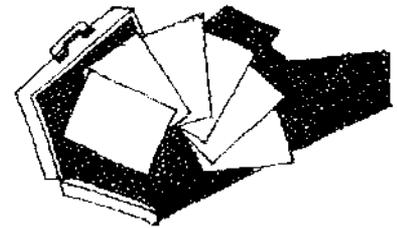


Conference Papers



The following excerpts are adapted from papers presented at the Thirtieth Annual Meeting of the Industrial Relations Research Association, December 28–30, 1977, in New York City. Excerpts from three other IRRA papers have appeared in the March issue of the *Review*.

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Welfare reform and the plight of the poor in the rural South

VERNON M. BRIGGS, JR., BRIAN RUNGELING,
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The major discussions of welfare reform today center on: (1) who would be affected—primarily recipients of Aid to Families with Dependent Children—and, for the first time, households headed by men regardless of their employment status; (2) what effect reform would have on the working poor—basically a discussion of work incentives among the low-income population; and (3) which regions of the country would be most affected?

Relative to the population in other regions, the Southern population is characterized as being more rural and more poverty stricken.¹ Moreover, the poor in the South, who accounted for 44 percent of the total in the Nation, are more likely to be employed than those in other regions.²

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In recognition of the void of primary information concerning the specific impact of such reform efforts, the U.S. Department of Labor funded a study of Southern rural labor markets that was completed in early 1977.³ The study combined available secondary information and research findings with an extensive primary labor market survey of households, employers, and rural community organizations.⁴ The following analysis is based upon the data generated by this study.

The mean household income found in the study area was an extremely low \$6,353 in 1973.⁵ More importantly, more than 50 percent of the households had a mean income below \$5,000. In fact, 43 percent of the households were living at or below the poverty threshold, with an additional 10 percent barely above the poverty level. Hence, with only minor changes in their circumstances, more than half of the households in the study counties would be below the poverty level as officially defined.

One key feature that distinguishes the rural labor market in the South from those of other regions and which contributes significantly to the poverty problem is low labor force participation. The extremely low labor force participation rate of 42.3 percent computed for the study was found to be related to several factors including: an age distribution skewed toward the upper levels, the prevalence of work-inhibiting health problems throughout much of the population, and employment discrimination.⁶ Perhaps more important was the overall lack of job opportunities.

Although the unemployment rate was low in these rural counties (2.7 percent), the percentage of discouraged workers and involuntary part-time workers was quite high. Indeed, if discouraged workers had been counted as unemployed, the unemployment rate would have exceeded 11 percent. An additional 8 percent of those who were employed on a part-time basis stated a desire to work full time but could not find such jobs. Even those who were employed had a high probability of being poor.

Rewards to work are greatly restricted in the rural South due in part to a narrow industrial base in which agriculture and public sector employment

dominate. Small employers, engaged primarily in retail and service enterprises, predominate in the private sector. In most instances where jobs are available, wages are low and fringe benefits are few.

The conclusions drawn from the rural labor market study make it clear that internal economic development and expanded job opportunities will not occur in the foreseeable future. Thus, welfare reform, with expanded benefits and coverage, is of particular importance to the rural poor in the South.

Aid to families

Perhaps no program symbolizes the problems of the current welfare system more than Aid to Families With Dependent Children (AFDC). The average family benefit under AFDC in the study counties was a mere \$1,200 in 1973. Even when other income is added to the benefits, not a single family had a total income that reached the prevailing poverty threshold of \$4,200 for a family of four. The great majority (more than 62 percent) fell short by as much as \$2,500 to \$3,000 a year.

The average AFDC recipient in the rural South is a female household head with dependent children and tends to be middle-age; to have had little, if any, work experience; and to have a low level of educational attainment. In addition, there is a high probability that she is a member of a racial minority.

Although the majority of AFDC recipients were not in the labor force, the labor force participation rate of recipients is higher than one might expect. Twenty-eight percent were employed and 12 percent were unemployed at the time of the study.

Those AFDC recipients who do work are employed in occupations and industries which generally pay the lowest wages. More than half of all employed AFDC recipients were in unskilled occupations—domestic or agricultural occupations. Further, one-third of all AFDC recipients reported agricultural jobs as their longest held job.

Private employers have often been leading advocates of a policy of jobs rather than welfare. However, the study did not reveal one employer who offered to hire an AFDC family head. They left the matter to "other employers" or to the public sector; unfortunately, however, interviews with local government officials revealed an attitude towards hiring which was much the same.

More recipients would probably work but are held back by the lack of job opportunities, lack of work experience, low skill levels resulting from lack of education and training, program regulations that discourage work, or some combination of all four factors. Even if the recipient could find employment, it

is doubtful that the low wage levels that characterized the Southern rural labor market would be an attractive work inducement.

By its nature and intent, AFDC is a restricted program. Even if it were possible through aggressive outreach efforts to enlist all of the families eligible for such assistance, it would not mean that there would be much impact on the magnitude of Southern rural poverty. Most of the needy families of the rural South are not presently eligible for AFDC (for example, households headed by unemployed men and households headed by employed men or women who are unable to earn enough to pull the family—with or without children—over the poverty threshold).

Food stamps

In terms of persons covered and dollar amounts involved, the food stamp program has become the most important of all federally supported income supplement programs. It is the only aid program which does not have some specific qualifier other than income. The amount of actual subsidy which an individual household receives under the program varies with the income level and size of the household involved.

In the survey counties, 28 percent of the households were found to be participating in the program. The survey also disclosed, however, that the potential participants were far in excess of actual participants. In total, 53 percent of the households were found to be eligible on the basis of their reported incomes. Nonparticipation of potentially eligible low-income households was substantial.

Discussion with welfare officials in these counties and subsequent interviews with eligible nonparticipants made it obvious that participation in the food stamp program was not encouraged. No provision for program outreach existed. Other major explanations for nonparticipation pertained to cost of the stamps, extensive red tape, incorrect information, and transportation problems.

The working poor

With such an inordinately high number of impoverished households and such a restrictive AFDC program for families, it should be no surprise that there exists a substantial number of households in the rural South with an employed head which remain below the poverty level. More than half of the households in the study headed by a person under age 65 were living below the poverty threshold.

The working poor are not eligible for any welfare programs *per se*, although they are eligible for food stamps. Further, if employed the poor are usually not eligible for existing government sponsored employment and training programs—most of which are

more valuable for the income supplement they provide.

Many employed poverty household heads work in agricultural jobs—33.6 percent. Such jobs are low-skilled or semiskilled and hold little hope for overcoming poverty. Further, many of these agricultural jobs are seasonal or part time, making the income status of the working poor marginal at best.

Two inescapable conclusions emerge from the *Southern rural labor market study*. First, the present welfare structure is inadequate, because so many impoverished families are excluded from coverage and because of low benefit levels. Secondly, there is little likelihood that the present system can be restructured by local and State initiatives to meet the needs of the poor of the rural South. □

FOOTNOTES

¹ Ray Marshall, "Some Rural Economic Development Problems in the South," *American Economic Review*, May 1972, p. 204.

² President's National Advisory Commission on Rural Poverty, *The People Left Behind* (Washington, D.C., U.S. Government Printing Office, 1967), p. X.

³ John F. Adams and others, *Labor Markets in the Rural South*, report prepared for the U.S. Department of Labor, Feb. 1, 1977, p. 557.

⁴ Four Southern rural counties were selected for intensive field study. In each a completely random sample of households was selected. In total, 3,357 interviews were completed. In addition, structured interviews were also conducted with major employers, financial institutions, community organizations, and government agencies in these same counties.

⁵ John F. Adams and others, *Employment, Income, and Welfare in the Rural South* (New York, Praeger Publishers, 1977), p. 93.

⁶ A complete discussion of labor force participation in the rural South is included in Adams and others, *Employment, Income, and Welfare*, pp. 44-76.

Rural employment programs: the case for remedial policies

PHILIP L. MARTIN

Although federally assisted efforts to train, place, and provide jobs for the unemployed date from the 1920's and 1930's, the Nation's current employment and training policies date from the passage of the Manpower Development and Training Act of 1962. Initially, efforts centered on retraining male household heads who had lost their jobs because of "automation," but emphasis soon shifted to the disadvan-

tagged as the unemployment rate decreased and the Economic Opportunity Act (1964) recognized the plight of specific groups among the unemployed. Throughout the 1960's, the twin themes of retraining and specific programs for specific groups dominated manpower thinking, resulting in program proliferation and increased expenditures on employment and training programs.

The 1970's marked a new turn in employment policies. Critics of job training pointed to its expense and the difficulties experienced in placing those trained when unemployment rates were high. Few programs could demonstrate substantial social benefits, and even fewer exhibited rates of return which persisted over time. Rather than retraining specific disadvantaged groups, the 1970's ushered in the era of job-creation programs. The first nationwide Public Service Employment program since the Depression was launched with the enactment of the Emergency Employment Act (EEA) in 1971, designed to provide transitional jobs and needed public services in times of high unemployment.

The success of the Emergency Employment Act and persisting unemployment led to the enactment of the Comprehensive Employment and Training Act (CETA) late in 1973. Because of a new emphasis on local participation in federally sponsored programs, CETA called for manpower programs to be "decategorized and decentralized." After prolonged debate, it was decided that local prime sponsors could select that mix of placement, training, and job-creation efforts which seemed locally optimal. The 1973 act remains the basic legislative framework governing national manpower policy, although the public service employment provisions have been amended and expanded on several occasions.

The evolution of American employment policy highlights the importance of two issues in the formulation of rural manpower programs. The first issue arises from the alleged failure of employment and training programs to reduce unemployment rates and the incidence of poverty, an issue whose resolution requires an understanding of labor market recruitment, selection, and operation. The second issue investigates differentials between manpower programs. Do manpower programs have differential impacts in rural and urban areas and if so, why? Both overall assessments and comparisons between rural and urban experiences use rather arbitrary benchmarks to measure program success or failure.

Allocative inequities

Rural areas have generally been neglected in employment policy formulation. During the 1960's, when programs were created for specific groups of

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