural" barriers to employment would be removed.

The challenge of these early programs was to provide useful training and work to participants. Although there was some vocational instruction that accompanied some of the work assignments, the bulk of the assignments was limited to low-paying, unskilled occupations. The overall impact of WET in reducing dependency through its mix of rehabilitation, training and experience was small. According to one survey, three of every four trainees left the program without completing their assignments, with only one-fifth of those leaving to take a job. Half of the trainees who left through graduation or dropping out continued on public assistance and only 17% were employed. There was little evidence that the employability of participants improved or that caseload and expenditure rates of public assistance were reduced, since the average family with an employable father tended to remain on assistance for less than a year and thus most would have found employment even without the program in the tight labor market that prevailed throughout the years of the WET program.

In 1967 this program was converted into the Work Incentive Program (WIN). WIN was a much broader attempt to put AFDC recipients to work, and it included mothers for the first time. One purpose of WIN was to reduce the growth in the AFDC caseload by putting certain groups of recipients into the labor force. Since most AFDC recipients are mothers, the focus of the program was shifted radically. While earlier manpower programs had led to an increased understanding of the labor market behavior and problems of the "hard-core" unemployed males, relatively little was known about the labor market behavior of female heads of households with children.

To equip potentially employable persons to get and hold a job, WIN

was supposed to combine social services, child care services and manpower training services, including on-the-job training, institutional training, work experience and counseling. In addition to provision of services, other incentives were developed. A \$30 a month training stipend was provided, along with transportation and other out-of-pocket expenses. The "income disregard" was also developed. This allowed AFDC recipients who became employed to retain the first \$30 of their family income, and 30% of all income beyond the first \$30 without reduction in the welfare payment.

Conceptually, WIN expanded and modified the earlier programs. It concentrated the bulk of its effort on the behavioral characteristics of clients themselves by providing incentives for labor force participation, participation priorities for unemployed fathers, training, and services which would assist family functioning in a way which permitted labor force activity. In the context of continual decline in the unemployment rates, an optimistic view of the demand for workers prevailed and little emphasis was given to job development and placement activities. A kind of faith existed among the program planners that if the employability of the supply of workers who were on welfare could be enhanced then the job search and job opportunities would generally sort themselves out.

In the WIN Longitudinal Study which covered a period between 1969 and 1971, AUERBACH Associates found that the post WIN employment behavior of WIN enrollees was nearly unaffected by participation in the program. WIN did not appear to have a significant impact on the ability of the enrollees to obtain a job with 37% finding employment before termination in the program and 50% of those obtaining employment through their own efforts and not as a result of program placement efforts. The study found that less than 23% of clients participating in the program were actually sent to job interviews. The WIN experience produced only small gains in the earning capacity.

As a result of the Talmadge Amendments in December 1971, several modifications were made in the WIN program. The primary goal of these changes was to move more people through the WIN system at a faster rate. The major changes were: 1) mandatory registration of all employable AFDC recipients whose presence in the home is not required; 2) a shift in emphasis from training to direct job placement and on-the-job training; 3) improved administrator and client evaluation. Direct job placement in public service employment continued to be subsidized with WIN monies. In addition, a provision of the Revenue Act of 1971 provided a tax credit to employers who hired WIN participants.

The modifications in the program represented a change in the orientation of the program from one which emphasized the improved

employability of workers to one which concentrated on the process by which the worker and job are matched. This newer approach gave little attention to changing the human capital characteristics of the client population and generally assumed that demand for these workers existed. The inclusion of the tax credit was the beginning of a recognition that the program might need to intervene in some respect to make more job opportunities available to its target population but the thrust remained on procedures for ensuring client job search and placement services.

In January 1973, 33% of all families on AFDC in areas with WIN projects had family members registered. Of the 855,000 AFDC family members registered, only 48% were actually certified for job training or placement, and of these 30% were actively in job training or placement. Out of 2,967,000 adults receiving AFDC, less than 5% were receiving job training or placement assistance during the month.

Simple program statistics reveal some broad dimensions about the functioning of the program. According to NCS data less than 12% of the people who were registered for WIN in fiscal 1974 obtained non-public service jobs and in 1973 the figure was less than 10%. From the data it is impossible to determine whether these were placements resulting from program activities or from self-placement; however, if previous ratios from WIN I or other programs apply in this case, something in the neighborhood of 50% self-placements, the effectiveness of the WIN III approach appears even less impressive. In terms of de-registrations owing to employment, only 8% had completed the job entry period and were able to leave welfare during fiscal 1975.

The Revenue Act of 1971 established a tax credit for employers hiring AFDC recipients who were registered in the Work Incentive Program. In 1975, the credit was expanded to cover all AFDC recipients for a trial of 15 months. This is the closest that the federal government has come to stimulating the demand for workers on welfare.

## II. Creating Jobs for Welfare Recipients

The research and theoretical work that has been done on demand stimulation has tended to focus on national macro levels of analysis and has not given attention to policies which are directed at specific low income populations such as those on welfare.

### A. Macro Neoclassical Theory

The concern of macro economists since the depression has been the recurrence of cycles of depression and prosperity in the national economy.

Prosperous periods are marked by rising production, relatively high rates of profit, relatively high wages, high prices, and comparatively high levels of employment. Depression periods are characterized by low wages, actual declines in production, and high unemployment rates. These phenomena tend to have a recurrent pattern and have been called "business cycles". Although the content of the cycle - the repetition of expansion and contraction - is regular, the duration of the phases and their apparent causes are less predictable and clear.

The Federal government has generally initiated demand stimulation policies after the "peak" of the business cycle, during the contraction phase. When recovery occurs, many of the macro-policies aimed at stimulating production are reduced or eliminated. If these policies were maintained, it is generally felt that an inflationary process would be set in motion. Much of the debate among economic policy analysts and advisors centers around the trade-off between rates of unemployment and inflation. It is generally believed that full employment is limited by the inflationary pressures which arise in the economy from excessive demand for goods and services. The most popular description of the trade-off is represented by the Phillips curve. This curve,  $E = PN$  (where E is money expenditures, P is the level of prices and N are the units of employment or output), plots the relationship between unemployment rates and prices. When unemployment rates fall, prices are expected to rise.

The macro-economic policies which are used in the attempt to regulate the rates of employment and inflation tend to be employed on a sporadic basis and to be directed at aggregate phenomena which may hide the dynamics of what is happening for those populations which tend to be on welfare. The fiscal and monetary policies which are used affect various industries in different ways. In some highly capitalized and unionized sectors of the economy, the stability of employment and the rate of employment could be at a level where expansion would tend to aggravate inflation, while, in more labor intensive and less organized sectors, expansionary policies would simply tap underutilized labor capacity and not lead to inflationary pressures. Economic research and theory is currently examining the nature of the institutions which divide economic sectors and the various segments of the labor force. This work suggests that there are differential effects of macro policies aimed at economic recovery and that those sectors in which welfare populations tend to be employed are generally the slowest to respond and experience recovery.

Concern for these sectors and specific groups within the labor force has led to the development of segmentation theory. Segmentation theory focuses on particular areas of the economy which tend to have very

strong effects on welfare expenditures and it directs attention to the wide range of institutions which affect the distributional effects of demand stimulation policies.

#### B. Labor Market Segmentation Theory

The basic hypothesis of the labor market segmentation theory, is that the labor market is divided into essentially distinct sectors or segments and that welfare recipients are generally restricted to employment in a limited number of occupations or industries - segments. Their jobs are characterized by low wages, poor working conditions, little chance for advancement, and instability. Some segments of this labor pool face cyclical unemployment, others present high rates of turnover. These theories provide useful insight into the dynamics of the welfare population and welfare expenditures.

The starting point for the segmentation theory of jobs is that within the whole economy jobs may be more or less clearly grouped into those jobs having more stability, higher paying and better work conditions. The latter can also be characterized by high turnover rates. The high turnover rates are due to several factors. The industry may be subject to seasonal or business cycle fluctuations in demand. It may also be suffering from a long term decline, as, for example, in the New England textile industry.

Another aspect of high turnover rates is often voluntary quits by the employee or firings by the employer, this results from several factors and dimensions of the job situation. These jobs usually require very little skill or training; they do not offer opportunities for advancement; and they provide few non-wage benefits. Relationships between the employee and employer are not governed by any formal industrial relations system, union or otherwise. Associated with these high turnover jobs is a large group of unemployed workers who cycle in and out of jobs. The unemployed population on welfare is one of these groups.

The "better" jobs have been called "primary" while the "poorer" ones are often called "secondary". This segmentation is not simply based on a rank ordering of jobs according to their desirability, but rather on the posited existence of barriers between the segments. Those barriers may restrict entrance to primary sector jobs, as, for example, restrictive labor union membership. Or the barriers may be job characteristics which prevent a worker from improving his skills to qualify for a better job.

This framework has been developed from the research of several segmented labor market theorists, notably Doeringer, Piore and Bluestone.

It allows us to focus on several related aspects of jobs as they affect family income. More importantly, it focuses attention on the relationship between job characteristics, worker characteristics, and institutional factors which structure the flow of workers to jobs.

Since the early development of markets for labor in the early nineteenth century, institutions have played a large role in controlling the allocations of labor, conditions of work, and wage levels. The institutions which structure labor markets and sectors in the economy reveal the political issues involved in changing labor market behavior and the factors and interests associated with particular institutional arrangements. Four groups of institutional factors in the labor market are the subject of particular concern in this project. They are employees, employers, intermediates, and government.

- a. Employee Institutions. The major institutions of employees are, of course, labor and trade unions. While less than thirty percent of the American work force is organized by unions, the wage and benefit levels and work standards affect a much larger proportion of workers. This effect occurs directly through raising the wage expectations of non-union workers, and indirectly through raising the cost of living.
- b. Employer Institutions. Many corporations constitute large scale institutions with complex organizations and sub-structures. Within an individual firm the internal labor market is an institution which affects a very large proportion of the American work force.

The internal labor market is represented by an organizational unit, such as a manufacturing plant, within which wages and distribution of labor are governed by a set of administrative rules and procedures. It is connected with the external labor market through jobs which are called ports of entry. The rest of the jobs in the internal labor market are filled through promotion and transfer. To the degree that these labor allocation rules are rigid, they shield these jobs from the direct competitive influence of the external labor market. There are two types of internal labor markets: enterprise markets, which are found in most manufacturing establishments; and union-centered craft markets, which are found in the building trades, longshoring, and certain services. The development of an internal labor market is accompanied by an increase in the stability of employment for its workers.

- c. Intermediate Institutions. Between the worker searching for new employment and the employer seeking to fill a job slot are



a variety of systems, both formal and informal. These include the Public Employment Service, private employment agencies, temporary manpower firms, newspaper advertising, schools, and neighborhood channels of information. Various groups in the labor force will have access to only certain intermediate systems and the use of these systems by employers will depend upon the type of employee that is desired. This tends to further reinforce job structures and patterns which already exist.

- d. Government Institutions. The two institutions which most directly affect the labor market behavior of the welfare population are the welfare system and the manpower and placement programs of the Public Employment Service. The welfare system influences work behavior through its benefit levels, definitions of employability, "welfare tax" rates, requirements for work, and tax incentives to employers.

Government also affects the structure of labor markets through various legislative acts and the respective government agencies charged with regulation and enforcement. There are several acts which affect industrial labor relations directly, such as the Norris-LaGuardia Act of 1932 and the Wagner Act of 1935, as well as a much larger body of legislation which regulate production processes and work conditions.

Institutional variables influence both the direct and indirect effects on labor market behavior. In the segmented model, the primary sectors are more highly institutionalized while the secondary sectors appear to have relatively little institutionalization. While the secondary sector includes most welfare recipients in terms of employment, the functioning of that sector is strongly influenced by the actions of firms and employees in the primary sector.

In addition to the segmentation of the labor force, some economists have also examined the segmentation of industries and found that the characteristics of the industries has important effects of labor market functioning and the effects of labor demand stimulation policies. One such theory, notably expressed by Averitt,<sup>1</sup> divides firms into basically two types - the center and the peripheral. The organizations of the center firms "are corporate and bureaucratic; its production processes are vertically integrated through ownership and control of critical raw material suppliers and product distributors; its activities are diversified into many industries, regions and nations. Financial support is

1. Robert I. Averitt, The Dual Economy, W. W. Norton Company, 1968.

readily available from both internal and external sources. Firms in the large economy serve national and international markets, using technologically progressive systems of production and distribution. The affairs of such enterprise are conducted with a view to survival in perpetuity as they meet economic crises with successive strategies of firm expansion".<sup>2</sup>

The small peripheral firms "are the ones usually dominated by a single individual or family. The firms' sales are realized in restricted markets. Profits and retained earnings are commonly below those of the center; long-term borrowing is difficult. Economic crises often result in bankruptcy or severe financial retrenchment. Techniques of production and marketing are rarely as up to date as those in the center. These firms are often, though not always technological followers, sometimes trailing at some distance behind industry leaders."<sup>3</sup>

### III. Government Spending and Procurement

The federal budget today is a major segment of the economy, and its impact on the economy in general and on particular labor markets is enormous. In 1976 total direct Federal spending exceeded 22 percent of the gross national product and Federal purchases were approximately 8 percent of the GNP. Although it is clear that these expenditures have a significant impact on most sectors and activities of the economy, the literature in economics contains relatively little information on the employment effects of government expenditures by industry, occupation, region, or labor force group. Most studies confine themselves to studying the impact of overall fiscal (spending) policy on the total unemployment rate.

There appear to be strong linkages between the segmentation of jobs and the segmentation of industries but they are by no means simple. Firms in a primary or center industry may have certain sets of jobs that have most of the characteristics of secondary jobs. Firms in the secondary or peripheral economy will have certain jobs, certainly at the managerial level, which fit the characteristics of "good" jobs. The same production level job may appear in both primary and secondary industries, probably offering higher pay in the primary industry. This paper examines the impact of government spending policies on both industries and occupations.

The use of federal spending as a tool of macro economic stimulus is well accepted. The impact of this spending on local economies is also

2. Ibid, p. 12

3. Ibid, p. 12

recognized and this fact figures into the political strategies of congressional representatives in attempting to serve the interests of their local constituencies. Various industries and interest groups also take great interest and attempt to exert influence over the patterns and priorities contained within the federal budget.

However, within the enormous literature on the federal budget, little attention has been given to the differential affects of various federal spending programs on the employment of workers on welfare except where such programs are specifically designed to affect that population, such as WIN, CETA, and some supported work and public service employment programs. What follows is an estimation of the job creation potential for welfare recipients of various spending categories. This is only an initial, somewhat crude attempt, but it does reveal many differences between categories which should be considered in developing and assessing the federal budget as a stimulus for employment.

Probably the most important publication on the subject has been developed by the Department of Labor, the Factbook for Estimating the Manpower Needs of Federal Programs.<sup>4</sup> This publication provides detailed estimates of the impacts of different types of government spending programs by industry and occupation. These estimates have been used to develop more detailed estimates of the impact by industry and occupation of different approaches to increasing employment for workers on welfare through government spending.

In this section, the following breakdown of federal spending is made:

1. Defense
2. Non-Defense
3. Education
4. Health and Welfare
5. Tax Expenditures for Individual Consumption
6. Tax Expenditures for Corporate Investment
7. Public Sector (Overall)
8. Private Sector (Overall)

It should be noted that what Stanley Surrey called "tax expenditures" are considered to be a part of federal spending in the economy. Tax expenditures simply represent revenues which are not collected so that they can be used in private ways which have been decided by the government as being socially, economically, and/or politically desirable.

4 - U. S. Department of Labor, Factbook for Estimating the Manpower Needs of Federal programs. Bureau of Labor Statistics, Bulletin 1832, 1975.

If the government wishes to increase the industrial capital capacity of the economy, investment tax credits are utilized to encourage firms to spend money on capital investment by being able to retain earnings which would normally go to the government to pay for other programs.

The question that is asked is how many jobs for welfare workers are created by spending a billion dollars in the ways indicated above. In order to answer this question, the estimates of manpower requirements for federal spending that were developed for the Department of Labor in 1972 was used and the employment experiences of welfare recipients by industry and occupation were obtained from the 1975 Current Population Survey.

The procedure used was the following:

- a. Ratios were computed for the number of welfare recipients who had employment experience in each industry and occupation as a part of the total labor force in that industry and occupation.
- b. These ratios were then multiplied by the manpower estimates developed by the Department of Labor by industry and occupation for each category of federal spending. The Department of Labor designation of personal consumption was used as being roughly equivalent to a tax expenditure for personal consumption (such as income tax credit) and the designation of private fixed investment was used for tax expenditures for private investments (such as the investment tax credit).
- c. The resulting welfare employment figures were then aggregated and then adjusted for 1976 price levels by multiplying the total by .34 which was computed from the Gross National Product Implicit Deflator.

The resulting figures by industry and by occupation differ somewhat in terms of welfare employment. The reasons for this derive from two factors; the first is that the occupations contain figures which include only civilian employment where the industry estimates include non-civilians and secondly, the federal spending by industry affects occupations differentially and welfare recipients tend to be concentrated in those occupations which are somewhat less impacted. Because we are concerned about civilian employment, the discussion uses primarily the estimates derived by occupation. The figures by industry are included later. It should be noted that these estimates are only

the direct manpower effects and do not reflect the employment that results from multiplier aspects of spending. In all probability much of the employment of those on welfare would be realized in these multiplier impacts because personal, private household, and many other service areas where recipients tend to be employed are not included in the input-output model of direct employment that these figures are based upon.

The results reveal a substantial difference between the spending categories. In terms of the civilian labor force, non-defense expenditures create 65 percent more jobs for welfare than defense spending and spending in health and welfare creates 220 percent more jobs than defense (Table 1). This analysis suggests that the more that is spent on health and welfare the more jobs that are likely to be created for recipients of those health and welfare services. This finding is consistent with the theory that a segmented economy exists and that direct spending through health and welfare payments to those segments likely to stimulate that sector in terms of employment opportunities.

Table 1

Employment Estimates for Welfare Recipients Who Had  
Employment Experience in 1974-1975 by Category of  
Spending of a Billion Dollars

	<u>Total Welfare Employment</u> *
Defense	332
Non-Defense	547
Education	731
Health and Welfare	1,063
Individual Tax Credit	734
Investment Tax Credit	555
Public Sector	470
Private Sector	721

\* Based on occupation

Another important point to be noted from this analysis is that tax expenditures to individuals for personal consumption through something such as income tax credit has a 32 percent greater impact on welfare than tax expenditures for corporate investment. The difference is probably much greater than this because (1) individuals tend to utilize an income tax credit in greater percentages than corporations claim investment tax credits, (2) individuals are more likely to spend the

Table 2

Employment Estimates for Welfare Recipients Who Had Employment Experience in 1974-1975  
By Category of Spending of a Billion Dollars by Occupation (Detailed)

	Welfare Concentration Ratio		Public Sector		Private Sector		Defense		Non-Defense		Education		Health/Welfare		Personal Consumption		Private Fixed Investment	
	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ
Professional/Managers and Technical Administrators	.004	21,200	85	13,950	56	11,050	44	20,300	81	63,750	255	28,950	116	14,700	59	12,200	49	
Clerical	.0117	10,400	122	11,400	113	7,850	92	21,550	232	14,250	187	16,000	187	12,000	140	9,200	108	
Sales	.008	900	7	3,150	41	950	8	1,050	8	1,100	9	1,550	12	5,800	46	3,300	26	
Crafts and Kindred	.0096	7,200	62	9,550	82	7,550	65	7,950	68	7,350	63	7,550	65	2,600	65	18,200	156	
Operatives	.020	6,550	131	13,700	274	8,850	177	7,300	146	7,800	110	10,350	207	13,050	261	16,700	334	
Services	.031	7,500	232	8,300	257	2,050	64	6,250	194	12,150	377	25,700	797	10,450	324	1,300	40	
Laborers	.0136	2,500	34	3,550	48	2,000	27	1,800	24	2,350	32	3,750	51	3,000	41	6,300	86	
Farm	.013	400	5	3,400	44	500	6	400	5	300	4	1,150	15	3,700	48	450	6	
Total Civilian			678		935	483		778		1057		1650		984		805		
Total Adjusted Welfare Employment			470		721	332		547		731		1062		734		555		

J - Represents the jobs created.

WJ - Represents the number of welfare workers who would receive jobs given their concentration in the labor force.

Table 3  
 Employment Estimates for Welfare Recipients Who Had Employment Experience in 1974-1975  
 By Category of Spending of a Million Dollars in Industry (Detailed)

Welfare Concentration Ratio	Public Sector		Private Sector		Defense		Education		Health/Welfare		Personal Consumption		Private Fixed Investment				
	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ			
Agriculture	.031	585	12	4,123	87	560	13	4	428	9	1,438	30	4,420	93	705	15	
Construction	.012	3,567	43	3,504	42	1,126	14	2,742	33	2,886	35	874	10	15,684	188		
Manufacturing	.0115	13,261	157	18,607	214	15,566	179	30,586	122	9,219	106	152	15,439	178	30,078	316	
Transportation and Utilities	.007	2,734	19	5,525	39	3,212	22	2,729	19	3,336	23	3,216	22	5,523	39	3,896	28
Trade	.016	2,765	44	17,777	284	1,802	39	2,559	41	2,041	33	3,430	55	20,575	379	10,698	171
Finance and Insurance	.003	876	4	3,199	16	315	3	742	4	775	4	1,076	5	3,812	19	1,292	6
Other Services	.019	5,754	109	34,378	273	4,076	77	8,692	165	1,411	27	12,192	232	17,704	336	3,761	71
General Government	.011	59,027	649			46,438	510	36,678	403	87,228	900	35,580	611				
Total		1037			935		846		791		1197		1146		1004		823
Total Adjusted Welfare Employment			736		689		609		547		692		656		734		603

J - Represents the job created.

WJ - Represents the number of welfare workers who would receive jobs given their concentration in the labor force.

Table 4

Employment Estimates for Female Welfare Recipients Who Had Employment Experience in 1974-1975  
By Category of Spending of a Billion Dollars by Occupation (Detailed)

	Welfare Concentration Ratio	Public Sector		Private Sector		Defense		Non- Defense		Education		Health/ Welfare		Personal Consumption		Private Finance Investment	
		J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ
Professional/Managers and & Technical Administrators	.002	21,200	42	13,950	28	11,050	22	20,300	41	63,750	128	28,950	58	14,700	29	12,200	24
Clerical	.011	10,400	10	11,400	125	7,850	86	21,550	237	14,250	157	16,000	176	12,000	132	9,200	101
Sales	.005	900	36	5,150	26	950	5	1,050	5	1,100	6	1,350	8	5,800	29	3,300	17
Crafts and Kindred	.0003	7,200	2	9,550	3	7,550	2	7,950	2	7,350	2	7,550	2	7,600	2	18,200	5
Operatives	.01	6,550	66	13,700	137	8,850	89	7,300	73	7,500	75	10,350	104	13,050	131	16,700	167
Services	.026	7,500	195	8,300	216	2,050	53	6,250	183	12,150	316	25,700	688	10,450	272	1,300	34
Laborers	.001	2,500	3	3,550	4	2,000	2	1,800	2	2,350	2	3,750	4	3,000	3	6,300	6
Farm	.004	400	2	3,400	14	500	2	400	2	300	1	1,150	5	3,700	15	450	2
Total			356		553		216		525		687		1,025		613		356
Total Adjusted Welfare Employment			201		412		111		398		487		780		470		252

J - Represents the jobs created.

WJ - Represents the number of welfare workers who would receive jobs given their concentration in the labor force.



Table 3  
 Employment Estimates for Male Welfare Recipients Who Had Employment Experience in 1974-1975  
 by Category of Spending of a Billion Dollars by Occupation (Detailed)

	Welfare Concentration Ratio	Public Sector		Private Sector		Defense		Non- Defense		Education		Health/ Welfare		Personal Consumption		Private Fixed Investment	
		J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ	J	WJ
Professionals/Managers and & Technical Administrators	.005	21,200	106	13,950	70	11,050	55	20,300	102	63,730	319	28,950	145	14,700	74	12,200	61
Clerical	.0009	10,400	9	11,400	10	7,850	70	21,550	19	14,250	13	16,000	14	12,000	11	9,200	8
Sales	.004	900	4	5,150	21	950	40	1,050	4	1,100	4	1,550	6	5,800	23	3,300	13
Crafts and Kindred	.008	7,200	58	9,550	76	7,550	60	7,950	64	7,350	59	7,550	60	7,600	61	18,200	148
Operative	.01	6,550	66	13,700	137	8,850	89	7,300	73	7,500	75	10,350	103	13,050	131	16,700	167
Services	.005	7,500	38	8,300	42	2,050	10	6,250	31	12,130	6	25,700	129	10,450	51	3,300	7
Laborers	.012	2,300	30	3,550	43	24	24	1,800	22	2,350	28	3,750	45	3,000	36	6,300	76
Farm	.009	400	4	3,400	31	2,000	5	400	4	300	3	1,150	10	3,700	33	450	5
Total		315		450		353		319		507		512		421		489	
Total Adjusted Welfare Employment		201		309		272		249		406		354		262		353	

J - Represents the jobs created.

WJ - Represents the number of welfare workers who would receive jobs given their concentration in the labor force.

money than corporations who may retain or save the money for a period of time, and (3) individual spending tends to occur faster than corporate spending which is more planned.

#### IV. Conclusion

This paper represents only an initial step in the attempt to apply a segmented labor market analysis to the federal budget. More sophisticated measures and estimates are needed and are possible. This type of research will not only provide us with greater understanding of the operation of our social economic system and the relationships between welfare and the economy but will also assist in the development of governmental policy as specific types of employment impacts are identified and assessed.

As national economic policy becomes a greater influence over the size and composition of the federal budget, it is now feasible to examine the welfare-employment aspects of spending mixes. This will emerge as increasingly important as the concern for welfare expenditures continues and employment for welfare recipients is sought as part of welfare reform efforts.

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