Workfare: Friend or Foe?
A Literary Review of the Effectiveness of Workfare and A Case Study of the Workfare Program in Toronto

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Abstract:

This paper introduces the general problems of Welfare programs and examines how implementing work requirements in a Welfare program (Workfare) may solve these problems. Through critically examining past research on Workfare, it was determined that it does not correct the general problems of a Welfare program. Workfare can act to screen out a portion of the population from collecting program benefits, but it does not necessarily target the right group to be screened out. The effect of a Workfare program on decreasing the cost and stigma of Welfare programs is ambiguous, and in some cases Workfare can decrease the deterrent to work effect of Welfare programs. The design of Workfare programs in developing countries is examined to point out the differences from the Workfare programs in developed countries. A simple case study of the Toronto Workfare program is detailed along with some literature specifically concentrated on Toronto. Lastly the topic of human capital growth is discussed in reference to the literature examined in this paper. The paper concludes by stating that Workfare is not the solution to an ailing Welfare program, and that neither Welfare, nor Workfare solves the problem of poverty.

1. Introduction:

Social assistance, or welfare, is a way in which the government provides for that portion of the population who do not have a minimum amount of resources. This minimum amount of resources is discretionary, and is determined by governments (Barr, 1998). The government provides for these people through money transfers and benefits in kind. The government also uses tax benefits to assist people in reaching a minimum level of income. Many different Welfare programs exist. In Canada the provincial government provides an outline of a Welfare program; and then municipal governments create their own detailed programs within the guidelines provided to them (Government of Ontario, 2003).

In attempting to meet the general objectives of a Welfare program, several problems are created for program designers. Three of the most prevalent problems are: 1) creating a program that targets the right portion of the population (deters abuse of the system), 2) creating a program that does not create a social stigma for the recipients, or outrageous cost for the government, and, 3) creating a program that does not deter people from working (Barr, 1998). Because there are so many problems in creating a Welfare program that meets its objectives, alternatives have been created. One such alternative is Workfare. Workfare is a mechanism by which the recipients of Welfare program benefits must provide a required amount of unpaid work and/or job and skills training, in order to receive their program benefits.

In North America, Workfare has been purported to alleviate some of the general problems of Welfare programs mentioned above, but at what cost? Through critically examining papers that discuss Workfare, this paper will outline some of its negative and positive attributes. Program designers need to know whether implementing work requirements in a Welfare program will help to alleviate the problems that deteriorate its success. To assess the papers' contribution toward understanding the effects of Workfare, the different environments in which Workfare is studied, and the assumptions surrounding that environment will be examined.

A case study on the implementation of work requirements in the Toronto Welfare program will be presented. This study examines the effects of the work requirements on

the targeting of the intended beneficiaries, the stigma and costs, and the minimizing of the deterrent to work of them program. The case study is followed by a discussion of the human capital growth effect. In many papers discussing work requirements, there is an assumption that this work is unproductive and provides no human capital growth. However, in the real world, work is likely to be productive, and this will cause an effect that could change the outcome of the Welfare program. This provides the motivation for the study of human capital growth in Workfare models.

This paper will proceed as follows: section 2 will provide a brief overview of Welfare programs in general and its problems. The third section will describe how Workfare is proposed to alleviate those problems. The fourth section is a critical examination of papers that concentrate on work requirements implemented in Welfare programs, and its effects. Followed by this will be the case study on the Workfare program in Toronto in section 5. Section 6 is a discussion of the importance of the human capital effect; and finally, there will be a concluding section 7 to summarize the most important findings, and discuss future areas of interest.

2. The Problems with Welfare Programs

In Canada, Social Assistance, or a Welfare program is believed to be important for society. In this section, a benchmark Welfare program will be presented along with the Welfare program that traditionally existed in Canada. The reasons for some of the differences between the benchmark and the Canadian case will be discussed, as well as the problems that the Canadian Welfare program has encountered. The need to address these problems will be briefly discussed.

An ideal Welfare program would satisfy the first theorem of welfare economics, which is to say that given the circumstances, no person could be made better off without someone else being made worse off. This situation is called Pareto[1] efficiency (Romer, 2001). All of the population that did not have enough resources would be adequately provided for, and no people would receive benefits from a Welfare program that did not

[1] Pareto efficiency is the term used to describe the situation where it is impossible to make anyone better off without making someone else worse off. Pareto efficiency is the corner stone of the first theorem of welfare maximization (Romer, 2001)

"deserve" them. The program benefits would provide for its recipients until they could support themselves, and all of the recipients would attempt to support themselves. This ideal Welfare program could be our benchmark from which our program designers could attempt to measure up to. The ideal Welfare program objectives could be: 1) providing a Pareto efficient transfer to the population that is truly in need of that transfer, while avoiding provisions to those deemed "unfit" for assistance, 2) providing a meaningful transfer to those who are in need, in order to decrease the number of people living with too few resources, and, 3) providing a Welfare program that does not cost more than the Pareto efficient outcome would dictate (Barr, 1998).

Traditionally, the Canadian Welfare program lagged behind the U.S. in terms of its legislation and spending, but in 1966, the Canada Assistance Plan (CAP) was created which took control of the Welfare program design. Under CAP, people were assessed for Welfare program benefits with rules that were not as tight as they had previously been. For the first time, people who were employable were eligible for Welfare program benefits. The Federal and Provincial governments shared equally in all Welfare program costs, and the provinces had the freedom to design their own needs tests and apply their own assistance levels. The eligibility for Welfare program benefits did not categorize people by sex, marital status or physical disability. Spending on Welfare programs increased greatly and surpassed the U.S. Many recipients abused the Welfare program and collected benefits while not truly in need of them. There were also recipients who decreased their private labour market contribution because they could survive on their Welfare benefits. The price for the Welfare program became too high for many program designers to be satisfied with (Allen, 1993).

The real world did not necessarily provide an environment that was conducive to the ideal Welfare program, and hence the Canadian Welfare program had fallen away from the benchmark Welfare case. In attempting to create a Welfare program that stands up to the problems of the real world, (i.e. being cost effective and adequately beneficial to the population in need of assistance), the government or program designer faces many challenges. Moral hazard[2] and adverse selection[3] exist in any real world environment in

[2] Moral hazard is the term economists use to refer to the possibility of dishonest behaviour (Mankiw and Scarth, 1995).

which a Welfare program is to be designed. Moral hazard exists in welfare programs when a welfare recipient does not try to the best of his/her ability to find work, or may not truly be in need of the benefit that he/she is collecting. Adverse selection is present when the agency delivering the benefits to the recipients cannot easily identify who is a person truly in need of the benefits, and who may be "cheating the system".

These gaps in information influence how the Welfare program can be designed. For instance, the program designer cannot simply assume that only those truly deserving (as defined by the program rules) will attempt to receive the Welfare program's benefits. The designer would have to implement policies that would block non-deserving citizens from collecting the Welfare program's benefits, or account for losses to the non-deserving citizens who choose to collect benefits. Another consideration for a Welfare program's designer is the way in which the Welfare program will be distinguished from the existing social assistance policies. A Welfare program is intended to be a program of last resorts for those citizens who fall through the gaps in other social assistance programs.

When designing a Welfare program, the designer must also be concerned with the difference between increasing program recipients' income and maximizing their welfare. The most important objective in any type of Welfare program is the alleviation of poverty. The program will attempt to increase the income of the recipients if the program designer is concerned with poverty alleviation only. If, on the other hand, the program designer is concerned with welfare maximization, the program may offer more than income support. It would offer utility-providing goods and services[4] as well as consider recipients' leisure time in the design of the program. The latter type of Welfare program is potentially very complex and expensive, and therefore program designers often concentrate on poverty alleviation more than welfare maximization. In the studies investigated in this paper, both the minimization of poverty, and the maximization of welfare are considered. However, in reality, because of the reasons cited above, most program designers are concerned with the minimization of poverty. For example, the Government of Ontario cites the main goals of its Welfare program as: 1) providing

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[3] Adverse selection is an economic term used to describe the unfavourable situation of having to make a decision without all of the necessary information (Mankiw and Scarth, 1995).

[4] Utility is an economic term referring to a level of happiness. It is not measured in any specific units.

temporary financial assistance to those most in need, 2) effectively serving people needing assistance and promoting self-reliance, and, 3) being accountable to the taxpayers of Ontario. Welfare can also be used as an emergency grant to families in financial crisis (Government of Ontario, 2003).

Welfare programs are different from other government provided assistance programs, such as Disability, Old Age Assistance, and Employment Insurance (EI), because it is a program of last resort. Employment Insurance provides assistance to people while they are temporarily out of work, and Disability programs provide assistance and employment support to those who qualify as disabled. The Employment Insurance program is plagued by some of the same design challenges as the Welfare program. However, the regulations governing EI represent much tighter restrictions than most Welfare programs. In recent years in Canada we have seen a tightening of these restrictions, making the trend toward becoming a Welfare program recipient, rather than an EI recipient even greater. To receive Welfare program benefits you do not have to have worked a required amount in the past, the benefits last longer, and the restrictions to becoming a recipient are looser. For instance, Employment Insurance is only available to those who have held a job for 420 to 700 hours of work (depending on the location and the unemployment level in the area). The benefits are restricted further to only those people who have paid into the insurance plan while they held their job (Government of Ontario, 2002). In Toronto, a worker would have to have worked and paid into the benefits plan for 595 hours before he/she would be eligible to collect benefits upon his/her unemployment. Once a person is eligible to receive employment insurance, the benefits last for only 18 to 42 weeks (again depending on the location, circumstances of the family and the dismissal from work, among other things) (Government of Ontario, 2002).

There are many time limits in place to ensure that EI remains temporary and to restrict the fraudulent behaviour that sometimes plagues the program. There are small windows of time when a person can apply for, begin receiving, and use their EI benefits, and people are often restricted from re-applying for additional EI benefits (Government of Ontario, 2002). The average duration of collecting unemployment insurance is 10-15 weeks. However, people using welfare have no time limit on their benefits and they tend

to stay on welfare much longer than 15 weeks. Welfare program recipients are also not limited to applying for welfare only once. In the United States, almost 25% of people on welfare remain on welfare for more than 10 years (Moffitt, 1992). This suggests that there is a flaw in the design of the Welfare program. The program cannot be temporary and allow people to collect benefits for over ten years. This finding also suggests that possibly some Welfare program recipients would be better served by another social assistance program, perhaps disability support, or training programs. In addition to this, the recipients of welfare do not pay into a program while they have a job, or money, in order to have something to rely on in the future. Welfare recipients simply require "new money" to be provided for them. The EI program actually costs less for the government than it brings in (Corak, 1995).

One problem that arises from both of the assistance program designs mentioned above is determining a minimum amount of income that a program would attempt to provide to its recipients. In Canada, there is no poverty level below which a person is deemed poor. Rather, an incidence of low-income (i.e. a percentage of the population that is in a low income bracket) is used to determine the number of Canadians living in poverty. Even with an exact dollar amount that is deemed a minimum amount of income that all people should have, there is a problem in determining who those people are. In the benchmark Welfare program, the money would simply be provided to those who do not have enough. But with the gaps in information faced by the program designers, the people who do not have enough are not easily identified from those people who do have enough. Thus there exists a screening problem that the program designers must effectively plan for.

A second problem is designing a Welfare program that is administratively efficient so as to avoid wasting money, time, and incorrect opinions. The objective of administrative feasibility involves ensuring that an adequate level of program benefits is provided to those whom the program designer deems fit to receive the subsidy, without expending more than necessary. A second aspect of administrative feasibility is designing a Welfare program that is not too complicated, or difficult to initiate and operate. Along with this desired design feature is the desire to create a program that does not stigmatize

as "lazy" those who use the program benefits. A Welfare program must "preserve the dignity" of its recipients (Barr, 1998).

A third problem is that the program designer wants to provide benefits to people to make them better off without deterring them from being productive in society. In some cases, Welfare programs have been a drain on the contribution to the private labour market by the program's recipients. Allen (1993) conducted a Canadian study to measure the effect of a Welfare program's benefits (WB) and liquid assets (LA) allowance on the recipients' labour force participation. Using data from the 1986 census of Canada, microdata file on individuals, Allen conducted a logit regression to measure the above effects. Allen's evidence, from the regression where the dependent variable was the probability of a woman working, given that her household income was on or below the provincial poverty line, showed that both WB and LA variables were negative and statistically different from zero. This evidence, and other evidence such as (***) prompt Welfare program designers to be careful to design a program that deters Welfare program recipients as little as possible from the labour force.

Recognizing the environment that the economy provided, and facing the problems of the Welfare program in Canada, program designers attempted to remodel the Welfare program. Explicitly, program designers wanted to create a Welfare program that screened better for the proper recipients of Welfare benefits, decreased costs and negative stigmas of the Welfare program, and would not decrease the labour participation of the program recipients. In Ontario, as in many parts of Canada, what the program designers thought would be a good solution for the Welfare program was implementing work requirements. The next section will describe in detail why "workfare" (a Welfare program with mandatory work requirements) was proposed to be able to alleviate the problems of the Welfare program.

3. Workfare as a Proposed Answer:

There are many alternative designs to Welfare programs. One is workfare. Workfare is proposed to alleviate the problems associated with welfare by imposing a work requirement in order for recipients to receive welfare benefits. There are many

different models of workfare, in both theoretical, and empirical forms. These different programs, among other things, differ in how the term "work requirement" is regarded. In some theoretical models, work is not necessarily productive. It is simply a form of payback by the welfare recipient. In most real life programs, work is productive, and it provides a source of human capital growth. Work requirements may include any, or all of: training activities, getting more education, working, and community activities. In the United States, there was

> ...National debate on welfare reform centres on whether welfare-to-work (or "workfare") programs should be voluntary with incentives or compulsory with penalties, and whether they should focus on rapid labour market entry or on delayed entry with human capital investments in education and training.
> (Leigh, 1995)

The Welfare program cannot determine who is truly in need of assistance. In effect, the program has a screening problem, its first problem. Workfare is purported to screen out those people who do not really need assistance, but are applying for it, because those people will not be willing to provide the public work hours that a Workfare program demands.

The Welfare program is too expensive for the government, and it creates a negative social stigma for its' recipients, thus making it a program that does not satisfy administrative efficiency, its second problem. Workfare theoretically solves the problem of Welfare program's expense being to great because through the screening effect, there will be fewer recipients to provide benefits to. In addition to this, attaching a work requirement to the receipt of the Welfare program benefits, increases the possibility that Welfare program recipients will find work and become self sufficient. A Workfare program is said to minimize the negative stigma imposed on people who receive Welfare program benefits because it shows that the recipients are not too "lazy" or "stupid" to maintain a job, (a belief that many tax payers hold according to Cuff (2000). A Welfare program with work requirements removes the hand-out stigma and replaces it with a "hand-up appeal", that is, the government is helping someone get back on his or her feet again (Government of Ontario, 2002).

The third problem that was identified with the Welfare program in Canada was that the Welfare program benefits deter the program recipients from participating in the

labour force. Imposing work requirements in the Welfare program forces the program recipients to participate in work activities. This does not necessarily mean that the recipients will be participating in the labour force, because work activities include a wide variety of activities. However, it could place some recipients in the labour force, and provide meaningful training and incentives to other recipients to move into the labour force. Theoretically, a Workfare program will at least not decrease labour market participation (Brett, 1998).

For program designers, work requirements in a Welfare program seemingly solved the most critical problems of their Welfare program. This section has shown that for each of the three problems pointed out in the last section, Workfare seemed to provide an answer. What is left is to test the Workfare model, both theoretically and empirically to see if it can actually solve the Welfare program's problems. The next section, which is a critical review of the literature on the topic of Workfare, will show problem by problem whether Workfare was the right solution to the problem stricken Welfare program in Canada.

4. Critical Review of the Literature on Workfare:

A. Using Workfare as a Screening Tool

Mirlees (1971) introduces a model in order to determine the optimum tax structure to redistribute income. He assumes that people have identical preferences and are concerned with maximizing their own utility. People work, and their abilities at work differ, and this is known. In fact the program designer has perfect information. Mirlees (1971) also assumes that the program will have zero costs of implementation and operation. The paper concludes that the optimum tax structure is very sensitive to people's abilities and preferences. In the above model, this is not a problem because the program designer has perfect information. However, in a more realistic setting, the designer would not have all the information necessary to make an efficient program. This conclusion stresses the importance of screening. The program designer must find a way to increase the information it has in order to make a program that will effectively

redistribute income. A Welfare program is one way to redistribute income, and it has the same problem, a need for screening. This section will critically discuss the contribution of Besley and Coate (1995), which deals with how work requirements implemented in a Welfare program could screen the program applicants, and help direct an income transfer to the proper target group. Following this discussion, the contribution of subsequent authors, such as Cuff (2000), and Beaudry and Blackorby (2000), will be analysed and compared with the Besley and Coate (1995) paper. See Chart 1 for a comparison of some of the aspects of the more important papers that will be examined.

A work requirement implemented in a Welfare program is said to distinguish between the deserving and undeserving population applying for Welfare program benefits because only those who truly need the benefits will be willing to work to receive them. This is the basis of a Workfare program (Standing, 1990). It is assumed in the Besley and Coate (1995) paper, as well as the other papers to be examined in the section, that the needy are people who are able to work. If there are needy people who cannot work, they will be supported by an alternative assistance program, or they will be exempted from the work requirements implemented in the Welfare program (i.e. a disabled person would receive disability support instead of Welfare program benefits while a single parent with preschool aged children would be exempt from the work requirements of the Welfare program).

The basic model presented by Besley and Coate "concentrates on poverty alleviation rather than welfare maximization". A population is presented that has a minimum level of income, above which people are considered to be high ability earners and below which people are considered to be low ability earners. The low ability earners represent the poor population. The government will provide a Welfare program that will allow for everyone in the population to have an income that meets the minimum level. Besley and Coate assume that the work required by the assistance program is unproductive; that is, the government receives no benefit from it and there is no human capital growth. They also assume that people will only accept the Welfare program benefits if it improves their financial condition.

In the situation where the Welfare program designer had full information of the population, what Besley and Coate called the benchmark case, there was no need for any

Chart 1	MODELS Besley and Coate 1995	Cuff 2000	Beaudry and Blackorby 2000	Brett 1998	Chambers 1989
WORKFARE'S EFFECT ON...	SCREENING	SCREENING	SCREENING	WORK DETERRENCE	WORK DETERRENCE
IDEOLOGY	Poverty Alleviation	Welfarist	Welfarist	Welfarist	Welfarist
HUMAN CAPITAL GROWTH EFFECT PRESENT	NO	NO	NO	NO, but work was not restricted to being un-productive	NO
DESIGNER HAD FULL INFO.	benchmark case it did situation 1-did not situation 2-did not	it did not	it did not	it did not	it did not
REASON FOR BEING POOR	benchmark case-bad luck situation 1- bad luck situation 2-past decision	type one-past decision type two-disabled	low skills	Not restricted to, but generally because of unemployment	low skills
WORKFARE'S EFFECT POSITIVE	Screened, but did not target well	Screened, but did not target well	Screening was accomplished	decreased work deterrent but not for target group	decreased work deterrent but not for target group

work requirements in the Welfare program; that was because the program designer could do the work that the work requirements were intended to do. In this benchmark case, being poor was assumed to be the result of bad luck, and earning abilities were exogenous. Bad luck resulting in being poor is important here because it represents a situation where the poor population would have suffered from low incomes because of economic downfalls, and not because they were lazy or bad workers. The Welfare program designer could decipher who of the program applicants had a high income, and who had a low income. The Welfare program benefits could then be distributed to the applicants who had a low income, and the high income applicants could be turned away.

Two situations were then presented that more closely represented a real world situation. In the first situation, the Welfare program designer could not observe income generating abilities of the Welfare program applicants, and again being poor was

assumed to be a result of bad luck. Because the program designer could not observe the income generating abilities of the Welfare program applicants, it could not decipher who was able to earn a high income and who was not. Then two sub-situations were presented. The program designer was either a) able to observe private sector earnings of the program applicants, or b) not able to observe private sector earnings of the program applicants. In sub-situation "a", the knowledge of the program applicants' private sector earnings revealed whether or not the applicant had a high or low income. In this case, if the applicant wanted to receive the Welfare program benefits, he/she would have had to masquerade as a low income person. This pretender would have had to decrease his/her work hours in order to have a low enough income to qualify for the Welfare program benefits. In sub-situation "b", without the knowledge of the program applicants' private sector earnings, that same pretender could pose as someone from the low income population, collect the Welfare program benefits, and maintain their high income. Assuming that working is utility decreasing, this would be a desirable situation for someone in the high income population because he/she could stop working or decrease his/her work hours.

In sub-situation "a", the Welfare program designer would have the to choose between implementing and not implementing work requirements in the program. The choice to implement these requirements would be decided by the costs. Not implementing the work requirements would mean that the low income population would receive a Welfare program benefit equal to the minimum level of income minus private sector earnings. Pretenders from the high income population would be known pretenders, thus as they decrease their private labour sector hours in order to decrease their income to the level where they can receive Welfare program benefits, their benefits will be decreased by an amount that represents their leisure time that has been freed up by their decrease in hours. Imposing a price to leisure makes a less expensive assistance transfer for the government. Implementing the work requirements would create a system of self-selection where the high income population would chose not to apply for Welfare benefits, and the low income earners would apply for the benefits and provide the required public work hours. This Welfare program would save money where benefits were no longer being distributed to those who did not truly need the benefits. However,

the work requirements could decrease participation in the private labour market of the low income population because of the required increase in public labour. Thus private sector earnings of the low income population could decrease, effectively increasing the gap between the low income earnings, and the minimum level of income. This in turn would increase the amount of Welfare benefit required from the program to ensure that this population would receive the minimum level of income. The work requirement effectively screened out the high income Welfare program applicants, thus saving the program money, however the screening did not come without a cost. The least expensive Welfare program would be implemented.

In sub-situation "b", the Welfare program designer would have the same choice between implementing and not implementing work requirements in the program. Again the choice to implement these requirements would be decided by the costs. Not implementing the work requirements would mean that the low income population would again receive a Welfare program benefit equal to the minimum level of income minus private sector earnings. Pretenders from the high income population would be able to receive the Welfare program benefits, even though they do not truly need them. This results in an extra cost to the Welfare program. Implementing the work requirements would save money where benefits were no longer distributed to those who do not truly need the benefits. Again however, the work requirements could decrease participation in the private labour market of the low income population because of the required increase in public labour, thus decreasing their private sector earnings and effectively increasing the amount benefit level required from the program to ensure that this population would receive the minimum level of income. Again the screening effect worked, but it did not work without a cost. The least expensive Welfare program would be implemented.

The second situation was a case where being poor was assumed to be a result of past choices. The Welfare program designer could observe the population's income generating abilities, and it knew that these abilities were a result of choices one had made in the past (i.e. dropping out of school after grade six and thus only being a low ability earner). The Welfare program designer again had to choose between implementing a work requirement or not. Because the program designer could decipher between the low-income population and the high-income population, there would be no need for work

requirements to do the screening. The high income population would receive nothing and the low income population would receive Welfare program benefits equal to the minimum level of income minus their reported income. Where work requirements were implemented, the high income population would again receive no Welfare program benefits, and the low income population would receive a Welfare program benefit equal to the minimum level of income, and provide a maximal work requirement. Thus the low income population would provide only public labour, and no private labour. Imposing the maximum work requirement could reduce the poors' gain from the Welfare program by eliminating their chance to provide for themselves, and choose work for themselves, thus decreasing the number of people who would want to use the program. This program design would be logical where the program designer was very interested in screening out those who were not truly desperate for the program's benefits, or was interested in decreasing the Welfare program's caseload. However, this design will only reduce the poors' gains if the work requirement is large enough.

Besley and Coate's overall results were that the screening benefit of workfare was accomplished in a model where the government did not have a great ability to monitor earnings of the population. In the real world, no one can correctly or inexpensively monitor people's ability to earn, so there will never be a state where there is full information as in the benchmark case. When the government cannot monitor earnings, there is a greater probability of the high-income population attempting to masquerade as the low-income population so there is a greater benefit to being able to screen out those pretenders.

A study by Katherine Cuff (2000), investigated the screening benefits of a Workfare program, but in the context of a welfarist state, rather than a poverty alleviation approach as in Besley and Coate (1997). In Cuff's model, the program designer considered the utility obtained from leisure when creating a policy. Thus, when someone was not working and derived utility from leisure, but was poor, she was not necessarily the target population for the Workfare program benefits. Making her work, even though it would increase her income, did not increase her welfare, because it decreased her leisure time, which was very valuable to her. Cuff then investigated who was the target group to receive Workfare program benefits. Cuff divided the low-income earners into

two types, based on their preferences. One type had a high disutility of work because they had a high utility of leisure, (i.e. they were "lazy"). This is a similar situation to Besley and Coate (1997) where a person was a low-income earner because of past choices he had made. The second type had a high disutility of work because they were disabled or through no fault of their own could not work. This case is similar to Besley and Coate (1997) where a person poor out of bad luck. Cuff assumed that the program designer would not know the population's preferences towards their utility derived from leisure, and thus would not know who was type one, and who was type two. But, that given that information, the designer would direct the program benefits toward the type two group.

Cuff created a model in which there were four general assumptions. The first assumption was that work was mandatory, second, work was not used as a human capital investment, third, there were negligible administration costs in administering the program, finally, the government could only observe an individual's labour market income. The population in this model is made up of high and low ability earners, and the low ability earners are type one and type two.

How the government interprets individuals' preferences will dictate how the individuals will receive their benefits. If the government interprets a high disutility of labour as a form of disability, it will be assumed that individuals with a low-ability and a lower disutility of labour are better off than low-ability individuals with a higher disutility of labour. Here, the worst off individuals are the low-ability, high taste for leisure people. On the other hand, the government could interpret a high disutility of labour as a form of "laziness" where it would be assumed that low-ability individuals with a higher disutility of labour are better off than low-ability individuals with a lower disutility of labour. This is so because the people with a high disutility of labour have a high utility of leisure, of which they have a lot. Therefore they are relatively well off in terms of welfare. In this case, the worst off individuals are those with low-abilities, and low tastes for leisure. The government wishes to transfer income from the high-ability workers to the worst off individuals. The question is, will workfare increase the welfare of the worst-off individual?

The results of the model showed that it was never optimal to impose work requirements in the Welfare program on the high-ability individuals. It was not optimal to impose work requirements in the Welfare program on either of the low-ability individuals either. For those who were low-ability with a low disutility of work, (i.e. the worst off individuals where low ability is considered a consequence of being "lazy"), it could be optimal to impose a Workfare program. A Workfare program would redistribute to the worst-off individuals and improve their welfare in two ways: it is productive and creates additional resources, and it weakens the self-selection constraints between different types of individuals. Where people were considered disabled when they were of low-ability, a Workfare program would not work because these people could not work. Workfare was not necessarily designed for disabled or elderly people. In most circumstances in North America, these groups have other avenues to explore for assistance (i.e. disability support programs and old age support programs). Where people were considered "lazy" when they were of low-ability, a Workfare program would work in screening out those individuals with a high disutility of work, from those with a low disutility of work. Transfers could then be directed toward the target group.

It is interesting to observe that if people are either "lazy" or disabled, it is not optimal to impose a Workfare program on them. If the low-income group the program designer is targeting is a group that is willing to work, this group may not be the best target group seeing as they are likely to join the workforce anyway when it becomes possible for them to do so. This group compares to the low income due to being unlucky group in the Besley and Coate (1995) paper. In the Besley and Coate paper, this group would receive their minimum income through a Welfare program either with or without work requirements, depending on the costs and decisions for the program designer. In the Cuff paper, with the interest of the program designer concentrated on welfare maximization, the group would gain no welfare increase from being forced to work, when they already wish to work. For the low income group who are not as willing to work, the group of people for which a Workfare program was supposed to do the most good, this model simply does not work to improve their welfare. Being forced to work will only decrease their leisure time, thus decreasing their utility and welfare. For these

people, if the program is designed with welfare maximization in mind, the program will never work.

For those who are disabled, a work requirement is not a good addition to a Welfare program, because these people cannot work. Supplemental assistance should be provided to the disabled population, because through no fault of their own, they cannot provide for themselves. On top of this, a Workfare program cannot provide benefits to the disabled, because they cannot fulfill the work requirements. It is questionable that Cuff's study would use disabled people as a target group for a Workfare program at all. In most implemented Workfare programs (i.e. Ontario Works), people who are disabled are exempted from any work requirements. Most implemented Workfare programs are also poverty minimizing, rather than welfare maximizing. This is because poverty alleviation is much more tangible goal than welfare maximization. The program designer can establish a specific income level below which people are poor, and it can calculate this number of poor. Then a program can be designed to provide benefits to those who are poor to bring them up to the minimum amount of income. Welfare maximization on the other hand, is a matter of individual preferences and choices, over which the program designer has little control. To attempt to implement a Workfare program that will satisfy a population's preferences would be much more difficult, and much less tangible. In either case however, a disabled person would not be providing work hours and earning income or welfare from work. Why then would Cuff bother to study the effects of screening on a disabled group?

The Cuff paper assumed that people with a high disutility of work were "lazy" if they were not disabled. Possibly these lazy people are undeserving of any transfer, but there is also the possibility that this group of people are lazy in terms of private sector work, but quite active in "home" work. When people's preferences dictates how a Workfare program will be implemented, and those preferences are not available to the program designer, the above assumption might occur. This is an area that Cuff did not pursue. Someone might stay home from work to take care of children or elderly people for example. Surely these people are not "lazy", and yet the Workfare program may consider them to be an unacceptable target group.

Workfare in Cuff's model can accomplish screening, but as the model is set up, there is question as to whether any of the groups the Workfare program might targeting would benefit from the program. The program designer in this model might be better to recommend a different targeting tool, or separate programs for separate groups (i.e. Welfare programs without work requirements for the lazy group, disability support for the disabled group, and unemployment insurance or temporary support for the group willing to work, but temporarily out of work).

Beaudry and Blackorby (2000) study the screening effect of a Workfare program in a welfare maximization setting, again contrary to the Besley and Coate (1995) paper. Beaudry and Blackorby conduct their study in order to discover whether Workfare programs are "reasonably designed". Their model assumes that the program designer cannot observe the utility people derive from leisure, nor can it observe the skill levels of the people. It also assumes that work hours are mandatory in the Workfare program.

The conclusion of the Beaudry and Blackorby (2000) paper is that a Workfare program is effective if a person's productivity in the mandatory work of that program is greater than the same person's productivity in the private labour market. Otherwise, another program of assistance, such as employment subsidies should be used. They also consider when a low-income person cannot find work and conclude that a Workfare program could be used to transfer income to individuals with virtually non-existent market opportunities. Screening can be accomplished to separate out those people who have virtually no chance of being productive in the private market, and thus Workfare can provide them with meaningful benefits. These conclusions are not contrary to that of Besley and Coate (1995), although the original objective of the program is different.

Beaudry and Blackorby (2000) suggest that a less mandatory approach, such as the Canadian Self-Sufficiency Project, which provides extra income to those Welfare program recipients who choose to find work, would be supported by their results. They support this with the notion that subsidy programs such as the one described above screen for the population with the least welfare by being voluntary. Having work requirements attached to the supplement makes the program unattractive to those who do not really need the money, and because those who value their leisure time enough to not choose to work, are not forced to work, they maintain their level of welfare. Those who do wish to

work may do so, and receive the supplement, increasing their welfare. This type of supplement program would tend to improve the model of not only Beaudry and Blackorby (2000), but also that of Cuff (2000). Where there was trouble targeting the right group to receive the Welfare benefit, a supplement program self-selects the right group. It does a better job at screening when a welfare maximization ideology is taken.

An alternative idea to work requirements that may screen out the unintended beneficiaries of a Welfare program could be one such as Blackorby and Donaldson (1978). The model in this paper assumes that the program designer knows people's preferences, and there are two types of individuals: the sick and the healthy. The program designer then offers medical care and yams, and assumes that the healthy population would only want yams; the designer does not know who is sick, and who is healthy. Further assumptions about medical care are taken: it cannot be resold, and it can be disposed of freely. The designer offers two packages: one provides yams only, the other provides yams and medical care. If the second package is more valuable than the first, there is incentive for both types of people to choose it, even though the healthy people do not need medical care. So the program designer must make the medical care have a value of zero to the healthy people in order to have them choose the first package, thus not wasting resources.

The solution is to offer medical services as "in kind" transfers, so that it is only beneficial to those who need the service. Blackorby and Donaldson explain it in a simple example. If rape victims receive money in their assistance, there is incentive for people to appear as if they are rape victims. If, on the other hand, rape victims receive counselling, only the intended beneficiaries would receive the assistance because there is no benefit to people who were not really raped.

A Welfare program could be modeled after this, where the recipients receive only food, shelter, childcare, and clothing, rather than money, so that only truly poor people would benefit. This would screen out the unintended beneficiaries and only the target population would be provided with Welfare benefits. Of course, this modelling would assume that people could not resell their benefits, and it would not necessarily be welfare maximizing. In the real world, this model may come up against many challenges, but it

offers one alternative solution, other than work requirements, to the problem of screening.

The models above detail theoretical tests of the screening effect of Workfare programs. Besley and Coate (1995) was the one model of the three based on poverty minimization rather than welfare maximization, which allows for a closer approximation to a Workfare program that could be implemented in the real world. Besley and Coate (1995 b) suggest that program designers do not value the poor population's leisure, because the designers reflect the attitudes of taxpayers who finance the program. The paper goes on to say that many taxpayers are concerned with reducing the visible signs of poverty and preserving the work ethic, this would then lead taxpayers to discount the value of the poor population's leisure.

All of the papers show that work requirements in a Welfare program is an effective tool to screen out the non-target population of the program, except for the last, alternative paper. However, screening is only accomplished in certain scenarios, under multiple restrictions. The assumption that the work requirements would be non-productive, and provide no human capital growth, detracts greatly from the models because it eliminates a potentially very powerful effect that could alter the outcome of the program. This assumption also detracts from the approximation of the model to the real world where work will usually produce something of value. Studying the effect of a Workfare program on screening, with the inclusion of a productive work requirement and a human capital growth effect would be very interesting for future studies. The inclusion of positive administrative costs to run a Workfare program would also create a more realistic model that would be interesting to study. The above models exclude these costs to focus only on the screening aspect of the program. However, these costs could change the entire structure of a Workfare program and should not go ignored.

B. Workfare's Role in Combating the Negative Stigma and High Costs of Welfare Programs.

Low costs and a low level of negative stigma (i.e. society does not think badly of Welfare program recipients) can be suggestive of a successful Welfare program. Many

factors contribute to the costs and stigmas surrounding a Welfare program, thus they are difficult to control. This section will attempt to introduce some of the factors influencing costs and stigmas in a Welfare program and evaluate how well Workfare affects these factors.

The costs of a Welfare program come from a variety of sources including; the number of recipients that the program provides benefits to, the amount of those benefits, and the administrative costs involved in running the welfare program. The program designer must attempt to reach its objectives while maintaining the fine balance between the Welfare recipients' needs and the cost to the taxpayers. In comparing a Welfare program's costs to a Workfare program's costs, there would seem to be a few distinct areas where the cost structure could be different. If the number of recipients and the benefit level were given, the areas where a Workfare program may save money over a Welfare program could be through screening out the undeserving recipients, and by increasing the work effort of recipients, thus increasing the likelihood that they become independent. The area where a Welfare program may save money over a Workfare program could be in administration costs. If work requirements create a situation where caseworkers must monitor the program recipients to make sure that they fulfill their work requirements, there may be a need to increase administrative staff and thus expenses.

If, as mentioned above, the extra monitoring was needed, thus increasing the cost of the program per recipient, total expenditures could decrease if screening eliminated enough recipients. If both a Workfare and a Welfare program had twenty recipients each, but the work requirements of the Workfare program successfully screened out three people who didn't want to work for their benefits, then the Workfare program would be a less expensive program than the Welfare program. The Workfare program would only have to provide benefits to seventeen recipients compared with the Welfare program, which would have to provide benefits to all twenty recipients. Assuming the benefits were of equal value, and administrative costs were the same, The Workfare program expenditure would be less than that of the Welfare program.

Another source of possible extra expenses in a Workfare program could be the administration costs. Where Welfare programs would have caseworkers, managers, and program designers, a Workfare program could have all of those plus people to monitor

the program recipients to see that they fulfilled their work requirements (Herd, 2002). A workfare program might also require administration staff to seek out job and/or training opportunities for the recipients.

When considering the costs of a Workfare program, one would also need to evaluate the displacement effect of the program. This is the effect that those Workfare recipients have on non-Workfare recipients when they are looking for work. If Workfare recipients are expected to find work in order to receive their benefits, there will be a new wave of people searching for employment. There would be greater competition for jobs, and some people not on Workfare could lose their job to enable the hiring of person on Workfare. Thus these non-Workfare workers could be displaced from the labour market (Torjman, 1996). Depending on the size of the displacement effect, adding work requirements to a Welfare program could create more unemployment and more people in need of Welfare benefits. Thus a large displacement effect could flaw a Workfare program. Unfortunately, displacement effects are not often considered in studies on the success of Workfare programs. Because there is so little information on such an important effect, the true impact of work requirements on the cost of a Welfare program is not quantifiable.

It remains to be pointed out that low costs are not always a good thing in a Welfare program. If the objective of a Welfare/Workfare program is to alleviate poverty, than the likelihood of the costs of the program decreasing is small. In the above case, an increase in expenditure would more likely be a sign of the success of the program. Thus, the objective of the program could dictate how the costs of the program will be viewed.

Welfare stigma is traditionally a negative feeling toward welfare recipients by society. The negative stigma is an attribute of many Welfare programs that the designers of the program try to decrease or eliminate. Many Welfare programs cite " preserving the dignity of the recipients" as a main goal of their program (Torjman, 1996). When observing the effect of a negative stigma on a person's decision to accept a Welfare program's benefits, a program designer would need to consider many things. First, it would need to decide if there actually was a negative stigma, and if there was, whether it actually deterred people from using the Welfare program. Second, a program designer would need to decide if it wanted to decrease the negative stigma, which in itself could

act as a cost saving mechanism. Often people feel ashamed to use a Welfare program because of the knowledge that society views them in a negative light. People may try to avoid using Welfare benefits and thus avoid the negative attitudes towards themselves.

In many Welfare programs, as in Toronto, program designers attempt to preserve the dignity of the recipients (or at least state this as one of their objectives), and thus a goal of the Welfare program is to decrease the negative stigma attached to program recipients. It is believed that one way to decrease that negative stigma is to create a program where the recipients give back to society, either through labour, or through community service. Thus work for welfare, or Workfare in all of its facets, is seen as a way to decrease a Welfare program's negative stigma.

Besley and Coate (1992) attempted to determine the effect of the Welfare stigma and see if Workfare would decrease this negative stigma. Their paper examines Welfare stigmas created by two separate forces, taxpayer resentment and statistical discrimination. The taxpayer resentment theory came from the idea that taxpayers have different feelings about the poor, such that some feel that poor people receive too much assistance, and some feel that they do not receive enough. Those who feel that poor people receive too much assistance resent that their money is spent on frivolous benefits for "lazy" people who do not want to work. The statistical discrimination theory comes from the idea that Welfare program recipients hold fewer of the characteristics that society deems valuable. These characteristics include self-reliance and a willingness to work hard.

A basic model was derived and then applied to the two different types of stigma creation. The basic model is an equilibrium model and it involves two classes: the rich and the poor. Of those who are poor, there is a segment that is "needy", or cannot work at all. The rest of the poor population is considered able to work to support themselves. . The government operates a Welfare program that offers a benefit to any poor person not working, but the benefit carries a negative stigma that is not desirable. The benefit is financed by a tax on every rich person. The government can observe an individual's employment status, but not the individual's opportunities (i.e. the government does not know if the person can or cannot work, only that he/she does or does not work).

The poor who chose to work, supply labour and earn income. The poor who chose not to work collect Welfare program benefits. In this model, a needy person only has the

option of Welfare benefits, but a person who can work could either work or collect benefits. Those poor people with a high disutility of work will collect Welfare benefits and suffer the stigma. Those with a low disutility of work will work instead. This basic model was applied to both the taxpayer resentment view and the statistical discrimination view to determine the effects of a stigma in a Welfare program on participation in that program.

Under the statistical discrimination theory, as things that make working more attractive increase (i.e. wages increase for low-skilled jobs), or as Welfare benefits increase, the stigma for those using Welfare benefits increased. As the fraction of needy people on the Welfare program increased, the stigma decreased. Lastly, the stigma of the Welfare program was unaffected by changes in the income of the rich or changes in the number of poor people. Under the taxpayer resentment theory, as the Welfare benefit increased, the stigma increased, as the income of the rich and poor people increased, the stigma decreased, and as the number of people on Welfare program increased the stigma either increased or decreased. The last effect is ambiguous because of the fact that an increase in the number of people on the Welfare program meant a decrease in the number of taxpayers. This meant that there would be an increase in transfers because there were more Welfare recipients, but also that there would be fewer people left to propagate the stigma on the Welfare recipients.

The general conclusion was that many different factors affect the stigma of a Welfare program, and program designers should be conscious of all of these things in order to accomplish the optimal level of stigma for the program. If the designer could identify the truly needy, it could provide only to that group, and under the statistical discrimination theory, this would decrease the stigma because the benefits would only go to the "needy". As identified earlier in the paper, using work requirements to screen out the undeserving portion of the population can be somewhat effective. Introducing Workfare can also be effective in decreasing the total number of Welfare recipients because the benefits are made less attractive by the requirement of work. This would decrease the stigma under both the theory of statistical discrimination and the theory of taxpayer resentment.

It is interesting to note that the model of this paper is not much like the model in their 1995 paper studying the screening effect of Workfare. In Besley and Coate (1992), the program designer is not distinguished as being concerned with welfare maximization or poverty alleviation. In fact, the Welfare program was hardly described. The only observation about the Welfare program was whether the benefit levels changed. The benefit levels themselves increased and decreased the stigma level, but also the total costs of the programs changed the level of stigma (and the benefit level was considered to be a large part of the total costs). The design of the program can greatly affect the total costs of the program, and as mentioned above, the objective of the program could dictate whether total costs will increase or decrease. An outline of the program, such as that in Besley and Coate (1995) would improve this paper. If the objective of the program designer was introduced, it could be possible for Besley and Coate to consider the strategic generation of a stigma level by the program designer. They mention this point in their paper, but only referring to the strategic creation of stigma by an individual. They do not consider this in their model because they assume that no one individual could unilaterally affect the level of social stigma. However, the program designer could, and it would be interesting to observe the differences in the level of social stigma as the design of the Welfare program changed according to the designer's objectives.

The problem in Besley and Coate (1992) was that administrative cost and other costs were not considered when a Workfare program was introduced. There could be very large costs involved in establishing a new program that increases the level of complexity and shared knowledge. These new costs could outweigh the benefits simply from a monetary view, but also because they would create a greater stigma for the Welfare recipients, especially under the taxpayer resentment theory.

The stigma costs and monetary costs of welfare programs create many problems for both the recipients of Welfare and the providers of it. People may attempt to hide the fact that they are collecting Welfare benefits and thus only socialize with other Welfare recipients. Of even greater concern, Welfare recipients may eventually take on the characteristics that those who stigmatize them ascribe to them, which may create long-term dependence. Long-term dependence increases the costs of providing Welfare, thus

creating a problem for all of society. Thus, decreasing the stigma of a Welfare program is itself a cost saving mechanism, and decreasing costs is a stigma decreasing mechanism.

C. Workfare's Role in Correcting the Deterrent to Work That Welfare Programs Create

The deterrent to work effect is argued to be one of the biggest problems of Welfare programs by some and it is proposed that a Workfare program would enhance the ability of the government to increase the "*functioning of its citizens*" (Standing, 1990). It is believed that many Welfare programs require people to abstain from productive employment in order to qualify for receipt of the program. This is often seen as an inefficient design of Welfare programs (Chambers, 1989). Alternatively, many studies show that the unemployed and poor want to work just as much as the non-poor. Thus, the idea that Welfare programs would have to force the poor to work is puzzling (Goodwin 1983 as cited in Standing, 1990). Some of these inefficiencies come from asymmetric information between the policy maker and the individuals, and cannot easily be corrected. But many believe that something can and should be done to correct the deterrent to labour supply, both for the efficiency of the economy, and for the dignity of the recipients.

Chambers (1989) examined what amount of work requirements should be implemented in a Welfare program (if any) in order to not deter Welfare recipients from working. His study presented two models of Welfare programs with work requirements, one with progressively weighted utilitarian social welfare functions, and one with regressively weighted utilitarian social welfare functions; and all workers had the same preferences over consumption and labour. Chambers assumed that the government could not observe directly either the amount of time worked by an individual, or the ability of any particular individual. All individuals were expected to maximize his/her utility, subject to the consumption production possibilities presented by the Workfare program.

Many of the same assumptions were present in the Chambers model as those in the Besley and Coate (1995) model, and the Cuff (2000) and Beaudry and Blackorby (2000) model, such as asymmetric information between the program designer and recipients. However, the Chambers model differed from those above by the objective of

utility maximization on the part of the workers, rather than welfare maximization or poverty minimization on the part of the program designers. In the Chambers model, the workers, or program recipients as they were referred to in the other models mentioned, choose the appropriate amount of work hours for themselves in order to maximize their own utility. This could lead to very interesting results, but it could also cause some confusion. If workers choose their optimal work hours, there cannot be a mandatory work requirement in the Welfare program, because that requirement would not satisfy most workers. This modelling almost immediately points to a Welfare system that could implement voluntary work programs, possibly with supplemental benefits, such as those to be discussed in the Canadian Self-Sufficiency Project in Card and Robins (1996).

With a progressively weighted utilitarian welfare function, the labour-market equilibrium is similar to the case when there is asymmetric information between the employer and employee. The employer does not know who her best workers are. An employee attempting to show his employer that he is the best worker, will work extra hard. Chambers refers to this as the "rat race" effect. In the opposite situation, the workers work less because they do not need to prove to their employers that they are the best workers.

When the weighting of the welfare function was regressive, it was found that a Workfare program would redistribute income towards the most able, from the least able. This would result in workers attempting to reveal themselves as the most able in order to appear to be the most deserving. This would create the "rat-race" effect. Thus, the Workfare program increased the work effort of the program participants. However, the objective of Welfare programs is to redistribute wealth from the most able (and most well off), to the least able (and least well off), deeming a regressive weighting system on the welfare function impractical.

With a progressive weighting of the welfare function, the redistribution would work in the opposite direction of that above. Income would be transferred from the most able, to the least able. With this modelling, workers would attempt to signal that they were the least able, or worst off, by foregoing productive opportunities. Those who were the worst off would receive the Workfare program benefits. However, these program recipients would have been, in this model, encouraged to decrease their work effort, thus

increasing the deterrent to work. Not only does this modelling of a Workfare program not help to decrease the work deterrent, it also promotes the negative stigma of Welfare programs that its recipients are lazy. If people must decrease their work hours in order to demonstrate their need for a transfer, they will appear "lazy", and increase their dependence on Welfare program benefits. Because implemented Welfare programs are more likely to be related to this case, as opposed to the regressively weighted welfare function, Chambers findings indicate that a Workfare program would not be a useful tool to encourage Welfare program recipients to increase their work contribution.

Brett (1998) argued on the other hand, that for certain people, with certain preferences, a Workfare program is useful in counter-acting work deterrence caused by Welfare programs. Brett (1998) used a model quite similar to that of Chambers (1989), except that Chambers weighed the welfare function in order to determine how required work would affect the work effort. Brett (1998) studied the required level of productivity of the work requirement in order for the Workfare program to be useful.

Brett (1998) assumed that the program designer was welfare maximizing and not poverty-minimizing. The designer could observe the before tax income of the population, but not the populations' wage. There were two types of individuals, who differed by their levels in ability to working the market, but everyone possessed the same ability in the required work of a Workfare program; and the required work was not restricted to being non-productive. The designer had to maximize some social welfare function (which is increasing in all its arguments, continuously differentiable, and strictly S concave), subject to three constraints: an economy-wide materials balance constraint, non-negativity constraints, and self-selection constraints.

There are several implications of the modelling of this problem. One such implication is that individuals of higher productivity receive at least as much utility as individuals of lower productivity, a requirement of self-selection. Another implication is that any redistribution of consumption from an individual of higher abilities to an individual of lower abilities results in a transfer of utility from a relatively better-off person to a relatively worse-off person. Also, with S-concavity, any change like the above, that causes no change in the materials balance constraint, is socially desirable. A third implication is that there are several types of agents bunched at the optimum (i.e.

several ability types all show that their optimum productivity level of work is the same) and the monopolist can do strictly better by bunching agents when an upward self-selection constraint binds. Brett showed that when there were more than two program recipients with different levels of ability, a Workfare program could help to separate out types of abilities therefore assisting in aiming the correct amount of work requirement to the correct people. However, the Workfare program could not stop all of the bunching by the program recipients at a common number of work hours. Even so, the program did approximate an ordering of the amount of required work to be performed by the recipients. In a two-person model, where there was a person of low ability and a person of high ability, Brett found that a work requirement could be helpful, even when the required work was less productive than the market work. However, when required work was completely unproductive, the work requirements were not helpful in increasing work hours.

Brett (1998) concluded by stating that required work of less value than market work could form part of an optimal Workfare program, but only when the program recipients were already in the labour force. In this welfarist setting, when people were working and changed to being workfare recipients, their required work did not have to be very productive. However, when considering those people who were out of work, possibly the people best suited to receive the benefits from a Workfare program, Brett found that the welfare loss was too high when they were required to work. Due to this welfare loss, the benefits of the program were counter-acted and this group was not willing to participate. Implemented Workfare programs are generally designed based on poverty alleviation, such as the program in Ontario, but for someone who values their leisure time, even though they were poor they would not be satisfied with the program. "...At its best, workfare can be a way to give those members of the poor who do not find work too onerous an opportunity to supplement their income." (Brett, 1998)

When comparing this model to a non-welfarist model, such as that of Besley and Coate (1995), the model of Brett (1998) has a higher level of compensation required for the workfare recipients than the Besley and Coate (1995) model. Besley and Coate (1995) are only concerned with the recipients' income level, not their welfare, thus the program designer in their model does not have to compensate the recipient for the loss of

his leisure time. In Brett's model, the compensation level of the Welfare program would be so high that it would not be a reasonable program.

Besley and Coate (1995 b) introduce a second model, which attempts to minimize the disincentive to work effort of Welfare programs. Their model is again centred on poverty minimization, and is in an environment of imperfect information about individuals' income-generating abilities. The program designer can choose to implement work requirements in order to minimize the work deterrence, and this model allows for more than two ability types. The initial Besley and Coate (1995) paper examined above included only low and high ability types. Allowing for more types of abilities approximates the real world environment more closely, making the model more adaptable to the real world. The model used in their paper is a replica of their 1992 paper, which is detailed above, so I will describe only the important assumptions to the case of minimizing work deterrence. The first is the assumption that the work in work requirements of a Welfare program is unproductive. Secondly, the program designer is poverty minimizing, and it wishes to create a program that minimizes cost subject to the constraint that every person reaches a target minimum income level.

Their findings show that work requirements can increase the work effort if they are introduced along with an incentive to consume. If individuals reveal that they can consume an amount greater than the target minimum income, they are offered no benefits, otherwise they are offered benefits. The only way for people to be able to maintain a high level of consumption is for them to maintain their work hours. Thus people are not encouraged to reduce their work hours by the Welfare benefits being offered. This model would only work as long as the consumption incentive were not more expensive for the program designer than providing program benefits to those who did not truly need them.

In future research of this kind, a relaxation of some of the assumptions would be interesting as this could change the outcome of the model greatly. Both technical assumptions and assumptions relating to the ideals of society, such as their lack of concern about the poor population's utility, could be altered. There could also be an introduction of other types of incentive programs, public investments, and work that does

enhance skills, all of which would change the effectiveness of the work requirements in minimizing the deterrent to work of Welfare programs.

Empirical Studies on the Subject:

One possible problem with the design of many Workfare programs is the program's reliance on the labour market and economy. The idea that Workfare program benefits are dependant on the program recipient's acquisition of a job (or work activity) seems illogical when many Workfare program recipients became in need of the program's benefits because they could not find a job in the first place (Torjman, 1996). Chitose and Jensen (1997) test whether there may not be enough appropriate jobs in the U.S. market to sustain everyone. If this is true, than a Workfare program could not decrease the deterrent to work of a Welfare program. Their paper studies the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (a U.S. Act). Under the Act, recipients of Welfare program benefits would be required to find gainful employment within two years of receiving their benefits, or lose their eligibility. However, a cautionary statement must be made:

> "The welfare reform debate has not focused on the labour market in which welfare recipients would be expected to find jobs to support themselves and their families. It would be wise to do so before implementing such a drastic change as time-limiting welfare on a national scale"
>
> (Danziger & Danziger as cited in Chitose and Jensen, 1997)

Like the above statement, a question Chitose and Jensen (1997) view as critical that has long been ignored but must be asked when considering a Workfare program's implications on the real economy, is the question of whether the economy could absorb all of the Workfare program's recipients who would be expected to work. For Welfare program designers, this should be an important aspect of determining the success and thus the implementablitiy of a program that incorporates work requirements.

The model of Chitose and Jensen's study involves calculating the supply of labour that results from measuring the number of people on welfare that would be required to work (several exemptions from work schemes were tested). This number was then

compared with the calculated number of jobs, suited to the types of workers supplying the labour. The resulting ratio of job seekers to job availability was then described.

The number of people who would make up the labour supply was taken from the number of adult individuals in the March 1994 Current Population Survey (a U.S. survey based on a nationally representative sample of 150,000 individuals) who received a transfer from the U.S. government called Aid to Families with Dependent Children (AFDC). Several methods of calculating those who would be exempt from any work requirement were imposed. The actual method used depended on the State in which people resided. The exemptions ranged from including some or all of the following: those already working full-time, full-year, those not working due to illness or disability, those over the age of 65, those in school, and those who were single parents with no spouse and a child under six.

In the case where the exemptions included all of the above exemptions except the last two, the percentage of welfare recipients required to work was found to be 86.9%. If the exemptions also included those in school, the number expected to work decreased moderately to 77.3%. If the exemptions expanded again to include parents with no spouse present and children under six years of age, the number expected to work decreased to 41.2%.

Chitose and Jensen then calculated the types of jobs that would be available to the average welfare recipient in order to determine job vacancies. The first step was to compare the average education of people, who were already employed, with the average education of those who would be expected to work. The determined "welfare client accessible jobs" were those jobs where the average education needed for the job was less than the average years of education of workfare eligible adults, plus one, (11.6 years). Using this many years of education, fourteen occupations in a metro area were found to be accessible. From Chitose and Jensen's data, approximately 28 million positions would be accessible, but of course, only a portion of those would be vacant at any given time. Using the prevailing unemployment rates, it was calculated that 0.85% of all jobs would be available to the average welfare recipient.

The resulting ratio of workfare-eligible adults to each available job when using all five exemptions would be 8.1 to 1. Using the same method for finding job vacancies, the

ratio of workfare-eligible adults to each available job when the exemptions included all of the exemptions except those in school and those with young children increases to 17 to 1. Considering that those who are unemployed and not on the welfare program are also competing for the same jobs these numbers may be understated.

With so many welfare recipients traditionally finding work in the service industry, a different method of calculating job availability was then used. In this method, the likelihood of a welfare recipient finding a job in a given sector was weighted. The jobs available to the average welfare recipient were then calculated and it was found that there were far fewer positions available to welfare recipients. In metro areas, by these calculations, there would only be 9.8% of jobs that would be available to recipients, and this percentage does not show actual vacancy, simply job types available. The resulting ratio of job seekers to available jobs when using the most liberal work exemptions was found to be 15.6 to 1. When those unemployed with low education but not on welfare were included as job seekers, this ratio increased to 35.2 to 1.

Chitose and Jensen's study raises serious doubts as to whether the U.S. economy would be able to absorb all of the Workfare program participants once being required to work. Their calculations, including wide work exemptions, always revealed a high ratio of unemployed to jobs available. If their model closely represents the American economy, the difficulty of finding a job for everyone, not only the welfare recipients, would be increased. This could lead to problems for non-Workfare program recipients as they become less likely to find work. The addition of more people attempting to become a part of the limited spaces in the labour market could also cause a displacement effect where those on a Workfare program could acquire jobs and increase their income, while those not on a Workfare program could move to being on a Workfare program because they cannot find a job. The above problems could create a Workfare system that simply changes the people who are unemployed and/or poor, rather than decreases the number of people who are unemployed and/or poor.

However, Welfare program recipients are disproportionately situated in lower status positions. They generally have less education and therefore the range of jobs available to them is limited. This could help to ease the pressure on the non-Workfare program recipients, but not eliminate it. Although there are more jobs available in the

low skill class of jobs, such as the services sector, Chitose and Jensen factored that into their calculations and their model still revealed that there would be a lack of jobs for all of the people expected to find work. Standing (1990), argues that Workfare program participation "interrupts the job search process by the unemployed", and may cause labour market inefficiency.

Still, support for workfare is prevalent. A study by Burtless (1995: 392), as reported in Chitose and Jensen (1997), theorizes that able-bodied welfare recipients would be able to find jobs if they were resourceful enough and willing to accept a low enough wage and few enough benefits. He points to the number of temporary and part time jobs that could lead to long-term work as options. Burtless goes on to state that although Welfare program recipients may suffer long spells of involuntary unemployment, they will find work eventually.

Although this opinion may be true, the problem with Burtless's argument is that it seems to work in the opposite direction to the goals of a Workfare program. If it takes a long time to find a job, the two-year time limit set in this program is useless. Also, if people do find work, but only because they are working for a very low wage and almost no benefits, are these people any better off? They are able to receive welfare, but they are no closer to being independent. They earn such a small amount of income that they remain dependent on government transfers to have enough money to survive. Also, with such low skilled jobs, these people might not have the opportunity to expand their knowledge and skills, and improve their job options and earnings thus the human capital growth argument for workfare is of little use.

Evans (1993) followed the successes and failures of several Workfare programs implemented in the United States, and investigated the effectiveness of those programs in reducing the deterrence to work for the program recipients. Literature, which reported on seven Workfare programs that came to fruition after the Omnibus Reconciliation Act of 1981, which replaced a "*general requirement to register for employment and training with an obligation to find work for benefits*" was critically assessed by Evans.

The programs that Evans followed were evaluated by the Manpower Demonstration Research Corporation (MDRC). MDRC used randomly chosen experimental and control groups. All seven of the Workfare programs differed in design,

but they were all low-to-moderate cost programs with mandatory participation requirements. Like most Workfare programs across the United States, each of the seven programs evaluated had different eligibility rules, and different benefit packages. The measurable results of the programs were reported and they showed that in four out of seven test Workfare programs in different regions, there was an increase in employment rates. The study also found that five programs of seven found significant increases in earnings. However, the study went on to say that the increases in earnings were "*usually not sufficient to move individuals off welfare and often resulted in only modest gains in income*". Evans' conclusion was that it was worthwhile to conduct the Workfare programs to increase the recipients' work hours, but that the programs would not significantly decrease dependency on a Workfare program benefit.

Although the Workfare programs were shown to decrease the deterrent to work of the recipients, without enough increase in earnings from the programs to remove the recipients from the program, is it actually successful? Also, it is possible that if the labour supply increases, it will increase at a decreasing rate as people observe that finding a job gets them no closer to being self-sufficient. This highlights a problem that has existed in Welfare programs for a long time, the fact that many recipients, almost 25% in the U.S. are long-term recipients (more than 10 years) (Moffitt, 1992). If the work requirements in a Welfare program do not improve the recipients' chances of attaining self-sufficiency, they could be increasing the number of long-term welfare recipients. The long-term recipients are the population that the programs should be focussed on, as the short-term recipients are leaving the program, and not developing a dependence on it. Thus, work requirements are not enough, or the incorrect tool to increase the chances of long term Welfare recipients attaining self-sufficiency.

Leigh (1995) studied whether the Family Independence Program (FIP), which included optional employment and training (E&T) benefits decreased the deterrent to work more than the Aid to Families with Dependent Children (AFDC) program, which included a requirement to work in order to receive benefits. These programs and this study were conducted in the U.S.

In 1987, Washington State introduced FIP as an alternative to AFDC to try and encourage people to participate in work and training, without forcing them to do so.

Longitudinal data for two randomly selected samples, those receiving Welfare program benefits, and those at risk of becoming dependent on those benefits, was used. The data was called the Family Income Study (FIS). The FIS data included information on Welfare recipients listed on the March 1988 list of recipients from 18 areas within Washington. The data required a control group that would reflect what the E&T enrolment would have been without the FIP program. The control group used participants on AFDC, and the net impact of FIP was estimated as the percentage point difference between average E&T rates for FIP and AFDC participants. The E&T enrolment rates were monitored over a twelve-month period ending roughly 1,2,or 3 years after FIP was initially implemented.

The results of the data collected showed that enrolment in E&T activities increased by 11%-16% under FIP. When selection bias was controlled for, FIP's net impact fell to 2%-4%. When compared with AFDC recipient's enrolment in E&T for that same period, FIP increased enrolment in E&T by 33%-44%. The problem was that the long-term effects showed that FIP had only a small impact on employment and earnings, and it greatly increased the use of the Welfare programs (i.e. the number of recipients increased). This suggested that the program had a good design, but that the benefits were too high, and attracted too many recipients. This problem of voluntary programs is what has driven cost conscious program designers to use mandatory work programs like AFDC rather than voluntary programs. To design a more efficient program, there would need to be a balance between the benefit of a voluntary E&T enrolment, and the benefits in of a mandatory work program in order to decrease the attractiveness of the above Welfare programs. Attention should also be given to the type of work activities required by the program to ensure that the activities actually contribute to the recipient being better equipped to find a job in the long term.

One problem with this study comes from using AFDC recipients as a control group to test the use of E&T enrolment by FIP recipients. Results showing that enrolment in E&T was greater in FIP programs than it was in AFDC programs could be misleading because it is possible that many AFDC participants decided instead to use FIP when it was introduced. The author should control for the migration of people from

AFDC to FIP in order to find the real impact of E&T enrolment from either group of recipients.

The theoretical models above support the use of work requirements in a Welfare program, but only under rigorous assumptions that detract from the real environment that a Workfare program would be implemented in. All of the models investigated were cases where the Workfare program designer was welfarist, and the setting where the work requirements helped to encourage the program recipients to work, were settings that opposed those of a meaningful Welfare program. The empirical studies showed that a Workfare program could help to increase the work effort of the recipients, but it did so in such a small amount that it did not help the recipients. Often the recipients remained dependent on the Workfare program benefits. If the recipients remain dependent, than the fact that work was being forfeited to receive welfare benefits is a mute issue. The only reason that work deterrence can be a problem in Welfare programs is if working can deliver the recipients out of Welfare dependence. If work requirements do nothing to improve the recipients' chances of becoming self-sufficient, then work deterrence is not the problem. The problem is that the work the recipients have been forced in to do does not enable them to provide for themselves.

Additional considerations could make the above papers more viable in the future. If work through work requirements does not increase the chances of Welfare recipients becoming independent, than research should be conducted to see what would assist these people. For some people the cost of working is very high (i.e. women with young children, and people with very low skills or disabilities). For these people, the use of supplemental supports to encourage work, but also break down the barriers to work could be researched. Childcare subsidies or Family allowances could be one way to help Welfare recipients become self-sufficient. It is not simply work hours, and increasing income that helps people move off of Welfare program reliance. It is also the training, childcare programs, and transportation subsidies that help people.

Evaluating the long-term effects of a Workfare program is also necessary. In Evans (1993), there was only evidence reporting on the effectiveness of Workfare programs after a few years. However, the long-term effects of workfare could differ

greatly from the short-term effects. The time lapse could mean the difference in work activities assisting long term Welfare program recipients and not.

Card and Robbins (1996), as well as Blank, Card and Robins (1999), studied an alternative program such as the kind suggested above. They conducted a study in Canada to observe how additional financial support would affect the ability of Welfare program recipients to leave the program. The papers focused on moving single mothers off Welfare benefits by attempting to encourage these women to become employed and eventually independent. Single mothers are the most dominant group using Welfare benefits, and thus focussing on removing this group from the Welfare program could make a significant impact (Katz, 1996). The changes in the behaviour of Welfare recipients when the 100% earnings tax[5] was eliminated from the Welfare system, and the Earned Income Tax Credit (EITC)[6] was greatly expanded, was observed. A Self-Sufficiency financial Program (SSP), where Welfare recipients had to work a minimum number of hours in order to collect their welfare benefits (essentially a workfare program) was introduced. There were several observed effects. The first effect was that there was a decrease in the number of windfall beneficiaries[7]. Previously, when Welfare programs were made more attractive, it would entice people who were not using Welfare benefits to begin using them. However, with work requirements, people could not decrease their work hours in order to have a low enough income to be eligible for a Welfare program because they were required to meet the minimum number of work hours before they could collect their benefits. Therefore, windfall beneficiaries were decreased, and people were not deterred from work. On the other hand, the work incentives of this program could have detrimental effects on those already collecting welfare, i.e. those beneficiaries who were not windfall recipients. People who were forced to work, or work more hours may have had a hard time finding full-time work. This could cause work hours to decrease, and dependence on the welfare system to increase. Policy makers must take these effects seriously and consider which group is

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[5] The 100% income tax is a system of taxation whereby any earnings a welfare recipient makes are 100% taxable. This results in a system where every dollar earned decreases welfare benefits by the same amount.
[6] EITC replaced the 100% income tax system so that not all earnings were taxable. Instead, welfare recipients could earn income and gain credit back from what traditionally taxes would have taken away.
[7] Windfall beneficiaries is an economic term used to describe that portion of the population that would be enticed into moving from the labour market and on to welfare (usually because welfare benefits are increasing, or the taxes on welfare earnings are decreasing).

more beneficial to cater to, making sure more people don't join welfare, or making sure those on welfare become more independent.

The Self-Sufficiency Project (SSP) that was evaluated in Canada provided a supplemental income, on top of regular Welfare program benefits, to recipients who opted to find full time work. This is essentially a Workfare program, except that the work is not required, it is optional. Recipients of the supplement were required to mail in their pay stubs, to verify their hours of work, and earnings for the month. The SSP that the authors evaluated was set up to assist long-term welfare recipients who could find full-time work. The provinces of British Columbia, and New Brunswick were the provinces that were taken into consideration.

The research sample that the authors of the study used was a random sample of welfare recipients in each province. The Welfare program recipients had to have been collecting welfare for at least twelve months, they had to be single parents, and be at least eighteen years of age. The program recipients were contacted by phone and informed of the supplement project. Those who decided to participate in the supplement project were the sample group and those who did not were the control group against which the sample group was evaluated. A baseline interview was conducted, and an eighteen-month survey was used to collect information on the sample group from ten months before program enrolment, to seventeen months after enrolment. The total monthly earnings, monthly hours of work, an indicator for employment during the month, an indicator for full-time employment during the month, and an indicator for part-time employment during the month were reported on and presented through graphs and tables. The authors found that the financial incentives of the SSP increase labour market attachment, and reduce welfare participation. This finding suggests that additional supplements to Welfare benefits could possibly be used to increase program recipients' chances of becoming self-sufficient.

Work requirements are often difficult to implement properly, direct toward the target groups, and monitor. An incentive program that offers options for people with special circumstances and costs for working, could help to self-target groups that are often difficult to reach in widespread work requirement programs.

D. Workfare in the Developing World.

Quite often we assume that the basic economic models that we study are equally applicable throughout most countries. However, in developing countries, the economies are much different than those in the west, and Workfare programs are studied, and set up to operate in very different ways to accomplish very different goals. Many developing countries experience devastating poverty both because their economies are not yet large enough to support the population's needs, and because the economy is not strong enough to withstand shocks to the economy (i.e. floods and droughts). When attempting to design economic policies within a developing country, Workfare program designers must ensure there is a mechanism, not only to build the economy, but also to support the population. Often, Workfare programs in developing countries are designed as a relief mechanism, where people provide work for their food and/or other essentials of life (Winters, 2003).

The major differences between a Workfare program in the western world, and a Workfare program in a developing country are observed in not only the design of the program, but also the ultimate goals and thus the outcome of the program. The Workfare program design features often differ with respect to the assumptions of the model. In developed countries, Workfare programs are often assumed not to produce any value from the work requirements (see Besley and Coate (1995)). In developing countries, the work effort extending from the requirements implemented in Workfare programs is quite valuable. Argentina's Trabajar Program, a Workfare program that was studied by Ravallion (2001), and will be discussed further down in this paper, provided work to "poor unemployed workers on sub-projects of direct value to poor communities".

Human capital growth, and short term versus long-term employment opportunities are areas that Workfare program designers differ in developed countries. Sometimes human capital growth and long term employment is the focus of their Workfare programs. Other times, human capital growth is assumed not to exist, and the focus of the program is to place people in whatever jobs are available as quickly as possible. In developing countries however, there is almost no mention of human capital growth. The emergency, short-term design plan of Workfare programs in developing countries eliminates the interest in, and need for human capital growth. Very often people are

fighting for their lives, and the country is fighting economic disaster when developing countries are designing Workfare programs.

Where workfare in developed countries is quite varied from city to city, with policy makers and caseworkers possessing a fair amount of discretion, workfare in developing countries is most useful when there is very limited, or no discretion within the administration staff. There is a communal interest ideology, rather than an individualized advancement ideology in workfare policies in developing countries (Ravallion, 1999). Workfare is used for the greater good, to keep a region "afloat" through a disaster, rather than an attempt to move an individual into the work force and off of welfare assistance.

The goals of workfare in developing countries are very different from the goals of workfare in western countries. When a government uses workfare programs as a safety net, as it is essentially used in developing countries, it needs to be sure that it can provide for a large segment of a population, possibly over a long period. In developed countries, Workfare programs are used as a system of last resort where people are provided for and then weaned off of the program as they begin to be able to provide for themselves. There is usually a very low wage (or no wage at all, rather food or goods) in a workfare program designed for a developing country. This is to ensure that everyone receives something, and that all who receive something, receive the same amount. In a developed country, the program designer attempts to keep costs as low as possible, but at the same time, attempts to deliver benefits that will sustain an individual and provide the necessities, not only of life, but also of working in a developed economy.

It is necessary that the Workfare program is committed to by the government of the developing country so that the infrastructure for the program is known, and always in place for when an economic disaster strikes. Also, Workfare programs are best designed when they are not shock specific (i.e. the policy could be implemented in the wake of any shock to the economy, not only after a flood, or a grain shortage etc.) (Ravallion, 1999). For example, Winters (2001) comments on the safety net set up in Bangladesh entitled The Vulnerable Group Development (VGD) "...During the floods in Bangladesh in 1998, approximately 4.5 million VGD cards (cards which could be redeemed for goods) were distributed which provided crucial help at a critical time..."(Winters, 2003).

When shocks hit their economies, developing countries cannot rely on workfare alone to ease their problems. However, workfare is a crucial and successful tool to help the economy and the people it supports, rebuild. In developing countries, safety nets such as workfare are so effective because in these types of economies, they are designed to be unbiased. Workfare for example, is designed to help everyone who needs help, and it provides the same level of help to everyone. In Winters' opinion, it can target the population better than most workfare programs in western countries, and it can cause less distortion on market forces than other policies (Winters, 2003). Although it does not provide an answer to poverty in these countries (or in Western countries for that matter), workfare does provide a small level of support to people when they are in desperate times.

Workfare programs in developing countries are more effective in the short-run. For long run effectiveness, workfare policies need a complementary long-term policy to help the economy grow, and overcome the problem that it is faced with. Workfare will possibly stop the bad situation from becoming worse, but it will not necessarily help the economy to combat its problems. Trade-offs will occur within the system; not everyone will gain, some will suffer. It is still merely an important step in healing the immediate hardship. A workfare policy will still only improve if a case-by-case analysis is conducted to really observe the effects and learn to predict and possibly prevent adverse policy effects of Welfare programs (Jalan and Ravallion, 1999). This is not an easy task, but it is the only way that program designers can truly see where a Workfare program is effective, and where the program is in need of improvements.

Unfortunately, many developing countries are so poor that they cannot afford Workfare programs at all. These countries, such as Zimbabwe, rely on outside aid instead of their own programs to relieve the pressures of poverty. This is one way in which these countries remain dependent on the western world, and struggle to maintain a growing and nourishing economy. Some aid does enter countries such as Zimbabwe in order to support Workfare programs. Jalan and Ravallion (1999) and Ravallion (1999) examine a Workfare program in Argentina that was partly funded through the World Bank. However, aid such as this often comes as more of a loan, and it also comes with conditions on how the money should be spent. The aid money is greatly appreciated by

the developing, but the dependence of the developing countries on the developed countries remains. This is where the greatest differences between developed and developing economies in Workfare programs can be observed. Instead of Workfare programs aiding in the growth and efficiency of the economy as it does in developed economies, where foreign money is depended upon to establish the Workfare program, the economy's growth is restricted because of the debt to the foreign country.

Jalan and Ravallion (1999), and Ravallion (1999) test a workfare program that was created in Argentina in 1997 to see if there are increases in income from the program. The workfare program, called the *Trabajar Program* was instituted by the Government of Argentina, and supported by a World Bank loan and technical assistance. In the case of the *Trabajar Program*, the economic shock that the program was attempting to ease was that of rapidly increasing unemployment, due to shifts in economic policy. The target group was the extremely poor, thus the workfare payments were less than the lowest wage bracket in Argentina. This was a design mechanism so that only the truly needy would be attracted to the program. Anyone else who had a job, or didn't really need the income would keep their jobs and be better off than if they were on the workfare program.

The authors of the study used two household surveys to evaluate the *Trabajar Program*. One survey, a survey of program participants, was conducted for the purpose of this study. The other survey was a national sample survey conducted in 1997. The national sample survey was a large socio-economic survey covering populations in localities with five thousand or more residents. Both surveys were conducted by the Encuesta de Desarrollo Social (EDS). A model was constructed by the authors to estimate the gains from Workfare, and precautions were taken to ensure that their results were unbiased.

The study concluded that the *Trabajar Program* participants were more likely to be poor than non-participants indicating that the targeting of the program was successful. The other important finding was that there were income gains for the program participants, and that the gains were similar between men and women (but higher for younger workers).

There are great differences in the design and implementation of Workfare programs between developed and developing countries. These differences can be seen in the assumptions of the Workfare programs, the scope of the programs, and goals of the programs, and the outcomes of the programs. The success of workfare programs is greater in developing countries, but the goals of the programs are often not as far reaching as they are in Western countries. Often successful Workfare programs in developing countries do not mean that there are fewer people in need of public transfers, or fewer people living in poverty. Unfortunately a successful Workfare program often means that those people living in poverty who have received Workfare program benefits are just a little bit better off.

5. Workfare In Toronto, Canada

This section will evaluate the Workfare program implemented in Toronto in 1997. A brief introduction to the original Welfare program, and the reasons for the addition of work requirements to the program will be presented. An examination, in the form of a case study will be conducted on the Workfare program in Toronto, focussing specifically on the success the program has had in correcting the three problems of a Welfare program discussed above (screening, stigma and costs, and work deterrence).

Originally in Toronto, all social assistance programs operated under the Canada Assistance Plan (CAP), and the Federal and Provincial governments split the funding of the program fifty-fifty (Herd, 2002). The Welfare program was not intended to be used by people who were temporarily unemployed. They were to use Employment Insurance. The Welfare program was designed as a system of last resort, where people who had exhausted their work search, other means of assistance, and Employment Insurance (then called Unemployment Insurance) turned for help. Potential Welfare recipients were assessed by their need, and then issued family benefits, and disability payments. People who were eligible for receipt of Welfare benefits were allowed some assets, such as a car, or an apartment, and the only requirement was that the recipients look for work, and take employment when it was offered. Both eligibility and benefits depended on many things,

such as location, number of children, disability, marital status, work ability/skills, and special circumstances.

A growing negative attitude toward Welfare recipients, and an increase in the number of caseloads created an environment where policy makers felt that Welfare recipients should be more responsible for their situations. Welfare recipients were viewed with scepticism, and accused of being lazy. A cost saving mechanism was needed, as well as a role for the recipients, to ensure their assuming of responsibility and future repayment to society.

In 1996, with government cutbacks, there was a change in social services financing. CAP was taken over by Canada Health and Social Transfer (CHST), which changed the funding structure. The Federal share of social service funding dropped dramatically and national standards were eliminated in many areas such as health care, education, and social services (National Council of Welfare, 2002). The Ontario government was made responsible for the majority of funding for these services, and was thus looking for ways to reduce that payload. Soon, amongst other changes in the services mentioned above, eligibility rules for the Welfare program changed, as did earnings allotments. Under the old rules, a single woman could maintain her Welfare benefits for up to three years when a man moved in with her. After 1996, as soon as a man moved in, that woman would immediately lose her Welfare benefits (Herd and Mitchell, 2002)

With the new provincial responsibilities, the Ontario government produced the "Common Sense Revolution" and soon after, introduced the idea of "Ontario Works". In 1997, a Welfare program with mandatory work hours, which touted a "hand up" rather than "hand out" policy, was revealed (Government of Ontario, 2002). In return for assistance, Ontario residents in need of support were, and still are required to be involved in employment assistance activities such as the ones described earlier for the City of Toronto.

The expenditure on Welfare programs by the Ontario government was shown to be consistently increasing throughout the 1980s and the early part of the 1990s. Expenditures reached a peak in 1995 at $6,878,623 (HRDC, 2001). The government was concerned with this expenditure and with the increase in Welfare caseloads. With a

poverty alleviation objective in mind, the government wished to design a Welfare program that would decrease the number of people using the program Government of Ontario, 2002). This would be accomplished in the long run if the program met its objective of alleviating poverty, but to affect the caseload in the short run, the government implemented work requirements in the Welfare program to attempt to rid the program of unintended recipients (those who were not truly poor) through screening. In Toronto, since the introduction of "Ontario Works" in 1996, there has been a downward trend in Welfare program caseloads, and the expenditures have dropped and are consistently decreasing. The Welfare program caseload reached its peak in 1995 with 1,344,600 people. After Ontario Works was introduced, the number of recipients dropped to 1,149,600, and in 2000 the number dropped further to 802,000. The program expenditure also dropped immediately after work requirements were introduced from $6,878,623 as mentioned above to $5,687,043 in 1997, and dropped even further to $4,847,110 in 2000 (HRDC, 2001). (See appendix A, B, and C for the recipient caseload and expenditure charts).

When addressing the caseload issue, one could conclude that the work requirements introduced effectively screened out the unintended recipients of Welfare benefits, in other words, Workfare was successful at addressing the screening problem of the past Welfare program. However, the number of Welfare program recipients in other provinces also decreased at the same time, and those provinces did not introduce a work requirement for their program recipients. This suggests that the change in caseload and expenditure did not come from a change within Ontario, but possibly a change in the national labour market, or national economy. It is also possible that the new, tighter Workfare eligibility rules introduced in Ontario made it harder for people to apply and become recipients, effectively reducing the caseload and expenditures (Herd, 2002).

In 1997, the Government of Ontario redesigned the application, and delivery system of welfare. According to Herd (2002), the new system introduced new automation technologies, and focussed on cutting costs in the welfare system. Herd used information from seven focus groups in major cities throughout Ontario, Toronto being one of them. He also used information from the Ministry of Community, Family and Children's Services.

Herd found that the new eligibility criteria "inappropriately restricted" people from receiving welfare benefits. The new application process is conducted over the telephone, and lasts approximately thirty to forty-five minutes. Applicants are asked to present a wide variety of facts and data ranging from their financial assets, to their family situation. If the screener on the phone finds that the applicant is within a certain range of eligibility, the applicant will be asked to attend an interview to complete the application process (Herd and Mitchell, 2002). Through the excessive requests for information, and the complicated application process, the confusing language, and the difficult appeal process, people attempting to receive welfare benefits were being rejected, or were giving up because they could not appropriately complete the application. Herd and Mitchell (2002) suggest that this application system is another attempt by the government to screen individuals for their need of the program's benefits, on top of the work requirement. If a person is in enough need, they will comply with all of the confusing, lengthy requests in order to receive their benefits. Herd and Mitchell (2002) go on to suggest that this system is biased against those who do not have a high level of English proficiency, or social intellect.

The screening goal of the program appears to be present in Toronto as the system design discourages people from applying for Welfare benefits and therefore reduces the caseload. Without knowing whether people were rejected or whether they were unable to complete the process for any number of reasons, one cannot know if the screening targets the appropriate group. The Ministry of Community and Social Services suggests that the appropriate group was not targeted when it found that of the single parents who left the welfare system, 5% had been cut from the system because of missing information (Welfare Watch, 1999). This suggests that people who were deserving of the benefits were being denied simply by a mistake they had unknowingly made and not because they were too lazy to complete the extensive forms. There is no extensive research into who the discouraged applicants really are (Herd, 2002). Some may have found jobs and become quite successful, but many may have simply given up and remain in need.

Others measures that could be used to judge the success of the Welfare program applicants would be the number of applicants who applied to other social assistance programs (allowing for some level of applicants who may have applied to several

programs at one time to cover all bases). To investigate this issue further, one might attempt to conduct a study following welfare hopefuls as they attempt to become Welfare program recipients. A study of this fashion should follow these recipients through their application and appeals process (if any), and should follow them as they leave the Welfare program to see the reasons for their departure. A study should also observe the success of past Welfare program recipients to see if they have found employment and become self-sufficient or not. A more detailed knowledge of Welfare applicants' and recipients' success and failures through the Welfare program would improve the targeting and running of the program greatly.

Welfare programs have traditionally created an environment of negativity towards its recipients, and Toronto's welfare system is no exception. There is widespread use of dependency labels in the literature published about welfare. This supports the idea that welfare recipients are unmotivated, or incapable (Welfare Watch, 1999). The introduction of work requirements to the welfare system was designed to decrease the negative stigma. Policy makers believed that because welfare recipients who would be working and giving back to the system, would no longer be seen as lazy, or inadequate by the rest of the citizens in Toronto. However, this does not appear to be the case.

With the implementation of work requirements, there is also a new need for more monitoring and regulation by the administrators of the welfare system. This increased monitoring perpetuates the suspicion and hostility towards welfare recipients by making them feel as if they are being watched. One person responded to a survey conducted for this paper by saying that one feels as if he/she has behaved like a "bad little child" who needs to be reprimanded. For a system that publicly promotes the building of relationships with its clients based on "dignity, understanding and respect" (Toronto Social Services, 2003), there is certainly something wrong.

A common perception of Welfare recipients is that they are unemployed. This leads to feelings that Welfare recipients are lazy and possess characteristics (such as unreliability) that prohibit them from working. Often the perception of being useless and lazy is a self-fulfilling prophecy. This can lead to problems such as depression, burnout, apathy, anger and immense stress for people on welfare (Kirsh, 1992). When a person feels this deflated, it would be very hard for him/her to find and maintain a job.

A survey was conducted for the purposes of this paper, which revealed that many people in the Toronto area have not increased their tolerance of welfare recipients. One hundred people in the Toronto area were surveyed by asking them to answer a questionnaire. The questionnaire had only nine questions, so as to keep response time low, with space at the end for respondents to write their own comments on Welfare programs. To ensure that a reasonable amount of diversity would exist within the respondent population, the survey was conducted at several different locations within the city of Toronto: Queen St. East, a predominantly white, middle-upper income bracket neighbourhood. A Scarborough neighbourhood with a variety of income brackets and races and religions, and finally a Church run food program for homeless people where both those serving and eating the food were asked to respond to the questions. This survey is useful to provide some information about the stigma of the Welfare program in Toronto. However, this survey is not scientifically valuable, and should not be treated as a true representation of the values and feelings of the citizens of Toronto as a whole. In order to truly capture the magnitude of the stigma toward Welfare recipients in the Toronto area (if any), one would need to conduct a more detailed study, on a much larger scale, which posed more direct questions to the respondent. There should also be more caution taken to capture a wide variety in the respondent population to ensure that the survey results are unbiased. Another suggestion for future surveys of this sort would be to hold a small information session for the respondents prior to their answering of the questions. I found that many people had no knowledge of how the Welfare program worked, or how it affected them (i.e. through taxation). (See appendix D for the survey questions).

The average age of the respondents was 39 and the survey revealed that 87% of all respondents believed that there was a negative stigma towards Welfare program recipients, suggesting that the negative stigma is prevalent, even if the particular respondents did not feel negatively toward Welfare program recipients. I included the age of the respondents to determine if there was a difference in opinion between younger and older generations. The ages of respondents ranged from 18 to 81, and they were divided into groupings from less than 20 years, 21-30, 31-40, 41-50, 51-60, 61-70, and 71 years and older. Using the results from questions #2, 4, and 8 (the questions I believed

revealed the most about whether the respondent held a negative stigma toward Welfare recipients) I compared which age category displayed the most stigma toward Welfare recipients. There were no solid trends displayed by dividing the respndents' answers by age category. However a weak trend was discovered in reference to question #2. See chart 2 below for the trend in #2. It appeared that the younger age groups, (21-30 and 31-40) believed more often than the older age groups that the reason people were using Welfare programs was that they were lazy or adverse to working 38% versus 9%). This was surprising for me because I was expecting that if there was any trend, it would be that the older generations would believe that Welfare recipients were lazy and adverse to working because of social and cultural beliefs of the past. In the future, one might want to categorize the respondents in other ways (such as by income group, race, or religion) to see if there are any other (or more solid) trends surrounding how the respondents feel about Welfare recipients.

Chart 2

		AGE GROUPS						
		<20	21-30	31-40	41-50	51-60	61-70	>71	Total
REASON FOR WELFARE DEPENDENCE	Lazy	0	6	3	1	0	0	0	10
	Adverse to work	0	4	0	0	1	0	0	5
	Lack skills	0	2	5	3	3	2	1	16
	Unlucky	1	3	3	2	1	2	1	13
	Other	0	4	3	1	2	2	0	12
	Total	1	19	14	7	7	6	2	56

Source: Survey answers

Of the respondents, 65% of them believed that Welfare recipients should have to face mandatory work requirements to receive their Welfare benefits. This could be interpreted as negative stigma because the respondents believed the program recipients to be "lazy" (in fact almost 30 % of respondents believed that Welfare recipients were lazy or adverse to work). It could also be that the respondents believed that the work requirements were a very helpful tool for the program and its recipients.

The workfare system in Toronto has not decreased the negative stigma towards Welfare recipients, and in fact, it may have added to the stigma. As in the Besley and

Coates (1991) example, if the costs of the Welfare program have increased, the taxpayer resentment theory may hold in Toronto, thus revealing a source of some of the negative stigma. According to the survey results, 29% would not want their taxes increased to finance a more costly Welfare program. This is not an overwhelming percentage, however the taxpayer resentment theory may hold some ground in Toronto.

As the Ontario expenditures on Welfare programs increased and decreased as discussed above, so did the Toronto expenditures. With the transition to the new automated system, expenditures on administration increased to fulfil the new surveillance objectives, such as overseeing that recipients' data is truthful (Herd, 2002). The new information requirements are so extensive that there is a need for more time and staff involvement to evaluate applications. With overall expenditures on welfare decreasing, and administration expenditures increasing, the welfare benefits must be decreasing drastically. Evidence from the latest data compiled by the National Council of Welfare confirms this. In Ontario, through the end of the 1980s, until the introduction of "Ontario Works", Welfare benefits were increasing or staying approximately level. After work requirements were introduced, Welfare benefits dropped and have been dropping steadily ever since. For a single employable person collecting program benefits, he or she would have experienced a 21% decrease in benefits since 1989. (See appendix E for welfare benefit levels. Refer again to appendix C for total expenditures on Welfare).

The Welfare program in Toronto was thought to deter Welfare recipients from working. The structure of the system encouraged people to leave their jobs in order to qualify for Welfare benefits as benefit packages increased in value. Introducing work requirements to the Welfare program was meant to correct this windfall effect by making Welfare benefits less attractive. However, there has been no empirical research conducted in this area that focuses on Toronto for this paper to critically examine. To conduct a useful empirical study in this area, one would need to follow a group of low-income households while they made their decisions to apply for Welfare benefits or not. This could reveal whether people in Toronto are leaving paying jobs in order to qualify for the Welfare program. One could also cross reference payrolls and quitting dates with application dates for the Welfare program to see if people were being persuaded to leave their jobs were benefits.

Workfare was also introduced into Toronto's welfare system to encourage people already on welfare to gain skills and become employed. The types of jobs that the majority of welfare recipients find are low paying, low skilled jobs. These types of jobs do little to increase a person's skills and employability. Unfortunately, in Toronto, most welfare recipients, both before and after the introduction of work requirements, gain only low skilled, low paying jobs (if they find employment at all) (Welfare Watch, 1999). The Welfare Watch paper goes on to say that employment growth has only occurred in the Workfare population aged 25-54 with a post-secondary education. Although there are some Workfare recipients who have post secondary degrees, there are not many. For those with less education, there has been virtually no employment growth, or a decrease in employment. With 70% of Ontario's Welfare program caseload having high school education or less, the possibility of most Workfare recipients finding work is low. If the Workfare program could improve the education and skill level of its recipients, then it might be possible for them to look for work outside of the typical jobs of Welfare recipients (i.e. the service and goods producing sectors). However, with the increasing pressure on all services, including educational and volunteer training services, there is little hope that work requirements will actually improve a Welfare recipient's employability (Trojman, 1996). On the other hand, there is also some evidence that single mothers with children are making improvements in their skill levels, and finding employment once their children are of school age. Single mothers make up the largest group of Welfare recipients, thus these improvements could make a large impact on the Welfare program (Blau, 2000).

Workfare in Toronto has not accomplished the majority of its goals. It possibly screens out some of the people who would attempt to apply for workfare benefits, but it does not necessarily target the right population to be screened out. Expenditures on workfare have decreased since the work requirements were introduced, however costs of the program have increased, and the benefits to the people in need have decreased thus making the program less helpful to its recipients. Lastly, it is unclear how effective the educational and training programs are, but with fewer of these resources available, the number of people benefiting from the training is not increasing. Toronto Social Services

promised to "assist those most in need", as well as create a program that was "fiscally responsible to the taxpayers". They have not kept their promises.

6. Workfare and Human Capital

Workfare was created to correct problems within the Welfare system. However, the design of Workfare programs has embedded in itself several fundamental problems such as the dependence of the system on the labour market, as the program in the Chitose and Jensen (1997) paper discussed. Another problem in the design of Workfare programs, especially in the design of the models used to study a Workfare program's effects on the economy, is the absence of human capital effects. This section will attempt to point out the importance of human capital growth within a Workfare program, thus showing the unreliability of many studies of Workfare programs that do not include human capital effects.

Few studies about the effects of a Workfare program allow for human capital growth in their modelling. However, the benefits of human capital growth could be far reaching as people acquire skills that could lead them to be employable in the future. Torjman (1996) lists an impressive number of possible benefits of human capital growth that could develop from a Workfare program. Torjman's study suggests that the human capital effects of a Workfare program may be the most valuable, and hence should be a focus of any Workfare program design. Job training and skill acquisition, such as remedial education and vocational training, are examples of services that the government can provide to help boost human capital growth and avoid low skilled people from being dependent on Welfare program benefits (Friedlander, 1997).

A report by Sherri Torjman (1996), for the Caledon Institute of Social Policy, discusses two ideologies that a Workfare program could follow: a mandatory work activity, or a human resources approach. The positive and negative aspects of both types of programs are discussed as well as the financing of the programs and the government's role in administering a program of either type. Torjman used an anecdotal approach, using past statistics and observations from other countries.

A Workfare program that reflects a mandatory work approach means that recipients of Welfare benefits would have to participate in work activities, as defined by the program, in order to be eligible for the program's benefits. Torjman observed that this program design provided a corps of labour that could perform a variety of work activities including community service, and cheap labour for neighbouring businesses. For example, some Workfare program recipients were employed by the government to shovel snow and do roadwork.

There are several problems associated with this Workfare program design that Torjman presents. The first is the displacement effects of adding new workers who are increasing the competition for a limited number of jobs, such as in the case of the Chitose and Jensen (1997) paper above. The displacement effect is an important effect and it cannot be ignored. It can lead to a system where gaining employment as Workfare program recipients, are taking jobs from those who were supporting themselves. As those self-supporters lose their jobs, they may become Welfare dependent and thus the caseload of the Welfare program does not decrease, it simply changes in terms of who is the recipient.

A second problem of mandatory work hours in return for Welfare benefits is that this often leads to a filtering of recipients into low paying, low skilled jobs. These types of jobs do not offer the recipient enough money to leave the Welfare program, nor do they teach the recipient new skills, for example employing Workfare recipients to shovel snow. Because the definition of "work activities" is so broad, many Workfare program recipients are placed in volunteer positions in return for their program benefits. Volunteer positions can offer as much training and experience as a paying position, and is seen as an equivalent to work hours in this Workfare system. However, many not for profit organisations are facing the same funding cuts and pressures as the Welfare system. With increased pressure to accept and train more volunteers, not for profit organizations and other organisations that rely on volunteers for operation are feeling a rub-off effect of this Workfare program's design and possibly facing demise because of it. For example, the Kiwanis Clubs in the Ontario region have been upset with the provincial government over the lack of consultation on the involvement of service clubs in the training of

Workfare program recipients. In the Kiwanis Club's view, they were simply expected to accept the extra volunteers (Torjman, 1996).

A third problem in a Welfare program with mandatory work hours is the low skilled jobs many Welfare program recipients are forced in to. Torjman argues that if a system of job skills, training and acquisition is properly established and administered, people will voluntarily participate and there would be no need to make participation mandatory. When Workfare program recipients are essentially "working off" their Welfare benefits, it creates an environment where the public and the recipients tend to believe that the recipients' work is worthless. This creates a negative stigma; Torjman comments, "the Workfare recipients feel they are not entitled to a wage". This could lead to a system where businesses take advantage of Workfare program recipients, driving the stigma higher and higher. With voluntary work hours, there would be no need for monitoring the Welfare program recipients' attendance at their jobs or training sessions, and no punitive actions because the recipients failed to comply with the rules. In the long run, a voluntary work program could decrease expenditures. With poverty alleviation as the key motivation behind the Welfare program, this possible decrease in administration expenditures could mean that more program recipients could receive benefits. With less monitoring, if the program designer was more interested in welfare maximization, the decrease in monitoring could provide a less oppressive program design in which the program's recipients could be better off. Decreasing the negative stigma toward Welfare program recipients serves to help a program designer whether it is interested in either poverty alleviation or welfare maximization.

A human resources approach to workfare would develop a personalized action plan for the recipients that would stem from a variety of supports. There would be a focus on information building and referral, personal development (which may include interview advice, anger management, and a variety of social techniques that some recipients may be lacking), apprenticeship, and academic upgrading. These supports help people develop résumés, make contacts, gain job skills and language skills, which, in the long run will help them to become employed and stay employed (Friedlander et al. 1997).

Just as there are problems with the mandatory work approach to a Workfare program, Torjman argues that problems occur with the human resources approach as

well. These problems include the cost of training and supporting all of the people involved, the lack of support by taxpayers, and the lack of proof that this approach will guarantee a better outcome for Welfare program recipients.

Many community colleges, apprenticeship programs, and volunteer based organisations are facing funding cuts in the same magnitude as a Welfare program. This means that resources that may have been relied upon to train Welfare program recipients in the past are no longer equipped to handle the entire caseload. The supply of available programs is decreasing, and the costs are rising. The same problem is observed in the daycare system. It is becoming costlier to leave a child in a care program in order for parents to go to work. These problems together mean that for the government to provide these support programs, it will need to spend money in other areas, not only in the Welfare program. For many citizens, this is not where they would like their tax dollars to go. They would rather see the unemployed in jobs where there are immediate changes, not schools where the benefits are observed in the long run.

The taxpayers, or non-workfare recipients, may not approve of Workfare program recipients receiving so many training opportunities and benefits, while they had to pay for their own education and training. This is especially true if people partake in the negative stigma toward Welfare program recipients. This type of preferential treatment creates a type of displacement effect, where those paying their own way through training might lose their job to a person who has had a free training program from the government (Torjman, 1996). This displacement effect, or threat of the effect could add to the negative stigma toward Welfare program recipients.

The same argument is brought up when special financing programs are drafted for Workfare programs. Many believe that the government should provide special funding to Welfare program recipients who are starting a new business and would otherwise not be able to afford to start that new business. However, many other people believe that this is preferential treatment, and that if a Welfare program recipient deserves a tax break, or a special loan, then they should as well. In the attempt to equalize our society, these programs act to prioritize people according to their financial situation.

There is a third problem with the human resources approach that concerns the lack of a guarantee that people will finish a training program with more job skills,

employment, or an increase in income. Without having a job at the end of the line, Torjman found that many people, including possible participants in the program, failed to see the point of training programs. Plus, there are many Welfare program recipients that have strong skills, and a high educational level. They are simply unable to find a job. For these people, spending a lot of money and time on training programs is not efficient (Torjman, 1996).

The evidence of the effects of training and education on maintaining employment is not persuasive. There are studies that show that only marginal effects on employment gains, due to training and education exist (Blau, 2000). If more persuasive evidence were available, then it is possible that more people would support the implementation of expensive training programs. Evidence also shows that many Welfare recipients only manage to find work in places that provide very small wages, and very little opportunity to move up in the work force, even after training (Herd, 1996). If these new jobs do not provide the necessary income for workers to leave the workfare system, then why bother providing training? At least if people could leave workfare, there would be a point to the training. There might not be an increase in income for workfare recipients, but they would no longer be dependent on the workfare system. This does not accomplish the goals of the welfare system, to improve the lives of those with the lowest incomes, but it would decrease the caseload in the long run, which in turn would decrease the cost of the workfare system for the government.

From the Torjman paper, it is not clear whether a Workfare program should concentrate specifically on human capital growth or not. Whether human capital growth occurs, whether it makes a difference, whether people are willing to pay for it, these are all considerations that need to be investigated. Human capital growth could have a very powerful effect on a Workfare program, and the economy it operates in and program designers need to know more precisely its affects.

Besley and Coate (1995), among others (such as Cuff (2000)), assume that the work required by the Workfare program is unproductive. This simplifies the model that they must manipulate by leaving out an additional possible effect that they no longer need to calculate, but it loses the connection with the real world; where often there is productive work being accomplished. There are cases where the work required by

Workfare program participants does not offer any training at all (for instance shovelling snow). However, most work activities do provide productive work where something is accomplished (just as when someone shovels snow, the sidewalk is cleared; thus someone else is not being hired to clear the sidewalks). As more Workfare programs provide a source of human capital growth, its effects need to be considered in order to correctly assess the attributes of the program.

7. Conclusions

Poverty alleviation is a very complicated policy issue. Indeed there are many different Welfare programs that attempt to alleviate poverty, and many different alternatives to Welfare programs. The alternative investigated in this paper was Workfare. Workfare itself can be organized in many different ways, sometimes with poverty alleviation in mind, sometimes with welfare maximization in mind.

This paper has studied the effectiveness of Workfare in its goal of reducing the problems of Welfare programs by critically evaluating several papers which discuss Workfare, its modelling, and its policy implications. Workfare does indeed meet some of its goals of reducing the problems associated with Welfare programs when considered in certain contexts. The problem for program designers is relating their situations in a real economy and society, with the simulated situations in the above papers' models.

In both a poverty alleviation setting, and a welfarist setting, the goal of screening was accomplished. However, the targeting of the screening was often unsuccessful and thus it was not very useful. Work requirements affected the stigma and costs of a Welfare program in an ambiguous fashion. When minimizing the deterrent to work, Workfare did not help in any significant way. It was also found that the jobs available to Welfare recipients were not likely to be the jobs that would lead to improved skills and higher probability of being self-sufficient.

The investigation of the Workfare program in Toronto followed much of the same path as that of the general assessment of Workfare. In Toronto, screening was successful, but not necessarily for the correct target group. The stigma and the costs of the Workfare program increased, thus failing to meet the goals of the program. However, the overall

expenditures on Workfare decreased, thus, although Workfare did not help the recipients, it did accomplish the expenditure-decreasing goal of the program designer. Employability did not increase in Toronto, nor was there any indication of how, if at all, workfare recipients' education and skills improved.

In the future, when empirical evaluations of the success of a Workfare program are being conducted, all social angles must be evaluated. Many theoretical models are welfare maximizing rather than poverty minimizing. However, most of the empirical research conducted so far has focussed only on the income of the recipients, or the number of recipients. This does not provide enough information for program designers to make decisions on the direction of Welfare programs. It would need to know if the Welfare recipient had become employed, what type of job he/she received, what sort of benefits he/she had access to, what sort of benefits were available to the children of the employed parent, what the state of Welfare children's health is, and are there more or fewer homeless people and people in lines at food banks.

Where the study of the Workfare program in Toronto is concerned, there would need to be a great deal more research conducted as accessing useful information to evaluate the program was quite difficult. There is not enough long-term assessment of the program and its recipients. When people leave the welfare program, society and the designers need to know why. Were they successful in finding a job, were they no longer eligible for benefits, was there another assistance program that worked better for them (such as Employment Insurance)? Without these answers, a program designer cannot know whether work requirements are helping or hurting the Welfare program.

All of these areas require further research. The Government cannot and should not make statements about the success or failure of a Workfare program until follow up studies have been conducted on the welfare of program recipients. Until we know more, Workfare, like Welfare programs, is at best a temporary solution to the problem of poverty, and it does not target the real problems of poverty. Rather than improving upon a program like Workfare that does not get to the root of the problem, program designers should focus on specific market failures, and other causes of poverty.

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Appendix A

TAB361

Table 361 **Canada Assistance Plan, Number of Beneficiaries (including Dependants) of General Assistance, by Province and for Canada, as of March 31, 1976 to 1996.**

Tableau 361 **Régime d'assistance publique du Canada, nombre de bénéficiaires (y compris les personnes à charge) de l'assistance générale, par province et pour le Canada, au 31 mars, de 1976 à 1996.**

YR/AN	NF\TN	PE\IPE	NS\NE	NB	QUE	ONT	MAN	SASK	ALTA	BC\CB	YUKON	NWT\TNO	NU	CANADA
1995-96	72,000	11,700	103,100	67,100	813,200	1,214,600	85,800	80,600	105,600	369,900	1,700	11,800	-	2,937,100
1994-95	71,300	12,400	104,000	67,400	802,200	1,344,600	85,200	82,200	113,200	374,300	2,100	12,000	-	3,070,900
1993-94	67,400	13,100	104,000	73,500	787,200	1,379,300	89,300	81,000	138,500	353,500	2,400	11,000	-	3,100,200
1992-93	68,100	12,600	98,700	78,100	741,400	1,287,000	88,000	88,200	196,000	323,300	2,500	11,100	-	2,975,000
1991-92	59,800	11,800	92,600	78,200	674,900	1,184,700	80,900	80,400	188,300	279,300	1,700	10,400	-	2,723,000
1990-91	51,800	10,300	86,200	71,900	594,900	929,900	71,700	53,400	156,600	244,000	1,200	10,300	-	2,282,200
1989-90	47,900	8,600	78,400	67,200	555,900	675,700	66,900	54,100	148,800	216,000	1,000	9,600	-	1,930,100
1988-89	44,800	8,300	75,600	67,700	559,300	588,200	63,000	57,200	151,700	230,000	900	9,400	-	1,856,100
1987-88	47,900	8,900	73,800	70,600	594,000	533,500	62,700	60,300	149,800	241,100	1,100	9,300	-	1,853,000
1986-87	50,500	9,300	73,000	73,700	649,800	518,400	60,600	62,100	150,500	247,700	1,200	8,300	-	1,904,900
1985-86	47,000	9,200	72,100	68,800	693,900	485,800	62,600	62,700	126,600	255,700	1,400	7,100	-	1,892,900
1984-85	49,100	9,600	73,600	69,100	708,700	485,800	62,800	64,000	124,100	267,600	1,500	7,400	-	1,923,300
1983-84	53,300	9,800	67,500	68,600	705,900	484,600	59,200	63,700	117,100	257,100	1,100	7,000	-	1,894,900
1982-83	51,900	11,300	69,000	70,100	675,800	471,200	55,900	59,700	130,600	228,800	1,300	7,300	-	1,832,900
1981-82	54,700	11,300	64,600	62,700	561,900	406,800	47,800	48,400	91,700	144,900	1,500	6,500	-	1,502,800
1980-81	50,400	10,100	62,400	67,400	532,900	389,800	46,900	43,800	78,100	128,000	1,200	7,400	-	1,418,400
1979-80	48,500	9,367	51,220	66,312	511,925	354,798	45,600	41,390	76,105	122,848	1,075	5,190	-	1,334,330
1978-79	39,312	8,480	50,055	65,040	478,277	382,224	47,596	42,130	80,823	146,940	6,303	0	-	1,347,180
1977-78	53,813	8,329	49,762	63,432	464,503	356,324	52,489	41,363	85,060	140,962	5,639	0	-	1,321,676
1976-77	52,424	8,685	55,932	67,130	457,053	338,909	55,251	38,807	86,464	162,000	5,329	0	-	1,327,984
1975-76	61,009	8,812	54,160	52,521	428,713	367,943	57,574	43,490	78,220	162,076	8,400	0	-	1,322,918

Footnotes

SOURCE: Social Development Programs Division, Human Resources Investment Branch, Human Resources Development Canada.

NOTES: 1.Programs, definitions and reporting systems vary considerably among provinces or within a given province over time; data are not comparable and should be used as estimates only.
2.Eligibility for benefits is determined through needs-testing; benefits are not taxable.
3.Persons in need receive assistance from provincial social assistance programs cost-shared with the federal government under the "General Assistance" component of CAP.
4.NWT entered the Agreement under the CAP in 1973 and data are combined with the Yukon total until 1978-79.
5.See note 8, Table 360.
6.From March 1997, see Table 435 for number of beneficiaries.

Annotations

* SOURCE: Division des programmes de développement sociale, Investissement dans les ressources humaines, Développement des ressources humaines Canada.
* NOTA: 1.Les programmes, définitions et systèmes de rapport varient considérablement d'une province à l'autre ou encore dans une même province au cours de plusieurs années; les données ne sont pas comparables et ne devraient être utilisées qu'à titre estimatif.
* 2.L'admissibilité aux prestations est déterminée par une analyse des besoins; les prestations ne sont pas imposables.
* 3.Les personnes dans le besoin reçoivent de l'aide financière en vertu de programmes provinciaux d'assistance sociale qui sont à frais partagés avec le gouvernement fédéral sous la rubrique «Assistance générale» du RAPC.
* 4.Les T.N.-O. se sont joints à l'Accord conclu en vertu du RAPC, en 1973 et les chiffres sont combinés dans le total du Yukon jusqu'à 1978-1979.
* 5.Voir nota 8, tableau 360.
* 6.À compter de mars 1997, voir le tableau 435 pour connaître le nombre de bénéficiaires.

Appendix B

TAB435

Table 435 Number of Beneficiaries (Including Dependants) of Provincial and Municipal Social Assistance, by Province and for Canada, as of March 31, 1997 to 2000.

Tableau 435 Nombre de bénéficiaires (y compris les personnes à charge) des programmes provinciaux et municipaux d'assistance sociale, par province et pour le Canada, au 31 mars, de 1997 à 2000.

YR/AN	NF\TN	PEI/IPE	NS\NE	NB	QUE	ONT	MAN	SASK	ALTA	BC\CB	YUKON	NWT\TNO	NU	CANADA
1999-00	59,400	8,400	73,700	56,300	618,900	802,000	63,300	63,800	64,800	262,400	1,400	3,400	7,300	2,085,100
1998-99	59,900	9,800	80,900	61,800	661,300	910,100	68,700	66,500	71,900	275,200	1,700	11,300	-	2,279,200
1997-98	64,600	10,900	85,500	67,100	725,700	1,091,300	72,700	72,500	77,000	297,400	2,100	10,700	-	2,577,500
1996-97	71,900	11,100	93,700	70,600	793,300	1,149,600	79,100	79,700	89,800	321,300	2,000	12,800	-	2,774,900

Footnotes

SOURCE: Social Policy, Strategic Policy,
Human Resources Development Canada.

NOTES: 1.Programs, definitions and reporting systems vary considerably among provinces or within a given province over time; data are not comparable and should be used as estimates only.
2.Eligibility for benefits is determined through needs-testing.
3.Persons in need receive assistance from provincial and municipal social assistance programs.
4.Since April 1996, the Canada Health and Social Transfer (CHST), a federal block-fund transfer to provinces and territories, provides financial support for the provision of health, post-secondary education, social assistance and social services.
5.See Table 361 for data prior to March 1997.

Annotations

* SOURCE: Direction générale de la politique sociale, Politique stratégique.
* Développement des ressources humaines Canada.
* NOTA: 1.Les programmes, définitions et systèmes de rapport varient considérablement
* d'une province à l'autre ou encore dans une même province au cours de plusieurs années;
* les données ne sont pas comparables et ne devraient être utilisées qu'à titre estimatif.
* 2.L'admissibilité aux prestations est déterminée par une analyse des besoins.
* 3.Les personnes dans le besoin reçoivent de l'aide financière en vertu des programmes
* provinciaux et municipaux d'assistance sociale.
* 4.Depuis avril 1996, les provinces et les territoires reçoivent, en vertu du
* Transfert canadien en matière de santé et de programmes sociaux (TCSPS),
* une aide financière fédérale globale pour la prestation de services de santé,
* d'éducation postsecondaire, d'aide sociale et de services sociaux.
* 5. Voir le tableau 361 pour les données antérieures à mars 1997.

59

Appendix C.

TAB438

Table 438 **Provincial and Municipal Social Assistance Program Expenditures, by Province and for Canada, Fiscal Years ending March 31, 1980-81 to 1999-2000.**

$000

Tableau 438 **Dépenses de Programmes provinciaux et municipaux d'assistance sociale, par province et pour le Canada, années financières se terminant le 31 mars, de 1980-1981 à 1999-2000.**

000 $

YR/AN	NF/TN	PEI/IPE	NS/NE	NB	QUE	ONT	MAN	SASK	ALTA	BC/CB	YUKON	NWT/TNO	NU	CANADA
1999-00	211,155	29,552	330,500	234,889	2,677,848	4,847,110	280,462	254,207	276,820	1,248,627	9,328	14,971	21,989	10,437,458
1998-99	227,196	35,909	351,000	235,333	2,854,229	5,172,607	293,873	263,024	293,223	1,271,503	9,545	34,914	-	11,042,356
1997-98	231,640	39,208	367,900	253,774	3,175,028	5,472,075	317,354	308,610	335,130	1,373,864	9,611	35,614	-	11,919,808
1996-97	251,589	38,639	368,600	251,495	3,482,057	5,687,043	339,880	319,207	390,837	1,550,053	8,506	35,810	-	12,723,716
1995-96	244,892	40,030	373,900	246,261	3,614,193	6,606,132	357,487	318,205	438,790	1,751,400	7,707	32,572	-	14,031,569
1994-95	226,359	42,914	387,119	252,811	3,558,407	6,878,623	357,037	317,613	474,964	1,747,300	8,811	34,501	-	14,266,459
1993-94	197,993	45,544	350,960	264,943	3,466,769	6,799,682	370,977	303,277	765,355	1,674,242	9,496	31,382	-	14,280,620
1992-93	180,121	42,754	322,851	281,948	3,189,385	6,321,487	364,964	251,116	955,930	1,480,999	8,658	27,727	-	13,427,920
1991-92	151,624	38,047	282,633	272,126	2,750,789	5,226,239	295,636	209,419	854,836	1,198,826	6,366	25,155	-	11,311,696
1990-91	133,587	33,818	240,313	241,952	2,193,149	3,622,801	247,308	190,921	691,419	982,806	4,003	22,305	-	8,604,382
1989-90	117,148	27,407	208,968	229,094	2,224,223	2,615,253	218,623	189,185	652,415	886,304	2,841	20,889	-	7,392,350
1988-89	104,089	25,564	192,618	226,348	2,116,631	2,192,797	199,514	196,846	626,731	867,838	2,236	19,413	-	6,770,625
1987-88	104,933	24,525	172,218	210,264	2,298,951	1,908,054	186,547	199,281	583,457	865,940	2,084	16,896	-	6,573,150
1986-87	100,648	23,189	159,213	202,394	2,155,828	1,665,524	167,093	204,071	529,962	887,154	2,187	13,064	-	6,090,327
1985-86	90,036	21,655	148,013	192,967	2,176,751	1,485,620	159,339	196,533	438,330	883,539	2,845	11,064	-	5,806,692
1984-85	85,598	20,123	136,131	185,990	2,010,573	1,365,567	145,308	187,886	370,990	855,197	2,335	9,297	-	5,374,995
1983-84	87,163	20,040	122,525	170,200	1,836,287	1,231,281	128,279	174,863	346,873	781,561	2,200	9,282	-	4,910,554
1982-83	79,793	21,745	109,826	164,808	1,518,643	1,041,283	101,110	155,135	335,005	609,223	2,629	8,742	-	4,147,942
1981-82	71,284	18,637	95,615	137,247	1,199,969	845,055	80,180	111,435	215,530	369,663	2,094	7,420	-	3,154,129
1980-81	68,621	15,761	82,969	125,015	1,051,411	736,953	71,480	94,171	169,394	326,868	1,575	6,974	-	2,751,192

Footnotes

SOURCE: Social Policy, Strategic Policy, Human Resources Development Canada.

NOTES: 1.See footnotes on following page.

Annotations

* SOURCE: Division des programmes à frais partagés, Investissement dans les ressources
* humaines, Développement des ressources humaines Canada.
* NOTA:1.Voir les renvois à la page suivante.

Appendix D: Survey Questions

In Brief:

This survey is to assist me in writing my thesis for my Master's in Economics. My thesis will discuss the welfare system in Toronto, but to not bias your answers I will not divulge the exact topic of my paper. In recent years the welfare system in Toronto has adapted a work for welfare approach and is thus called workfare. Please answer the following questions about workfare as truthfully and exactly as possible. If there is an answer that better describes your opinion that is not there, please add it in, as well as any extra comments you want to make in the space provided.

Survey Questions:

1. Please state your age _____
2. What is your attitude towards people collecting workfare?
   Lazy Adverse to Work Lack Skills Unlucky Other _____

3. Would you employ or work with a workfare recipient?
   Employ: Yes No Work With: Yes No

4. Do you think that people on workfare should have to work in order to receive benefits? Yes No

5. Do you think in general that there is a negative stigma towards people who use workfare? Yes No

6. How much do you think that a negative stigma would deter a person from collecting workfare? A lot A little None

7. What is your attitude towards working or being employed?
   a) I like it, it makes me feel good
   b) I don't like it, but I have to do it
   c) I don't like it, I don't do it

8. In your opinion, how would people on workfare tend to answer question #6? (a, b, or c, from above)
9. If the government announced that they would be spending more money to help those on workfare, would you approve?
   a) yes
   b) yes, but it would not be your first choice of where to spend more money.
   c) no
   d) no, those on workfare should get less money

Please add any further comments or concerns about the topic of workfare/welfare.

Appendix E

TABLE 4.1: PROVINCIAL AND TERRITORIAL WELFARE BENEFITS IN 2002 CONSTANT DOLLARS

	1986	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	{2001}	{2002}
ONTARIO															
Single Employable	7,817	8,404	9,174	9,415	9,741	9,710	9,716	9,019	7,400	7,325	7,259	7,133	6,941	6,769	6,623
Person with a Disability		12,135	12,941	13,228	13,449	13,373	13,381	13,094	12,888	12,682	12,567	12,349	12,017	11,718	11,466
Single Parent, One Child	13,999	15,083	16,898	17,314	17,632	17,606	17,619	16,338	13,421	13,230	12,776	12,139	11,625	11,100	10,708
Couple, Two Children	17,425	19,034	22,171	22,586	23,081	23,023	22,829	21,038	17,341	17,097	16,380	15,369	14,583	13,748	13,146

Source: National Council of Welfare, Welfare Incomes Survey 2002.
The highlighted column is the year in which drastic cuts were made in welfare spending, the beginning of workfare.